

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF NEW YORK

In re:

ROYAL HOSPITALITY, LLC
d/b/a COMFORT SUITES,

Debtor.

Case No. 10-13090

Chapter 11

FIRST AMENDED
DISCLOSURE STATEMENT

I.

INTRODUCTION

The Debtor, Royal Hospitality, LLC d/b/a Comfort Suites, as and for its First Amended Disclosure Statement, as required under 11 U.S.C. §1125, makes the following disclosure to creditors as part of its solicitation for approval of its proposed Reorganization Plan.

On August 19, 2010 (the "Petition Date"), Royal Hospitality, LLC d/b/a Comfort Suites (hereinafter referred to as the "Debtor") filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The bankruptcy filing was prompted by a foreclosure action commenced by CIT Lending Services Corporation ("CIT"), the holder of the first mortgage. Efforts by the Debtor to work out a restructure of that mortgage had failed. CIT subsequently assigned its first mortgage position to Ittleson Trust. The Debtor's efforts to reach a consensual restructure of its debt with Ittleson Trust has also failed.

The Debtor proposes a 100% payment to creditors under its proposed Plan of Reorganization, as is more specifically set forth below. The Debtor believes that all creditors except Ittleson Trust will support the Plan, although the timing and amount of adequate protection payments is still unresolved.

Before the Debtor's Plan may be approved ("Confirmed") by the Bankruptcy Court, the Bankruptcy Code requires that it must be submitted to certain creditors and security holders for a vote. Depending on your treatment under the Plan, you are being asked to indicate on the enclosed ballot whether you are in favor of (accept) or opposed to (reject) the Plan. More detailed voting instructions are contained in Section I.A. below, as well as on the enclosed ballot.

The Bankruptcy Code requires that each creditor or security holder whose vote is solicited receives a disclosure statement which contains information of a kind, and in sufficient detail, that would enable a reasonable investor to make an informed judgment about the Plan ("Adequate Information"). This Disclosure Statement (the "Disclosure Statement") has been approved by Order of the Bankruptcy Court, dated _____, 2012, as containing Adequate Information to enable you to make an informed judgment about the Accompanying Plan.

This Disclosure Statement does not reflect any events which may occur subsequent to the date it was approved by the Bankruptcy Court. It is not anticipated that any amendments or supplements to the Disclosure Statement will be distributed to reflect changes subsequent to that date.

This Disclosure Statement describes the Plan and contains information concerning the history, business, results of operations, management, properties, liabilities and pending litigation of the Debtor. THE DEBTOR STRONGLY URGES THAT YOU CAREFULLY REVIEW THE CONTENTS OF THIS DISCLOSURE STATEMENT, THE PLAN, AND THE OTHER

DOCUMENTS WHICH ARE EXHIBITS HERETO, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. Particular attention should be directed to the provisions of the Plan affecting or impairing the rights of creditors and security holders.

Your vote on the Plan is important. Although the Plan may, if certain legal requirements are met, be Confirmed regardless of its acceptance by most creditors and security holders, non-acceptance may impede or delay confirmation of the Plan and the distribution to creditors and security holders which is contemplated thereunder, or lead to confirmation of another plan which may or may not provide for distribution of as much value, or as soon, as does the Plan.

A. VOTING INSTRUCTIONS

Included in the package of materials forwarded to you along with this Disclosure Statement and the Plan is a Ballot form for your acceptance or rejection of the Plan. After reviewing this Disclosure Statement and Plan, please indicate your vote on the enclosed ballot and return it.

Ballots should be returned to:

Richard L. Weisz, Esq.
Hodgson Russ LLP
Attorneys for Debtor
677 Broadway, Suite 301
Albany, New York 12207

BALLOTS MUST BE RECEIVED ON OR BEFORE _____, 2012

AT 5:00 P.M.

THE DEBTOR BELIEVES THAT ITS PLAN PROVIDES THE BEST POSSIBLE RECOVERIES FOR THE CREDITORS. THE DEBTOR FURTHER BELIEVES THAT THE ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF ALL CREDITORS AND ASKS THAT THEY VOTE TO ACCEPT THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. IT IS THEREFORE RECOMMENDED THAT ALL CREDITORS AND OTHER PARTIES IN INTEREST REVIEW THE FULL TEXT OF THE PLAN PRIOR TO DETERMINING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. A copy of the Plan is annexed hereto.

B. GENERAL DESCRIPTION OF THE PLAN

The specific technical aspects of classification of claims and interests, payment of claims, the risks to the estate, a comparison of proposed payments under the Plan as proposed by the Debtor compared to the Debtor's proposed Plan and the applicable Bankruptcy Code provisions and consequences of Plan confirmation are set forth hereafter at length.

THE PLAN IS A 100% PLAN TO ALL ALLOWED CLAIMANTS.

C. SUMMARY GUIDE TO CLASSIFICATION OF CLAIMS AND INTERESTS

<u>Class</u>	<u>Description</u>
Class 1	Attorneys' and accountants' fees and other claims allowed in accordance with Sections 503(b) and 507(a)(1) of the Bankruptcy Code;
Class 2	First Mortgage Claim of Ittleson Trust, as Assignee to CIT Lending Services Corporation;
Class 3	Secured Mortgage Claim of Empire State Certified Development Corp., as Servicing Agent for the United States Small Business Administration;
Class 4	Third Mortgage Claim of Peter Shabat;
Class 5	Warren County Occupancy Tax Claim;
Class 6	Claim of Lumberjack Pass Amusements, LLC;
Class 7	Allowed Claim of New York State Department of Taxation and Finance;
Class 8	General Unsecured Creditors (Non-Insiders);
Class 9	Members (Owners) of Limited Liability Company.

The total Projected Distribution under the Plan of Reorganization is as follows:

<u>Class</u>	<u>Estimated Distribution as % of Allowed Claim</u>	<u>Method of Payment</u>
Class 1	100%	Paid, in part, on the Effective Date of the Plan with the balance due prior to October 31, 2012;
Class 2	100%	Paid in full in 360 equal monthly payments of \$38,371.37 each, commencing on the Effective Date of the Plan, which may be pre-paid without penalty, with the balance due 60 months after confirmation;
Class 3	100%	Paid in full in 360 equal monthly payments of \$10,025.00 each, commencing on the Effective Date of the Plan, which may be pre-paid without penalty, with the balance due 60 months after confirmation;
Class 4	100%	Paid in full in 360 equal monthly payments of \$1,085.00 each, commencing on the Effective Date of the Plan, which may be pre-paid without penalty, with the balance due 60 months after confirmation;
Class 5	100%	Paid in 60 equal monthly payments of approximately \$750.00 at 4.25%, commencing on the Effective Date of the Plan, which may be pre-paid without penalty;
Class 6	100%	\$10,000.00 paid upon approval of settlement, \$7,500.00 paid in July and August, 2012, and payments of \$1,500.00 per month for 60 months commencing September 15, 2012;

<u>Class</u>	Estimated Distribution as % of Allowed <u>Claim</u>	<u>Method of Payment</u>
Class 7	100%	Paid in 60 equal monthly payments, with interest at 4.25%, commencing on the Effective Date of the Plan;
Class 8	100%	Payment of total claim or \$1,000.00, whichever is less, on the Effective Date of the Plan or within thirty (30) days thereafter, or paid in five (5) equal annual installments commencing on the Effective Date of the Plan or within thirty (30) days thereafter, with interest at 3%;
Class 9	100%	Retains membership.

II.

BACKGROUND

Royal Hospitality, LLC d/b/a Comfort Suites began operation of its newly constructed Comfort Suites, a 98-unit hotel just south of the Village of Lake George, New York on Route 9, in 2007. Its opening year was successful, but due to the economic recession its revenue dropped considerably in 2009 and the Debtor was unable to pay its first mortgage with CIT Lending Services Corporation (“CIT”) and other real property taxes. The Debtor’s revenue had improved substantially by 2010, but CIT commenced a foreclosure action and Warren County scheduled a tax sale for non-payment of real property taxes. Attempts to resolve both of these matters were unsuccessful and the Debtor filed its Chapter 11 proceeding on August 19, 2010.

The Debtor proposes a 100% Plan to creditors. The Debtor believes that its revenue will exceed \$2,000,000.00 per year while its expenses will be approximately \$1,350,000.00, generating at least \$650,000.00 per year to pay mortgage holders and unsecured creditors.

The Debtor believes that if the Plan of Reorganization is not approved, that CIT will complete its foreclosure. The Debtor further believes that operating will generate revenue sufficient to pay all creditors, and it is unlikely that any purchaser at a foreclosure sale would pay more than CIT's first mortgage. Furthermore, due to lending limitations in the hospitality industry at the present time, the Debtor does not believe a purchaser could obtain financing to pay the entire debt of approximately \$10,000,000.00.

The Debtor has settled a lawsuit for breach of contract by Lumberjack Pass Amusements, LLC seeking over \$1,000,000.00 from the Debtor and its principals and revocation of an easement for water and sewer. The terms of the settlement are set forth in greater detail below and, at the time of this writing, remain subject to Bankruptcy Court approval, but approval is expected at or before the confirmation date.

The Effective Date of the Plan shall be March 1, 2012 or the first day of the month next following the date of the Order of Confirmation. The Chapter 11 Trustee will be discharged once the confirmed Plan is effective and not subject to a stay pending appeal. The Bankruptcy Court will set a date for the Chapter 11 Trustee's Formal Report in the Order of Confirmation.

III.

PENDING LITIGATION

At the time of the bankruptcy filing, CIT Lending Services Corporation commenced a foreclosure proceeding seeking a judgment of \$7,493,374.31 and the sale of the Debtor's property.

The Debtor was also in default on an action seeking \$1,070,000.00 commenced by Lumberjack Pass Amusements, LLC. The Debtor had disputed this claim and was defending the action in New York State Supreme Court. The Debtor had a motion to dismiss the claim pending in New York State Supreme Court, and the Debtor has since settled this litigation. Under the terms of the settlement, the easement for water and sewer is no longer revocable. The Debtor will provide additional lighting, signage and advertising for the Lumberjack Pass Amusements, LLC miniature golf course which is located adjacent to the Debtor's property. The Debtor shall also pay \$10,000.00 upon approval of the settlement, \$7,500.00 per month in July and August of 2012, and then sixty (60) monthly payments of \$1,500.00 each commencing on September 15, 2012.

IV.

TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN
AND DESIGNATION OF IMPAIRED AND UNIMPAIRED CLASSES

A. DEFINITION OF IMPAIRMENT

A class of claims is not impaired under the Plan if the holders of such class receive cash or other property equal to the allowed amount of its claims as of the consummation date of the Plan of Reorganization. A Class of Claims is impaired under the Plan if the members of such class do not receive cash or other property equal to the allowed amount of their claims as of the consummation date of the Plan. As is explained in more detail below, all Classes of the Debtor's creditors are impaired under the Plan.

The Consummation Date, also called the Effective Date of the Plan, shall be March 1, 2012 or the first day of the month following the entry of the Bankruptcy Court Order confirming the Debtor's proposed Plan if not entered prior to March 1, 2012.

B. PARTY RESPONSIBLE FOR MAKING PAYMENTS
REQUIRED UNDER THE PLAN

The Debtor shall be responsible for making all distributions under the Plan.

C. DESIGNATION OF CLASSES UNDER THE PLAN

The specific creditors and amounts under the plan are designated as follows:

CLASS 1: Administrative Claims, Including Attorneys' Fees and Trustee's

Commission

A) ATTORNEYS' FEES

Counsel for the Debtor is Hodgson Russ LLP, 677 Broadway, Suite 301, Albany, New York, 12207. It is estimated that additional attorneys' fees and disbursements for the Debtor's

counsel will be approximately \$20,000.00. Payment will be *pari passu* with other professionals with all payments to be completed by October 31 2012.

B) TRUSTEE'S COMMISSIONS/UNITED STATES TRUSTEE'S FEES

In a case under Chapter 11 of the Bankruptcy Code, unless the Court appoints a trustee the Debtor remains in possession and no trustee commissions are incurred. However, the Court has appointed Stephen D. Gerling, Esq. as the Chapter 11 Trustee in this case. His efforts were instrumental in achieving the settlement with Lumberjack Pass Amusements, LLC. The Debtor has already deposited \$36,000.00 with the Chapter 11 Trustee for payment of his fees and that of his counsel. To the extent the allowed fees are greater, the Debtor will pay them in full on or before October 1, 2012. The Debtor will have to pay fees to the Office of the U.S. Trustee pursuant to the applicable fee schedule. All fees due to the U.S. Trustee will be paid prior to the Effective Date of the Plan. United States Trustee's fees are due until entry of the Final Decree and will be paid as they accrue.

CLASS 2: First Mortgage Claim of Ittleson Trust, as Assignee to CIT Lending Services Corporation

Ittleson Trust, as Assignee to CIT Lending Services Corporation ("Ittleson Trust") is the holder of the first mortgage on the Debtor's property. In addition to the mortgage balance of approximately \$7,500,000.00, Ittleson Trust paid all past-due real property taxes prior to the Debtor's bankruptcy filing. The Debtor has been making adequate protection payments to Ittleson Trust during the pendency of the bankruptcy case. The Debtor believes that Ittleson Trust will be owed \$7,800,000.00 as of the Effective Date of the Plan of Reorganization.

The Debtor proposes to pay Ittleson Trust this amount in full (\$7,800,000.00) on a 30-year amortization with interest at 4.25% (prime plus 1%). Ittleson Trust asserts that the balance due is \$7,936,820.44 and has not yet agreed to this proposed payment plan. Monthly payments will commence on the Effective Date of the Plan in the approximate amount of \$38,371.37 each, due on the Effective Date of the Plan and the first day of each successive month until paid in full. The Debtor can prepay the full balance at any time without penalty. This obligation shall mature sixty (60) months after the Effective Date of the Plan.

CLASS 3: Second Mortgage Claim of Empire State Certified Development Corp., as Servicing Agent for the United States Small Business Administration

The United States Small Business Administration ("SBA") is the holder of the second mortgage on the Debtor's property. The Debtor has made adequate protection payments to the SBA during the pendency of the bankruptcy case. The Debtor believes the SBA will be owed approximately \$1,850,000.00 on the Effective Date of the Plan.

The Debtor proposes to pay the SBA this amount in full on a 30-year amortization with 4.25% interest (prime plus 1%). Monthly payments will commence on the Effective Date of the Plan in the approximate amount of \$9,100.89 each, due on the Effective Date of the Plan and the first day of each successive month until paid in full. The Debtor can prepay the full balance at any time without penalty. This obligation shall mature sixty (60) months after the Effective Date of the Plan, or later if so requested by the SBA.

CLASS 4: Third Mortgage Claim of Peter Shabat

Peter Shabat is the holder of the third mortgage on the Debtor's property. He has been receiving adequate protection payments during the pendency of the bankruptcy case. The Debtor estimates that he will be owed \$200,000.00 on the Effective Date of the Plan.

The Debtor proposes to pay Peter Shabat in full on a 30-year amortization with 4.25% interest (prime plus 1%). Monthly payments of approximately \$983.81 will commence on the Effective Date of the Plan and the first day of each successive month until paid in full. The Debtor can prepay the full balance at any time without penalty. This obligation shall mature sixty (60) months after the Effective Date of the Plan.

CLASS 5: Warren County Occupancy Tax Claim

The Debtor believes that it owes approximately \$40,000.00 to Warren County for unpaid pre-petition occupancy tax. The actual balance as allowed by the Court will be paid in full in sixty (60) equal monthly installments of approximately \$750.00, at 4.25% interest, commencing on the Effective Date of the Plan and thereafter due on the first day of each successful month until paid in full. The Debtor can prepay the full balance at any time without penalty.

CLASS 6: Claim of Lumberjack Pass Amusements, LLC

The Debtor will adopt the provisions of the Settlement Agreement reached between the Debtor and Lumberjack Pass Amusements, LLC into its First Amended Plan of Reorganization. As stated above, the settlement requires the Debtor to provide additional lighting, signage and advertising for the Lumberjack Pass Amusements, LLC miniature golf course which is located adjacent to the Debtor's property. The Debtor shall also pay \$10,000.00 upon approval of the settlement, \$7,500.00 per month in July and August of 2012, and then sixty (60) monthly payments of \$1,500.00 each commencing on September 15, 2012.

Class 7: Allowed Claim of New York State Department of Taxation and Finance

Any allowed priority tax claim will be paid in full, together with 4.25% interest, in sixty (60) equal monthly installments commencing on the Effective Date of the Plan.

CLASS 8: Allowed Unsecured Claims Held by Non-Insiders

The Debtor believes that allowed unsecured claims will total approximately \$65,000.00. For administrative convenience, the Debtor will pay all creditors owed less than \$1,000.00 in full on the Effective Date of the Plan, or within thirty (30) days of the Effective Date of the Plan. Creditors owed more than \$1,000.00 can elect to accept a \$1,000.00 payment within thirty (30) days of the Effective Date in full satisfaction of their claim, or they can choose to be paid in five (5) equal annual installments commencing on the Effective Date of the Plan and paid thereafter on the next four (4) anniversary dates of the Effective Date of the Plan with interest thereon at 3% per annum.

The Debtor believes approximately ten (10) unsecured creditors would accept the lump sum payment not exceeding the \$1,000.00 out of sixteen (16) total unsecured creditors. This would cost the Debtor a total of approximately \$6,600.00 on the Effective Date of the Plan.

CLASS 9: Members (Owners) of the Limited Liability Company

The members (owners) of the Limited Liability Company retain their membership.

V.

FEASIBILITY

The Debtor's reported gross revenue for 2010 was \$2,119,675.00 with expenses of \$1,680,775.00, including \$340,333.00 paid to mortgage holders (See Exhibit "A" annexed hereto). The Debtor has also paid bankruptcy fees and other bankruptcy related expenses and is making adequate protection payments. The Debtor believes it will have sufficient revenue to make the proposed Plan payments. Based on projected annual gross revenue of \$2,050,000.00

and expenses, not including mortgage payments or Plan payments of \$1,400,000.00, the Debtor believes that it can generate sufficient revenue over expenses to make these payments.

The proposed Plan calls for payments to the three (3) mortgage holders of approximately \$48,500.00 per month on \$581,500.00 per year. Payments on the Warren County occupancy tax will be approximately \$9,000.00 per year. Distributions to unsecured creditors will be less than \$16,000.00 per year and payments to Lumberjack Pass Amusements, LLC will be \$18,000.00 per year. Total monthly payments and Plan payments total approximately \$625,000.00. Any additional Plan payments for New York State taxes can be accommodated within the Debtor's cash flow.

VI.

LIQUIDATION ANALYSIS

The Debtor believes that if it were liquidated and/or Ittleson Trust as Successor to CIT Lending Services Corporation is allowed to pursue its foreclosure, it is unlikely that anyone would pay more than CIT's claim at a foreclosure sale. All creditors but CIT therefore will do better under the Debtor's 100% Plan than they would at a liquidation since at liquidation they will receive nothing.

VII.

EXECUTORY CONTRACTS AND LEASES

All executory contracts and leases will be assumed following confirmation.

VIII.

PAYMENTS NEEDED AT CONFIRMATION

The Debtor estimates payments needed as of the Effective Date of the Plan as follows:

a)	Balance of Debtor's Attorneys' Fees and Disbursements:	\$ 20,000.00 *
b)	United States Trustees' Fees:	5,000.00 **
c)	Chapter 11 Trustee's Fees and his Counsel's Fees:	36,000.00 ***
d)	First Payment due to CIT Lending Services Corporation (Class 2):	38,371.37
e)	First Payment due to SBA (Class 3):	9,100.89
f)	First Payment due to Peter Shabat (Class 4):	983.81
g)	Aggregate of Payments Due to Unsecured Claims of Non-Insiders:	
	Lump Sum Payments:	6,600.00
	First Payment to Remaining Creditors:	11,000.00
	TOTAL DUE:	\$ <u>127,056.07</u>

* To be paid as Allowed by Court

** Estimated

*** Amount on Deposit for Fees

The Debtor believes that it will have sufficient funds to make payments on the Effective Date of the Plan from its revenue, funds on hand and funds on deposit with the Chapter 11 Trustee, Stephen D. Gerling, Esq.

The Debtor owns the real property and improvements which are operated under a Comfort Suites franchise held by George Stark and Marilyn Stark and operated as The Stark Group, Inc. There is a Lease between the Stark Group, Inc. and the Debtor which essentially serves as a pass-through for payments needed on the Mortgages and the Plan. The Stark Group, Inc. and George Stark and Marilyn Stark agree to be bound by the Settlement Agreement reached between the Debtor and Lumberjack Pass Amusements, LLC, this First Amended Disclosure Statement and the First Amended Plan of Reorganization, and have signed this Disclosure Statement to indicate their consent.

IX.

OTHER PLAN PROVISIONS

A. AMENDMENTS TO A CONFIRMED PLAN

The Plan provides a mechanism for amendments to be made after confirmation. An individual creditor may elect to accept a modified treatment of its claim without notice or formal amendment of the Plan. However, if the Debtor seeks to change the Plan to decrease the amount due to creditors after the plan is confirmed, then it must give notice to all creditors and seek Bankruptcy Court approval for the change.

B. EFFECT OF CONSUMMATION OF PLAN

The Bankruptcy Code and the Plan provide that confirmation of the Plan, on the consummation date (when the Debtor has completed all acts required under the Plan and made all payments) discharges the Debtor from any further claim against it for debts existing prior to the filing of the Bankruptcy petition.

C. CONTINUING JURISDICTION OF BANKRUPTCY COURT

The Plan provides for the Bankruptcy Court to retain jurisdiction until there is substantial consummation of the Plan. Assuming the other conditions of 11 U.S.C. §1101(2) are satisfied, the Bankruptcy Court may find a Plan to be substantially consummated at the time the first payment is made pursuant to the Plan.

D. DISPUTED CLAIMS AND INTERESTS

The Plan provides a mechanism for resolving disputes concerning the amount of any Claim or Interest and for making a distribution on account of any such Claim or Interest once the dispute has been resolved.

If the Schedule of Assets and Liabilities or any amendment thereto filed by the Debtor with the Bankruptcy Court (the “Schedules”) listed your Claim in a particular amount and with a particular or no priority and did not indicate that the amount of the Claim is disputed, then the Debtor does not intend to object to the allowance of your Claim in that particular amount. This means that, unless you have filed a proof of claim in a larger amount or some party in interest (such as the Committee or any individual Creditor or Security Holder) files an objection to your Claim and gives you notice thereof, your Claim will be allowed in time to receive the Initial Distribution and any subsequent distributions to your Class. The Debtor reserves the right under its Plan to challenge any claim.

If the Schedules indicate that your Claim is disputed, or if you filed a proof of claim in a larger amount than is listed in the Schedules, then an objection to your Claim will likely be filed. In addition, if you have filed a proof of claim seeking alleged damages arising from the Debtor's rejection of an executory contract or unexpired lease, then, if the Debtor disagrees with your Claim, it will be disputed.

Until such time as the amount of a Disputed Claim or Interest is determined, the holder of the Claim will not participate in any distributions made to other members of the same class. However, there will be set aside and reserved by the estate the property the Claimant would be entitled to receive if the Claim or Interest were allowed in the full amount sought by the Claimant. Once the amount of the Claim has been determined, whether by agreement or by a Final order of the Bankruptcy Court, this amount will form the basis for a distribution to the Claimant equal to the amount that would have been distributed if the Claim or Interest had been allowed in that amount on the Consummation Date.

E. "BEST INTERESTS" OF UNSECURED CREDITORS
AND SECURITY HOLDERS

Notwithstanding acceptance of the Plan by creditors and Security Holders, in order to confirm the Plan the Bankruptcy Court must independently determine that the Plan is in the best interests of all Classes of creditors and Security Holders. The "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of each impaired Class of Claims and Interests a recovery which has a present value at least equal to the present value of the distribution which each such person would receive if the Debtor was instead liquidated under Chapter 7 of the Bankruptcy Code.

F. THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF ALL CREDITORS AND SECURITY HOLDERS

To calculate what members of each impaired class of unsecured Claims and Interests would receive if the Debtor was liquidated, the Bankruptcy Court must first determine the dollar amount that would be generated from the liquidation of the Debtor ("Liquidation Fund"). The Liquidation Fund of the Debtor would consist of the proceeds from the disposition of the assets of the Debtor, augmented by the cash held by the Debtor, if any, and recoveries on actions against third parties, if any. The Liquidation Fund would then be reduced by the costs of the liquidation. The Debtor's cost of liquidation under Chapter 7 would likely include the fees of a trustee, as well as those of counsel and other professionals that might be retained by the Debtor's trustee, selling expenses, any unpaid Chapter 11 expenses and any claims arising by reason of the trustee's rejection of obligation incurred by the Debtor during the pendency of the Plan.

THE DEBTOR THEREFORE BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF ALL CREDITORS AND RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN.

G. ACCEPTANCE AND CONFIRMATION

In order to confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of determinations concerning the Plan, including: (i) that the Plan has classified creditor and Security Holders Interests in a permissible manner; (ii) that the contents of the Plan comply with the technical requirements of the Bankruptcy Code (see discussion below); (iii) that the Debtor has proposed the Plan in good faith; and (iv) that the Debtor has made disclosures concerning the Plan which are adequate and include information concerning all payments made or

promised in connection with the Plan and the Chapter 11 cases. The Debtor believes that all of these conditions have been or will be met.

The Bankruptcy Code also requires, as a condition precedent to confirmation, that the Plan be accepted by the requisite votes of each Class of Creditors and Security Holders voting as separate classes and hence the Bankruptcy Court must find, in order to confirm the Plan, that the Plan has been duly accepted. In addition, the Bankruptcy Court must find that the Plan is feasible and that the Plan is in the “best interest” of all Creditors and Security Holders. Thus, even if Creditors and Security Holders of the Debtor accept the Plan by the requisite votes, the Bankruptcy Court must make independent findings respecting the Plan’s feasibility and whether it is in the best interests of the Debtor’s Creditors and Security Holders before it can confirm the Plan.

H. ACCEPTANCE

Acceptance of the Plan requires that each impaired Class of Claims or Interests accepts the Plan, with certain exceptions hereinafter discussed in §VIII (I) entitled “Non-acceptance and ‘Cramdown’”. A Class is impaired if the legal, equitable or contractual rights attaching to the Claims or Interests of that Class are modified other than by curing defaults and reinstating maturities or by payment in full in cash.

Classes of Claims and Interests that are not impaired under a plan are deemed to have accepted the plan. Acceptances of the Plan are being solicited only from those persons who hold Claims or Interests of impaired Classes. Under the proposed Plan, all Classes are impaired.

The Bankruptcy Code defines acceptance of a plan by a Class of Claims as acceptance by the holders of two-thirds (2/3) in dollar amount and a majority in number of Claims of that Class, but for that purpose, only those Claims, the holders of which actually vote to accept or reject the Plan, are counted. The Bankruptcy Code defines acceptance of a plan by a Class of Interests as acceptance by the holders of two-thirds (2/3) in number of shares or other equity securities, but for that purpose only those shares or other equity securities, the holders of which actually vote to accept or reject the Plan, are counted. Put another way the Claims and Interests of Creditors and Security Holders, respectively, who fail to vote on the Plan are not counted in the determination of whether the Plan has been accepted or rejected.

I. NON-ACCEPTANCE AND "CRAMDOWNS"

The Bankruptcy Code contains provisions for confirmation of a Plan even if that plan is not accepted by all impaired Classes, as long as at least one impaired class of claims has accepted the plan. These "cramdown" provisions for confirmation of a Plan despite the non-acceptance of one or more impaired classes of claims or interest, are set forth in §1129(b) of the Bankruptcy Code.

Pursuant to §1129(b)(2)(B), if a class of unsecured claims rejects a Plan it may still be confirmed so long as the plan provides that (i) each holder of a Claim included in the rejecting Class will receive or retain on account of that Claim property which has a value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim, or (ii) a holder of any Claim or Interest that is junior to the Claims of such Class will not receive or retain on account of such junior Claim or Interest any property at all.

Pursuant to §1129(b)(2)(C), if a Class of Interests rejects a Plan, such Plan may still be confirmed so long as it provides that (i) each holder of an Interest included in the rejecting Class will receive or retain on account of that Interest property which has a value, as of the Effective Date of the Plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such Interest, or (ii) the holder of any Interest that is junior to the Interest of such Class will not receive or retain under the Plan on account of such junior Interest any property at all. Since all secured creditors are being paid in full, and the payment to unsecured creditors are substantially more than they would receive in liquidation, the Debtor believes that its Plan complies with the requirements of 11 U.S.C. §1129(b)(2)(C).

X.

EFFECTS OF CONFIRMATION

Because the Debtor will continue to operate after confirmation of the Plan, confirmation of the Debtor's Plan will discharge all pre-petition debts of the Debtor whether or not a proof of claim has been filed by a creditor and even if a particular creditor does not vote for the Plan (*See*, 11 U.S.C. §1141). The confirmation of the Plan will vest all of the property of the estate in the Debtor. The contents of a confirmed Plan are binding on any creditor or general partner of the Debtor.

Further, the Chapter 11 Trustee will be discharged once the confirmed Plan is effective and not subject to a stay pending appeal. The Debtor believes that this will be eleven (11) days after the Order of Confirmation is entered on the Court's docket.

XI.

CONCLUSION

The Debtor, Royal Hospitality, LLC d/b/a Comfort Suites, therefore recommends approval of its Plan because the Plan proposes payment in full of all allowed claims and resolves the dispute over whether the water and sewer easement could be revoked. Further, if Ittleson Trust foreclosed on the property, it is unlikely any other creditor would receive any payment on its claim.

DATED: January 30, 2012

HODGSON RUSS LLP
Attorneys for Debtor

By: 

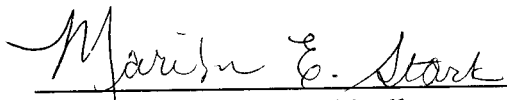
RICHARD L. WEISZ

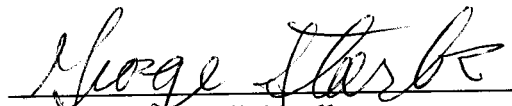
677 Broadway, Suite 301
Albany, New York 12207
(518) 465-2333

ROYAL HOSPITALITY, LLC
d/b/a Comfort Suites

By: 

MARILYN E. STARK
MEMBER


Marilyn E. Stark, Individually


George Stark, Individually

Stark Group, Inc.

By: 