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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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In re

Basic Food Group, LLC,

Chapter 11
Case No. 15-10892(JLG)

Debtor

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**AMENDED DISCLOSURE STATEMENT OF
BASIC FOOD GROUP, LLC.**

DISCLAIMER

PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY. THE DEBTOR BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF THE DEBTOR AND ITS CREDITORS AND PROVIDES THE HIGHEST AND MOST EXPEDITIOUS RECOVERIES TO HOLDERS OF ALLOWED CLAIMS AGAINST THE DEBTOR.

Basic Food Group, LLC., (the "Debtor") respectfully submits this amended disclosure statement (the "Disclosure Statement") pursuant to § 1125 of the Bankruptcy Code to accompany its Amended Plan of Reorganization dated November 16, 2016 (the "Plan"), which has been filed with the United States Bankruptcy Court for the Southern District of New York. A copy of the Plan is annexed as Exhibit "A" hereto. Capitalized terms contained in this Disclosure Statement, which are not otherwise defined herein, will have the meaning ascribed to them in the Plan.

I. INTRODUCTION

The purpose of this Disclosure Statement is to provide creditors and equity holders of the Debtor with adequate information to enable them to make an informed judgment concerning the Plan. The Plan is a document that contains the exclusive and final statement of the rights of the Debtor, its creditors, equity holders and other interested parties, and sets forth what each of those

groups will receive and how they will receive it. It is strongly recommended that the Plan be read in its entirety. The Disclosure Statement is not a substitute for reading the Plan in full, as the Disclosure Statement simply describes the Plan, and provides information about the Debtor and the Chapter 11 Case. If the Bankruptcy Court confirms the Plan, it will become binding on the Debtor, all creditors, equity holders and other interested parties.

You are also urged to read the contents of the Disclosure Statement in order to determine what rights you may have to vote on or object to the Plan and before making any decision on any such course of action. Particular attention should be directed to the provisions of the Plan affecting your rights as they existed before the institution of this Chapter 11 Case. Please note, however, that this Disclosure Statement cannot and does not provide a complete description of all of the applicable provisions of the Bankruptcy Code, or other matters that may be deemed significant by creditors and other parties in interest. You are also encouraged to consult with your lawyers and/or advisors as you review and consider the Disclosure Statement and the Plan to enable you to obtain more specific advice on how the Plan will affect you.

In this Chapter 11 Case, the Plan contains three (3) Classes of Claims and one (1) Class of Interest. The Plan does not impair the Class 1 or Class 3 Claim of Noah Bank. The Class 2 Claim of the Convenience, Allowed General Unsecured Creditors is impaired. The Class 4 Interest Holders are impaired or not, dependent upon the resolution of the Claim of Noah Bank and the Adversary Proceeding. The Class 1 and 3 Creditor will receive, through its nominee, the equity of the Interest Holders, the operation of the Debtor and all rights under the Lease Cancellation Agreement and the Landlord Adversary, if allowed. The Class 2 Creditors will receive a ten (10%) percent distribution. The Class 4 Interest Holders will retain their interest under the Plan or surrender their Interest to the Noah Bank Nominee. Class 2 and Class 4 (if impaired) are entitled to vote on the Plan. A copy of the Ballot is annexed hereto as Exhibit "B". It must be returned to Kurtzman Materna, P.C., 664 Chestnut Ridge Road, Spring Valley, New York 10977 before 5:00

p.m. _____, 201__.

IN THE OPINION OF THE DEBTOR, THE TREATMENT OF CREDITORS AND THE INTEREST HOLDERS UNDER THE PLAN CONTEMPLATES A GREATER RECOVERY THAN THAT WHICH IS LIKELY TO BE ACHIEVED BY LIQUIDATION OF THE DEBTOR UNDER CHAPTER 7 OF THE BANKRUPTCY CODE. ACCORDINGLY, THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTEREST OF THE DEBTOR'S CREDITORS AND INTEREST HOLDER.

The following materials are included with this Disclosure Statement:

1. A copy of the Plan;
2. A copy of the Ballot.
3. A copy of an order approving the Disclosure Statement (the "Disclosure Statement Order"), which states: (a) the date by which objections to confirmation of the Plan must be served and filed; (b) the date by which Ballots must be received; (c) the date of the hearing in the Bankruptcy Court to consider confirmation of the Plan; and (d) other relevant information.

This Disclosure Statement was approved by the Bankruptcy Court by the Disclosure Statement Order on _____, 201__ after notice and hearing pursuant to § 1125 of the Bankruptcy Code. **THE BANKRUPTCY COURT HAS NOT CONFIRMED THE PLAN AND NEITHER THIS DISCLOSURE STATEMENT NOR THE DISCLOSURE STATEMENT ORDER IS TO BE CONSTRUED AS APPROVAL OR ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.**

As stated in the Disclosure Statement Order, the Bankruptcy Court has scheduled a hearing to consider Confirmation of the Plan for _____, 201__ at 10:00 a.m. Holders of Claims, the Interest Holder and other parties in interest may attend this hearing. Objections to confirmation

of the Plan, if any, must be in writing and filed with the Bankruptcy Court and served, so as to be received no later than _____ on _____, 201__ upon all of the following parties:

Rosemarie E. Matera, Esq.
Kurtzman Matera, P.C.
Attorneys for the Debtor
664 Chestnut Ridge Road
Spring Valley, New York 10977

Brian Masumoto, Esq.
Office of the United States Trustee
201 Varick Street
New York, New York 10014

The following is a description of the assets, liabilities and affairs of the Debtor, a description and analysis of the Plan, and an analysis of alternatives to the Plan.

II. CHAPTER 11 - IN GENERAL

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Chapter 11 is also utilized for the purpose of achieving an orderly liquidation. Upon filing of a plan of reorganization under Chapter 11, an estate is created containing all of the debtor's property and generally, the debtor remains in control of its property and business as a debtor-in-possession. It is possible for a Court, however, to order the appointment of a trustee in a Chapter 11 proceeding. Under Section 362 of the Bankruptcy Code, the commencement of a case under the Bankruptcy Code invokes an automatic stay of all attempts to collect claims or enforce liens against the debtor or the property of a debtor that arose prior to the commencement of such debtor's case or that otherwise interfere with the debtor's property. Under Chapter 11, a debtor is authorized to reorganize its business and capital structure for the benefit of its estate, creditors and stockholders.

Confirmation of a plan of reorganization is the principal objective of a Chapter 11 case. A plan of reorganization sets forth the means for treating claims against, and interests (e.g., common stock) in a debtor. A claim or interest is impaired under a plan of reorganization if the plan of reorganization provides that such claim will not be repaid in full, with interest, or that the legal,

equitable or contractual rights of the holder of such claim or interest are altered. A holder of an impaired claim or interest is entitled to vote to accept or reject a plan of reorganization. Chapter 11 does not require every holder of a claim and interest to vote in favor of a plan of reorganization in order for the Bankruptcy Court to confirm the plan of reorganization. The Bankruptcy Court must, however, find that the plan of reorganization meets a number of statutory tests before it may confirm, or approve, the plan of reorganization. Many of these tests are designed to protect the interests of holders of claims or interests who do not vote to accept the plan of reorganization but who will nonetheless be bound by the plan's provisions if it is confirmed by the Bankruptcy Court. Here, the Class 2, and possibly Class 4 Interest Holders are impaired. The Class 1 and Class 3 Creditor will have its Claim in the Debtor reinstated through a surrender of the equity of the Interest Holders if its Claim is not offset by, or recovery results from, the Adversary Proceeding. Thus, the Claims of Noah Bank are not impaired. It loaned to an entity, the Debtor, and it will have ownership of that entity, the Reorganized Debtor through its chosen nominee, and the right to recover under the Lease Cancellation Agreement or otherwise negotiate with the Landlord for a new lease, and under the Landlord Adversary.

NO PERSON IS AUTHORIZED BY THE DEBTOR IN CONNECTION WITH THE PLAN TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ANNEXED HERETO OR INCORPORATED HEREIN BY REFERENCE OR REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR.

NO REPRESENTATIONS CONCERNING THE DEBTOR OR THE PLAN ARE AUTHORIZED OTHER THAN AS SET FORTH HEREIN.

THE INFORMATION CONTAINED HEREIN HAS BEEN PREPARED BY THE DEBTOR IN GOOD FAITH, BASED UPON UNAUDITED INFORMATION AVAILABLE TO THE DEBTOR AS OF THE DATE HEREOF. ALTHOUGH THE DEBTOR HAS USED ITS BEST EFFORTS TO ENSURE THAT SUCH INFORMATION IS ACCURATE, THE INFORMATION CONTAINED HEREIN IS UNAUDITED. THE DEBTOR BELIEVES THAT THIS DISCLOSURE STATEMENT COMPLIES WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT AND THE DATE THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED.

NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS AGAINST OR AN INTEREST IN THE DEBTOR.

THE DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT IS INTENDED AS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN ITSELF. EACH CREDITOR AND INTEREST HOLDER IS ENCOURAGED TO READ, CONSIDER AND CAREFULLY ANALYZE THE TERMS AND PROVISIONS OF THE PLAN. THE DEBTOR RESERVES ITS RIGHT, IN ITS SOLE DISCRETION AND EXERCISE OF ITS BUSINESS JUDGMENT, TO WITHDRAW THE PLAN AT ANY TIME PRIOR TO

CONFIRMATION BY PLACING A NOTICE OF SUCH WITHDRAWAL ON THE DOCKET FOR THIS CASE MAINTAINED BY THE CLERK OF THE BANKRUPTCY COURT.

THE BANKRUPTCY COURT HAS NOT VERIFIED THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

FAILURE BY A CREDITOR OR THE INTEREST HOLDER TO TIMELY FILE AN OBJECTION TO CONFIRMATION OF THE PLAN IN ACCORDANCE WITH THE DISCLOSURE STATEMENT ORDER AND THE BANKRUPTCY CODE SHALL CONSTITUTE AN AGREEMENT BY SILENCE TO ACCEPT THE TERMS CONTAINED IN THE PLAN.

THIS DISCLOSURE STATEMENT AND THE PLAN PROVIDES FOR INJUNCTIVE RELIEF AS TO THE DEBTOR. THE PERMANENT INJUNCTIONS SET FORTH IN THE PLAN WILL APPLY TO HOLDERS OF ANY CLAIM, INTEREST, LIEN, ENCUMBRANCE OR DEBT, WHETHER SECURED OR UNSECURED, GRANTED PRIORITY STATUS, INCLUDING PRIORITY TAX (FEDERAL OR STATE), NON-PRIORITY UNSECURED CLAIMS OR ANY INTEREST IN THE DEBTOR. CREDITORS AND INTEREST HOLDERS WILL BE BOUND BY THIS INJUNCTIVE PROVISION UNLESS CREDITORS TIMELY FILE OBJECTIONS IN ACCORDANCE WITH THE PROVISIONS SET FORTH IN THE DISCLOSURE STATEMENT ORDER OR HEREIN AND APPEAR AT THE CONFIRMATION HEARING, TO PROSECUTE ANY OBJECTION AND OBTAIN A DETERMINATION BY FINAL ORDER UPHOLDING ANY OBJECTION.

**III. HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS
DURING THE CHAPTER 11**

The Debtor, a deli/café operating from the Premises, was acquired by the Interest Holders in December, 2012 from Choel M Kim and Si Won Kim. With the acquisition, the Debtor continued an obligation to Noah Bank which became guaranteed by Jae Ho Lee and his wife, Soyoun Park. The transaction is, in its entirety, subject to a lawsuit originally commenced in the United States

District Court for the Southern District of New York by the Plaintiffs and now pending, as the Adversary Proceeding, before the Bankruptcy Court.

From and after the Filing Date, the Debtor has remained in possession and operation of its business as a debtor in possession. No committee of unsecured creditors and no trustee has been appointed. The Office of the United States Trustee conducted an initial debtor interview and Section 341(a) meeting of the Debtor. The Debtor has attended status conferences with the Bankruptcy Court. A last date to file claims was established as July 31, 2015.

Shortly after filing, the United States District Court removed and transferred the Adversary Proceeding to the Bankruptcy Court. It has proceeded in the Bankruptcy Court with a decision and Order dismissing RICO claims issued by the Bankruptcy Court on July 13, 2016. The Debtor was authorized to use the cash collateral of Noah Bank determined to be in an amount of \$143,132.00. A further request by Noah Bank to convert or dismiss this Chapter 11 Case is currently pending before the Bankruptcy Court.

The Debtor entered into, and has approved by the Bankruptcy Court, a settlement with the Landlord embodied into the Lease Cancellation Agreement. Questions regarding the Lease Cancellation Agreement were recently posed by the Bankruptcy Court. A copy of the reply to those questions is annexed hereto as Exhibit "C". The Debtor, subject to the terms of the Lease Cancellation Agreement, incurs a monthly rental of \$49,023.00.

The Claims Register maintained by the Clerk of the Bankruptcy Court demonstrates that seven (7) Claims were filed in the Chapter 11 Case. They are as follows:

Claims No. 1& 6	NYS Dept. Of Labor	\$ 6.77
Claim No. 2	NY City Water Board	\$ 7,646.70
Claim No. 3	Internal Revenue Service	\$ 1,497.01
Claim No. 4	NY City Dept. Of Finance	\$ 35,027.55
Claim No. 5	Noah Bank	\$1,528,676.50
Claim No. 7	Consolidated Edison Co.	\$ 5,113.92

It is anticipated that Debtor will object to Claim Nos. 2 and 7.

On October 21, 2016, the Landlord Adversary was commenced in the Bankruptcy Court by the filing of a complaint. The Landlord Adversary seeks, *inter alia*, a recovery from the Landlord stemming from both a temporary closing of the deli/café operated by the Debtor and a continuing loss of revenue when it was discovered, as a result of an inspection by Con Edison of New York, that there existed a diversion of gas services through an illegally installed Y-valve. The Landlord Adversary seeks damages plus the award of the Settlement Amount of \$500,000.00 stemming from the Lease Cancellation Agreement.

IV. PLAN OF REORGANIZATION

The Debtor believes that under the Plan, holders of Allowed Claims against and Interests in the Debtor will obtain a recovery from the estate of the Debtor having a value in excess of what otherwise would be available if the assets of the Debtor were liquidated and administered pursuant to Chapter 7 of the Bankruptcy Code or the case was dismissed to allow Noah Bank to attempt to obtain sole possession. Conversion to Chapter 7 would terminate the Lease Cancellation Agreement and operations. It would entail commissions to a trustee not payable in Chapter 11 and, most likely, a trustee would hire professionals who would be compensated from the bankruptcy estate.

THE FOLLOWING IS A SUMMARY OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE INFORMATION SET FORTH IN THE PLAN.

A. Classification and Treatment of Claims and Interests

The Plan provides for the division of holders of claims and interests as follows:

1. Unclassified Claims. The Bankruptcy Code provides that certain types of claims are entitled to priority in payment and need not be classified and generally describes the manner in which some of these claims are to be paid. Specifically, the Plan provides for payment of fees of

the United States Trustee and Administrative Claims, which are not required to be classified under § 1123(a)(1) of the Bankruptcy Code.

These provisions are reflected in the Plan as follows:

(a) **United States Trustee Fees**. There are fees payable to the United States Trustee pursuant to 28 USC § 1930(a)(6) (the “UST Fees”), which is a non-classified category of Claims. The Debtor will pay all outstanding amounts due to the United States Trustee upon Confirmation and through the Effective Date as and when due. The Reorganized Debtor will pay the UST Fees arising from and after the Effective Date as and when due until the entry of a final decree in the Case.

(b) **Administration Claims**. Administration Claims are entitled to priority in payment pursuant to §503 and §507(a)(2) of the Bankruptcy Code. Administration Claims are the costs and expenses incurred during the case. The Plan provides that Allowed Administration Claims, including the fees of professionals, should be paid in full, in cash upon the latter of: (a) the Effective Date; (b) the date upon which the Bankruptcy Court enters an Order allowing such Administration Claim; or (c) as otherwise agreed between the parties. The Debtor estimates that, as of the Effective Date, outstanding administration claims will be that of Kurtzman Materna, P.C. and the Kimm Law Firm for attorney’s fees due and owing as counsel for the Debtor in an amount of approximately \$100,000.00.

2. **Tax Claims**. Allowed Tax Claims, which exclude §507(a)(1) administrative tax claims, shall be paid to the New York State Department of Labor, the Internal Revenue Service and the New York City Department of Finance pursuant to Section 1129(a)(9)(C) of the Bankruptcy Code.

3. **Classified Claims**. The Plan divides the remaining Claims against and Interests in the Debtor into various Classes. Below is a description of the general Classes and Interests in the Debtor and their treatment under the Plan.

(a) **Class 1.** The Class 1 Claim of Noah Bank is a Secured Claim within the meaning of Section 506 of the Bankruptcy Code in an amount of \$143,132.00 as established by Order of the Bankruptcy Court. Should the Claim of Noah Bank, both for Class 1 and Class 3, become an Allowed Claim, the Interest Holders will surrender their equity in the Debtor to a Noah Bank nominee in complete satisfaction of the Claim. The Noah Bank nominee will have the right to operate the business of the Debtor. It will be obligated to satisfy all distributions under the Plan. It will have the right to collect all funds due under the Lease Cancellation Agreement and the Landlord Adversary. The Noah Bank nominee will also, of course, be free to negotiate with the Landlord, at its option, to modify the Lease Cancellation Agreement, obtain a lease from the Landlord or otherwise address the operations of the Reorganized Debtor. This Class is not impaired and not entitled to vote on the Plan.

(b) **Class 2.** The Class 2 Convenience General Unsecured Creditors, consisting of the Creditors set forth at Schedule F of the Debtor's petition, excluding the Landlord and former landlord, the General Unsecured portion of the Claim of the Internal Revenue Service at \$693.74 and the anticipated General Unsecured Claim of the New York City Water Board in an amount of \$7,646.70, total \$49,313.44. Allowed Class 2 Claims will receive a distribution of ten (10%) percent on the Effective Date. This Class is impaired and entitled to vote on the Plan.

(c) **Class 3.** The Class 3 General Unsecured Claim of Noah Bank in an amount of \$1,385,544.40, if Allowed, will be treated as set forth, and in conjunction with, the information in Class 1. This Class is not impaired and not entitled to vote on the Plan.

(d) **Class 4.** The Class 4 Interest Holders will retain their existing pre-petition Interests in the Debtor should the Adversary Proceeding result in a setoff in its entirety or recovery from Noah Bank. In such case, the Interest Holders are not impaired and not entitled to vote on the Plan. Should Noah Bank be successful in the Adversary Proceeding, the Interest Holders will

surrender their equity position to the Noah Bank nominee. In such case, the Interest Holders are impaired and entitled to vote on the Plan.

1. **FULL AND FINAL SATISFACTION**. All payments and distributions hereunder shall be in full and final satisfaction, settlement and release of all Claims and Interests of any nature whatsoever, except as provided in the Plan.

2. **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**. The Debtor has a Lease with the Landlord, resolved by the Lease Cancellation Agreement and Order of the Bankruptcy Court.

3. **DISPUTED CLAIMS**. The amount of any Disputed Claim which would otherwise be distributed to the Allowed Class Claimant will be reserved from any distribution where the Allowed Class Claimant is a Disputed Claim. Upon a Disputed Claim becoming an Allowed Claim by a Final Order, any distribution then due to be made in respect of such Claim shall be issued within ten (10) business days.

4. **UNCLAIMED CASH OR INTEREST**. Any person who fails to claim any cash or interest within three (3) months from the date such cash or interest is distributed, shall forfeit all rights to that distribution and shall have no claim whatsoever against the Debtor. Unclaimed cash shall be returned to the Debtor.

5. **EVENT OF DEFAULT**. An Event of Default of the Debtor shall be a failure to make any payment required to be made by the Plan which is not cured within thirty (30) days after written notice to the attorneys for the Debtor.

Upon the occurrence of an Event of Default and following the failure of the Debtor to cure such default within the applicable cure period or as otherwise agreed between the parties, at the election of any creditor or party in interest and after notice and a hearing, the Court will consider the application of such party to reopen, dismiss or convert the Debtor's Chapter 11 Case. In such event, the Plan shall be of no further force or effect, and the discharge and injunctions contained

in Article XVI thereof shall automatically be revoked and terminated.

6. DISCHARGE OF THE DEBTOR. Except as otherwise provided in Section 1141(d) of the Bankruptcy Code and in the Plan, Confirmation of the Plan will act as a discharge effective as of the Confirmation Date, of all claims against and interests in the Debtor that arose at any time prior to such date. Pursuant to Section 1141 of the Bankruptcy Code, the discharge of the Debtor will be effective as to each claim regardless of whether a proof of claim was therefore filed, whether a claim is an Allowed Claim or whether the Claim holder votes to accept the Plan. The holder of a discharged Claim shall be forever barred and precluded from asserting against the Debtor, its assets or property, any other or further Claim or Interest based upon any documents, instrument, act, omission, transaction, or other activity of any kind or nature that occurred before the Confirmation Date.

7. MODIFICATION OR WITHDRAWAL OF THE PLAN. The Debtor reserves the right, in accordance with the Bankruptcy Code, to amend or modify the Plan prior to the Confirmation Date or to withdraw the Plan in its sole discretion. After the Confirmation Date, the Reorganized Debtor may, upon order of the Bankruptcy Court, in accordance with Section 1127(b) of the Bankruptcy Code remedy any defect or omission or reconcile any inconsistencies in the Plan in such manner as may be necessary to carry out the purposes and intent of the Plan.

8. METHOD OF DISTRIBUTION UNDER THE PLAN. The Debtor shall make all cash payments or other distributions under the Plan.

9. OBJECTIONS TO CLAIMS. The Debtor reserves the right to commence objections not previously filed with the Court within one hundred twenty (120) days after the Confirmation Date.

10. PREFERENCE AND FRAUDULENT CONVEYANCE ANALYSIS. The Debtor is unaware of preferences or fraudulent conveyances.

11. LIMITATION OF LIABILITY. From and after the Effective Date, to the extent

permitted under Section 1125(e) of the Bankruptcy Code, the Debtor, its officers and directors and the Debtor's Professionals shall neither have nor incur any liability to any Person for any act taken or omitted to be taken in connection with the Chapter 11 Case, including the formulation, preparation, dissemination, implementation, confirmation or approval of the Plan, any Exhibits thereto, the Disclosure Statement or any contract, instrument, release or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan; *provided, however,* that the foregoing provisions (a) shall not affect the liability of any Person that otherwise would result from any such act or omission to the extent that act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct, and (b) shall not abrogate any applicable disciplinary rules. Any of the foregoing parties in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Nothing in the Plan shall limit the liability of the lawyers to their respective clients pursuant to N.Y. Comp. Codes R. & Regs. tit. 22 § 1200.8 Rule 1.8(h)(1) (2009)

12. **INJUNCTION.** On the Effective Date of the Plan, except as otherwise provided in the Plan or the Confirmation Order, all Persons shall be deemed to be bound by the terms of the Plan, including holders of Claims or Interests not listed in the Schedules, or listed on the Schedules as disputed, unliquidated or contingent, who did not file Proofs of Claim or Interest by the applicable Bar Date, and, to the extent permitted under Section 1141(d)(3) of the Bankruptcy Code, will be prohibited from:

a) commencing or continuing any suit, action or other proceeding of any kind or nature or employing any process against the Debtor, the Estate, the Assets, any Representative or any direct or indirect successor to the Debtor, or to interfere with the

consummation or implementation of this Plan, or the Distributions to be made hereunder,

b) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against the Debtor, the Estate or the Assets or any direct or indirect successor in interest to the Debtor, or any assets or property of such successor,

c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien against the Debtor, the Estate or the Assets, or any direct or indirect successor in interest to the Debtor, or any assets or property of such successor other than as contemplated by the Plan,

d) except as provided herein, asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the Debtor, the Estate or the Assets, or any direct or indirect successor in interest to the Debtor, or any assets or property of such successor, and

e) proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan.

13. POST-CONFIRMATION QUARTERLY FEES AND REPORTS. The Reorganized Debtor will be responsible for post-confirmation reports and the payment of quarterly fees to the United States Trustee. Post-Confirmation quarterly reports continue to be due and quarterly fees pursuant to 28 U.S.C. Section 1930(a)(6) and 31 U.S.C. Section 3717 and any interest thereon continue to be payable to the Office of the United States Trustee post-confirmation until such time as the case is converted, dismissed or closed pursuant to a final decree. Any outstanding amounts due to the Office of the United States Trustee shall be paid at Confirmation. Post-Confirmation Quarterly Reports will, as required by Local Bankruptcy Rule 3021-1(c), be filed within forty-five

(45) days of the entry of the post-confirmation order in this case, and then every January 15th, July 15th and October 15th until a final decree has been entered.

14. The Officer of the Reorganized Debtor will be Mr. Lee as President, dependent on the Adversary Proceeding. Should the Noah Bank nominee become the Interest Holder, it will be entitled to select officer(s) for the Reorganized Debtor.

C. Means of Execution of the Plan.

1. **SOURCE OF FUNDS.** The Reorganized Debtor shall realize the funds to pay Allowed Administration Claims, Allowed Tax Claims and the Allowed Class 2 Claims from operations and/or the Lease Cancellation Agreement. All monies will be distributed in accordance with the terms of the Plan.

V. CONFIRMATION AND CONSUMMATION PROCEDURE

A. Overview

If all classes of claims and equity interests accept a Chapter 11 plan, a bankruptcy court may confirm the plan if it independently determines that the requirements of §1129(a) of the Bankruptcy Code have been satisfied. Section 1129(a) sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the “best interests of creditors” test and be “feasible”. The “best interests” test generally requires that the value of the consideration to be distributed to the holders of claims or equity interests under a plan may not be less than those parties would receive if the debtor were liquidated pursuant to a hypothetical liquidation occurring under Chapter 7 of the Bankruptcy Code. Under the “feasibility” requirement, a bankruptcy court generally must find that there is a reasonable probability that the debtor will be able to meet its obligations under its plan without the need for further financial reorganization. Here, the Debtor believes that the Plan satisfies all the applicable requirements of § 1129(a) of the Bankruptcy Code, including, in particular, the best interests of creditors’ test and the feasibility requirement.

Classes of claims or equity interests that are not “impaired” under a plan are conclusively presumed to have accepted the plan and thus are not entitled to vote. Furthermore, classes that are to receive no distribution and retain no property under the plan are conclusively deemed to have rejected the plan. Accordingly, acceptance of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class.

B. Confirmation of the Plan

Elements of Section 1129 of the Bankruptcy Code

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the conditions to confirmation under § 1129 of the Bankruptcy Code are satisfied.

Such conditions include the following:

- a. The Plan complies with the applicable provisions of the Bankruptcy Code.
- b. The Debtor has complied with the applicable provisions of the Bankruptcy Code.
- c. The Plan has been proposed in good faith and not by any means proscribed by law.
- d. Any payment made or promised by the Debtor or by an entity issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Case, or in connection with the Plan and incident to the Case, has been disclosed to the Bankruptcy Court; and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.
- e. With respect to each impaired class of Claims or Interests, each holder of an impaired Claim or impaired Interest either has accepted the Plan or will receive or retain under the Plan, on account of the Claims or Interests held by such entity, property of a value, as of the applicable consummation date under the Plan, that is not less than the amount that such entity would receive or retain if the Debtor was liquidated on such date under Chapter 7 of the Bankruptcy Code.

f. In the event that the Debtor does move to confirm the Plan consensually, each class of Claims or Interests entitled to vote has either accepted the Plan or is not impaired under the Plan.

g. Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Claims and Priority Claims will be paid in full on the Effective Date and that Priority Tax Claims pursuant to § 1129(a)(9)(C).

h. At least one impaired class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such class.

i. Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any other successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

j. All fees payable under section 1930 of Title 28, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

The Debtor believes that the Plan will satisfy all the statutory provisions of Chapter 11 of the Bankruptcy Code, that the Debtor has complied or will have complied with all of the provisions of the Bankruptcy Code, and that the Plan is being proposed and will be submitted to the Bankruptcy Court in good faith. In this Chapter 11 Case, no Allowed Claim is impaired and thus, no Class is voting to accept or reject the Plan. All Allowed Claims will be paid in full at the closing of the refinancing of the Property.

VI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtor has alternatives to the Plan, including, without limitation, the conversion of the Chapter 11 Case to a Case under Chapter 7 of the Bankruptcy Code and subsequent liquidation of the Debtor by a Chapter 7 trustee. After studying these alternatives, the Debtor has concluded that the Plan is the best alternative and will maximize recoveries of holders of Claims and Interests.

The following discussion provides a summary of the analysis supporting its conclusion that a Chapter 7 liquidation of the Debtor or an alternative Chapter 11 plan for the Debtor will not provide higher value to holders of Claims and Interests.

A. Liquidation Under Chapter 7 of the Bankruptcy Code

If no Chapter 11 plan can be confirmed, the Case may be converted to a Case under Chapter 7, in which event a trustee would be elected or appointed to liquidate the Property of the Debtor and pursue any claims the Debtor may have, for distribution to its creditors in accordance with the priorities established by the Bankruptcy Code. The Debtor notes that the conversion of the Case would terminate operations and the Lease Cancellation Agreement. See Exhibit "C". It is unlikely that there will, in such event, be any funds for Classified Claims and most likely, no funds for Administration or Tax Claims.

B. Alternative Chapter 11 Plans

If the Plan is not confirmed, any other party in interest could undertake to formulate a different Chapter 11 plan. With respect to an alternative Chapter 11 plan, the Debtor has examined various other alternatives in connection with the process involved in the formulation and development of the Plan, at the direction of the Bankruptcy Court and discussions with Noah Bank. The Debtor believes that the Plan, as described herein, enables holders of Claims to realize the best recoveries under the present circumstances and encompasses suggestions of Noah Bank.

VII. TAX CONSEQUENCES OF CONFIRMATION

Confirmation may have federal income tax consequences for the Debtor and holders of Claims and Interests. The Debtor has not obtained and does not intend to request a ruling from the Internal Revenue Service, nor has the Debtor obtained an opinion of counsel with respect to any tax matters. Any federal income tax matters raised by confirmation of the Plan are governed by the Internal Revenue Code and the regulations promulgated thereunder. Creditors and holders of Interests are urged to consult their own counsel and tax advisors as to the consequences to

them, under federal and applicable state, local and foreign tax laws, of the Plan. The federal, state and local tax consequences of the Plan may be complex in some circumstances and, in some cases, uncertain. Accordingly, each holder of a Claim or Interest is strongly urged to consult with his or her own tax advisor regarding the federal, state and local tax consequences of the Plan, including but not limited to the receipt of the Allowed Amount and/or stock under this Plan.

VIII. RETENTION OF JURISDICTION

Notwithstanding Confirmation of this Plan or occurrence of the Effective Date, the Bankruptcy Court shall retain jurisdiction for the following purposes:

- 8.1 Determination of all controversies relating to or concerning the classification, allowance, disallowance, subordination or satisfaction of Claims;
- 8.2 Determination of the validity, extent, value, priority and avoidability of consensual and non-consensual liens and other encumbrances;
- 8.3 Determination of tax liability pursuant to Section 505 of the Code;
- 8.4 Determination of all matters relating to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease;
- 8.5 Determination and fixing of all administration expenses entitled to priority pursuant to Section 507(a)(1) of the Code, including compensation to counsel, and other professionals;
- 8.6 Resolution of controversies and disputes regarding the interpretation of this Plan;
- 8.7 Determination of any applications, motions, adversary proceedings and contested or litigated matters properly before or hereafter brought in this Court;
- 8.8 Liquidation or other determination of all disputed, contingent or unliquidated Claims;
- 8.9 Modification of the Plan pursuant to Section 1127 of the Code;
- 8.10 Implementation of the provisions of this Plan and entry of orders in aid of Confirmation and consummation of the Plan;

8.11 Determination of such matters as may be provided for in the Confirmation Order or may be in aid of consummation of the Plan at any time until the final distribution payable to Claim or Interest holders has been made;

8.12 Adjudication of any causes of action that arose pre-Confirmation or in connection with the implementation of this Plan;

8.13 Entry of a Final Order closing the Debtor's case; and

8.14 Resolution or reconciliation of any omission or inconsistency in the Plan or in the Confirmation Order as may be necessary to carry out the purpose and intent of the Plan.

IX. CONCLUSION

The Debtor recommends acceptance of the Plan.

Dated: New York, New York
November 2, 2016

Basic Food Group, LLC

/s/ Jae Ho Lee

Jae Ho Lee
Managing Member

Dated: Spring Valley, New York
November 16, 2016

Kurtzman Matera, P.C.
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