

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS**

IN RE:)	
)	
TIAT CORPORATION)	Case No. 16-10764
)	Chapter 11
Debtor)	
_____)	

**DEBTOR TIAT CORPORATION'S
CHAPTER 11 DISCLOSURE STATEMENT**

I. INTRODUCTION

The Debtor, TIAT Corporation (hereinafter “Debtor”), submits as proponent this Chapter 11 Disclosure Statement (the “Disclosure Statement”) in connection with its Chapter 11 Plan (the “Plan”), as those terms are defined in the definitional section found at Article III herein. This Disclosure Statement is submitted in compliance with the provisions of the Bankruptcy Code requiring adequate information to be supplied to creditors in order to arrive at an informed decision in exercising their right to vote for acceptance or rejection of the Plan. A copy of the Chapter 11 Plan (the “Plan”) will accompany this Disclosure Statement. Terms used in this Disclosure Statement shall have the meaning set forth in the definitional section of Article III herein.

II. HISTORY OF DEBTORS

The Debtor is a Kansas corporation. It operates an 88 room hotel located at 2280 N. Tara Circle, Wichita, KS 67226 and called The Inn at Tallgrass (the “Hotel”). The Plan provides for the reorganization of the Debtor.

Debtor acquired the Hotel in August 2006 from Inntel Corporation of America (“Inntel”). Inntel holds an unsecured note in the original amount of \$1,300,000 representing the carry back portion of the purchase price.

In calendar year 2015, gross revenues from the Hotel fell by approximately \$300,000 from 2014. This was a \$700,000 drop from historical highs. Debtor attributes the revenue decline to a

drop in its primary source revenue source, which are corporate customers purchasing extended stay housing for their employees. In addition, Debtor's status as a non-flagged extended stay hotel puts it at a competitive disadvantage with that portion of its competition enjoying a national reservation system that rewards customer loyalty with points and discounts.

Debtor has now stabilized its revenue loss. With the reduction of its installment debts per this Plan, the Reorganized Debtor can operate profitably.

Debtor's primary creditor is U.S. Bank National Association, as Trustee for the registered holders of Citigroup Commercial Mortgage Trust 2006-C5, Commercial Mortgage Pass-Through Certificates, Series 2006-C5 ("U.S. Bank"). U.S. Bank holds a claim against Debtor in the approximate amount of \$4,476,858.00. The claim is secured by a first lien in the Hotel, rents, equipment, inventory and accounts receivable (collectively the "Collateral").

After the bankruptcy case was filed, U.S. Bank sold its claims at a public auction. The Bank's claims were purchased by SummitBridge Financial Investments V, LLC (hereinafter "SBNV") for a reported price of approximately \$1,820,000. SBNV has filed pleadings in this case confirming its status as the assignee of all claims of U.S. Bank.

Debtor's remaining secured creditor is Kansas State Bank in the amount of \$20,000 (Proof of Claim 4 filed herein). That claim is secured by Debtor's 2004 Ford Freestar automobile.

Debtor owes priority tax claims to the Kansas Department of Revenue ("KDOR") for: (a) unpaid sales taxes (\$139,195.83 – KDOR Proof of Claim 1 filed herein); and (b) unpaid transient guest taxes (\$8,748.84 – KDOR Proof of Claim 2 filed herein).

Debtor's remaining creditors are general unsecured claimants.

III. DEFINITIONS

The following terms when used in this Plan shall, except where the context otherwise requires, have the following meaning:

1. Administrative Claim: An administrative expense which is entitled to priority pursuant to § 507(a)(1) of the Bankruptcy Code and allowed under § 503 of the Code.
2. Confirmation Date: The date of the entry of an order of the Bankruptcy Court confirming the Plan.
3. Effective Date: The date on which the Order of the Bankruptcy Court confirming the Plan has become final and no appeal therefrom is pending. If no appeal is taken, this will be fourteen (14) days after the Confirmation Date.
4. Filing Date: April 29, 2016.
5. The Plan: This term means TIAT Corporation's Chapter 11 Plan, and any modifications to said Plan.
6. Debtor. This term means TIAT Corporation, the Debtor in this case.
7. SBNV. This term means SummitBridge National Investments V, LLC.
8. KSB. This term means Kansas State Bank.
9. Confirmation Rate. This term means an interest rate of 5.0% per annum.
10. Cash Collateral Order. This term means the *Final Order Authorizing Debtor's Use of Cash Collateral* entered herein on June 9, 2016 (Dkt. 47).
11. Disclosure Statement. Debtor's Chapter 11 Disclosure Statement filed herein, and any modifications to said Disclosure Statement.

IV. SUMMARY OF THE PLAN

The Plan provides for full payment of all timely filed and allowed administrative, secured and priority claims. The Plan provides for payment of a portion of all timely filed and allowed general unsecured claims. Creditor claims will be paid by the Reorganized Debtor from income generated by ongoing operations.

THE PLAN

Class 1 - SBNV. SBNV, by assignment from U.S. Bank, holds a claim against Debtor in the approximate amount of \$4,476,858.00, plus interest, late fees and other charges. SBNV's claim is secured by a first mortgage in the Hotel, and a first lien in Debtor's equipment and inventory. Debtor will retain the Hotel, equipment, and inventory (the "Collateral"). Per 11 U.S.C. §1123(a)(5)(B), title to the Collateral, including all tax attributes of Debtor in the Collateral, shall vest in the Reorganized Debtor upon confirmation of the Plan.

SBNV's lien in the Collateral is secured to the extent of the value of the Collateral. The value of the Collateral is \$2,161,761.00, which shall be the allowed amount of SBNV's secured claim in the Collateral.

In addition, SBNV's claim is secured by rents generated by the Hotel post-petition (the "Cash Collateral"). Per the Cash Collateral Order, Debtor was authorized, for the period of time from the Filing Date through the Confirmation Date, to use the Cash Collateral to pay Debtor's post-petition expenses related to the operation and preservation of the Hotel, plus costs of administration incurred by the Debtor, all in accordance with an agreed budget attached to the Cash Collateral Order.

Per the Cash Collateral Order, Debtor has made monthly adequate protection payments to U.S. Bank (and thereafter to its assignee SBNV) in the amount of \$12,105.86 beginning in May 2016 and continuing each month thereafter.

Per the Cash Collateral Order, Debtor has set aside an amount equal to the gross rent revenues received post-filing, less budgeted items paid or accrued, less adequate protection payments paid per the Order. These funds are referred to in the Cash Collateral Order as the "Excess Funds". The Excess Funds shall vest, on the Confirmation Date, in the Reorganized

Debtor to be used for payment of plan payments. The amount of the Excess Funds shall be added to the secured claim of SBNV being paid under this Plan.

SBNV's allowed secured claim of \$2,161,761.00, plus the amount of the Excess Funds, shall be paid by the Reorganized Debtor in equal monthly payments amortized over twenty-five (25) years from the Effective Date, and with interest at the Confirmation Rate. Payments shall begin thirty (30) days from the Effective Date. The amount of SBNV's claim which exceeds its Class 1 secured claim herein shall be treated as a Class 6 general unsecured claim.

Upon confirmation, SBNV shall retain its lien in the Hotel and equipment only. SBNV's lien in the Hotel and equipment shall remain until full payment of its allowed secured claim.

This claim is impaired.

Class 2 - Kansas State Bank. Kansas State Bank ("KSB") holds a claim against Debtor in the approximate principal amount of \$20,000, plus interest. KSB's claim is secured by a security interest in Debtor's 2004 Ford Freestar automobile.

Debtor will retain the 2004 Ford Freestar automobile. Per 11 U.S.C. §1123(a)(5)(B), title to the automobile, including all tax attributes of the Debtor in said vehicle, shall vest in the Reorganized Debtor upon confirmation of the Plan.

The value of the 2004 Ford Freestar is \$15,000. The Reorganized Debtor shall pay KSB the amount of its allowed secured claim of \$15,000 in equal monthly payments amortized over thirty-six (36) months from the Effective Date, and with interest at the Confirmation Rate. Payments shall begin thirty (30) days from the Effective Date. The amount of KSB's claim which exceeds its Class 2 secured claim herein shall be treated as a Class 6 general unsecured claim.

KSB shall retain its lien in the 2004 Ford Freestar until full payment of its allowed secured claim.

This claim is impaired.

Class 3: Unsecured priority claim of Kansas Department of Revenue for sales taxes.

Per its Proof of Claim No. 1 filed herein on May 16, 2016, the Kansas Department of Revenue (“KDOR”) holds an unsecured priority claim for unpaid sales taxes accruing between 2014 and 2016 in the aggregate amount of \$131,195.83. The Reorganized Debtor shall pay the KDOR its allowed unsecured priority claim of \$131,195.83, without interest, and in equal monthly payments over 50 months, beginning thirty (30) days from the Effective Date.

The amount of the KDOR claim which exceeds its Class 3 priority claim herein shall be treated as a Class 6 general unsecured claim.

The Reorganized Debtor shall pay, on a current basis, all post-filing sales taxes accruing.

Class 4: Unsecured priority claim of Kansas Department of Revenue for transient guest taxes.

Per its Proof of Claim No. 2 filed herein on May 16, 2016, the Kansas Department of Revenue (“KDOR”) holds an unsecured priority claim for unpaid transient guest taxes accruing between 2014 and 2016 in the aggregate amount of \$8,748.84. The Reorganized Debtor shall pay the KDOR its allowed Class 4 unsecured priority claim of \$8,748.84, without interest, and in equal monthly payments over 50 months, beginning thirty (30) days from the Effective Date.

The amount of the KDOR claim which exceeds its Class 4 priority claim herein shall be treated as a Class 6 general unsecured claim.

The Reorganized Debtor shall pay, on a current basis, all post-filing transient guest taxes accruing.

Class 5: Unsecured priority claim of Internal Revenue Service (“IRS”). The Internal Revenue Service (“IRS”) asserts a priority claim of \$7,386.68 for estimated 941 taxes due for the first and second quarters 2016, and estimated amounts for 2015 corporate income taxes. Debtor has filed an objection to this claim, as Debtor’s 941 tax returns for the first and second quarters 2016 have been filed, as has its 2015 corporate income tax returns, and all tax obligations have been paid.

The amount of IRS's Class 5 claim shall be treated, in its entirety, as a Class 6 general unsecured claim herein.

This claim is impaired.

Class 6 -Unsecured Creditor Class.

This class consists of all timely filed and allowed claims of unsecured creditors of Debtor, including administrative expense claims, priority unsecured claims and general unsecured claims.

Administrative expense claims and priority unsecured claims shall be paid without interest and in full as follows:

A. Timely filed and allowed claims of unsecured priority creditors will be paid in full and in the order set forth in 11 U.S.C §507. The first priority to the unsecured funds are unpaid¹ administrative expenses under §503(b) for “the actual and necessary costs and expenses of preserving the estate”. The unpaid portion of these claims will be paid first from available unsecured funds.

B. The second subcategory of priority unsecured creditors are §503(b) administrative expenses for “compensation and reimbursement awarded under §330(a) of this title”. The claims in this category include the allowed claims of Debtor's counsel and its accountants. The unpaid portion of the allowed attorney fees and expenses of Debtor's counsel and accountants will be paid next by the Reorganized Debtor from available unsecured funds.

C. After payment in full of all priority unsecured claims, including allowed administrative claims, the Reorganized Debtor shall pay general unsecured creditors on a prorata basis from Plan payments made to the unsecured creditor class.

¹ Per this statute, the Debtor has previously used post-petition earnings of the estate to pay utility bills, maintenance expenses, insurance expenses, and adequate protection payments to secured lenders, all of which were necessary to preserve the assets of the estate and which were authorized by the Cash Collateral Order.

D. The Reorganized Debtor's payments to the unsecured creditor class shall be in the total amount of \$168,000 and paid at the rate of \$2,000 per month for seven (7) years beginning ninety (90) days from the Effective Date. Each monthly installment payment shall first be reduced by the amount of any administrative or priority claim paid prior to said installment payment, which payment was not previously credited against a prior unsecured creditor payment made under this section.

After a total of \$168,000 has been made to the Class 6 unsecured creditor class, including payments to administrative and priority claims, the Reorganized Debtor shall make no further payments to unsecured claimants. To the extent general unsecured claims are not paid, the claims shall be discharged.

E. A Liquidation Analysis of the Debtor as of the Filing Date is attached hereto as Exhibit "1". The Liquidation Analysis is provided for creditors to compare their treatment under the Plan with the results of a hypothetical Chapter 7 case.

Class 7: Interest owners in Debtor.

Donald Kennedy is the sole interest owner in the Debtor. On the Confirmation Date, Kennedy's membership units in the Debtor shall be cancelled. All assets of the Debtor, including its tax attributes such as loss carry forwards, shall vest in the Reorganized Debtor on the Confirmation Date.

Within twenty (20) days of the Confirmation Date, and consistent with *Bank of America v. 203 North LaSalle Street Partnership*, 526 U.S. 434 (1999), all membership units in the Reorganized Debtor shall be auctioned by the Debtor and sold to the highest bidder. The proceeds from said auction sale shall be used to first pay Class 6(B) administrative priority claims, then to Class 3, 4 and 5 priority claims, and then to Class 6 general unsecured claims.

Donald Kennedy may participate in any auction sale on the same terms as other interested parties.

Executory Contracts and Unexpired Leases.

Pursuant to 11 U.S.C. §365, the Reorganized Debtor shall assume the following unexpired leases and executory contracts:

1. Guest contracts with guests at the Hotel.
2. Lease contract with Jetz Vending Inc. on washer and dryer equipment.

Debtor rejects all other unexpired leases and executory contracts.

Pending Litigation.

As of the Filing Date, the following lawsuits were pending involving the Debtor:

1. *U.S. Bank, N.A. vs. TIAT Corporation, et.al.*, Sedgwick County Case No. 16 CV 620.

Per the automatic stay which arose upon the filing of the bankruptcy case, the above action has been stayed and will be dismissed.

Tax Ramifications.

Debtor submits its reorganization case will not be adversely affected by future tax obligations. Debtor is a subchapter S corporation. All tax consequences of Debtor pass through to its shareholders.

Debtor's 2015 federal tax return shows a loss of \$484,641 on gross receipts of \$1,663,711, which tax loss carry forward shall vest in the Reorganized Debtor. It is anticipated that there will be minimal income tax obligations to the Reorganized Debtor during the initial few years of the Plan, as virtually all income will be offset by expense deductions, including depreciation, and tax loss carryforwards of Debtor which vest in the Reorganized Debtor on the Confirmation Date. After that time, the Reorganized Debtor will be able to pay any ongoing income tax obligations out of income.

Post-Confirmation Management and Implementation of Plan

Creditor claims will be paid from income generated by the Reorganized Debtor from ongoing operations. Donald Kennedy shall continue to receive a monthly salary for his ongoing services.

Debtor's Disclosure Statement includes a schedule of projected income and expenses for the first three (3) years of this Plan. The projections are attached to the Disclosure Statement as Exhibit "2". For historical profit and loss information, Debtor shall provide, upon request, to any creditor requesting same, its 2013, 2014 and 2015 federal tax returns. In addition, Debtor refers creditors to the detailed monthly operating reports filed herein for each month after the Filing Date.

This Court previously entered an Order authorizing the employment of attorneys for the bankruptcy estate, that Order being entered June 1, 2016 (Dkt. 37). That Order authorized the employment of Mark J. Lazzo and Mark J. Lazzo P.A ("Lazzo") as counsel to the estate on the terms set forth in the Order.

The employment Order shall remain in effect post-confirmation. Lazzo is authorized, on behalf of the Debtor and the Reorganized Debtor, to take all actions under the Bankruptcy Code that can be taken by a Trustee or Debtor in Possession, and empowered to prosecute such Causes of Actions that a Trustee or Debtor in Possession could prosecute under Article 5 of the Bankruptcy Code for recovery of funds or assets due the estate.

VI. SOLICITATION AND VOTING

A. Solicitation

Debtor may solicit your vote. No one shall receive any compensation for such solicitation.

NO REPRESENTATION CONCERNING THE DEBTOR OR ITS PLAN IS AUTHORIZED OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON TO SECURE

YOUR VOTE, OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, SHALL NOT BE RELIED UPON, AND SUCH REPRESENTATIONS OR INDUCEMENTS SHALL BE REPORTED TO THE DEBTOR OR ITS COUNSEL, WHO SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT.

B. Requirements of the Disclosure Statement

Pursuant to the terms of the Code, this Disclosure Statement has been presented to and approved by the Bankruptcy Court. Such approval is required under the Code to provide assurance that this Disclosure Statement contains information adequate to enable the holders of claims to make an informed judgment about the Plan. Court approval does not, in any way, constitute a judgment by the Court as to the desirability of the Plan or the value of any consideration offered thereby. Interested parties are referred to § 1125 of the Code, which reads in part:

* * *

(b) An acceptance or rejection of a plan may not be solicited after the commencement of a case under this title from a holder of a claim or interest with respect to such claim or interest, unless, at the time of or before such solicitation, there is transmitted to such holder the plan or a summary of the plan, and a written disclosure statement approved, after notice and hearing, by the court as containing adequate information. The court may approve a disclosure statement, without a valuation of the debtor or an appraisal of the debtor's assets.

* * *

(d) Whether a disclosure statement contains adequate information is not governed by any otherwise applicable non-bankruptcy law, rule, or regulation, but an agency or official whose duty it is to administer or enforce such a law, rule or regulation may be heard on the issue of whether a disclosure statement contains adequate information. Such an agency or official may not appeal from an order approving a disclosure statement.

* * *

(e) A person that solicits acceptance or rejection in good faith and in compliance with the applicable provisions of this title, or that participate, in good faith and in compliance with the applicable provisions of this title, in the offer, issuance, sale, or purchase of a security, offered or sold under the plan of the debtor, or of a new organized successor to the debtor under the plan, is not liable, on account of such solicitation or participation for violation of any applicable law, rule, or regulation governing the offer, issuance, sale, or purchase of securities.

C. Limitations of Disclosure Statement

THE DEBTOR HAS PREPARED THIS DISCLOSURE STATEMENT IN ORDER TO DISCLOSE THAT INFORMATION WHICH, IN ITS OPINION, IS MATERIAL, IMPORTANT, AND NECESSARY TO AN EVALUATION OF ITS PLAN. THE INFORMATION HEREIN CONTAINED IS INTENDED TO BE USED SOLELY FOR THE PURPOSE OF EVALUATING THE PLAN, AND SOLELY FOR THE USE OF KNOWN CREDITORS OF THE DEBTOR AND, ACCORDINGLY, MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON THE PLAN. IN ADDITION, EXCEPT AS SPECIFICALLY SET FORTH HEREIN, MATERIALS CONTAINED IN THIS DISCLOSURE STATEMENT ARE NOT INTENDED TO BE ADEQUATE FOR THE FORMATION OF A JUDGMENT BY ANY CREDITOR AS TO THE PREFERABILITY OF ANY ALTERNATIVE TO THE PLAN. MATERIALS REFERRING TO ALTERNATIVES TO THE PLAN ARE LIMITED BY BOTH THE PRACTICAL CONSIDERATIONS OF SPACE AND THE OPINION OF THE DEBTOR REGARDING SAME.

Certain of the materials contained in this Disclosure Statement are taken directly from other readily accessible instruments or documents or are digests of other instruments or documents. While the Debtor has made every effort to retain the meaning of such other instruments or the portions

thereof, they urge that any reliance on the contents of such other instruments should depend on a thorough review of the instruments themselves.

THE STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF OR AS OF SPECIFIED DATES IDENTIFIED IN CERTAIN MATERIALS. THE DEBTOR CANNOT WARRANT OR REPRESENT THAT CHANGES HAVE NOT OCCURRED SINCE THE DATE HEREOF.

A COPY OF THE PLAN ACCOMPANIES THIS DISCLOSURE STATEMENT. EACH RECIPIENT IS URGED TO READ AND REVIEW FULLY THIS DISCLOSURE STATEMENT, THE PLAN AND ALL ACCOMPANYING EXHIBITS AND DOCUMENTS.

D. Acceptance of the Plan

The Plan establishes six (6) classes of creditors. All classes are impaired. All creditors will be bound by the Plan if confirmed.

Dated this 14th day of July, 2016.

/s/Mark J. Lazzo
Mark J. Lazzo, #12790
MARK J. LAZZO, P.A.
3500 N Rock Rd
Building 300, Suite B
Wichita, Kansas 67226
(316) 263-6895
Attorney for Debtor TIAT Corporation

EXHIBIT "1"

TIAT CORPORATION LIQUIDATION ANALYSIS

ASSETS:	Value (4/29/16)
Real Estate, equipment, machinery, inventory and furniture.	\$2,161,761.00
Accounts receivable.	\$58,935.00
Vehicles	\$13,000.00
Bank Deposits/Security Deposits	<u>\$ 3,500.00</u>
TOTAL	\$2,237,196.00

LIQUIDATION DEDUCTIONS:

Estimated Chapter 11 Administrative Expenses.....	<\$60,000.00>
Estimated Liquidation Costs, Chapter 7 Fees, etc.	<u><\$35,000.00></u>
TOTAL	< \$95,000.00>

PAYMENT OF SECURED CLAIMS:

SBNV (Class 1 claim).....	<\$4,476,858.00>
Kansas State Bank (Class 2 claim)	<u><\$15,000.00></u>
Total	\$4,496,858.00

ASSETS.	\$2,237,196.00
<LESS LIQUIDATION DEDUCTIONS>	< \$95,000.00>
<LESS PAYMENT OF SECURED CLAIMS>	<u><\$4,496,858.00></u>

NET AVAILABLE TO UNSECURED CREDITORS - 0-