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8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION**

10 In re:

11 Koi Design LLC,

12 Debtor.

Case No. 2:19-bk-10762-NB

Chapter 11

**NOTICE OF HEARING ON APPROVAL OF
DISCLOSURE STATEMENT AND PLAN
CONFIRMATION, AND SUMMARY OF
DEBTOR'S CHAPTER 11 PLAN OF
REORGANIZATION DATED NOVEMBER 13,
2019**

Confirmation Hearing: December 17, 2019 at 2:00 p.m.

Objection & Ballot Deadline: 10:00 p.m. Pacific time on
December 3, 2019

17 On November 13, 2019, Koi Design LLC, the chapter 11 debtor in possession and plan
18 proponent (the "Debtor"), filed its *First Amended Chapter 11 Plan of Reorganization Dated*
November 13, 2019 [Doc. #213] (as may be amended or modified, the "Plan") and its *First Amended*
19 *Disclosure Statement Describing Debtor's First Amended Chapter 11 Plan of Reorganization Dated*
November 13, 2019 [Doc. #214] (as it may be amended or modified, the "Disclosure Statement")
20 describing the Plan.

21 The Plan and Disclosure Statement are on file with the Clerk of the Bankruptcy Court. **You**
22 **may obtain a copy of either document (or both) free of charge on the Debtor's financial**
23 **advisor's website by accessing the following link: <https://broadwavadvisors.com/koi/>.** If you
24 would like a paper copy of the Plan and/or Disclosure Statement or if you would like an electronic
25 copy of either document (or both), please submit a written request only to the Debtor's bankruptcy
26 counsel, Brutzkus Gubner, Attn: Susan Sefflin, Esq., by mail at 21650 Oxnard St., Suite 500,
Woodland Hills, CA 91367-4911 or by email at sseflin@bg.law or by fax at (818) 827-9053. Copies
of the Plan and Disclosure Statement will be provided electronically unless a party specifically
requests a paper copy.

27 The Plan provides for the Debtor's emergence from its chapter 11 bankruptcy case, which the
28 Debtor anticipates will occur in December 2019. As described more fully in the Disclosure
Statement and Plan, under the Plan, the Debtor will satisfy its debt and other claims and implement a
recapitalization with approximately \$12 million of new capital.

The following is a summary of the Plan:

1. **Treatment of Claims and Interests.** The Plan segregates claims and interests into classes and treats them as summarized in the chart below, which summaries are subject to the more detailed provisions specified in Article IV of the Disclosure Statement and in Article III of the Plan. Any capitalized term in the summaries that is not defined herein has the same meaning ascribed to it in the definition section of the Plan and Disclosure Statement.

Class No.	Description	Estimated Amount or Value of Claims as of the Effective Date	Estimated Projected Payment / Treatment for Allowed Claims
N/A	Administrative Claims (Professional Fees)	Approximately \$900,000	Full payment, subject to Bankruptcy Court approval as may be required, except as otherwise agreed by such Professionals.
N/A	Administrative Claims (Incurred in the Ordinary Course of Business)	Approximately \$800,000	Allowed Administrative Claims representing post-Petition Date liabilities incurred by the Debtor in the ordinary course of business, for which no approval by the Bankruptcy Court is required, shall be paid in full in accordance with the terms and conditions of the particular transaction giving rise to such liabilities and any agreements relating thereto.
N/A	Priority Tax Claims	\$0	If there are any Allowed Priority Tax Claims on the Effective Date, full payment consistent with Bankruptcy Code section 1129(a)(9)(C).
N/A	Non-Tax Priority Claims	\$0	If there are any Allowed Non-Tax Priority Claims on the Effective Date, payment in full on the Effective Date or as soon as practicable thereafter.
1	The secured claim of Wells Fargo Collateral Description: 1 st Priority Lien on substantially all assets of the Debtor's Estate.	Approximately \$4 million	The Wells Fargo Secured Claim will be paid in full on the Effective Date. Unimpaired. This Class 1 Claim is a Secured Claim and will be paid in full on the Effective Date. Presumed to accept the Plan and not entitled to vote.
2	Secured claim of Strategic Partners, Inc. ("SPI") Collateral Description: Junior judgment lien on substantially all of the Debtor's assets.	\$5,921,894.90 pursuant to SPI's Proof of Claim No. 14 \$5,266,380.68 pursuant to the SPI Settlement Agreement	The SPI Secured Claim will be paid pursuant to the SPI Settlement Agreement as follows: <ul style="list-style-type: none"> \$3.5 million within five business days of the Effective Date. SPI shall obtain an interest, secured by a first priority lien, in the net proceeds from the Fiduciary Duty Action as set forth in detail in the SPI Settlement Agreement attached to the Plan as Exhibit D. The Debtor is seeking Court approval of the SPI Settlement Agreement

Class No.	Description	Estimated Amount or Value of Claims as of the Effective Date	Estimated Projected Payment / Treatment for Allowed Claims pursuant to the Plan.
			Impaired; Entitled to Vote
N/A	Priority Unsecured Claims	Estimated at \$0.00	If there are any allowed priority unsecured claims as of the Effective Date, these claims will be paid in full by the Reorganized Debtor on the Effective Date. Unimpaired; not entitled to vote.
3	General Unsecured Claims	Approximately \$7 million. (This number is subject to change based upon the resolution of Disputed Claims.)	Holders of Allowed General Unsecured Claims shall receive their pro rata share of \$2 million on the Effective Date (or as soon as practicable thereafter), and their pro rata share of \$1 million within one year of the Effective Date. Holders of Allowed General Unsecured Claims shall also receive 25% of any net recovery (net of fees and costs) in connection with the Fiduciary Duty Action. Estimated recovery: At least 42% of their Allowed General Unsecured Claim. The foregoing treatment is in full settlement and satisfaction of all obligations of the Debtor to holders of Claims in Class 3. Impaired; Entitled to Vote
4	Equity Interests of Kathy Peterson (Previously defined as "Old Equity Holder")	The Debtor's current shareholder who owns 100% of the Debtor's equity (i.e., 1,000 membership units).	As set forth more fully in Section IV.D.3 below, the Debtor's sole shareholder and Chief Executive Officer, Kathy Peterson, will keep her 1,000 membership units in the Debtor but such interest will be diluted by the Reorganized Debtor's issuance of 2,000 membership units to the New Equity Investor. Ms. Peterson will contribute \$250,000 and waive her prepetition unsecured claims of \$212,007.34. Impaired; Entitled to Vote

2. **Assumption of Executory Contracts and Unexpired Leases.** The Plan provides for the assumption of the Debtor's executory contracts and unexpired leases. As set forth more fully in Article IV.D.12 of the Disclosure Statement, the following is a list of the Debtor's executory contracts and unexpired leases which the Debtor intends to assume on the Effective Date with the obligations of the Debtor to the other parties to such executory contracts and unexpired leases to become obligations of the Reorganized Debtor. Also set forth below is an itemization of the defaults which the Debtor contends exist and must be cured in connection with the Debtor's assumption of

1 such executory contracts and unexpired leases (the “Cure Amounts”), unless the other parties to such
2 executory contracts and unexpired leases agree to the contrary. The Debtor estimates that the total
3 Cure Amounts that the Reorganized Debtor will be required to pay on the Effective Date will be
approximately \$200,000.

4 **Non-Residential Real Property Lease To Be Assumed:**

5 Landlord	Landlord Address	Location Address	Cure Amount	Cure Terms
6 Stanford/Nebraska Properties, Ltd.	C/O Westport Realty, Inc. 433 N. Camden Dr., Suite 820 Beverly Hills, CA 90210	1757 Stanford Street Santa Monica, CA 1716 Berkeley Street Santa Monica, CA	\$71,639.39	Paid in Full on the Effective Date

9 **Executory Contracts/Unexpired Leases To Be Assumed:**

11 Vendor/Lessor	Description	Vendor/Lessor Address	Cure Amount	Cure Terms
12 Citistaff Solutions, Inc.	Staffing contract	1111 W. Town & Country Rd. Suite 27 Orange, CA 92868	\$57,315.11	Paid in Full on the Effective Date
14 Exenta (fka Simparel)	Software Contract	8 West 38th Street 7th Floor New York, NY 10018	\$7,663.30	Paid in Full on the Effective Date
15 Lyneer Staffing Solutions	Staffing contract	12100 Imperial Highway Suite 209 Norwalk, CA 90650	\$57,817.20	Paid in Full on the Effective Date
18 US Bank Equipment Finance	Equipment Lease	1310 Madrid Street Suite 110 Comstock, MN 56525-8700	\$8,456.39	Paid in Full on the Effective Date in Full Satisfaction of Proof of Claim No. 1-1.

21 3. **Injunction.** Article IV.B of the Plan proposes an injunction that provides as follows:
22 “The Confirmation Order shall enjoin the prosecution, whether directly, derivatively or otherwise, of
23 any Claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or
24 interest released, discharged or terminated pursuant to the Plan. Except as provided in the Plan or the
25 Confirmation Order, as of the Effective Date, all entities that have held, currently hold or may hold a
26 Claim or other debt or liability that is discharged or an interest or other right of an equity holder that
27 is impaired pursuant to the terms of the Plan are permanently enjoined from taking any of the
28 following actions against the Debtor, the Debtor’s Estate, the Reorganized Debtor or its property on
account of any such discharged Claims, debts or liabilities or terminated interests or rights: (i)
commencing or continuing, in any manner or in any place, any action or other proceeding; (ii)
enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order;
(iii) creating, perfecting or enforcing any lien or encumbrance; (iv) asserting a setoff, right of
subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtor;
and (v) commencing or continuing any action in any manner, in any place that does not comply with
or is inconsistent with the provisions of the Plan. **By accepting distribution pursuant to the Plan,**

1 **each holder of an Allowed Claim receiving a Distribution pursuant to the Plan will be deemed**
2 **to have specifically consented to the injunctions set forth in this Section.**

3 4. **Exculpations and Releases.** Article III.D.11 of the Plan provides an injunction in
4 the form of exculpations and releases as follows: “To the maximum extent permitted by law, neither
5 the Debtor, the Reorganized Debtor, nor any of their successors and assigns, advisors, attorneys,
6 employees, officers, directors, shareholders, agents, members, representatives, or Professionals
7 employed or retained by any of them whether or not by Bankruptcy Court order, each in their
8 capacity as such, shall have or incur liability to any Person for an act taken or omitted to be taken in
9 connection with, or related to formulating, negotiating, soliciting, preparing, confirming,
10 implementing, or consummating the Plan or the transactions contemplated therein, or a contract,
11 instrument, release or other agreement or document created or entered into in connection with the
12 Plan; provided, however, that each of the above Persons shall be entitled to rely upon the advice of
13 counsel concerning his or her duties pursuant to, or in connection with, the Plan or any related
14 document, instrument or agreement; provided further that the foregoing exculpation shall have no
15 effect on liability of any Person that results from any act or omission that is determined in a Final
16 Order to have constituted fraud, gross negligence, or willful misconduct.”

17 The above summaries are described in more detail in the Plan and Disclosure Statement. As
18 set forth in paragraph 2 of this Notice, copies of the Plan and Disclosure Statement are available
19 (free of charge) at <https://broadwayadvisors.com/koi/>.

20 If you did not receive a copy of a ballot with this Notice, then the Debtor does not believe
21 that you are a creditor entitled to vote on the Plan. If you disagree, you may submit a written request
22 for a ballot to Debtor’s counsel, Brutzkus Gubner, Attn: Susan Seflin, Esq. by mail at 21650 Oxnard
23 St., Suite 500, Woodland Hills, CA 91367-4911 or by email at sseflin@bg.law. If you received a
24 copy of a ballot and you hold a priority or administrative claim or you do not have a claim against
25 the Debtor, please disregard the ballot.

26 The Court’s *Order Setting Combined Hearing on (1) Disclosure Statement Approval and (2)*
27 *Plan Confirmation and Related Deadlines* [Doc. #211] (the “Scheduling Order”) was sent to you
28 with this Notice. Please read the Scheduling Order in full as it contains important deadlines
regarding objections to the Plan and Disclosure Statement and regarding the ballot. The Scheduling
Order is also available at <https://broadwayadvisors.com/koi/>.

Dated: November 14, 2019

BRUTZKUS GUBNER

By: /s/ Susan K. Seflin
Susan K. Seflin
Attorneys for Chapter 11 Debtor
and Plan Proponent

