

1 NICHOLAS ROZANSKY – Bar No. 219855  
2 SUSAN K. SEFLIN - Bar No. 213865  
3 JESSICA L. BAGDANOV - Bar No. 281020  
4 BRUTZKUS GUBNER  
5 21650 Oxnard Street, Suite 500  
6 Woodland Hills, CA 91367  
7 Telephone: (818) 827-9000  
8 Facsimile: (818) 827-9099  
9 Email: nrozansky@bg.law  
10 sseflin@bg.law  
11 jbagdanov@bg.law

12 Attorneys for Chapter 11 Debtor and Plan Proponent

13  
14 **UNITED STATES BANKRUPTCY COURT**  
15 **CENTRAL DISTRICT OF CALIFORNIA**  
16 **LOS ANGELES DIVISION**

17 In re:  
18  
19 KOI DESIGN LLC,

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

21 Chapter 11

22 **DECLARATION OF SUSAN K. SEFLIN**  
23 **IN SUPPORT OF DEBTOR'S FIRST**  
24 **AMENDED CHAPTER 11 PLAN OF**  
25 **REORGANIZATION DATED**  
26 **NOVEMBER 13, 2019 AND**  
27 **REGARDING BALLOT TALLY**

28 **Hearing:**

Date: December 17, 2019

Time: 2:00 p.m.

Place: Courtroom 1545

255 East Temple Street

Los Angeles, CA 90012

1 I, Susan K. Sefflin, declare:

2 1. Unless otherwise indicated, I have personal knowledge of the facts set forth below  
3 and, if called to testify, would and could competently testify thereto. I am of counsel to the law firm  
4 of Brutzkus Gubner (“BG”), bankruptcy counsel to Koi Design LLC, the chapter 11 debtor and plan  
5 proponent herein (the “Debtor”). I am an attorney duly licensed in California, and I am admitted to  
6 practice before the Ninth Circuit Court of Appeals and the Central, Northern, Southern and Eastern  
7 Districts of California. I am a member in good standing of the bar for the State of California.

8 **Ballot Tally.**

9 2. I was primarily responsible for tabulating the timely received acceptances and  
10 rejections (“Ballots”) to the *Debtor’s First Amended Chapter 11 Plan of Reorganization Dated*  
11 *November 13, 2019* [Doc. #213] (the “Plan”). Any capitalized term not defined herein shall have the  
12 same meaning as set forth in the Plan.

13 3. Under the Plan, there are three classes of claims and interest holders that are entitled  
14 to vote: Classes 2, 3 and 4. Of the classes that are entitled to vote, Class 2 consists of a holder of a  
15 secured claim, Class 3 consists of holders of general unsecured claims and Class 4 consists of the  
16 Debtor’s sole equity holder.

17 4. Attached hereto as **Exhibit A** is a true and correct copy of the ballot submitted by the  
18 only Class 2 creditor, Strategic Partners, Inc. (“SPI”). SPI voted in favor of the Plan.

19 5. Attached hereto as **Exhibit B** is a summary of the Class 3 ballots that were received  
20 in this case. Our office received six (6) Class 3 ballots which are summarized in **Exhibit B** and  
21 which ballots are attached hereto in the same order as **Exhibit C**. Of the six Class 3 ballots that  
22 were received, five of the six Class 3 claimants voted in favor the Plan in an amount of  
23 \$6,022,107.22 (out of \$6,139,291.58). Below is a summary of the Ballots of Class 3 claimants.

24 **Class 3 (General Unsecured Creditors)**

25 5 votes accepting the Plan  
26 1 vote rejecting the Plan

27 **Acceptance**

28 83.33% in number of votes accepting the Plan  
98.09% in dollar amount accepting the Plan

1 **Funding of Payment of Wells Fargo Secured Claim.**

2 6. In the Plan and Disclosure Statement, the Debtor referenced that it would be  
3 obtaining exit financing in the form of a loan to pay the Wells Fargo Secured Claim on the Effective  
4 Date. The Debtor did not have sufficient time to obtain a conventional loan; therefore, the New  
5 Equity Investor is providing up to \$4 million in secured financing in connection with Plan  
6 confirmation. The Debtor intends to enter into a note and security agreement with the New Equity  
7 Investment substantially in the form of the note and security agreement attached hereto as **Exhibit**  
8 **D**. The New Equity Investor agreed for \$4 million to be maintained in the BG client trust account  
9 pending Plan confirmation, and those funds have already been received by BG.

10 **Post-Confirmation Management.**

11 7. The Plan and Disclosure Statement did not specify whether or not the Reorganized  
12 Debtor will be a member managed LLC, or a manager managed LLC. The Debtor and the New  
13 Equity Investor have recently agreed that the Reorganized Debtor will be a manager managed LLC,  
14 and that the New Equity Investor will be entitled to appoint one manager, and Kathy Peterson will be  
15 entitled to appoint one manager. The New Equity Investor will be appointing Edward Zhou as  
16 manager. Kathy Peterson will appoint herself as manager. In the event a formal vote is required, the  
17 manager appointed by the New Equity Investor will be entitled to two votes, and Kathy Peterson will  
18 be entitled to one vote. It is expected at this time that Kathy Peterson will hold the title of President,  
19 and Edward Zhou will hold the title of Chief Executive Officer. Kathy Peterson will be in charge of  
20 the day-to-day operations of the Reorganized Debtor.

21 **Plan Funding.**

22 8. To date, BG has received the \$8 million equity investment from the New Equity  
23 Investor, the \$4 million loan proceeds from the New Equity Investor and the \$250,000 equity  
24 contribution from Kathy Peterson.

25 **Marron Reservation of Rights.**

26 9. Marron Lawyers, APC (“Marron”) filed a reservation of rights that fails to set forth a  
27 specific objection to the Plan and Disclosure Statement. The Debtor disagrees with the broad  
28 language used by Marron in its reservation of rights since, for example, Marron would be unable to

1 assert affirmative claims against the Debtor as it did not file a claim in this bankruptcy case. The  
2 Debtor asserts that the Plan and Disclosure Statement speak for themselves and the Debtor does not  
3 intend on including Marron's broad reservation language in its order confirming the Plan.

4 I declare under penalty of perjury under the laws of the United States of America that the  
5 foregoing is true and correct.

6 Executed this 10<sup>th</sup> of December, 2019, at Woodland Hills, California.

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/s/ Susan K. Seflin  
Susan K. Seflin

Ballot for Class 2

UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
LOS ANGELES DIVISION

In re:

Koi Design LLC,

Debtor.

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

Chapter 11

**BALLOT FOR ACCEPTING OR REJECTING  
DEBTOR'S FIRST AMENDED CHAPTER 11 PLAN  
OF REORGANIZATION FOR THE HOLDER OF  
CLASS 2 SECURED CLAIMS**

[Ballot for Class 2 – Secured Creditor – Strategic Partners,  
Inc.]

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

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

Koi Design LLC, the debtor in possession and plan proponent herein (the “Debtor”), filed its *First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #213] (the “Plan”) and its *First Amended Disclosure Statement Describing Debtor’s First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #214] (the “Disclosure Statement”). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. The Plan referred to in this Ballot can be confirmed by the Bankruptcy Court<sup>1</sup> and made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of holders of allowed claims or interests by class who timely vote on the Plan. Only timely completed and returned Ballots will be counted.

This Ballot is to be used by the holder of Class 2 Secured Claims (“Class 2 Claimant”) to vote to accept or reject the Plan described in the Disclosure Statement. If you are not a Class 2 Claimant, please disregard this Ballot.

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. If the Plan is confirmed by the Court, it will be binding on you whether or not you vote.

COPIES OF THE PLAN AND DISCLOSURE STATEMENT MAY BE DOWNLOADED FOR FREE AT <https://broadwayadvisors.com/koi/>. You may also submit a written request only for a copy of the Plan and Disclosure Statement to the Debtor’s bankruptcy counsel, Brutzkus Gubner, Attn: Susan Sefflin, Esq. by mail at 21650 Oxnard St., Suite 500, Woodland Hills, CA 91367-4911 or by email at [ssefflin@bg.law](mailto:ssefflin@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.

[Ballot Continued on Next Page]

<sup>1</sup> Unless otherwise defined herein, all capitalized terms shall have the same meanings ascribed to them as set forth in the Plan.

**EXHIBIT A**

Ballot for Class 2

**PLEASE COMPLETE THE FOLLOWING (All Parties Must Complete Items A, B and C):**

**Item A: Amount of Claim.** For purposes of voting to accept or reject the Plan, the undersigned holds a:

- Class 2 Secured Claim against the Debtor in the following amount: \$5,921,894.90

**Item B: Vote on the Plan.**

- The undersigned hereby votes to (check one box only):  
 **Accept** the Plan.                       **Reject** the Plan.

**Item C: Acknowledgements and Certification.**

- By signing this Ballot, the undersigned acknowledges that the undersigned has been provided with a summary of the Plan and with a link to obtain (free of charge) copies of the Plan and Disclosure Statement, including all exhibits thereto, and has been advised to seek the advice of its/her/his legal counsel on the same. The undersigned certifies that (i) it is the holder of a Class 2 Secured Claim as identified in Item A above, and (ii) it has full power and authority to vote to accept or reject the Plan. The undersigned understands that if this Ballot is validly executed but does not indicate acceptance or rejection of the Plan, the Ballot will not be counted.

Print Clearly or Type Name of Claim Holder: Strategic Partners, Inc.

Name of Person Signing Ballot (if different from Claim Holder): HOWARD I. CAMHI

If By Authorized Agent, Title of Agent: AGENT FOR THIS PURPOSE

Signature:  Dated: DECEMBER 3, 2019

Address/Telephone/Fax/Email: ERVIN COHEN & JESSUP, LLP; 9401 WILSHIRE BLVD., 9TH FLOOR; BEVERLY HILLS, CA 90212  
TEL: 310-273-6333; FAX 310-859-2325

**To have your vote count, you must complete, sign and return the Ballot so that it is actually received by bankruptcy counsel to the Debtor on or before 10:00 p.m. Pacific time on December 3, 2019. Ballots must be delivered by U.S. Mail, personal delivery or overnight mail to the Debtor's bankruptcy counsel as follows:**

**Counsel for the Debtor**

Brutzkus Gubner  
Attn: Susan Sefflin, Esq.  
21650 Oxnard St., Suite 500  
Woodland Hills, CA 91367-4977

**EXHIBIT A**

Ballot Summary for Class 3  
 General Unsecured Creditors

No.	CreditorName	Disputed	Amount	Accept	Reject
1	Apropos		\$177,695.91	x	
2	Creditors Adjustment Bureau Inc. - assignee of Shanghai Hua Shen Import & Export Co. Ltd.		\$53,720.00	x	
3	I-Mar LLC		\$3,708,340.40	x	
4	OTT Trading		\$63,734.02	x	
5	Reina Palacios Vasquez	Yes	\$117,184.36		x
6	Weihai Hishi Textile Imp Exp Co		\$2,018,616.89	x	
<b>Total</b>			<b>\$6,139,291.58</b>	<b>\$6,022,107.22</b>	<b>\$117,184.36</b>

Ballot for Class 3

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

In re:

Koi Design LLC,

Debtor.

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

Chapter 11

**BALLOT FOR ACCEPTING OR REJECTING  
DEBTOR'S FIRST AMENDED PLAN OF  
REORGANIZATION FOR THE HOLDERS OF CLASS  
3 GENERAL UNSECURED CLAIMS**

**[Ballot for Class 3 – General Unsecured Creditor]**

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

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

Koi Design LLC, the debtor in possession and plan proponent herein (the “Debtor”), filed its *First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #213] (the “Plan”) and its *First Amended Disclosure Statement Describing Debtor’s First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #214] (the “Disclosure Statement”). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. The Plan referred to in this Ballot can be confirmed by the Bankruptcy Court<sup>1</sup> and made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of holders of allowed claims or interests by class who timely vote on the Plan. Only timely completed and returned Ballots will be counted.

This Ballot is to be used by the holder of Class 3 General Unsecured Claims (“Class 3 Claimant”) to vote to accept or reject the Plan described in the Disclosure Statement. If you are not a Class 3 Claimant, please disregard this Ballot.

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. If the Plan is confirmed by the Court, it will be binding on you whether or not you vote.

COPIES OF THE PLAN AND DISCLOSURE STATEMENT MAY BE DOWNLOADED FOR FREE AT <https://broadwayadvisors.com/koi/>. You may also submit a written request only for a copy of the Plan and Disclosure Statement to the Debtor’s bankruptcy counsel, Brutzkus Gubner, Attn: Susan Sefflin, Esq. by mail at 21650 Oxnard St., Suite 500, Woodland Hills, CA 91367-4911 or by email at [ssefflin@bg.law](mailto:ssefflin@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.

[Ballot Continued on Next Page]

<sup>1</sup> Unless otherwise defined herein, all capitalized terms shall have the same meanings ascribed to them as set forth in the Plan.



Ballot for Class 3

**PLEASE COMPLETE THE FOLLOWING (All Parties Must Complete Items A, B and C):**

**Item A: Amount of Claim.** For purposes of voting to accept or reject the Plan, the undersigned holds a:

- Class 3 General Unsecured Claim against the Debtor in the following amount: \$ 177,695.91

**Item B: Vote on the Plan.**

- The undersigned hereby votes to (check one box only):  
 Accept the Plan.                       Reject the Plan.

**Item C: Acknowledgements and Certification.**

- By signing this Ballot, the undersigned acknowledges that the undersigned has been provided with a summary of the Plan and with a link to obtain (free of charge) copies of the Plan and Disclosure Statement, including all exhibits thereto, and has been advised to seek the advice of its/her/his legal counsel on the same. The undersigned certifies that (i) it is the holder of a Class 3 General Unsecured Claim as identified in Item A above, and (ii) it has full power and authority to vote to accept or reject the Plan. The undersigned understands that if this Ballot is validly executed but does not indicate acceptance or rejection of the Plan, the Ballot will not be counted.

Print Clearly or Type Name of Claim Holder: Appropas

Name of Person Signing Ballot (if different from Claim Holder): \_\_\_\_\_

If By Authorized Agent, Title of Agent: \_\_\_\_\_

Signature: D.W. Lee, CEO D.W. Lee Dated: November 21<sup>st</sup>, 2019

Address/Telephone/Fax/Email: ST. 157<sup>th</sup> Gangseo Hanwha Biz Metro 1st Bldg.  
661-17, Yangcheonro, Gangseo-Gu, Seoul, Korea  
822-715-5855 F) 822-715-8788

To have your vote count, you must complete, sign and return the Ballot so that it is actually received by bankruptcy counsel to the Debtor on or before **10:00 p.m. Pacific time on December 3, 2019**. Ballots must be delivered by U.S. Mail, personal delivery or overnight mail to the Debtor's bankruptcy counsel as follows:

**Counsel for the Debtor**

Brutzkus Gubner  
Attn: Susan Sefflin, Esq.  
21650 Oxnard St., Suite 500  
Woodland Hills, CA 91367-4977

Ballot for Class 3

UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
LOS ANGELES DIVISION

In re:

Koi Design LLC,

Debtor.

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

Chapter 11

**BALLOT FOR ACCEPTING OR REJECTING  
DEBTOR'S FIRST AMENDED PLAN OF  
REORGANIZATION FOR THE HOLDERS OF CLASS  
3 GENERAL UNSECURED CLAIMS**

**[Ballot for Class 3 – General Unsecured Creditor]**

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

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

Koi Design LLC, the debtor in possession and plan proponent herein (the "Debtor"), filed its *First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #213] (the "Plan") and its *First Amended Disclosure Statement Describing Debtor's First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #214] (the "Disclosure Statement"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. The Plan referred to in this Ballot can be confirmed by the Bankruptcy Court<sup>1</sup> and made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of holders of allowed claims or interests by class who timely vote on the Plan. Only timely completed and returned Ballots will be counted.

This Ballot is to be used by the holder of Class 3 General Unsecured Claims ("Class 3 Claimant") to vote to accept or reject the Plan described in the Disclosure Statement. If you are not a Class 3 Claimant, please disregard this Ballot.

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. If the Plan is confirmed by the Court, it will be binding on you whether or not you vote.

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[Ballot Continued on Next Page]

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**EXHIBIT C**

Ballot for Class 3

**PLEASE COMPLETE THE FOLLOWING (All Parties Must Complete Items A, B and C):**

**Item A: Amount of Claim.** For purposes of voting to accept or reject the Plan, the undersigned holds a:

- Class 3 General Unsecured Claim against the Debtor in the following amount: \$53,720.00

**Item B: Vote on the Plan.**

- The undersigned hereby votes to (check one box only):  
 Accept the Plan.                       Reject the Plan.

**Item C: Acknowledgements and Certification.**

- By signing this Ballot, the undersigned acknowledges that the undersigned has been provided with a summary of the Plan and with a link to obtain (free of charge) copies of the Plan and Disclosure Statement, including all exhibits thereto, and has been advised to seek the advice of its/her/his legal counsel on the same. The undersigned certifies that (i) it is the holder of a Class 3 General Unsecured Claim as identified in Item A above, and (ii) it has full power and authority to vote to accept or reject the Plan. The undersigned understands that if this Ballot is validly executed but does not indicate acceptance or rejection of the Plan, the Ballot will not be counted.

Print Clearly or Type Name of Claim Holder: Creditors Adjustment Bureau Inc. assignee of

Shanghai Hua Shen Import & Export Co Ltd.  
Name of Person Signing Ballot (if different from Claim Holder): Brian L. Mitteldorf

If By Authorized Agent, Title of Agent: \_\_\_\_\_

Signature: \_\_\_\_\_ Dated: December 2, 2019

Address/Telephone/Fax/Email: 14226 Ventura Blvd.  
Sherman Oaks, CA 91423

818-990-4800                      818-990-3904 FAX

File #6041678

llevy@cabcollects.com

**To have your vote count, you must complete, sign and return the Ballot so that it is actually received by bankruptcy counsel to the Debtor on or before 10:00 p.m. Pacific time on December 3, 2019. Ballots must be delivered by U.S. Mail, personal delivery or overnight mail to the Debtor's bankruptcy counsel as follows:**

**Counsel for the Debtor**

Brutzkus Gubner  
Attn: Susan Sefflin, Esq.  
21650 Oxnard St., Suite 500  
Woodland Hills, CA 91367-4977



Ballot for Class 3

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

In re:

Koi Design LLC,

Debtor.

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

Chapter 11

**BALLOT FOR ACCEPTING OR REJECTING  
DEBTOR'S FIRST AMENDED PLAN OF  
REORGANIZATION FOR THE HOLDERS OF CLASS  
3 GENERAL UNSECURED CLAIMS**

**[Ballot for Class 3 – General Unsecured Creditor]**

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

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

Koi Design LLC, the debtor in possession and plan proponent herein (the “Debtor”), filed its *First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #213] (the “Plan”) and its *First Amended Disclosure Statement Describing Debtor’s First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #214] (the “Disclosure Statement”). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. The Plan referred to in this Ballot can be confirmed by the Bankruptcy Court<sup>1</sup> and made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of holders of allowed claims or interests by class who timely vote on the Plan. Only timely completed and returned Ballots will be counted.

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[Ballot Continued on Next Page]

<sup>1</sup> Unless otherwise defined herein, all capitalized terms shall have the same meanings ascribed to them as set forth in the Plan.

Ballot for Class 3

**PLEASE COMPLETE THE FOLLOWING (All Parties Must Complete Items A, B and C):**

**Item A: Amount of Claim.** For purposes of voting to accept or reject the Plan, the undersigned holds a:

- Class 3 General Unsecured Claim against the Debtor in the following amount: \$ 3,708,340.40

**Item B: Vote on the Plan.**

- The undersigned hereby votes to (check one box only):

**Accept the Plan.**                       **Reject the Plan.**


**Item C: Acknowledgements and Certification.**

- By signing this Ballot, the undersigned acknowledges that the undersigned has been provided with a summary of the Plan and with a link to obtain (free of charge) copies of the Plan and Disclosure Statement, including all exhibits thereto, and has been advised to seek the advice of its/her/his legal counsel on the same. The undersigned certifies that (i) it is the holder of a Class 3 General Unsecured Claim as identified in Item A above, and (ii) it has full power and authority to vote to accept or reject the Plan. The undersigned understands that if this Ballot is validly executed but does not indicate acceptance or rejection of the Plan, the Ballot will not be counted.

Print Clearly or Type Name of Claim Holder: I-MAR LLC

Name of Person Signing Ballot (if different from Claim Holder): Sang Duck Jun

If By Authorized Agent, Title of Agent: CFO/president, member

Signature:  Dated: \_\_\_\_\_

Address/Telephone/Fax/Email: 5150 Rancho Rd. Huntington Beach CA 92647

Tel: 714-901-4627 #2021 Fax: 714-901-4637

Email: SDJun@i-mar.net

**To have your vote count, you must complete, sign and return the Ballot so that it is actually received by bankruptcy counsel to the Debtor on or before 10:00 p.m. Pacific time on December 3, 2019. Ballots must be delivered by U.S. Mail, personal delivery or overnight mail to the Debtor's bankruptcy counsel as follows:**

**Counsel for the Debtor**

Brutzkus Gubner  
Attn: Susan Seflin, Esq.  
21650 Oxnard St., Suite 500  
Woodland Hills, CA 91367-4977



Ballot for Class 3

UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
LOS ANGELES DIVISION

In re:

Koi Design LLC,

Debtor.

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

Chapter 11

**BALLOT FOR ACCEPTING OR REJECTING  
DEBTOR'S FIRST AMENDED PLAN OF  
REORGANIZATION FOR THE HOLDERS OF CLASS  
3 GENERAL UNSECURED CLAIMS**

**[Ballot for Class 3 – General Unsecured Creditor]**

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

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[Ballot Continued on Next Page]

<sup>1</sup> Unless otherwise defined herein, all capitalized terms shall have the same meanings ascribed to them as set forth in the Plan.



Ballot for Class 3

**PLEASE COMPLETE THE FOLLOWING (All Parties Must Complete Items A, B and C):**

**Item A: Amount of Claim.** For purposes of voting to accept or reject the Plan, the undersigned holds a:

- Class 3 General Unsecured Claim against the Debtor in the following amount: US\$ 67,581.

**Item B: Vote on the Plan.**

- The undersigned hereby votes to (check one box only):

**Accept the Plan.**                       **Reject the Plan.**

**Item C: Acknowledgements and Certification.**

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Print Clearly or Type Name of Claim Holder: OTT TRADING.

Name of Person Signing Ballot (if different from Claim Holder): HAN CHOI

If By Authorized Agent, Title of Agent: \_\_\_\_\_

Signature: *Han Choi* Dated: NOV. 28, 2019.

Address/Telephone/Fax/Email: JIN XIN HUA YUAN NO.# 7, CHUN CHAO RD. # 55  
XISHAN DISTRICT, WUXI CITY, JIANG SU PROVINCE  
CHINA, 214101. CHOI@OTTBLZ.NET.

**To have your vote count, you must complete, sign and return the Ballot so that it is actually received by bankruptcy counsel to the Debtor on or before 10:00 p.m. Pacific time on December 3, 2019. Ballots must be delivered by U.S. Mail, personal delivery or overnight mail to the Debtor's bankruptcy counsel as follows:**

**Counsel for the Debtor**

Brutzkus Gubner  
Attn: Susan Seflin, Esq.  
21650 Oxnard St., Suite 500  
Woodland Hills, CA 91367-4977



Ballot for Class 3

UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
LOS ANGELES DIVISION

In re:  
Koi Design LLC,  
Debtor.

Case No. 2:19-bk-10762-NB  
Chapter 11

**BALLOT FOR ACCEPTING OR REJECTING  
DEBTOR'S FIRST AMENDED PLAN OF  
REORGANIZATION FOR THE HOLDERS OF CLASS  
3 GENERAL UNSECURED CLAIMS**

[Ballot for Class 3 – General Unsecured Creditor]

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

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

Koi Design LLC, the debtor in possession and plan proponent herein (the "Debtor"), filed its *First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #213] (the "Plan") and its *First Amended Disclosure Statement Describing Debtor's First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #214] (the "Disclosure Statement"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. The Plan referred to in this Ballot can be confirmed by the Bankruptcy Court<sup>1</sup> and made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of holders of allowed claims or interests by class who timely vote on the Plan. Only timely completed and returned Ballots will be counted.

This Ballot is to be used by the holder of Class 3 General Unsecured Claims ("Class 3 Claimant") to vote to accept or reject the Plan described in the Disclosure Statement. If you are not a Class 3 Claimant, please disregard this Ballot.

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. If the Plan is confirmed by the Court, it will be binding on you whether or not you vote.

COPIES OF THE PLAN AND DISCLOSURE STATEMENT MAY BE DOWNLOADED FOR FREE AT <https://broadwayadvisors.com/koi/>. You may also submit a written request only for a copy of the Plan and Disclosure Statement to the Debtor's bankruptcy counsel, Brutzkus Gubner, Attn: Susan Sefflin, Esq. by mail at 21650 Oxnard St., Suite 500, Woodland Hills, CA 91367-4911 or by email at [ssefflin@bg.law](mailto:ssefflin@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.

[Ballot Continued on Next Page]

<sup>1</sup> Unless otherwise defined herein, all capitalized terms shall have the same meanings ascribed to them as set forth in the Plan.



**EXHIBIT C**



Ballot for Class 3

**PLEASE COMPLETE THE FOLLOWING (All Parties Must Complete Items A, B and C):**

**Item A: Amount of Claim.** For purposes of voting to accept or reject the Plan, the undersigned holds a:

- Class 3 General Unsecured Claim against the Debtor in the following amount:

*Reina Palacios Vasquez*  
*\$117,184.36*

**Item B: Vote on the Plan.**

- The undersigned hereby votes to (check one box only):

Accept the Plan.                       **Reject the Plan.**

**Item C: Acknowledgements and Certification.**

- By signing this Ballot, the undersigned acknowledges that the undersigned has been provided with a summary of the Plan and with a link to obtain (free of charge) copies of the Plan and Disclosure Statement, including all exhibits thereto, and has been advised to seek the advice of its/her/his legal counsel on the same. The undersigned certifies that (i) it is the holder of a Class 3 General Unsecured Claim as identified in Item A above, and (ii) it has full power and authority to vote to accept or reject the Plan. The undersigned understands that if this Ballot is validly executed but does not indicate acceptance or rejection of the Plan, the Ballot will not be counted.

Print Clearly or Type Name of Claim Holder: *Reina Palacios Vasquez*  
 Name of Person Signing Ballot (if different from Claim Holder): *Andy Epstein*  
 If By Authorized Agent, Title of Agent: *Attorney*  
 Signature: *Andy Epstein* Dated: *11/29/19*  
 Address/Telephone/Fax/Email: *20211 Spectrum, Irvine, CA 92618*  
*866-212-7227*  
*taxcpaes@gmail.com*

**To have your vote count, you must complete, sign and return the Ballot so that it is actually received by bankruptcy counsel to the Debtor on or before 10:00 p.m. Pacific time on December 3, 2019. Ballots must be delivered by U.S. Mail, personal delivery or overnight mail to the Debtor's bankruptcy counsel as follows:**

**Counsel for the Debtor**

Brutzkus Gubner  
 Attn: Susan Seflin, Esq.  
 21650 Oxnard St., Suite 500  
 Woodland Hills, CA 91367-4977

Ballot for Class 3

UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
LOS ANGELES DIVISION

In re:

Koi Design LLC,

Debtor.

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

Chapter 11

**BALLOT FOR ACCEPTING OR REJECTING  
DEBTOR'S FIRST AMENDED PLAN OF  
REORGANIZATION FOR THE HOLDERS OF CLASS  
3 GENERAL UNSECURED CLAIMS**

[Ballot for Class 3 – General Unsecured Creditor]

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

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Koi Design LLC, the debtor in possession and plan proponent herein (the "Debtor"), filed its *First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #213] (the "Plan") and its *First Amended Disclosure Statement Describing Debtor's First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Doc. #214] (the "Disclosure Statement"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. The Plan referred to in this Ballot can be confirmed by the Bankruptcy Court<sup>1</sup> and made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of holders of allowed claims or interests by class who timely vote on the Plan. Only timely completed and returned Ballots will be counted.

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COPIES OF THE PLAN AND DISCLOSURE STATEMENT MAY BE DOWNLOADED FOR FREE AT <https://broadwayadvisors.com/koi/>. You may also submit a written request only for a copy of the Plan and Disclosure Statement to the Debtor's bankruptcy counsel, Brutzkus Gubner, Attn: Susan Sefflin, Esq. by mail at 21650 Oxnard St., Suite 500, Woodland Hills, CA 91367-4911 or by email at [ssefflin@bg.law](mailto:ssefflin@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.

[Ballot Continued on Next Page]

<sup>1</sup> Unless otherwise defined herein, all capitalized terms shall have the same meanings ascribed to them as set forth in the Plan.



Ballot for Class 3

**PLEASE COMPLETE THE FOLLOWING (All Parties Must Complete Items A, B and C):**

**Item A: Amount of Claim.** For purposes of voting to accept or reject the Plan, the undersigned holds a:

- Class 3 General Unsecured Claim against the Debtor in the following amount: \$2,011,687.78

**Item B: Vote on the Plan.**

- The undersigned hereby votes to (check one box only):

Accept the Plan.                       Reject the Plan.

**Item C: Acknowledgements and Certification.**

- By signing this Ballot, the undersigned acknowledges that the undersigned has been provided with a summary of the Plan and with a link to obtain (free of charge) copies of the Plan and Disclosure Statement, including all exhibits thereto, and has been advised to seek the advice of its/her/his legal counsel on the same. The undersigned certifies that (i) it is the holder of a Class 3 General Unsecured Claim as identified in Item A above, and (ii) it has full power and authority to vote to accept or reject the Plan. The undersigned understands that if this Ballot is validly executed but does not indicate acceptance or rejection of the Plan, the Ballot will not be counted.

Print Clearly or Type Name of Claim Holder: General Unsecured Claim

Name of Person Signing Ballot (if different from Claim Holder): QIAN HUANZHI

If By Authorized Agent, Title of Agent: \_\_\_\_\_

Signature: [Signature] Dated: Nov. 21, 2019

Address/Telephone/Fax/Email: No. 93-3, Shichang St, Weizhai, Shandong, CHINA  
QIAN@HISHITEX.COM +86-18663112370

Weizhai Hishi Textile Imp. & Exp. Co., Ltd.

To have your vote count, you must complete, sign and return the Ballot so that it is actually received by bankruptcy counsel to the Debtor on or before 10:00 p.m. Pacific time on December 3, 2019. Ballots must be delivered by U.S. Mail, personal delivery or overnight mail to the Debtor's bankruptcy counsel as follows:

**Counsel for the Debtor**

Brutzkus Gubner  
Attn: Susan Sefflin, Esq.  
21650 Oxnard St., Suite 500  
Woodland Hills, CA 91367-4977

**SECURED PROMISSORY NOTE**

Up to \$4,000,000.00

December \_\_, 2019  
Compton, California

FOR VALUE RECEIVED, KOI Designs, LLC, a California limited liability company (the "Company"), promises to pay to the order of Dragon Crowd Garment Inc., a California corporation, or its successors and assigns (the "Holder"), the principal sum of up to Four Million Dollars (\$4,000,000) or, if less, the outstanding principal amount of all Advances (as defined below) made under this Note (defined below), together with all accrued and unpaid interest payable hereunder, on April 1, 2020 (the "Maturity Date"). Interest shall accrue and be payable as specified in Section 4.

THE OBLIGATIONS DUE UNDER THIS NOTE ARE SECURED BY A SECURITY AGREEMENT (THE "SECURITY AGREEMENT") DATED AS OF THE DATE HEREOF AND EXECUTED BY COMPANY FOR THE BENEFIT OF HOLDER. ADDITIONAL RIGHTS OF HOLDER ARE SET FORTH IN THE SECURITY AGREEMENT.

The following is a statement of certain rights of the Holder and certain conditions to which this Note is subject, and to which the Company and the Holder, by the acceptance of this Note, agree:

1. Definitions. As used in this Note, the following capitalized terms have the following meanings:

- (a) "Advance" has the meaning set forth in Section 2.
- (b) "Business Day" means a day (i) other than Saturday or Sunday, and (ii) on which commercial banks are open for business in the State of California.
- (c) "Default Rate" means an interest rate of four and a half percent (4 1/2 %) per annum.
- (d) "Event of Default" has the meaning given in Section 6 hereof.
- (e) "Highest Lawful Rate" means the maximum non-usurious rate of interest, as in effect from time to time, which may be charged, contracted for, reserved, received or collected by the Holder in connection with this Note under applicable law.
- (f) "Holder" shall mean the person specified in the introductory paragraph of this Note or any Person who shall at the time be the registered holder of this Note.
- (h) "Note" shall mean this Secured Promissory Note.
- (i) "Obligations" means all debts, liabilities and obligations of the Company to the Holder under this Note and the Security Agreement, including all unpaid principal of this Note, all interest accrued hereon, and all other amounts payable by the Company to the Holder hereunder, whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined.

2. Advances.

(a) The Holder hereby agrees, on the terms and subject to the conditions set forth in this Note, to make loans (each such loan made under this Note is referred to herein individually as an “Advance” and collectively as the “Advances”) to the Company on or after the date of this Note and prior to the Maturity Date in an aggregate outstanding principal amount of up to Four Million Dollars (\$4,000,000) for payment of the Company’s obligation to Wells Fargo Trade Capital Services, Inc. (the “Wells Line”) pursuant to the terms of the Company’s *First Amended Chapter 11 Plan of Reorganization Dated November 13, 2019* [Bank. Doc. #213] (the “Plan”) filed in the United States Bankruptcy Court for the Central District of California (Los Angeles Division), Case No. 2:19-bk-10762-NB.

(b) The obligation of the Holder to make any Advance is subject to the satisfaction of the condition that no Event of Default, or event or circumstance which with the giving of notice or lapse of time, or both, would constitute an Event of Default, shall have occurred or be continuing.

(c) The Holder shall record the date and amount of the Advances made, the amount of principal and interest due and payable from time to time hereunder, each payment thereof, and the resulting unpaid principal balance hereof, in the Holder’s internal records, and any such recordation shall be rebuttable presumptive evidence of the accuracy of the information so recorded; provided, however, that the Holder’s failure so to record shall not limit or otherwise affect the obligations of the Company hereunder to repay the principal of and interest on the Advances. Notwithstanding the foregoing, at the Holder’s request, the Company shall maintain such records on behalf of the Holder.

3. Use of Proceeds. The proceeds of all Advances under this Note shall be used for the payment of the Wells Line.

4. Interest. Interest shall accrue on all outstanding principal from the date hereof at a rate per annum equal to four and a half percent (4.5%). Interest shall be computed on the basis of the actual number of days elapsed and a year of three hundred sixty-five (365) days. Accrued interest on the outstanding Advances shall be paid on the Maturity Date. During the existence of an Event of Default, all Obligations shall bear interest, at the option of the Holder, at the Default Rate.

5. Highest Lawful Rate. Anything herein to the contrary notwithstanding, if during any period for which interest is computed hereunder, the amount of interest computed on the basis provided for in this Note, together with all fees, charges and other payments which are treated as interest under applicable law, as provided for herein or in any other document executed in connection herewith, would exceed the amount of such interest computed on the basis of the Highest Lawful Rate, the Company shall not be obligated to pay, and the Holder shall not be entitled to charge, collect, receive, reserve or take interest in excess of the Highest Lawful Rate, and during any such period the interest payable hereunder shall be computed on the basis of the Highest Lawful Rate.

6. Events of Default. Any of the following events which shall occur shall constitute an "Event of Default":

(a) the Company shall fail to pay when due any amount of principal or interest hereunder or other amount payable hereunder or under the Security Agreement; or

(b) the Company shall: (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or any material part of its property; (ii) admit in writing its inability to pay its debts generally as they mature; (iii) make a general assignment for the benefit of its or any of its creditors; (iv) be dissolved or liquidated in full or in part; or (v) take or approve any action for the purpose of effecting any of the foregoing; or

(c) a default or event of default under any agreement of the Company shall occur that gives the holder of any other indebtedness for borrowed money of the Company the right to accelerate the maturity of such indebtedness; or

(d) a default or event of default shall occur under any agreement of the Company, other than an agreement specified in Section 6(c), that could reasonably be expected to result in damages in excess of \$50,000 and Holder shall not have consented in writing to the occurrence of such default;

(f) The Company shall fail to observe or perform any other covenant, obligation, condition or agreement contained in this Note or the Security Agreement (other than those specified in Section 6(a)) and (i) such failure shall continue for fifteen (15) days, or (ii) if such failure is not curable within such fifteen (15) day period, but is reasonably capable of cure within thirty (30) days, either (A) such failure shall continue for thirty (30) days or (B) the Company shall not have commenced a cure in a manner reasonably satisfactory to Holder within the initial fifteen (15) day period; or

(g) Any representation or warranty made or furnished by or on behalf of Company to Holder in writing in connection with this Note or the Security Agreement shall be false, incorrect, incomplete or misleading in any material respect when made or furnished.

Upon the occurrence of any Event of Default, (x) the Holder may at any time declare all unpaid Obligations to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Company; (y) the Holder may exercise all rights and remedies available to the Holder hereunder and under the Security Agreement and applicable law, and (z) in the case of an Event of Default described in Section 6(b) or 6(c), all unpaid Obligations shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly and irrevocably waived by the Company.

7. Successors and Assigns. Subject to the restrictions on transfer described in Section 9 and Section 10, the rights and obligations of the Company and the Holder shall be binding upon and inure to the benefit of the successors, assigns, heirs, administrators and transferees of the parties.

8. Amendments and Waivers. This Note may not be amended or modified, nor may any of its terms be waived, except by written instruments signed by the Company and Holder. Each waiver or consent under any provision hereof shall be effective only in the specific instances for the purpose for which given.

9. Transfer of this Note. Transfers of this Note shall be registered upon registration books maintained for such purpose by or on behalf of the Company. Prior to presentation of this Note for registration of transfer, the Company shall treat the registered Holder hereof as the owner and the Holder of this Note for the purpose of receiving all payments of principal and interest hereon and for all other purposes whatsoever, whether or not this Note shall be overdue and the Company shall not be affected by notice to the contrary.

10. Assignment or Delegation by the Company. Neither this Note nor any of the rights, interests or obligations hereunder may be assigned or delegated in whole or in part by the Company without the prior written consent of Holder.

11. Notices. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon the Company or Holder under this Note shall be in writing and faxed, mailed or delivered to each party to the facsimile number or its address set forth in the Security Agreement (or to such other facsimile number or address as the recipient of any notice shall have notified the other in writing). All such notices and communications shall be effective (a) when sent by Federal Express or other overnight service of recognized standing, on the business day following the deposit with such service; (b) when mailed, by registered or certified mail, first class postage prepaid and addressed as aforesaid through the United States Postal Service, upon receipt; (c) when delivered by hand, upon delivery; and (d) when faxed, upon confirmation of receipt.

12. Expenses; Waivers. If action is instituted to collect this Note, the Company promises to pay on demand all costs and expenses, including reasonable attorneys' fees and costs, incurred in connection with such action.

13. Further Assurance. Subject to Bankruptcy Court approval of the Plan, the Company shall execute, acknowledge, deliver, file, notarize and register (at its own expense) all documents, instruments, certificates, agreements and assurances and provide all information and take or forbear from all such action as the Holder may reasonably deem necessary or appropriate to achieve the purposes of the Note or satisfy the obligations of the Company hereunder.



14. Severance. Whenever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Note shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Note, or the validity or effectiveness of such provision in any other jurisdiction.

15. Cumulative Rights, etc. The rights, powers and remedies of Holder under this Note and the Security Agreement shall be in addition to all rights, powers and remedies given to Holder by virtue of any applicable law, rule or regulation of any governmental authority, the Security Agreement or any other agreement, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing Holder's rights hereunder. The Company waives any right to require Holder to proceed against any person or entity or to exhaust any collateral or to pursue any remedy in Holder's power.

16. No Waiver. No course of dealing between the Company and the Holder or any delay on the part of the Holder in exercising any rights or remedies shall operate as a waiver of any such right or remedy of the Holder.

17. Construction. Each of the Security Agreement and this Note is the result of negotiations among, and has been reviewed by, the Company, Holder and their respective counsel. Accordingly, this Note and the Security Agreement shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against the Company or Holder.

18. Other Interpretive Provisions. References in this Note and the Security Agreement to any document, instrument or agreement (a) includes all exhibits, schedules and other attachments thereto, (b) includes all documents, instruments or agreements issued or executed in replacement thereof, and (c) means such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Note or Security Agreement refer to this Note or Security Agreement, as the case may be, as a whole and not to any particular provision of this Note or the Security Agreement, as the case may be. The words "include" and "including" and words of similar import when used in this Note or the Security Agreement shall not be construed to be limiting or exclusive.

19. Governing Law and Jurisdiction. This Note and all actions arising out of or in connection with this Note shall be governed by and construed in accordance with the internal laws of the State of California, without regard to the conflicts of law rules of the State of California or of any other jurisdiction.



20. Waiver of Jury Trial. EACH OF THE COMPANY AND THE HOLDER, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY AS TO ANY ISSUE RELATED HERETO IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS NOTE.

21. Bankruptcy Court Approval. This Note is subject to Bankruptcy Court approval of the Plan.

IN WITNESS WHEREOF, the Company has caused this Note to be issued as of the date first written above.

KOI DESIGN, LLC

By: \_\_\_\_\_  
Kathy Peterson  
Its: Authorized Representative

ACKNOWLEDGED AND AGREED:

DRAGON CROWD GARMENT INC.

By: \_\_\_\_\_  
Edward Peiliang Zhou  
Its: President

## **SECURITY AGREEMENT**

This Security Agreement (as amended, modified or otherwise supplemented from time to time, this "Security Agreement"), dated as of December 2, 2019, is executed by KOI Designs, LLC, a California limited liability company (together with its successors and assigns, "Company"), in favor of Dragon Crowd Garment Inc., a California corporation ("Secured Party").

### **RECITALS**

A. Company has executed a secured promissory note, (as amended, modified or otherwise supplemented from time to time, the "Note"), in an aggregate principal amount of up to \$4,000,000 in favor of Secured Party.

B. In order to induce Secured Party to extend the credit evidenced by the Note, Company has agreed to enter into this Security Agreement and to grant to Secured Party the security interest in the Collateral described below.

### **AGREEMENT**

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Company hereby agrees with Secured Party as follows:

1. Definitions and Interpretation. When used in this Security Agreement, the following terms have the following respective meanings:

"Collateral" has the meaning given to that term in Section 2 hereof.

"Lien" means, with respect to any property, any security interest, mortgage, pledge, lien, claim, charge or other encumbrance in, of, or on such property or the income therefrom, including, without limitation, the interest of a vendor or lessor under a conditional sale agreement, capital lease or other title retention agreement, or any agreement to provide any of the foregoing, and the filing of any financing statement or similar instrument under the UCC or comparable law of any jurisdiction.

"Obligations" means all loans, advances, debts, liabilities and obligations, howsoever arising, owed by Company to Secured Party of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), now existing or hereafter arising under or pursuant to the terms of the Note and this Security Agreement, including, all interest, fees, charges, expenses, attorneys' fees and costs and accountants' fees and costs chargeable to and payable by Company hereunder and thereunder, in each case, whether direct or indirect, absolute or contingent, due or to become due, and whether or not arising after the commencement of a proceeding under Title 11 of the United

States Code (11 U.S.C. Section 101 et seq.), as amended from time to time (including post-petition interest) and whether or not allowed or allowable as a claim in any such proceeding.

“Permitted Liens” means (a) Liens for taxes not yet delinquent or Liens for taxes being contested in good faith and by appropriate proceedings for which adequate reserves have been established; (b) Liens in respect of property or assets imposed by law which were incurred in the ordinary course of business, such as carriers’, warehousemen’s, materialmen’s and mechanics’ Liens and other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings; (c) Liens incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security, and mechanic’s Liens, carrier’s Liens and other similar Liens to secure the performance of tenders, statutory obligations, contract bids, government contracts, performance and return of money bonds and other similar obligations, incurred in the ordinary course of business, whether pursuant to statutory requirements, common law or consensual arrangements; (d) Liens in favor of the Secured Party; (e) Liens made in the ordinary course of business upon any equipment acquired or held by Company to secure the purchase price of such equipment or indebtedness incurred solely for the purpose of financing the acquisition of such equipment, so long as such Lien extends only to the equipment financed, and any accessions, replacements, substitutions and proceeds (including insurance proceeds) thereof or thereto; (f) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default; (h) Liens made in the ordinary course of business which constitute rights of setoff of a customary nature or banker’s liens, whether arising by law or by contract; (i) Liens on insurance proceeds in favor of insurance companies granted solely as security for financed premiums; and (j) leases or subleases and licenses or sublicenses granted in the ordinary course of Company’s business.

“UCC” means the Uniform Commercial Code as in effect in the State of California from time to time.

All capitalized terms not otherwise defined herein shall have the respective meanings given in the Note. Unless otherwise defined herein, all terms defined in the UCC have the respective meanings given to those terms in the UCC.

2. Grant of Security Interest. As security for the Obligations, Company hereby pledges to Secured Party and grants to Secured Party a security interest of first priority in all right, title and interests of Company in and to the property described in Attachment 1 hereto, whether now existing or hereafter from time to time acquired (collectively, the “Collateral”).

Notwithstanding the foregoing, the security interest granted herein shall not extend to and the term “Collateral” shall not include any equipment or other property financed by a third party, provided that such third party’s Liens are Liens of the type described in subsection (e) of the definition of Permitted Liens.

3. General Representations and Warranties. Company represents and warrants to Secured Party that (a) Company is the owner of the Collateral (or, in the case of after-acquired Collateral, at the time Company acquires rights in the Collateral, will be the owner thereof) and that no other Person has (or, in the case of after-acquired Collateral, at the time Company acquires rights therein, will have) any right, title, claim or interest (by way of Lien or otherwise) in, against or to the Collateral, other than Permitted Liens; (b) by virtue of the filing of a UCC-1 financing statement with the California Secretary of State concurrent with the execution hereof, Secured Party has (or in the case of after-acquired Collateral, at the time Company acquires rights therein, will have) a first priority perfected security interest in the Collateral to the extent that a security interest in the Collateral can be perfected by such filing, except for Permitted Liens; (c) all Inventory has been (or, in the case of hereafter produced Inventory, will be) produced in compliance with applicable laws, including the Fair Labor Standards Act; (d) all accounts receivable and payment intangibles are genuine and enforceable against the party obligated to pay the same; (e) the originals of all documents evidencing all accounts receivable and payment intangibles of Company and the only original books of account and records of Company relating thereto are, and will continue to be, kept at the chief executive office of Company; (f) the execution, delivery and performance by Company of this Security Agreement and the Note and the consummation of the transactions contemplated hereby and thereby (i) are within the power of the Company and (ii) have been duly authorized by all necessary actions on the part of Company; (g) this Security Agreement and the Note have been duly executed and delivered by Company and constitute legal, valid and binding obligations of Company, enforceable against Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity; and (h) the execution and delivery by Company of the Security Agreement and the Note and the performance and consummation of the transactions contemplated hereby and thereby do not and will not (i) violate Company's Articles of Incorporation or Bylaws or any material judgment, order, writ, decree, statute, rule or regulation applicable to Company; (ii) violate any provision of, or result in the breach or the acceleration of, or entitle any other person or entity to accelerate (whether after the giving of notice or lapse of time, or both), any material mortgage, indenture, agreement, instrument or contract to which Company is a party or by which it is bound; or (iii) result in the creation or imposition of any lien upon any property, asset or revenue of the Company (other than the Lien arising under this Security Agreement) or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization or approval applicable to the Company, its business or operations, or any of its assets or properties.

4. Authorized Action by Secured Party. Company hereby irrevocably appoints Secured Party as its attorney-in-fact (which appointment is coupled with an interest) and agrees that Secured Party may perform (but Secured Party shall not be obligated to and shall incur no liability to Company or any third party for failure so to do) any act which Company is obligated by this Security Agreement to perform, and to exercise such rights and powers as Company might exercise with respect to the Collateral, including the right to (a) collect by legal proceedings or otherwise and endorse, receive and receipt for all dividends, interest, payments,

proceeds and other sums and property now or hereafter payable on or on account of the Collateral; (b) enter into any extension, reorganization, deposit, merger, consolidation or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for the Collateral; (c) make any compromise or settlement, and take any action it deems advisable, with respect to the Collateral; (d) insure, process and preserve the Collateral; (e) pay any indebtedness of Company relating to the Collateral; and (f) file UCC financing statements and execute other documents, instruments and agreements required hereunder; provided, however, that Secured Party shall not exercise any such powers granted pursuant to subsections (a) through (e) prior to the occurrence of an Event of Default and shall only exercise such powers during the continuance of an Event of Default. Company agrees to reimburse Secured Party upon demand for any reasonable costs and expenses, including attorneys' fees, Secured Party may incur while acting as Company's attorney-in-fact hereunder, all of which costs and expenses are included in the Obligations. It is further agreed and understood between the parties hereto that such care as Secured Party gives to the safekeeping of its own property of like kind shall constitute reasonable care of the Collateral when in Secured Party's possession; provided, however, that Secured Party shall not be required to make any presentment, demand or protest, or give any notice and need not take any action to preserve any rights against any prior party or any other person in connection with the Obligations or with respect to the Collateral.

5. Default and Remedies.

(a) Default. Company shall be deemed in default under this Security Agreement upon the occurrence and during the continuance of an Event of Default (as defined in the Note).

(b) Remedies. Upon the occurrence and during the continuance of any such Event of Default, Secured Party shall have the rights of a secured creditor under the UCC, all rights granted by this Security Agreement and by law, including the right to: (a) require Company to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party; and (b) prior to the disposition of the Collateral, store, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent Secured Party deems appropriate. Company hereby agrees that ten (10) days' notice of any intended sale or disposition of any Collateral is reasonable. In furtherance of Secured Party's rights hereunder, Company hereby grants to Secured Party an irrevocable, non-exclusive license, exercisable without royalty or other payment by Secured Party, and only in connection with the exercise of remedies hereunder, to use, license or sublicense any patent, trademark, trade name, copyright or other intellectual property in which Company now or hereafter has any right, title or interest together with the right of access to all media in which any of the foregoing may be recorded or stored.

(c) Application of Collateral Proceeds. The proceeds and/or avails of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder (as well as any other amounts of any kind held by Secured Party at the time of, or received by

Secured Party after, the occurrence of an Event of Default) shall be paid to and applied as follows:

(i) First, to the payment of reasonable costs and expenses, including all amounts expended to preserve the value of the Collateral, of foreclosure or suit, if any, and of such sale and the exercise of any other rights or remedies, and of all proper fees, expenses, liability and advances, including reasonable legal expenses and attorneys' fees, incurred or made hereunder by Secured Party;

(ii) Second, to the payment to Secured Party of the amount then owing or unpaid to Secured Party (to be applied first to accrued interest and second to outstanding principal);

(iii) Third, to the payment of other amounts then payable to Secured Party under the Note or this Security Agreement; and

(iv) Fourth, to the payment of the surplus, if any, to Company, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

6. Miscellaneous.

(a) Notices. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon Company or Secured Party under this Security Agreement shall be in writing and sent by electronic mail, faxed, mailed or delivered to each party to the facsimile number or its address set forth below (or to such other facsimile number or address as the recipient of any notice shall have notified the other in writing). All such notices and communications shall be effective (a) when sent by Federal Express or other overnight service of recognized standing, on the business day following the deposit with such service; (b) when mailed, by registered or certified mail, first class postage prepaid and addressed as aforesaid through the United States Postal Service, upon receipt; (c) when delivered by hand or electronic mail, upon delivery; and (d) when faxed, upon confirmation of receipt.

Company:

Koi Design, LLC  
1757 Stanford Street  
Santa Monica, California 90404

Secured Party:

Dragon Crowd Garment Inc.  
2030 E. Vista Bella Way  
Compton, California 90220

(b) Termination of Security Interest. Upon the payment in full of all Obligations, the security interest granted herein shall terminate and all rights to the Collateral shall revert to Company. Upon such termination Secured Party hereby authorizes Company to file any UCC termination statements necessary to effect such termination and Secured Party will execute and deliver to Company any additional documents or instruments as Company shall reasonably request to evidence such termination.

(c) Nonwaiver. No failure or delay on Secured Party's part in exercising any right hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right.

(d) Amendments and Waivers. This Security Agreement may not be amended or modified, nor may any of its terms be waived, except by written instruments signed by Company and Secured Party. Each waiver or consent under any provision hereof shall be effective only in the specific instances for the purpose for which given.

(e) Assignments. This Security Agreement shall be binding upon and inure to the benefit of successors, assigns, heirs, administrators and transferees of the parties; provided, however, that Company may not sell, assign or delegate rights and obligations hereunder without the prior written consent of Secured Party.

(f) Cumulative Rights, etc. The rights, powers and remedies of Secured Party under this Security Agreement shall be in addition to all rights, powers and remedies given to Secured Party by virtue of any applicable law, rule or regulation of any governmental authority, the Note or any other agreement, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing Secured Party's rights hereunder. Company waives any right to require Secured Party to proceed against any person or entity or to exhaust any Collateral or to pursue any remedy in Secured Party's power.

(g) Payments Free of Taxes, Etc. All payments made by Company under this Security Agreement or the Note shall be made by Company free and clear of and without deduction for any and all present and future taxes, levies, charges, deductions and withholdings. In addition, Company shall pay upon demand any stamp or other taxes, levies or charges of any jurisdiction with respect to the execution, delivery, registration, performance and enforcement of this Security Agreement. Upon request by Secured Party, Company shall furnish evidence satisfactory to Secured Party that all requisite authorizations and approvals by, and notices to and filings with, governmental authorities and regulatory bodies requisite for proper execution, delivery, registration, performance and enforcement of this Security Agreement have been obtained and made and that all requisite taxes, levies and charges have been paid.

(h) Partial Invalidity. If at any time any provision of this Security Agreement is or becomes illegal, invalid or unenforceable in any respect under the law or any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Security Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

(i) Construction. Each of this Security Agreement and the Note is the result of negotiations among, and has been reviewed by, Company, Secured Party and their respective counsel. Accordingly, this Security Agreement and the Note shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against Company or Secured Party.

(j) Entire Agreement. This Security Agreement and the Note constitute and contain the entire agreement of Company and Secured Party and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

(k) Other Interpretive Provisions. References in this Security Agreement and the Note to any document, instrument or agreement (a) includes all exhibits, schedules and other attachments thereto, (b) includes all documents, instruments or agreements issued or executed in replacement thereof, and (c) means such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Security Agreement or the Note refer to this Security Agreement or the Note, as the case may be, as a whole and not to any particular provision of this Security Agreement or the Note, as the case may be. The words "include" and "including" and words of similar import when used in this Security Agreement or the Note shall not be construed to be limiting or exclusive.

(l) Governing Law. This Security Agreement and all actions arising out of or in connection with this Security Agreement shall be governed by and construed in accordance with the internal laws of the State of California, without regard to the conflicts of law rules of the State of California or of any other jurisdiction (except to the extent governed by the UCC).

(m) Counterparts. This Security Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall be deemed to constitute one instrument.

(n) Further Assurances. Company shall execute, acknowledge, deliver, file, notarize and register (at its own expense) all documents, instruments, certificates, agreements and assurances and provide all information and take or forbear from all such action as Secured Party may reasonably deem necessary or appropriate to achieve the purposes of the Security Agreement or satisfy the obligations of the Company hereunder.



IN WITNESS WHEREOF, Company has caused this Security Agreement to be executed as of the day and year first above written.

“COMPANY”

KOI DESIGN, LLC

By: \_\_\_\_\_  
Kathy Peterson  
Its: Authorized Representative

“SECURED PARTY”

DRAGON CROWD GARMENT INC.

By: \_\_\_\_\_  
Edward Zhou  
Its: President

**ATTACHMENT 1  
TO SECURITY AGREEMENT**

All right, title, interest, claims and demands of Company in and to the following property:

(i) All goods and equipment now owned or hereafter acquired, including, without limitation, all laboratory equipment, computer equipment, office equipment, machinery, fixtures, vehicles, furniture and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located;

(ii) All inventory now owned or hereafter acquired, including, without limitation, all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products including such inventory as is temporarily out of Company's custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and Company's books relating to any of the foregoing;

(iii) All contract rights, general intangibles, health care insurance receivables, payment intangibles and commercial tort claims, now owned or hereafter acquired, including, without limitation, all patents, patent rights (and applications and registrations therefor), trademarks and service marks (and applications and registrations therefor), inventions, copyrights, mask works (and applications and registrations therefor), trade names, trade styles, software and computer programs, trade secrets, methods, processes, know how, drawings, specifications, descriptions, and all memoranda, notes, and records with respect to any research and development, goodwill, license agreements, franchise agreements, blueprints, drawings, purchase orders, customer lists, route lists, infringements, claims, computer programs, computer disks, computer tapes, literature, reports, catalogs, design-rights, income tax refunds, payments of insurance and rights to payment of any kind and whether in tangible or intangible form or contained on magnetic media readable by machine together with all such magnetic media;

(iv) All now existing and hereafter arising accounts, accounts receivable, contract rights, royalties, license rights and all other forms of obligations owing to Company arising out of the sale or lease of goods, the licensing of technology or the rendering of services by Company (subject, in each case, to the contractual rights of third parties to require funds received by Company to be expended in a particular manner), whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Company and Company's books relating to any of the foregoing;

(v) All documents, cash, deposit accounts, letters of credit, letter of credit rights, supporting obligations, certificates of deposit, instruments, chattel paper, electronic chattel paper, tangible chattel paper and investment property, including, without limitation, all securities, whether certificated or uncertificated, security entitlements, securities accounts, commodity contracts and commodity accounts, and all financial assets held in any securities account or otherwise, wherever located, now owned or hereafter acquired and Company's books relating to the foregoing; and

(vi) Any and all claims, rights and interests in any of the above and all substitutions for, additions and accessions to and proceeds thereof, including, without limitation, insurance, condemnation, requisition or similar payments and the proceeds thereof.

