

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division

In Re:	:	
	:	
SEOUL PRESBYTERIAN CHURCH	:	CASE NO 16-10983-BFK
	:	Chapter 11
Debtor	:	
	:	

DISCLOSURE STATEMENT

COMES NOW the debtor, the SEOUL PRESBYTERIAN CHURCH, (hereafter SEOUL) by counsel, and submits the following Disclosure Statement pursuant to 11 U.S.C. 1125(a).

A. Purpose of the Disclosure Statement

The purpose of this Disclosure Statement is to provide parties asserting claims against the debtor with information regarding the treatment of their claims under the proposed Plan dated November 11, 2016. More particularly, this Disclosure Statement should provide parties whose claims or interests are impaired under the Plan with adequate information to make an informed judgment when evaluating the Plan.

This Disclosure Statement also sets forth certain information regarding the debtor's assets, pre-petition history, significant events that have occurred in the Chapter 11 case, and the debtor's anticipated financial affairs post confirmation.

This Disclosure Statement also describes the Plan, certain alternatives to the Plan, the effects of the Plan's confirmation, and the manner in which distributions shall be made under the Plan.

This Disclosure Statement is not meant to take the place of the Plan. Creditors and other parties in interest are advised

to read the Plan carefully and obtain the advice of independent legal counsel if desired.

B. Disclaimer

All creditors are advised and encouraged to read this Disclosure Statement and Plan in their entirety before voting to accept or reject the Plan. Plan summaries and statements made in this Disclosure Statement are qualified entirely by reference to the Plan and other Exhibits served with the Plan.

This Disclosure Statement contains summaries of certain provisions of the Plan, certain statutory provisions, certain valuations and other financial information, and certain events related to the debtor's chapter 11 case. Although the debtor believes that this information is accurate, such summaries are qualified to the extent that they are summaries, and do not set forth the entire text of documents referred to. The factual

information contained in this Disclosure has been provided by the debtor and its agents in good faith after a reasonable investigation of the matters reported on herein, but the debtor is not able to warrant or represent that the information contained herein, including the financial information, is without any inaccuracy or inadvertent omission.

Certain information contained in this Disclosure Statement is, by its very nature, speculative, containing estimates, assumptions, and projections that may not be borne out by future events. Except as specifically noted herein, this Disclosure Statement does not reflect any events or conditions that may occur after the date of this statement, nor has the information contained herein been audited by a Certified Public Accountant and may not be in accord with general accounting principles.

The information contained in this Disclosure Statement has been provided by the debtor, its attorney, and its agents.

HISTORY AND DESCRIPTION OF THE DEBTOR

The Seoul Presbyterian Church is a business trust organized in 1977 under the laws of the Commonwealth of Virginia, with its principal place of business in Fairfax County, Virginia. Its purpose and function is to hold land to be used as a Presbyterian Church, operate the church, including its family, youth, and

elder activities, and conduct missionary work from that location. Its members are drawn primarily from the Korean Community living in Northern Virginia. The Trust is governed by a Board of Elders who are selected from the church membership and who oversee all management and operations of the church in cooperation with a group of Deacons also selected from the church membership. The Elders are solely responsible for the church's finances and one member in turn each year takes primary management responsibility. The church keeps an electronic record of all donations and payments from the church account, and its annual budget is approximately \$950,000.00 for the current year.

The church is not required to file tax returns.

The church has over 400 devoted, active members who attend services throughout the week, and who participate in church functions. The church has nine employees, including six full-time and associate pastors, a part-time piano player, and a part-time choirmaster, and a full-time building manager/custodian.

The real property owned by the debtor includes 21.1248 acres and improvements, located at 6426 Ox Road, Fairfax Station, Virginia 22036-1616. The property contains the church/sanctuary (approx. 21,000 sq. ft.), a pastoral residence (approx. 2,645 sq. ft.), and a large gymnasium/multi-purpose facility, used also for classrooms and day care (approx. 35,777 sq. ft.). The property and improvements were most recently appraised (February 16, 2016)

at \$8,800,000.00. All of the improvements on the property are well maintained in very good condition.

The church is current on all county property taxes.

At the time of this Statement, the church derives its income solely from the beneficial donations of its membership. Although the church has approval from Fairfax County to operate an adult day-care facility on its property, it does not presently do so.

In June 11, 2010, Zion Contractor Co. (hereafter Zion) obtained a judgment against the church for \$762,763.00 in the Circuit Court of Fairfax County, Virginia. As of October, 2016 the amount owed on the judgement, with interest had grown to \$1,042,744.87. On March 18, 2016, the Circuit Court for Fairfax County entered a order directing the sale of the church's property, and this Chapter 11 proceeding was filed on the same day.

On November 2, 2016 a settlement between the church and Zion was approved by the bankruptcy court (Docket Itm. No. 74) reducing Zion's claim to \$700,000.00 on condition that the church grant it a Deed of Trust securing a note for that amount to be paid over ten years at 4.5% interest in monthly installments, and a \$300,00.00 payment to be made on the effective date of the debtors Plan. The Settlement Agreement contains other provisions, including restrictions and deadlines, and those interested in a more comprehensive understanding of the Agreement

are urged to review the order and the underling documents available from the Court through PACER.

FINANCIAL INFORMATION

The debtor had \$100,125.23 in its Debtor in Possession account at the end of September 2016, and reported a \$2,196.00 profit for that month. The debtor is current with both the first and second trust loans with BB&T Bank.

The debtor has no unpaid post-petition debts, with the exception of the fees owed to its counsel. An application for those fees have not yet been submitted, but they are expected to be less than \$35,000.00 through confirmation. There are no other administrative claims pending, and the debtor is current with all Quarterly fees owed to the Office of the United States Trustee.

PRESENT AND PROJECTED EARNINGS

The 400 members of the debtor's congregation have been kept apprised of all developments in this Chapter 11 proceeding and are committed to the church's survival. The Elders, Deacons, and Pastors have discussed the financial obligations the church is undertaking in its Chapter 11 Plan, and have committed themselves to increasing their beneficial donations so much as necessary to

fund it. In addition, several individual church members have committed themselves to making extraordinarily large contributions to help with the \$300,000.00 payment due Zion on the effective date of the Plan.

FILED AND SCHEDULED CLAIMS

Priority Claims

Except for the prospective priority administrative claim described above, there are no priority claims in this case.

Secured Claims

BB&T Bank has two notes with the debtor secured by a first and second trust against its real property. At the time of this Statement, the first trust has an approximate payoff of \$4,872,000.00, while the second trust has an approximate payoff of \$694,000.00. The debtor is current on all of its monthly payments to BB&T Bank on both mortgages.

Zion has a secured claim arising from a judgment lien against the debtor in the amount of \$1,042,744.87 at the time of filing. Since June of 2016, the church has made adequate protection payments of \$3,500.00 monthly to Zion.

Unsecured Claims

There are four unsecured claims totaling \$28,108.48 filed by BB&T Bank arising from a credit card debt and related charges. In addition, there is a scheduled claim of English Ministry for \$20,000.00, and a scheduled claim for Jane Kesley & Associates of \$5,172.00. The total of all unsecured claims is \$53,280.48.

Leases

The debtor has no leases.

PENDING CLAIMS AND LITIGATION

Aide from the judgment enforcement proceeding to sell the church's property pending in the Circuit Court of Fairfax County, there is no pending or anticipated litigation to which the church is a party.

LIQUIDATION ANALYSIS

All claims are being paid in full under the debtor's Chapter 11 Plan. The debtor cannot say with certainty if such would be the case in a Chapter 7 liquidation.

MANAGEMENT AND OWNERSHIP

The debtor is managed by its Elders. The debtor does not propose or anticipate any change in management or ownership over the Plan term.

STATUS OF THE CASE

The debtor is continuing its operation as a church, and has filed a Chapter 11 Plan of Reorganization.

SUMMARY OF PROPOSED PLAN OF REORGANIZATION

The Plan of Reorganization proposed by the debtor has divided the creditors into four Classes. Classes 1 and 2 are unimpaired, while Classes 3 and 4 are impaired. Class 1 included all priority and administrative priority claims. Class 2 includes the secured claims of BB&T Bank. Class 3 includes Zion. Class 4 includes all other unsecured creditors.

Payments under the debtor's Plan are made in the following manner:

Class 1: The Class 1 administrative priority claims shall be paid in such amounts as may be approved by the Bankruptcy Court upon Application and Notice. Upon approval, or, in the case of

the Quarterly Fees due the United States Trustee, upon assessment, these claims shall be paid in full, concurrently, as they become due apart from the distribution to other creditors as provided for in Article IV.

Class 2: This creditor shall be paid according to their notes and security agreement agreements without modification or impairment.

Class 3: The Class 3 claimant shall receive a third trust on the debtor's real property securing a Note in the amount of \$400,000.00 which will be paid at 4.5% interest in monthly installments over ten years (one-hundred and twenty months) at \$4,145.54 each month, beginning on the tenth day of the first month after the effective date of the Plan. In addition, the Class 3 claimant shall receive an immediate distribution of \$300,000.00 on the effective date of the Plan. The treatment provided for in this section shall constitute a full payment of the claim of the Class 3 creditor.

Class 4: This class shall be paid in full at 4.5% interest in monthly distributions of \$993.32 each month for sixty months beginning on the 25th day of the first month following the effective date of the Plan.

VOTING REQUIREMENT FOR PLAN CONFIRMATION

In general, in order for the Plan to be confirmed, it must first be accepted by the holders of a majority in number and two-thirds in amount of those who voted in each class of impaired claims. However, if the Plan is not accepted by every class of impaired claims, but it is accepted by at least one such impaired class, the court may nevertheless confirm the Plan if the court finds that it does not unfairly discriminate and provides fair and equitable treatment to the non-accepting class or classes, and that it otherwise meets the requirements of 11 U.S.C. 1129.

BEST INTEREST OF THE CREDITORS

The debtor believes that the best interest of the creditors are served by the confirmation of this proposed Plan of reorganization. No creditor will receive less than would be received in a chapter 7 proceeding, and the debtor believes that the creditors in all classes and particularly the unsecured creditors in Class 28 will receive more under the treatment proposed in the Plan than if the debtor were liquidated in a chapter 7 proceeding.

MATERIAL TAX CONSEQUENCES OF THE PLAN

The distributions proposed under Article IV of the Plan will not impose any foreseeable material tax consequences on the debtor. However, to the extent that any creditors have written off any claims against the debtor on their tax returns, then they, or a hypothetical investor who has purchased their claims, may be required to recognize income from the distributions they receive under the debtor's Plan.

PLEASE NOTE: Neither the debtor nor its counsel can know the precise tax status of any creditor or equity security holder, and therefore any discussion of the tax consequences of the debtor's Plan as it may affect a creditor is limited, and may or may not be applicable to that creditor. Parties in interest are strongly advised to seek advice as to the tax consequences of the debtor's Plan from a qualified tax advisor.

CONCLUSION

The debtor submits that the Plan complies in all respects with Chapter 11 of the Bankruptcy Code and recommends that it be confirmed.

Dated November 11, 2016.

/S/Gun Ho Choi
Designee for
SEOUL PRESBYTERIAN CHURCH

/s/ Richard G. Hall
Richard G. Hall, Esquire
Counsel for the Debtor
7369 McWhorter Place, Suite 412
Annandale, Virginia 22003
(703) 256-7159 VA Bar No 18076

CERTIFICATE OF SERVICE

I hereby certify that on November 11, 2016 a copy of this Notice was hand delivered to the office of the US Trustee, at 115 South Union Street, Alexandria, Virginia 22314.

/s/ Richard G. Hall