

VANDERHOFF LAW GROUP
Alan Vanderhoff, Cal. Bar No. 138032
Jeanne C. Vanderhoff, Cal. Bar No. 138011
750 B Street, Suite 1620
San Diego, California 92101
Telephone: (619) 299-2050

Attorneys for TRANT MANOR, LLC

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF CALIFORNIA

<p>In re: TRANT MANOR, LLC, Debtor.</p>	<p>Case No. 10-13663-MM11 DEBTOR’S PLAN OF REORGANIZATION DATED OCTOBER 29, 2010 Dept: 1 Judge: Hon. Margaret M. Mann</p>
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Trant Manor, LLC, debtor-in-possession in the above-captioned case (the "Debtor"), hereby proposes this Plan of reorganization.

ARTICLE 1

Definitions

1.01 “Administrative Expense” means any cost or expense of administration of the Debtor’s Chapter 11 bankruptcy case entitled to priority in accordance with the provisions of sections 503(b) and 507(a)(1) of the Bankruptcy Code.

1.02 “Allowed” when used in reference to a Claim means (i) a Claim against the Debtor, proof of which was timely filed, as to which no objection has been interposed; or (ii) if no proof of Claim has been filed, but the Claim has been scheduled by the Debtor as liquidated in amount and not disputed or contingent, as to which no objection has been interposed; or (iii) a Claim as to which any objection has been interposed, to the extent such Claim has been Allowed in whole or in part by a Final Order.

1 1.03 “Bankruptcy Code” means title 11 of the United States Code.

2 1.04 “Bankruptcy Court” means the United States Bankruptcy Court for the
3 Southern District of California or, in the event of a withdrawal of the reference, the United
4 States District Court for the Southern District of California.

5 1.05 “Claim” means any right to payment from the Debtor, whether or not such
6 right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,
7 disputed, undisputed, legal, equitable, secured, or unsecured; or any right to an equitable
8 remedy for breach of performance if such breach gives rise to a right of payment from the
9 Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed,
10 contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

11 1.06 “Confirmation Order” means a Final Order of the Bankruptcy Court
12 confirming the Plan.

13 1.07 “Contested Claim” means any Claim that is not an Allowed Claim.

14 1.08 “Debtor” means Trant Manor, LLC, a California limited liability company.

15 1.09 “Disputed Claim” means a claim to which an objection has been filed and
16 which has not been determined by a final, non-appealable order of the Bankruptcy Court.

17 1.10 “Effective Date” means the first business day that is more than 15 days after
18 the Confirmation Order becomes a Final Order.

19 1.11 “Final Order” means an order or judgment of a court of competent
20 jurisdiction, including the Bankruptcy Court, which is no longer subject to appeal or
21 certiorari proceeding and as to which no appeal or certiorari proceeding is pending.

22 1.12 “Hotel Condominium Units” means the units within the Real Property which
23 may be sold as hotel condominiums.

24 1.13 “Mechanics’ Lien Claims” means Claims for which a valid and perfected
25 mechanics’ lien exists on the Real Property under applicable law.

26 1.14 “Net Operating Cash” means the Debtor’s interest in all cash and cash
27 equivalents (including room rates and income from the “gift shop” and conference rooms)
28 existing as of the last day of the preceding month, after the payment of or creation of reserves

1 for operating expenses incurred in the ordinary course of business, excluding a cash reserve
2 of \$10,000. Net Operating Cash shall not include transient occupancy taxes collected on
3 behalf of the City of Coronado or revenue that is payable to owners of Hotel Condominium
4 Units sold by the Reorganized Debtor.

5 1.15 "Net Sale Proceeds" means the proceeds from the sale of Hotel Condominium
6 Units after customary costs of sale.

7 1.16 "Plan" means this Chapter 11 plan for the Debtor, as it may be modified from
8 time to time, and all exhibits and schedules thereto.

9 1.17 "Real Property" means the real property owned by the Debtor commonly
10 known as the 1906 Lodge, a 17-room restored historic inn, located at 1060 Adella Ave.,
11 Coronado, CA 92118.

12 1.18 "Reorganized Debtor" means the Debtor after the entry of a Confirmation
13 Order.

14 ARTICLE 2

15 Payment of Administrative Claims and Real Property Tax Claims

16 2.01 Administrative Claims. Administrative Claims Allowed pursuant to
17 Bankruptcy Code sections 503(b)(1) and 507(a)(2) (and not previously paid), shall be paid in
18 full on the Effective Date from funds provided by the Debtor's equity holders.

19 Administrative Claims against the Debtor, including the applications of court-approved
20 professionals, shall be filed within thirty days following the entry of an order confirming the
21 Plan.

22 2.02 Real Property Taxes. Real property taxes due and payable on or before the
23 Confirmation Date shall be paid from the operating revenue of the hotel as an operating
24 expense.

25 ARTICLE 3

26 Classification of Claims and Equity Interests

27 3.01 Class 1. Class 1 consists of the Allowed Claim of City National Bank.
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1 3.02 Class 2. Class 2 consists of the Allowed Priority Claims of people who are
2 not insiders.

3 3.03 Class 3. Class 3 consists of Allowed Mechanics' Lien Claims.

4 3.04 Class 4. Class 4 consists of Allowed unsecured Claims of people who are not
5 insiders.

6 3.05 Class 5. Class 5 consists of Allowed unsecured Claims and priority claims of
7 people who are insiders.

8 3.06 Class 6. Class 6 consists of the holders of equity interests in the Debtor.

9 ARTICLE 4

10 Treatment of Claims

11 4.01 Class 1 – City National Bank. Class 1 is impaired. City National Bank shall
12 retain its lien on its collateral and/or shall receive the net proceeds of the sale of its collateral.
13 City National Bank shall receive payments equaling the full amount of its Allowed Claim
14 with interest at the non-default rate set forth in its loan documents. Commencing on the
15 Effective Date, the Debtor shall pay to City National Bank each month, on the tenth day of
16 each month, the Net Operating Cash. In addition, the Debtor will pay City National Bank the
17 Net Sale Proceeds from the sale of Hotel Condominium Units until City National Bank's
18 Allowed Claim is paid in full.

19 4.02 Class 2 – Non-Insider Priority Claims. Class 2 is not impaired. The non-
20 insider Priority Claims are comprised of accrued vacation time of the Debtor's employees
21 that accrued prior to the Petition Date. After the bankruptcy case was filed, the Bankruptcy
22 Court entered an order allowing the Debtor's employees to use their pre-petition accrued
23 vacation in the ordinary course of business. To the extent not already satisfied on the
24 Effective Date, the Class 2 claimants shall continue to use their pre-petition accrued vacation
25 time in the ordinary course of business until all pre-petition vacation time has been used.

26 4.03 Class 3 – Mechanics' Lien Claims. Class 3 is impaired. Each holder of a
27 Mechanics' Lien Claims shall retain its lien on the Real Property. Each holder of a
28 Mechanics' Lien Claims shall receive payments equaling the full amount of its Allowed

1 Mechanics' Lien Claim. Upon the payment in full of the Allowed Claim of City National
2 Bank, Debtor shall pay to each holder of a Mechanics' Lien Claim, on the tenth day of each
3 month, a pro rata share of the Net Operating Cash. In addition, upon the payment in full of
4 the Allowed Claim of City National Bank, the Debtor shall pay to each holder of a
5 Mechanics' Lien Claim a pro rata share of the Net Sale Proceeds from the sale of Hotel
6 Condominium Units until the Allowed Mechanics' Lien Claims are paid in full.

7 4.04 Class 4 – Non-Insider General Unsecured Claims. Class 4 is impaired. Each
8 holder of an Allowed Class 4 claim shall be paid in full from the Net Operating Cash and the
9 Net Sale Proceeds following the payment of the Allowed Claims in Classes 1, 2 and 3. Upon
10 the payment in full of the Allowed Claims in Classes 1, 2 and 3, the Reorganized Debtor
11 shall pay to each holder of a Class 4 Claim, on the tenth day of each month, a pro rata share
12 of the Net Operating Cash. In addition, upon the payment in full of the Allowed Claims in
13 Classes 1, 2 and 3, the Debtor shall pay to each holder of a Class 4 Claim a pro rata share of
14 the Net Sale Proceeds from the sale of Hotel Condominium Units until the Allowed Class 4
15 Claims are paid in full.

16 4.05 Class 5 – Insider General Unsecured Claims. Class 5 is impaired. Each holder
17 of an Allowed Class 5 claim shall be paid in full from the Net Operating Cash and the Net
18 Sale Proceeds following the payment of the Allowed Claims in Classes 1, 2, 3, and 4. Upon
19 the payment in full of the Allowed Claims in Classes 1, 2, 3 and 4, the Reorganized Debtor
20 shall pay to each holder of a Class 4 Claim, on the tenth day of each month, a pro rata share
21 of the Net Operating Cash. In addition, upon the payment in full of the Allowed Claims in
22 Classes 1, 2, 3 and 4, the Debtor shall pay to each holder of a Class 5 Claim a pro rata share
23 of the Net Sale Proceeds from the sale of Hotel Condominium Units until the Allowed Class
24 5 Claims are paid in full.

25 4.06 Class 6 – Equity Holders. Class 6 is unimpaired. The Debtor's equity holders
26 shall maintain their equity interests in the Debtor subject to the obligations under the Plan.
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ARTICLE 5

Means for Implementing the Plan

5.01 Completion of HOA Documents: Immediately following the Effective Date, the Reorganized Debtor shall record the final parcel map and complete the remaining paperwork required for selling the Hotel Condominium Units. The Debtor believes that this process can be completed within 30 days.

5.02 Sale of Hotel Condominium Units. Immediately following the Effective Date the Reorganized Debtor shall begin marketing the Hotel Condominium Units for sale. Subject to Bankruptcy Court approval, the Debtor shall employ Coronado Island Realty as its broker. Coronado Island Realty is both a creditor and an insider.

When a purchaser buys a Hotel Condominium Unit, the purchaser will be entitled to use the unit up to 90 days per year. For the remaining 275 days, the unit would available to be rented as part of the hotel. The Reorganized Debtor would receive a management fee equal to approximately 50% of the net revenue of the room. The remaining revenue of the room would be paid to the owner of the unit.

The Reorganized Debtor will first market the eleven "suite" units. The suit units are units that were not part of the original historic structure. The suite units tend to be larger than the units in the historic structure. The listing prices for the suite units will range between \$648,000 and \$898,000. After the marketing of the suite units, the Reorganized Debtor will market the units in the historic structure. The listing prices for the historic units will be \$349,000.

The Net Sale Proceeds shall be distributed in accordance with the Plan (*i.e.*, first to City National Bank, next to pay the Mechanics' Lien Claims, third to pay non-insider unsecured claims, and finally to pay insider unsecured claims). The first sale of Hotel Condominium Units will not close until the Reorganized Debtor has contracts for at least four units. The sale of the four units will close simultaneously.

1 5.03 Post-Confirmation Management by the Reorganized Debtor. Following
2 confirmation of this Plan, the Reorganized Debtor will be managed by David Gillingham,
3 Susan Gillingham, and Holly Jankiewicz on terms to be approved by the Bankruptcy Court.

4 5.04 Disbursements. Distributions shall be made to the addresses contained in the
5 proofs of claim filed by such holders, the addresses contained in the recorded mechanic's lien
6 if no proof of claim was filed, or the last known address of such holders. Checks issued by
7 the Reorganized Debtor, shall be null and void if not cashed within ninety days of the date of
8 issuance thereof. If any distribution is returned as undelivered, no further distributions to
9 such holder shall be made unless and until the Reorganized Debtor is notified of such
10 holder's then current address, at which time all missed distributions shall be made to such
11 holder without interest. Amounts with respect to undeliverable distributions made by the
12 Reorganized Debtor shall be held by the Reorganized Debtor until such distributions are
13 claimed. All Claims for undeliverable distributions shall be made on or before the second
14 anniversary of the Effective Date. After such date, all unclaimed property shall be paid to the
15 Reorganized Debtor and all further claims on the funds shall be forever barred.

16 Prior to making distributions, the Reorganized Debtor shall reserve sufficient cash for
17 the payment of (1) all estimated administrative expenses, (2) all estimated post-confirmation
18 expenses of the Reorganized Debtor and (3) all contested Claims.

19 ARTICLE 6

20 Executory Contracts and Unexpired Leases

21 6.01 All Contracts and Leases Rejected. All executory contracts and unexpired
22 leases shall be rejected as of the Effective Date, except those executory contracts identified
23 by the Debtor prior to the hearing on Confirmation of the plan as executory contracts or
24 leases which the Debtor intends to cure and assume.

25 6.02 Bar to Rejection Damages. Any individual or entity holding a Claim based
26 upon the rejection of an executory contract or unexpired lease pursuant to this Article must,
27 within thirty days after Confirmation, file a proof of claim with the Bankruptcy Court. Such
28 Claims shall be treated as Class 3 Claims unless the Bankruptcy Court orders otherwise. The

1 failure of any such individual or entity to file a proof of claim within the specified time
2 period will result in the disallowance of such Claim.

3 ARTICLE 7

4 Miscellaneous Provisions

5 7.01 Modification of Plan. Modifications of the Plan may be proposed in writing
6 by the Debtor at any time before confirmation, provided that the Plan, as modified, meets the
7 requirements of sections 1122 and 1123 of the Bankruptcy Code, and the Debtor shall have
8 complied with section 1125 of the Bankruptcy Code. The Plan may be modified at any time
9 after confirmation and before its substantial consummation, provided that the Plan, as
10 modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code and the
11 Bankruptcy Court, after notice and a hearing, confirms the Plan, as modified, under section
12 1129 of the Bankruptcy Code, and the circumstances warrant such modification. A holder of
13 a Claim or equity interest that has accepted or rejected the Plan shall be deemed to have
14 accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed
15 by the Bankruptcy Court, such holder changes its previous acceptance or rejection.

16 7.02 Revocation of Plan. The Debtor reserves the right to revoke and withdraw the
17 Plan prior to the commencement of the hearing to confirm the Plan. If the Debtor revokes or
18 withdraws the Plan, or if confirmation of the Plan does not occur, then the Plan shall be
19 deemed null and void and nothing contained herein shall be deemed to constitute a waiver or
20 release of any Claims by or against the Debtor or any other person or to prejudice in any
21 manner the rights of the Debtor or any person in any further proceedings involving the
22 Debtor.

23 7.03 Cramdown. The Debtor requests the Bankruptcy Court to confirm the Plan
24 pursuant to the provisions of section 1129(b) of the Bankruptcy Code with respect to any
25 Class that is deemed not to have accepted the Plan and any Class that fails to accept the Plan.
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ARTICLE 8

Jurisdiction of the Bankruptcy Court

8.01 The Bankruptcy Court shall retain jurisdiction to the fullest extent permitted
by law.

October 29, 2010

VANDERHOFF LAW GROUP

/s/ Alan Vanderhoff
By: _____
Alan Vanderhoff

Attorneys for TRANT MANOR, LLC