

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

In Re:)
) Case No. 16-14761-MER
Y&K SUN, INC.,)
)
) Chapter 11
Debtor.)
)

**DISCLOSURE STATEMENT FOR PLAN OF REORGANIZATION PROPOSED BY
CREDITORS, WONJOONG KIM AND YOONEE KIM (THE “KIMS”), DATED
FEBRUARY 8, 2018**

Creditors, Wonjoong Kim and Yoonee Kim (together the “Kims”), in the above- captioned bankruptcy case (“Debtors”), submit this Disclosure Statement for the Plan of Reorganization Proposed by the Kims dated February 2, 2018 (the “Disclosure Statement”) pursuant to § 1125 of the Bankruptcy Code, 11 U.S.C. §101 *et seq.* (the “Bankruptcy Code”), to all known holders of claims against the Debtor and Debtors’ chapter 11 bankruptcy estate in order to disclose information deemed to be material, important, and necessary for creditors of the Debtor to make an informed decision in exercising their right to vote for acceptance or rejection of the Plan of Reorganization Proposed by the Debtors dated February 5, 2018 (the “Plan”). The Plan has been filed with the United States Bankruptcy Court for the District of Colorado (the “Court”), and a copy of the Plan is attached as **Exhibit 1** hereto.

COURT APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT IMPLY COURT APPROVAL OF THE PLAN. IN THE EVENT OF ANY INCONSISTENCIES BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN SHALL CONTROL.

I. DISCLOSURE STATEMENT APPROVAL, VOTING PROCEDURES AND PLAN CONFIRMATION

This Disclosure Statement is provided to all of Debtors’ creditors and other parties in interest entitled to it under the Bankruptcy Code. This Disclosure Statement is intended to provide adequate information to enable the typical creditor, Interest holder, or other party in interest to make an informed decision to accept or reject the Plan. **YOU ARE ENCOURAGED TO READ THE PLAN, THIS DISCLOSURE STATEMENT, AND ALL EXHIBITS THERETO IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.** Prior to its distribution to all creditors and other parties in interest, the Court approved this Disclosure Statement by Order dated _____, 2018, as containing adequate information; however, Court approval of this Disclosure Statement does not imply Court approval of the Plan.

A. Plan Requirements. The Bankruptcy Code imposes requirements for acceptance of the Plan by creditors, minimum value of distributions, and feasibility, among other things. To confirm the Plan, the Court must find that all of these conditions and other conditions set forth in § 1129(a) of the Bankruptcy Code have been met, unless the “cram down” provisions of § 1129(b) of the Bankruptcy Code are applicable. Even if each Class of Claims accepts the Plan by the requisite majorities, the Court must undertake an independent evaluation of Plan feasibility and other statutory requirements before confirming the Plan. The conditions for minimum value and feasibility are discussed below and elsewhere in this Disclosure Statement.

B. Voting on the Plan. Your vote on the Plan is important. The Plan can be implemented only if it is confirmed by the Court. The Plan can be confirmed only if, among other things, it is accepted by the holders of two thirds in amount and more than one-half in number of the holder(s) of Claims in at least one impaired Class who actually vote on the Plan. In the event the requisite acceptances are not obtained from the other impaired Classes, the Court may nevertheless confirm the Plan if the Court finds that it is fair and equitable to the Class or Classes rejecting it.

Holders of Claims or Interests in Classes 2, 3 and 4 are impaired and are entitled to vote. **IF YOU HAVE A DISPUTED, CONTINGENT OR UNLIQUIDATED CLAIM IN ONE OF THESE CLASSES, YOU MUST HAVE YOUR CLAIM ESTIMATED BY THE COURT IN ORDER TO VOTE.**

C. Balloting and Confirmation of the Plan. The Court will hold a hearing on confirmation of the Plan on _____, 2018, and will then, among other things, determine the results of the vote. The date on which the Court approves the Plan is the “Confirmation Date,” and the “Effective Date” is the date that is fifteen (15) days after the Confirmation Date (unless an appeal is taken and a stay of the confirmation order is obtained, or Debtors, by notice filed with the Court, elect an earlier Effective Date). Objections to Confirmation are due on or before _____, 2018.

A ballot pursuant to which the holder of an Allowed Claim may vote on the Plan accompanies this Disclosure Statement. **Completed ballots should be mailed or otherwise delivered so as to be received no later than 5:00 p.m. Mountain Time on _____, 2018, to:**

Michael J. Davis, as attorney for the Kims
DLG Law Group LLC
4100 E. Mississippi Ave., St. 420
Denver, Colo. 80246

Jeffrey Weinman
Chapter 11 Trustee
730 17th St #240
Denver, CO 80202

If your ballot is damaged or lost, or if you have any questions concerning voting, you may contact Mr. Davis (email: mdavis@dlglaw.net) or by phone at (720) 361-6036

Debtors will not count votes that do not contain the required signature. Debtors will not count votes that do not indicate acceptance or rejection as votes accepting the Plan.

Section 1126(e) of the Bankruptcy Code states that on request of a party in interest, and after notice and a hearing, the Court may designate any entity whose acceptance or rejection of the Plan is not in good faith, or is not solicited or procured in good faith or in accordance with the provisions of title 11 of the United States Code.

D. Cram Down. The Bankruptcy Code allows the Court to confirm a plan of reorganization or to “cram down” a plan of reorganization despite its rejection by a class of impaired claims under some circumstances. The Bankruptcy Code provides that if an impaired class rejects the Plan, then the Plan cannot be confirmed unless at least one class of claims that is impaired under the Plan has accepted it. In this regard, the Court must determine acceptance without including any vote by any insider, and further, the Court must conclude that the Plan “does not discriminate unfairly, and is fair and equitable” with respect to the claims of the impaired class. Debtors will invoke their rights to request the Court to confirm the Plan under such circumstances.

II. HISTORY AND OPERATIONS OF THE DEBTORS

A. Information concerning the Debtors and the Debtors’ Businesses.

1. Debtors. The Debtor in this bankruptcy case is Y&K Sun Inc. which has been involved in the operation of the JCRS Shopping Center located at real estate business in the Denver metropolitan area for over twenty years.

2. Real Estate, Businesses and Operations - Overview. The Debtor conducted business at the JCRS Property which is a portion of the entire JCRS Shopping Center, which was developed in 1984 and located on West Colfax in Lakewood, Colorado. The JCRS Shopping Center consists of more than 260,000 square feet of retail space. Numerous parties own portions of JCRS Shopping Center.

The JCRS Property consists of approximately 43,000 rentable square feet in fifteen (15) units, located in three separate parcels, with associated parking and common areas. There are currently 11 tenants at the JCRS Property occupying approximately 29,000 square feet. Gross annual rent totals approximately \$480,000.

The majority of current terms of the leases at the JCRS Property expire in 2018. Per the Appraisal Report dated June 26, 2015, prepared by Core Realty Advisors (the “Appraisal”), the contract lease rates are considered to be on the low side of market rates for comparable properties.

Y&K purchased the JCRS Property in 2006, which was financed in part by a \$3,000,000 loan at eight and one half percent (8.5%) interest from FNB. The Suns contributed to Y&K proceeds from the sale of other property through a 1031 exchange for the remainder. The loan from FNB was a fully amortized 25-year term loan.

The FNB loan was modified in 2008 to lower the interest rate to six percent (6.0%) and require interest only payments until 2010 and then payments of principal and interest based on a 25-year amortization, with a balloon payment of all principal and interest due in 2013. The FNB loan was modified again in 2009 at which time FNB was granted a second deed of trust on the San Jose Property. The FNB loan was again modified in 2012 to lower the interest rate to five percent (5.0%) and extend the maturity date to 2017 (with monthly payments still based on a 25- year amortization). The FNB loan was further modified several times in 2017 to further extend the maturity date.

Per the Appraisal, the market value of the JCRS Property is between \$4,600,000 and \$4,900,000. However, according to the Appraisal, the value of the JCRS Property could be as high as \$6,200,000 with certain improvements and repairs and pushing market lease terms as renewals occurs.

Certain repair work needs to be performed, such as patching, paving, and striping of the parking lot.

B. Events Leading to Chapter 11 Filing

1. Financial Issues with the JCRS Property. When Y&K purchased the JCRS Property in 2006, the space in between Lots 2 and 4 was occupied by an Albertsons grocery store. In May 2007, the Kims invested \$900,000 to purchase a 50% interest in Y&K. Shortly after the Kims invested, the Albertsons closed, prospective tenants backed out of leasing space at the JCRS Property, and several tenants stopped paying rent.

After the Albertsons closed in 2007 and the recession set in, prospective tenants lost interest, and existing tenants went out of business, did not renew leases, or began defaulting on rent. Even before the recession began in September 2008, Y&K was in payment default on the loan from FNB.

FNB modified the loan in 2008 and 2009, which provided some relief. However, the rent barely paid the FNB loan, taxes, and insurance. As a result, the JCRS Property began to decline in appearance. Combined with the recession and the closing of the Albertsons, the JCRS Shopping Center as a whole began declining.

In 2011, an appraisal of the JCRS Property estimated the value of the JCRS Property at only \$2,300,000, which was less than the \$2,800,000 owed on the FNB loan. Worse financially was the fact that, because the Debtors contributed 1031 exchange money to the initial purchase, the basis in the JCRS Property would have likely resulted in capital gains had a sale or foreclosure of the JCRS Property occurred in 2011 at the appraised value.

2. Litigation. On May 12, 2016, Y&K Sun, Inc. (the “Debtor”) – owner of the JCRS Shopping Center located at 6501-6791 W Colfax Ave, Lakewood, CO 80214 voluntarily filed for chapter 11 bankruptcy protection. The goal of the bankruptcy was to provide protections from the ongoing litigation that had been instituted by Creditors,

Wonjoong Kim and Yoonee Kim (together the “Kims”), Hyungkeun Sun and Yeonam Kim Sun (the “Suns”) a husband and wife involved in the real estate business in the Denver metropolitan area for over twenty years. The litigation began in Douglass County when the Kims commenced Civil Action No. 2010CV665, in the District Court for Douglas County (the “Douglas County Case”), with the filing of their original Complaint, on March 4, 2010. On July 21, 2012, the Suns, through their attorneys, filed a petition for Chapter 7 bankruptcy in the United States Bankruptcy Court for the District of Colorado, Case No. 12-25005-MER, thereby staying the Douglas County Case as to the Sun Defendants. Y&K was and is wholly owned by the Suns, husband and wife.

The Kims filed Adv. Proc. No. 12-1660-MER in the Bankruptcy Court requesting that the debt owed to the Kims by the Suns be declared non-dischargeable. On September 12, 2014, following a five-day trial, judgment was entered in favor of the Kims and against the Suns in the adversary proceeding. On October 10, 2014, the Sun Defendants filed a notice of appeal from the Judgment and Order entered by the Bankruptcy Court in Adv. Proc. No. 12-1660-MER, and appealed the dispute to the Bankruptcy Appellate Panel for the Tenth Circuit.

The Suns voluntarily converted their case from Chapter 7 to Chapter 11, pursuant to L.B.R. 1017-1(d)(1), which was granted by the Bankruptcy Court’s in an order, dated March 26, 2015. (The “Sun Chapter 11 Case”).

Despite the filing of the Sun Chapter 11 Case, on August 11, 2015, the Bankruptcy Appellate Panel for the Tenth Circuit affirmed the Bankruptcy Court’s determination that the Sun Defendants’ debt to Plaintiffs was non-dischargeable under 11 U.S.C. §§ 523(a)(2)(A), (a)(4) and (a)(6), but reversed certain prejudgment interest calculations for recalculation by the Bankruptcy Court. On November 10, 2015, the Bankruptcy Court entered an Amended Judgment in favor of Plaintiffs and against the Sun Defendants in the amount of \$1,441,555.38, plus post judgment interest at the federal rate under 28 U.S.C. § 1961, in Adv. Proc. No. 12-1660-MER, in Case No. 12-25005-MER. The Amended Judgment was again held to be non-dischargeable pursuant to 11 U.S.C. §§ 523(a)(2)(A), (a)(4), and (a)(6) and a final judgment was entered in favor of Plaintiffs and against the Sun Defendants.

On June 6, 2016, the Bankruptcy Court dismissed the Chapter 11 bankruptcy case filed by the Suns, in Case No. 12-25005-MER pursuant to a Motion to Dismiss filed by the Kims filed on November 25, 2015 for failure to timely file a plan and disclosure statement, for extensive administrative expenses and because the case was a bad faith filing.

On May 12, 2016, Y&K filed the current bankruptcy case, Case No. 16-14761-MER. On May 25, 2016, the Kims filed another Motion to Dismiss the Chapter 11 bankruptcy case filed by the Y&K Sun. That Motion was denied on October 18, 2017 and a Motion to Appoint Trustee was filed on behalf of US Trustee on October 23, 2017. That Motion was denied on October 18, 2017 and the Motion to Appoint Trustee filed on behalf of Y&K Sun, Inc. on May 13, 2016 was granted. An Order Approving Appointment of Chapter 11 Trustee Jeffrey Weinman was entered on October 25, 2017.

C. Operations and Case Developments during the Chapter 11 Period

1. **Operations.** From the Petition Date through the Date of the appointment of a Chapter 11 Trustee, the Debtor continued to manage the JCRS Property. The Debtor continued to manage leasing, interact with tenants, coordinate repairs, and oversee the finances. Since the Petition Date, the Debtor has ensured that the property taxes and the debt secured by the JCRS Property were timely paid.

2. **Financial Results.** Debtors' post-filing financial performance is reported in the Monthly Operating Reports that Debtors have filed in this case. Copies of these Monthly Operating Reports can be obtained from the Bankruptcy Court or counsel for the Kims or the Chapter 11 Trustee Jeffrey Weinman.

The book values reported in the monthly operating reports do not necessarily reflect market values. The JCRS Property is estimated to be worth between \$3.5 million and \$4.3 million (based on offers received after the Filing) and as high as \$4.6 million, according to an appraisal received by Y&K, and is subject to a lien in the approximate amount of \$2,400,000 in favor of First National Bank ("FNB"). With certain repair work and improvements, new leases, and lease renewals at market rates, the appraiser estimated that the JCRS would be worth \$6,200,000. The JCRS Property is approximately 67% leased. The Debtor attempted to find additional tenants and renew leases on more favorable terms, but the ongoing bankruptcy filings have dampened that market. The current goal of the Chapter 11 Trustee is to liquidate the property for its highest value in order to fund proceeds to the current claimants.

3. **The Kim Proof of Claim Litigation**

On September 2, 2016, Wonjong Kim and Yoonee Kim ("Claimants") filed Amended Proof of Claim No. 2 (the "Claim") in this bankruptcy case claiming:

The United States Bankruptcy Court for the District of Colorado found that the Suns used false pretenses, false representations and actual fraud to obtain the \$900,000.00 from the Kims for Y&K Sun. These findings were reviewed and affirmed on appeal by the Bankruptcy Appellate Panel of the Tenth Circuit. Given the detailed evidentiary record, there remain no issues of material fact and the Kims are entitled to judgment as a matter of law on their claims of: (a) fraudulent misrepresentation/omission, (b) securities fraud/violation of Colorado Securities Act §11-51-501, 11-51-604 (regarding the sale to the Kims of shares of Y&K Sun); and (c) securities fraud/violation of Colorado Securities Act §11-51-501, 11-51-604 (regarding the exchange of shares of Y&K Sun for another security instrument), against Defendant, Y&K Sun.

This included a money judgment: (a) against Y&K Sun, jointly and severally with the Suns, for all economic loss to make the Kims whole from and against all wrongful acts and failures to act by Y&K Sun; and (b) money judgment for all economic loss to make the Kims whole from and against all breaches of duties owed

by Y&K Sun, jointly and severally with the Suns, with whom it conspired or acted in concert, along with pre- and post-judgment statutory interest, as provided by the Colorado Securities Act in the amount \$1,675,945.99 and also requested attorneys fees in the amount of \$802,109.04 for reasonable attorney fees, expert witness fees and other fees and costs including costs of collection as provided by the Colorado Securities Act.

The Debtor filed an Objection To Amended Proof Of Claim No. 2 Filed By Wonjong Kim And Yoonee Kim on September, 9, 2016. On May 11, 2017, the Court held that the Suns and Y&K Sun are Jointly Liable Under § 604(3) for Securities Law Violations Asserted by the Kims' Claim thus making Y&K Sun liable for the Kim's claim against the Suns and also holding that Attorneys' Fees and Interest are appropriate Pursuant to § 604(3). The Court held that the Kims' Amended Claim will be allowed in an amount to be determined following an evidentiary hearing, based in part on liability arising from § 604(3), as stipulated by the Debtor, and including reasonable attorneys' fees, costs, and interest pursuant to § 604(3). That hearing has yet to be held because of the appointment of a Chapter 11 Trustee and discussions will be had to agree to a stipulated amount.

4. The Exclusivity Period. The exclusivity period granted to the debtor 11 U.S. Code § 1112(b) which grants the Debtor the exclusive right to file a Plan has passed and no request for an extension has been requested, thus allowing any party in interest to file a Plan pursuant to 11 U.S. Code § 1112(c).

III. ASSETS, INCOME, AND CLAIMS

A. Assets.

1. Real Property

The Debtor owns the property known as the JCRS Shopping Center Property as stated herein. This is the single asset that is the subject of the Plan. Because the purchase of the JCRS Property was financed in part with money from a 1031 exchange, the tax basis in the JCRS Property is approximately \$2,500,000. As a result, a sale price above approximately \$2,500,000 will result in taxable gain.

The Debtor has previously indicated they agree with the appraisers' conclusion noted above and believe that certain repair work is necessary to attract tenants at market rates. At one point, bids were obtained by the Debtors to perform lighting work, repair work to the parking lot, and roof work, among others. Because of the bids, Debtors estimated the cost of the minimum work needed at approximately \$122,000 as follows:

Lighting	\$ 2,000
Parking lot patching, paving & striping	\$ 25,000
Roof repair	unknown
Landscaping	\$ 5,000
Paint and awning	<u>\$ 90,000</u>

Total \$122,000

All of the work must not occur at the same time. The JCRS Property is comprised of three separate buildings. The roof and parking lot work can be accomplished in phases. In particular, one of the three buildings has only one tenant and holds more than 9,000 square feet of vacant space in a single unit. Roof work (if any is needed on that building) and the parking lot work associated with that building can be tied to signing a lease with a tenant for the 9,000 square foot space.

Because Y&K currently does not have the capital necessary to complete the work and it is unlikely that the Trustee will repair the JCRS property as opposed to liquidate it, obtaining the capital either from the existing secured lender or through a refinancing is unlikely

B. Income.

The only income generated by Y&K comes from collection of rents from the property. Those collections are reflected in the Monthly Operating Reports filed in conjunction with the case.

C. Claims.

Schedules F of the Debtors' Schedules contain descriptions of Claims against the Debtors, which either accrued prior to the Petition Date. As required by the Bankruptcy Code, the Debtors categorized these Claims by type, Schedule F – Unsecured Non-Priority Claims (the "Scheduled Claims").

The Court established December 30, 2016 (the "Bar Date"), as the last day for all persons and entities having claims against the Debtors to file proofs of claim ("POCs") in the Debtors' case. Under Rule 3003(c) of the Bankruptcy Rules, the requirement for filing a POC applied to all Claims which were (i) not scheduled; (ii) scheduled as disputed, contingent or unliquidated; or (iii) scheduled and a creditor disagreed with the amount of the Scheduled Claim.

PURSUANT TO THE PLAN AND UNLESS OTHERWISE SPECIFICALLY ALLOWED IN THE PLAN, THE CHAPTER 11 TRUSTEES MAY OBJECT TO ANY CLAIM LISTED ON EXHIBIT 3, AS WELL AS ANY CLAIMS SUBSEQUENTLY FILED.

IV. PLAN OF REORGANIZATION

The following is a simplified description of the Plan. **REFERENCE SHOULD BE MADE TO THE PLAN FOR A FULL ANALYSIS OF ITS CONTENTS.**

A. Concept of the Plan. The primary purpose of the Plan is to repay creditors. Debtors believe that its Plan is in the best interests of the creditors. See

LIQUIDATION ANALYSIS, Article VIII, and PLAN FEASIBILITY AND RISK FACTORS, Article IX.

Under the Plan, the Debtors will pay creditors from the liquidation of the all of the Property owned by the Debtor.

B. Treatment of Claims.

1. Treatment of Class 1 Administrative Claims. An Administrative Claim is a Claim for costs and expenses of administration under §§ 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred on or after the Petition Date of preserving the Estate and operating the business of the Debtors; (b) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed under §§ 330(a) or 331 of the Bankruptcy Code (“Professional Fees”); and (c) all fees and charges assessed against the Estate under chapter 123 of Title 28 United States Code, 28 U.S.C. §§ 1911-1930 (“Quarterly UST Fees”).

Administrative Claims are not entitled to vote. Unless otherwise agreed, these Claims shall receive payment in full (unless previously paid in full pursuant to Court orders), from the Debtor in cash on the later of (a) the Effective Date, or (b) within twenty (20) business days after the date these Claims become Allowed Claims. All Administrative Claims shall be filed within sixty (60) days of the Effective Date or shall be forever barred.

Professional Fees will continue to accrue through the Effective Date of the Plan. The Bankruptcy Court will ultimately review and determine the allowance of all fees paid or to be paid to Debtors’ attorneys and the other professionals described above. All Professional Fees approved by the Bankruptcy Court will be paid by the Debtor.

Outstanding UST Quarterly Fees will be paid on confirmation in accordance with §1129(a)(12) of the Bankruptcy Code. To date, the Debtors are current on these payments. The obligation to pay Quarterly UST Fees will continue until the chapter 11 case is dismissed, converted or closed.

It is estimated that the total unpaid Allowed Administrative Claims as of the Effective Date will be approximately \$150,000 consisting of \$150,000 of Professional Fees and \$650.00 of Quarterly UST Fees.

2. Treatment of Class 2 FNB Claim. The FNB Claim is impaired. Unless otherwise agreed, this Claim will be treated as follows:

(i) FNB shall retain its existing Lien upon the San Jose Property, to the extent of the Allowed amount of such Claim;

(ii) FNB shall receive periodic payments from the Debtors on this Claim from and after the Effective Date, but upon Y&K’s payment in full of the FNB

Loan, the FNB Claim shall be discharged and FNB shall release its Lien upon the San Jose Property;

(iii) Nothing in the Plan shall otherwise impair or amend the rights FNB and Y&K may have with respect to each other and the JCRS Property.

Since this Class is impaired, it is entitled to vote to accept or reject the Plan.

2. Treatment of Class 3 Claims.

The Unsecured Claims are impaired. Unless otherwise agreed, Allowed Claims in this Class will be treated as follows:

Each Claim shall be paid in full from the sale of the JCRS Property. Since this Class is impaired, it is entitled to vote to accept or reject the Plan.

3. Treatment of Class 4 Claims. The Kim Judgment Claim is impaired. This Claim shall be treated as follows:

(i) This Claim will be subordinated to all other Allowed Claims against the Debtors pursuant to § 510(b) of the Bankruptcy Code. Upon resolution of the Kim claim by hearing or stipulation, the Kim's will be paid from the proceeds of any sale of the JCRS after the satisfaction of all other claims. The satisfaction of the Kim claim from the proceeds of the sale of the JCRS Property will not affect the lien on any other property the Kims have a lien against owned by Y&K or the Suns unless the Kim claim is satisfied in full from the proceeds of the sale, nor shall it affect the Kims' right to otherwise seek to collect from the Suns unless the Kim claim is satisfied in full from the proceeds of the sale.

Since this Class is impaired, it is entitled to vote to accept or reject the Plan.

V. MEANS OF IMPLEMENTATION OF PLAN

A. Vesting of Assets on the Effective Date. On the Effective Date, the Estate shall remain open and all property of the Estate shall remain vested in the Estate free and clear of all Claims and other interests of creditors and all Liens securing any Claims except as otherwise specified herein.

B. Post-Confirmation Operations. On and after the Effective Date, the Chapter 11 Trustee will operate the JCRS business and may use, acquire and dispose of property and compromise or settle any claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, the Chapter 11 Trustee may pay the charges that they incur on or after the Confirmation Date for appropriate professionals' fees, disbursements, expenses or related support services (including fees relating to the

preparation of professional fee applications) without application to, or the approval of, the Bankruptcy Court.

C. Source of Plan Distributions. The funds necessary for the Chapter 11 Trustee to make distributions shall be obtained from the following sources:

(i) Administrative Claims Allowed as of the Effective Date will be paid upon the Effective Date from Revenues generated by the Property, from the liquidation of the Property, or as otherwise agreed with holders of Allowed Administrative Claims;

(ii) The Chapter 11 Trustee's proceeds from the sale of the Property shall be used to fund the Plan; and

(iii) The Chapter 11 Trustee will act as the rental management agents for the JCRS Property as long as the Debtor owns all or a portion of the JCRS Property.

D. Litigation and Adversary Proceedings. The Chapter 11 Trustee shall have the right to commence litigation or adversary proceedings to enforce any claim or interest belonging to the Chapter 11 Trustee. The Chapter 11 Trustee are authorized to employ counsel to represent them in litigation or to prosecute any cause of action or claims held by the Chapter 11 Trustee.

E. Enforcement. Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules), the laws applicable to contracts will govern the construction and implementation of the Plan and any agreements, documents and instruments executed in connection with the Plan.

F. Confirmation and Substantial Consummation.

Under 11 U.S.C. § 1127(b), upon Bankruptcy Court approval, the Debtor may modify the Plan after confirmation, but prior to the substantial consummation of the Plan. For purposes of the Plan, substantial consummation is likely to occur upon payment of the proceeds of the sale of the JCRS Property.

G. Closing the Case

Debtor will file a motion with the Bankruptcy Court with notice to creditors to close the case upon the earlier of (a) completion of all payments required under the Plan and the estate assets are fully administered; or (b) the abandonment of any Property owned by the Estate. When the case is closed, any remaining estate property will revert in the Debtor if no other Creditor claims the Property.

VI. EXECUTORY CONTRACTS AND LEASES.

Upon the Effective Date, all unexpired leases and executory contracts which were entered subsequent to the Petition Date which have not already been rejected or previously assumed and assigned will be deemed assumed.

VII. ALLOWANCE OF CLAIMS AND

DISTRIBUTIONS A. Allowance of Claims.

1. **Disputed Claims.** Objections to Claims shall be made only by the Chapter 11 Trustee. The Chapter 11 Trustee may, at any time up to the six (6) month anniversary of the Effective Date, file objections to any Claim that in their opinion should be rejected in whole or in part. The period within which to file such objections may be extended with Bankruptcy Court approval. The objection procedure will apply, without limitation, to Claims arising from the rejection of executory contracts and unexpired leases. Upon the filing of such an objection, such Claim will be considered a Disputed Claim.

2. **Allowance of Disputed Claims and Payment of Distribution.** Upon the allowance of a Disputed Claim, by either compromise and settlement or by Final Order, the Chapter 11 Trustee shall distribute to the holder of such Allowed Claim the distributions to which such holder shall be then entitled, consistent with the timing and terms of distribution to other members of the same Class.

3. **Reserve for Disputed Claims.** With each Distribution, the Chapter 11 Trustee shall make an adequate reserve for all Claims that are still Disputed Claims. The reserve amounts shall equal the amounts that would otherwise be paid on such Claims if they were Allowed in full. **IF YOU BELIEVE THAT A RESERVE EQUAL TO THE FACE AMOUNT OF YOUR CLAIM IS INSUFFICIENT, YOU MUST HAVE THE UNLIQUIDATED PORTION OF YOUR CLAIM ESTIMATED BY THE COURT.**

4. **Estimation of Disputed Claims.** Any Disputed Claim may be estimated by the Bankruptcy Court at any time, regardless of whether such Claim has been Allowed by the Bankruptcy Court or another court, and regardless of whether any judgment or order with respect to such Claim is on appeal, for purposes of making distributions or holding funds in reserve under the Plan. If a Claim has been estimated by the Bankruptcy Court for purposes of accepting or rejecting the Plan, such estimation shall be used for the purposes of making distributions or holding funds in reserve under the Plan, and no further claim estimation will be required.

B. Distributions.

1. **Initial Distributions.** On the Effective Date, the Chapter 11 Trustee will pay the existing Allowed Administrative Claims unless otherwise agreed with the holders of such Claims to the extent possible if funds are available prior to liquidation of the Property. All Quarterly UST Fees shall be made when due, which payment obligation

shall continue until the Chapter 11 Trustees' chapter 11 case is closed. The Chapter 11 Trustee shall also comply with all reporting requirements of the Office of the U.S. Trustee.

2. **Reserves and Administrative Claim Payments.** The Chapter 11 Trustee shall, as soon as feasible, establish reserves for Claim payments. After establishing reserves for the payment of all Disputed or unliquidated Claims and estimated post-confirmation Quarterly UST Fees (the "Liquidation Reserve"), the Chapter 11 Trustee shall first pay all unpaid Allowed Administrative Claims in full. As and when Disputed or unliquidated Administrative Claims become Allowed Claims, the Chapter 11 Trustee shall pay such claims from the reserve within thirty (30) days from the date the Claim becomes an Allowed Claim.

3. **Distributions to Unsecured Claims.** The Chapter 11 Trustee shall commence distributions to holders of Allowed Claims when and if funds are available within the sole discretion of the Chapter 11 Trustee.

4. **Distributee Information.** Distributions shall be made by the Chapter 11 Trustee at the addresses set forth in the following documents: (i) the proof of claim filed by a holder of an allowed Claim (or at the last known addresses of such holder if no proof of Claim is filed); (ii) a written notice of address change delivered to the Chapter 11 Trustee after the date of any related proof of claim; or (iii) at the addresses reflected in the Debtors' Bankruptcy Schedules if no proof of Claim has been filed and the Debtors and/or the Chapter 11 Trustee have not received a written notice of change of address. The Chapter 11 Trustee may require any holder of an Allowed Claim entitled to a distribution to furnish an Employee Identification Number or Federal Tax Identification Number as assigned by the Internal Revenue Service, and the Chapter 11 Trustees may condition any distribution to such Claim holder upon receipt of such identification number.

5. **Unclaimed Property.** Any distribution payable under the Plan to a holder of an Allowed Claim will be sent by first class United States Mail, postage prepaid, to the address of the holder of the Allowed Claim. If any such money or property is returned to or by the United States Postal Service undelivered and is not claimed by the holder of the Allowed Claim within ninety (90) days from the date the distribution was made, it will become cash available for distribution free and clear of any Claim by such holder and the Chapter 11 Trustees' obligation to make that distribution will be deemed satisfied in full. Further, if any check mailed to a holder of an Allowed Claim is not cashed, deposited or otherwise negotiated within ninety (90) days of its mailing, the check will be void, the funds on deposit to cover that check will become cash available for distribution free and clear of any Claim of such holder, and the Chapter 11 Trustees' obligation to make the distribution represented by that check will be deemed satisfied in full. No further distributions shall be made or reserves held on such Allowed Claim unless and until the Chapter 11 Trustees are notified of a current address.

VIII. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Introduction. The following discussion summarizes certain expected federal income tax consequences of the implementation of the Plan. No opinion of counsel has been obtained and no ruling has been requested or obtained from the Internal Revenue Service with respect to any of the tax aspects of the Plan, and the discussion set forth herein is not binding upon the Internal Revenue Service. CREDITORS AND HOLDERS INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES TO THEM UNDER FEDERAL AND APPLICABLE STATE AND LOCAL TAX LAWS, OF THE CONFIRMATION AND CONSUMMATION OF THE PLAN.

B. Tax Consequences to Creditors. Creditors may be required to recognize income or may be entitled to a deduction as the result of the implementation of the Plan. The exact tax treatment will depend on each creditor's method of accounting and the nature of each Claim in the hands of the creditor.

Generally, a creditor will recognize gain or loss equal to the difference between the amount of Cash received and the creditor's tax basis in the Claim or the Interest held. Such gain or loss may be a capital gain or loss depending upon the creditor's particular tax situation and the nature of the creditor's Claim. Gain recognized by a creditor with respect to a Claim for which a

bad debt deduction has been claimed generally will be treated as ordinary income to the extent of any such prior deduction.

Notwithstanding anything to the contrary above or in this Disclosure Statement, the Debtor cannot opine regarding the tax consequence to any particular creditor or interest holder, and each creditor and interest holder should not rely on this summary in determining how to vote on the Plan.

C. Tax Consequences to Debtor. The Debtor does not believe ~~they~~it will incur "discharge of indebtedness" income.

D. Reservation of Rights. The Debtor, the Chapter 11 Trustee and their advisors reserve the right to further modify, revise or supplement tax related sections of the Plan up to ten days prior to the date by which objections to Confirmation of the Plan must be filed and served.

IX. LIQUIDATION ANALYSIS

Because the Plan described herein requires the liquidation of all the assets of the Debtor, a Liquidation Analysis is unnecessary.

X. PLAN FEASIBILITY AND RISK FACTORS

A. Plan Feasibility. The Court must find that the Plan is feasible. The feasibility requirement also contemplates that Chapter 11 Trustee establish the wherewithal to make the required Plan Distributions to creditors. The sources of funds for

Chapter 11 Trustees' Distributions under the Plan will come from the liquidation of the assets of the Debtor.

B. Risk Factors. The risk factors associated with the Plan are:

The success of commercial real estate is dependent upon, among other factors, entering into leases with acceptable terms within a predefined lease-up period or finding a buyer who is interested in developing the Property which would give it greater value than if the Property were sold as a going concern. The Plan is only dependent on the flow of income from rentals if a buyer is interested in the Property as a going concern and it is generally believed that the Property will yield a greater return if it is sold for development rather than as a going concern. In any event, because the Kims have subordinated their claim to all other claimants pursuant to 11 USC 510(b), they ultimately bear the risk of loss from any sale.

Expenses for the JCRS Property may be materially higher than anticipated. The JCRS Property may also require unanticipated work that is costly to perform. All decisions regarding these expenses will be made by the Chapter 11 Trustee.

XI. SOLICITATION OF ACCEPTANCE OF PLAN

The Kims on behalf of the Estate hereby solicit acceptance of its Plan and urges all creditors to vote to accept the Plan.

Dated this 8th day of February, 2018.

Respectfully submitted,

/s/ Wonjoong Kim and Yoonee Kim

(A true and correct copy of this document
is on file at the law offices of DLG Law
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