

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF COLORADO**

IN RE:	)	
	)	
CHEYENNE HOTELS, LLC	)	Case No. 11-37518-ABC
dba	)	
	)	
HAMPDEN INC – SALIDA	)	Chapter 11
	)	
EIN #: 03-0431360	)	
	)	
Debtor.	)	

**DISCLOSURE STATEMENT TO ACCOMPANY  
SECOND AMENDED PLAN OF REORGANIZATION DATED APRIL 11, 2014**

**INTRODUCTION**

This Disclosure Statement (“Disclosure Statement”) has been prepared by Cheyenne Hotels, LLC, a Colorado limited liability company (“CH” or “Debtor”) to accompany its First Amended Plan of Reorganization Dated April 11, 2014 (the “Plan”) which has been filed in the CH Chapter 11 case. This Disclosure Statement is being provided to all creditors and interest holders of the Debtor. This Disclosure Statement is subject to final approval pursuant to 11 U.S.C. Section 1125 by the United States Bankruptcy Court for the District of Colorado as containing adequate information to enable creditors and interest holders to determine whether to accept the Debtor’s Plan. The Court's approval of this Disclosure Statement does not constitute a decision on the merits of the Plan. Issues related to the merits of the Plan and its confirmation will be the subject of a confirmation hearing which is scheduled for \_\_\_\_\_, **2014 at \_\_\_\_:00 a.m. at the United States Bankruptcy Court, Courtroom C, 721 19<sup>th</sup> Street, Denver, Colorado 80202.**

THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION. THE

COMMISSION HAS SIMILARLY NOT REVIEWED THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT.

This Disclosure Statement is provided to you along with a copy of the Plan attached hereto as Exhibit A. This Disclosure Statement is intended only as an explanation and description of the Plan; in the event of any discrepancy or inconsistency between the terms of the Plan and the content of this Disclosure Statement, the Plan shall control. Capitalized terms that are defined in the Plan will have the same meaning when used in this Disclosure Statement as is provided in the Plan.

With this Disclosure Statement, interested parties eligible to vote on the Plan will also receive a Ballot to be used for voting on the Plan. Please complete the Ballot according to the instructions contained on the Ballot. Each eligible voter may vote on the Plan by completing the enclosed Ballot and returning it to counsel for CH at the following address:

Thomas F Quinn, P.C.  
303 East 17th Avenue  
Suite 800  
Denver, CO 80203

This Ballot must be received by Thomas F Quinn, P.C. no later than **5:00 p.m. on \_\_\_\_\_, 2014** which date has been set by the Court as the last day to vote on the Plan. Terms contained in this Disclosure Statement, which are defined in the Plan, have the same meaning as set forth in the definitional section of the Plan, Article II.

**Recommendation.** As discussed more fully below, the Debtor firmly believes that the Plan represents the best alternative for providing the maximum value for creditors. The Plan is based on the restructuring of the Debtor's financial obligations and will provide secured and unsecured creditors with payment on account of their claims. **The Debtor strongly believes that confirmation of the Plan is in the best interest of creditors and recommends that all creditors entitled to vote on the Plan vote to accept the Plan.**

**Voting Requirements.** Pursuant to the Bankruptcy Code, only Classes of Claims or Interests that are "impaired" under the Plan are entitled to vote to accept or reject the Plan. Classes of Claims and Interests that are not impaired are not entitled to vote and are deemed to have accepted the Plan. A Claim is unimpaired if the Plan leaves unaltered the legal, equitable

and contractual rights to which each creditor in the class is entitled. Conversely, a Claim is impaired if the Plan modifies or changes any of the substantive rights of the claimants, other than cure of a default and reinstatement of the maturity date of the claim as it existed prior to the default. A list of the classes of creditors, and whether each such class is impaired or unimpaired is provided below. Voting on the Plan shall be pursuant to the provisions of the Bankruptcy Code and the Bankruptcy Rules, and a Class shall have accepted the Plan if the Plan is accepted by at least two-thirds in amount and more than one-half in number of the Allowed Claims of such Class actually voting. Once the Disclosure Statement is approved by the Court as containing adequate information, it will be sent to all creditors along with the Plan and a Ballot for voting on the Plan. Creditors will be given at least 25 days to vote on the Plan and return their Ballot to counsel for the Debtor.

**Deemed Acceptance of Plan.** Unimpaired classes are conclusively presumed to accept the Plan pursuant to Section 1126(f) of the Bankruptcy Code. Class 4 is unimpaired under the Plan.

**Deemed Rejection of Plan.** Classes that receive or retain nothing under the Plan are deemed to reject the Plan pursuant to Section 1126(g) of the Bankruptcy Code. No Class falls under this category.

**One Vote Per Holder.** If a holder of a Claim holds more than one Claim in any one Class, all Claims of such holder in such Class shall be aggregated and deemed to be one Claim for purposes of determining the number of Claims voting for or against the Plan.

## **CHAPTER 11 AND PLAN CONFIRMATION**

Chapter 11 of the United States Bankruptcy Code is designed to allow for the rehabilitation and reorganization of financially troubled entities or individuals. Chapter 11 allows the Debtor to retain its assets during administration of its Chapter 11 case as a Debtor-in-Possession and following confirmation of a plan as a reorganized Debtor or as provided in the Plan. Once confirmation of a Plan of Reorganization is approved by the Court, the Plan of Reorganization is the permanent restructuring of the Debtor's financial obligations. The Plan also provides a means through which the Debtor will restructure or repay its obligations.

The Plan of Reorganization divides creditors into classes of similarly situated creditors. All creditors of the same Class are treated in a similar fashion. All shareholder Interests are also classified and treated alike. Each Class of creditors or interest holders is either impaired or unimpaired under the Plan. A Class is unimpaired if the Plan leaves unaltered the legal, equitable and contractual rights to which each creditor in the class is entitled. Alternatively, a claimant is unimpaired if the Plan provides for the cure of a default and reinstatement of the maturity date of the claim as it existed prior to the default.

The Bankruptcy Court set a bar date establishing the last date for filing Proofs of Claim as April 20, 2012. The bar date has passed. The Plan provides that Claims of all Classes shall be allowed only if evidenced by a timely filed Proof of Claim or which otherwise appear in the Schedules filed by CH and are not scheduled as disputed, contingent or unliquidated unless subsequently allowed by the Court. Creditors may check as to whether or not their claims have been scheduled as disputed, contingent or unliquidated by reviewing the Schedules and the amendments thereto filed by CH in the Bankruptcy Court for the District of Colorado. Alternatively, creditors may contact counsel for CH or CH directly in order to determine how they have been scheduled.

Chapter 11 does not require that each holder of a Claim against or Interest in CH vote in favor of the Plan in order for the Court to confirm the Plan. The Plan, however, must be accepted by at least one impaired Class of Claims by a majority in number and two thirds in amount, without including insider acceptance of those Claims of such Class actually voting on the Plan. Assuming one impaired Class votes to accept the Plan, it may be confirmed over its rejection by other Classes if the Court finds that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims or Interests that is impaired under and has not accepted the Plan.

The Bankruptcy Code requires that if interest holders retain an interest or receive anything under the Plan, then the unsecured creditor Classes must either be paid the full value of their claims or vote to accept the Plan. The Plan provides that the interest holder will retain an interest under the terms of the Plan. Therefore, the Plan can only be confirmed if the unsecured creditor class votes to accept the Plan.

Interest holders are impaired under the Plan. Since the Debtor believes that the Plan

provides the best alternative for creditors, all creditors are urged to vote to accept the Plan.

If all Classes of Claims and Interests vote to accept the Plan, the Court may confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation. Among other things, Section 1129 requires that the Plan be in the best interest of the holders of Claims and Interests and be feasible through a showing that confirmation will not be followed by the need for further financial reorganization of the Debtor.

Each class of creditors who is impaired will have an opportunity to vote on the Plan. In the event the requisite majority of each class votes to accept the Plan, the Plan will be deemed accepted by the subject class. If a class of creditors votes to reject the Plan, the Plan may be confirmed over the rejection of the class pursuant to 11 U.S.C. § 1129(b).

### **BACKGROUND INFORMATION REGARDING THE DEBTOR**

#### **PRE-BANKRUPTCY HISTORY.**

The Debtor is a Colorado limited liability company formed in 2002 by Tanveer Khan, its sole Member and Manager. Mr. Khan has experience in owning and operating hotels. He purchased his first, the Holiday Inn Express in Canon City, Colorado in 2002, which he successfully operated and subsequently sold in 2007. Mr Khan built a Hampton Inn in Canon City, Colorado in 2008. He purchased the Homewood Suites by Hilton adjacent to the Colorado Springs Airport in 2008. That Hotel is owned through a separate limited liability company, Cheyenne Hotel Investments, LLC, which has just confirmed a Chapter 11 Plan .

The Debtor owns and operates a Hampton Inn and Suites located at 785 East Highway 50, Salida, Colorado 81201 (the "Hotel"). The Debtor purchased the land and constructed the Hotel over a period of two years, opening for business in January 2011. The Hotel is three-story, interior corridor, 107 guest room facility, with high-end common areas, including a swimming pool, fitness room, breakfast area, business center and meeting rooms. The Hotel is managed by TRN Hotel Management, LLC, a single-member limited liability company owned by Tanveer Khan, who is also the owner of the Hotel. TRN Management employs the staff of the Hotel.

#### **EVENTS LEADING TO THE CHAPTER 11 FILING.**

Construction of the Hotel was plagued by delays and cost overruns. The Debtor had obtained construction financing from Colorado East Bank & Trust. During construction, the

Debtor exhausted the available construction financing, and incurred additional construction debt, leading to the assertion of mechanics liens against the property, and cessation of work on the Hotel. The Debtor negotiated several extensions and increases in the construction loan, and satisfied the mechanics liens. However, this process resulted in further delay, and additional costs. The General Contractor left the job, and the Debtor managed completion of the Hotel directly. In addition, the property was encumbered by a Deed of Trust in favor of Gary Goforth, John F McGivern II, JFM Limited Partnership I, and David Pender (the “Goforth Deed of Trust”).

As a result of the construction problems, the Hotel was heavily burdened by debt by the time it opened. And the Debtor had effectively no working capital. Both the Colorado East Bank & Trust and the Goforth obligations were in default. The Debtor was engaged in discussions with Colorado East Bank & Trust regarding restructuring that lien. But the Holders of the Goforth Deed of Trust commenced a lawsuit seeking appointment of a receiver. As a result, the Debtor commenced these Chapter 11 proceedings, for the purpose of maintaining operating control of the Hotel, and providing a forum for reorganization of its financial affairs.

#### SIGNIFICANT EVENTS IN THE CHAPTER 11 CASE

On November 25, 2011, the Debtor filed its voluntary petition for relief under Chapter 11, commencing this bankruptcy case. The principal purposes of the filing were to maintain control of the Hotel in the Debtor, and to provide a forum for reorganizing the financial affairs of the Debtor.

At the time of commencement of Chapter 11 case, petition, the Debtor had limited operating history, and had not yet implemented any meaningful marketing. As a result, the Debtor’s hotel operations generated little net revenue available for debt service. The Debtor continued operations of its hotel, and revenues gradually increased, subject to seasonal variations. The Debtor negotiated agreements for use of the hotel revenues, in which the lenders claimed an interest as cash collateral, first with Colorado East Bank & Trust, and then with the Goforth creditors. Those agreements were renewed periodically, resulting in gradually increasing amounts available for debt service.

The Debtor listed its hotel property for sale, but did not receive any offers sufficient to satisfy its secured creditors. Sale of the Hotel for less than the amount of the secured debt would have resulted in the unsecured creditors being wholly unsatisfied.

Differences existed between its two principal secured creditors, Colorado East Bank & Trust and a group referred to in the Plan as the “Goforth Creditors,” with regard to the extent and enforceability of an agreement entered under which the Goforth Creditors subordinated their lien to the Debtor’s indebtedness to Colorado East Bank & Trust. Debtor attempted to resolve those differences through negotiations and informal exchanges of information. When those efforts did not result in a resolution, the Debtor commenced an adversary proceeding against Colorado East Bank & Trust and the Goforth Creditors, seeking a judicial resolution of these issues.

After completion of discovery in the referenced adversary proceeding, the Debtor was able to negotiate terms for reorganization of the Debtor’s finances with Colorado East Bank & Trust, reflecting, in some measure, the parties’ expectations of what probable outcome of that litigation, as well as accommodating the Debtor’s desire to retain ownership of the Hotel until a refinancing of the Colorado East Bank & Trust claim could be effected upon favorable terms.

Accordingly, the Debtor has drafted its proposed Plan, incorporating the terms agreed upon by Colorado East Bank & Trust, subject to those terms being incorporated in a confirmed plan.

#### DESCRIPTION OF DEBTOR’S ASSETS

The assets available to satisfy the Debtor’s creditors are: (a) the pre-petition assets listed in the Debtor’s Schedules of Assets filed with the Bankruptcy Court; and (b) potential avoidance claims which exist as a result of specific provisions of the Bankruptcy Code. A summary of each of these categories of assets follows:

##### PREPETITION ASSETS:

The Debtor’s principal asset is the Hampton Inn Hotel, located in Salida, Colorado. The Hotel is situated on a 2.04 acre parcel of real property legally described as follows:

Lots 1 and 2 of ST. JOHN’S SUBDIVISION, located within the Southwest Quarter of the Southeast Quarter of Section 5, Township 49 North, Range 9 East of the NMPM, per Plat recorded June 5, 2007, at Reception NO. 367154,

City of Salida, Chaffee County, Colorado.

The Hotel has 107 guest rooms and the following additional facilities for guests: swimming pool, Jacuzzi pool, fitness center, business center, two conference rooms and one boardroom, and an outdoor grilling area. It was constructed in 2009-2011, has been well maintained, and is in excellent condition.

The Hotel is located on the outskirts of downtown Salida, Colorado. Salida is the county seat of Chaffee County and its largest city, with a population of approximately 5,300. The city is the service, supply, and tourism center for the Upper Arkansas Valley. Tourism is the primary economic driver of the economy and occupancy of the Hotel. The Salida area attracts visitors with a variety of outdoor activities, including biking, camping, climbing, fishing four-wheeling, golfing, hiking, hunting, kayaking, picnicking, rockhounding, skateboarding, skiing, snowboarding, and snowmobiling.

The Debtor's assets also include furniture, fixtures and equipment utilized in connection with operation of the Hotel. This personal property is replaced as needed. The depreciated cost basis of the Hotel and Personalty was \$ 10,669,664.25 as of February 28, 2014. The Debtor believes that the current market value of the Hotel, including personalty is \$10,500,000. However, current conditions in the Hotel financing market, and the taint of the pending Chapter 11 proceedings affecting the Hotel effectively preclude the possibility of achieving a sale at the current market value.

#### AVOIDANCE ACTIONS

Under the Bankruptcy Code, the Debtor has the right to bring Avoidance Actions pursuant to 11 U.S.C. §§ 545 through 550 and state law fraudulent conveyance actions. The principal avoidance claims are:

**Statutory Liens:** The Debtor has the power to set aside liens which arise under a statute, to the extent the lien first becomes effective: (a) upon the filing of the bankruptcy case; (b) when another form of insolvency proceeding is commenced; (c) when a custodian (that is, a receiver or other like officer) is appointed or takes possession of the Debtor's property; (d) when the Debtor becomes insolvent; (e) when the Debtor's financial condition fails to meet a specified standard;



or at the time of execution against property of the debtor.

**Preferences:** The Debtor has the power to set aside transfers to creditors made prior to the filing of the case that have the effect of giving the creditor a greater recovery than the creditor would have received if a Chapter 7 bankruptcy case had been filed, and the payment had not been made. Generally, payments or transfers of property made to any creditor within 90 days before the filing of the bankruptcy case and payments or transfers of property made to “insider” creditors within one year before the filing of the bankruptcy case are potential preferences. Defenses to such claims include (a) that the payment was made in the ordinary course of business of the Debtor and the creditor; and (b) that the payment was offset by the later provision of goods or services to the Debtor.

**Fraudulent Conveyances:** The Debtor has the power to set aside transfers made within one year prior to the filing of the bankruptcy case:

- (a) made with the actual intent to hinder, delay, or defraud creditors; or
- (b) made for less than fair equivalent value, while the Debtor was insolvent.

The Debtor also has the power to avoid transfers avoidable under State or Federal non-bankruptcy law, and certain post-petition transfers.

The Debtor has evaluated its potential avoidance claims to determine which, if any, such claims are viable. The total payments made to creditors within the 90 days prior to the Petition Date was approximately \$185,000. The majority of these payments appear to have been made in the ordinary course of business and therefore are subject to defense pursuant to 11 U.S.C. § 547(c)(2). Approximately \$85,000 of this sum was a real estate tax payment, which was fully secured, and hence, not avoidable. Approximately \$62,000 of this sum was periodic payments of franchise fees to the Franchisor. The Debtor believes that these were made as substantially contemporaneous exchanges for new value, consisting of the benefits under the franchise agreement. Approximately \$38,000 of this sum was monthly payments of management fees and operating expenses incurred by TRN Hotel Management and Development Group, Inc., and reimbursed by the Debtor in the ordinary course. The Debtor does not believe those payments are avoidable.

In the year preceding the commencement of the Chapter 11 case, the Debtor made

payments totaling \$320,527.61 to the owner of the Debtor and affiliates. Those payments were made substantially contemporaneously with the services performed or other value received by the Company, and were reasonable in amount, or were offset by transfers to or for the benefit of the Debtor. Therefore, the Debtor does not believe that any significant portion of the insider payments would be recoverable under the avoidance powers granted to the Debtor.

If avoidance actions are brought, the Debtor will also incur costs and expenses in the form of legal fees. In addition, Debtor believes the collectability of any claim against any of the Debtor's affiliates is doubtful.

Based on the Debtor's analysis, no creditors were preferred and payments to creditors in the 90 days prior to the Petition Date were made for current services, labor, taxes, insurance, employee benefits, on account of secured claims, and/or in the ordinary course. In addition, some creditors provided new value after the transfers, making the claims subject to defense under 11 U.S.C. § 547(c)(1), (2) and/or (4).

In light of the foregoing, the Debtor, at this time, does not expect to bring any avoidance actions. The Debtor continues to review all avoidance claims and is reserves the right to bring avoidance claims, but no such claims are contemplated at this time.

The Debtor has evaluated the potential avoidance actions and has provided its analysis herein. The Debtor expects that the recovery to creditors as proposed under the Plan from ongoing operations will greatly exceed any reasonable recovery that could be obtained from pursuit of the avoidance actions.

## **DESCRIPTION OF LIABILITIES**

### **A. Administrative Claims**

Administrative Claims are those Claims for payment of an administrative expense of a kind specified in §503(b) or §1114(e)(2) of the Bankruptcy Code and entitled to priority pursuant to §507(a)(2) of the Bankruptcy Code, including, but not limited to: (a) the actual, necessary costs and expenses, incurred after the Petition Date, of preserving the estate and operating the business of the Debtor, including wages, salaries, or commissions for services rendered after the commencement of the Chapter 11 Case; (b) Professional Fee Claims; (c) all fees and charges

assessed against the estate under 28 U.S.C. §1930; and (d) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under §546(c)(2)(A) of the Bankruptcy Code. Generally, the Debtor has been able to pay its operating costs in accordance with customary or agreed terms with its suppliers and vendor during the course of the Chapter 11 case. Accordingly, the Debtor does not anticipate a significant amount of Administrative Claims which must be paid upon the Effective Date of the Plan.

The Administrative Claims for professional fees incurred during the case are as follows:

**1. Bankruptcy Counsel**

The Debtor retained Thomas F. Quinn, P.C. (“Debtor’s Counsel”) as its bankruptcy counsel. The Debtor paid all of its pre-petition fees. The Debtor estimates that the total legal fees and costs for Debtor’s Counsel due from the Debtor as of the estimated date on which the Plan will become effective, will be approximately \$20,000. This estimate is made based upon the assumption that the Bankruptcy Court will approve, and the Debtor will pay currently, the fees for all aspects of the case except fee applications, but that due to the necessity for Bankruptcy Court approval, the fees for the 60 days preceding the Effective Date will be unpaid as of the Effective Date. These fees could increase or decrease depending on the level of litigation over the Plan and Claims.

**2. Other Operating Costs.**

The Bankruptcy Code provides an administrative priority for the actual and necessary expenses of preserving the bankruptcy estate. Therefore, any post-petition operating costs are entitled to priority, and must be paid upon confirmation of the Plan. Generally, the Debtor is paying its post-petition expenses currently, and accordingly, does not believe there will be a material amount of unpaid administrative expenses (except professional fees) outstanding at the time of confirmation.

**3. United States Trustee Fees**

The Debtor will make all payments required to be paid to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) until the case is closed, converted, or dismissed. All payments due to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) shall be paid on the Effective Date, and the U.S. Trustee shall thereafter be paid fees due on a quarterly basis until the case is closed,

converted, or dismissed. The Debtor's obligation to file post confirmation quarterly reports pursuant to 11 U.S.C. § 1930(a)(7) continues until the Chapter 11 case is dismissed, converted or closed. Post-confirmation payments due to the United States Trustee are estimated to be not less than \$325 per quarter.

**B. Priority Claims**

Priority Claims are defined in the Plan as any pre-petition Claim entitled to a priority payment under 11 U.S.C. § 507(a) of the Bankruptcy Code, excluding any Administrative Claim or Tax Claim.

**1. Tax Claims**

Tax Claims are any Claims of any governmental unit for taxes that are either (a) unsecured, but entitled to priority under 11 U.S.C. § 507(a) (8), or (b) secured by a lien upon any of the Debtor's property.

The Colorado Department of Revenue has filed a Proof of Claim in the amount of \$30,826.00. This Claim consists of a secured claim in the amount of \$14,094.00 for unpaid withholding taxes and unpaid sales taxes, a priority tax claim in the amount of \$11,952.00 for unpaid consumer use taxes and a general unsecured claim comprised of unsecured tax penalties in the amount of \$4,780. This Claim has been amended several times during the bankruptcy case, and is subject to pending administrative proceedings under which the Debtor contests the claim. The Debtor has not included any amount payable on account of this Claim in its pro forma financial projections attached as Exhibit D. The Debtor believes that even if the contested Claim is determined to be valid, the Claim will not materially affect the feasibility of the Plan. The secured and priority amounts included within the Claim, if allowed, will be paid in equal monthly installments of principal and interest amortized over the remaining period of a five year term commencing on the Petition Date with interest at the rate of Six Percent (6%) per annum, beginning the first full quarter after the Effective Date. The general unsecured amount included within the Claim, if allowed, will be treated as a General Unsecured Claim.

## **2. Other Priority Claims.**

Other Priority Claims shall consist of all other Allowed Claims accorded priority under 11 U. S. C. § 507 not separately classified or treated under the Plan. The Debtor estimates that total amount of such claims will be less than \$5,000.

### **C. Secured Claims.**

The Debtor has two classes of Secured Claims.

Class 2-A consists of the Claims of Colorado East Bank & Trust. For purposes of this Disclosure Statement, the Debtor has estimated the gross amount of the Colorado East Bank & Trust claims to total \$9,400,000. This estimate is not binding upon Colorado East Bank & Trust or any other party, and is used here solely for estimation purposes. The Debtor believes that the Colorado East Bank & Trust claims are valid claims, with perfected security interests in the Hotel Property and the other Hotel Assets. However, the priority of the lien securing the Colorado East Bank & Trust is disputed, at least in part, by the Goforth Creditors. The Plan provides a single, allowed secured claim in the amount of \$8,400,000 to Colorado East Bank & Trust, and provides for no distribution on account of the unsecured portion of the Bank's claims. See pages 18—19 below for a more complete description of the treatment of the Bank's Claims.

Class 2-B consists of the Claims of the Goforth Creditors. For purposes of this Disclosure Statement, the Debtor has estimated the gross amount of the Goforth Creditors to total \$1,250,000. This estimate is not binding upon the Goforth Creditors or any other party, and is used here solely for estimation purposes. The Debtor believes that the Goforth Claims are valid claims, with perfected security interests in the Hotel Property and the other Hotel Assets, junior in lien priority to the liens securing the Colorado East Bank & Trust claims, at least to the extent of \$8,400,000 of that debt. The Plan provides a single, allowed secured claim in the amount of \$500,000 to Goforth Creditors, and provides for no distribution on account of the unsecured portion of their claims. See pages 19—20 below for a more complete description of the treatment of the Goforth Creditors' Claims.

If the Debtor, Colorado East Bank & Trust and the Goforth Creditors are unable to reach

an agreement with respect to the amounts of these creditors' claims, the Bankruptcy Court will determine the amount of the claims, after a hearing. The Debtor will endeavor to determine the amount of the Colorado East Bank & Trust and the Goforth Creditors claims prior to voting upon the Plan. If an agreement regarding the amounts of the Colorado East Bank & Trust and the Goforth Creditors' claims is not made prior to balloting, the Debtor will object to such claims. In that event, the Colorado East Bank & Trust and the Goforth Creditors may seek to have their claims estimated by the Court for purposes of balloting.

**D. Leases and Executory Contracts**

As provided in the Plan, on the Effective Date of the Plan, the Debtor will seek to assume the following executory contracts and unexpired leases: (1) a Franchise License Agreement dated November 7, 2006 (the "Franchise Agreement") between the Debtor and HLT Existing Franchise Holding LLC (the "Franchisor"), under which the Debtor enjoys the right to use the Hampton Inn tradename and participates in marketing and other programs with the Franchisor; (2) an agreement with TRN Hotel Management and Development Group ("TRN"), under which TRN provides management services to the Debtor; and (3) other executory contracts for services related to Hotel Operations, as listed on Exhibit B to this Disclosure Statement.

To be permitted to assume each of the agreements, the Debtor must (1) cure any existing defaults under the agreement, except breaches of penalty provisions, (2) compensate or provide assurance of compensation to the other parties for damages resulting from any such default; and (3) provide adequate assurance of future performance under the agreement. The Debtor asserts that, as of the filing of this Disclosure Statement, no material defaults exist in the Debtor's performance of any of the foregoing agreements, and adequate assurance of future performance has been provided under the Plan. Accordingly, the Debtor believes that it has the right to assume the executory contracts listed on Exhibit B. The Franchisor asserts that, due to the nature of the Franchise Agreement, that agreement may not be assumed by the Debtor without the consent of the Franchisor. The Debtor disputes the requirement of Franchisor's consent to assumption of the Franchise Agreement, but will nevertheless request such consent. If the Franchisor refuses to accept assumption of the Franchise Agreement upon terms acceptable to the Debtor, the Debtor will request the Bankruptcy Court to determine that the Franchise Agreement may be assumed without such consent.

The Franchisor has stated that it is unwilling to consent to assumption of the Franchise Agreement unless: (i) the Debtor cures all outstanding defaults (including payment of all pre-petition franchise fees, attorney's fees, costs and/or service charges in connection with the bankruptcy case and/or to enforce its rights under the Franchise Agreement) and (ii) the Debtor engages a management company acceptable to the Franchisor to operate the Hotel. During the course of the Chapter 11 proceedings, the Franchisor filed a Motion for Relief from Stay, seeking Court approval for termination of the Franchise Agreement. Among the defaults asserted in that Motion, the Franchisor alleged that the Debtor failed to cure certain quality deficiencies and bring the Hotel into compliance with the Hampton Inn brand standards, as reflected in inspection reports in December 2012 and May 2013. On October 1, 2013, upon a stipulation filed by the Debtor and the Franchisor, this Court entered a consent order resolving the motion for relief stay [Dkt. No. 168] (the "Consent Order"), ordering, inter alia, that the Debtor must cure any defaults under the Franchise Agreement and otherwise bring the Hotel into compliance with the Hampton Inn brand standards sufficient to receive a score of "Acceptable" by October 23, 2013. The Franchisor asserts that the Debtor has not met this deadline. The Franchisor reserves all rights under the Consent Order including its right to file a motion for relief from stay on an ex parte and/or emergency basis to permit termination of the Franchise Agreement and to exercise other rights under the Franchise Agreement to fully enforce its rights thereunder. Under the terms of the stipulated consent order, the Debtor's only basis for objecting to entry of an order lifting the stay can be that the Debtor is not in default.

Creditors should also be aware that, even if the Debtor assumes the Franchise Agreement, the Debtor may not be able to convey its rights under the Franchise Agreement to any subsequent transferee without the consent of the Franchisor.

If the Debtor is unable to assume the Franchise Agreement, that agreement will be deemed rejected, and the Franchisor may assert a claim for rejection damages. The Bankruptcy Court will determine the amount, if any, of damages allowed to the Franchisor.

On the date of the entry of an Order confirming the Plan, the Debtor shall be the holder of all right, title and interest to the assumed leases and contracts and such assumed leases and contracts shall be in full effect and binding upon the Debtor and the other parties thereto. Confirmation of the Plan shall constitute a determination that the payments to be made to said creditors pursuant to the Plan satisfy all conditions precedent to assumption set forth in 11 U.S.C. § 365(b) and (f).

Any executory contract or unexpired lease not assumed in accordance with the Plan shall be rejected. All proofs of claim with respect to claims arising from the rejection of any executory contract or unexpired lease shall be filed with the Bankruptcy Court within twenty (20) days after the earlier of (i) the date of the Bankruptcy Court order approving the Debtor's rejection of such executory contract or unexpired lease or (ii) the Confirmation Date. Any claims not filed within such time shall be forever barred against the Debtor, its estate and property and any such Claims shall be disallowed in full. Claims arising from such rejection, to the extent allowed, shall be treated as unsecured Claims, in either Class 3-A or 3-B, depending upon the amount of the Claim.

#### **E. Non-Priority Unsecured Claims**

The Debtor listed all of its known general unsecured pre-petition creditors in its bankruptcy filing. Several of the general unsecured creditors have filed Proofs of Claim, some of which vary from the amounts listed by the Debtor. Based upon the Debtor's Bankruptcy Schedules and the proofs of claim filed by creditors, there are \$585,540.13 in scheduled unsecured claims, with a claim amount greater than \$1,000. This figure is based upon the amounts scheduled by the Debtor. It does not account for any reduction in claim amounts as a result of claim objections that may be filed by the Debtor. The Debtor will attempt to reconcile its records with the claims as asserted by the creditors and will file objections to claims to the extent the differences are material and unresolved. The Debtor's exclude from the projected general unsecured creditors (a) all unsecured claims under \$1,000, which are treated separately under the Plan; (b) the unsecured claim of Colorado East Bank & Trust, which is treated as a separate class under the Plan, together with the secured portion of that claim; (c) any unsecured claim of the Goforth Creditors, which is treated as a separate class under the Plan, together with



the secured portion of that claim; and (d) claims under executory contracts and leases which are treated separately under the Plan.

Not included within the unsecured claims described above, there are 12 scheduled claims of less than \$1,000, totaling \$3,099.30. Assuming that all such creditors elect treatment as small claims under the Plan, these Claimants will receive 80% of their claim amount, totaling \$2,479.44, on the Effective Date of the Plan and will not participate in the general distributions to unsecured creditors.

## **DESCRIPTION OF THE PLAN**

### **OVERVIEW OF THE PLAN.**

CH filed its Second Amended Plan of Reorganization with the United States Bankruptcy Court for the District of Colorado on April 11, 2014. The Plan may be amended prior to confirmation. The Plan provides for the specification and treatment of creditors and Interest holders of the Debtor. In addition, administrative claims, certain Tax Claims, and fees payable the United States Trustee will be paid under the Plan, but are not classified, and cannot vote on the Plan. The Plan identifies whether each Class is impaired or unimpaired. A Class is unimpaired only

if the Plan leaves unaltered the legal, equitable or contractual obligations between CH and the unimpaired claimants or interest holders. The following is a brief summary of the Plan. The actual text of the Plan should be reviewed for more specific detail.

The Plan divides all creditors and interest holders into 6 Classes. Three of the classes are specific treatments of creditors, based upon the particular legal rights of the claims under the state law and the Bankruptcy Code. For administrative convenience, general unsecured creditors are divided into a class of unsecured creditors with claims under \$1,000 (or who are willing to reduce their claims to \$1,000) and a class of all other creditors. Each Class is treated as either impaired or unimpaired under the Bankruptcy Code.

<b>SUMMARY OF CLASSES/ IMPAIRMENT</b>		
<b>Class</b>	<b>Description</b>	<b>Impaired/ Unimpaired.</b>
Class 1	Tax Claims	Impaired
Class 2-A	Colorado East Bank & Trust Claims	Impaired
Class 2-B	Goforth Claims	Impaired
Class 3-A	Small Unsecured Claims	Impaired
Class 3-B	General Unsecured Claims	Impaired
Class 4	Equity Interests	Unimpaired

Treatment of the Classes is discussed in greater detail below and in the Plan.

To fund the payments under the Plan, CH will continue to operate its business and will make the plan payments out of operating income of the Hotel, with the exception of the payment of the Colorado East Bank & Trust claim within a year of the Effective Date, which will require either (a) sale of an interest in the Hotel or the Debtor; or (b) a new loan. The Goforth Creditors have agreed to subordinate the payment of their Claim to a refinancing of the Colorado East Bank & Trust Secured Claim in an amount not exceeding \$8,400,000, under the terms of an agreement substantially in the form of the attached Exhibit C, but subject to such commercially reasonable changes as may be requested by the new lender. Accordingly, it will not be necessary to pay the Goforth Claims in full at the time the Colorado East Bank & Trust Claim is satisfied. However, if the Debtor is unable to refinance or otherwise satisfy the Colorado East Bank & Trust Secured Claim within a year of the Effective Date, it is likely that the Colorado East Bank & Trust Claim will be foreclosed and any claims that have not been satisfied before the foreclosure will not be paid.

#### **CLASSIFICATION AND TREATMENT OF CLAIMS.**

##### **A. Unclassified Priority Claims**

As provided in Section 1123(a)(1) of the Code, the Claims against the Debtor covered in Article III of the Plan are not classified. The holders of such Allowed Claims are not entitled to vote on the Plan. Such claims include:

**Administrative Claims.** The holders of Allowed Claims of the type specified in Section

507(a)(2) of the Code, Administrative Claims, shall receive cash equal to the allowed amount of such Claim or a lesser amount or different treatment as may be acceptable and agreed to by particular holders of such Claims. Such Claims shall be paid in full on the Effective Date of the Plan, or treated as otherwise agreed to by the particular holders of such Claims. Section 507(a)(2) Administrative Claims that are allowed by the Court after the Effective Date of the Plan shall be paid upon allowance.

Section 507 (a) (2) priority includes (a) professional fees, which must be approved by the Bankruptcy Court before they are paid; and (b) trade debt, which generally need not be approved by the Bankruptcy Court before it is paid. The Debtor has provided an estimate of the amount of unpaid professional fees that it expects to be owing as of the Effective Date above, in the section of this Disclosure Statement captioned "Description of Liabilities." The Debtor has generally paid all other operating expenses in the ordinary course of business during the course of the bankruptcy case, and therefore does not believe that any other material administrative claims exist against the estate.

**United States Trustee Fees.** The Debtor will make all payments required to be paid to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) until the case is closed, converted, or dismissed. All payments due to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) shall be paid on the Effective Date, and the U.S. Trustee shall thereafter be paid fees due on a quarterly basis until the case is closed, converted, or dismissed. The Debtor's obligation to file post confirmation quarterly reports pursuant to 11 U.S.C. § 1930(a)(7) continues until the Chapter 11 case is dismissed, converted or closed.

#### **B. Separately Classified Claims.**

The following classes of claims are separately classified under the Plan, and provided the treatment as summarized below. Please refer to the Plan for a complete description of the rights accorded to holders of each class of claim. In the event of a discrepancy between the descriptions below and the terms of the Plan, the Plan terms will control.

***Class 1 (Tax Claims)*** shall consist of Allowed Claims of any governmental unit for taxes that are either (a) unsecured, but entitled to priority under 11 U.S.C. § 507(a) (8), or (b) secured by a lien upon any of the Debtor's property. The Allowed Claims shall be paid in equal monthly installment of principal and interest amortized over the remaining balance of a five year term commencing on the Petition Date with interest at 6% per annum. The Debtor believes there will be no Allowed Tax Claims upon confirmation and has incorporated a treatment for such claims in the Plan to avoid the necessity of amendment of the Plan to provide for such claims if they exist.

***Class 2-A (Colorado East Bank & Trust Claims)*** shall consist of the Allowed Claims Colorado East Bank & Trust in the amount of \$8,400,000. Colorado East Bank & Trust shall receive three streams of payments as follows:

- (a) a single payment, in the amount of \$100,000 on the Effective Date of the Plan;
- (b) in equal monthly installments of interest on the unpaid balance of the allowed Secured Claim in the rate of 4.5% per annum, calculated upon a 360 day year; and
- (c) Sixty monthly installments consisting of a portion of the amount (the "Net Profits Override") by which gross revenue received in the preceding month of Hotel operations exceeds the sum of (a) ordinary and necessary operating expenses paid during such month; (b) mandatory payments paid under this Plan; and (c) management fees to TRN Hotel Management. Such payments shall commence on the first day of the first month following the Effective Date of the Plan and continuing for 59 months thereafter, or until a total of \$1,000,000 has been paid to Colorado East Bank & Trust and the Goforth Creditors, collectively under the Override. Seventy Percent (70%) of the Override will be paid to Colorado East Bank & Trust and Thirty Percent of the Override will be paid to the the Goforth Creditors.

The Class 2-A Claims will be secured by a First Priority Lien upon the Hotel Premises and the Hotel Personalty Collateral. Debtor shall have the right to sell or otherwise dispose of the Hotel Personalty Collateral in the ordinary course of its business, provided that Debtor shall promptly replace any Hotel Personalty

Collateral sold or otherwise disposed of with replacement goods of like quality, or as required under the Franchise Agreement.

In the event that the Debtor is unable to pay the Allowed Colorado East Bank & Trust Claim in the amount of \$8,400,000 within one year from the Effective Date of the Plan, Goforth may request that the Debtor will, upon request of the Bank, convey the Hotel Assets to Goforth by deed or deed in lieu of foreclosure, as appropriate. If this occurs, the Bank will forbear from exercising its foreclosure rights for 90 days after the first anniversary date of Effective Date of the Plan. The Goforth Creditors' ability to operate the Hotel as "Hampton Inn" is subject to completion of the Franchisor's application process and otherwise qualifying (in HLT's sole discretion) as a franchisee/licensee. In the event the Debtor is unable to pay the Allowed Colorado East Bank & Trust Claim in full within one year from the Effective Date of the Plan and Goforth does not request a conveyance of Hotel Property, or Goforth fails to pay the Colorado East Bank & Trust claim, the CEBT Deed of Trust may be foreclosed. If that occurs, any other claims that have not been satisfied before the foreclosure will not be paid.

***Class 2-B (Goforth Claims)*** shall consist of the Allowed Goforth Claims in the amount of \$500,000. The holders of the Goforth Claims shall receive three streams of payments as follows:

- (a) a single payment, in the amount of \$50,000 on the Effective Date of the Plan;
- (b) in equal monthly installments of interest on the unpaid balance of the allowed Secured Claim in the rate of 4.5% per annum, calculated upon a 360 day year; and
- (c) Sixty monthly installments consisting of a portion of the amount (the "Net Profits Override") by which gross revenue received in the preceding month of Hotel operations exceeds the sum of (a) ordinary and necessary operating expenses paid during such month; (b) mandatory payments paid under this Plan; and (c) management fees to TRN Hotel Management. Such payments shall commence on the first day of the first month following the Effective Date of the Plan and continuing for 59 months thereafter, or until a total of \$1,000,000 has been paid to Colorado East Bank & Trust and the Goforth Creditors, collectively under the Override. Thirty Percent of the Override, as so calculated, will be paid

to the Goforth Creditors. Upon satisfaction of the Secured CEBT Claim, the entire amount of the Override shall be paid to the Goforth Creditors, until they have received payment of the principal amount equal to \$500,000. The unpaid balance of the Goforth Secured Claim shall become due and payable as a balloon payment on the fifth anniversary of the Effective Date.

The Class 2-B Claims will be secured by a Lien upon Lot 1 of the Hotel Premises and the Hotel Personalty Collateral junior in seniority to the lien securing the Colorado East Bank & Trust Allowed Secured Claim. Debtor shall have the right to sell or otherwise dispose of the Hotel Personalty Collateral in the ordinary course of its business, provided that Debtor shall promptly replace any Hotel Personalty Collateral sold or otherwise disposed of with replacement goods of like quality, or as required under the Franchise Agreement.

In the event the Debtor fails to pay the entire balance of the CEBT Secured Claim on or before the first anniversary date of the Effective Date, in addition to any other remedies available to the Goforth Creditors, the Goforth Creditors may elect, by written notice to the Debtor and CEBT to receive a Deed and Bill of Sale in Lieu of Foreclosure to the Hotel Property and the Hotel

Assets. In such event, CEBT will forbear from foreclosure for a period of 90 days. The Goforth Creditors' and/or CEBT's ability to operate the Hotel as "Hampton Inn" is subject to completion of the Franchisor's application process and otherwise qualifying (in HLT's sole discretion) as a franchisee/licensee.

***Class 3-A (Small Unsecured Claims)*** shall consist of all Allowed Claims not separately classified hereunder, (a) in an amount not exceeding \$1,000 per Claim, or (b) if a Claim is an Allowed Claim in excess of \$1,000, with respect to which the holder of the claim elects to reduce the amount of the Allowed Claim to \$1,000. Claimants holding Class 3-A claims shall receive a single payment equal to the lesser of (a) \$800, or (b) 80% of the Allowed Class 3-A Claim. Such payment shall be made not later than ninety days following the Effective Date or within ten days following allowance of the Claim, if the Claim is not allowed as of such payment date.

***Class 3-B (General Unsecured Claims)*** shall consist of all Allowed Claims not separately classified hereunder. Each Class 3-B claimant shall receive six installments commencing on the first day of the third calendar quarter occurring after the Effective Date and continuing on the first day of each of the next five calendar quarters. Each of the payments will equal one-sixth of the Allowed Claim in this class. The Debtor's ability to make these payments is subject to continuing improvements in the operating revenue of the Hotel and either improvement or no deterioration in the hotel financing market, and other risks of operations. If the Debtor cannot refinance the Colorado East Bank & Trust Claim, foreclosure or a deed in lieu of foreclosure may result, which could have the effect of liquidation of the Debtor, and inability to satisfy any remaining payment obligations to the unsecured creditors.

**Class 4 (Membership Interests)** shall consists of the Allowed Equity Claims of the Members. The Class 4 Claimants shall retain their Equity Interests in the Debtor.

## **B. MEANS FOR EXECUTION OF THE PLAN**

### **1. POST-CONFIRMATION OPERATIONS**

CH shall be empowered to take such action as may be necessary to perform its obligations under the Plan.

### **2. MANAGEMENT.**

The following persons will be responsible for management of the Debtor following confirmation of the Plan:

**Tanveer Khan, Manager.** Tanveer Khan is the sole Manager of CH. Mr. Khan purchased his first Hotel, the Holiday Inn Express in Canon City, Colorado in 2002, which he successfully operated and consequently sold in 2007. He built the Denny's restaurant In Canon City, Colorado in 2005, which he owns and operates to date. He had built two more hotels, the Hampton Inn in Canon City, Colorado in 2008, and the Hampton Inn and Suites in Salida, Colorado in 2011. He purchased the Homewood Suites by Hilton by the Colorado Springs Airport in 2008.

Mr. Khan will not receive compensation for his services, personally, as Manager of CH. However, Mr. Khan is the sole owner of TRN Hotel Management and Development, LLC, the

Manager of the Hotel ("TRN"). TRN hires the employees who work at the Hotel, and is reimbursed for the payroll and all other expenses incurred by TRN in connection with operations of the Hotel. In addition, TRN is paid a Management Fee calculated on the basis of 2% of gross revenues and 2% of net operating revenues. Mr. Khan may receive some of those fees, after the operating costs of TRN are satisfied, and may receive distributions of profits of CH, after plan obligations have been satisfied.

### **3. SALE OF THE HOTEL.**

The Debtor will have the right to sell the Hotel at any time. Upon sale of the Hotel, all Claims shall be paid in full, or as may be agreed with the holders of the Claims. In the event of a sale, the holders of secured claims will be afforded the opportunity to bid in their claims, if they wish to purchase the Hotel. In the event the Goforth Creditors bid their claim, any title they acquire as a result thereof shall be subject to the lien securing the CEB&T Claim, or the replacement senior debt. Notwithstanding the assumption of the Franchise Agreement between the HLT Existing Franchise Holding LLC and the Debtor, the Franchisor asserts, and the Debtor agrees, that the Franchise Agreement may not be assigned to a purchaser of the Hotel without the consent of the Franchisor, in accordance with the terms of the Franchise Agreement.

### **C. ADMINISTRATIVE CLAIM BAR DATE**

If the Plan is confirmed, all applications for allowance and payment of Administrative Claims, including Professional Fees, must be filed within 45 days following the Confirmation Date.

### **PLAN FEASIBILITY**

Determining feasibility of the Plan requires (a) confirmation that the Debtor can pay the funds immediately due on the Plan Confirmation Date, and (b) confirmation of the Debtor's ability to fund the extended payments due for the life of the Plan. Attached hereto as Exhibit D is the Debtor's projections for the next five years, commencing July 1, 2014. Based on the estimations and assumptions set forth in Exhibit D, Debtor submits that it will be able to meet its fixed debt service obligations, and make all payments to general unsecured creditors required under the Plan.



The Plan, and particularly the treatment of the Colorado East Bank & Trust Claims and the Goforth Claims under the Plan do create risks of subsequent default by the Debtor. For example, if the Debtor's operations do not generate sufficient revenue to support the fixed monthly interest payments due to the secured creditors, foreclosure may result, which could have the effect of liquidation of the Debtor, and inability to satisfy any remaining payment obligations to the secured and unsecured creditors. In addition, the treatment of the Colorado East Bank & Trust claim requires that the claim must be satisfied in whole (but with a \$100,000 discount) within one year from the Effective Date. The Debtor's ability to fulfill this condition is subject to continuing improvements in the operating revenue of the Hotel and either improvement or no deterioration in the hotel financing market, and other risks of operations. If the Debtor cannot refinance the Colorado East Bank & Trust Claim, foreclosure or a deed in lieu of foreclosure may result, which could have the effect of liquidation of the Debtor, and inability to satisfy any remaining payment obligations to the secured and unsecured creditors.

This Disclosure Statement contains statements which look into the future. There is no way to determine the accuracy of these statements. As noted in the description of the Debtor's history above, the Debtor's business is subject to market forces which are outside of the control of the Debtor's management, and which may impair the Debtor's ability to meet its projections. The Debtor has attempted to be conservative in its analysis. The Debtor believes that the Plan as proposed offers the best option for creditors. As explained below in greater detail, the principal alternative to the Debtor's reorganization under Chapter 11 is a conversion of the case to Chapter 7 of the Bankruptcy Code. As indicated in the Debtor's liquidation analysis provided below, liquidation of the Debtor will likely result in no distribution to unsecured creditors.

#### **DEFAULT UNDER THE PLAN**

The Plan, upon confirmation, constitutes a new contractual relationship by and between the Debtor and its creditors. In the event of a default by the Debtor under the Plan, creditors shall be entitled to enforce all contractual rights and remedies against the Debtor for breach of the Plan. Any secured creditor claiming a breach of the Plan by the Debtors will be able to

enforce all of their rights and remedies including foreclosure of their security agreement, lien, or mortgage pursuant to the terms of such document. The rights and remedies of secured creditors who are unimpaired by the Plan will have their rights and remedies, upon default by the Debtor, determined and governed by the creditor's underlying loan documents and, although the payment terms and claim amounts are altered by the Plan, the enforcement remedies are, by and large, unaltered by the Plan. . Any creditor claiming a breach by the Debtor must provide written notice to the Debtor of the claimed default, the notice must provide the Debtor a ten (10) day period within which to cure the claimed default. Upon the Debtor's failure to cure the default within such ten day period, the creditor may proceed to exercise their rights and remedies.

### **TAX CONSEQUENCES**

The Debtor is not providing tax advice to creditors or interest holders. **U.S. Treasury Regulations require you to be informed that, to the extent this section includes any tax advice, it is not intended or written by the Debtor or its counsel to be used, and cannot be used, for the purpose of avoiding federal tax penalties.** Each party affected by the Plan should consult its own tax advisor for information as to the tax consequences of Plan confirmation. Generally, unsecured creditors should have no tax liabilities as a result of Plan confirmation. The recovery of each creditor is payment on account of a debt and generally not taxable, unless the creditor wrote off the debt against income in a prior year in which case income may have to be recognized. Interest holders may have very complicated tax effects as a result of Plan confirmation.

Pursuant to Section 1146(a) of the Code, certain stamp, real estate transfer, mortgage recording, or other similar taxes may not be assessable with respect to transactions occurring under the Plan.

### **EVENTS DURING THE CHAPTER 11 CASE**

The events summarized below are not necessarily listed in chronological order as they occurred during the case.

### **LIQUIDATION ANALYSIS UNDER CHAPTER 7**

The principal alternative to the Debtor's reorganization under Chapter 11 is a conversion of the case to Chapter 7 of the Bankruptcy Code. Chapter 7 requires the liquidation of the

Debtor's assets by a Trustee who is appointed by the United States Trustee's office or elected by the creditors. In a Chapter 7 case, the Debtor would cease all business operations and the Chapter 7 Trustee would take over control of the assets. The assets would be liquidated and the proceeds distributed to creditors in the order of their priorities.

Under a Chapter 7 liquidation, secured creditors would likely obtain relief from the automatic stay and foreclose their security interests in the Debtor's property. The liquidation value of the Debtor's assets will likely be significantly lower than its market value as a going concern. The deficiency on any secured claim will be added to the General Unsecured Creditor class.

The Debtor's main assets in the event of liquidation would be (a) the Hotel; (b) the Hotel Personalty; (c) cash; and (d) accounts receivable. All of those assets are subject to the security interest of Colorado East Bank & Trust, in the asserted amount of approximately \$9,500,000. Upon conversion to Chapter 7, the secured creditors including Colorado East Bank & Trust, will likely obtain relief from stay and foreclose on the Hotel and Hotel Personalty, and would seek to attach the cash as proceeds of inventory or accounts receivable. The Debtor's furniture, fixtures and equipment would be sold with The Hotel and would not result in any separate realizable value.

There is no likelihood that funds would be available for distribution to unsecured creditors in a liquidation scenario. The Chapter 7 Trustee's fees and any additional costs and expenses of the Chapter 7 estate would have to be paid as priority expenses before any unsecured creditor claims may be paid. These would likely include any attorneys retained by the trustee as well as any accountant required to prepare final tax returns.

The Debtor believes that all classes of creditors will receive a greater distribution under the terms of the Chapter 11 Plan as opposed to Chapter 7 liquidation. Based on the Debtor's Liquidation Analysis, there would be little or no funds to distribute to unsecured creditors in a Chapter 7 case.

Given the alternative under a Chapter 7 scenario, the Debtor's proposed Chapter 11 Plan provides a substantially better alternative for unsecured creditors, and contemplates a distribution

to unsecured creditors from the net proceeds of operations. It is therefore urged by the Debtor that all creditors vote in favor of the Plan.

DATED: April 11, 2014.

**CHEYENNE HOTELS, LLC**

*s/ Tanveer Khan*

**By: \_\_\_\_\_  
Tanveer Khan, Manager**

Thomas F Quinn, P.C. ("Debtor's Counsel") has acted as legal counsel to Cheyenne Hotels, LLC (the "Debtor") regarding bankruptcy matters during the Chapter 11 case. Debtor's Counsel has prepared this Disclosure Statement with information provided primarily by the Debtor. The information contained herein has been approved by the Debtor. Debtor's Counsel has not made any separate independent investigation as to the veracity or accuracy of the statements contained herein.

**Counsel to Cheyenne Hotels, LLC:**

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