

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF COLORADO**

In re: )  
 ) Case No. 16-20499 EEB  
KSM INTERNATIONAL, LLC )  
EIN 45-4345151 ) Chapter 11  
 )  
Debtor. )

**NOTICE OF FILING CHAPTER 11 DISCLOSURE STATEMENT  
TO ACCOMPANY PLAN OF REORGANIZATION  
DATED MARCH 10, 2017**

The Debtor, KSM International, LLC, by and through its attorneys, Kutner Brinen, P.C., gives notice of the filing of its proposed Disclosure Statement to Accompany its Chapter 11 Plan of Reorganization dated March 10, 2017. A copy of the proposed Plan of Reorganization is attached to the Disclosure Statement as Exhibit D.

Dated: March 10, 2017

Respectfully submitted,

By: /s/ Lee M. Kutner  
Lee M. Kutner, #10966  
**KUTNER BRINEN, P.C.**  
1660 Lincoln Street, Suite 1850  
Denver, CO 80264  
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### CERTIFICATE OF SERVICE

The undersigned certifies that on March 10, 2017, I served by prepaid first class mail a copy of the foregoing **NOTICE OF FILING CHAPTER 11 DISCLOSURE STATEMENT TO ACCOMPANY PLAN OF REORGANIZATION DATED MARCH 10, 2017** on all parties against whom relief is sought and those otherwise entitled to service pursuant to the FED. R. BANKR. P. and these L.B.R. at the following addresses:

Alison Goldenberg, Esq.  
United States Trustee's Office  
1961 Stout Street  
Suite 12-200  
Denver, CO 80294

Ann Marie Byers, Esq.  
Smith Byers, LLC  
4580 Valmont Road  
Suite 200  
Boulder, CO 80301

Duncan E. Barber, Esq.  
Shapiro Biegling Barber Otteson, LLP  
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Suite 1650  
Denver, CO 80237

Brock and Company  
900 South Main Street  
Suite 200  
Longmont, CO 80501

  
Vicky Martina

UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF COLORADO

IN RE:	)	
	)	Case No. 16-20499-EEB
KSM INTERNATIONAL, LLC	)	
EIN: 45-4345151	)	Chapter 11
	)	
Debtor.	)	

**DISCLOSURE STATEMENT TO ACCOMPANY  
CHAPTER 11 PLAN OF REORGANIZATION**

This Disclosure Statement (“Disclosure Statement”) has been prepared by KSM International, LLC, (“KSM” or “Debtor”), to accompany its Chapter 11 Plan of Reorganization dated March 10, 2017 (“Plan”) which was filed in the above-referenced Chapter 11 case. This Disclosure Statement is being provided to all creditors and interest holders of KSM. This Disclosure Statement is subject to approval pursuant to 11 U.S.C. § 1125 by the United States Bankruptcy Court for the District of Colorado as containing adequate information to enable creditors and interest holders to determine whether to accept the Debtor’s Plan. The Court’s approval of this Disclosure Statement does not constitute a decision on the merits of the Plan. Issues related to the merits of the Plan and its confirmation will be the subject of a confirmation hearing which is scheduled for \_\_\_\_\_, 201\_ at \_\_:00 .m. at the United States Bankruptcy Court, U.S. Customs House, 721 19th Street, Courtroom F, Denver, Colorado 80202.

KSM is a small business entity that is wholly owned by Kristin Sweeting Morelli (“Morelli”). KSM provides educational programming for women on a variety of issues. KSM is located in Boulder, Colorado. KSM faced a number of financial issues that led to the filing of the chapter 11 case. All of this is described in more detail in this Disclosure Statement. KSM hopes that all creditors vote to accept the Plan.

THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION. THE COMMISSION HAS SIMILARLY NOT REVIEWED THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT.

A COPY OF THE DEBTOR’S PLAN IS ATTACHED TO THIS DISCLOSURE STATEMENT AS EXHIBIT D.

This Disclosure Statement is provided to you along with a copy of the Debtor's Plan and a Ballot to be used for voting on the Plan. Please complete the Ballot according to the instructions contained on the Ballot if you intend to vote for or against the Debtor's Plan. Each creditor or interest holder may vote on the Plan by completing the enclosed Ballot and returning it to counsel for the Debtors at the address set forth below:

Lee M. Kutner  
Kutner Brinen, P.C.  
1660 Lincoln St., Suite 1850  
Denver, Colorado 80264

The Court set \_\_\_\_\_, 2017 as the last day to vote on the Plan (the "Balloting Deadline"). Accordingly, the Ballot must be received by Kutner Brinen, P.C. no later than the Balloting Deadline. Capitalized terms contained in this Disclosure Statement that are defined in the Plan have the same meaning as set forth in the definitional section of the Plan.

**Recommendation.** As set forth below, Debtor firmly believes that the Plan represents the best alternative for providing the maximum value for creditors. The Plan provides creditors with a distribution on their Claims in an amount greater than any other potential known option available to the Debtors. **The Debtor strongly believes that confirmation of the Plan is in the best interest of creditors and recommends that all creditors entitled to vote on the Plan vote to accept the Plan.**

**Voting Requirements.** Pursuant to the Bankruptcy Code, only Classes of Claims or Interests that are "impaired" under the Plan are entitled to vote to accept or reject the Plan. Classes of Claims and Interests that are not impaired are not entitled to vote and are deemed to have accepted the Plan. Voting on the Plan shall be pursuant to the provisions of the Bankruptcy Code and the Bankruptcy Rules, and a Class shall have accepted the Plan if the Plan is accepted by at least two-thirds in amount and more than one-half in number of the Allowed Claims of such Class actually voting.

**Voting Classes.** Each holder of an Allowed Claim in Classes 2 and 3 shall be entitled to vote to accept or reject the Plan.

**Deemed Acceptance of Plan.** Unimpaired classes are conclusively presumed to accept the Plan pursuant to 11 U.S.C. § 1126(f).

**Deemed Rejection of Plan.** Classes that receive and retain nothing under the Plan are deemed to reject the Plan pursuant to 11 U.S.C. § 1126(g). No class will receive nothing under the

Plan and therefore there are no classes deemed to have rejected the Plan.

**One Vote Per Holder.** If a holder of a Claim holds more than one Claim in any one Class, all Claims of such holder in such Class shall be aggregated and deemed to be one Claim for purposes of determining the number of Claims voting for or against the Plan.

## I. CHAPTER 11 AND PLAN CONFIRMATION

Chapter 11 of the United States Bankruptcy Code is designed to allow for the rehabilitation and reorganization of financially troubled entities or individuals. Chapter 11 allows a debtor to retain its assets during administration of their Chapter 11 case as a debtor-in-possession and, following confirmation of a Plan, as a reorganized debtor pursuant to the Plan. Once the Court has approved a Plan of Reorganization, the Plan of Reorganization constitutes the permanent restructuring of a debtor's financial obligations. The Plan also provides a means through which the debtor will restructure or repay its obligations.

The KSM Plan of Reorganization divides creditors into classes of similarly situated creditors. All creditors of the same Class are treated in a similar fashion. All member Interests are also classified and treated alike. Each Class of creditors or interest holders is either impaired or unimpaired under the Plan. A Class is "unimpaired" if the Plan leaves unaltered the legal, equitable, and contractual rights to which each creditor in the class is entitled. Alternatively, a claimant is "unimpaired" if the Plan provides for the cure of a default and reinstatement of the maturity date of the claim as it existed prior to the default.

On February 1, 2017, the Debtor filed a motion requesting the Court set a bar date for filing claims and requests for allowance of administrative expense claims under 11 U.S.C. § 503(b)(9). The Bankruptcy Court set a bar date establishing the last date for filing Proofs of Claim as April 11, 2017. The Plan provides that Claims of all Classes shall be allowed only if evidenced by a timely filed Proof of Claim or which otherwise appears in the Debtor's Schedules and is not scheduled as disputed, contingent, or unliquidated unless subsequently allowed by the Court. Creditors may ascertain whether their claims have been scheduled as disputed, contingent, or unliquidated by reviewing the Debtor's Schedules and amendments thereto filed with the Bankruptcy Court. Alternatively, creditors may contact Debtor's counsel directly to determine how their claims have

been scheduled.

Chapter 11 does not require that each holder of a Claim against or Interest in the Debtor vote in favor of the Plan in order for the Court to confirm the Plan. The Plan, however, must be accepted by at least one impaired Class of Claims by a majority in number and two-thirds in amount (excluding insider acceptance) of those Claims of such Class actually voting on the Plan. Assuming one impaired Class votes to accept the Plan, it may be confirmed over its rejection by other Classes if the Court finds that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims or Interests that is impaired under and has not accepted the Plan.

If all Classes of Claims and Interests vote to accept the Plan, the Court may confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation. Among other things, Section 1129 requires that the Plan be in the best interest of the holders of Claims and Interests and be feasible through a showing that confirmation will not be followed by the need for further financial reorganization of the Debtor.

Each class of creditors who is impaired will have an opportunity to vote on the Plan. In the event the requisite majority of each class votes to accept the Plan, the Plan will be deemed accepted by the subject class. If a class of creditors votes to reject the Plan, the Plan may be confirmed over the rejection of the class pursuant to 11 U.S.C. § 1129(b).

## II. OVERVIEW OF THE PLAN AND MEANS OF EXECUTION

The following is a summary of all classes of Claims and Interests other than those Claims of a kind specified in 11 U.S.C. §§ 507(a)(2), 507(a)(3), or 507(a)(8).

<b>Class</b>	<b>Impairment</b>	<b>Treatment</b>
1. Priority Claims in Section 507(a)(4) and (5)	Unimpaired	100% Distribution. No Class 1 claims exist.
2. Kristin Sweeting Morelli	Impaired	The Class 2 Claim shall be allowed in the full amount due on the Confirmation Date and paid monthly based on an amortization over 1 year at 8% interest, or as otherwise agreed.

3. Unsecured Creditors	Impaired	Class 3 Claimants shall receive pro-rata distributions equal to 2.5% of the KSM Gross Revenue generated over two years commencing on the Effective Date less the amount necessary to pay Unclassified Priority Claims and the Class 2 claim. Payments will be made semi-annually commencing 6 months from the Effective Date (distributions will be on a pro-rata basis).
4. Interest in KSM held by Morelli	Unimpaired	Class 4 Claimants shall retain their interest in all remaining property.

### III. BACKGROUND AND EVENTS LEADING TO CHAPTER 11 FILINGS

KSM is a Colorado limited liability company engaged in business providing educational and instructional services to its clients. KSM is 100% owned and operated by Morelli and is operated out of her home, with the exception of the provision of services online and live events at leased facilities. The educational services provided by KSM are generally provided online to clients of the Debtor who subscribe to the Debtor's services. Generally a client will pay a monthly fee by credit card and the fee entitles them to certain programming in the area selected by the client. The Debtor's two principal programs that are provided online at this time are the Red Sisterhood and the Pleasure Tribe. New programs can be added at any time and the Debtor plans to initiate new programming as well as increase membership in the existing programs following confirmation of the Plan.

Several events and factors led to the filing of the bankruptcy. One of the most significant events concerns the entry of a judgment in favor of Michael Conti Productions LLC ("Conti"). The Conti judgment arose out of an arbitration proceeding that went to trial and resulted in a judgment

against the Debtor in the amount of \$76,136.06. The Conti action involved a contract dispute in which the Debtor claimed that Conti's work was not performed up to the requirements of the contract and that as a result of Conti's work, the Debtor suffered significant damages. Conti's claim was based upon his successful defense of the claim and his resulting claim for the balance due under the contract plus costs and legal fees.

The second legal action that led in part to the chapter 11 filing was based upon the Debtor's claim against an individual named Debra Wickman ("Wickman"). The Debtor had sued Wickman for breach of contract in the provision of certain educational materials. The matter went to arbitration on or about October 24, 2016 and the Debtor believed it had entered a settlement with Wickman immediately prior to the Debtor's chapter 11 filing. Under the settlement Wickman was to pay the Debtor \$52,000 and provide education materials under the terms of their agreement. Once the chapter 11 case was filed, Wickman claimed that a settlement had not been reached. The Debtor is took steps in state court to enforce the settlement and was successful in obtaining an award against Wickman for the amount of the settlement.

These two pieces of litigation were extremely time consuming and expensive to the Debtor. As a result, KSM did not have the time and resources to undertake new promotion for new members to its programs and has relied on its existing customer base for revenue. KSM expects that after the Plan is confirmed it will develop work to expand its customer base so revenue can be increased.

#### IV. DESCRIPTION OF ASSETS

The following is a brief description of the Debtor's assets. Further information on the Debtor's assets can be found in the bankruptcy Schedule B, and amendments thereto.

Bank account	\$2,340 (petition date, account balance varies)
Equipment (computers, camera etc)	\$3,000 (scheduled as unknown, value estimated)
Licenses to use intellectual property	none
Customer list	unknown
Wickman claim	\$52,000 awarded on settlement
Conti claim	none
Programmer contract rights	none



### **Avoidance Actions**

Avoidance Actions constitute claims against creditors or insiders pursuant to 11 U.S.C. §§ 545 through 550 or state law fraudulent conveyance actions. The Debtor is reserving the right to bring Avoidance Actions pursuant to 11 U.S.C. §§ 545 through 550 and state and bankruptcy fraudulent conveyance actions. The Debtor is currently in the process of evaluating these claims to determine which, if any, claims are viable.

KSM did pay two third party trade creditors more than \$6,425 within the 90 days prior to the petition date. In the case of the law firm Berg Hill Greenleaf & Ruscitti, LLP, the payments were for current and ongoing services and do not look to be recoverable. In the case of a credit card company, \$13,000 was paid and it looks to be paid on account of current charges to the extent of at least \$7,000. Morelli was paid approximately \$41,000 during the year prior to filing. Since Morelli has deferred income and is vital to the importance of the Debtor, it is not expected that the Debtor will pursue any recovery against her and it is not clear that any recovery exists.

## **V. DESCRIPTION OF LIABILITIES**

### **A. Priority Claims**

Priority Claims are defined in the Plan as any pre-petition Claim entitled to a priority payment under 11 U.S.C. § 507(a), excluding any Administrative Claim or Tax Claim.

#### **1. Administrative Claims**

Administrative Claims are those Claims for payment of an administrative expense of a kind specified in 11 U.S.C. § 503(b) or § 1114(e)(2) entitled to priority pursuant to 11 U.S.C. § 507(a)(2), including but not limited to: (a) actual and necessary costs and expenses incurred after the Petition Date to preserve the estate and operate the Debtor's business, including wages, salaries, or commissions for services rendered after the commencement of the Chapter 11 Case; (b) Professional Fee Claims; (c) all fees and charges assessed against the estate under 28 U.S.C. § 1930; and (d) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Court under 11 U.S.C. § 503.

KSM retained Kutner Brinen, P.C. (“KB”) as its bankruptcy counsel. The Court approved KSM’s employment of KB on November 29, 2016. KSM provided KB a retainer in the amount of \$11,246, which was also approved by the Court on November 29, 2016. For the period of October 25, 2016 (Petition Date) through February 28, 2017, KB has incurred approximately \$29,370 in attorneys’ fees and \$681 in costs on behalf of KSM. KB estimates that the total legal fees and costs for KB due from KSM will increase by approximately an additional \$5,000 as of the estimated date on which the Plan will become effective. The fees could increase or decrease depending on the level of litigation over the Plan and Claims.

KSM also retained Berg Hill Greenleaf & Ruscitti, LLP to represent the Debtor as special counsel primarily with respect to the recovery of the Wickman settlement and any state court litigation. For the period of January 19, 2017 through the expected confirmation date this firm is expected to be owed approximately \$8,000 in legal fees and costs.

## **2. Tax Claims**

Tax Claims are any Claim of a governmental unit for taxes entitled to priority pursuant to 11 U.S.C. § 507(a)(8). KSM listed the Internal Revenue Service (“IRS”) and the Colorado Department of Revenue (“CDR”) on its Schedule E for notice purposes. Neither the IRS nor the CDR has filed a proof of claim to date in the KSM case.

**B. Secured Claims.** A summary of the known Secured Claims for the Debtor’s bankruptcy estate is set forth below.

**1. Kristin Sweeting Morelli. (Class 2).** Morelli holds a secured claim against KSM arising from a loan made by Morelli to KSM in October 2016 in the original principal amount of \$15,000. A Promissory Note and Security Agreement were executed in order to evidence and secure the Morelli loan. A UCC-1 Financing Statement was also recorded at the time of the loan to perfect the security interest. The loan is secured by personal property assets and accounts receivable and monies due the Debtor. It is expected that if money is collected on account of the Wickman claim it will repay the Class 2 claim.

**C. Executory Contracts and Unexpired Leases**

On the Effective Date of the Plan, the Debtor will assume those executory contracts and unexpired leases, which have not been assumed by Order of the Court prior to the Confirmation Date, as set forth in the Plan. On the date of the entry of an Order confirming the Plan, Debtor shall be the holder of any and all right, title, and interest to the assumed leases and contracts, and as a result, such assumed leases and contracts shall be in full force and effect and shall be binding upon Debtor and the other parties thereto. Confirmation of the Plan shall constitute a determination that the payments to be made to said creditors pursuant to the Plan satisfy all conditions precedent to assumption and assignment set forth in 11 U.S.C. §§ 365(b) and (f). As to any rejection of the leases and executory contracts, on the Effective Date of the Plan, the Debtor will reject the executory contracts and unexpired leases to which it is a party listed in the Plan, which have not been rejected by Order of the Court prior to the Confirmation Date. Executory contracts and unexpired leases will be rejected pursuant to the provisions of 11 U.S.C. § 365. Any executory contract or unexpired lease not assumed in accordance with the Plan shall be rejected. All proofs of claim with respect to claims arising from the rejection of any executory contract or unexpired lease shall be filed with the Court within twenty (20) days after the earlier of: (i) the date of the Court order approving the Debtor's rejection of such executory contract or unexpired lease; or (ii) the Confirmation Date. Any claims not filed within such time shall be forever barred against the Debtor, its estate, and property, and as a result, any such Claims shall be disallowed in full. Claims arising from such rejection, to the extent Allowed, shall be treated as non-priority unsecured Claims.

The Debtor intends to assume all of its customer/client contracts and has few if any other leases or contracts to assume. There will be no cost to the estate to assume any contract or lease in this case.

**D. Non-Priority Unsecured Claims**

The Debtor has a number of unsecured pre-petition date creditors. At the time of the bankruptcy filing, KSM had claims as set forth on Exhibit A attached hereto. Based upon the Debtor's analysis of the claims, it is expected that the total amount of the allowed unsecured claims will be \$314,539.

**VI. DESCRIPTION OF THE PLAN**

**A. General Description**

The Debtor filed its Plan of Reorganization with the United States Bankruptcy Court for the District of Colorado on \_\_\_\_\_, 2017. The Plan provides for the reorganization of the Debtor under Chapter 11 of the Bankruptcy Code. Pursuant to the Plan, the Debtor shall restructure its debts and obligations and KSM shall continue to operate its educational seminars in the ordinary course of business. The Plan provides for the specification and treatment of all creditors and Interest holders of the Debtor. The Plan identifies whether each Class is impaired or unimpaired. A Class is unimpaired only if the Plan leaves unaltered the legal, equitable, or contractual obligations between the Debtor and the unimpaired claimants or Interest holders. The following is a brief summary of the Plan. The actual text of the Plan should be reviewed for more specific detail.

As provided in Section 1123(a)(1) of the Bankruptcy Code, the Priority Administrative and Tax Claims against the Debtor are not designated as classes. The holders of such Allowed Claims will be paid in full and are not entitled to vote on the Plan.

The Plan divides the creditors into separate classes. The classes are set forth as follows:

Class 1 – All Allowed Unsecured Claims specified in Section 507(a)(4) and 507(a)(5) of the Code as having priority.

Class 2 – The Allowed Secured Claim held by Kristin Sweeting Morelli secured by all personal property.

Class 3 – The Allowed Claims held by unsecured creditors.

Class 4 – The Interest in KSM held by Morelli.

**B. The Claims****1. Unclassified Priority Claims****a. Administrative Claims**

The holders of Allowed Claims of the type specified in Section 507(a)(2) of the Bankruptcy Code, including the costs and expenses of administration, shall receive cash equal to the Allowed amount of such Claim or a lesser amount or different treatment as may be acceptable and agreed to by the particular holders of such Claims. Such Claims shall be paid in full on the Effective Date, or treated as otherwise agreed by the particular holders of such Claims. Administrative Claims that are allowed by the Court after the Effective Date of the Plan shall be paid upon allowance or as otherwise agreed by the particular holders of such Claims.

All Administrative claims of professionals are subject to Court approval on notice to creditors with an opportunity for a hearing. Certain professional fees may be paid pursuant to interim fee applications and upon Court allowance. The professional fees set forth above and below are the total fees expected to remain in the case as of the estimated Confirmation Date of the Plan, assuming minimal litigation over the Plan, and the payments that have been made during the case through retainers or otherwise.

<b>Professional</b>	<b>Approximate fees &amp; costs</b>	<b>Estimated fees &amp; costs as of the estimated Confirmation Date (June 2017)</b>
Kutner Brinen, P.C	\$18,750 due as of 2-28-17	\$10,000 for bankruptcy legal services
Berg Hill Greenleaf & Ruscitti, LLP	\$	\$ for litigation services
Accounting Services	To be determined	

**2. Tax Claims**

Tax Claims are any Claim of a governmental unit for taxes entitled to priority pursuant to 11 U.S.C. § 507(a)(8). As is set forth above, there are not expected to be any Tax Claims.

**3. Classified Priority Claims**

**a. Class 1 Priority Claims.** Allowed Class 1 Priority Claims shall be paid in full on the Effective Date. The Class 1 claims for certain pre-petition wages and employee Claims are more particularly described in Sections 507(a)(4) and 507(a)(5) of the Code. The Debtor does not expect that any claims will exist in these Classes.

**4. Secured Claims**

**a. Kristin Sweeting Morelli (Class 2).** The Class 2 Secured Claim is impaired by the Plan. The principal amount of the Class 2 claim along with all interest accrued at the non-default rate under the underlying promissory note, fees, and costs will be allowed and paid in full under this Plan. The total amount of the Class 2 claim shall be determined as of the Effective Date of the Plan to include the principal and interest accrued at 4.5% per annum. Based upon a claim due as of the confirmation date, estimated as June 1, 2017, the claim is expected to be \$15,394 and the amortized monthly payment under the Plan is expected to be \$1,339.

**5. General Unsecured Claims.**

The Class 3 claimants shall receive a pro-rata distribution equal to 2.5% of the KSM Gross Revenue generated over the two year period commencing on the Effective Date of the Plan less the amount necessary to pay any Unclassified Priority Claimant who agrees to accept deferred payment of its claim. Commencing on the first full month following the Confirmation Date, KSM shall at the conclusion of each month, set aside in a segregated account, an amount equal to 2.5% of the preceding month's Gross Revenue. Each time six

months payments have been set aside, KSM shall make any payment due to Unclassified Priority Claimants and then the Class 3 creditors will be paid on a pro-rata basis.

KSM anticipates average Gross Revenues of \$400,000 for the first year commencing on the Effective Date. One percent (2.5%) of \$400,000 is \$10,000 for the year. KSM expects its Gross Revenues to increase to \$900,000 for the second year resulting in a payment of \$22,500 to the Class 3 claimants. Assuming the total Class 3 claims are \$314,539 as set forth in Exhibit A, Class 3 Claimants will receive a pro-rata distribution of approximately \$32,500 over two years, or approximately 10% of their claims. The income figures are based upon the Projections prepared by the Debtor and attached to this disclosure Statement as Exhibit B.

The monthly payments shall be held and deposited into a segregated account by KSM and distributed in accordance with this Plan. Distributions shall be made semi-annually commencing 6 months from the Effective Date of the Plan. The Debtor expects to collect all or a large part of the Wickman receivable which can be used to pay the Class 2 claim and the Unclassified Priority Claims. In this event, none of the set aside money for the Class 3 claimants would have to be used for the Unclassified Priority Claims.

**6. Interests.**

**Class 4, Interests in KSM held by Morelli.** Class 4 includes the Interests in KSM held by the pre-confirmation member. Class 4 is unimpaired by the Plan. On the Effective Date of the Plan all Class 4 interests in KSM shall be retained by the existing interest holder subject to the terms of the Plan.

**C. Management and Means for Execution of the Plan.**

Pursuant to the Plan, the Debtor shall restructure its debts and obligations and KSM will continue to operate in the ordinary course of business. Funding for the Plan shall be from income derived from KSM's ongoing operations.

**VII. PLAN FEASIBILITY**

The Debtor's Plan is feasible based upon the Debtor's ability to achieve the various

components of the Plan. The Debtor expects to have sufficient cash on hand on the Effective Date of the Plan to meet all payments due at that time. The balance of the payments due under the Plan will be derived from KSM's ongoing business operations and ongoing collection of monies due to KSM. KSM is able to operate profitably at the current time. However, the KSM revenues are well below what they could be once Morelli devotes her full time to creating new programs and enrolling new clients for KSM. For example, while KSM gross revenue now averages approximately \$17,000 per month and \$204,000 per year, in 2015 KSM's gross revenue was \$725,695 per year and in 2014 it was \$1,076,157. The Debtor believes that with time and the ongoing energy of Morelli the Debtor can achieve such revenue.

### VIII. RISK TO CREDITORS

This Disclosure Statement contains statements which look into the future. There is no way to determine the accuracy of these statements. The Debtor has attempted to be conservative in its analysis and believe that the Plan as proposed offers the best option for creditors. The principal alternative to the Debtor's reorganization under Chapter 11 is a conversion of the case to Chapter 7 of the Bankruptcy Code. As set forth in Section X below, liquidation of the Debtor will assure a distribution to unsecured creditors less than that proposed by the Plan

### IX. TAX CONSEQUENCE

The Debtor is not providing tax advice to creditors or interest holders. **U.S. Treasury Regulations require you to be informed that, to the extent this section includes any tax advice, it is not intended or written by Debtor or its counsel to be used, and cannot be used, for the purpose of avoiding federal tax penalties.** Each party affected by the Plan should consult its own tax advisor for information as to the tax consequences of Plan confirmation. Generally, unsecured creditors should have no tax liabilities as a result of Plan confirmation. The recovery of each creditor is payment on account of a debt and generally not taxable, unless the creditor wrote off the debt against income in a prior year. In such cases, income may have to be recognized. Interest holders may have very complicated tax effects as a result of Plan confirmation. Pursuant to 11 U.S.C. § 1146(c), the issuance, transfer, or exchange of notes or equity securities under the Plan by the



Debtor, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or the making or delivery of any deed or instrument of transfer therewith, in furtherance of, or in connection with, the Plan or the Agreements shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

## **X. LIQUIDATION ANALYSIS**

The principal alternative to a debtor's reorganization under Chapter 11 is a conversion of the case to Chapter 7 of the Bankruptcy Code. Chapter 7 is the only alternative for KSM under the Bankruptcy Code. Chapter 7 requires the liquidation of the debtor's assets by a Trustee who is appointed by the United States Trustee's office. In a Chapter 7 case, the Chapter 7 Trustee would take over control of the debtor's assets. The assets would be liquidated and the proceeds distributed to creditors in the order of their priorities. In this case, all of the Debtor's assets of any consequence are subject to liens and the payment of priority claims. The Debtor's proposed Plan of Reorganization will yield a greater distribution to creditors than liquidation under Chapter 7. A Liquidation Analysis for KSM is attached as Exhibit C.

## **XI. EVENTS DURING THE CHAPTER 11 CASE**

During the course of the chapter 11 case KSM has met its requirements with respect to filing documents, monthly reporting, and attending creditors meetings. KSM has also provided numerous documents to Conti in connection with its Bankruptcy Rule 2004 examination request.

On March 8, 2017 the arbitrator reviewing the Wickman settlement issue entered a four page ruling enforcing the settlement agreement between the Debtor and Wickman. The arbitrator found that a settlement had been reached and entered an award in favor of the Debtor for the \$52,000 plus interest and attorneys fees. The Debtor now believes that collection will be much more certain.

Dated: March \_\_, 2017

KSM INTERNATIONAL, LLC

By: \_\_\_\_\_  
Kristin Sweeting Morelli, Manager

Kutner Brinen, P.C. ("KB") has acted as legal counsel to KSM International, LLC on bankruptcy matters during the chapter 11 case. KB has prepared this Disclosure Statement with information provided primarily by the Debtor. The information contained herein has been approved by the Debtor. KB has not made any independent investigation as to the veracity or accuracy of the statements contained herein.

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**EXHIBITS TO DISCLOSURE STATEMENT**

- Exhibit A: List of unsecured creditor claims
- Exhibit B: Projections
- Exhibit C: Liquidation Analysis
- Exhibit D: Plan of Reorganization dated March 10, 2017

EXHIBIT A

Expected Allowed Unsecured Claims

<b>Creditor</b>	<b>Claim</b>
Berg Hill Greenleaf & Ruscitti, LLP	30,955.69
Cardmember Services	11,109.67
Michael Conti Productions, LLC	76,136.06
Sherman & Howard, LLC	168,624.96
Phillips Goldman McLaughlin & Hall	27,713.47
<b>Total</b>	<b>314,539.85</b>

**EXHIBIT B TO BE INCLUDED**

EXHIBIT C

Liquidation Analysis

Assets

Cash on hand	2,000 estimated
Wickman collection	52,000
Misc. office equipment	3,000
Total	57,000

Liabilities

Post petition attorney fees	30,000 estimated
Post petition expenses	5,000 estimated
Secured Morelli claim	15,500
Total	50,500

General Unsecured 314,539

Expected Distribution 6,500 prorated on account of 314,539  
\$.02 on account of each dollar of claim

UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF COLORADO

IN RE: )  
 ) Case No. 16-20499-EEB  
KSM INTERNATIONAL, LLC )  
EIN: 45-4345151 ) Chapter 11  
 )  
Debtor. )

**PLAN OF REORGANIZATION**  
**DATED MARCH 10, 2017**

KSM International, LLC (“KSM” or “Debtor”) as debtor and debtor-in-possession hereby proposes, pursuant to Chapter 11, Title 11 of the United States Code, the following Plan of Reorganization.

**ARTICLE I**

**INTRODUCTION**

The Debtor is a closely held Colorado limited liability company. The Debtor is engaged in business as a provider of online education and personal development programs. The Debtor is owned and managed by Kristin Sweeting Morelli who is well known for her programs for educating and mentoring women and assisting them develop their entrepreneurial skills and talents.

This Plan provides for the reorganization of the Debtor under Chapter 11 of the Bankruptcy Code. Pursuant to the Plan, the Debtor will restructure its debts and obligations and continue to operate in the ordinary course of business. A more complete history of the Debtor, its operations, an explanation of this Plan, and a description of the Debtor’s financial condition and future business activity is contained in the Disclosure Statement which accompanies this Plan. Reference should be made to the Disclosure Statement by all creditors and parties who intend to cast a ballot for or against this Plan.

**EXHIBIT D**

**ARTICLE II**  
**DEFINITIONS**

2.01 - Administrative Claim shall mean a Claim for payment of an administrative expense of a kind specified in § 503(b) or 1114(e)(2) of the Bankruptcy Code and entitled to priority pursuant to § 507(a)(2) of the Bankruptcy Code, including, but not limited to: (a) the actual, necessary costs and expenses, incurred after the Petition Date, of preserving the estate and operating the business of the Debtor, including wages, salaries, or commissions for services rendered after the commencement of the Chapter 11 Case; (b) Professional Fee Claims; (c) all fees and charges assessed against the estates under 28 U.S.C. § 1930; and (d) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under § 546(c)(2) of the Bankruptcy Code.

2.02 - Allowed Claim shall mean a claim in respect of which a Proof of Claim has been filed with the Court within the applicable time period of limitation fixed by Court order in this case or scheduled in the list of creditors prepared and filed with the Court pursuant to Bankruptcy Rule 1007(b) and not listed as disputed, contingent or unliquidated as to amount, in either case as to which no timely objection to the allowance thereof has been filed pursuant to Bankruptcy Rules 3001 and 3007 or as to which any such objection has been determined by a Final Order.

2.03 - Allowed Secured Claim shall mean an allowed claim secured by a lien, security interest or other charge against or interest in property in which the Debtor has an interest, or which is subject to setoff under § 553 of the Code, to the extent of the value (determined in accordance with § 506(a) of the Code) of the interest of the holder of any such allowed claim and the Debtor's interest in such property or to the extent of the amount subject to such setoff as the case may be.

2.04 - Avoidance Actions means the Debtor's estate's interest in any and all claims, rights and causes of action which have been or may be commenced by or on behalf of the Debtor to avoid and recover any transfers of property determined to be preferential, fraudulent or otherwise avoidable pursuant to §§ 544, 545, 547, 548, 549, 550 or 553 of the Bankruptcy Code, or under any other applicable law, or otherwise subject to equitable subordination under §510 of the Bankruptcy Code, regardless of



whether or not such actions have been commenced prior to the Effective Date. It shall be up to the Debtor's discretion, without need for any Court approval, to: a) pursue any Avoidance Actions; and b) settle any Avoidance Actions.

2.05 - Claim shall mean any right to payment, or right to any equitable remedy for breach of performance if such breach gives rise to the right to payment, against the Debtor in existence on or as of the Petition Date, whether or not such right to payment or right to an equitable remedy is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, secured or unsecured.

2.06 - Class shall mean any Class into which Allowed Claims are classified pursuant to Article III.

2.07- Class 1-4 Claims and Interests shall mean the Allowed Claims and Interests so classified in Article III.

2.08 - Code or Bankruptcy Code shall mean the Bankruptcy Code, 11 U.S.C. § 101 *et seq.* and any amendments thereof.

2.09 - Confirmation Date shall mean the date upon which the Order of Confirmation is entered by the Court.

2.10 - Court shall mean the United States Bankruptcy Court for the District of Colorado in which the Debtor's Chapter 11 case is pending, pursuant to which this Plan is proposed, and any Court having competent jurisdiction to hear appeal or certiorari proceedings therefrom.

2.11 - Debtor shall mean the Debtor who is proposing this Chapter 11 Plan.

2.12 - Disclosure Statement shall mean the Disclosure Statement which is approved by the Court according to 11 U.S.C. § 1125 to be utilized to solicit votes for this Plan.

2.13 - Disputed Claim means any Claim which is not an Allowed Claim, including, without limitation, any Claim designated as disputed, contingent or unliquidated in Debtor's schedules filed in connection with this case, or any Claim against which an objection to the allowance thereof has been interposed, and as to which no Final Order has been entered.

2.14 - Effective Date of the Plan shall mean the first business date on which a Final Order has entered confirming this Plan.

2.15 - Final Order shall mean an order or judgment of the Court which shall not have been reversed, stayed, modified or amended and as to which (a) the time to appeal from or to seek review, rehearing or certiorari shall have expired, and (b) no appeal or petition for review, rehearing or certiorari is pending or if appealed shall have been affirmed, or the appeal dismissed by the highest court to which such order was appealed, or if review, rehearing or certiorari was sought, such review, rehearing or certiorari has been denied and no further hearing, appeal or petition for review, rehearing or certiorari can be taken or granted or as to which any right to appeal or to seek a review, rehearing or certiorari has been waived.

2.16 - Gross Income shall mean all revenue of the Debtor for a given time period including without limitation all revenue from business operations.

2.17 - Interest shall mean any member interest or any other instrument evidencing any ownership interest in the Debtor and any option, warrant or right of any nature, contractual or otherwise, to acquire an ownership interest in the Debtor.

2.18 - Order of Confirmation shall mean the Order entered by the Court confirming the Plan in accordance with the provisions of Chapter 11 of the Code.

2.19 - Petition Date shall mean the date on which the voluntary Petition was filed by the Debtor on October 25, 2016.

2.20 - Plan shall mean this Plan of Reorganization, as amended in accordance with the terms hereof or modified in accordance with the Code, including all exhibits and schedules attached hereto or referenced herein or therein.

2.21 - Priority Claim means any pre-petition Claim entitled to a priority in payment under § 507(a) of the Code, but shall not include any Administrative Claim or Tax Claim.

2.22 - Pro Rata shall mean the ratio of an Allowed Claim or Interest in a particular Class to the aggregate amount of all Allowed Claims or Interests in that Class.

2.23 - Professional Fees means the Administrative Claims for compensation and reimbursement submitted pursuant to §§ 330, 331 and 503(b) of the Code by a professional person, and approved by the Court.

2.24 - Rules shall mean the Federal Rules of Bankruptcy Procedure and Local Bankruptcy Rules for the District of Colorado as adopted by the Court.

2.25 - Tax Claim means any unsecured Claim of a governmental unit for taxes entitled to priority pursuant to 11 U.S.C. § 507(a)(8).

2.26 - Unclassified Priority Claims shall mean Claims pursuant to Section 507(a)(2) which are Administrative Claims allowed under § 503(b) of the Code and any fees and charges against the estate under Chapter 123 of Title 28 of the United States Code and shall further mean Allowed Unsecured Claims of governmental units to the extent provided for in § 507(a)(8) of the Code.

2.27 - Wickman A/R means any amount collected from Dr. Debra Wickman arising out of the KSM claims asserted in the Boulder County District Court in the case of *KSM International, LLC v. Dr. Debra Wickman*, Case No. 2015 CV 1078.

2.28 - Other Definitions. Unless the context otherwise requires, any capitalized term used and not defined herein or elsewhere in the Plan but that is defined in the Code or Rules shall have the meaning set forth therein.

### ARTICLE III

#### DESIGNATION OF CLAIMS AND INTERESTS

The following is a designation of all classes of Claims and Interests other than those Claims of a kind specified in §§ 507(a)(2), 507(a)(3) or 507(a)(8) of the Code.

Class 1 - All Allowed Unsecured Claims specified in §§ 507(a)(4) and 507(a)(5) of the Code as having priority.

Class 2 - The Allowed Secured Claim held by Kristin Sweeting Morelli.

Class 3 - The Allowed Claims held by unsecured creditors.

Class 4 - The Interests held by pre-petition members.

## ARTICLE IV

### SPECIFICATION AND TREATMENT OF UNCLASSIFIED PRIORITY CLAIMS

As provided in Section 1123(a)(1) of the Code, the Claims against the Debtor covered in this Article IV are not classified. The holders of such Allowed Claims are not entitled to vote on the Plan.

4.1 - The holders of Allowed Claims of the type specified in Section 507(a)(2) of the Code, Administrative Claims, shall receive cash equal to the allowed amount of such Claim, or a lesser amount or different treatment as may be acceptable and agreed to by particular holders of such Claims. Such Claims shall be paid in full on the Effective Date of the Plan, or treated as otherwise agreed to by the particular holders of such Claims. Section 507(a)(2) Administrative Claims that are allowed by the Court after the Effective Date of the Plan shall be paid upon allowance or as otherwise agreed.

4.2 - The Allowed Claims of a type specified in Section 507(a)(8) of the Code, Tax Claims of governmental taxing authorities, shall be paid on the Effective Date of the Plan or in monthly payments on an amortized basis over a period that does not exceed five years from the Petition Date with interest at the appropriate rate set by applicable statute.

4.3 - The Debtor will make all payments required to be paid to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) until the case is closed, converted, or dismissed. All payments due to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) shall be paid on the Effective Date, and the U.S. Trustee shall thereafter be paid fees due on a quarterly basis until the case is closed, converted, or dismissed.

**ARTICLE V**  
**SPECIFICATION AND TREATMENT OF CLASS 1 CLAIMS**

5.1 - Allowed Class 1 Priority Claims shall be paid in full on the Effective Date. The Class 1 claims for certain pre-petition wages and employee Claims are more particularly described in Sections 507(a)(4) and 507(a)(5) of the Code.

**ARTICLE VI**  
**SPECIFICATION AND TREATMENT OF SECURED CREDITOR CLAIM**

6.1 – **Kristin Sweeting Morelli.** The Class 2 claim consists of the Allowed Secured Claim of Kristin Sweeting Morelli. The Class 2 claim is secured by a lien encumbering the Debtor’s personal property assets, including without limitation accounts receivable, contracts and personal property. The Class 2 Allowed Secured Claim is impaired by this Plan. The Class 2 Claim will be treated under this Plan as follows:

a. The principal amount of the Class 2 Claim will be allowed as a secured claim in the amount of \$15,000 plus interest as of the Confirmation Date or such lesser amount as otherwise agreed by the Debtor and the Class 2 claimant.

b. The Class 2 Claim will bear interest at the rate of: (i) 8% per annum commencing on the Effective Date of the Plan; or (ii) if the Class 2 claimant objects to such rate in writing in connection with their objection to confirmation of the Plan prior to the commencement of the confirmation hearing, such rate as will be determined by the Court as necessary to satisfy the requirements of 11 U.S.C. § 1129(b) of the Code.

c. The Class 2 claimant’s lien that secured its claim as of the Effective Date of the Plan shall continue to secure its claim until the Allowed Secured Claim is paid in accordance with this Plan.

d. The Class 2 claim shall be amortized and repaid in 12 equal monthly installments following the Effective Date of the Plan and continuing until the Class 2 claim is paid in full. The Class 2 claim may be prepaid at any time without penalty.

**ARTICLE VII**  
**SPECIFICATION AND TREATMENT OF**  
**UNSECURED CREDITOR CLAIMS**

7.1 - Class 3 consists of those unsecured creditors of KSM who hold Allowed Claims. Class 3 claimants shall receive a pro-rata distribution equal to 2.5% of the KSM Gross Revenue generated over the two year period commencing on the Effective Date of the Plan less the amount necessary to pay any Unclassified Priority Claimant who agrees to accept deferred payment of its claim ("Class 3 Distribution"). Commencing on the first full month following the Effective Date of the Plan, KSM shall at the conclusion of each month, set aside in a segregated account, an amount equal to 2.5% of the preceding month's Gross Revenue. Each time six months payments have been set aside, KSM shall make any payment due to Unclassified Priority Claimants and then the Class 3 Distribution will be made to Class 3 creditors on a pro-rata basis.

7.2 - In addition to the distribution set forth above, Class 3 shall be entitled to receive the proceeds whether obtained by litigation or settlement, net of attorney fees, expert fees, and costs, obtained from any action undertaken by KSM to collect Avoidance Actions and net of payment to Unclassified Priority Claims and the Class 2 claim. It shall be up to the Debtor's discretion, without need for any Court approval, to: a) pursue any Avoidance Actions; and b) settle any Avoidance Actions.

**ARTICLE VIII**  
**SPECIFICATION AND TREATMENT OF CLASS 4 INTERESTS**

8.1 - Class 4 includes the existing Interests in the Debtor. Class 4 is unimpaired by this Plan.

**ARTICLE IX**  
**MEANS FOR THE PLAN'S EXECUTION**

9.1 - **Operation of Business.** The Debtor shall be empowered to take such action as may be necessary to perform its obligations under this Plan.

9.2 - **Management Fees and Costs.** The reorganized Debtor shall be entitled to compensate its manager with reasonable compensation for services following confirmation of the Plan. Funding for such fees will be derived from the operation of the Debtor's business.

9.3- **Effectuating the Plan.** On the Effective Date of the Plan, the reorganized Debtor's sole member shall be appointed as the agent of the Debtor, pursuant to 11 U.S.C. §1142(b) for the purpose of carrying out the terms of the Plan, and taking all actions deemed necessary or convenient to consummating the terms of the Plan, including but not limited to execution of documents. All agreements approved by the Bankruptcy Court during the course of this case shall be incorporated into the terms of this Plan.

9.4 - **Disputed Claim Procedure.** Distributions to any class of creditor will only be made on account of Allowed Claims. In the event that distributions are made at a time that a claim objection is pending before the Court or a judgment has been entered to establish a Claim and the judgment is not subject to a Final Order, the portion of the distribution that would be paid to the disputed claimant will be held in a non-interest bearing bank account until the Claim is Allowed or disallowed. If Allowed, the Claim will be paid its appropriate share of the withheld payment. If disallowed, the withheld distribution will be paid on a Pro Rata basis to the remaining impaired Allowed claimants, or if all holders of Allowed Claims have been paid in full, paid to Debtor.

9.5 - **Claims and Litigation Bar Date and Standing.** All Claim objections and Avoidance Actions in the case must be filed no later than 90 days following the Effective Date. The Debtor shall have standing to commence, prosecute, and settle claim objections, Litigation, and avoidance actions without need for Court approval.

9.6 - **Administrative Expense Bar Date.** All applications for allowance and payment of Administrative Claims, including Professional Fees, must be filed within 45 days following the Effective Date of the Plan.

**9.7 – Periodic Payments.** Whenever the Plan provides for payment in installments, the payment shall be due on the 10th day of the month following the calendar month for which the payment is due, unless otherwise specified in the Plan. The Debtor shall then have a five business day grace period within which the payment must be sent to the payee before the Debtor shall be in default, unless a longer period is specified elsewhere in the Plan.

**9.8 - Final Decree.** The Debtor will request entry of a final decree closing the case on or before the later of the date all Claim objections and any pending litigation is concluded or 180 days after the Effective Date of the Plan.

**9.9 - Quarterly Fees.** Prior to the entry of the final decree, the Debtor shall continue to remit quarterly fees and post-confirmation reports to the United States Trustee, as required by statute.

**9.10 - Exemption from Transfer Taxes.** Pursuant to Section 1146(c) of the Code, the issuance, transfer, or exchange of notes or equity securities under the Plan by the Debtor, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or the making or delivery of any deed or instrument of transfer under, in furtherance of, or in connection with the Plan or the Agreements shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

**9.11 – Contractual Relationship.** The Plan, upon confirmation, constitutes a new contractual relationship by and between the Debtor and its creditors. In the event of a default by the Debtor under the Plan, creditors shall be entitled to enforce all rights and remedies against the Debtor for breach of contract, the Plan. Any secured creditor claiming a breach of the Plan by the Debtor will be able to enforce all of its rights and remedies including foreclosure of its deed of trust, security agreement, lien, or mortgage pursuant to the terms of such document. Any creditor claiming a breach by the Debtor must provide written notice to the Debtor of the claimed default, the notice must provide the Debtor a thirty (30) day period within which to cure the claimed default, unless a longer period is specified elsewhere in the Plan.



## ARTICLE X

### EXECUTORY CONTRACTS AND UNEXPIRED LEASES

10.1 - On the Effective Date of the Plan, the Debtor does hereby assume those executory contracts and unexpired leases listed in Exhibit A attached hereto and incorporated herein by reference, which have not been assumed by prior Order of the Court prior to the Confirmation Date. On the date of the entry of an Order confirming the Plan, the Debtor shall be the holder of all right, title and interest to the assumed leases and contracts and such assumed leases and contracts shall be in full effect and binding upon the Debtor and the other parties thereto. Confirmation of the Plan shall constitute a determination that the payments to be made to said creditors pursuant to the Plan satisfy all conditions precedent to assumption and assignment set forth in 11 U.S.C. §365(b) and (f).

10.2 - On the Effective Date of the Plan, the Debtor will reject all executory contracts and unexpired leases to which it is a party which are listed in Exhibit B, attached hereto and incorporated herein by reference which have not been rejected by prior Order of the Bankruptcy Court prior to the Confirmation Date. Executory contracts and unexpired leases will be rejected pursuant to the provisions of 11 U.S.C. §365. Any executory contract or unexpired lease not assumed in accordance with the Plan shall be rejected.

10.3 - An Order confirming this Plan constitutes approval by the Court of the assumption or rejection of the executory contracts and unexpired leases described herein in accordance with the provisions of 11 U.S.C. §365 and the Rules.

10.4 - **Claims Arising from Rejection.** All proofs of claim with respect to claims arising from the rejection of any executory contract or unexpired lease shall be filed with the Bankruptcy Court within twenty (20) days after the earlier of (i) the date of the Bankruptcy Court order approving the Debtor's rejection of such executory contract or unexpired lease or (ii) the Confirmation Date. Any claims not filed within such time shall be forever barred against the Debtor, its estate and property and any such Claims shall be disallowed in full. Claims arising from such rejection, to the extent Allowed, shall be treated as unsecured Claims.

**ARTICLE XI**  
**MISCELLANEOUS PROVISIONS**

11.1 **Revestment.** On the Effective Date of the Plan all property of the estate shall revert in the Debtor free and clear of all liens except those specifically set forth in the Plan or as otherwise provided in the Plan.

11.2 **Retention of Jurisdiction.** Notwithstanding confirmation of the Plan, the Court shall retain jurisdiction for the following purposes:

1. Determination of the allowability of claims upon objection to such claims by the Debtor-in-Possession or by any other party in interest;
2. Determination of the request for payment of claims entitled to priority under 11 U.S.C. Section 507(a)(2), including compensation of the parties entitled thereto;
3. Resolution of any disputes regarding interpretation of the Plan;
4. Implementation of the provisions of the Plan and entry of orders in aid of consummation of the Plan, including without limitation, appropriate orders to protect the revested Debtor from action by creditors;
5. Modification of the Plan pursuant to 11 U.S.C. §1127;
6. Adjudication of any causes of action, including avoiding powers actions, brought by the debtor-in-possession, by the representative of the estate or by a Trustee appointed pursuant to the Code;
7. Adjudication of any cause of action brought by the debtor-in-possession, by a representative of the estate, or by a Trustee appointed pursuant to the Code, or the revested Debtor exercising rights and powers as provided in 11 U.S.C. §§542-549. This section shall not be construed to limit any other power or right which the Debtor may possess under any section of the Code; and
8. Entry of a final decree.

11.3 - **Satisfaction of Claims.** The Debtor shall receive a discharge on the Effective Date of the Plan pursuant to Section 1141(d). Confirmation of the Plan and the occurrence of the Effective Date of the Plan shall constitute a modification of any

note or obligation for which specification and treatment is provided under the Plan as set forth in the Plan. Any obligation or note, previously in default, so modified, shall be cured as modified as of the Effective Date.

11.4 **Headings.** The headings used in the Plan are for convenience of reference only and shall not limit or in any manner affect the meaning or interpretation of the Plan

11.5 **Notices.** All notices, requests, demands, or other communications required or permitted in this Plan must be given in writing to the party(ies) to be notified. All communications will be deemed delivered when received at the following addresses:

- a. To:  
KSM International, LLC  
3980 North Broadway St.  
Suite 103-222  
Boulder, CO 80304  
  
Email: ksm@kristinsweetingmorelli.com

With a copy to:  
Lee M. Kutner  
Kutner Brinen, P.C.  
1660 Lincoln St., Suite 1850  
Denver, CO 80264  
Fax: 303-832-1510

Email: lmk@kutnerlaw.com

- b. To an allowed claimant, at the addresses set forth in the allowed Proof of Claim, if filed, otherwise, at the address set forth for the claimant in the Debtor's Schedules filed with the Court.

11.6 - **Successors and Assigns.** The Plan will be binding upon the Debtor, any creditor affected by the Plan and its heirs, successors, assigns and legal representatives.

11.7 - **Unclaimed Payments.** If a person or entity entitled to receive a payment or distribution pursuant to this Plan fails to negotiate a check, accept a distribution or leave a forwarding address in the event notice cannot be provided as set forth in paragraph 11.5, within three months of the Effective Date of the Plan or the payment

date of the payment, the person or entity is deemed to have released and abandoned any right to payment or distribution under the Plan.

11.8 - **Committee Existence.** Any Creditors Committee appointed in the bankruptcy case shall terminate on the Effective Date of the Plan.

11.9 - **Liability.** Except as set forth in this Plan, neither the Debtor nor any of its agents, representatives, attorneys, accountants, service providers or advisors shall have or incur any liability for any past, present or future actions taken or omitted to be taken under, in connection with, related to, affecting or arising out of the bankruptcy case or this Plan except for claims based on gross negligence or willful misconduct which must be asserted during the course of the case.

## ARTICLE XII CONFIRMATION REQUEST

12.1 - The Debtor, as proponent of the Plan, requests confirmation of the Plan pursuant to 11 U.S.C. §1129. The Debtor will solicit acceptance of the Plan after its Disclosure Statement has been approved by the Court and is transmitted to the creditors, interest holders and parties in interest. In the event the Debtor does not obtain the necessary acceptances of its Plan, it may make application to the Court for confirmation of the Plan pursuant to 11 U.S.C. §1129(b). The Court may confirm the Plan if it does not discriminate unfairly and is fair and equitable with respect to each class of Claims or Interests that is impaired and has not voted to accept the Plan.

DATED: March 10, 2017

KSM INTERNATIONAL, LLC

By: /s/ Kristin Sweeting Morelli  
Kristin Sweeting Morelli, Manager

Lee M. Kutner  
Kutner Brinen, P.C.  
1660 Lincoln St., Suite 1850  
Denver, CO 80264  
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ATTORNEYS FOR THE DEBTOR  
AND DEBTOR-IN-POSSESSION

**EXHIBIT A**

**Executory Contracts and Unexpired Leases Assumed**

1. All contracts and leases previously assumed or for which a motion to assume is pending as of the Effective Date.
2. All contracts with the Debtor's clients.

**EXHIBIT B**

**Executory Contracts and Unexpired Leases Rejected**

1. All leases and contracts previously rejected by Court Order or for which a motion to reject is pending as of the Effective Date.