

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

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|                          |   |                                  |
|--------------------------|---|----------------------------------|
| <b>IN THE MATTER OF:</b> | ) | <b>CHAPTER 11</b>                |
|                          | ) |                                  |
| <b>JAYTEE, LLC</b>       | ) |                                  |
|                          | ) | <b>JUDGE Jack B. Schmetterer</b> |
|                          | ) |                                  |
| <b>Debtor</b>            | ) | <b>CASE NO. 16-29327</b>         |

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**AMENDED DISCLOSURE STATEMENT**

JayTee, LLC, an Illinois limited liability company (“Debtor” and “Debtor in Possession”), by and through its Attorneys, files this Amended Disclosure Statement (“Amended Disclosure Statement”), pursuant to Section 1125 of the Bankruptcy Code and in conjunction with their Plan of Reorganization (“Plan”), which Amended Disclosure statement amends and restates the original Disclosure Statement filed December 22, 2016 (the “Original Disclosure Statement”). A copy of the Plan was attached to the Original Disclosure Statement as Exhibit A thereto.

**INTRODUCTION**

This bankruptcy case was commenced by the filing of a voluntary petition under Chapter 11 of the Bankruptcy Code by the Debtor on September 14, 2016. The Debtor JayTee, LLC is operating its business and managing its financial affairs as Debtor-in-Possession. No trustee, examiner or committee of unsecured creditors has been appointed to serve in this Chapter 11 case.

The Debtor is the proponent of the Plan. The Plan provides for distributions to the holders of Allowed Claims by the Debtor from third party capital, as described under the heading

“History and Background” below. Exhibit B attached to the Original Disclosure Statement lists each creditor and states the class and the amount of the allowed claim(s) of each creditor.

A bar date was set by the court for February 28, 2017. This below chart identifies all classes of claims, the total amount of claims to each class, and the amount (dollar and percentages) to be paid to each class. Exhibit B attached to the Original Disclosure Statement shows the composition of each class.

### SUMMARY OF TREATMENT OF CLAIMS AND INTERESTS UNDER PLAN

The Debtor’s Plan of Reorganization (the “Plan”) provides that on its Effective Date, the Debtor will retain all of its assets, and will thereafter be responsible for paying the Claims of its creditors, as provided below.

In general, the Debtor will pay Administrative Claims (One Class) and one class of Creditors’ Claims (Total of Two Classes).

a. ADMINISTRATIVE CLAIMS: This Claim will be paid on or within thirty days of the Effective Date of the Plan or in accordance with agreements between the Debtor and each holder of an Administrative Claim. United States Trustee’s fees and other bankruptcy fees shall be paid in full on or before the Effective Date or as they come due thereafter. The source of the payment for these amounts will be capital contributions from the principals of Debtor and/or JFK (as defined under the heading “History and Background” below).

b. CREDITORS’ CLAIMS:

1. At the time of filing of this case the Debtor has unsecured claims which are summarized in the following paragraphs. **Exhibit B attached to the Original Disclosure Statement states the class and the amount of the allowed claim(s) of each creditor.**

2. The following parties hold secured claims: Naught.

3. The Bar Date was set by the Court, as February 28, 2017. Consequently, the

Debtor has one class of Unsecured Non-Priority Claims which is summarized as follows:

| <b>Creditor Name</b>                | <b>Allowed Claim Amount</b> | <b>Amount (%) to be Received</b> |
|-------------------------------------|-----------------------------|----------------------------------|
| Barbara Capital Lofts, LLC          | \$ 5,900,000.00             | 100%                             |
| BBJ Group                           | \$ 28,000.00                | 100%                             |
| Chicago Building Consulting Svc Inc | \$ 5,000.00                 | 100%                             |
| Childress Duffy Goldblatt, Ltd.     | \$ 10,000.00                | 100%                             |
| Delago LLC                          | \$ 90,000.00                | 100%                             |
| Ground Engineering Consultants, Inc | \$ 35,000.00                | 100%                             |
| Jerome Karp                         | \$ 5,000.00                 | 100%                             |
| Johnson Law                         | \$ 25,000.00                | 100%                             |
| Kelsy Karp Trust                    | \$ 5,000.00                 | 100%                             |
| KLOA                                | \$ 10,000.00                | 100%                             |
| Lucia Karp Trust                    | \$ 741,000.00               | 100%                             |
| Madison Appraisal                   | \$ 6,000.00                 | 100%                             |
| Madison Construction                | \$ 2,200,000.00             | 100%                             |
| Internal Revenue Service            | \$ 200.00                   | 100%                             |
| <b>TOTAL</b>                        | <b>\$ 9,245,200.00</b>      | <b>100%</b>                      |

4. Unsecured claims in Class One totals \$ 9,245,000.00. The Debtor will pay each unsecured creditor 100% of their allowed claims within 60 days after confirmation. This amount will be paid to unsecured non-priority creditors in full subsequent to confirmation of the plan but in event no later than 60 days after plan confirmation.

5. No Unsecured Non-Priority Creditors will be paid interest under this Plan.

6. Any uncashed checks or returned distributions shall be the property of the

Debtor after ninety (90) days. The Debtor advises all Creditors and other parties in interest that under Section 1127(a) of the Bankruptcy Code, the Debtor may, within certain limits, modify the Plan at any time before confirmation. Further negotiations between the Debtor and one or more of his creditors may result in such modifications. The Debtor does not expect or intend to agree to modifications that would materially and adversely influence the feasibility of the Plan as now constituted. The Debtor will bring all such proposed modifications to the attention of the Bankruptcy Court by appropriate pleading before they become effective.

7. Plan Funding:

Unsecured Creditors -- The one-time payment to non-priority unsecured creditors will be provided directly from third party capital, as described under the heading "History and Background" below.

8. Designation of Claims: The numbers used by the Debtor is based on the amount for each creditor stated in the petition or if a Proof of Claim has been filed, the amount in the proof of claim, except as otherwise stated on the claim list<sup>^</sup>, attached as Exhibit B to the Original Disclosure Statement, with amount of Allowed Claim(s). See Above. The Debtor expects that there will be no material change in the amount of Claims before the hearing on confirmation.

CLASSIFICATION OF CLAIMS AND INTERESTS

The Bankruptcy Code requires that a plan of reorganization place each classified Creditor's Claim in a class with other Claims or Interests that are "substantially similar." The dollar amount of a claim is usually not a basis upon which to distinguish it from other Claims.

As stated, the Plan establishes two classes of Claims (with Administrative Claims being unclassified). The Bankruptcy Court must independently conclude that the Plan's classification

scheme is authorized, but any creditor who believes that the Plan has improperly classified any group of Claims or Interest may object to confirmation of the Plan. The Debtor believes that the Plan's classification of Claims and Interests fully complies with the requirements of the Bankruptcy Code and applicable case law.

General Terms: All Claims submitted by creditors shall be fixed and determined in accordance with the proof of claim filed the Clerk of the United States Bankruptcy Court. Unless otherwise specifically provided in this Amended Disclosure Statement following the Petition Date:

- a. No unsecured creditor shall accrue interest on its Claim after the Petition Date except as otherwise stated;
- b. If the agreement between the parties so provides, a Creditor may accrue interest on its Claim (at the rate provided in the agreement). With the exception of the Secured Claim, the Debtor does not believe that it is required to pay any interest on any Claim.
- c. After the Petition Date, each Creditor not referred to in paragraph b waives:
  1. default interest;
  2. penalties; the right to accelerate payment; and
  3. Contractual attorney's fees.
- d. Effect of Filing and Not Filing Claims-Each Creditor, who has filed a proof of claim, is not bound by the Debtor's estimates of Claims against it. Any creditor, who did not file a proof of claim, is bound by the Debtor's calculation of the amount owed to that creditor. If the Debtor disputed a debt on his schedules and the Creditor in question did not file a proof of claim, the debt shall be deemed disallowed and discharged upon entry of a discharge in this case. Claims for expenses of

administration may be allowed in the discretion of the Bankruptcy Court and for amounts over which the Debtor has no control.

#### TREATMENT OF UNIMPAIRED AND UNCLASSIFIED CLAIMS

The following classes are unimpaired by the Plan in accordance with Section 1124 of the Bankruptcy Code:

- a. **(Unclassified) Administrative Expenses:** These claimants represent claims arising post-petition. Any Administrative Expense that is an Allowed Claim shall be paid by the Reorganized Debtor, in full, in cash or as otherwise agreed. Payment of Professional Fees shall be subject to the provisions of Section 330(a) and 331 of the Bankruptcy Code or as otherwise provided by the Plan. United States Trustee and other bankruptcy fees shall be paid in full on or before the Effective Date or as they come due thereafter. The Debtor expects Administrative Claims from attorney fees will be approximately \$10,000.00 and United States Trustee fees will not exceed \$10,000.00.
- b. **CLASS Two - Secured Claims:** Not Applicable.

#### UNSECURED NON-PRIORITY CLAIMS

**CLASS One - Unsecured Non Priority Creditors -**This class shall consist of the Allowed Claims and Not Disputed Claims of general unsecured creditors as defined in Exhibit B to the Original Disclosure Statement states which creditors are a part of this Class One and which creditor's claims are not allowed and disputed and therefore not being paid. The Debtor will pay each Unsecured Non-Priority creditor 100% by cash ninety (60) days post confirmation. It is estimated that each holder of an unsecured and undisputed claim will receive one hundred

percent without interest.

#### CLAIMS OBJECTIONS

To the extent that the Debtor objects to any Claim, it is expected that these objections may be filed either before or after Confirmation of the Plan, but will not be fully resolved until after Confirmation of the Plan. Debtor may file objections because 1) a creditor filed duplicate claims, 2) because a creditor has filed a claim designating it to be in the wrong class, or 3) because the amount of the claim as filed is an unliquidated amount due which will need to be liquidated. Any claim objection which is sustained shall modify this Plan and the amount provided for that creditor.

#### PURPOSE OF AMENDED DISCLOSURE STATEMENT

This Amended Disclosure Statement is provided to all of the known holders of Claims against and Interests in the Debtor. The purpose of this Amended Disclosure Statement is to provide sufficient information to enable a hypothetical, reasonable investor, typical of the holder of Claims which are impaired under the Plan, to make an informed judgment about the Plan.

Unless specifically stated to be from other sources, the information contained in this Amended Disclosure Statement has been submitted by the Debtor. No representations concerning the Debtor or this Plan, other than those set forth in this Amended Disclosure Statement, have been authorized by the Debtor.

The Debtor believes that all of the information contained in this Amended Disclosure Statement is accurate. However, the Debtor is unable to warrant that there are no inaccuracies.

#### CONFIRMATION OF PLAN

The Debtor is providing a copy of this Amended Disclosure Statement to each Creditor whose Claim has been scheduled by the Debtor or who has filed a proof of claim in the Debtor's

case. The Debtor intends that this Amended Disclosure Statement will assist creditors whose Claims are impaired in evaluating the Plan and in determining whether to accept or reject the Plan. Under the Bankruptcy Code, an interested party may not solicit acceptance of the Plan unless (a) that interested party furnishes a copy of a disclosure statement before or concurrently with solicitation or (b) the Bankruptcy Court has authorized the interested party to solicit votes.

A quick overview of the process for the confirmation of a reorganization plan may be useful. For a bankruptcy court to approve a proposed reorganization plan, the Plan's proponent must show that the Plan satisfies the 13 requirements of Section 1129 of the Bankruptcy Code, if they are applicable. They are: (1) the Plan's compliance with Title 11, (2) the proponent's (in this case the Debtor's) compliance with Title 11, (3) the good faith proposal of the Plan, (4) the disclosure of payment, (5) the identification of management, (6) the regulatory approval of rate changes, if applicable, (7) the "best interest" test, (8) the unanimous acceptance by impaired classes, (9) the treatment of administrative and Priority Claims, (10) the acceptance by at least one impaired class of Claims, (11) the feasibility of the plan, (12) the bankruptcy fees, and (13) retiree benefits. See Section 1129(a)(1)-(13) of the Bankruptcy Code. If, however, a plan is not approved by all of the impaired classes, as required by Section 1129(a)(8) of the Bankruptcy Code, it is still possible for a plan to be confirmed. If at least one the non-insider, impaired classes of Claims approves the plan, then a plan may be confirmed if two additional requirements are met. See 1129(a)(8) of the Bankruptcy Code. If the Bankruptcy Court finds that all of the applicable requirements of Section 1129(a) of the Bankruptcy Code are met except for Section 1129(a)(8) of the Bankruptcy Code and also that the plan does not discriminate unfairly between impaired classes and is fair and equitable to the rejecting classes, then the Bankruptcy Court may confirm the plan. See Section 1129(b)(1)-(2) of the Bankruptcy Code. Confirmation of this Plan



does not discharge any debt provided for in this Plan until the court grants a discharge on completion of all payments under this Plan, or as otherwise provided in §1141(d)(5) of the Code. The Debtor will not be discharged from any debt excepted from discharge under §523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

#### EFFECT OF CONFIRMATION

The provisions of a confirmed plan binds the Debtor, any entity issuing securities under the plan, any entity acquiring property under the plan, and any creditor, equity security holder, or general partner in the Debtor, whether or not the claim or interest of such creditor, equity security holder, or general partner is impaired under the plan and whether or not such creditor, equity security holder, or general partner has accepted the plan.

Except as otherwise provided in the plan or the order confirming the plan, the confirmation of a plan vests all of the property of the estate in the Debtor. Confirmation of the plan does not discharge any debt provided for in the plan until the court grants a discharge on completion of all payments under the plan.

#### PERSONS ENTITLED TO VOTE ON PLAN

The Bankruptcy Court in connection with confirmation of the Plan will only count the votes of classes of creditors whose Claims are allowed and who the Debtor seeks to impair under the Plan. Generally, and subject to the specific provisions of Section 1124 of the Bankruptcy Code, this includes the allowed amounts of his respective Claims on the “Effective Date.” The Debtor’s Plan does not seek to impair the Claims of Class One.

Any ballot which accompanies this Amended Disclosure Statement does not constitute a proof of claim. If you are uncertain whether your claim has been correctly scheduled, you may

examine the Debtor's schedules which are on file with, and may be inspected at the Office of the Clerk of the Bankruptcy Court, 219 S. Dearborn, Chicago, Illinois.

The Bankruptcy Court at the confirmation hearing must determine, among other things, whether each class of creditors whose Claims are impaired by the Plan has accepted the Plan. Under Section 1126 of the Bankruptcy Code, an impaired Class of Claims is considered to have accepted the Plan if both a majority in number and two-thirds (2/3) of the dollar amount of those actually voting vote to accept the Plan. The Claims of those who do not vote are not counted in determining whether the requisite statutory majority in number and dollar amount have voted for acceptance. Acceptance by the statutory majority will bind the minority who dissent and those who fail to vote. Further, unless there is unanimous acceptance of the Plan by an impaired class, the Bankruptcy Court must also determine whether under the Plan class members will receive property of a value, as of the effective date of the Plan, that is not less than the amount that such class members would receive or retain, if a Chapter 7 trustee liquidated the Debtor's property under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

#### SOURCES OF INFORMATION

In preparing this Amended Disclosure Statement, counsel for the Debtor relied upon his discussions with (i) the Debtor's principal Jerome Karp, (ii) the Debtor's legal counsel in regard to the purchase of the Property and the financing thereof - Tige C. Johnson of Johnsonlaw, LLC, Chicago, Illinois (which legal counsel is a principal of JFK (as defined under *History and Background*, below), and (iii) the Financing Advisor (see *History and Background*, below).

## HISTORY AND BACKGROUND

The Debtor is an Illinois limited liability company formed for the sole purpose of purchasing certain real property commonly known as 921 S. Jefferson Street (also known as 909 S. Jefferson Street), Chicago, Illinois, 60607 (the "Property").

The Debtor is the nominee/assignee of Delago, LLC, an Illinois limited liability company ("Delago"), in respect of an executory contract, dated July 7, 2015 (the "Purchase Agreement"), for the purchase of the Property, by and between Delago, as purchaser, and Barbara Capital Lofts, LLC, an Illinois limited liability company, as seller ("Seller"), pursuant to which Seller has been paid \$450,000.00 in earnest money toward the purchase price of the Property.

This bankruptcy arises from Debtor's failure to, as yet, procure financing to pay the balance of the purchase price for the Property under the Purchase Agreement and the other Allowed Claims.

Debtor intends to assign its rights to purchase the Property under the Purchase Agreement to JFK DevPartners, LLC, an Illinois limited liability company owned and controlled directly or indirectly by one or more of Debtor's direct or indirect equity owners and one or more unrelated investors ("JFK"), prior to the closing of the purchase and sale of the Property under the Purchase Agreement, in exchange for JFK's assumption and payment of the Allowed Claims at the closing of the purchase of the Property.

JFK is party to an Engagement Agreement (the "Financing Agreement"), dated November 20, 2016, by and between JFK and Jordan Equity Group (the "Financing Advisor"), with offices at 2341 Old Hicks Road, Long Grove, IL 60047, a copy of which is attached hereto as Exhibit C.

To date, JFK has paid the Financing Advisor a \$7,500.00 engagement fee, pursuant to the Financing Agreement. The Financing Agreement provides for certain additional fees payable to

the Financing Advisor, including success fees for financings actually funded.

Pursuant to the Financing Agreement, the Financing Advisor is providing advisory services to JFK relative to raising equity and debt financing for JFK's purchase of the Property, pursuant to the Purchase Agreement, payment of all other Allowed Claims in full at the closing of the purchase of the Property, and post-closing improvements to be made to the Property, and is seeking to procure equity and debt commitments from third party investors therefor on behalf of JFK.

Though as of the date hereof no financing commitments are in place and no assurances can be provided that requisite financing commitments to close the purchase of the Property under the Purchase Agreement and pay the other Allowed Claims will be procured, based on its discussions with the Financing Advisor, Debtor has a good faith belief that the Financing Advisor will procure the requisite third party financing to close purchase of the Property pursuant to the Purchase Agreement and pay all other Allowed Claims in full, no later than January 31, 2017.

Debtor's assignment to JFK of Debtor's rights under the Purchase Agreement to purchase the Property would be subject to JFK's assumption of the Allowed Claims and payment of the Allowed Claims in full at the closing of the purchase of the Property from Seller pursuant to the Purchase Agreement, all from third party net funds sourced by the Financing Advisor pursuant to the Financing Agreement.

#### POST-PETITION ACTIVITIES

On September 14, 2016, Debtor filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code. During the course of this reorganization case, the Debtor, by and through its managing member Jerome Karp continues and will continue with the business operations.

Since the date of filing the Debtor has filed operating reports as required.

#### OTHER ASPECTS OF THE PLAN

The Debtor shall be disbursing agent under the Plan.

All executory contracts not previously assumed, assigned or rejected which exist between the Debtor and any another party, whether oral or in writing, shall be deemed assumed as of Confirmation of the Plan. Further, all of the Debtor's assets shall vest in the Debtor upon Confirmation of the Plan, subject only to the terms and conditions of the Plan. The Debtor shall be entitled to manage its affairs and operate its business after Confirmation without further Order of the Bankruptcy Court.

The Plan is self-executing. The Debtor shall not be required to execute any newly created documents to effectuate the terms of the Plan. The Bankruptcy Court shall retain jurisdiction after Confirmation of the Plan of Reorganization to: (i) consider applications for fees and allowances for professional persons; (ii) supervise the implementation of this plan; (iii) consider objections to claims against the estate of the debtor; (iv) hear and conclude all adversary proceedings or contested matters; (v) resolve disputes regarding interpretation of this Plan; (vi) fix expenses of administration; (vii) enter Orders to further consummation of the Plan; (viii) approve modifications of the Plan upon motions brought before the Bankruptcy Court; (ix) consider all applications and matters pending before the Bankruptcy Court on the Confirmation Date; (x) hear and conclude any adversary proceedings and other matters relating or giving rise to litigation recoveries; (xi) enter any order, including injunctions, necessary to enforce title, rights and powers of the debtor, and to impose as the Bankruptcy Court may deem necessary; (xii) enter an Order reopening this Chapter 11 case after entry of a Final Decree to enter a

Discharge; (xiii) enter an Order of Discharge; and (xiii) enter an Order concluding and terminating this Chapter 11 case.

The provisions of the Plan shall bind all creditors, Interest holders and parties in interest. Except as expressly provided in the Plan, no interest or penalties shall accrued or be paid to any creditor.

#### LIQUIDATION ANALYSIS

The value of the Debtor's assets, including the Purchase Agreement, far exceeds the amount of any liens against the Debtor's property and/or the amount to be paid to creditors under the Plan. This Court if the Debtor fails to obtain Confirmation of his Plan could convert this case to a case under Chapter 7 of the Bankruptcy Code. The Debtor has a good faith belief that the likely result of a liquidation would be that the Plan creditors would be paid in full whether the Debtor's assets are liquidated or this Plan is confirmed. The benefit to creditors in confirming the Plan is that all Allowed Claims will be paid far quicker than in a liquidation.

All creditors will receive the same funds in the Plan than any creditor would receive in a liquidation of the Debtor's assets.

#### MEANS FOR IMPLEMENTING THE PLAN

The Debtor intends to continue the operations of its business so that it may assign its rights under the Purchase Agreement to JFK prior to the closing of the purchase of the Property from Seller under the Purchase Agreement, in exchange for JFK's assumption and payment of the Allowed Claims in full at the closing of the purchase of the Property, as described above under the heading "History and Background." As aforesaid thereunder, JFK has engaged the Financing Advisor to secure the requisite financing to close the purchase of the Property under

the Purchase Agreement and pay the Allowed Claims in full at said closing.

FEASIBILITY AND FAIRNESS OF PLAN

The Debtor's Plan is feasible given the reasonable projections of the Debtor. Based on the Debtor's discussions with the Financing Advisor, the Debtor has a good faith belief that the Financing Advisor will procure the requisite financing to close on the purchase of the Property pursuant to the Purchase Agreement and pay in full the Allowed Claims no later than January 31, 2017.

The Debtor believes that this Plan represents an opportunity for the holders of Allowed Claims to receive payment of their claims in full at the closing of the purchase of the Property.

RECOMMENDATION

The Debtor strongly recommends that those persons entitled to vote, vote to accept the Plan.

JayTee, LLC

By: /s/ Thomas R. Hitchcock

Thomas R. Hitchcock, one of its attorneys

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