

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF PUERTO RICO**

IN THE MATTER OF:

HOTEL AIRPORT INC

Debtor in possession

CASE NO. 11-06620-ESL.

**CHAPTER 11**

**AMENDED  
DISCLOSURE STATEMENT**

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## **ARTICLE I. INTRODUCTION**

### **DEFINITIONS**

For purposes of this disclosure statement, and to the extent not otherwise provided herein, all capitalized terms below shall have the meanings set forth in the Plan of Reorganization proposed by the Debtor, as amended, and, unless otherwise indicated, the singular shall include the plural, and any term used in this disclosure statement which is not defined in the Plan, but which is defined in the Bankruptcy Code (11 U.S.C.), shall have the meaning designated in the Bankruptcy Code.

### **BANKRUPTCY CODE PROVISIONS FOR POST PETITION DISCLOSURE**

Section 1125 of the Bankruptcy Code requires that a debtor make post petition disclosure in the form of a disclosure statement which provides "adequate information" to its creditors before a debtor or a party acting on its behalf may solicit acceptances of a Chapter 11 plan. Creditors are advised to consult with their own attorney, or with each other, and to review all of the pleadings and other documents on file with the Bankruptcy Court in order to fully understand the disclosures made herein, regarding the Debtor's proposed plan of reorganization (hereafter referred to as the "Plan") and any other pertinent matters in this case. A copy of the Plan is included with this Disclosure Statement.

### **DISCLAIMER**

Creditors are advised that not all of the financial information contained in this Disclosure Statement has been the object of an audit and is not certified by independent public accountants, except where expressly stated otherwise. The Debtor does not warrant or represent that the

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information contained herein is without inaccuracy notwithstanding its good-faith efforts to disclose all matters with careful attention to accuracy and completeness.

Any representation concerning the Debtor, and/or any other statement relative to it, different from, or not included in this Disclosure Statement, is not authorized by the Debtor. Any representation or inducement not contained in this Disclosure Statement, which might be made to secure acceptance of the Plan, should not be relied upon by a creditor in deciding how to vote on the Plan.

#### DATA ACCURACY, RISKS, AND SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

In addition to the factors impacted by the general conditions in the economy, there are also specific factors present in this case which depend on the degree of success of the tourism industry as it impacts the economy of Puerto Rico.

The Disclosure Statement contains forward looking statements, including statements concerning possible or assumed future results of operations of the debtor and those preceded by, followed by, or that include the words “may”, “will”, “should”, “could”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential”, or “continue”; or the negative of such terms and other comparable terminology. All creditors and parties in interest should understand that the factors described below, in addition to those discussed elsewhere in the Disclosure Statement, could materially affect debtor’s future results and could cause those results to differ materially from those expressed in such forward looking statements.

Any financial forecast or other forward looking analysis contained herein were not prepared with

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a view to comply with the guidelines of prospective financial statements published by the American Institute of Certified Public Accountants. Debtor believes that the plan provides, under the circumstances, the best possible recovery to creditors and that acceptance of the plan is in the best interests of all parties in interest. Accordingly, debtor urges all creditors entitled to vote to cast their ballots in favor of the plan.

### **VOTING REQUIREMENTS**

In order for the Plan to be confirmed by the Bankruptcy Court, the Bankruptcy Code requires, *inter alia*, that the Plan be approved by all classes of creditors and interest holders or that the Court find that the Plan is "fair and equitable" as to any dissenting class. Sec. 1129

Classes of creditors that are not impaired by the plan are deemed by law to have accepted the plan. Creditors in impaired classes may vote for the acceptance or rejection of the plan. As provided by 11 U.S.C. §1124, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such a class, the plan -

- (1) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or
- (2) notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default -
  - (A) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in section 365(b)(2) of this title;

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- (B) reinstates the maturity of such claim or interest as such maturity existed before such default;
- (C) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and
- (D) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Ordinarily, a plan may not be confirmed unless at least one impaired class, assuming there is at least one impaired class, accepts the plan. In the plan filed by debtor Class 5 is not impaired, and is thus not entitled to vote on this plan. Class 1, Class 2, Class 3, and Class 4 are impaired by this plan, and are thus entitled to vote.

A class has accepted the plan if such a plan has been accepted by creditors, other than those under 11 U.S.C. 1126 (e), that hold at least two-thirds (2/3) in amount and represent more than one-half (1/2) in number of the allowed claims of such class held by the voting creditors.

Each creditor is advised to consult with its own attorney and obtain advice on this Disclosure Statement and the Plan. The statements contained herein are only a brief summary of the plan and its confirmation process and thus constitute just part of what should be relied upon in making your determination as to whether to vote in favor of or against the Plan. Creditors should consult their attorneys before making a determination to vote for or against the Plan.

Creditors are expressly referred to the Debtor's Schedules of Assets and Liabilities, the Statement of Financial Affairs and all other documents duly filed in this case with the Bankruptcy

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Court. This Disclosure Statement is predicated upon certain assumptions which may not materialize, and you are advised to give consideration to such assumptions.

No representation concerning the Debtor or as to the actual or realizable value of its property, are authorized by the Debtor other than as set forth in this Disclosure Statement. Any amendments or clarifications to this Disclosure Statement or the Plan shall be in writing and filed with the Court.

### **DEBTOR'S HISTORY**

Hotel Airport Inc. (“debtor”, “HAI”) is a wholly-owned subsidiary of Caribbean Airport Facilities Inc. (“CAF”). HAI was organized on February 20, 2003 under the corporate laws of Puerto Rico by parties unrelated to debtor’s current directors or shareholders.

Under its original management, and owners, during 2003 and the first six months of 2004, HAI was engaged in the restoration and refurbishing of the San Juan Airport Hotel located in the Luis Muñoz Marín International Airport in Carolina, Puerto Rico. Operations commenced in July 2004. The hotel consists of 125 rooms, a restaurant, various meeting spaces and supporting facilities in an area of approximately 60,000 square feet.

On May 16, 2008 debtor’s current owner, CAF, acquired all of HAI’s outstanding common stock for \$16,800,000. The transaction produced additional invested additional capital for an amount of \$8,543,466. During the year ending June 30, 2009 HAI’s management decided to discontinue the Casino operations, and on July 7, 2009 said operation was closed. The casino property and equipment amounting to \$967,399 was liquidated and the proceeds applied to the

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outstanding loan with Firstbank.<sup>1</sup>

HAI is operating with a 10-year tax exemption grant, covering the hotel operations, pursuant to Act 78 of September 10, 1993 (the 1993 Tourism Incentive Act), which covers income, property and municipal license taxes. The effective dates of the tax exemptions are January 1, 2004 for real and personal property taxes and January 1, 2005 for municipal license tax. The income tax exemption is effective since July 1, 2005. The aforesaid exemptions are fixed at 90%. In order to ensure continued tax exemption, HAI is required to incur annual expenses relating to advertising and marketing of tourism activities, employee training programs, facilities for the handicapped, environmental protection programs and plant maintenance and related improvements.

As of the filing of the petition, HAI had net operating losses of \$4,361,000 which may be used to offset taxes on future income from non-exempt operations, subject to the tax authorities' approval.

#### **EVENTS LEADING TO BANKRUPTCY**

HAI leases the hotel facilities from the Puerto Rico Port Authority under a lease agreement executed on March 27, 2007 and subsequently amended on various occasions. The maximum original rental period was 29 years<sup>2</sup>. In 2009 landlord Puerto Rico Ports Authority (“PRPA”) filed

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<sup>1</sup> As part of several transactions made during the process of acquisition in 2008, Firstbank granted a \$11,000,000 loan to CAF, guaranteed by HAI. Later, HAI became a co-obligee. The outstanding balance of said loan of approximately \$9.25 MM is being treated under the plan of reorganization as Class 1.

<sup>2</sup> Divided as follows: an initial term of 18 years commencing on the reopening date of the hotel (July, 2004) plus one year for renovations; 2 additional 5-year renewal periods at the option of HAI.

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a civil action to evict HAI from the airport facilities for failure to make the required rental payments. CAF and Firstbank tried unsuccessfully to intervene in the action in order to present certain defenses. CAF's position was that it should be allowed to offset the rent owed by HAI with certain credits it holds against PRPA. Judgment was entered in favor of PRPA. Several requests for review were filed by HAI, CAF and Firstbank, including appeals to the Intermediate Appellate Court system in Puerto Rico, and certiorari to the Supreme Court of Puerto Rico. The appellate court entered certain rulings denying the review but acknowledging that the judgment did not affect Firstbank's interest over the lease agreement<sup>3</sup>. While several motions for reconsideration and request for certiorari were being presented in the appealed action by the other parties, debtor filed the instant Chapter 11 case. The Puerto Rico Supreme Court granted Certiorari to review this matter upon the request made by Firstbank. The action is stayed as to HAI. Furthermore, upon further negotiations the parties were able to reach an agreement that put an end to the litigation.<sup>4</sup> The Plan contemplates the assumption of the executory contract with the Puerto Rico Ports Authority under Bankruptcy Code Section 365. Said assumption is part of the stipulation which provide for the curing of defaults through payments and withdrawal of funds which are underway.

#### **DATE THE PETITION WAS FILED**

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<sup>3</sup> As part of the financing transaction between Firstbank, CAF and HAI, several security agreements and warranties were given to Firstbank. In May 16, 2008 a mortgage note was executed and guaranteed, *inter alia*, with a security interest over the lease agreement in favor of Firstbank.

<sup>4</sup> Stipulation dated September 17, 2012 (Dkt. 179), approved by order dated October 11, 2012 (Dkt. 185).

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The instant bankruptcy petition was filed on AUGUST 5, 2011. During the course of the Bankruptcy proceedings, the Debtor has continued operations as a Debtor in Possession under a Chapter 11.

### **BANKRUPTCY PROCEEDINGS**

During the course of the Bankruptcy proceedings, the Debtor has complied with its duties as a Debtor in Possession under a Chapter 11, such as, filing of monthly operating report, payment of fees to the U.S. Trustee, payment of post petition expenses and preservation of the property of the estate.

#### *I. Schedules, Statement of Financial Affairs and Creditors' Meeting:*

On 8/19/2011 AND 8/24/2011 the Debtor submitted its Schedules and Statement of Financial Affairs. (See Dkt. Nos. 12, 13, 14). The 341 meeting of creditors was held on 9/27/2011.

#### *II. Employment of Professionals:*

To assist it in this reorganization, Debtor has employed the following professionals pursuant to Code Section 327:

<u>Professional</u>	<u>Role</u>	<u>Application</u>	<u>Order</u>
EDGARDO MUÑOZ, PSC	attorney	Dkt. No. 9 of 08/17/2011	Dkt. No. 21 of 09/12/2011
FRANCISCO GARRIDO, CPA	accountant	Dkt. No. 10 of 08/17/2011	Dkt. No. 26 of 09/13/2011
LATIMER, BIAGGI, RACHID & GODREAU	special counsel	Dkt. No. 19 of 09/06/2011	Dkt. No. 24 of 09/12/2011

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LIZARRIBAR-MASINI LAW OFFICE	special counsel	Dkt. No. 20 of 09/07/2011	Dkt. No. 23 of 09/12/2011
RS & ASSOC.-PSC	External Auditors	Dkt. No. 36 of 09/26/2011	Dkt. No. 38 of 09/30/2011

For several years the firm of Lizarribar was handling various court, administrative, and out-of-court matters related to the eviction proceedings instituted by Puerto Rico Port Authority, the issue on the use of cash credits to offset HAI’s rent, financing by Firstbank, and other related matters. The litigation in which Lizarribar has been involved includes:

Case No.	Court	Matter
KLCE 2011-00567	PR Court of Appeals	PRPA v HAI et al
KPE 2009-4313	San Juan Superior Ct	PRPA v HAI et al
KLAN 2011-00554	PR Court of Appeals	PRPA v HAI et al
KLCE 2011-00541	PR Court of Appeals	PRPA v HAI et al
CC 2011-0734	PR SUPREME CT	PRPA v FIRSTBANK
CC 2011-0736	PR SUPREME CT	PRPA v CAF
K.C. 2008-0738	SUPERIOR COURT	CAF v PRPA

Special counsel Lizarribar was engaged to eliminate the burden that would be caused if new counsel had to appear in defense of HAI’s interests in case the aforesaid matters had to be litigated. The successful negotiation between debtor-in-possession and the PRPA made it unnecessary to re-engage in the stayed litigation. As far as Debtor is concerned, the stipulation (Dkt. 179) resolved all of these matters.

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*III. Duties of the Debtor in Possession*

The Debtor has complied with its duties as a Debtor in Possession, including but not limited to the appearance at the meeting of creditors, the filing of all Monthly Operating Reports and payments of fees to the U.S. Trustee. With the submission of the instant document, the Debtor is now fulfilling another of its responsibilities as Debtor in Possession.

*IV. Other Matters:*

A. Objection to Claims

As of this writing, the Debtor has not submitted any objections to claims. The final bar date for claims was fixed at 2/6/2012 (for any Government Proof of Claim). The Debtor is in the process of reviewing all claims to determine if the amount claimed is accurate and properly owed. The Debtor anticipates completing this process prior to Confirmation and will, during the course of the instant proceedings, submit any objections to claims that are warranted.

B. Fee Applications: As of this writing, Debtor's professionals have submitted the following fee applications:

APPLICANT	DKT. Nos.	AMOUNT
Edgardo Muñoz PSC Debtor's Counsel	89, 128	\$52,444

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RS & ASSOC.-PSC Debtor’s Auditor	143, 148	\$22,300
F. GARRIDO Debtor’s Accountant	87, 118 155, 161	\$18,487.50 \$16,843.75
LATIMER, BIAGGI, RACHID & GODREAU	175, 181	\$7,636.25

C. Executory Contracts: As part of its Reorganization efforts, Debtor has determined that the following contracts should be assumed: A. the contract with its landlord PRPA, and B. the contract with BEST WESTERN INTERNATIONAL INC. Accordingly, motions to assume were filed. (Dkts. 54, 61) The executory contract with Best Western has been assumed (Docket 66). The assumption of the executory contract with the Ports Authority (Dkts 146) is being assumed as part of the agreement stipulated with the landlord.<sup>5</sup> A complete list of executory contracts to be assumed shall be submitted 14 days prior to the hearing on confirmation of the plan.

**FINANCIAL INFORMATION**

Debtor’s financial information prior to its bankruptcy petition is provided in **Exhibit 1** which includes financial statements for the past 3 years. Additionally, the information provided in the

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<sup>5</sup> Stipulation dated September 17, 2012 (Dkt. 179), approved by order dated October 11, 2012 (Dkt. 185).

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Schedules and Statement of Financial Affairs filed with the Court, reflect the Debtor's financial situation on the date of the petition. Monthly Operating Reports available in the Bankruptcy Court's file, reflect the Debtor's post petition finances. Attached as **Exhibit 2** is a summary of Debtor's Monthly Operating Reports. Creditors and parties in interest may also review the documents available on file at the Bankruptcy Court, in order to make a fully informed decision when voting for or against the proposed Plan herein provided by the Debtor.

## **ARTICLE II**

### **ASSETS AND LIABILITIES**

#### **ASSETS AS OF PETITION DATE**

Debtor's assets as of the petition date are listed on Amended Schedule B filed with the Court. (Dkt. 14) Further detail relating to debtor's assets and the liquidation value thereof is provided in Debtor's Liquidation analysis, Art. IV hereof.

#### **REAL PROPERTY**

The Debtor does not own any real property.

#### **PERSONAL PROPERTY**

Personal property for the Debtor is detailed in the Amended Schedules B filed with the Court with a value of \$11,501,596. (Dkt. 14) This property consists primarily of bank accounts, receivables, office equipment, inventory, leasehold interests and fixtures. Detail of all of the Debtor's personal assets and value as of the petition date is provided in the Liquidation Analysis section below.

#### **LIABILITIES AS OF PETITION DATE**

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Debtor’s creditors as of the time of the petition were listed with total claims as follows:

SECURED CREDITORS: ..... \$11,067,536 (See Schedule D)  
PRIORITY UNSECURED CREDITORS: ..... \$51,271 (See Schedule E)  
GENERAL UNSECURED CREDITORS: ..... \$155,666,718 (See Schedule F)

Secured creditor Firstbank (Class 1 in the Plan) holds an equity security interest over all the assets, except for \$1 Million deposited in the Superior Court case KPE2009-4313, together with any and all interest accrued thereby. Said \$1M deposit guaranteed payment of a similar amount owed to PRPA, and was posted as a bond for the appeal filed, from a the judgment entered by the Superior Court. As part of the agreement stipulated with the landlord,<sup>6</sup> the funds are being withdrawn and used to cure arrears under the lease. (See Plan Class 2, below.)

The Debtor listed in its Schedules unsecured priority claims in the total amount of \$51,271 representing a debt to taxing authorities, and employee priority claims. After the petition was filed additional priority claims were received. A detail of all priority tax claims and treatment thereto is provided in **Art. VII** hereof, “Payment to Tax Priorities under Section 507 (a)(8) of the Code”. Non-tax-priority claims were classified as Class 5 in the Plan.

General unsecured creditors were listed in Debtor’s Schedules in the total amount of \$155,666,718. The bulk of this debt (\$155,500,000) arises out of HAI being a co-obligor with its parent company, CAF, regarding loans secured by property owned by non-debtor parties. The remainder of the unsecured debt relates to business loans made to the Debtor or accounts payable.

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<sup>6</sup> Stipulation dated September 17, 2012 (Dkt. 179), approved by order dated October 11, 2012 (Dkt. 185).

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General unsecured creditors were classified as Class 3 in the Plan.

After Debtor submitted its schedules, proofs of claims have been filed by several unsecured creditors. A complete list of claims (filed and/or scheduled) is included in Exhibit 4. After the filing of the Chapter 11 petition, the Puerto Rico Tourism Company brought to the attention of debtor an overpayment (or mistaken payment) made in the amount of \$388,000. Allowance of the claim is a condition for distribution under the Plan (and under the Bankruptcy Code). Filing of a proof of claim is a pre-condition for said allowance. The Puerto Rico Tourism Company has not filed a proof of claim for said debt, and the bar date for filing claims has expired.

### **ARTICLE III**

#### **PENDING LITIGATION**

As stated above, at the time of filing of this bankruptcy case, debtor was involved in the eviction litigation with PRPA. Said action has been stayed upon the filing of this case. Additionally, the action would become moot upon the assumption of the executory contract with PRPA, or the confirmation of the plan. This litigation has been settled.<sup>7</sup>

### **ARTICLE IV**

#### **LIQUIDATION ANALYSIS**

One requirement for the confirmation of a plan under Chapter 11 of the Code is that with respect to each impaired class of claims, each claim holder of such class has accepted the plan or

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<sup>7</sup> Stipulation dated September 17, 2012 (Dkt. 179), approved by order dated October 11, 2012 (Dkt. 185).

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will receive or retain under the plan on account of such allowed claim, a value as of the effective date of the plan, that is not less than the amount such claim holder would receive or retain if the debtor were liquidated under Chapter 7 of the Code. In order to provide the value of Debtor's assets the Debtor made an analysis of the assets and the expected proceeds from the disposition of those assets in a Chapter 7 liquidation scenario. This Liquidation Analysis is attached as **Exhibit 3**. For the purpose of determining a liquidation value for the scheduled value of the property, the market value has been determined and adjusted using the Debtor's own experience in the business. The percentages applied correspond to debtor's estimate of what a Chapter 7 Trustee's sale could bring, taking into consideration the time and expenses that such liquidation would entail.

The Liquidation Analysis prepared for this case shows that the estimated dividend for the unsecured creditors in a Chapter 7 case would be zero (0%). Debtor's Plan of Reorganization proposes full payment (100%) to all creditors. The proposed Plan is thus in the best interest of the creditors.

## **ARTICLE V**

### **SUMMARY OF THE PLAN**

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

##### **A. DESIGNATION OF CLASSES OF CLAIMS AND INTERESTS**

The Plan has been drafted designating classes of creditors, and all classes are designed in accordance with the mandates of 11 U.S.C. 1122 and 1123. (All creditors and other parties in

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interest are advised to read and consider the Plan in full inasmuch as it represents a proposed legally binding agreement with the Debtor and any other party involved.) A summary of the plan's classes of creditors and their treatment follows:

Administrative claims are not classified. They shall consist of ALLOWED ADMINISTRATIVE EXPENSE PRIORITY CLAIMS, as provided under Section 503 of the Code, including, but not limited to, fees to the United States Trustee, fees and expenses of the Debtor's counsel, accountant and any other professionals retained by the Debtor, as may be allowed by the Bankruptcy Court upon application therefor and after notice and hearing in accordance with the Bankruptcy Code and Rules, as well as court costs accrued since the petition date. Claimants under this class will be paid in full on Effective Date, or in such time and manner agreed upon with the particular claimant. Debts under this class will be identified and included in a schedule to be submitted not later than 14 days prior to the hearing on confirmation.

The classes of creditors designated in this plan are as follow:

**CLASS 1 SECURED CLAIM BY FIRSTBANK**

This class is comprised of the secured claim of FirstBank, listed by Debtor in its Schedule D, and further explained in PoC No. 5 filed by the creditor. FirstBank is secured with a mortgage encumbering debtor's main asset – its lease contract with PR Ports Authority, and virtually all the other assets. PoC 5 filed by this creditor shows a balance of \$9,635,213. Said balance has been reduced through post-petition payments.

Debtor shall maintain the debt service agreed upon with FirstBank, with any modification that may be agreed upon with said creditor. Certain negative and financial covenants contained in the loan agreements shall be deemed waived with respect to the years 2010 -

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**CLASS 2 PUERTO RICO PORTS AUTHORITY CLAIM**

This class is comprised of the claims of Puerto Rico Ports Authority (“PRPA” or “Ports”) arising out of the lease contract for the premises used by Debtor in the LMM International Airport, listed by Debtor in its Schedule D. The same is subdivided into CLASS 2A, and CLASS 2B:

CLASS 2A is that portion of the debt which is secured with a \$1 Million deposited in the Superior Court case KPE2009-4313, together with any and all interest accrued thereby.

CLASS 2B is that portion of the debt which may be owed to Ports in excess of the funds securing CLASS 2A.

Debtor was in the process of assuming the lease contract under sec. 365 of the Code. (See Dkt. 61) Thereupon, both sub-classes shall be merged into one, with the treatment proposed by debtor in the assumption approved by the court.

On 12/6/2011, the Puerto Rico Ports Authority filed Proof of Claim # 12 for \$1,994,749. Debtor’s books showed a balance of \$1,342,994. Debtor was able to reconcile said discrepancy. The balance was agreed with the creditor, as well as the mode of payment. Stipulation dated September 17, 2012 (Dkt. 179), approved by order dated October 11, 2012 (Dkt. 185). The treatment of this class is set forth in the stipulation, which is hereby made a part hereof as if fully transcribed herein.

**CLASS 3 GENERAL UNSECURED**

This class shall consist of creditors with Allowed Unsecured Claims. General unsecured creditors included in this Class were listed in Debtor’s Amended Schedule F in the total amount of \$155,666,716.73. Thereafter, proofs of claims have been filed. Debtor’s reconciliation of the claims that have been (or are deemed to be) allowed are those appearing in Exhibit 4.

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A substantial portion (\$155,500,000) of the general unsecured claims listed by the Debtor relate to its status as a co-obligor for loans made by Firstbank to related companies. These loans made to said related companies are secured by property held by them, and are being paid according to the debt-service agreed between the creditor and the respective principal debtor. Hence, the Debtor shall not be making payments on said claims, but shall remain as a guarantor in case of default.

The other unsecured claims are to be paid 100 % of their allowed amounts, without interest, in 36 monthly installments starting 30 days after the Effective Date. See Exhibit 4 for the sums to be paid under this Class.

CLASS 4 STOCK HOLDERS

This class is comprised of the stock holders of the Debtor. The members of this class shall retain their interest in stock, but will receive no dividends until payments to Class 3 (unsecured creditors) are concluded.

CLASS 5 OTHER SEC. 507 PRIORITIES

This class is comprised of the holders of claims entitled to priority under section 507 (a)(1), 507 (a)(4), 507 (a)(5), 507 (a)(6), or 507 (a)(7). These are the sec. 507 priority claims, excluding Administrative Claims, and Tax Priority Claims. The only claims belonging to this class are those held by employees of debtor, for accumulated vacation. Said right shall remain unaffected by this plan. The employees will remain entitled to enjoy the vacation leave in the ordinary course of debtor's business.

If there is any other type of Class 5 claim (not identified by debtor as of this time) the same shall receive – in 36 monthly installments – deferred cash payments of a value, as of the Effective Date of the plan, equal to the allowed amount of such claim. Said payments would commence 60 days after the Effective Date of the plan.

PRIORITY GOVERNMENTAL CLAIMS.

All unsecured priority governmental claims pursuant to Section

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507(a)(8) of the Code, as the same are allowed, shall be paid in 36 equal monthly installments, together with the applicable statutory interest accrued thereon, or, if needed, within a shorter period ending not later than 5 years after the filing of the bankruptcy petition. ie under the terms contemplated by the applicable Code provisions; or under any other term agreed to with the creditor. Payments will commence on Effective Date

**Exhibit 4** shows a cash forecast which includes the payments under the Plan with the corresponding assumptions. Said list of payments, with any needed update, shall be attached to the plan as its Exhibit A.

## ARTICLE VI

### IMPAIRMENT OF EXISTING CLAIMS AND INTERESTS

As provided by 11 U.S.C. §1124, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such a class, the Plan:

(1) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or

(2) notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default.

(A) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in section 365(b)(2) of this title;

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(B) reinstates the maturity of such claim or interest as such maturity existed before such default;

(C) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and

(D) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

In the proposed Plan, Class 5 is not impaired, and is thus not entitled to vote on the plan. Class 1, Class 2, Class 3, and Class 4 are impaired by the plan, and are thus entitled to vote.

## **ARTICLE VII**

### **PAYMENT TO TAX PRIORITIES**

#### **UNDER SECTION 507 (a)(8) OF THE CODE**

All unsecured priority governmental claims pursuant to Section 507(a)(8) of the Code, as the same are allowed, shall be paid in 36 equal monthly installments, together with the applicable statutory interest accrued thereon, or, if needed, within a shorter period ending not later than 5 years after the filing of the bankruptcy petition. ie under the terms contemplated by the applicable Code provisions; or under any other term agreed to with the creditor. Payments will commence on Effective Date

## **ARTICLE VIII**

### **LEASES AND EXECUTORY CONTRACTS**

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Contracts to Which Debtor is a party: Debtor as of petition date was a party to certain unexpired leases and executory contracts. **Exhibit No. 5** lists those Contracts. As part of its Reorganization efforts, Debtor has determined that the following contracts should be assumed: A. the contract with its landlord PRPA, and B. the contract with BEST WESTERN INTERNATIONAL INC. Accordingly, motions to assume have been filed. (Dkts. 54, 61) A complete list of executory contracts to be assumed shall be submitted 14 days prior to the hearing on confirmation of the plan.

Assumption of Designated Executory Contracts and Unexpired leases. Pursuant to Sections 1123(b)(2) and 365(a) of the Bankruptcy Code, the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the assumption, as of the Effective Date, of each executory contract or unexpired lease to which the Debtor is a party for which a motion to assume is pending at the time of the Confirmation Date, or identified by Debtor as a contract it intends to assume.

Unless otherwise provided in a pending motion to assume, the Debtor shall cure any defaults under such assumed executory contracts or unexpired leases to the extent required by Section 365 of the Bankruptcy Code within 12 months from the Effective Date. In addition, to the extent the Debtor has rights of setoff against any of the parties to these leases and contracts; the Debtor reserves the right to cure any defaults under such leases and contracts by exercising this right of setoff.

Adequate assurance of future performance on each assumed contract is provided by the

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mechanisms now in effect per each contract, debtor's post-petition performance thereunder, and the enhanced ability to comply brought about with the proposed reorganization.

Rejection of Executory Contracts and Unexpired Leases. Pursuant to Sections 1123(b)(2) and 365(a) of the Bankruptcy Code, the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the rejection, as of the Confirmation Order, of each executory contract and/or unexpired lease as to which A. the Debtor has not filed a motion to assume, or B. which Debtor has not identified as a contract it intends to assume.

Executory Contracts and Unexpired Leases Which Were Assumed or Rejected To Date. Any executory contract or unexpired lease (other than insurance policies) which ( i ) has not expired by its own terms on or prior to the Confirmation Date, (ii) has not been assumed or rejected with the approval of the Bankruptcy Court on or prior to the Confirmation Date, (iii) is not the subject of a motion to assume or reject which is pending at the time of the Confirmation Date, or (iv) is not designated in the Plan as an executory contract or unexpired lease to be assumed at the time of confirmation of the Plan, shall be deemed rejected and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejection pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

Rejection Damage Claims. If the rejection of an executory contract or unexpired lease by the Debtor results in a claim for damages to the other party or parties to such contract or lease, any claim for such damages, if not evidenced by a timely-filed proof of claim, shall be forever barred and shall not be enforceable against the Debtor's Estate, or its respective properties or agents, successors or assigns. A proof of claim for said rejection damages shall be filed with the

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Bankruptcy Court and served upon counsel for the Debtor on or before the earlier of, 30 days after entry of the Order approving the rejection of the contract or unexpired lease, if such rejection is granted before Confirmation Date, or 30 days after the entry of the Confirmation Order if such order constitutes approval of the rejection. Unless otherwise ordered by the Court or provided in the Plan, all such Allowed Claims arising out of rejections for which proofs of claim are timely filed will be treated as General Unsecured Claims subject to the provisions of the Plan and to Section 502(b)(6) of the Bankruptcy Code, to the extent applicable. The Debtor shall have the right to object to any such rejection damage claims filed in accordance with this Section.

Post-Petition Agreements Unaffected By Plan. Except as otherwise expressly provided herein, nothing contained in the Plan shall be deemed to alter, amend or supercede any agreements or contracts entered into by the Debtor after the Petition Date that were otherwise valid, effective and enforceable against the Debtor as of the Confirmation Date.

#### **ARTICLE IX PROOF OF CLAIMS NOT FILED**

The Plan provides that where a proof of claim has not been filed, the Allowed Claim shall be in the amount appearing in the Schedules filed by the Debtor, provided however, that the scheduled amount is not shown as unliquidated, contingent or disputed, in which case no amount will be allowed. To the extent no debt was listed by the debtor in its Schedules, no amount will be provided for claimants who have not filed proof of claims.

#### **ARTICLE X OBJECTIONS TO CLAIMS**

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The Debtor may file an objection to any claim as to its validity or amount within 30 days after the Confirmation Order. If an objection is made, payment to such claimants will be made only after the entry of a final order by the Court allowing such claim and in accordance with the provisions of the Plan governing such class to which such claims belongs.

**ARTICLE XI  
CONDITIONS PRECEDENT TO CONSUMMATION**

Before consummation of the Plan takes place, the Confirmation Order shall have become a final and unappealable order. There is no other condition precedent to the implementation of the plan

**ARTICLE XII  
NON ACCEPTANCE OF THE PLAN  
(Cramdown)**

If all applicable requirements of 11 U.S.C. § 1129(a), other than subsection (a)(8), are met with respect of to the Plan, the Debtor hereby requests that the Court confirm this Plan notwithstanding the requirements of said section. The plan complies (or, if needed will be modified to comply) with the cramdown requirements of sec. 1129(b); it 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 this Plan.

**ARTICLE XIII  
MEANS OF EXECUTION OF THE PLAN  
and  
MANAGEMENT OF DEBTOR**

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The Debtor is proposing a Plan of Reorganization, through the Debtor in Possession. This Plan of Reorganization presents a scenario upon which it will be substantially funded by debtor's assets and income from the operation of its business. In order to disclose the value of Debtor's assets the Debtor provides an analysis of the assets and the expected income from the disposition of those assets in its exhibits to the Disclosure Statement. Debtor's Plan of Reorganization also considers Debtor's experience and knowledge of the business and specific knowledge of Debtor's sector of the industry.

The Reorganization process will take place under the management of debtor's current president David Tirri. His position shall be vice-president, and general manager for the hotel operations. Mr. David Tirri's compensation has been, and shall remain \$15,000 per month in salary, plus \$10,000 per month for expenses. Other insiders which may from time to time be part of the management, due to their positions with CAF are CAF's stockholders Anthony C Tirri, Jean Tirri, and Justin Tirri, with only Anthony C Tirri receiving compensation of \$5,000 per month.

As indicated in Article I above, HAI was acquired in 2008 by Caribbean Airport Facilities Inc. "CAF". CAF is a corporation organized under the laws of Puerto Rico in 1986 and is engaged in providing airport-related services principally the rental of airport facilities from premises located at the Luis Muñoz Marín International Airport in Carolina, Puerto Rico.

CAF is a member of a group of entities affiliated through common ownership and management. The most significant affiliates are FOM, owner and operator of the Outlet Mall in Canóvanas, Puerto Rico, and South Parcel (until June 3, 2009 when it became a subsidiary of CAF).

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CAF is the owner of all the entities mentioned above.

**ARTICLE XIV  
PROVISIONS FOR THE MODIFICATION OF THE PLAN**

The Debtor may propose amendments or modifications of the Plan at any time prior to its confirmation, upon notice to creditors and parties in interests. After confirmation of the Plan, the Debtor may, with the approval of the Court and as long as it does not adversely affect the interests of the creditors, remedy any defect or omission, in such manners as may be necessary to carry out the purposes and effects of the same.

**ARTICLE XV  
CLOSING OF THE CASE**

At such time as the case has been substantially consummated, this case shall be closed. In order for the case to be closed, the Debtor shall file an application for final decree showing that the case has been fully administered and the Plan has been substantially consummated. The Court shall enter an order approving the Debtor' report and closing the case, after notice and a hearing.

**ARTICLE XVI  
RELEASE AND DISCHARGE OF CLAIMS**

Discharge. On the Effective Date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the Effective Date, to the extent specified in § 1141 of the Bankruptcy Code, except that the Debtor shall not be discharged

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of any debt imposed or maintained by the Plan. After the Effective Date of the Plan all pre-petition claims against the Debtor will be limited to the debts described in the preceding sentence.

Injunction Relating to the Plan. As of the Effective Date, all Persons are hereby permanently enjoined from commencing or continuing, in any manner or in any place, any action or other proceeding, whether directly, indirectly, derivatively or otherwise against the Debtor and/or its Estate, on account of, or respecting any Claims, debts, rights, Causes of Action or liabilities discharged pursuant to the Plan, except to the extent expressly permitted under the Plan.

Setoff. Except as otherwise provided in this Plan, nothing contained in this Plan shall constitute a waiver or release by the Estate of any rights of setoff the Estate may have against any Person.

## **ARTICLE XVII OTHER PROVISIONS**

Confirmation of the Plan and the Confirmation Order will vest title of all property of the Estate in Debtor and will constitute final settlement with all creditors holding a pre-confirmation claim. A binding relationship between debtor and its creditors will be created or maintained, as set forth in this plan, and as reflected in the certificate of indebtedness to be issued by debtor thereunder. Any cause of action, or current proceeding against debtor arising out of any pre-confirmation claim shall accordingly be rendered moot, or settled.

All injunctions or stays provided for in the bankruptcy case at bar under Sections 105 or 362 of the Bankruptcy Code (11 U.S.C.), or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

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All claims against Debtor of whatever nature, including any claim arising from the rejection of any executory contract, or any other action, shall be bound by the provisions of this Plan.

Any holder of a claim or interest who fails to file an objection in writing to the provisions of the Plan, not later than 14 days prior to the date set for the confirmation of the plan, may be deemed to have accepted its classification and be bound by the proposed Plan.

All actions taken by the Debtor with respect to any person shall not be construed to release, waive, discharge, compromise or in any other way satisfy any claim, except those subject to any agreement between the parties.

Upon completion of the requirements of the Plan and the order of confirmation, the Debtor and/or the claimant shall execute all corresponding documents and cooperate fully to reflect, release and / or reaffirm all the obligations herein provided.

The Plan shall become effective upon its Effective Date of the Plan.

To the extent that any term of this Disclosure statement varies from the terms of the Plan, the terms of the Plan shall govern.

#### **ARTICLE XVIII RETENTION OF JURISDICTION**

The Bankruptcy Court shall retain jurisdiction over this case as is conferred upon it by law, rule or statute, or by the Plan, to enable the Debtor to substantially consummate any and all proceedings which it may bring before or after the entry of the order of confirmation, in order to carry out the provisions of the Plan and or any related matter.

DATED: November 9, 2012

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\_\_\_\_\_  
/s/ DAVID TIRRI  
PRESIDENT,

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