

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY
LEXINGTON DIVISION

IN RE:

LEXINGTON HOSPITALITY GROUP LLC
DEBTOR IN POSSESSION

CASE NO. 17-51568
CHAPTER 11

ORDER REGARDING USE OF CASH COLLATERAL

This matter having come before the Court upon the emergency motion of Lexington Hospitality Group LLC as a debtor and debtor in possession (the “Debtor”) to modify cash collateral budget and extend cash collateral use (the “Motion”) [ECF No. 56], and the Court having heard the arguments of counsel including, but not limited to, the limited objections and request for adequate protection by counsel for PCG Credit Partners, LLC, by and through Private Capital Group, Inc., its special servicer (“PCG”), and the Court being otherwise sufficiently advised, **IT IS HEREBY ORDERED:**

1. The Debtor’s cash collateral budget for the months of August and September 2017 attached hereto as Exhibit A (the “Budget”) are hereby approved on an interim basis pursuant to Rule 4001(b)(2) through any final hearing date on the Motion with all parties reserving any and all rights and objections related thereto and hereto; any expenditure which would cause the Debtor to exceed a line item contained in the Budget where such expenditure would be booked in the ordinary course of the Debtor’s business of the Budget by more than ten percent (10%) will require Court approval or the written consent of PCG prior to such expenditure(s) being made.

2. Included in the Budget are the following expenditures:

- A. The Debtor is authorized on an interim basis through any final hearing date on the Motion to pay post-petition management fees to CUSA as set forth in the Budget;
- B. The Debtor is authorized on an interim basis through any final hearing date on the Motion to pay any post-petition golf-related booking expenses as set forth in the Budget; and
- C. The Debtor is authorized to pay \$12,000 to the Lexington Legends as set forth in the Budget if and only if the Lexington Legends pays all receivables owed to the Debtor contemporaneous therewith and as a condition precedent thereto;

3. The Debtor shall further immediately pay into escrow amounts sufficient to cover all *ad valorem* real property taxes for the months of August and September 2017 each in the amounts equal to 1/12 of the ad valorem real property tax bill for 2016;

4. As additional adequate protection for any diminution in the value of PCG's interests in the Cash Collateral, pursuant to 11 U.S.C. §§ 361 and 363, PCG is granted liens (the "Replacement Liens"), upon all property of the Debtor of the same type and description as the prepetition collateral as of the Petition Date, subject only to any valid and enforceable, perfected, and non-avoidable liens of other secured creditors.

5. The Replacement Liens granted by this Order shall be deemed effective, valid, and perfected as of the Petition Date without the necessity of the filing or lodging by or with any entity of any documents or instruments otherwise required to be filed or lodged under applicable non-bankruptcy law. This Order shall be deemed to be a security agreement for purposes of creation,

attachment and perfection of the Replacement Liens on and the security interests in, to and against the post-petition Collateral.

6. The Replacement Liens granted to PCG under this Order are in addition to, and not in lieu or substitution of, the rights, obligations, claims, security interests, and prepetition liens and priorities granted under the existing agreements between the parties.

7. The Debtor shall further provide PCG's counsel with a full and complete accounting of the Cash Collateral that was or is in its possession, custody or control including, but not limited to, Cash Collateral on hand as of the Petition Date and the use of any Cash Collateral since the Petition Date through September 13, 2017 at 12:00 p.m. (EST).

8. A final hearing, if necessary, shall be held at the United States Bankruptcy Court for the Eastern District of Kentucky, 100 East Vine Street, Second Floor, Lexington, Kentucky, on September 21, 2017, at the hour of 9:00 a.m. (ET). Any objections shall be noticed for this date and served upon Debtor's counsel. If no objections are filed by September 20, 2017, this Order shall be deemed final without further hearing.

Tendered by:

DELCOTTO LAW GROUP PLLC

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COUNSEL FOR DEBTOR

AND DEBTOR IN POSSESSION

(UNDER PENDING APPLICATION)

HAVE SEEN:

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/s/ Martin B. Tucker

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COUNSEL FOR PCG CREDIT

PARTNERS, LLC

EXHIBIT A

Clarion Hotel & Conference Center South
 Lexington, Kentucky
 2017 Annual Budget
 Summary Income Statement

	31	30	61		
	Aug-17	Sep-17	2017	%	POR
Rooms Available	4,619	4,470	9,089		
Rooms Occupied	1,821	2,333	4,154		
Occupancy Percentage	39.42%	52.19%	45.70%		
Average Daily Rate	\$75.22	\$75.19	\$75.20		
REVPAR	\$29.65	\$39.24	\$34.37		
Revenue:					
Rooms	136,976	175,418	312,394	92.44%	75.203
Food	0	0	0	0.00%	0.000
Beverage	0	0	0	0.00%	0.000
Telephone	0	0	0	0.00%	0.000
Retail	0	0	0	0.00%	0.000
Other	12,783	12,783	25,566	7.56%	6.155
total	149,759	188,201	337,960	100.00%	81.358
Departmental Expenses:					
Rooms	54,240	60,244	114,483	36.65%	27.560
Food	0	0	0	#DIV/0!	0.000
Beverage	0	0	0	#DIV/0!	0.000
Telephone	1,499	1,499	2,998	#DIV/0!	0.722
Retail	0	0	0	#DIV/0!	0.000
Other	150	150	300	1.17%	0.072
total	55,889	61,893	117,781	34.85%	28.354
Departmental Profits:					
Rooms	82,736	115,175	197,911	63.35%	47.643
Food	0	0	0	#DIV/0!	0.000
Beverage	0	0	0	#DIV/0!	0.000
Telephone	-1,499	-1,499	-2,998	#DIV/0!	-0.722
Retail	0	0	0	#DIV/0!	0.000
Other	12,633	12,633	25,266	98.83%	6.082
total	93,870	126,309	220,179	65.15%	53.004
Gross Operating Income	93,870	126,309	220,179	65.15%	53.004
Undistributed Expenses:					
Administrative & General	13,970	15,077	29,047	8.59%	6.992
Sales & Marketing	27,459	28,514	55,972	16.56%	13.474
Maintenance & Repair	16,607	16,403	33,010	9.77%	7.946
Energy	18,983	18,983	37,966	11.23%	9.140
Franchise Costs	6,164	7,894	14,058	4.16%	3.384
Management Fees	4,500	5,646	10,146	3.00%	2.442
total	87,682	92,516	180,198	53.32%	43.380
Gross Operating Profit	6,188	33,792	39,980	11.83%	9.624
Fixed Expenses:					
Depreciation & Amortization	0	0	0	0.00%	0.000
Debt Service	0	0	0	0.00%	0.000
Capitalized Leases	0	0	0	0.00%	0.000
Insurance	3,000	3,000	6,000	1.78%	1.444
Property Taxes	0	0	0	0.00%	0.000
Land Lease	0	0	0	0.00%	0.000
Owner Expenses	0	0	0	0.00%	0.000
total	3,000	3,000	6,000	1.78%	1.444
EBITDA*	3,188	30,792	33,980	10.05%	8.180
Net Income (Loss)	3,188	30,792	33,980	10.05%	8.180

*Earnings Before Income Tax Depreciation & Amortization

Clarion Hotel & Conference Center South
Lexington, Kentucky

Statistics & Market Segments

	Aug-17	Sep-17
Rooms Available	4,619	4,470
Rooms Occupied	1,821	2,333
Occupancy Percentage	39.4%	52.2%
Average Daily Rate	\$75.22	\$75.19
REVPAR	\$29.65	\$39.24
Market Segments - Rooms Occupied		
Pleasure Transient	1,821	2,333
Corporate Transient		
Government Transient		
Contract Transient		
Group SMERF		
Group Corporate		
Group Association		
Group Government		
Group Tour & Travel		
total	1,821	2,333
Market Segments - Average Rate		
Pleasure Transient	\$75.22	\$75.19
Corporate Transient		
Government Transient		
Contract Transient		
Group SMERF		
Group Corporate		
Group Association		
Group Government		
Group Tour & Travel		
total	\$75.22	\$75.19
Market Segments - Room Revenue		
Pleasure Transient	\$136,976	\$175,418
Corporate Transient	0	0
Government Transient	0	0
Contract Transient	0	0
Group SMERF	0	0
Group Corporate	0	0
Group Association	0	0
Group Government	0	0
Group Tour & Travel	0	0
total	\$136,976	\$175,418

Clarion Hotel & Conference Center South
Lexington, Kentucky

Rooms Department

	Account Code	Aug-17	Sep-17
Occupancy Percentage		39.4%	52.2%
Average Daily Rate		\$75.22	\$75.19
Rooms Revenue		\$136,976	\$175,418
No Show Revenue		\$1,096	\$1,403
Total Rooms Revenue		\$138,071	\$176,822
Payroll & Related:			
Salaries & Wages		26,891	28,477
PTEB		4,557	4,784
total Payroll & Related		31,447	33,261
Rooms Other:			
Amenities	710510.000	546	700
Cable TV	700010.000	2200	2200
Casual / Contract Labor	713180.000	0	0
Central Reservations System	711210.000	2740	3508
Cleaning Supplies	711510.000	1366	1750
Contract Cleaning	711810.000	0	0
Complementary Breakfast	712010.000	5918	7582
Decorations	712210.000	0	0
Front Office Supplies	712310.000	120	120
Guest Room Supplies	712510.000	1129	1446
Laundry Cost Allocation	713510.000	3552	3455
Licenses, Taxes, & Permits	713810.000	0	0
Linen Replacement	714010.000	1200	1200
Linen Rental	714110.000	0	0
Printing & Stationery	715510.000	160	160
Recorded Music	715810.000	0	0
Reservations Terminal Fee	716010.000	0	0
Rooms Promotion	716310.000	0	0
Royalties	700010.000	0	0
Telecommunications	700010.000	0	0
Travel Agent Commissions	717010.000	3561	4561
Uniforms	718010.000	300	300
Guest Transportation	718510.000	0	0
Miscellaneous Expenses	719510.000	0	0
total Other		22,792	26,982
Rooms Expenses		54,240	60,244
Rooms Profit		82,736	115,175

Clarion Hotel & Conference Center South
Lexington, Kentucky

Laundry Department

	Account Code	Aug-17	Sep-17
Payroll & Related			
Salaries & Wages		2,490	2,410
PTEB		422	405
total Payroll & Related		2,912	2,815
Other Expenses:			
Laundry Chemicals	810595.000	640	640
Laundry Supplies	811095.000	0	0
Uniforms	811595.000	0	0
total Other		640	640
Total Laundry Department		3,552	3,455
Operational Revenue %:			
Rooms Department		100.00%	100.00%
Food Department		0.00%	0.00%
Beverage Department		0.00%	0.00%
Expense Distribution:			
Rooms Department		3,552	3,455
Food Department		0	0
Beverage Department		0	0
Total Distributed		3,552	3,455

Clarion Hotel & Conference Center South
Lexington, Kentucky

Telephone Department

	Account Code	Aug-17	Sep-17
Telephone Revenue:			
Local Revenue		0	0
Long Distance Revenue		0	0
Other		0	0
total Revenue		0	0
Telephone Costs:			
Cost of Calls	542040.000	0	0
Telephone Line Charges	543040.000	674	674
Internet Charges	544040.000	825	825
Telephone Maintenance Contr	741040.000	0	0
Telephone Repairs	742040.000	0	0
Other		0	0
total Costs		1,499	1,499
Telephone Department Profit		-1,499	-1,499

Clarion Hotel & Conference Center South
Lexington, Kentucky

Other Department

	Account Code	Aug-17	Sep-17
Other Revenue:			
AM/PM Breaks	451050.000	0	0
Audio-Visual Equipment	452050.000	0	0
Gift Shop	453550.000	300	300
Guest Laundry	454050.000	35	35
Interest Income	455050.000	0	0
Meeting Room Rental	456050.000	0	0
Miscellaneous Revenue	457050.000	2083	2083
Movie Rental	457550.000	0	0
Parking Revenue	458050.000	10000	10000
Rental Income	458550.000	0	0
Vending Income	459050.000	365	365
Pet Fees	459150.000	0	0
total Revenue		12,783	12,783
Other Costs:			
AM/PM Breaks Costs	551050.000	0	0
A/V Equipment Costs	552050.000	0	0
Gift Shop Costs		150	150
Guest Laundry Costs	553050.000	0	0
		0	0
Meeting Rooms Expenses	554050.000	0	0
		0	0
Movie Costs	555050.000	0	0
		0	0
		0	0
Vending Costs	559050.000	0	0
		0	0
Miscellaneous Expenses	559550.000	0	0
total Costs		150	150
Other Department Profit		12,633	12,633

Clarion Hotel & Conference Center South
Lexington, Kentucky

Administrative & General

	Account Code	Aug-17	Sep-17
Payroll & Related			
Salaries & Wages		5,417	5,417
PTEB		918	910
total Payroll & Related		6,335	6,327
Other Expenses:			
Accounting Fees	760560.000	500	500
Bad Debts	761060.000	208	208
Bank Fees	761560.000	300	300
Equipment Rental	762260.000	0	0
Computer Supplies	762360.000	500	500
Casual / Contract Labor	763180.000	0	0
Student Labor		0	0
Contract Services	762760.000	0	0
Credit Card Commissions	763060.000	3972	5087
Credit & Collection Fees	763260.000	0	0
Data/Payroll Processing	763560.000	375	375
Licenses & Permits	763860.000	250	250
Dues & Subscriptions	764060.000	100	100
Human Resopurces	760060.000	0	0
Legal & Accounting	764560.000	0	0
Office Supplies	765060.000	600	600
Postage	765260.000	80	80
Printing & Stationery	765560.000	150	150
Professional Fees	766060.000	0	0
Safety & Security	767060.000	0	0
Cell Phones / Pagers	767560.000	100	100
Travel Expenses	768060.000	500	500
Miscellaneous	769560.000	0	0
Total Other		7,635	8,750
Total Administrative & General		13,970	15,077

Clarion Hotel & Conference Center South
Lexington, Kentucky

Sales & Marketing

	Account Code	Aug-17	Sep-17
Payroll:			
Salaries & Wages		5,977	5,900
PTEB		1,013	991
total Payroll & Related		6,989	6,891
Sales Expenses:			
Association Dues	771570.000	502	502
Office Supplies	775070.000	50	50
Printing & Stationery	775570.000	250	250
Postage	775270.000	0	0
Cell Phones / Pagers	777570.000	100	100
Travel	778070.000	300	300
total Sales Expenses		1,202	1,202
Media Expenses:			
Yellow Pages	778570.000	0	0
Print & Broadcast Media	776070.000	3000	3000
Directories	772070.000	0	0
Outdoor Signage	775870.000	1933	1933
Media Production	777070.000	0	0
Airport Displays & Indoor Sign:	770570.000	0	0
Goodwill Advertising	772570.000	0	0
Direct Mail	772870.000	0	0
Internet Marketing	773570.000	875	875
total Media Expenses		5,808	5,808
Promotion:			
Agency Fees	770770.000	300	300
Promo/Gifts/Supplies	775770.000	300	300
Parties/Open House	779070.000	0	0
total Promotion		600	600
Other Expenses:			
National/Tour Sales/Trade Shc	776570.000	100	100
Photography	775170.000	50	50
Brochures - Property & Packag	771070.000	100	100
Franchise & Affiliation Advertis	774570.000	4109	5263
Loyalty Programs & Affiliation Fees		0	0
Miscellaneous Expenses	779570.000	8500	8500
total Other Expenses		12,859	14,013
Total Sales & Marketing		27,459	28,514

Clarion Hotel & Conference Center South
Lexington, Kentucky

Maintenance & Repairs

	Account Code	Aug-17	Sep-17
Maintenance Payroll:			
Salaries & Wages		8,257	8,093
PTEB		1,399	1,360
total Payroll & Related		9,657	9,453
Maintenance Other:			
Building Maintenance	781080.000	650	650
Computer & Office Equipment	781280.000	0	0
Casual / Contract Labor	781380.000	0	0
Electrical	781580.000	100	100
Light Bulbs	781780.000	290	290
Elevator Contracts	782080.000	0	0
Equipment Rental	782280.000	200	200
Equipment Repairs	782380.000	375	375
Pest Control	782580.000	300	300
Fire Alarm System	783080.000	450	450
Hardware & Small Parts	783580.000	100	100
HVAC	784080.000	290	290
Floor Covering	784280.000	0	0
Grounds & Landscaping	784580.000	833	833
Laundry Equipment	785080.000	40	40
Locks & Keys	785580.000	100	100
Maintenance Contracts	785780.000	1226	1226
Painting	786080.000	100	100
Plumbing	786280.000	100	100
Pool Chemical & Repairs	786580.000	650	650
Refrigeration	787080.000	358	358
Signs	787280.000	25	25
Supplies & Small Tools	787580.000	100	100
Television Repairs	787780.000	50	50
Uniforms	788080.000	50	50
Van Maintenance Repair	788580.000	0	0
Waste Removal	789080.000	563	563
Miscellaneous	789580.000	0	0
total Other		6,950	6,950
Total Maintenance & Repairs		16,607	16,403

Clarion Hotel & Conference Center South
Lexington, Kentucky

Energy

	Account Code	Aug-17	Sep-17
Utilities:			
Electricity	780185.000	10100	10100
Natural Gas	780285.000	2800	2800
Water & Sewer	780385.000	6083	6083
total		18,983	18,983

Clarion Hotel & Conference Center South
Lexington, Kentucky

Fixed Expenses

	Account Code	Aug-17	Sep-17
Fixed & Other Expenses			
Franchise Fees	793090.000	6164	7894
Insurance	793590.000	3000	3000
Leased Equipment		0	0
Leased Equipment		0	0
Leased Equipment		0	0
Management Fees	795090.000	4,500	5,646
Debt Service	795590.000	0	0
Debt Service - Second	795790.000	0	0
Property Taxes - Real	796090.000	0	0
Property taxes - Personal	796590.000	0	0
Land Lease	797090.000	0	0
Depreciation & Amortization	797590.000	0	0
Owner's Expense	798590.000	0	0
total Fixed & Non-Operating Expenses		13,664	16,540

Recap:

Management Fees	4,500	5,646
Franchise Fees	6,164	7,894
Fixed Expenses	0	0

Franchise Costs:

Franchise Fees	6,164	7,894
Franchise Marketing	4,109	5,263
Franchise Reservations	2,740	3,508
total	13,013	16,665

Clarion Hotel & Conference Center South
Lexington, Kentucky

LABOR RECAP

	Account Code	Aug-17	Sep-17
Rooms:			
* Front Office Manager	610510.000	3,060	3,060
Front Office Supervisor		0	0
Front Desk Clerks	611010.000	4,506	4,361
Night Auditor	611510.000	3,162	3,060
* Executive Housekeeper	612010.000	2,627	2,627
Inspectress	613010.000	1,296	1,255
Room Attendants	613510.000	7,244	9,281
Houseman	614510.000	1,707	1,652
Lobby Attendant		1,707	1,652
Breakfast Attendant	615510.000	1,581	1,530
Total Rooms		26,891	28,477
Laundry:			
* Laundry Manager	651015.000	0	0
Laundry Attendants	652015.000	2,490	2,410
Total Laundry		2,490	2,410
Food:			
* Food & Beverage Manager	621020.000	0	0
* Assistant F & B Manager		0	0
* Executive Chef	626020.000	0	0
Sous- Chef	626520.000	0	0
Cooks	627020.000	0	0
Utility	627520.000	0	0
Dishwashers	628020.000	0	0
Wait Staff	622520.000	0	0
Hostess / Cashier	622020.000	0	0
* Catering Manager	623520.000	0	0
Banquet Set-up	624520.000	0	0
Banquet Servers	625020.000	0	0
Total Food		1,138	1,102
Beverage Payroll:			
* Bar Manager	631030.000	0	0
Bartender	632030.000	601	581
Banquet Beverage Server	632530.000	0	0
Banquet Bartender		0	0
Total Beverage		601	581
Administrative & General			
* General Manager	661060.000	5,417	5,417
Administrative Payroll	663060.000	0	0
Accounting Payroll	664060.000	0	0
Total Admin.		5,417	5,417
Sales & Marketing			
* Director of Sales	671070.000	3,605	3,605
* Sales Manger Exempt	672070.000	0	0
Sales Manager - Non-Exempt	0.000	2,372	2,295
Total Sales & Marketing		5,977	5,900
Maintenance & Repair			
* Chief Engineer	681080.000	3,167	3,167
Maintenance Worker	682080.000	5,091	4,927
Security Officer		0	0
Total Maintenance & Repair		8,257	8,093
Total Payroll		50,770	51,980

Clarion Hotel & Conference Center South
Lexington, Kentucky

Payroll Taxes & Employment Benefits

	Account Code	Aug-17	Sep-17
Taxes & Benefits			
Employee Benefits	880591.000	0	0
Employee Background Checks	881091.000	333	333
Employee Incentive	881591.000	125	125
Employee Meals	882091.000	158	158
Employment Advertising	882591.000	325	325
Employee Health Insurance	883591.000	840	840
Employee LTD Insurance	883791.000	0	0
Worker's Compensation Insura	884091.000	1100	1100
Recruitment Fees	884591.000	0	0
Safety & Training Materials	884791.000	290	290
Staff Activities	885091.000	0	0
Employer FICA	885591.000	4163	4262
FUTA	886091.000	254	260
SUI	886591.000	1015	1040
Miscellaneous		0	0
Total		8,603	8,733
Distribution:			
Rooms	619910.000	4,557	4,784
Laundry	659915.000	422	405
Retail		0	0
Food	629910.000	193	185
Beverage	639910.000	102	98
Admin.	669910.000	918	910
Sales	679910.000	1,013	991
Maint	689910.000	1,399	1,360
Total		8,603	8,733

The affixing of this Court's electronic seal below is proof this document has been signed by the Judge and electronically entered by the Clerk in the official record of this case.



Signed By:
Gregory R. Schaaf
Bankruptcy Judge
Dated: Wednesday, September 27, 2017
(grs)