

In re:

Chapter 11

Hahn Hotels of Sulphur  
Springs, LLC, *et al.*,

Case No. 17-40947

Jointly Administered

Debtors.<sup>1</sup>

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**First Amended Disclosure Statement Under 11 U.S.C. § 1125 in Support of Debtors'  
Proposed Joint Chapter 11 Plan of Reorganization**

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**IMPORTANT! THIS DISCLOSURE STATEMENT CONTAINS  
INFORMATION THAT MAY BEAR ON YOUR DECISION TO ACCEPT OR  
REJECT A CHAPTER 11 PLAN OF REORGANIZATION PROPOSED BY  
THE DEBTORS.**

**PLEASE READ THIS DOCUMENT WITH CARE.**

**If you are the holder of a Disputed Claim and want to vote on the Plan,  
you will need to obtain an order from the Bankruptcy Court allowing  
your claim only for voting purposes in order to cast and have your vote  
on the Plan counted. See Sections 1.E & 4.C within.**

**December 17, 2017**

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<sup>1</sup> The Debtors in these Chapter 11 Cases are, including the last four digits of their respective EIN number, as follows: Hahn Hotels of Sulphur Springs, LLC (2980), Hahn Investments, LLC (0448); Hahn Hotels, LLC (5692), Sleep Inn Property, LLC (6525), SI of Longview, LLC (2196), and Copeland's of Longview, LLC (6181). The shared mailing address for all Debtors is 525 Gilmer St., PO Box 113, Sulphur Springs, Texas 75482.

<b>I.</b>	<b>Executive Summary .....</b>	<b>5</b>
A.	Purpose of this Disclosure Statement and the Plan .....	5
B.	Overview of Chapter 11 Reorganizations .....	6
C.	Overview of Transactions Contemplated by the Plan.....	6
D.	Summary of Treatment of Claims and Distributions Under the Plan .....	7
E.	Voting on the Plan.....	8
1.	Eligibility to Vote .....	8
2.	Voting Deadline.....	8
F.	Confirmation and Consummation of the Plan.....	8
1.	Confirmation Objection Deadline.....	8
2.	Confirmation Hearing .....	8
3.	Effect of Confirmation and Consummation of the Plan.....	9
G.	Disclaimers .....	9
<b>II.</b>	<b>Debtors’ Background and Events Leading to Bankruptcy Filing .....</b>	<b>10</b>
A.	Overview of Debtors’ Businesses and Capital Structure .....	10
B.	Events Precipitating Chapter 11 Filings.....	11
<b>III.</b>	<b>Significant Post-Petition Developments.....</b>	<b>12</b>
A.	Joint Administration .....	12
B.	Schedules and Statements of Financial Affairs .....	12
C.	Retention of Professionals.....	12
D.	Cash Collateral and Budget Issues .....	12
E.	Substantive Consolidation of the Sleep Inn Debtors .....	12
F.	Filing of Plan and Disclosure Statement.....	13
<b>IV.</b>	<b>Description of the Plan .....</b>	<b>13</b>
A.	Identification of Claims and Interests.....	13
B.	Treatment of Unclassified Claims .....	16
1.	Allowed Administrative Claims .....	16
2.	Priority Tax Claims.....	19
3.	Statutory Fees .....	19
C.	Treatment of Classified Claims.....	19
1.	Class 1—Other Priority Claims.....	20
2.	Class 2—Secured Tax Claims.....	20
3.	Class 3—Lender Secured Claims .....	21
4.	Class 3-HS—Lender Secured Claims—La Quinta.....	21
5.	Class 3A-HI—Lender Secured Claims—City Center .....	25
6.	Classes 3B-HI, 3C-HI, and 3-SI—Lender Secured Claims—FNB Foreclosure Properties .....	26
7.	Classes 3D-HI, 3E-HI, and 3F-HI—Lender Secured Claims—Tall Pines, 115 Tyler, and Oakview Villas .....	28
8.	Class 3G-HI—Second-Lien Lender Secured Claims—Tall Pines .....	28
9.	Class 3H-HI—Second-Lien Lender Secured Claims—115 Tyler .....	29
10.	Class 3I-HI—Lender Secured Claims—Single-Family Residences .....	31
11.	Classes 3A-HH and 3B-HH—Lender Secured Claims—Hawthorn .....	31
12.	Class 4—Other Secured Claims .....	33
13.	Class 5—Unsecured Claims.....	34
14.	Class 6—Deficiency Claims.....	35
15.	Class 7—Guaranty Claims .....	36
16.	Class 8—Equity Interests.....	37

17.	Elimination of Vacant Classes .....	38
18.	Voting Classes; Presumed Acceptance by Non-Voting Classes .....	38
19.	Effect of Bankruptcy Code §§ 1129(a) and 1129(b) on Plan Confirmation .....	38
20.	Intercompany Claims .....	39
21.	Unimpaired or Subordinated Claims .....	39
D.	Treatment of Executory Contracts and Leases .....	39
1.	Rejection of Executory Contracts .....	39
2.	Claims Against a Debtor Upon Rejection.....	40
3.	Cure and Assumption of Specified Contracts.....	40
4.	Effect of Assumption.....	40
5.	Assumption or Rejection of Disputed Contracts.....	41
6.	Assumption or Rejection of Franchise Agreements .....	41
7.	Modification, Amendments, Supplements, Restatements or Other Agreements .....	42
8.	Reservation of Rights .....	43
9.	Contracts and Leases Entered into After the Petition Date.....	43
E.	Distributions and Delivery .....	43
1.	Initial Distributions .....	43
2.	Subsequent Distributions.....	43
3.	Distributions on Disputed Claims .....	43
4.	Record Date and Delivery of Distributions.....	44
F.	Claims Objections and Distribution Disputes .....	47
1.	Objections.....	47
2.	Estimation of Claims.....	47
3.	Amendments to Proofs of Claim.....	48
4.	No Distributions Pending Allowance .....	48
G.	Settlement, Release, Injunction, and Related Provisions.....	48
1.	Compromise and Settlement of Claims, Interest, and Controversies .....	48
2.	Discharge of the Debtors .....	49
3.	Release of Liens .....	50
4.	Legal Grounds for Releases .....	50
5.	Debtors' Release .....	51
6.	Voluntary Release by Holders of Claims .....	52
7.	Exculpation .....	53
8.	Injunction .....	54
9.	Limitation on Releases and Exculpation .....	54
10.	Temporary Injunction.....	55
H.	Modification, Revocation, or Withdrawal of the Plan .....	55
1.	Plan Modification.....	55
3.	Plan Revocation.....	55
<b>V.</b>	<b>Implementing the Plan .....</b>	<b>56</b>
A.	Description of Debtors' Property.....	56
B.	Sources of Funding the Plan .....	56
C.	Reorganized Debtors and Vesting of Assets .....	56
D.	Cancellation of Notes, Instruments, Certificates, and Other Documents.....	57
E.	Post-Confirmation Agreements.....	57
F.	Provisions Specific to Copeland's, HHSS, and Hahn Investments .....	59
G.	Section 1146 Exemption from Certain Taxes and Recording Fees .....	60
H.	Preservation of Causes of Action .....	60
I.	Effectuating Documents; Further Transactions .....	61
J.	Directors and Officers of the Reorganized Debtors.....	61
K.	Retention of Jurisdiction .....	61

<b>VI.</b>	<b>Conditions Precedent to Confirmation and Consummation.....</b>	<b>62</b>
A.	Conditions Precedent to the Effective Date .....	62
B.	Waiver of Conditions Precedent to the Effective Date.....	63
C.	Effect of Non-Occurrence of Conditions to Consummation .....	63
<b>VII.</b>	<b>Confirmation of the Plan .....</b>	<b>63</b>
A.	The Confirmation Hearing.....	63
B.	Deadline to Object to the Disclosure Statement and Plan Confirmation.....	64
C.	Requirements for Confirmation.....	64
1.	Requirements of Bankruptcy Code § 1129 .....	64
2.	Best Interests of Creditors—Liquidation Analysis .....	65
3.	Feasibility/Financial Projections .....	65
4.	Acceptance by Impaired Classes .....	66
5.	Confirmation Without Acceptance by All Impaired Classes.....	66
<b>VIII.</b>	<b>Risk Factors .....</b>	<b>68</b>
A.	Risks Related to Restructuring.....	68
1.	Restructuring Alternatives .....	68
B.	Risks Related to Recoveries Under the Plan.....	68
C.	Miscellaneous Risks .....	69
1.	No Audit Performed .....	69
2.	No Legal or Tax Advice Provided by this Disclosure Statement.....	69
3.	No Admissions Made .....	69
4.	Failure to Identify Litigation Claims or Projected Objections .....	69
5.	Information Provided by Debtors Relied on by Debtors’ Advisors .....	70
6.	No Representations Outside Disclosure Statement Authorized .....	70
<b>IX.</b>	<b>Debtors’ Recommendation .....</b>	<b>70</b>

## I. Executive Summary

### A. Purpose of this Disclosure Statement and the Plan

Bankruptcy Code<sup>2</sup> § 1125 requires debtors to prepare and obtain Bankruptcy Court approval of a disclosure statement as a prerequisite to soliciting votes on a plan of reorganization. The purpose of a disclosure statement is to provide adequate information, meaning information in sufficient detail to enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan and make a decision to vote to accept or reject the plan.

The Debtors are soliciting your vote in favor of the Plan. The Debtors' estates will bear the cost of any solicitation by the Debtors. No other additional compensation will be received by any party for any solicitation other than as disclosed to the Bankruptcy Court.

**YOU ARE ENCOURAGED TO READ THE PLAN, THIS DISCLOSURE STATEMENT, AND ANY EXHIBITS IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN. BEFORE ITS DISTRIBUTION TO ALL CREDITORS AND OTHER PARTIES IN INTEREST, THIS DISCLOSURE STATEMENT WAS APPROVED BY THE COURT AS CONTAINING ADEQUATE INFORMATION, BUT COURT APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT IMPLY COURT APPROVAL OF THE PLAN.**

**THE DEBTORS BELIEVE THAT THE COMPROMISES AND SETTLEMENTS CONTEMPLATED BY THE PLAN ARE FAIR AND EQUITABLE, MAXIMIZE THE VALUE OF THE DEBTORS' ESTATES, AND MAXIMIZE RECOVERIES TO HOLDERS OF CLAIMS AND INTERESTS. THE DEBTORS BELIEVE THE PLAN IS THE BEST AVAILABLE ALTERNATIVE FOR IMPLEMENTING A RESTRUCTURING OF THE DEBTORS' BALANCE SHEET. THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.**

This First Amended Disclosure Statement contains changes to the disclosure statement the Debtors originally filed on November 7, 2017. It incorporates descriptions of changes to the proposed Plan treatment of certain claims made in response to disclosure-statement objections filed before the objection deadline and as a result of ongoing negotiations among the Debtors and various stakeholders.

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<sup>2</sup> Capitalized terms not otherwise specifically defined in this Disclosure Statement have the meaning ascribed in Plan Article 1. The Plan was filed on November 1, 2017 [ECF #234]. The Plan is attached as **Exhibit A** to this Disclosure Statement.

## **B. Overview of Chapter 11 Reorganizations**

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor in possession<sup>3</sup> may seek to reorganize its affairs for the benefit of the debtor's creditors and other interested parties. The commencement of a Chapter 11 case creates an estate comprising all of the debtor's legal and equitable interests in property as of the date the petition is filed. Unless the Bankruptcy Court orders the appointment of a trustee, a Chapter 11 debtor may continue to manage and operate its affairs as a "debtor in possession," as the Debtors have done since the Petition Date.

Formulation of a plan of reorganization is the primary purpose of a Chapter 11 case. A plan sets forth the means for satisfying the claims of creditors against the debtor. After a plan is filed, the holders of claims are generally permitted to vote to either accept or reject the plan. Chapter 11 does not require that each holder of a claim vote in favor of a plan in order for the plan to be confirmed. At a minimum, however, a plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting from at least one class of claims impaired under the plan.

Classes of claims or interests that are not impaired under a plan of reorganization are conclusively presumed to have accepted the plan and therefore are not entitled to vote. A class is impaired if the plan modifies the legal, equitable, or contractual rights attaching to the claims or interests of that class.

## **C. Overview of Transactions Contemplated by the Plan**

The Plan is a joint document that includes five plans of reorganization for the six Debtors whose cases are being administered together under Case Number 17-40947. Although it is a joint plan, claims of a similar kind against a single Debtor are placed together in a class relating only to that Debtor (with the exception of the two Sleep Inn Debtors, as described more fully in Section 3.E of this Disclosure Statement). For example, holders of unsecured claims against Hahn Hotels of Sulphur Springs will receive treatment specific to that Debtor; they will not be lumped together with the claims against any other Debtor.

The Debtors own or operate multiple properties, including townhouses, hotels, a restaurant, and a mixed-use development. The Plan contemplates the Debtors continuing to retain these assets for a short period after plan confirmation to enable them to achieve the highest possible return to creditors. For the most part the Debtors contemplate doing one or more of the following intended to maximize the value of estate assets: (1) selling property for cash; (2) refinancing certain loan obligations; (3) renegotiating pre-petition lending agreements with the Debtors' current lenders; (4) returning collateral to pre-

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<sup>3</sup> A debtor in possession is a debtor in bankruptcy that maintains control of and management over the property that comprises the debtor's bankruptcy estate. A debtor in possession in a Chapter 11 case has the same duties and powers as a trustee. 11 U.S.C. §§ 1106 & 1107.

petition lenders holding secured claims; or (5) continuing to operate while paying allowed claims out over a period not to exceed five years.

#### **D. Summary of Treatment of Claims and Distributions Under the Plan**

The Plan organizes the Debtors' creditor and equity constituencies into groups called "Classes." For each class, the Plan describes: (1) the underlying claim or interest; (2) the recovery available to the holders of claims or interests in that class under the Plan; (3) whether the class is impaired or unimpaired under the Plan; (4) the form of consideration, if any, that holders in such class will receive on account of their respective claims or interests; and (5) whether the holders of claims and interests in such class are entitled to vote to accept or reject the Plan.

The proposed distributions and classifications under the Plan are based upon a number of factors, including the Debtors' liquidation analysis and financial projections, as well as the appraised property values provided to the Debtors by CBRE. The valuation of the Reorganized Debtors as going concerns is based on the value of the Debtors' assets and liabilities as of an assumed Confirmation Date of February 1, 2018 and incorporates various assumptions and estimates.

Except with regard to the Sleep Inn Debtors, whose claims are jointly classified in accordance with Plan Article 3, claims against each of the Debtors are separately classified and will be treated as against each individual Debtor for voting, confirmation, and distribution purposes. While similar types of claims are given the same class number, each class of claims and equity interests are labeled with an indicator of the applicable Debtor(s), as set forth below:

**HS:** Hahn Hotels of Sulphur Springs, LLC

**HI:** Hahn Investments, LLC

**HH:** Hahn Hotels, LLC

**SI:** Sleep Inn Debtors

**CL:** Copeland's of Longview, LLC

For example, all "Other Priority Claims" have been given a "Class 1" designation. An "HS" is added to designate the class of "Other Priority Claims" against the estate of Hahn Hotels of Sulphur Springs, LLC, resulting in the "Class 1-HS" label for that class. Class 1-HI is the class of Other Priority Claims existing against Hahn Investments, LLC, and so on. Although a particular Debtor may have no claims asserted against it in one or more of the classes listed, a class is omitted with respect to a Debtor where the Debtors are currently aware of no such type of claim against that Debtor.

For a detailed description of the treatment of claims and interests under the Plan and the sources of satisfaction for claims and interests, see Section 4 of this Disclosure Statement entitled "Description of the Plan."

## **E. Voting on the Plan**

### **1. Eligibility to Vote**

Certain procedures will be used to collect and tabulate votes on the Plan, as summarized in Section 6 of this Disclosure Statement entitled “Voting Instructions.” You should carefully read the voting instructions.

Only impaired holders of claims that are classified in Classes 2-8 of the Plan are entitled to vote on the Plan. Holders of Other Priority Claims in Class 1 are conclusively deemed to accept the Plan because they are unimpaired and, therefore, are not entitled to vote on the Plan.

**\*\*\*HOLDERS OF DISPUTED CLAIMS ARE NOT ENTITLED TO VOTE ON THE PLAN.\*\*\***

**A Disputed Claim is any claim that (a) has not been allowed by the Plan; (b) has not been allowed by a Bankruptcy Court order; (c) is listed on the Schedules as disputed, contingent, and unliquidated and for which no proof of claim has been filed; or (d) is evidenced by a proof of claim to which an objection has been filed.**

**If you are the holder of a Disputed Claim and want to vote on the Plan, you will need to obtain an order from the Bankruptcy Court allowing your claim only for voting purposes in order to cast and have your vote on the Plan counted.**

### **2. Voting Deadline**

**The voting deadline is [TBD]. To be counted as votes to accept or reject the Plan, each ballot must be properly executed, completed, and delivered (either by using the return envelope provided, by first class mail, overnight courier, personal delivery, or electronic mail) such that it is actually received before the voting deadline by the solicitation agent, the Law Offices of Judith W. Ross.**

**If you have any questions about the solicitation or voting process, please contact the solicitation agent. Any ballot received after the voting deadline or otherwise not in compliance with the voting instructions will not be counted except as determined by the Debtors.**

## **F. Confirmation and Consummation of the Plan**

### **1. Confirmation Objection Deadline**

If you want to object to confirmation of the Plan, you must file with the Bankruptcy Court and serve your objection **by no later than [Date and Time TBD] prevailing Central Time**. Failure to file your objection by the deadline may result in the Bankruptcy Court refusing to consider the objection or denying it without a hearing.

### **2. Confirmation Hearing**

A hearing on confirmation of the Plan will be held commencing at [TBD], before the Honorable Brenda T. Rhoades, United States Bankruptcy Court for the Eastern District

of Texas, Sherman Division, 660 North Central Expressway, Suite 300B, Plano, Texas 75074. The hearing on confirmation of the Plan may be adjourned from time to time without further notice except as given in open court.

### **3. Effect of Confirmation and Consummation of the Plan**

Following confirmation, and subject to satisfaction or waiver of each condition precedent in Plan Article 8, the Plan will be consummated on the Debtors' respective Effective Dates. Among other things, on the applicable Effective Date, certain release, injunction, exculpation, and discharge provisions set forth in Plan Article 9 will become effective. As such, before casting your vote you should read the provisions contained in Plan Article 9 carefully so that you understand how confirmation and consummation—which effectuates the release, injunction, exculpation, and discharge provisions—will affect you and any claim or interest you may hold with respect to the Debtors. These provisions are described in Section 4.G of this Disclosure Statement.

#### **G. Disclaimers**

The approval by the Bankruptcy Court of this Disclosure Statement does not constitute an endorsement by the Bankruptcy Court of the Plan or a guarantee of the accuracy or completeness of the information contained in the Plan or this Disclosure Statement. The information in this Disclosure Statement is intended solely for the use of creditors of the Debtors in evaluating the Plan and voting to accept or reject the Plan and, accordingly, may not be relied on for any purpose other than the determination of how to vote on, or whether to object to, the Plan.

The Debtors believe that the Plan and the treatment of claims under the Plan is in the best interests of claim holders and urge all claimholders entitled to vote to cast a ballot in support of the Plan.

The Debtors authorize no representations concerning the Plan other than those set forth in this Disclosure Statement. The information contained in this Disclosure Statement has been provided by the Debtors. In reaching your decision on how to vote on the Plan, the Debtors recommend that you not rely on any representation or inducement made to secure your acceptance or rejection of the Plan that is not in this Disclosure Statement or in the Plan itself.

Certain information included in this Disclosure Statement and its exhibits contain forward-looking statements. Such forward-looking statements are based on information available when such statements are made and concerns future results, the occurrence of which involve risks and uncertainties that could cause actual results to differ materially from those expressed in the statements. Risks associated with the Plan are discussed in more detail in Section 8 of this Disclosure Statement.

## II. Debtors' Background and Events Leading to Bankruptcy Filing

### A. Overview of Debtors' Businesses and Capital Structure

Hahn Hotels of Sulphur Springs, LLC (“HHSS”) and its affiliates are wholly owned subsidiaries of Hahn Investments, LLC. Melissa A. Hahn and Dante E. Hahn formed Hahn Investments in 1999 for the purpose of engaging in real-estate-investment projects. Since its formation, Hahn Investments purchased several properties to generate income through development and property rentals. In addition to several larger-scale real-estate projects owned through its subsidiaries (as discussed below), Hahn Investments owns and acts as landlord with respect to numerous commercial and residential properties, including single-family stand-alone homes, townhouses, retail space, and a restaurant. Hahn Investments' most recent construction project is the City Center mixed-use development, located in Longview, Texas. All of Hahn Investments' properties are located in Texas, with a majority of the property located in Longview, Texas in Gregg County. HHSS is located in Sulphur Springs, Texas, in Hopkins County.

In 2012, HHSS was formed for the purpose of building, owning, and operating a 68-unit La Quinta Inn and Suites in Sulphur Springs, Texas. In 2009, Hahn Hotels, LLC was formed as a means of building, owning, and operating an 84-unit extended stay hotel in Longview, Texas. This hotel has since become a franchise of Hawthorn Suites. In 2013, Sleep Inn Property, LLC and SI of Longview, LLC were formed with the former owning the property, improvements, equipment, furniture, and fixtures of a 69-unit Sleep Inn Hotel & Suites franchise adjacent to the Hawthorn Suites, and the latter operating the business of that hotel. That same year, Copeland's of Longview, LLC was formed to operate a restaurant, a Copeland's of New Orleans franchise, also adjacent to the Hawthorn Suites property. Each of the above entities is a Debtor in these Chapter 11 cases.

The Debtors generate revenues through rental income and the operation of the Copeland's restaurant and the Sleep Inn, Hawthorn Suites, and La Quinta hotels. As to the rental properties, rent is collected monthly, and maintenance issues are addressed as they arise. Day-to-day business operations are overseen by onsite management employees, with payroll and other company services handled through external service providers.

To finance their respective property purchases and related construction, the Debtors entered into a series of promissory notes over the years. On occasion, the Debtors would refinance notes to extend the maturity of the obligations or secure additional funding or more favorable terms. The note obligations were each guaranteed by either Mr. or Mrs. Hahn, a Debtor entity other than the applicable borrower, or a combination of these. The Debtors' guaranty obligations are reflected in the schedules that the Debtors filed in this case. In addition to providing guarantees, as needed before bankruptcy the Debtors would lend funds to each other informally, with those intercompany obligations noted in each applicable entities' books.

## **B. Events Precipitating Chapter 11 Filings**

In 2008, Hahn Investments purchased an 11-acre tract of land in northern Longview, Texas for the purpose of constructing several businesses, including what are now the Sleep Inn, Hawthorn Suites, and Copeland's businesses referenced above.

In 2013, Hahn Investments started construction on the City Center mixed-use development on the southwest portion of that property. Once finished, the three-story development will include retail space on the first floor and apartment residences on the upper floors. After bidding the project, Leinart Construction was selected as the general contractor, with an estimated completion date in the latter half of 2014. After construction began, however, it became clear that Leinart had substantially underestimated the number of hours and materials that they would need to complete the project. The impact of the construction delays was compounded by disputes over the amount of money Leinart required to complete the project and the need to generate the additional funds to do so. To secure such funds, the Debtors borrowed additional amounts from First National Bank of Hughes Springs under notes secured by the Copeland's and Sleep Inn properties, respectively. Texas Bank and Trust, the lender on the City Center project, however, refused to lend the additional funds needed for construction, leaving Hahn Investments facing the maturity date of its City Center note without the cash necessary to complete the project. Hahn Investments continued its efforts to complete the project, hiring a replacement contractor, B. L. Duszik Construction Co., and renting apartment units that had already been completed.

As of the Petition Date, construction of the City Center was about 90% complete. The Debtors estimated originally that it would take approximately \$300,000 for the additional work and materials needed for the replacement contractor to complete the project; however, there are currently approximately \$500,000 in outstanding invoices relating to the construction. About 25 (of what will be 50 when completed) apartments in City Center have already been leased and are occupied. The Debtors cannot predict with certainty how much it will cost to complete the City Center. The first-floor retail spaces remain vacant. While the City Center, like the rest of Hahn Investments' properties, provides monthly rental income, this income is insufficient to satisfy the note payments associated with the property in addition to the construction costs.

During the course of the disputes over construction costs, Leinart and several of its subcontractors and subsequently B. L. Duszik Construction Co. and several of its contractors filed mechanics and materialman's liens against the City Center property. Pre-petition, the Debtors entered into settlement negotiations with these lienholders with the goal of removing those encumbrances from the City Center property.

With these construction delays and additional obligations, the Debtors did not have the financial wherewithal to meet their note obligations and found it necessary to file the Chapter 11 cases. Before 2014, the Debtors paid their note obligations regularly and on time. But with the strain on their collective cash flow, in the months leading up to the bankruptcy filings, the Debtors missed multiple note payments and were facing foreclosure on several of their properties as well as threats and actions from more than one

lender regarding contacting the Debtors' tenants to have rents paid to the lender directly. By filing the Chapter 11 cases, the Debtors hoped initially to restructure their note obligations, complete the City Center construction, and resume their profitable operations.

### **III. Significant Post-Petition Developments**

#### **A. Joint Administration**

On May 5, 2017 the Bankruptcy Court entered an order providing for the joint administration of the six Debtors' bankruptcy cases for procedural purposes only [ECF #37]. None of the Debtors' cases have been substantively consolidated, but the Plan contemplates the substantive consolidation of Debtors Sleep Inn of Longview, LLC and Sleep Inn Property, LLC for Plan-related purposes.

#### **B. Schedules and Statements of Financial Affairs**

The Debtors filed their Schedules on June 12, 2017. The Schedules are available electronically on the Public Access to Court Electronic Records website at <https://www.pacer.gov>. Creditors may also contact Debtors' counsel to obtain a copy of the Schedules.

#### **C. Retention of Professionals**

The Bankruptcy Court approved the Debtors' retention of the following professionals under § 327 of the Bankruptcy Code: (i) Law Offices of Judith W. Ross as Debtors' bankruptcy counsel [ECF #113]; and (ii) Bridgepoint Consulting, LLC as the Debtors' financial advisor [ECF #114].

On August 31, 2017, the Bankruptcy Court entered its Order Granting Motion to Establish Procedures for Monthly and Interim Compensation and Reimbursement of Expenses for Case Professionals (ECF #198). The Debtors have compensated their Court-approved professionals during the case in accordance with the provisions of the interim fee order.

#### **D. Cash Collateral and Budget Issues**

Most of the cash the Debtors generate from their businesses is encumbered by lender liens securing the Debtors' various loan obligations. To use this cash, the Debtors were required to obtain Bankruptcy Court approval and to submit periodic budgets and variance reports to the lenders. On June 6, 2017, June 30, 2017, and August 30, 2017 the Bankruptcy Court entered orders approving the Debtors' use of cash collateral subject to certain conditions [ECF #118, 144, & 197, respectively].

#### **E. Substantive Consolidation of the Sleep Inn Debtors**

The Plan will serve as a motion by the Debtors seeking entry of a Bankruptcy Court order deeming the substantive consolidation of the Sleep Inn Debtors' Estates into a single estate for certain limited purposes related to the Plan, including voting, confirmation, and distribution. As a result of the deemed substantive consolidation of the Sleep Inn Debtors' estates, each class of claims and equity interests against either Sleep Inn Debtor will be

treated as against a single consolidated estate without regard to the separate legal existence of the Sleep Inn Debtors. The Plan will not result in the merger or otherwise affect the separate legal existence of each Sleep Inn Debtor, other than with respect to voting and distribution rights under the Plan, and otherwise in satisfying the applicable requirements of Bankruptcy Code § 1129.

#### F. Filing of Plan and Disclosure Statement

On November 1, 2017 the Debtors filed their joint Chapter 11 plan of reorganization [ECF #234].

On November 7, 2017 the Debtors filed their disclosure statement in support of that plan [ECF #247] and a motion seeking approval of the disclosure statement as well as solicitation, balloting, and notice procedures [ECF #248].

### IV. Description of the Plan

Section 4 of this Disclosure Statement is intended only to provide a summary of the key terms, structure, classification, treatment, and implementation of the Plan. It is qualified by reference to the entire Plan. Although the statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan, this Disclosure Statement does not purport to be a precise or complete statement of all related terms and provisions, and should not be relied on for a comprehensive discussion of the Plan. Instead, reference is made to the Plan for the full and complete statements of the Plan's terms and provisions. The Plan itself will control the treatment of holders of claims and interests under the Plan. **To the extent there are any inconsistencies between this Section 4 and the Plan, the Plan will govern.**

The treatment of claims and equity interests described in this Section 4 of the Disclosure Statement is what the Debtors propose in their Plan. But under the Plan, holders of allowed claims or equity interests may agree with the Debtors or Reorganized Debtors (as applicable) to receive less favorable treatment than that which the Plan specifically provides.

#### A. Identification of Claims and Interests

Under the Plan, there are nine numbered classes into which claims against and equity interests in the Debtors are placed. The table below provides a summary of the classification, description, and voting status of claims and equity interests under the Plan.

Class(es)	Claims and Equity Interests	Status	Voting Rights
1-HS to 1-CL	Other Priority Claims	Unimpaired	Deemed to Accept
2-HS to 2-CL	Secured Tax Claims	Impaired	Entitled to Vote
3-HS	Lender Secured Claims – La Quinta	Impaired	Entitled to Vote

<b>Class(es)</b>	<b>Claims and Equity Interests</b>	<b>Status</b>	<b>Voting Rights</b>
	<i>(Pilgrim Bank)</i>		
3A-HI	Lender Secured Claims – City Center <i>(Texas Bank and Trust)</i>	Impaired	Entitled to Vote
3B-HI	Lender Secured Claims – Restaurant and Raw Land <i>(First National Bank of Hughes Springs)</i>	Impaired	Entitled to Vote
3C-HI	Lender Secured Claims – 108/110 Tyler <i>(First National Bank of Hughes Springs)</i>	Impaired	Entitled to Vote
3D-HI	Lender Secured Claims – Tall Pines <i>(Texas National Bank)</i>	Impaired	Entitled to Vote
3E-HI	Lender Secured Claims – 115 Tyler <i>(Texas National Bank)</i>	Impaired	Entitled to Vote
3F-HI	Lender Secured Claims – Oakview Villas <i>(Texas National Bank)</i>	Impaired	Entitled to Vote
3G-HI	Second-Lien Lender Secured Claims – Tall Pines <i>(Texas Bank and Trust)</i>	Impaired	Entitled to Vote
3H-HI	Second-Lien Lender Secured Claims – 115 Tyler <i>(First National Bank of Hughes Springs)</i>	Impaired	Entitled to Vote
3I-HI	Lender Secured Claims – Single-Family Residences <i>(Austin Bank)</i>	Impaired	Entitled to Vote
3A-HH	Lender Secured Claims – Hawthorn <i>(Texas Bank and Trust)</i>	Impaired	Entitled to Vote
3B-HH	Second-Lien Lender Secured Claims – Hawthorn <i>(U.S. Small Business Administration)</i>	Impaired	Entitled to Vote
3-SI	Lender Secured Claims – Sleep Inn <i>(First National Bank of Hughes Springs)</i>	Impaired	Entitled to Vote

Class(es)	Claims and Equity Interests	Status	Voting Rights
4-HS to 4-CL	Other Secured Claims	Impaired	Entitled to Vote
5-HS to 5-CL	Unsecured Claims	Impaired	Entitled to Vote
6-HS to 6-CL	Deficiency Claims	Impaired	Entitled to Vote
7-HS to 7-CL	Guaranty Claims	Impaired	Entitled to Vote
8-HS to 8-CL	Equity Interests	Impaired	Entitled to Vote

The Debtors have identified claims against them in their separate Schedules, filed on June 12, 2017 in their respective Chapter 11 cases. Since the Petition Date, numerous entities have filed proofs of claim against the Debtors, most but not all of which overlapped with what was identified in the Schedules. While the Debtors have the right to and may amend their Schedules, the following chart provides an overview of the number of claims (scheduled or the subject of a proof of claim) against each Debtor and the *approximate* total amounts of such claims:

Debtor(s)	No. of Scheduled Claims (Non-Insider)	Total Amount of Scheduled Claims (Non-Insider)	No. of Proofs of Claims Filed	Total Amount of Additional Claims <sup>4</sup>
HHSS	22	\$3.1 million	14	\$680,000
HI	28	\$13.3 million	29	\$565,000 plus \$7.6 million in guaranty-related claims
HH	18	\$4.2 million	13	\$210,000 plus \$3 million in guaranty-related claims

<sup>4</sup> This column provides the approximate dollar amount in claims reflected in filed proofs of claim but not in the applicable Debtor's Schedules.

Debtor(s)	No. of Scheduled Claims (Non-Insider)	Total Amount of Scheduled Claims (Non-Insider)	No. of Proofs of Claims Filed	Total Amount of Additional Claims <sup>4</sup>
SI	27	\$5.2 million	15	\$345,000 plus \$4.6 million in guaranty-related claims
CL	37	\$200,000	9	\$30,000

The above totals include claims against which the Debtors intend to file objections based on, among other things, no liability, duplicative claims, claims filed against the wrong Debtor, and late-filed claims. Further, the totals provided for Scheduled claims include claims the Debtors marked as contingent, unliquidated, or disputed, but for which no proof of claim has been filed. The Plan provides that such claims are deemed disallowed and will be discharged as of the applicable Reorganized Debtor's Effective Date, unless otherwise ordered by the Court. Finally, the additional claim amounts listed for HI, HH, and SI include guaranty claims related to obligations for which one of their affiliated Debtors is the primary obligor.

The original claims bar dates set in these Chapter 11 cases for general claims and claims held by governmental units have passed. But the Debtors anticipate that there will be additional claims filed in accordance with the Plan relating to administrative expenses, including professional fees and expenses, and any rejection of executory contracts. Though not categorized as claims in the Plan, the Debtors also anticipate making payments related to the assumption of any executory contracts under the Plan or otherwise.

## **B. Treatment of Unclassified Claims**

In accordance with Bankruptcy Code § 1123(a)(1), the Plan does not classify General Administrative Claims and Priority Tax Claims, so these are excluded from the classes of claims and equity interests set forth in Plan Article 3.

### **1. Allowed Administrative Claims**

Administrative Claims arise under Bankruptcy Code §§ 503(b), 507(b), and 1114(e) (as applicable). Generally, claims are considered administrative if they relate to goods or services provided to a debtor during the time a debtor is in bankruptcy for "actual and necessary costs and expenses" that benefit a debtor's estate. Claims for payment on goods or services provided to a debtor before bankruptcy are not administrative claims. Under the Plan, there are several types of Administrative Claims, including Intercompany Administrative Claims, Professional Claims, and Ordinary Course General Administrative Claims.

The Plan contemplates that each Reorganized Debtor will pay holders of certain types of Administrative Claims in cash the full amount of their allowed claims on the applicable Reorganized Debtor's Effective Date. For Administrative Claims that are allowed after a Reorganized Debtor's Effective Date, the Plan provides for that Reorganized Debtor to pay the holder of such a claim in cash the full amount of the allowed claim when the claim is allowed or as soon as reasonably practicable after its allowance. Holders of Ordinary Course General Administrative Claims (i.e., for goods and services provided to a Debtor in the ordinary course of that Debtor's business between the Petition Date and the Confirmation Date) will receive payment in cash for the full amount of the claim on the date the amount is due in accordance with applicable non-bankruptcy law and the terms and conditions of any applicable agreement or instrument (i.e., in the ordinary course of business). Holders of Professional Claims will be paid as described in Section 4.B.1.(b) below.

**a) Administrative Claims Bar Date**

Under the Plan, except as described immediately below, any request for payment of an Administrative Claim must be filed and served on the Reorganized Debtors in accordance with the procedures specified in the notice of entry of the Confirmation Order and the Confirmation Order itself on or before the Administrative Claim Bar Date, which is the 30th day after the Confirmation Date (or such other date as may be fixed by order of the Bankruptcy Court).

**No request for payment is required to be filed and served with respect to any:**

- Administrative Claim that is allowed as of the Administrative Claim Bar Date;
- Ordinary Course General Administrative Claim;
- Intercompany Administrative Claim;
- Claim of a governmental unit not required to be filed under Bankruptcy Code § 503(b)(1)(D);
- Professional Claim; or
- Claim for U.S. Trustee Fees.

Under Plan Article 2.1 if you hold an Administrative Claim and are required to file and serve a request for payment but fail to do so in accordance with the procedures specified in the Confirmation Order on or before the Administrative Claim Bar Date you will be barred from asserting your claim against the Debtors, the Reorganized Debtors, or their respective property, and your claim will be discharged as of that Debtor's Effective Date. In such an instance, you will receive nothing on account of your claim.

If you are a party in interest wanting to object to a creditor's request for payment of an Administrative Claim that is required to be filed and served in accordance with Plan Article 2.1, you must file and serve your objection on the Debtors or Reorganized Debtors, as applicable, and the requesting party creditor (a) no later than the Claims Objection

Date or (b) by any later date as may be established by order of the Bankruptcy Court upon a motion by a Reorganized Debtor, with notice only to those parties entitled to receive notice, in accordance with the Plan.

**b) Professional Compensation**

***Professional Fee Reserve Amount.*** The Plan provides that with respect to each Debtor, each Professional will provide an invoice(s) of any unpaid fees and expenses that have not yet been previously invoiced that such Professional has incurred in rendering services to the Debtors before and as of the Confirmation Date. Such invoice(s) will be provided to the applicable Debtor, the U.S. Trustee, and any Lender to that Debtor no later than five Business Days before the Administrative Claims Bar Date.

***Professional Fee Reserve.*** Under the Plan, as soon as reasonably practicable after the Confirmation Date and before the Administrative Claims Bar Date, the Reorganized Debtors will establish the Professional Fee Reserve Account. On or as reasonably practicable after the Administrative Claims Bar Date, each Reorganized Debtor will fund the Professional Fee Reserve Account with cash equal to the amount of the aggregate Professional Fee Reserve Amount for all professionals with respect to that Debtor. The Professional Fee Reserve Account will be maintained in trust for the Professionals. Funds in the Professional Fee Reserve Account will not be considered property of the Debtors' estates. If any Reorganized Debtor does not have sufficient cash available to fund its full Professional Fee Reserve Amount by the Administrative Claims Bar Date, that Reorganized Debtor will fund whatever portion is feasible at that time. In that case, the Reorganized Debtor will fund the remaining portion of its Professional Fee Reserve Amount when that cash becomes available to that Reorganized Debtor.

***Post-Confirmation Date Fees and Expenses.*** From and after the Confirmation Date, the Reorganized Debtors, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, will pay in cash the reasonable legal, professional or other fees and expenses related to implementation and consummation of the Plan incurred by the Reorganized Debtors. Except as otherwise specifically provided in the Plan, upon the Confirmation Date, any requirement that professionals comply with Bankruptcy Code §§ 327, 328, 329, 330, or 331 or the interim compensation procedures order in seeking retention or compensation for services rendered after such date will terminate, and the Reorganized Debtors may then employ and pay any Professional in the ordinary course of business, including the draw of any retainers held by a Professional without seeking relief from the Bankruptcy Court.

***Final Fee Applications.*** Under the Plan, all final requests for payment of professional claims must be filed and served no later than 60 days after the Confirmation Date. The Bankruptcy Court will determine the allowed amounts of such professional claims.

***Payment of Professional Fees.*** Under the Plan, the Reorganized Debtors will pay in full Professional Claims in Cash from funds held in the Professional Fee Reserve Account as soon as reasonably practicable after such Claims are Allowed by order of the

Bankruptcy Court, taking into account any payments made on an interim basis pursuant to the Interim Compensation Procedures Order. To the extent that funds held in the Professional Fee Reserve Account are unable to satisfy the amount of such Professional Claims, the Reorganized Debtors will pay such Professional Claims as soon as sufficient Cash becomes available to the Reorganized Debtors. The Reorganized Debtors will be jointly and severally liable for Allowed Professional Claims, except that Hahn Hotels of Sulphur Springs, LLC will not be jointly and severally liable for Allowed Professional Claims against other Debtors unless and until Pilgrim Bank's Class 3-HS Claim has been paid in full. Notwithstanding this exception, Hahn Hotels of Sulphur Springs, LLC will be responsible for paying, in accordance with the Plan and all Court orders relating to the payment of fees and expenses in Hahn Hotels of Sulphur Springs, LLC's bankruptcy case, all Allowed Professional Claims against Hahn Hotels of Sulphur Springs, LLC. After all Allowed Professional Claims have been paid in full, any excess amounts in the Professional Fee Reserve Account will be returned to the applicable Reorganized Debtor(s).

## **2. Priority Tax Claims**

A Priority Tax Claim is a claim held by a governmental unit of the kind specified in Bankruptcy Code § 507(a)(8). Under the Plan, the holder of each allowed Priority Tax Claim due and payable on or before the applicable Effective Date will be paid, at the election of the applicable Reorganized Debtor, (a) cash on its Effective Date in an amount equal to the full unpaid amount of its allowed Priority Tax Claim; or (b) equal quarterly cash payments in an aggregate amount equal to the unpaid portion of its allowed Priority Tax Claim, together with interest at the applicable rate under non-bankruptcy law, commencing on or before the first Quarterly Payment Date following its Effective Date and continuing on each Quarterly Payment Date over a period not exceeding four years from and after the petition date, subject to the sole option of the Reorganized Debtor to prepay the entire amount of the unpaid portion of the allowed Priority Tax Claim in the ordinary course of business or to make payments more frequently between Quarterly Payment Dates to the extent that such payments, including any payment made on the next applicable Quarterly Payment Date, in the aggregate equal the quarterly payment otherwise due on or before the next applicable Quarterly Payment Date.

Any allowed Priority Tax Claim that is not due and payable on or before the Confirmation Date will be paid in the ordinary course of business after the Confirmation Date as and when due under applicable non-bankruptcy law.

## **3. Statutory Fees**

Each Debtor or the Reorganized Debtor, as applicable, will pay its respective U.S. Trustee Fees for each quarter (including any fraction thereof) until its bankruptcy case is converted, dismissed, or closed, whichever occurs first.

## **C. Treatment of Classified Claims**

The Plan constitutes a separate Plan proposed by each Debtor. Except for the claims addressed in Plan Article 2, discussed above in Section 4.B of this Disclosure Statement, all claims and interests are classified in the classes set forth below in accordance with

Bankruptcy Code § 1122. A claim or an interest is classified in a particular class only to the extent that the claim or interest qualifies within the description of that class and is classified in other classes to the extent that any portion of the claim or interest qualifies within the description of such other classes. A claim or an interest also is classified in a particular class for the purpose of receiving distributions under the Plan only to the extent that a claim or interest is an allowed claim or interest in that class and has not been paid, released, or otherwise satisfied before the applicable Effective Date.

A claim is an allowed claim if it is a claim, other than a Lender Secured Claim, that (a) has been allowed by the terms of the Plan, (b) has been allowed by an order of the Bankruptcy Court, (c) is listed in the Schedules as not disputed, not contingent, and not unliquidated and no Proof of Claim has been filed, or (d) is evidenced by a valid and timely filed Proof of Claim or request for payment of an Administrative Claim, as applicable to which no objection to allowance, request for estimation, or other challenge has been filed before the applicable Claims Objection Bar Date. With respect to any Lender Secured Claim, “Allowed” means that such claim has been allowed by terms of the Plan or an order of the Bankruptcy Court.

**A disputed claim is any claim that has not been allowed. Holders of disputed claims are not entitled to vote on the Plan. If you are the holder of a disputed claim and want to vote on the Plan, you will need to obtain an order from the Bankruptcy Court allowing your claim only for voting purposes in order to cast and have your vote on the Plan counted.**

Under the Plan, holders of allowed claims or equity interests may agree with the Debtors or Reorganized Debtors (as applicable) to receive less favorable treatment than that which the Plan specifically provides.

#### **1. Class 1—Other Priority Claims**

Each Class 1 contains the allowed Other Priority Claims against the applicable Debtor(s). Under the Plan, at the option of the applicable Debtor, each holder of an allowed Other Priority Claim will receive on the applicable Effective Date<sup>5</sup> payment in full in cash of its allowed Class 1 Claim or such other treatment as is consistent with the requirements of Bankruptcy Code § 1129(a)(9).

Class 1 is unimpaired, and holders of Class 1 Claims are not entitled to vote on the Plan because they are conclusively deemed to have accepted the Plan.

#### **2. Class 2—Secured Tax Claims**

Each Class 2 contains the allowed Secured Tax Claims against the applicable Debtor(s). Under the Plan, each holder of an Allowed Secured Tax Claim in Class 2-HS,

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<sup>5</sup> In accordance with Plan Article 1.3, the phrase “on the Effective Date” should be interpreted to mean “on the Effective Date or as soon as reasonably practicable thereafter.”

Class 2-SI, and Class 2-CL will receive cash on the applicable Effective Date in an amount equal to the full unpaid amount of such allowed Secured Tax Claim

Under the Plan, each holder of an Allowed Secured Tax Claim in Class 2-HI and Class 2-HH will receive equal quarterly cash payments in an aggregate amount equal to the unpaid portion of such allowed Secured Tax Claim, together with interest at the applicable rate under non-bankruptcy law, commencing on or before the first Quarterly Payment Date following the applicable Effective Date and continuing on each Quarterly Payment Date over a period not exceeding four years from and after the Confirmation Date, subject to the sole option of the Reorganized Debtors to prepay the entire amount of the unpaid portion of the allowed Secured Tax Claim in the ordinary course of business or to make payments on a more frequent basis between Quarterly Payment Dates to the extent that such payments, including any payment made on the next applicable Quarterly Payment Date, in the aggregate equal the quarterly payment otherwise due on or before the next applicable Quarterly Payment Date. If a post-Effective Date sale of the property on which the holder of an Allowed Secured Tax Claim has liens, full payment of any remaining unpaid portion of the Class 2 Claim will be paid at the time of such sale. In either case, the holder of an Allowed Secured Tax Claim will retain any Liens it held prepetition with respect to such Allowed Secured Tax Claim until the holder is paid the full amount of the claim.

Class 2 is impaired, and holders of Class 2 Claims are entitled to vote on the Plan.

### **3. Class 3—Lender Secured Claims**

The Class 3 designation is for allowed Lender Secured Claims. Multiple holders have asserted Lender Secured Claims against the various Debtors with respect to a number of properties owned by the Debtors.

Some Debtors have had multiple Lender Secured Claims asserted against them, and some claimants hold Lender Secured Claims against more than one Debtor. For ease of reference and to increase clarity, each Class 3 Lender Secured Claim is labeled with a two-letter abbreviation indicating the Debtor against which the Claim has been asserted. For example, Class 3-HS refers to a Lender Secured Claim asserted against Hahn Hotels of Sulphur Springs, LLC. For Debtors with multiple Lender Secured Claims asserted against them, an additional letter in the Class number is added to distinguish between the Claims. For example, Class 3A-HI is one Lender Secured Claim against Debtor Hahn Investments, LLC. Class 3B-HI is another Lender Secured Claim asserted against Hahn Investments, and so on.

Lender Secured Claims asserted against the Debtors are generally assigned to their own Classes with a designation beginning with the number 3. The Class designations and summary of proposed treatment for the Lender Secured Claims are as follows:

#### **4. Class 3-HS—Lender Secured Claims—La Quinta**

Class 3-HS contains the allowed Lender Secured Claims against Hahn Hotels of Sulphur Springs, LLC relating to the La Quinta currently held by Pilgrim Bank.

Under the Plan, except to the extent that the holder of the Class 3-HS Claim (currently, Pilgrim Bank) agrees in writing after the Confirmation Date to less favorable treatment, the holder of the Class 3-HS Claim will be paid its Class 3-HS Claim according to the following terms:

- *Interest Payments.* Hahn Hotels of Sulphur Springs, LLC will pay to Pilgrim Bank interest-only monthly payments at the prepetition non-default contract rate (which is 5.48% per annum) beginning on the first day of the first full month after the Confirmation Date and continuing regularly and monthly thereafter on the first day of each succeeding calendar month thereafter until and including May 1, 2018. Post-Confirmation interest at the Prepetition non-default contract rate will be calculated on the unpaid balance of Pilgrim Bank's Allowed Class 3-HS Claim as of the Confirmation Date;
- *Allowed Class 3-HS Claim; Pre-confirmation Interest and Attorneys' Fees (Petition Date to December 8, 2017).* Debtors acknowledge that Pilgrim Bank is the beneficiary of guaranty agreements concerning the Class 3-HS Claim including guaranty agreements signed by Dante and Melissa Hahn, certain Guarantor Debtors (Hahn Investments, LLC and Hahn Hotels, LLC), and one or more non-Debtor Persons (the latter being referred to as the "**Pilgrim Bank Non-Debtor Guarantors**"). After the Petition Date payments were made to Pilgrim Bank by some of the Pilgrim Bank Non-Debtor Guarantors. Credit for payments by Pilgrim Bank Non-Debtor Guarantors has been applied to the Class 3-HS Claim, first to accrued and unpaid Prepetition and post-petition interest, second to Pilgrim Bank's out-of-pocket expenses, third to Pilgrim Bank's attorneys' fees, court costs, and other related expenses, and fourth to the principal balance of the Class 3-HS Claim, in each instance as of and through December 8, 2017. After applying all payments made to Pilgrim Bank by the Pilgrim Bank Non-Debtor Guarantors, the Allowed Class 3-HS Claim as of December 8, 2017 is \$2,943,803.28, which amount is the unpaid principal balance of the Claim. All Prepetition and post-petition interest accrued on the Class 3-HS Claim through December 8, 2017, and all prepetition and post-petition attorneys' fees and costs otherwise payable to Pilgrim Bank on the Class 3-HS Claim through November 30, 2017, have been paid by the Pilgrim Bank Non-Debtor Guarantors. Notwithstanding any other provision in the Plan the Class 3-HS Claim is an Allowed Secured Claim and no objection to the claim will or can be made. Moreover, the provisions of Plan Article 6.11.1 entitled "Claims Paid by Third Parties" will not apply to the Class 3-HS Claim or any amount paid to Pilgrim Bank by any Pilgrim Bank Non-Debtor Guarantor;
- *Pre-Confirmation Interest and Attorneys' Fees (December 8, 2017 to Confirmation Date).* Notwithstanding any other provision in the Plan,

Pilgrim Bank is not required to file a motion or application for the allowance of interest from or after the Petition Date through December 8, 2017 or for the allowance of its attorneys' fees and costs for any period of time up to November 30, 2017 to the extent that such interest, fees, and costs have been paid by the Pilgrim Bank Non-Debtor Guarantors and are not asserted against any Debtor. Interest on the unpaid balance of the Allowed Class 3-HS Claim will accrue after December 8, 2017 and until the Confirmation Date at 5.48% per annum. The amount of Pilgrim Bank's reasonable attorneys' fees and costs for the period after November 30, 2017 may be allowed by agreement with Debtors or by order of the Court. All such interest, attorneys' fees, and costs will be a part of Pilgrim Bank's Allowed Class 3-HS Claim only if and to the extent that Pilgrim Bank's Class 3-HS Claim is oversecured and entitled to such interest, fees, and costs under § 506(b) of the Bankruptcy Code, as determined at the time of the sale, foreclosure, or surrender of the La Quinta in accordance with Plan Article 3.5.3;

- *Post-Confirmation Sale of La Quinta.* On or before June 1, 2018, Hahn Hotels of Sulphur Springs, LLC will close on a Post-Confirmation Sale of the La Quinta at a purchase price equal to or greater than (a) an amount which is sufficient, after the payment of all applicable costs of sale and Secured Tax Claims against the La Quinta, to pay in full the unpaid balance of the Allowed Class 3-HS Claim (including interest, reasonable attorneys' fees, and costs), or (b) an amount approved by written agreement between Hahn Hotels of Sulphur Springs, LLC and Pilgrim Bank. The deadline for closing on the Post-Confirmation Sale of the La Quinta may be extended by written agreement between Hahn Hotels of Sulphur Springs, LLC and Pilgrim Bank. On or as soon as reasonably practicable after the Confirmation Date, Hahn Hotels of Sulphur Springs, LLC will execute and place in escrow with the firm of Ritcheson, Lauffer & Vincent, P.C. a deed in lieu of foreclosure to the La Quinta and in favor of Pilgrim Bank. If the Post-Confirmation Sale of the La Quinta is not closed on or before June 1, 2018, or such other date as Pilgrim Bank approves in writing, then at Pilgrim Bank's election, the deed in lieu of foreclosure may be delivered to Pilgrim Bank or Pilgrim Bank may proceed to a foreclosure of its liens against the La Quinta and any other property securing payment of the Class 3-HS Claim (excluding, however, Prepetition Intercompany Claims). If the Effective Date as to Hahn Hotels of Sulphur Springs, LLC does not occur on or before the deadline to conclude the Post-Confirmation Sale of the La Quinta, then the automatic stay of Bankruptcy Code § 362 will be deemed to be terminated as of such deadline and as to the La Quinta and all other collateral securing payment of the Class 3-HS Claim without the need for any further order of the Court, notice to Debtors, or opportunity to cure. After Confirmation any and all of Pilgrim Bank's credit bid rights concerning all or any part of its collateral will continue and remain in full force and effect;

- *Post-Confirmation Reports to Pilgrim Bank.* From and after the Confirmation Date, the Debtors will continue to provide all reports, financial information, income and expense statements, and notices required by or under the terms of the Court's pre-confirmation cash collateral orders and the Pilgrim Bank loan documents. In addition, the Debtors will provide to Pilgrim Bank notice of and copies of all of the following, all of which are due on or before five Business Days after Debtors' receipt of same: all offers, counter-offers, letters of intent, contracts for sale, and all notices, amendments, extensions, and supplements thereto, relating to the sale of the La Quinta;
- *Survival of Prepetition Loan Documents.* Except as specifically modified under the terms of Plan Article 3.5.3, the prepetition loan documents between Pilgrim Bank and Hahn Hotels of Sulphur Springs, LLC will continue in full force and effect. Pilgrim Bank will retain its prepetition liens and all post-petition liens against the La Quinta, any cash collateral owed under an Intercompany Administrative Claim, and all other collateral (excluding, however, Prepetition Intercompany Claims) until its Class 3-HS Claim is paid in full;
- *Franchise Agreement – La Quinta.* The Franchise Agreement relating to or concerning the La Quinta will not be rejected by the Debtors without Pilgrim Bank's prior written consent. Pilgrim Bank will not withhold such consent unreasonably;
- *Guaranty Claims and Intercompany Claims.* Notwithstanding any other provision contained in the Plan, no Guaranty Claim or other claim of Pilgrim Bank against Dante Hahn, Melissa Hahn, Hahn Hotels of Bentonville, LLC, or any other person related to or concerning the Class 3-HS Claim, and no Intercompany Administrative Claim held by Hahn Hotels of Sulphur Springs, LLC will be terminated, released, satisfied, waived, or discharged without Pilgrim Bank's written consent unless the entire Class 3-HS Claim has been paid in full;
- *Voluntary Release and Permanent Injunction Provisions Inapplicable.* The voluntary release provisions of the Plan (including Plan Article 9.5) and the permanent injunction provisions of the Plan (including Plan Article 9.7) will not apply to or be deemed to apply to Pilgrim Bank or to the Class 3-HS Claim; *provided, however,* the Temporary Injunction provisions of Plan Article 9.10 will apply to Pilgrim Bank and to the Class 3-HS Claim; and
- *Restrictions on Distributions and Intercompany Transfers.* No distribution, loan, dividend, or extension of credit will be made or paid by Hahn Hotels of Sulphur Springs, LLC to Hahn Investments, LLC, Dante Hahn, Melissa Hahn, or to any other Insider or Holder of an Interest in any Debtor unless (a) the Class 3-HS Claim has been paid in full or (b) the distribution or transfer is approved, in writing and in advance, by Pilgrim Bank.

Compensation paid by Hahn Hotels of Sulphur Springs, LLC to any Insider (including Dante Hahn) will not exceed \$3,500 per month unless (x) the Class 3-HS Claim has been paid in full or (y) the compensation is approved, in writing and in advance, by Pilgrim Bank.

- *The La Quinta*: For purposes of Plan Article 3.5.3 the phrase “*La Quinta*” means the real property and tangible personal property securing payment of the Class 3-HS Claim including, but not limited to, (i) all that certain lot, tract or parcel of land situated in Hopkins County, Texas, being Lot 3, Block 1 of Green Addition, a subdivision located in the M.A. Bowlin Survey, A-39, of Hopkins County, Texas, according to the map or plat thereof recorded in Vol. 5, Page 224 of the Map Records of Hopkins County, Texas, together with (A) all buildings, improvements and fixtures thereon, (B) all easements, rights of way, and appurtenances, (C) all water and water rights, (D) all other rights, royalties, and profits relating to such property, and (E) all minerals, oil, gas, geothermal and similar interests; (ii) all goods, equipment, fixtures, parts, fittings, accessories, special tools and accessions attached to, made a part of, or used in connection with the above real property; and (iii) all accessions, attachments, tools, parts, supplies, replacements and additions to any of the above, all products and produce of any of the above, all proceeds of any of the above, and all records and data relating to any of the above.

##### **5. Class 3A-HI—Lender Secured Claims—City Center**

Class 3A-HI contains the allowed Lender Secured Claim against Hahn Investments, LLC relating to the City Center currently held by Texas Bank and Trust.

Under the Plan, and except to the extent that the holder of the Class 3A-HI Claim agrees to less favorable treatment, the holder of the Class 3A-HI Claim will be paid its Class 3A-HI Claim according to the following terms:

- *Foreclosure on the City Center Property*. Texas Bank and Trust will foreclose on the City Center property as soon as is allowed by the Bankruptcy Court in response to a motion to lift stay filed by Texas Bank and Trust and supported by the Debtors;
- *Deficiency Treatment and Calculation*. The amount of any deficiency will not be determined and calculated until after Texas Bank and Trust has foreclosed and sold the entire City Center property, either at a foreclosure sale or thereafter, to a third party other than a Texas Bank and Trust affiliate. The treatment of any such deficiency will be limited to and provided in accordance with Plan Article 3.5.8;
- *Return of Excess Funds*. If Texas Bank and Trust receives more from its ultimate sale of City Center to a third party than its debt and related expenses (including all reasonable legal fees incurred and all property taxes, insurance premiums, broker fees and other costs of sale, and all other

reasonable costs of securing, repairing, improving, owning, operating, and carrying the property until ultimate sale to a third party), Texas Bank and Trust will pay the excess moneys to Hahn Investments, LLC for distribution in accordance with the Plan and the priorities of the Bankruptcy Code. Promptly after the sale of City Center to a third party, TBT will provide a reasonable accounting to Hahn Investments, LLC showing the proceeds received from the ultimate sale and Texas Bank and Trust's debt and related City Center expenses; and

- *Guarantor Release.* Texas Bank and Trust will release Dante Hahn from his Guaranty of the City Center Note and will release any interest Texas Bank and Trust has, if any, against any community property of Melissa Hahn in City Center after Texas Bank and Trust completes its foreclosure of the City Center and either takes title to the property or sells the property to a third party at the foreclosure sale.

#### **6. Classes 3B-HI, 3C-HI, and 3-SI—Lender Secured Claims—FNB Foreclosure Properties**

*Classification:* Class 3B-HI contains the Allowed Lender Secured Claims against Hahn Investments, LLC relating to the Restaurant-related property owned by Hahn Investments, LLC and the Raw Land, which are both collateral for the same lender obligation to First National Bank of Hughes Springs. Class 3C-HI contains the Allowed Lender Secured Claims against Hahn Investments, LLC relating to 108/110 Tyler currently held by First National Bank of Hughes Springs. Class 3-SI contains the Allowed Lender Secured Claims against the Sleep Inn Debtors currently held by First National Bank of Hughes Springs.

Under the Plan, the holder of claims in these classes will be paid on their claims in accordance with the following terms:

- *Foreclosure on the FNB Foreclosure Properties.* First National Bank of Hughes Springs will foreclose on the FNB Foreclosure Properties as soon as is allowed by the Bankruptcy Court in response to a motion to lift stay filed by First National Bank of Hughes Springs and supported by the Debtors. First National Bank of Hughes Springs (or any third-party purchaser at a foreclosure sale) will receive the FNB Foreclosure Properties (whether through foreclosure or a deed in lieu of foreclosure) subject to any secured tax claims and accounts payable that are outstanding as of its receipt of such property;
- *Deficiency Treatment and Calculation.* The amount of the deficiency will not be calculated until after First National Bank of Hughes Springs has foreclosed and sold the FNB Foreclosure Properties to a third party other than an First National Bank of Hughes Springs affiliate, but this will not affect the obligation of Debtors to begin to pay the FNB Allowed Deficiency Amount as set forth in Plan Article 3.5.8. The treatment of any such

deficiency will be limited to and provided in accordance with Plan Article 3.5.8;

- *Maintenance of Operations.* The Debtors will maintain current operations at the FNB Foreclosure Properties until the time these anticipated foreclosure sales are complete. In the event these anticipated foreclosures cannot be held in February 2018, the Debtors will agree to cooperate with First National Bank of Hughes Springs to maintain current operations at the FNB Foreclosure Properties to the fullest extent possible. Debtors will continue to pay with available funds accounts payable in the ordinary course of their business as part of maintaining current operations at the FNB Foreclosure Properties until the time the anticipated foreclosure sales are complete and will quickly inform First National Bank of Hughes Springs if there will be insufficient funds available to pay accounts payable in the ordinary course of their business;
- *Payment Towards Claims.* Upon sale to one or more unaffiliated third parties of any of the FNB Foreclosure Properties, FNB will pay from such sale \$15,000 to Copeland's of Longview, LLC and \$15,000 to the Sleep Inn Debtors for payment of claims against those bankruptcy estates;
- *Return of Excess Funds.* If First National Bank of Hughes Springs receives more from its ultimate sale of the Restaurant and the Raw Land to a third party that is not an affiliate of FNB, than all of its debts and related expenses secured by the Restaurant and the Raw Land, including but not limited to reasonable attorney's fees, then First National Bank of Hughes Springs will pay the excess moneys to Hahn Investments, LLC, for distribution in accordance with the Plan. Within twenty business days of closing on a sale of any of the Restaurant and the Raw Land, First National Bank of Hughes Springs will provide a reasonable accounting to the Hahn Investments, LLC showing the proceeds received from the ultimate sale of the Restaurant and the Raw Land and showing First National Bank of Hughes Springs's debt and related expenses. The debts of First National Bank of Hughes Springs will be treated as cross collateralized to the extent set forth in the underlying loan documents; and
- *Guarantor Release.* First National Bank of Hughes Springs agrees to release Dante and Melissa Hahn from any and all guaranties contingent upon (1) First National Bank of Hughes Springs successfully completing foreclosure(s) of its liens on the FNB Foreclosure Properties and either taking title to the FNB Foreclosure Properties at any foreclosure sale(s) or selling the FNB Foreclosure Properties to one or more third parties, (2) compliance by Debtors and Dante and Melissa Hahn with the terms and conditions of the Plan as it relates to the FNB Foreclosure Properties, and (3) full cooperation from Debtors and Dante and Melissa Hahn with First National Bank of Hughes Springs to maintain current operations at each of

the FNB Foreclosure Properties to facilitate the transition of operations at each of the FNB Foreclosed Properties from Debtors (except that, it will not be a violation of Dante and Melissa's obligations under this Plan for Debtors or Dante and Melissa Hahn to refuse to pay for operations of any of the FNB Foreclosure Properties after the first Tuesday in February 2018, it being understood that the parties will have to negotiate how such expenses will be handled in the unlikely event that foreclosure does not occur on the first Tuesday in February 2018). The parties agree that any release will not impact the 2nd lien of First National Bank of Hughes Springs on 115 Tyler up to the FNB Allowed Deficiency Amount until either (1) satisfaction of the FNB Allowed Deficiency Amount, or (2) it is determined that there is no deficiency.

**7. Classes 3D-HI, 3E-HI, and 3F-HI—Lender Secured Claims—Tall Pines, 115 Tyler, and Oakview Villas**

These Classes contain the allowed Lender Secured Claims against Hahn Investments, LLC relating to the Tall Pines, 115 Tyler, and Oakview Villas properties currently held by Texas National Bank, respectively, but do not contain any Second-Lien Lender Secured Claims relating to such properties.

Under the Plan, each holder in these classes will receive the following treatment:

- Except to the extent that a holder of a Class 3D-HI, 3E-HI, or 3F-HI Claim agrees to less favorable treatment, each holder in each such class will receive interest-only monthly payments at the prepetition non-default contract rate beginning on the first day of the first full month after the Confirmation Date and continuing until on or as soon as reasonably practicable after Hahn Investments, LLC's Effective Date, at which time each holder of a claim in Class 3D-HI, 3E-HI, or 3F-HI, respectively, will receive in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each such Class 3D-HI, 3E-HI, or 3F-HI Claim, payment over time (commencing on or as soon as reasonably practicable after Hahn Investments, LLC's Effective Date) of an amount equal to the full unpaid amount of such Allowed Lender Secured Claim under Lender Secured Claim Payment Terms or otherwise in accordance with a Lender Loan Agreement. Such lender will retain its Prepetition Liens against the collateral securing its Class 3D-HI, 3E-HI, or 3F-HI Claim until such claim is satisfied.

**8. Class 3G-HI—Second-Lien Lender Secured Claims—Tall Pines**

This Class contains the Allowed Second-Lien Lender Secured Claims against Hahn Investments, LLC relating to the Tall Pines property on which second-lien lender interests were granted as additional security for amounts loaned with respect to other Hahn Investments, LLC properties (specifically the City Center). Except to the extent that a holder agrees to less favorable treatment, each Class 3G-HI Claim will be satisfied according to the following terms:

- Texas Bank and Trust will retain its second lien on the Tall Pines property, which is stipulated to be valid and enforceable, up to a maximum of \$300,000 to cover any deficiency (which deficiency may include all of Texas Bank and Trust's expenses and carrying costs) owing to Texas Bank and Trust after it ultimately sells the City Center property to a third party. This second lien will secure the City Center debt to Texas Bank and Trust (subject to a deficiency cap of \$300,000.00), and Hahn Investments, LLC will not be obligated to repay any amount on account of any such capped deficiency except out of the Tall Pines property's second lien as hereinafter provided;
- Payment of such deficiency will be due and payable upon the first to occur of the following: (1) Hahn Investments, LLC sells the Tall Pines property and such sale proceeds exceed the amount necessary to satisfy the existing senior-lien obligations for the Tall Pines property and any reasonable and customary sale fees and costs payable by Hahn Investments, LLC at closing; (2) Hahn Investments, LLC refinances the Tall Pines property and such refinancing results in proceeds exceeding the amount necessary to satisfy the existing senior-lien obligations for the Tall Pines property and any reasonable and customary sale fees and costs payable by Hahn Investments, LLC at closing; or (3) the first-lien Lender forecloses on the Tall Pines property; and
- Texas Bank and Trust will release its second lien and file a release in the real property records of Gregg County upon satisfaction of any such deficiency (or upon the determination that there is no such deficiency).

#### **9. Class 3H-HI—Second-Lien Lender Secured Claims—115 Tyler**

Class 3I-HI contains the Allowed Second-Lien Lender Secured Claims against Hahn Investments, LLC relating to the 115 Tyler property on which second-lien lender interests were granted as additional security for amounts loaned with respect to other Hahn Investments, LLC properties (specifically the FNB Foreclosure Properties).

Under the Plan, except to the extent that a holder agrees to less favorable treatment, the Class 3H-HI Claim will be satisfied according to the following terms:

- First National Bank of Hughes Springs will retain its second lien on the 115 Tyler property, which is stipulated to be valid and enforceable, in an amount not less than the "**FNB Allowed Deficiency Amount**" (defined below) to secure payment of any deficiency (if there is one) owing to First National Bank of Hughes Springs after it ultimately sells the FNB Foreclosure Properties to one or more third parties not affiliated with First National Bank of Hughes Springs. This second lien will be cross-collateralized with the other debt of First National Bank of Hughes Springs, and Hahn Investments, LLC will be obligated to repay the FNB Allowed Deficiency Amount secured by the 115 Tyler property second lien from the proceeds of the property as set forth in Plan Article 3.5.8;

- So long as Hahn Investments, LLC owns the 115 Tyler property, payments will be made on the FNB Allowed Deficiency Amount as follows: (1) 12 monthly payments of interest at the rate of 6.0% per annum accrued on the principal of \$199,000.00 with the first such payment due on the first anniversary of the Confirmation Date, (2) monthly payments thereafter of such principal and interest at the rate of 6.0% per annum on the principal of \$199,000 beginning on the second anniversary of the Confirmation Date on terms otherwise not less favorable than those on which the first lien of Texas National Bank on the 115 Tyler property is paid, until such time as the FNB Allowed Deficiency Amount is satisfied or the 115 Tyler property is foreclosed;
- Payment of the FNB Allowed Deficiency Amount will mature and be due and payable in full if (1) Hahn Investments, LLC sells the 115 Tyler property; (2) Hahn Investments, LLC refinances the 115 Tyler property; or (3) the first-lien lender or any other lienholder forecloses on the 115 Tyler property. It is expressly understood that if the 115 Tyler property is foreclosed, any payment obligations contained in Plan Article 3.5.8 above will end;
- First National Bank of Hughes Springs will release such 2nd lien and file a release in the real property records of Gregg County either (1) upon satisfaction of the FNB Allowed Deficiency Amount, or (2) if and when it is determined that there is no deficiency;
- The FNB Allowed Deficiency Amount will be, if the 115 Tyler property is not sold or refinanced, \$199,000, plus any interest which accrues on such amount as set forth herein; and
- If there is a sale or refinancing of 115 Tyler, then the FNB Allowed Deficiency Amount will vary depending on timing, in accordance with the following terms: (1) If the sale or refinancing occurs before or after the first anniversary of the Confirmation Date, then the FNB Allowed Deficiency Amount will be 50% of the net proceeds of any sale or refinancing of 115 Tyler (after payment of sales costs and any higher-priority lien secured creditors with respect to such property) up to the gross amount payable to First National Bank of Hughes Springs of \$289,600, but in no event less than \$199,000.00 plus interest accruing on the \$199,000 at 6.0% per annum beginning on the Confirmation Date until paid; and (2) if the sale or refinancing occurs after the first anniversary of the Confirmation Date, then the FNB Allowed Deficiency Amount will be 50% of the net proceeds of any such sale or refinancing of 115 Tyler (after payment of sales costs and any higher-priority lien secured creditors with respect to such property) up to the gross amount payable to First National Bank of Hughes Springs of \$289,600 including the then owing unpaid principal and interest that has accrued at 6.0% per annum on the \$199,000 principal balance from the Confirmation Date.

### **10. Class 3I-HI—Lender Secured Claims—Single-Family Residences**

Class 3I-HI contains the Allowed Lender Secured Claims against Hahn Investments, LLC relating to Single-Family Residences currently held by Austin Bank.

Under the Plan, unless a holder of a Class 3I-HI Claim agrees to less favorable treatment, the holder of a Class 3I-HI Claim will receive interest-only monthly payments at the prepetition non-default contract rate beginning on the first day of the first full month after the Confirmation Date and continuing until on or as soon as reasonably practicable after Hahn Investments, LLC's Effective Date (or before that Effective Date in accordance with Plan Article 4.7, if applicable), at which time each holder of a Claim in Class 3I-HI will receive in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each such Class 3I-HI Claim, as applicable, one of the following, at the option of Hahn Investments, LLC:

- Cash from the closing of Property Dispositions of the Single-Family Residence(s) securing such Allowed Lender Secured Claim. To the extent that the proceeds of such sale(s) are insufficient to pay such Lender's entire Claim with regard to such property, taking into account payment of higher-priority Claims, that Lender will have a Class 6-HI Claim for the amount of any deficiency;
- The Single-Family Residences; *provided, however*, that upon receiving the properties the claim holder will have no claim for the amount of any deficiency, and any ancillary or other collateral remaining after satisfaction of such allowed Lender Secured Claim will revert in Hahn Investments, LLC; or
- A hybrid of the treatment described in sub-parts (i) and (ii) above at the option of Hahn Investments, LLC in the form of a combination of Property Dispositions and collateral surrender.

### **11. Classes 3A-HH and 3B-HH—Lender Secured Claims—Hawthorn**

These Classes contain the Allowed Lender Secured Claims (including, with respect to Class 3B-HH, the Allowed Second-Lien Lender Secured Claims) against Hahn Hotels, LLC relating to the Hawthorn held by Texas Bank and Trust and the SBA, respectively.

Under the Plan, except to the extent that a holder of a Class 3A-HH or Class 3B-HH Claim agrees to less favorable treatment, the holder of the Class 3A-HH or Class 3B-HH Claim will be paid its Class 3A-HH or Class 3B-HH Claim according to the following terms:

- *Lender Loan Agreements.* Hahn Hotels, LLC agrees to enter into a Lender Loan Agreement and any other reasonably necessary loan documents for each of the Hawthorn-related debt obligations (in form and substance reasonably satisfactory to both the applicable Lender and Hahn Hotels, LLC), whereby the unpaid arrearage owing to such Lender under its existing note is added to the principal balance of the loan. Hahn Hotels, LLC will pay the premium for a modification endorsement to Texas Bank and Trust's

existing loan title policy (or if such endorsement is not available, Hahn Hotels, LLC will pay the premium for a new loan title policy in the full loan amount), and Hahn Hotels, LLC will execute or deliver such documents as may be reasonably required by the title company in connection with the endorsement or title policy;

- *Terms of Lender Loan Agreements; Temporary Injunction.* Each modified loan will provide for monthly installments of accrued interest on the first business day of each month, beginning on the earlier of (1) the first business day of the first month following confirmation of the Plan, or (2) March 1, 2018, and continuing through and including June 1, 2018, and thereafter equal monthly installments of principal and interest will be payable on the first day of each month, beginning July 1, 2018 based on a 20-year amortization; provided, notwithstanding anything herein to the contrary, all unpaid principal and accrued interest will be due and payable in full on the final maturity date, which will be the earlier of (1) the first business day after the third anniversary of the confirmation date of the Plan, or (2) March 1, 2021. The interest rate to be applied will be determined in accordance with the existing loan documents between the parties. All other terms of existing Hawthorn-related notes, deeds of trust, guaranties, and other loan documents will remain in place and will not be altered by the Plan, except that there will be an injunction in the Plan enjoining Texas Bank and Trust from collecting on any guaranty so long as payments are being made to such Lender in accordance with Plan Article 3.5.10;
- *Property Maintenance.* Hahn Hotels, LLC agrees to maintain the Hawthorn property in accordance with the existing loan documents terms relating to maintenance of the collateral;
- *Class 3A-HH Claim-Specific Provisions.* Hahn Hotels, LLC will begin monthly interest-only payments to Texas Bank and Trust at the current interest rate of 4% per annum starting on the earlier of (1) the first business day of the first month following confirmation of the Plan, or (2) March 1, 2018, and continuing through and including June 1, 2018. The existing loan documents provide for an adjustment to the interest rate on June 1, 2018 (such rate calculated in accordance with the existing loan documents, the “**New Interest Rate**”). The New Interest Rate will be effective June 1, 2018, and beginning on July 1, 2018, Hahn Hotels, LLC will begin monthly payments of principal and interest at the New Interest Rate. The payments will begin in accordance with this schedule regardless of the status of the Plan, Texas Bank and Trust’s motion to lift stay with regard to the City Center property, or Texas Bank and Trust’s foreclosure of the City Center; and
- *Class 3B-HH Claim-Specific Provisions.* Hahn Hotels, LLC will begin monthly interest-only payments to the SBA at the current non-default

contract rate starting on the earlier of (1) the first business day of the first month following confirmation of the Plan, or (2) March 1, 2018, and continuing through and including June 1, 2018. Beginning on July 1, 2018, Hahn Hotels, LLC will begin monthly payments of principal and interest at the non-default contract rate. The SBA's liens and security interests on the Hawthorn property are, and will remain, second and inferior to Texas Bank and Trust's lien on the Hawthorn property pursuant to the terms of the 2013 Subordination Agreement between Texas Bank and Trust and the SBA, notwithstanding modification of Texas Bank and Trust's Hawthorn-related loan terms and documents.

## **12. Class 4—Other Secured Claims**

Under the Plan, Class 4 for each Debtor consists of allowed Other Secured Claims. These are Secured Claims that are not Lender Secured Claims or Secured Tax Claims. Class 4 includes any Secured Claim based on a General Contractor's M&M Lien. No treatment is provided for Class 4-HH, as that class contains no claims.

For ease of reference and to increase clarity, each Class 4 Other Secured Claim is labeled with a two-letter abbreviation indicating the Debtor against which the Claim has been asserted. For example, Class 4-HS is the designation for the class of Other Secured Claims asserted against Hahn Hotels of Sulphur Springs, LLC. Class 4-HI refers to the class of Other Secured Claims asserted against Hahn Investments, and so on.

The treatment of Class 4 Other Secured Claims is the same for each Debtor. Except to the extent that a holder agrees to less favorable treatment, the Plan provides that a Class 4 Claim holder will receive on the applicable Reorganized Debtor's Effective Date, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Class 4 Claim, the following:

- For Class 4-HS, Class 4-SI, and Class 4-CL Claims, cash from the closing of a Property Disposition of the collateral securing the holder's Other Secured Claim in an amount equal to the unpaid amount of the secured portion of such Allowed Other Secured Claim, paid in accordance with such claim's priority. To the extent that the proceeds of such sale are insufficient to pay such holder's entire claim with regard to such property, that holder will share pro rata with holders of Class 5, Class 6, and Class 7 Claims any Contributed Cash or other cash remaining with such Debtor, if any, up to the amount of any deficiency, taking into account payment of higher-priority claims. In the event that a Subsequent Lender Sale of the collateral previously securing the holder's Other Secured Claim yields more at such sale than the Lender Secured Claim with respect to such property and such cash is paid to the applicable Debtor, the holder of such Other Secured Claim will also receive payment from such cash on account of the unpaid portion of its Other Secured Claim, paid in the order of such claim's priority; and

- For Class 4-HI Claims, cash from the closing of a Property Disposition of the collateral securing the holder's Other Secured Claim in an amount equal to the unpaid amount of the secured portion of such Allowed Other Secured Claim, paid in the order of such claim's priority. To the extent that the proceeds of such sale are insufficient to pay such holder's entire claim with regard to such property, payment of the Class 4 Claim holder's pro rata share, along with holders of Class 5, Class 6, and Class 7 Claims, of 80% of Hahn Investments' excess cash flow determined and paid on a quarterly basis until the earlier of (a) the point at which such claim is paid in full or (b) five years from the Effective Date of Hahn Investments' Plan. In the event that a Subsequent Lender Sale of the collateral previously securing the holder's Other Secured Claim yields more at such sale than the Lender Secured Claim with respect to such property and such cash is paid to Hahn Investments, the holder of such Other Secured Claim will also receive payment from such cash on account of the unpaid portion of its Other Secured Claim, paid in accordance with such claim's priority.

Class 4 is impaired, and holders of Class 4 Claims are entitled to vote on the Plan.

### **13. Class 5—Unsecured Claims**

Under the Plan, Class 5 for each Debtor consists of the allowed Unsecured Claims asserted against the applicable Debtor. A claim is assigned to Class 5 if it is not an (a) Administrative Claim, (b) Priority Tax Claim, (c) Other Priority Claim, (d) Secured Tax Claim, (e) Lender Secured Claim, (g) Other Secured Claim, (h) Deficiency Claim, (i) Guaranty Claim, (j) Insider Claim, (k) Subordinated Claim, or (l) Intercompany Claim.

For ease of reference and to increase clarity, each allowed Class 5 Unsecured Claim is labeled with a two-letter abbreviation indicating the Debtor against which the claim has been asserted. For example, Class 5-HS is the designation for the class of allowed Unsecured Claims asserted against Hahn Hotels of Sulphur Springs, LLC. Class 5-HI refers to the class of allowed Unsecured Claims asserted against Hahn Investments, and so on.

The treatment of allowed Class 5 Unsecured Claims is the same for each Debtor. The Plan provides that unless a holder of a Class 5 Claim agrees to less favorable treatment, Each holder of a Class 5 Claim will receive on that Reorganized Debtor's Effective Date the following:

- For Class 5-HS, Class 5-SI, and Class 5-CL Claims, to the extent that there remains any cash from the closing of one or more Property Dispositions of substantially all of the assets of the Debtor against which the Class 5 Claim holder has an allowed Class 5 Claim after the payment in full of all secured and otherwise higher-priority claims, the Class 5 Claim holder's pro rata share, along with holders of Class 6, Class 7. and applicable Class 4 Claims, of any Contributed Cash or other cash remaining with such Debtor, if any. If Cash from a Subsequent Lender Sale is later paid to the applicable Debtor, the holder of such Class 5 Claim will also receive the Class 5 Claim holder's

pro rata share, along with holders of Class 6, Class 7, and applicable Class 4 Claims, of such cash on account of the unpaid portion of its Class 5 Claim, taking into account the payment of higher-priority claims; and

- For Class 5-HI and Class 5-HH Claims, payment of such Class 5 Claim holder's pro rata share, along with holders of Class 6, Class 7, and applicable Class 4 Claims, of 80% of the applicable Debtor's excess cash flow determined and paid on a quarterly basis for the earlier of (a) the point at which such claim is paid in full or (b) five years from the Effective Date of the applicable Debtor's Plan.

Class 5 is impaired, and holders of Class 5 Claims are entitled to vote on the Plan.

The potential recoveries for holders of Class 5 Claims may vary from Debtor to Debtor. Class 5 claim holders' recoveries may range anywhere between zero and full payment. Recoveries for this class will depend on a number of factors, including the price realized from the sale of properties, the size of various Lender Secured Claims, and the outcome of the claim-objection process.

#### **14. Class 6—Deficiency Claims**

Under the Plan, Class 6 for each Debtor consists of allowed Deficiency Claims asserted against the applicable Debtor. A claim is assigned to Class 6 if it results from the value of the collateral securing a Lender Secured Claim being less than the amount of that claim. The unsecured portion of such a claim is designated a Class 6 Deficiency Claim.

For ease of reference and to increase clarity, each Class 6 Deficiency Claim is labeled with a two-letter abbreviation indicating the Debtor against which the claim has been asserted. For example, Class 6-HS is the designation for the class of Deficiency Claims asserted against Hahn Hotels of Sulphur Springs, LLC. Class 6-HI refers to the class of Deficiency Claims asserted against Hahn Investments, and so on. No treatment is provided for Class 6-HH, as such Class contains no Claims.

Under the Plan, except to the extent that a holder agrees to less favorable treatment, each holder of a Class 6 Claim will receive, on that Reorganized Debtor's Effective Date, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Class 6 Claim, the following:

- For Class 6-HS, Class 6-SI, and Class 6-CL Claims, Following the closing of one or more Property Dispositions of substantially all of the assets of the Debtor against which the Class 6 Claim holder has an Allowed Class 6 Claim after the payment in full of all Secured and otherwise higher-priority Claims, the Class 6 Claim holder's pro rata share, along with holders of Class 5, Class 7, and applicable Class 4 Claims, of any Contributed Cash or other cash remaining with such Debtor, if any. In the event that Cash from a Subsequent Lender Sale is later paid to the applicable Debtor, the Holder of such Class 6 Claim will also receive the Class 6 Claim Holder's Pro Rata share, along with Holders of Class 5, Class 7, and applicable Class 4 Claims,

of such Cash on account of the unpaid portion of its Class 6 Claim, taking into account the payment of higher-priority Claims; and

- For Class 6-HI Claims, payment of such Class 6 Claim holder's pro rata share, along with holders of Class 5, Class 7, and applicable Class 4 Claims, of 80% of the applicable Debtor's excess cash flow determined and paid on a quarterly basis for the earlier of (a) the point at which such claim is paid in full or (b) five years from the Effective Date of the applicable Debtor's Plan.

Class 6 is impaired, and holders of Class 6 Claims are entitled to vote on the Plan.

### **15. Class 7—Guaranty Claims**

Under the Plan, Class 7 for each Debtor consists of allowed Guaranty Claims asserted against the applicable Debtor. A Claim is assigned to Class 7 if it is a claim based on a guaranty agreement in which one Debtor guaranteed a financial obligation of another Debtor. Although all Guaranty Claims have been classified in Class 7 for each Debtor, under the Plan only Guaranty Claims that have not been and will not be satisfied through payment by the Primary Debtor Obligor will receive any form of payment under Class 7 treatment to avoid duplicate payment of the underlying financial obligation providing the basis for the claim. Under no circumstance will a Guaranty Claim be allowed to include amounts for post-petition interest, attorneys' fees, and costs.

For ease of reference and to increase clarity, each Class 7 Guaranty Claim is labeled with a two-letter abbreviation indicating the Debtor against which the Claim has been asserted. For example, Class 7-HS is the designation for the class of Guaranty Claims asserted against Hahn Hotels of Sulphur Springs, LLC. Class 7-HI refers to the class of Guaranty Claims asserted against Hahn Investments, and so on. No treatment is provided for Class 7-HS or Class 7-SI, as such Classes contain no Claims.

The treatment of Class 7 Guaranty Claims is the same for each Debtor. The Plan provides that only to the extent that the obligation underlying the Guaranty Claim has not been satisfied through treatment provided under the applicable Primary Debtor Obligor's Plan or otherwise and the Effective Date with respect to the Plan of that Primary Debtor Obligor has occurred, a Class 7 Guaranty Claim holder will receive, on the applicable Reorganized Debtor's Effective Date, the following:

- For Class 7-CL Claims, following the closing of one or more Property Dispositions of substantially all of the assets of the Debtor against which the Class 7 Claim holder has an allowed claim after the payment in full of all Secured and otherwise higher-priority claims, the Class 7 Claim holder's pro rata share, along with holders of Class 5, Class 6, and applicable Class 4 Claims, of any Contributed Cash or other cash remaining with such Debtor, if any. In the event that cash from a Subsequent Lender Sale is later paid to the applicable Debtor, the holder of such Class 7 Claim will also receive the Class 7 Claim holder's pro rata share, along with holders of Class 5, Class 6, and applicable Class 4 Claims, of such cash on account of the unpaid portion

of its Class 7 Claim, taking into account the payment of higher-priority claims; and

- For Class 7-HI and Class 7-HH Claims, payment of such Class 7 Claim holder's pro rata share, along with holders of Class 5, Class 6, and applicable Class 4 Claims, of 80% of the applicable Debtor's excess cash flow, determined and paid on a quarterly basis for the earlier of (a) the point at which such claim is paid in full or (b) five years from the Effective Date of the applicable Debtor's Plan.

If, at the time of such Guarantor Reorganized Debtor's Effective Date, the Effective Date of the Primary Debtor Obligor's Plan has not occurred, any pro rata share to which the holder of a Guaranty Claim may be entitled in accordance with the above treatment will be held in reserve by the Guarantor Debtor until the time of such Primary Debtor Obligor's Effective Date. If such holder's claim is not satisfied through treatment under the Primary Debtor Obligor's Plan, the Guarantor Debtor will pay any amounts reserved under this paragraph on or soon after such Primary Debtor Obligor's Effective Date and any further payments to be made by the Guarantor Debtor on account of such Guaranty Claim will be made directly and not placed in reserve. However, if such holder's claim is satisfied through treatment under the Primary Debtor Obligor's Plan, any amounts reserved under Plan Article 3.5.15(b) will revert to the applicable Guarantor Debtor to be distributed or otherwise applied in accordance with the Plan.

Class 7 is impaired, and holders of Class 7 Claims are entitled to vote on the Plan.

#### **16. Class 8—Equity Interests**

Under the Plan, Class 8 for each Debtor consists of Equity Interests in the applicable Debtor.

For ease of reference and to increase clarity, each Class 9 Equity Interest is labeled with a two-letter abbreviation indicating the Debtor in which the Equity Interest is held. For example, Class 9-HS is the designation for the class of Equity Interests in Hahn Hotels of Sulphur Springs, LLC. Class 9-HI refers to the class of Equity Interests in Hahn Investments, and so on.

Under the Plan, on the Confirmation Date, Equity Interests in the applicable Debtor will be deemed canceled and replaced with Equity Interests in the applicable Reorganized Debtor in accordance with the following:

- In the case of Hahn Investments, LLC, such Reorganized Debtor will be deemed to have issued authorized new membership interests to Dante and Melissa Hahn in the same proportions as were in place prepetition. Dante and Melissa Hahn will pay \$50,000 in Cash to Hahn Investments, LLC on or as soon as reasonably practicable after the Confirmation Date;
- In the case of all Debtors except Hahn Investments, LLC, such Reorganized Debtor will be deemed to have issued authorized new membership interests to Reorganized Hahn Investments, LLC so that Reorganized Hahn

Investments, LLC will maintain 100% ownership of each of its Reorganized Debtor subsidiaries. On or as soon as reasonably practicable after the Confirmation Date, Hahn Investments, LLC will pay one-fifth of the amount received from Dante and Melissa Hahn in accordance with part (i) above to each of the other Debtors, except with respect to the Sleep Inn Debtors, which will together receive one such one-fifth portion; and

- With respect to each Reorganized Debtor, no distributions to holders of Equity Interests will be permitted until holders of claims in Classes 1 through 8 with respect to such Reorganized Debtor have been paid in full or otherwise paid pursuant to the terms of the Plan.

Class 8 is impaired, and holders of Class 8 Interests are entitled to vote on the Plan.

#### **17. Elimination of Vacant Classes**

Under the Plan, any class of claims or interests that does not have a holder of an allowed claim or allowed interest or a claim or interest temporarily allowed by the Bankruptcy Court as of the date of the confirmation hearing will be eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by that class under Bankruptcy Code § 1129(a)(8).

#### **18. Voting Classes; Presumed Acceptance by Non-Voting Classes**

Each Holder of an Allowed Claim as of the Voting Deadline in an Impaired Class of Claims or Interests that is not deemed to have rejected the Plan and that held such Claim or Interest as of the Voting Record Date will be entitled to vote separately to accept or reject the Plan as provided in the Solicitation Procedures Order.

For the purposes of voting, the holder of an M&M Lien-related Claim will have an Other Secured Claim, regardless of whether there is adequate value in the applicable property to secure its Claim. Unless objected to or otherwise determined ineligible to vote, any Subcontractor holder of an M&M Lien will be allowed to vote the amount of its M&M Lien-related Claim as an Other Secured Claim. For the purposes of voting, any General Contractor's M&M Lien-related Claim will be reduced in amount by the amounts of any M&M Lien-related Claim held by a Subcontractor relating to such General Contractor's Claim that has been allowed for the purposes of voting.

An impaired class of claims will have accepted the Plan if votes in favor of the Plan have been cast by at least two-thirds in amount and more than one-half in number of the allowed claims in such class that voted on the Plan in accordance with the procedures set forth in the Solicitation Procedures Order. If a class contains claims eligible to vote and no Holder eligible to vote in such class vote to accept or reject the Plan, such holders and such class will be deemed to have accepted the Plan. The Debtors will tabulate all votes on a non-consolidated basis by class and per Debtor as such classes are set forth in the Plan.

#### **19. Effect of Bankruptcy Code §§ 1129(a) and 1129(b) on Plan Confirmation**

Section 1129(a)(10) of the Bankruptcy Code requires that for a plan of reorganization to be confirmed, at least one impaired class vote in favor of the plan (excluding the votes of

insiders). With respect to each Debtor, its Plan will satisfy Bankruptcy Code § 1129(a)(10) if at least one class of impaired claims votes in favor of that Plan. With respect to any class of impaired claims, the Plan provides that if no holder of a claim in such a class timely submits a ballot indicating acceptance or rejection of the Plan, and one or more holder of an allowed claim or a temporarily allowed claim exists in such class, that class (with respect to such Debtor) will be deemed to have accepted the Plan.

The Debtors may seek confirmation of the Plan in accordance with the so-called cramdown provision of Bankruptcy Code § 1129(b) with respect to any rejecting class of claims or equity interests. Section 7.C.5 of this Disclosure Statement summarizes the requirements of Bankruptcy Code § 1129(b).

## **20. Intercompany Claims**

The Plan eliminates all Intercompany Claims (other than Intercompany Administrative Claims) between and among the Debtors so that such claims will not be classified, will not vote, and will not receive any distribution under the Plan.

Nevertheless, the Plan also provides that, with respect to each Reorganized Debtor on its applicable Effective Date, at the option of such Reorganized Debtor, all Intercompany Claims not otherwise provided for in the Plan will be: (a) preserved and reinstated, in full or in part; (b) cancelled and discharged, in full or in part; (c) eliminated or waived based on accounting entries in the Debtors' or the Reorganized Debtors' books and records and other corporate activities by the Debtors or the Reorganized Debtors; (d) contributed to the capital of the obligor entity, or (e) otherwise compromised; *provided, however*, that Intercompany Claims other than Intercompany Administrative Claims will not be allowed or entitled to any distribution under the Plan.

## **21. Unimpaired or Subordinated Claims**

Except as otherwise provided in the Plan, nothing under the Plan will affect the Debtors' or the Reorganized Debtors' rights regarding any unimpaired claim, including all rights regarding legal and equitable defenses to or setoffs or recoupments against any unimpaired claim.

The allowance, classification, and treatment of all allowed claims and allowed interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the claims and interests in each class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, Bankruptcy Code § 510(b), or otherwise. As permitted by Bankruptcy Code § 510, the Reorganized Debtors reserve the right to re-classify any allowed claim or allowed interest in accordance with any contractual, legal, or equitable subordination relating thereto.

## **D. Treatment of Executory Contracts and Leases**

### **1. Rejection of Executory Contracts**

Under the Plan, except as otherwise provided herein, all executory contracts of each Debtor will be rejected on the Confirmation Date in accordance with Bankruptcy Code

§§ 365 and 1123, other than (a) executory contracts previously assumed or rejected under a Bankruptcy Court order, (b) executory contracts that are the subject of a motion to assume that is pending on the Confirmation Date, (c) the Franchise Agreements (the treatment of which is discussed below in Section 4.D.6 of this Disclosure Statement), and (d) the Specified Contracts (as identified in the Plan Supplement) that the Debtors elect to assume under the Plan, which may be amended at any time before the Confirmation Hearing. Entry of the Confirmation Order by the Bankruptcy Court will constitute approval of the rejection of such executory contracts in accordance with Bankruptcy Code §§ 365 and 1123.

## **2. Claims Against a Debtor Upon Rejection**

Under the Plan, no executory contract rejected by a Debtor on or before the applicable Effective Date will create any obligation or liability of the Debtors or the Reorganized Debtors that is not a claim. Any claim arising from or relating to the rejection of an executory contract must be filed with the Bankruptcy Court (a) within 30 days after the Confirmation Date for those executory contracts rejected under the Plan; or (b) within 30 days of rejection for any executory contract rejected at a later date in accordance with the provisions of Plan Article 6 relating to the Franchise Agreements or as a result of a disputed assumption, assignment, or cure amount as set forth in Plan Article 5.5. Any claim arising from or relating to the rejection of an executory contract that is not filed with the Bankruptcy Court within the required time will be automatically disallowed, forever barred from assertion, and will not be enforceable against the Debtors, the Reorganized Debtors, or any of their property. The applicable Reorganized Debtor will have 30 days from the filing of any proof of claim filed in accordance with Plan Article 5.2 in which to object to the claim. Any allowed claim arising from the rejection of an executory contract will be classified as an unsecured claim and treated in accordance with Plan Article 3.

## **3. Cure and Assumption of Specified Contracts**

Any counterparty to a Specified Contract that fails to timely object to the proposed assumption of such Specified Contract or the related cure amount provided in the Plan Supplement will be deemed to have consented to the assumption and cure on the terms provided in the Plan Supplement or applicable notice. Entry of the Confirmation Order by the Bankruptcy Court will constitute (a) approval of assumption (or with respect to Franchise Agreements, the option of assumption) and (b) approval of the amount required to cure a default (if any) under such Specified Contract or a determination of the cure amount, as applicable, in accordance with Bankruptcy Code §§ 365 and 1123. Except to the extent that such contract counterparty agrees to less favorable terms and except with respect to Franchise Agreements, for which payment of any applicable cure amount will be in accordance with Plan Article 5.6, any payment required to cure a default under a Specified Contract will be paid in cash on the applicable Effective Date.

## **4. Effect of Assumption**

Under the Plan, assumption of any executory contract, under the Plan or otherwise, will result in the full release and satisfaction of any claims or defaults, whether monetary or

nonmonetary, and the deemed waiver of any termination right or remedial provision arising under any such executory contract at any time before the date of its assumption, or as a result of such assumption, the transactions contemplated by the Plan or any changes in control or ownership of any Debtors during the Chapter 11 Cases or as a result of the implementation of the Plan.

Notwithstanding the foregoing, with respect to executory contracts with customers of the Debtors that are assumed under the Plan, the Reorganized Debtors will remain obligated to honor any obligations set forth in such contracts to provide rebates or discounts or honor gift cards or similar certificates, to the extent such obligations accrued but are not yet due under the terms of such contracts, in the ordinary course of business. Any proofs of claim filed with respect to an executory contract that has been assumed will be deemed disallowed and expunged without further notice to, or action, order or approval of, the Bankruptcy Court, except where the applicable Debtor or Reorganized Debtor and the counterparty to an executory contract have separately agreed to a waiver or reduction of obligations that would otherwise constitute cure obligations, subject to the counterparties' explicit retention of their rights to assert any such amounts as unsecured claims.

Under the Plan, except with regard to Franchise Agreements, each executory contract assumed under Plan Article 5 or any order of the Bankruptcy Court will vest in, and be fully enforceable by, the applicable Reorganized Debtor in accordance with its terms, except as such terms are modified by the provisions of the Plan or any order of the Bankruptcy Court.

#### **5. Assumption or Rejection of Disputed Contracts**

Under the Plan, except as otherwise provided by order of the Bankruptcy Court, if the counterparty to an executory contract timely objects to any of the terms or conditions for the assumption, assignment, or cure of a Specified Contract and there remains a dispute as of the Confirmation Date regarding any such terms or conditions, the Reorganized Debtors will have 30 days from the Confirmation Date to file a motion with the Court seeking resolution of the dispute. In this circumstance, unless otherwise ordered by the Bankruptcy Court, the Reorganized Debtors will have 15 days from the entry of a final order resolving the dispute to determine whether to (a) proceed with assumption (or assumption and assignment, as applicable) of the executory contract in a manner consistent with such final order or (b) reject the executory contract. If the Reorganized Debtors elect to reject the applicable executory contract, the Reorganized Debtors will send written notice of rejection to the applicable counterparty within the 15-day period. Rejection of such an executory contract will be deemed effective as of the date the written notice is sent.

#### **6. Assumption or Rejection of Franchise Agreements**

Under the Plan, for those Debtors who are party to a Franchise Agreement, providing written notice of the applicable Reorganized Debtor's decision to assume or reject a Franchise Agreement is a condition to such Reorganized Debtor's Effective Date, as

described in Plan Article 8.1. On or before its respective Effective Date, a Reorganized Debtor that is party to a Franchise Agreement will provide the applicable franchisor with written notice of that Reorganized Debtor's intent to assume or reject the Franchise Agreement in accordance with any terms and conditions provided in the Plan and Plan Supplement or a Final Order resolving any dispute of such terms and conditions. Assumption or rejection will be effective on the day this written notice is sent, which must be after the Confirmation Date.

At the time a Franchise Agreement is assumed in accordance with Plan Article 5.6 or any order of the Bankruptcy Court, such Franchise Agreement will vest in, and be fully enforceable by, the applicable Reorganized Debtor in accordance with its terms, except as such terms are modified by the provisions of the Plan or any order of the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, any cure amount due for assumption of a Franchise Agreement will be paid as follows:

- (a) For a Franchise Agreement assumed and assigned in connection with a Property Disposition of the related franchise, the cure amount will be paid in full on the applicable Effective Date.
- (b) For a Franchise Agreement assumed under circumstances other than in connection with a Property Disposition, the cure amount will be paid in a total of 12 monthly installments commencing on the applicable Effective Date.

If a Debtor provides notice of rejection of a Franchise Agreement, the franchisor may file a proof of claim in accordance with the terms and requirements provided in Plan Article 5. With respect to each Franchise Agreement, until a Debtor assumes or rejects that agreement in accordance with the provisions of Plan Article 5.6, such Debtor will maintain compliance with the material terms of that agreement, except for any obligation to fund capital expenditures or complete a property-improvement plan.

#### **7. Modification, Amendments, Supplements, Restatements or Other Agreements**

Under the Plan, unless otherwise provided in the Plan, each executory contract that is assumed or rejected will include all modifications, amendments, supplements, restatements or other agreements that in any manner affect such executory contract, as well as all executory contracts related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal and any other interests, unless any of the foregoing agreements have been previously rejected or repudiated or are rejected or repudiated under the Plan.

Modifications, amendments, supplements and restatements to prepetition executory contracts that have been executed by the Debtors during the Chapter 11 Cases will not be deemed to alter the prepetition nature of such executory contract or the validity, priority, or amount of any claims that may arise in connection therewith.

## **8. Reservation of Rights**

Under the Plan, neither the exclusion nor inclusion of any executory contract as a Specified Contract, nor anything contained in the Plan constitutes an admission by the Debtors that any such contract or lease is in fact an executory contract, or that any Reorganized Debtor has any liability thereunder.

## **9. Contracts and Leases Entered into After the Petition Date**

The Plan contemplates that each Reorganized Debtor will perform its obligations under each contract and lease entered into by such Debtor or Reorganized Debtor after the petition date, including any executory contract assumed by such Reorganized Debtor, in each case, in accordance with and subject to the then-applicable terms. Accordingly, such contracts and leases (including any assumed executory contracts) will survive and remain unaffected by entry of the Confirmation Order, and all of the Debtors' or Reorganized Debtors' rights, claims, defenses, and privileges under such contracts and leases are reserved.

## **E. Distributions and Delivery**

### **1. Initial Distributions**

Under the Plan, as soon as reasonably practicable after the applicable Effective Date, the Debtors will make distributions in accordance with the Plan on account of each claim that has been allowed on or before that Effective Date.

### **2. Subsequent Distributions**

Under the Plan, each Reorganized Debtor will have the discretion to identify periodic dates after the initial distributions to make subsequent distributions under the Plan, should such additional distributions dates become warranted or beneficial to that Reorganized Debtor.

### **3. Distributions on Disputed Claims**

The Plan provides that the applicable Reorganized Debtor will make distributions on claims allowed after the applicable Effective Date on the first Subsequent Distribution Date after such claims are allowed. Unless the applicable Reorganized Debtor otherwise agrees, no partial distributions will be made with respect to a disputed claim until all disputes in connection with that disputed claim have been resolved by final order of the Bankruptcy Court. Any amounts reserved on or after the applicable Reorganized Debtor's Effective Date on account of a Disputed Claim that remained disputed as of that Effective Date (see definition of pro rata in Plan Article 1.2.86) will be returned to the applicable Reorganized Debtor once such Disputed Claim is disallowed by final order of the Bankruptcy Court to be distributed to holders of allowed claims in accordance with that Debtor's Plan. Plan Article 7 addresses the procedures for resolving claim disputes. See Section 4.F of this Disclosure Statement for a summary of the Plan's disputed claims procedures.

#### **4. Record Date and Delivery of Distributions**

##### **c) Record Date**

Under the Plan, with respect to each Debtor, on the Administrative Claims Bar Date, each Debtor's claims register will be deemed closed, and the applicable Debtor will be authorized and entitled to recognize only those holders of claims listed on the claims register as of the close of business on that Debtor's Administrative Claims Bar Date, except for any claim relating to the post-confirmation rejection of an executory contract filed after the Administrative Claims Bar Date in accordance with Plan Article 5.2, for which the holder will be recognized at the time such claim is allowed. If a claim is transferred before distribution on that claim, the applicable Reorganized Debtor will make distributions to the transferee only to the extent practical, and only if the Debtors or the Reorganized Debtors receive written notice of the transfer in advance of the applicable Effective Date, including sufficient information about the transferee to facilitate distribution to the new holder of the claim, and if the relevant transfer form contains an unconditional and explicit certification and waiver of any objection to the transfer by the transferor.

##### **d) Delivery of Distributions in General**

Except as otherwise provided in the Plan, each applicable Reorganized Debtor will make all distributions required under the Plan with respect to such Reorganized Debtor to holders of allowed claims. Except as otherwise provided in the Plan, and notwithstanding any authority to the contrary, distributions to holders of allowed claims will be made to holders of record as of the administrative claims bar date by the applicable Reorganized Debtor as appropriate: (a) to the signatory set forth on any of the proofs of claim filed by such holder or other representative identified therein (or at the last known addresses of such holder if no proof of claim is filed or if the Debtors or the Reorganized Debtors have been notified in writing of a change of address); (b) at the addresses set forth in any written notices of change of address delivered to the Debtors or the Reorganized Debtors; (c) to the transferee of a transferred claim at the information provided in a written notice of claim transfer; or (d) at the addresses reflected in the schedules if no proof of claim has been filed and the Debtors or the Reorganized Debtors have not received a written notice of a change of address or otherwise been made aware of a forwarding or otherwise updated address. The Debtors and the Reorganized Debtors will not incur any liability on account of the delivery of any distributions under the Plan, including with respect to any distributions that are unclaimed or returned.

##### **e) De Minimis and Undeliverable Distributions**

Under the Plan, the Reorganized Debtors will not be required to make distributions or payments of less than \$25.00. No further attempt (or initial attempt, in the case of no-address undeliverable distributions) to distribute an undeliverable distribution will be made unless the Reorganized Debtors are notified in writing of the then-current address of such holder, at which time such distribution will be made to such holder on the first distribution date that is not less than 30 days thereafter.

Undeliverable distributions will remain in the possession of the Reorganized Debtors until such distribution becomes deliverable or the distribution reverts to the Reorganized Debtors for further distribution to the holders of allowed unsecured claims or is cancelled in accordance with Plan Article 6.6. Such distribution will not be supplemented with any interest, dividends, or other accruals of any kind.

**f) Reversion**

Any distribution under the Plan that is an unclaimed distribution or an undeliverable distribution for a period of six months thereafter will be deemed unclaimed property under Bankruptcy Code § 347(b), and such unclaimed distribution or undeliverable distribution will revert in the Reorganized Debtors. Upon such reversion, the claim of any holder or its successors and assigns with respect to such property will be cancelled, discharged, and forever barred notwithstanding any applicable federal or state escheat, abandoned or unclaimed property laws to the contrary.

Nothing contained in the Plan will require the Reorganized Debtors to attempt to locate any holder of an allowed claim whose distribution is declared an unclaimed distribution or undeliverable distribution.

**g) Compliance with Tax Requirements and Allocations to Principal and Interest**

In connection with the Plan, to the extent applicable, the Reorganized Debtors will comply with all tax withholding and reporting requirements imposed on them by any tax law, and all distributions under the Plan will be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors will be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, liquidating a portion of the distributions to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions or establishing any other mechanisms they believe are reasonable and appropriate. For purposes of the Plan, any withheld amount (or property) will be treated as if paid to the applicable claimant. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, liens, and encumbrances.

Distributions in full or partial satisfaction of allowed claims will be allocated first to trust fund-type taxes, if any, then to other taxes, and then to the principal amount of allowed claims, with any excess allocated to unpaid interest that has accrued on such claims.

**h) Setoffs**

Except as otherwise provided in the Plan, a final order of the Bankruptcy Court, or as agreed to by the holder and the Debtors or Reorganized Debtors, as applicable, each Reorganized Debtor in accordance with the Bankruptcy Code (including § 553 thereof), applicable non-bankruptcy law, or such terms as may be agreed to by the holder and the

Debtors or the Reorganized Debtors, as applicable, may, without any further notice to, or action, order or approval of the Bankruptcy Court, set off against any allowed claim and the distributions to be made on account of such allowed claim (before any distribution is made on account of the allowed claim), any claims, rights and causes of action of any nature that such Debtor or Reorganized Debtor, as applicable, may hold against the holder of such allowed claim, to the extent such claims, rights or causes of action against such holder have not been otherwise compromised or settled on or before the applicable Effective Date (whether under the Plan or otherwise); provided that neither the failure to effect such a setoff nor the allowance of any claim under the Plan will constitute a waiver or release by such Debtor or Reorganized Debtor of any such claims, rights, and causes of action that such Debtor or Reorganized Debtor may possess against such holder. No holder of a claim will be entitled to set off any claim against any claim, right, or cause of action of a Debtor or a Reorganized Debtor, as applicable, unless the holder has filed a proof of claim in the Chapter 11 Cases by the applicable claims bar date preserving such setoff, and the Bankruptcy Court has entered a final order authorizing and approving the setoff.

**i) No Post-Petition Interest on Claims and No Payment Over the Full Amount**

Unless otherwise specifically provided for in the Plan or the Confirmation Order, post-petition interest will not accrue or be paid on any claim, and no holder of a claim against the Debtors will be entitled to interest accruing on or after the Petition Date on any such claim. Interest will not accrue or be paid on any disputed claim with respect to the period from the applicable Effective Date to the date an initial or final distribution is made on account of such disputed claim (if such disputed claim ever becomes an allowed claim).

No holder of a claim will receive more than the full payment of such claim in cash. To the extent any holder has received payment in full in cash with respect to a claim, such excess claim will be disallowed and expunged without an objection to such claim having been filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

**j) Claims Paid or Payable by Third Parties**

If the Debtors become aware of the payment by a third party which causes the holder of an allowed claim to receive more than payment in full in cash, the Debtors or the Reorganized Debtors, as applicable, will send a notice of wrongful payment to the applicable holder requesting return of any excess payments and advising the recipient of the provisions of the Plan requiring turnover of excess funds. The failure of such holder to timely repay or return such distribution will result in the holder owing the applicable Reorganized Debtor annualized interest at the federal judgment rate on such amount owed for each business day after the two-week grace period until the amount is repaid.

To the extent that one or more of the Debtors' insurers agrees to satisfy in full a claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such claim will be disallowed and expunged

without an objection to such claim having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

## **F. Claims Objections and Distribution Disputes**

### **1. Objections**

Under the Plan, any objections to claims (other than administrative claims) must be filed on or before the applicable Claims Objection Bar Date.

### **2. Estimation of Claims**

Before or after the applicable Effective Date, the Debtors or the Reorganized Debtors, as applicable, may (but are not required to) at any time request that the Bankruptcy Court estimate any disputed claim that is contingent or unliquidated under Bankruptcy Code § 502(c) for any reason, regardless of whether any party previously has objected to the Claim or whether the Bankruptcy Court has ruled on the objection, and the Bankruptcy Court will retain jurisdiction to estimate the claim, including during the litigation of any objection to any claim or during the appeal relating to an objection. Notwithstanding any provision otherwise in the Plan, a claim that has been expunged from the claims register, but that either is subject to appeal or has not yet been the subject of a final order, will be estimated at zero dollars unless otherwise ordered by the Bankruptcy Court. If the Bankruptcy Court estimates any contingent or unliquidated claim, the estimated amount will constitute a maximum limitation on the claim for all purposes under the Plan (including for purposes of distributions).

Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court or under the Plan.

Notwithstanding Bankruptcy Code § 502(j), no holder of a claim that has been estimated under Bankruptcy Code § 502(c) or otherwise will be entitled to seek reconsideration of such claim estimation unless the holder of the claim has filed a motion with the Bankruptcy Court requesting the right to seek reconsideration on or before 20 calendar days after the date the claim is estimated by the Bankruptcy Court.

***Subcontractor M&M Lien-Related Claims.*** Under the Plan, the holders of claims based on M&M Liens are permitted to vote on the Plan with respect to their Other Secured Claim in accordance with Plan Article 3.7, to the extent not otherwise objected to. But a General Contractor and a Subcontractor will not both be paid on account of a claim based on the same underlying obligation. Any satisfaction of an allowed Subcontractor M&M Lien-related claim will be provided through payment of the applicable General Contractor responsible for paying such Subcontractor, unless otherwise provided in an order of the Bankruptcy Court. To the extent that any Subcontractor's M&M Lien-related claim is duplicate to a General Contractor's claim, such claim will be deemed disallowed, and such Subcontractors will be forever barred, estopped, and enjoined from asserting such claim against the Debtors, the Reorganized Debtors, or their respective property. In such case, the duplicate claim will be deemed discharged as of the Confirmation Date, unless otherwise ordered by a final order of the Bankruptcy Court.

***Paid, Satisfied, Amended, Duplicate, or Superseded Claims.*** Any claim that has been paid, satisfied, amended, duplicated, or superseded, may be adjusted or expunged on the claims register by the Reorganized Debtors on or after 14 calendar days after the date on which notice of such adjustment or expungement has been filed with the Bankruptcy Court, without an objection to such claim having to be filed, and without any further action, order or approval of the Bankruptcy Court.

***Claims by Persons From Which Property Is Recoverable.*** Unless otherwise agreed to by the Reorganized Debtors or ordered by the Bankruptcy Court, any claims held by any person or entity from which property is recoverable under §§ 542, 543, 550 or 553 of the Bankruptcy Code, or that is a transferee of a transfer avoidable under §§ 522(f), 522(h), 544, 545, 547, 548, 549 or 724(a) of the Bankruptcy Code, will be disallowed under § 502(d) of the Bankruptcy Code, and any holder of such claim may not receive any distributions on account of such claim until such cause of action against that person or entity has been resolved.

***Untimely Claims.*** Any claim that was required to be filed by the applicable Claims Bar Date, but was not timely filed, will not be allowed, will be deemed disallowed, and will be forever barred, estopped, and enjoined from asserting such claim against the Debtors, the Reorganized Debtors, or their respective property, and such claim will be deemed discharged as of the applicable Reorganized Debtor's Effective Date, unless otherwise ordered by a final order of the Bankruptcy Court.

### **3. Amendments to Proofs of Claim**

On or after the applicable Claims Bar Date, a proof of claim may not be amended, other than to (a) update or correct the name or address of the holder of such claim or (b) reflect post-petition credits or otherwise reduce the amount of the claim, without the prior authorization of the Bankruptcy Court or the Reorganized Debtors, as applicable. Any amended proof of claim for which prior authorization is required in accordance with Plan Article 7.4 but which is filed without such prior authorization will be deemed disallowed in full and expunged without any further notice to or action, order or approval of the Bankruptcy Court.

### **4. No Distributions Pending Allowance**

If an objection to a claim or a portion of the claim is filed as set forth in Plan Article 7 or the claim otherwise remains a disputed claim, except as otherwise provided in a final order of the Bankruptcy Court, no payment or distribution provided under the Plan will be made on account of such claim or portion thereof, as applicable, unless and until such disputed claim becomes an allowed claim.

## **G. Settlement, Release, Injunction, and Related Provisions**

### **1. Compromise and Settlement of Claims, Interest, and Controversies**

Unless otherwise set forth in the Plan, under Bankruptcy Code § 1123 and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, upon the applicable Effective Date, the

provisions of the Plan will constitute a good-faith compromise and settlement of all claims, interests, and controversies resolved pursuant to the Plan.

Under Bankruptcy Code § 363 and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good-faith compromise of all claims, equity interests, and controversies relating to the contractual, legal, and subordination rights that a holder of a claim may have with respect to any allowed claim, or any distribution to be made on account of such allowed claim.

Under the Plan, the entry of the Confirmation Order will constitute the Court's approval of each of the compromises and settlements embodied in the Plan, and the Court's findings will constitute its determination that such compromises and settlements are in the best interests of the Debtors, their estates, creditors, and other parties-in-interest, and are fair, equitable, and within the range of reasonableness. The provisions of the Plan, including, without limitation, its release, injunction, exculpation, and compromise provisions, are mutually dependent and non-severable.

## **2. Discharge of the Debtors**

Plan Article 9.3 provides that under Bankruptcy Code § 1141(d) and effective as of the applicable Effective Date with respect to each Debtor, and except as otherwise specifically provided in the Plan: (a) the distributions, rights and treatment that are provided in the Plan will be in complete satisfaction, discharge and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued on Claims or Equity Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against and Equity Interests in, the Debtors, the Reorganized Debtors or any of their assets, properties or Estates, regardless of whether any property will have been distributed or retained pursuant to the Plan on account of such Claims and Equity Interests, including demands, liabilities and Causes of Action that arose before, with respect to each Debtor, that Debtor's Effective Date; (b) the Plan will bind all holders of Claims and Equity Interests, notwithstanding whether any such holders failed to vote to accept or reject the Plan or voted to reject the Plan; (c) all Claims and Equity Interests will be satisfied, discharged, and released in full, and the Debtors' liability with respect thereto will be extinguished completely, including all debts of the kind specified in §§ 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not (i) a Proof of Claim based upon such debt, right or Equity Interest is Filed or deemed Filed pursuant to § 501 of the Bankruptcy Code; (ii) a Claim or Equity Interest based upon such debt, right or Equity Interest is Allowed; or (iii) the holder of such a Claim or Equity Interest has accepted the Plan or is entitled to receive a distribution hereunder; and (d) all Entities will be precluded from ever asserting against the Debtors, the Debtors' Estates, the Reorganized Debtors, their successors and assigns, and their assets and properties any Claims and Equity Interests based upon any documents, instruments, or any act or omission, transaction, or other activity of any kind or nature that occurred before, with respect to each Debtor, that Debtor's Effective Date. The Confirmation Order will be a

judicial determination of the discharge of all Claims and Equity Interests subject to the Effective Date occurring.

### **3. Release of Liens**

Except (a) with respect to the liens securing any Post-Confirmation Agreement to the extent set forth in such Post-Confirmation Agreement, or (b) as otherwise provided in the Plan or in any contract, instrument, release, or other agreement or document entered into or delivered in connection with the Plan, with respect to each Debtor, on such Reorganized Debtor's Effective Date, all mortgages, deeds of trust, liens, pledges or other security interests against any property of the Estates will be fully released and discharged, and all of the rights, title and interest of any holder of such mortgages, deeds of trust, liens, pledges, or other security interests will revert to the Reorganized Debtors and their successors and assigns.

### **4. Legal Grounds for Releases**

Plan Article 9 provides for releases of certain claims and causes of action that holders of claims or interests may hold against the Released Parties in exchange for the good and valuable consideration and the valuable compromises made by the Released Parties. The releases, injunctions, and exculpations are included in Sections 4.G.6-9 of this Disclosure Statement.

The Released Parties consist of each of the following: (a) the Debtors, their respective Estates, and the Reorganized Debtors, (b) Dante and Melissa Hahn, and (c) with respect to each Entity named in (a), such Entity's successors and assigns, and current and former members, officers, employees, agents, parents, subsidiaries, successors, heirs, executors and assigns, attorneys, financial advisors, restructuring advisors, investment bankers, accountants and other Professionals or representatives when acting in any such capacities, except any such Person against which any Debtor or Reorganized Debtor has a Retained Cause of Action.

The holders of claims and interests who are releasing certain claims and causes of action each of the following: (a) the Debtors, their respective Estates, and the Reorganized Debtors, (b) Dante and Melissa Hahn, (c) each Holder of a Claim that is provided a Ballot and (i) affirmatively votes to accept the Plan or (ii) either (A) abstains from voting or (B) votes to reject the Plan, and, in case of either (A) or (B), does not opt out of the Voluntary Release by Holders of Claims in compliance with the instructions set forth in the Solicitation Materials, and (d) with respect to each Entity addressed in (a) and (c), such Entity's current subsidiaries, officers, directors, principals, members, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, equity holders, partners, and other professionals, in each case solely in their capacity as such.

Plan Article 9 provides for the exculpation of each Exculpated Party for certain acts or omissions taken in connection with the Chapter 11 Cases. The released and exculpated claims are limited to those claims or Causes of Action that may have arisen in connection with, related to, or arising out of the Plan, this Disclosure Statement, or the Chapter 11

Cases. The Exculpated Parties are: each of the following: (a) the Debtors and Reorganized Debtors, (b) Dante and Melissa Hahn, the managers, officers, and employees of the Debtors and Reorganized Debtors, and (c) the Professionals of the Debtors, in each case solely in their capacity as such.

Plan Article 9 permanently enjoins Entities who have held, hold, or may hold Claims, Interests, or Liens that have been discharged or released pursuant to the Plan or are subject to exculpation under the Plan from asserting such Claims, Interests, or Liens against each Debtor, the Reorganized Debtors, and the Released Parties.

Under applicable law, a debtor release of the Released Parties is appropriate where the release is: (a) “fair and equitable” and (b) “in the best interests of the estate.” *In re Mirant Corp.*, 348 B.R. 725, 738 (Bankr. N.D. Tex. 2006). The “fair and equitable” prong is generally interpreted, consistent with that term’s usage in Bankruptcy Code § 1129(b), to require compliance with the Bankruptcy Code’s absolute priority rule. *Id.* Further, a Chapter 11 plan may provide for a release of third-party claims against non-debtors where parties were provided the opportunity to opt out of the third-party release. *See In re Pilgrim’s Pride Corp.*, No. 08-45664, 2010 WL 200000, at \*5 (Bankr. N.D. Tex. Jan. 14, 2010). In addition, the Fifth Circuit carves out an exception in favor of exculpatory relief for non-debtor parties where such parties owe duties in favor of the debtors or their estates and act within the scope of those duties (i.e., excluding acts of fraud or gross negligence). *See Bank of New York Trust Co., v. Official Unsecured Creditors’ Comm. (In re The Pacific Lumber Co.)*, 584 F.3d 229, 253 (5th Cir. 2009) (extending exculpatory relief to members of the unsecured creditors’ committee). Finally, an injunction is appropriate where it is necessary to the reorganization and fair. *See In re Camp Arrowhead Ltd.*, 451 B.R. 678, 701–2 (Bankr. W.D. Tex. 2011).

The Debtors believe that the releases, exculpations, and injunctions set forth in the Plan are appropriate because, among other things, the releases are narrowly tailored to the Debtors’ restructuring proceedings, and each of the Released Parties has afforded value to the Debtors and aided in the reorganization process, which facilitated the Debtors’ ability to propose and pursue confirmation of the Plan. The Debtors believe that each of the Released Parties has played an integral role in formulating the Plan and has expended significant time and resources analyzing and negotiating the issues presented by the Debtors’ prepetition capital structure and business needs. The Debtors further believe that such releases, exculpations, and injunctions are a necessary part of the Plan and a key inducement for each Released and Exculpated Party’s support for the Debtors’ restructuring. In addition, the Debtors believe that any third-party releases are entirely consensual under the established case law in the United States Bankruptcy Courts within the Fifth Circuit. *See Pilgrim’s Pride Corp.*, at \*5. The Debtors will be prepared to meet their burden to establish the basis for the releases, exculpations, and injunctions for each of the Released Parties and each Exculpated Party as part of confirmation of the Plan.

## **5. Debtors’ Release**

Except as otherwise specifically provided in the Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the reorganization

of the Debtors, the implementation of the restructuring contemplated by the Plan and the compromises contained herein, on and after, with respect to each Debtor, that Debtor's Effective Date, the Released Parties are hereby released and discharged by the Debtors, the Reorganized Debtors and the Estates, including any successor to the Debtors or any Estate representative from all claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, contingent or fixed, existing or hereafter arising, in law, at equity or otherwise, whether for indemnification, tort, contract, violations of federal or state securities laws or otherwise, including, those that any of the Debtors, the Reorganized Debtors or the Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any claim or Equity Interest or any other Person, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Estates, the conduct of the businesses of the Debtors, the Chapter 11 Cases, the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan, the restructuring of claims and equity interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Plan Supplement, the Disclosure Statement, Post-Confirmation Agreements or, in each case, related agreements, instruments, or other documents, any action or omission with respect to Intercompany Claims, any action or omission as an officer, member, agent, representative, fiduciary, controlling person, affiliate, or responsible party, or any other act or omission, transaction, agreement, event, or other occurrence taking place on or before, with respect to each Debtor, that Debtor's Effective Date, other than claims or liabilities arising out of or relating to any act or omission of a Released Party to the extent such act or omission is determined by a Final Order to have constituted willful misconduct, gross negligence, fraud or a criminal act.

## **6. Voluntary Release by Holders of Claims**

Except as otherwise specifically provided in the Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the reorganization of the Debtors, the implementation of the restructuring contemplated by the Plan, and the compromises contained herein, on and after, with respect to each Debtor, that Debtor's Effective Date, to the fullest extent permitted by applicable law, the Releasing Parties (regardless of whether a Releasing Party is a Released Party) will be deemed to conclusively, absolutely, unconditionally, irrevocably and forever release, waive, and discharge the Released Parties of any and all claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including: any derivative claims asserted or assertable on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, contingent or fixed, existing or hereafter arising, in law, at equity or otherwise, whether for indemnification, tort, contract, violations of federal or state securities laws or otherwise, including, those that any of the Debtors, the Reorganized Debtors or the Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Equity Interest or any other Person, based on or relating to, or in any manner arising from,

in whole or in part, the Debtors, the Estates, the conduct of the businesses of the Debtors and their non- Debtor subsidiaries, the Chapter 11 Cases, the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan, the restructuring of Claims and Equity Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Plan Supplement, the Disclosure Statement, the Post-Confirmation Agreements, or, in each case, related agreements, instruments, or other documents, any action or omission with respect to Intercompany Claims, any action or omission as an officer, member, agent, representative, fiduciary, controlling person, affiliate or responsible party, or upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before, with respect to each Debtor, that Debtor's Effective Date, other than claims or liabilities arising out of or relating to any act or omission of a Released Party to the extent such act or omission is determined by a Final Order to have constituted willful misconduct, gross negligence, fraud or a criminal act.

Each Person providing releases under the Plan, including each of the Releasing Parties, will be deemed to have granted the releases set forth in those sections notwithstanding that such Person may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such Person expressly waives any and all rights that it may have under any statute or common law principle which would limit the effect of such releases to those claims or causes of action actually known or suspected to exist at the time of execution of such release.

## **7. Exculpation**

Notwithstanding anything in the Plan to the contrary, the Exculpated Parties will neither have nor incur any liability to any Entity for any Bankruptcy-Related Action; provided that nothing in the foregoing "Exculpation" will exculpate any Entity from any liability resulting from any act or omission that is determined by Final Order to have constituted fraud, willful misconduct, gross negligence, or criminal conduct; provided that each Exculpated Party will be entitled to rely upon the advice of counsel concerning his, her or its duties pursuant to, or in connection with, the Plan or any other related document, instrument, or agreement.

Notwithstanding anything in the Plan to the contrary, as of the Confirmation Date, pursuant to § 1125(e) of the Bankruptcy Code, the Exculpated Parties and their members, officers, employees, attorneys, financial advisors, and other professional advisors, representatives, and agents upon appropriate findings of the Bankruptcy Court will be deemed to have solicited acceptance of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, and to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code, in the offer, issuance, sale, or purchase of a security, offered or sold under the Plan of a Reorganized Debtor, and will not be liable to any Entity on account of such solicitation or participation.

In addition to the protections afforded in Plan Article 9.6 to the Exculpated Parties, and not in any way reducing or limiting the application of such protections, the

Bankruptcy Court retains exclusive jurisdiction over any and all Causes of Action asserted against any Exculpated Party for any Bankruptcy-Related Action that are not otherwise exculpated or enjoined by the Plan.

### **8. Injunction**

Plan Article 9.7 contains the following injunction: “EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN OR FOR OBLIGATIONS ISSUED PURSUANT HERETO, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS, CAUSES OF ACTION, OR EQUITY INTERESTS THAT HAVE BEEN RELEASED OR DISCHARGED PURSUANT TO THIS PLAN OR ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE 9.6 ARE PERMANENTLY ENJOINED, FROM AND AFTER, WITH RESPECT TO EACH DEBTOR, THE APPLICABLE REORGANIZED DEBTOR’S EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST, AS APPLICABLE, THE DEBTORS, THE REORGANIZED DEBTORS, OR THE RELEASED PARTIES: (1) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR PROCEEDING, OF ANY KIND, ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION OR EQUITY INTERESTS; (2) ENFORCING, ATTACHING, COLLECTING OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST SUCH RELEASED PARTIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION OR EQUITY INTERESTS; (3) CREATING, PERFECTING, OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH RELEASED PARTIES OR THE PROPERTY OR ESTATES OF SUCH RELEASED PARTIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION OR EQUITY INTERESTS; (4) ASSERTING ANY RIGHT OF SETOFF OR SUBROGATION OF ANY KIND AGAINST ANY OBLIGATIONS DUE FROM THE DEBTORS OR THE REORGANIZED DEBTORS OR AGAINST THE PROPERTY OR INTERESTS IN PROPERTY OF THE DEBTORS ON ACCOUNT OF ANY SUCH CLAIM, CAUSE OF ACTION OR EQUITY INTEREST; AND (5) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION OR EQUITY INTERESTS RELEASED, SETTLED, EXCULPATED OR DISCHARGED PURSUANT TO THE PLAN OR CONFIRMATION ORDER.”

### **9. Limitation on Releases and Exculpation**

Notwithstanding anything contained in the Plan to the contrary, the releases and exculpation contained in the Plan do not release any obligations of any party arising under the Plan or any document, instrument, or agreement (including those set forth in the Post-Confirmation Financing Agreements and the Plan Supplement) executed to implement the Plan. Additionally, the Debtors’ discharge, exculpation, and release, and the exculpation and release in favor of Released Parties, as provided in the Plan will not diminish or impair the enforceability of any insurance policy that may provide coverage for

claims against the Debtors, the Reorganized Debtors, their current and former members and officers, or any other person.

#### **10. Temporary Injunction**

Plan Article 9.10 contains the following temporary injunction: “Upon Confirmation of the Plan, all Holders will be temporarily enjoined, pursuant to § 105 of the Code, from proceeding against any officer, member, employee, or other responsible person of any Debtor or Reorganized Debtor, individually, including, but not limited to, Dante and Melissa Hahn, for the collection of all or any portion of their Allowed Claim. This injunction is to remain in effect only for so long as, with respect to each Reorganized Debtor, such Reorganized Debtor complies with the terms of the Plan. Any violation of the Plan that remains uncured for 30 days after receipt by the applicable Reorganized Debtor of written notice from any party affected by such violation, will automatically and without order of the Court result in the dissolution of the injunction as to the affected party. Specifically with regard to any Class 3 Claim for which the Plan provides that regular payments are to be made to a Lender on account of such Claim, the temporary injunction will specifically bar such a Lender from proceeding against Dante or Melissa Hahn or any Debtor who guaranteed the applicable underlying obligation so long as payments to such Lender are being made in accordance with the Plan.”

### **H. Modification, Revocation, or Withdrawal of the Plan**

#### **1. Plan Modification**

Under the Plan, and subject to the limitations contained in the Plan: (a) the Debtors reserve the right in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan before the entry of the Confirmation Order, including amendments or modifications to satisfy Bankruptcy Code § 1129(b); and (b) after the entry of the Confirmation Order, the Reorganized Debtors may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with Bankruptcy Code § 1127(b), or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

#### **2. Effect of Confirmation on the Plan**

Under the Plan, entry of a Confirmation Order will mean that all modifications and amendments to the Plan following solicitation of the Plan are approved in accordance with Bankruptcy Code § 1127(a) and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

#### **3. Plan Revocation**

Under the Plan, the Debtors reserve the right to revoke or withdraw the Plan before the entry of the Confirmation Order and to file subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan, or if the Confirmation Order is not entered, then: (a) the Plan will be null and void; (b) any settlement or compromise embodied in the Plan, assumption or rejection of executory contracts or leases affected by the Plan, and any document or agreement executed under the Plan will be deemed null and void; and

(c) nothing contained in the Plan will: (i) constitute a waiver or release of any claims by or claims against, or any equity interests in, any Debtor or any other entity; (ii) prejudice in any manner the rights of the Debtors or any other entity; or (iii) constitute an admission, acknowledgment, offer, or undertaking of any sort by the Debtors, Reorganized Debtors, or any other entity.

## **V. Implementing the Plan**

### **A. Description of Debtors' Property**

Attached as **Exhibit B** to this Disclosure Statement is a description of the Debtors' properties along with the most recently appraised values provided to the Debtors by CBRE in recent months.

### **B. Sources of Funding the Plan**

The Debtors intend to use a variety of sources to fund the Plan. The Debtors, exercising their business judgment, will seek to maximize the assets available to the Debtors' estates for payment of creditors' allowed claims. In some instances, the Debtors contemplate selling properties in which the equity is greater than the debt secured by the properties and using the excess cash to pay claims. In other instances, the Debtors contemplate refinancing loan obligations to free up cash to pay claims. The Debtors also may satisfy claims by renegotiating terms with lenders or by surrendering collateral. Finally, the Debtors contemplate continuing to operate certain business and managing certain properties to generate cash flows, the excess of which may be used to pay creditors' claims over time.

### **C. Reorganized Debtors and Vesting of Assets**

Except as otherwise provided in the Plan or the Confirmation Order, each Debtor will, as a Reorganized Debtor, continue to exist after the Confirmation Date as a separate legal entity, with all of the powers of such a legal entity under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution, or otherwise) under applicable law. During the period from the Confirmation Date through and until its Effective Date, each Reorganized Debtor will operate its business(es) in accordance with the Plan, pursuing such Post-Confirmation Agreements as are necessary to give effect to the Claims treatment proposed in the Plan.

Under the Plan, with respect to each Debtor, on the Confirmation Date, all property of each Debtor's estate and any property acquired by such Debtor or Reorganized Debtor under the Plan, will vest in such Reorganized Debtor free and clear of all claims, liens, charges, other encumbrances, Equity Interests and other interests, except for liens and obligations expressly established or preserved under the Plan (including with respect to Post-Confirmation Agreements, as applicable); provided that nothing in Plan Article 4.2 will limit the ability of any party-in-interest to object to any claim before the applicable Claims Objection Bar Date, unless otherwise ordered by the Bankruptcy Court. Notwithstanding any provisions in Plan Article 4.2 or elsewhere in the Plan, the Lenders

will each retain any liens they held against a Debtor prepetition until that applicable Reorganized Debtor's Effective Date, at which time any such liens will be either reinstated, removed, or replaced in accordance with the treatment provided in the Plan.

Under the Plan, each Reorganized Debtor, on and after the Confirmation Date, may operate its business(es) and may use, acquire or dispose of property and compromise or settle any claims or causes of action without supervision or approval of the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, subject only to those restrictions expressly imposed by the Plan or the Confirmation Order as well as the documents and instruments executed and delivered in connection therewith, including the documents, exhibits, instruments and other materials comprising the Plan Supplement.

#### **D. Cancellation of Notes, Instruments, Certificates, and Other Documents**

On the Confirmation Date, except to the extent otherwise provided in the Plan, all notes, instruments, and other documents evidencing claims will be cancelled, and the obligations of the Debtors or the Reorganized Debtors thereunder or in any way related thereto will be discharged and deemed satisfied in full; *provided, however*, that notwithstanding confirmation or the occurrence of the applicable Effective Date, any credit document or agreement that governs the rights of the holder of a claim or interest will continue in effect solely for purposes of (a) allowing holders of allowed claims to receive distributions under the Plan; (b) allowing and preserving the rights of the Reorganized Debtors to make distributions on account of allowed claims as provided in the Plan; and (c) permitting the Reorganized Debtors to enforce any obligation (if any) owed to the Reorganized Debtors under the Plan; *provided, further, however*, that (a) the preceding proviso will not affect the discharge of claims or interests under the Bankruptcy Code, the Confirmation Order, or the Plan, or result in any expense or liability to the Debtors or Reorganized Debtors, as applicable, except as expressly provided for in the Plan and (b) except as otherwise provided in the Plan, the terms and provisions of the Plan will modify any existing contract or agreement that would in any way be inconsistent with distributions under the Plan.

#### **E. Post-Confirmation Agreements**

The Debtors anticipate the sale of certain Debtor property and the refinancing or renegotiation of several of their respective lender obligations in accordance with the Plan. On or before each Reorganized Debtors' Effective Date, such Reorganized Debtor will execute and file or otherwise make available to the Bankruptcy Court and any parties in interest any Post-Confirmation Agreements and related documents to which such Reorganized Debtor is intended to be a party on its Effective Date.

Confirmation of the Plan will be deemed (a) approval of the Post-Confirmation Agreements and all transactions contemplated by the Plan and those agreements and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, expenses, losses, damages, indemnities and other amounts provided for by the post-confirmation

financing agreements, and (b) authorization for the Reorganized Debtors to enter into and perform under the Post-Confirmation Agreements. The Post-Confirmation Agreements will constitute legal, valid, binding, and authorized obligations of the Reorganized Debtors, enforceable in accordance with their terms. Any financial accommodations to be extended pursuant to the Post-Confirmation Agreements are being extended and will be deemed to have been extended, in good faith, for legitimate business purposes, are reasonable, will not be subject to avoidance, recharacterization, or subordination (including equitable subordination) for any purposes whatsoever, and will not constitute preferential transfers, fraudulent conveyances, or other voidable transfers under the Bankruptcy Code or any other applicable non-bankruptcy law.

With respect to each Post-Confirmation Agreement, on each Reorganized Debtor's Effective Date or, with respect to Hahn Investments, LLC, any applicable HI Agreement Date under Plan Article 4.7, any liens and security interests to be granted in accordance with such Post-Confirmation Agreement, if any, (a) will be deemed to be approved; (b) will be legal, binding, and enforceable liens on, and security interests in, the collateral granted under respective Post-Confirmation Agreements in accordance with the terms of the Post-Confirmation Agreements; (c) will be deemed perfected on that date, subject only to such liens and security interests as may be permitted under such Post-Confirmation Agreements, and the priorities of such liens and security interests will be as set forth in the respective Post-Confirmation Agreements; and (d) will not be subject to avoidance, recharacterization, or subordination (including equitable subordination) for any purposes and will not constitute preferential transfers, fraudulent conveyances, or other voidable transfers under the Bankruptcy Code or any applicable non-bankruptcy law. The Reorganized Debtors and any secured parties (and their designees and agents) under such Post-Confirmation Agreements are hereby authorized to make all filings and recordings, and to obtain all governmental approvals and consents to establish and perfect such liens and security interests under the provisions of the applicable state, provincial, federal, or other law (whether domestic or foreign) that would be applicable in the absence of the Plan and the Confirmation Order (it being understood that perfection of any liens and security interests granted under the Post-Confirmation Agreements will occur automatically on the applicable Effective Date (or, with respect to documents relating to Hahn Investments, LLC property sold or refinanced in accordance with Plan Article 4.7, on the applicable HI Agreement Date) by virtue of the entry of the Confirmation Order and funding on or after that date, and any such filings, recordings, approvals and consents will not be necessary or required), and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such liens and security interests to third parties. To the extent that any holder of a secured claim that has been satisfied or discharged pursuant to the Plan, or any agent for such holder, has filed or recorded any liens or security interests to secure such holder's secured claim, then as soon as practicable on or after the applicable Reorganized Debtor's Effective Date or the applicable HI Agreement Date, such holder (or the agent for such holder) will take any steps requested by the Debtors, the Reorganized Debtors, or any administrative agent under the Post-Confirmation Agreements that are necessary to cancel or extinguish such

liens or security interests (it being understood that such liens and security interests held by holders of secured claims that are satisfied on that Effective Date or HI Agreement Date, as applicable, in accordance with the Plan will be automatically canceled or extinguished on such date by virtue of the entry of the Confirmation Order).

#### **F. Provisions Specific to Copeland's, HHSS, and Hahn Investments**

In addition to the Property Dispositions more specifically discussed in the various class-treatment descriptions provided in Plan Article 3, the Debtors anticipate that a Property Disposition will take place as to Copeland's of Longview, LLC's interest and property constituting the Copeland's of New Orleans restaurant franchise business (separately from the real and personal property used by Copeland's of Longview, LLC but owned by Hahn Investments, LLC) that it operates in Longview, TX. Specifically, First National Bank of Hughes Springs has communicated an interest in acquiring such business interests. In the event that First National Bank of Hughes Springs acquires a secured interest in such Copeland's of Longview, LLC property, along with any related guaranties of such secured interest, the Debtors will not to oppose any motion of First National Bank of Hughes Springs to lift the automatic stay to allow First National Bank of Hughes Springs to foreclose on such property and will not to oppose First National Bank of Hughes Springs's foreclosure of its liens, if any, on such property. Further, in such a case, Copeland's of Longview, LLC will transfer such property to First National Bank of Hughes Springs in lieu of foreclosure if requested to do so by First National Bank of Hughes Springs.

On and after the Confirmation Date, the Debtors or Reorganized Debtors will be released from any and all obligations under the Bankruptcy Court's *Order Granting in Part and Denying in Part Pilgrim Bank's Motion for Adequate Protection* [Docket No. 208]. On its Effective Date, Hahn Hotels of Sulphur Springs, LLC will be authorized to use the pre-Confirmation Date cash reserve that Hahn Hotels of Sulphur Springs, LLC set aside under that order for the purpose of paying its creditors in accordance with the class treatment provided in Plan Article 3.

Because Hahn Investments, LLC owns several properties that will potentially be sold in one or more Property Dispositions or for which the Lender obligation will be refinanced through one or more Post-Confirmation Financing Agreements, Hahn Investments, LLC's Effective Date may take place several months after it enters into one or more such Post-Confirmation Agreements. Therefore, with respect to Hahn Investments, LLC, when a property is sold under a Property Disposition Agreement or when a Lender obligation is refinanced under a Post-Confirmation Financing Agreement at a time when Hahn Investments, LLC's Effective Date is anticipated to take place more than 30 days following the closing of such sale, any such sale will be deemed an approved sale under Bankruptcy Code § 363, and any such financing will be deemed an authorized extension of credit under Bankruptcy Code § 364. In such case, payment of a Lender and any other Secured Claims relating to such property in accordance with the Plan will take place on the applicable HI Agreement Date or as soon as reasonably practicable thereafter.

### **G. Section 1146 Exemption from Certain Taxes and Recording Fees**

The Plan provides that to the fullest extent permitted by law, under Bankruptcy Code § 1146(a) any transfers from the Debtors to the Reorganized Debtors or to any other person, pursuant to, in contemplation of, or in connection with the Plan (including any transfer pursuant to: (a) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Debtors or the Reorganized Debtors; (b) the creation, modification, consolidation, assumption, termination, refinancing and/or recording of any mortgage, deed of trust or other security interest, or the securing of additional indebtedness by such or other means; (c) the making, assignment or recording of any lease or sublease; (d) the grant of collateral as security for any Post-Confirmation Agreement; or (e) the making, delivery or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments, or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan) will not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, sales and use tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local government officials or agents will, and will be directed to, forgo the collection of any such tax, recordation fee or government assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or government assessment. The Bankruptcy Court will retain specific jurisdiction with respect to these matters.

### **H. Preservation of Causes of Action**

The Plan provides that except as otherwise expressly provided in the Plan or Confirmation Order, each and every Cause of Action, right of setoff and other legal and equitable defenses of any Debtor or any Estate are preserved for the benefit of the Reorganized Debtors and, along with the exclusive right to enforce such Cause of Action and rights, will vest exclusively in that Reorganized Debtor as of the Confirmation Date; provided that nothing in Plan Article 4.9 will limit the ability under the Bankruptcy Code of any party-in-interest to object to any claim before the applicable Claim Objection Bar Date unless otherwise ordered by the Bankruptcy Court. Unless a Cause of Action is expressly waived, relinquished, released, or compromised in the Plan or an order of the Bankruptcy Court, the Reorganized Debtors expressly reserve such Cause of Action for later adjudication and, accordingly, no doctrine of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), laches, or other preclusion doctrine will apply to such Cause of Action as a consequence of the Confirmation, the Plan, the vesting of such Cause of Action in Reorganized Debtors, any order of the Bankruptcy Court or these Chapter 11 Cases. No person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as an indication that the Debtors or the Reorganized Debtors, as applicable, will not pursue such Cause of Action against them. The Debtors or Reorganized Debtors, as applicable, instead expressly reserve all rights to prosecute any and all Causes

of Action against any person, in accordance with the Plan. Without limiting any the foregoing, the Reorganized Debtors will retain the Retained Causes of Action described in the Plan Supplement. These include, without limitation, actions against Choice Hotels, Leinart Construction, Duszik Construction, and any others specifically retained under the Plan and identified in the Plan Supplement.

#### **I. Effectuating Documents; Further Transactions**

Under the Plan, the Reorganized Debtors may take all actions to execute, deliver, file, or record such contracts, instruments, releases, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan, without the need for any approvals, authorizations, actions, or consents except for those expressly required pursuant hereto. Mr. Hahn, as President and Manager of each Debtor and Reorganized Debtor, will be authorized to certify or attest to any of the foregoing actions.

With respect to each Debtor or Reorganized Debtor, as applicable, before, on, or after the Confirmation Date, all matters provided for pursuant to the Plan that would otherwise require approval of the members or managers of the Debtors or Reorganized Debtors will be deemed to have been so approved and will be in effect before, on, or after the Confirmation Date, in accordance with applicable law, and without any requirement of further action by the members or managers of the Debtors or Reorganized Debtors, or the need for any approvals, authorizations, actions, or consents.

#### **J. Directors and Officers of the Reorganized Debtors**

Under the Plan, Dante Hahn will continue to serve as President and Manager of each of the Reorganized Debtors on and after the Confirmation Date. As President and Manager, Mr. Hahn will have the power to enter into or execute any documents or agreements that he deems reasonable and appropriate to effectuate the terms of the Plan. Mr. Hahn will be compensated through a base salary apportioned to each Reorganized Debtor in accordance with his role as President and Manager of each such Reorganized Debtor. Notwithstanding this apportionment, after the Confirmation Date the Reorganized Debtors will be jointly and severally liable for Mr. Hahn's salary.

Except as otherwise provided herein, as of the Confirmation Date, each Reorganized Debtor will have authority to: (i) maintain, reinstate, amend, or revise existing employment and related agreements with its employees, subject to the terms and conditions of any such agreement and applicable non-bankruptcy law; and (ii) enter into new employment and related agreements for employees. From and after the Confirmation Date, each Reorganized Debtor will continue to administer its workers' compensation programs, where applicable, in accordance with its prepetition practices and procedures.

#### **K. Retention of Jurisdiction**

The Plan provides that, notwithstanding entry of an order confirming the Plan and the occurrence of any Effective Date, the Bankruptcy Court to retain exclusive jurisdiction

over a wide variety of matters incident to the Plan and the Chapter 11 Cases. For a complete list, consult Plan Article 11.

## **VI. Conditions Precedent to Confirmation and Consummation**

### **A. Conditions Precedent to the Effective Date**

It will be a condition to each of the Debtors' respective Effective Dates that the following conditions will have been satisfied or waived pursuant to Article 8.2 of the Plan:

- the Bankruptcy Court will have entered the Confirmation Order;
- no order staying the consummation or implementation of the Plan will be in force;
- for any Debtor that is a party to a Franchise Agreement, that Reorganized Debtor will have provided written notice to the counterparty of that Franchise Agreement of whether the Debtor will be assuming or rejecting the Franchise Agreement;
- all actions, documents, certificates, and agreements necessary to implement the Plan will have been effected or executed and delivered, as applicable;
- all authorizations, consents, regulatory approvals, rulings or documents that are necessary to implement and effectuate the Plan as of, with respect to each Debtor, such Reorganized Debtor's Effective Date will have been received, waived, or otherwise resolved;
- for Copeland's of Longview, LLC only, closing (or other applicable transfer completion) will have occurred on a Property Disposition of the Copeland's of Longview, LLC restaurant business and/or all or substantially all assets of Copeland's of Longview, LLC. Any related Property Disposition Agreements will have been duly executed and delivered by the Debtor or Reorganized Debtor parties thereto, and all conditions precedent to the closing of the Property Disposition will have been waived or satisfied in accordance with the terms thereof.
- One of the following actions will have taken place with respect to every allowed Lender Secured Claim (specifically excluding any claims relating to a deficiency or guaranty) against the applicable Debtor:
  - (a) *Property Disposition.* Closing (or other applicable transfer completion) will have occurred on a Property Disposition of the applicable property securing such Allowed Lender Secured Claim in accordance with the terms provided in Article 3. Any related Property Disposition Agreements will have been duly executed and delivered by the Debtor or Reorganized Debtor parties thereto, and all conditions precedent to the closing (or other applicable transfer

completion) of the Property Disposition will have been waived or satisfied in accordance with the terms thereof;

- (b) *Lender Loan Agreement.* The applicable Debtor will have entered into a Lender Loan Agreement for repayment of the Allowed Lender Secured Claim in accordance with the terms provided in the Plan. Any documents effectuating the Lender Loan Agreement will have been duly executed and delivered by the Debtor or Reorganized Debtor parties thereto, and all conditions precedent to the consummation of the Property Disposition will have been waived or satisfied in accordance with the terms thereof.
- (c) *Other Claim Satisfaction.* The Allowed Lender Secured Claim will have been otherwise satisfied in accordance with the Plan.

## **B. Waiver of Conditions Precedent to the Effective Date**

Any Reorganized Debtor may waive any of the conditions to its Effective Date set forth in Plan Article 8 at any time without any notice to any other parties in interest and without any further notice to or action, order, or approval of the Bankruptcy Court; notwithstanding, however, the conditions precedent set forth in Plan Articles 8.1.1 and 8.1.2 may not be waived, and the conditions set forth in Plan Articles 8.1.3, 8.1.4, and 8.1.5 may only be waived with the approval of the Bankruptcy Court.

## **C. Effect of Non-Occurrence of Conditions to Consummation**

Under the Plan, with respect to each Reorganized Debtor, if the Plan is confirmed but the Reorganized Debtor's Effective Date does not occur within twelve months following the Confirmation Date, or such later date as is approved by the Bankruptcy Court, then (a) the Plan will be null and void in all respects; (b) any settlement or compromise embodied in the Plan, assumption or rejection of executory contracts or leases affected by the Plan, and any document or agreement executed in accordance with the Plan will be deemed null and void; and (c) nothing contained in the Plan will: (i) constitute a waiver or release of any claims by or claims against, or any equity interests in, any Debtor, Reorganized Debtor, or any other entity; (ii) prejudice in any manner the rights of the Debtors, Reorganized Debtors, or any other entity; or (iii) constitute an admission, acknowledgment, offer, or undertaking of any sort by the Debtors, Reorganized Debtors, or any other entity.

# **VII. Confirmation of the Plan**

## **A. The Confirmation Hearing**

The Bankruptcy Court has set [TBD] prevailing Central Time (the “**Confirmation Hearing**”) as the time and date for the hearing to consider whether the Plan has been accepted by the requisite number of votes and whether the other standards for

confirmation of the Plan have been satisfied. Once commenced, the Confirmation Hearing may be adjourned or continued by announcement in open court with no further notice.

## **B. Deadline to Object to the Disclosure Statement and Plan Confirmation**

Upon scheduling of the Confirmation Hearing, the Debtors will provide notice of the Confirmation Hearing, and, if approved by the Bankruptcy Court, the notice will provide that **objections to the confirmation of the Plan must be filed and served at or before 4:00 p.m., prevailing Central Time, on the date that is seven days before the initial date of the Confirmation Hearing.** Unless objections to the confirmation of the Plan are timely served and filed, they may not be considered by the Bankruptcy Court.

## **C. Requirements for Confirmation**

### **1. Requirements of Bankruptcy Code § 1129**

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of Bankruptcy Code § 1129 have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. For the Plan to be confirmed, Bankruptcy Code § 1129 requires that:

- (a) The Plan complies with the applicable provisions of the Bankruptcy Code;
- (b) The Debtors have complied with the applicable provisions of the Bankruptcy Code;
- (c) The Plan has been proposed in good faith and not by any means forbidden by law;
- (d) Any payment or distribution made or promised by the Debtors or by a person issuing securities or acquiring property under the Plan for services or for costs and expenses in connection with the Plan has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;
- (e) The Debtors have disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the Plan, as a director, officer or voting trustee of any Debtor, or a successor to a Debtor under the Plan; the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and with public policy;
- (f) Any government regulatory commission with jurisdiction (after confirmation of the Plan) over the rates of the Debtors have approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval;
- (g) With respect to each impaired class of claims, either each holder of a claim of the class has accepted the Plan, or will receive or retain under the Plan on account of that claim, property of a value, as of the applicable Debtor's

Effective Date, that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated on such date under Chapter 7 of the Bankruptcy Code. If Bankruptcy Code § 1111(b)(2) applies to the claims of a class, each holder of a claim of that class will receive or retain under the Plan on account of that claim property of a value, as of the Effective Date, that is not less than the value of that holder's interest in a Debtor's interest in the property that secures that claim;

- (h) Each class of claims has either accepted the Plan or is not impaired under the Plan;
- (j) If a class of claims or interests is impaired under the Plan, at least one such class of claims or interests has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a claim or interest of that class; and
- (k) Confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtors or any successor to a Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

## **2. Best Interests of Creditors—Liquidation Analysis**

Often called the “best interests” test, Bankruptcy Code § 1129(a)(7) requires that a bankruptcy court find, as a condition to confirmation, that a Chapter 11 plan provides, with respect to each class, that each holder of a claim or an interest in such class either (a) has accepted the plan or (b) will receive or retain under the plan property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtors liquidated under Chapter 7 of the Bankruptcy Code.

To demonstrate compliance with the “best interests” test, the Debtors, with the assistance of their advisors, prepared the Liquidation Analysis, attached to the Disclosure Statement as **Exhibit C**, showing that the value of the distributions provided to holders of allowed claims and interests under the Plan would be the same or greater than under a hypothetical Chapter 7 liquidation. Accordingly, the Debtors believe that the Plan is in the best interests of creditors.

## **3. Feasibility/Financial Projections**

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a Chapter 11 plan of reorganization is not likely to be followed by the liquidation of the reorganized debtor or the need for further financial reorganization of the debtor, or any successor to the debtor (unless such liquidation or reorganization is proposed in the Chapter 11 plan). For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. As part of this analysis, the Debtors have prepared certain unaudited pro forma financial statements with regard to the Reorganized Debtors (the “**Financial Projections**”), which projections and the assumptions upon which they are based are attached as **Exhibit D** to this Disclosure Statement. Based on these Financial Projections, the Debtors believe the deleveraging

contemplated by the Plan meets the financial feasibility requirement. Moreover, the Debtors believe that sufficient funds will exist to make all payments required by the Plan. Accordingly, the Debtors believe that the Plan satisfies the feasibility requirement of Bankruptcy Code § 1129(a)(11).

#### **4. Acceptance by Impaired Classes**

The Bankruptcy Code requires that, except as described in the following section, each impaired class of claims or interests must accept a plan in order for it to be confirmed. A class that is not “impaired” under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to the class is not required. A class is “impaired” unless the plan: (a) leaves unaltered the legal, equitable, and contractual rights to which the claim or the interest entitles the holder of the claim or interest; (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest; or (c) provides that, on the consummation date, the holder of such claim or equity interest receives cash equal to the allowed amount of that claim or, with respect to any equity interest, any fixed liquidation preference to which the holder of such equity interest is entitled to any fixed price at which the debtor may redeem security.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of allowed claims in that class, counting only those claims that actually voted to accept or to reject the plan. Thus, a class of claims will have voted to accept the plan only if two-thirds in amount and a majority in number of creditors actually voting cast their ballots in favor of acceptance. For a class of impaired interests to accept a plan, Bankruptcy Code § 1126(d) requires acceptance by interest holders that hold at least two-thirds in amount of the allowed interests of such class, counting only those interests that actually voted to accept or reject the plan. Thus, a class of interests will have voted to accept the plan only if two-thirds in amount actually voting cast their ballots in favor of acceptance.

#### **5. Confirmation Without Acceptance by All Impaired Classes**

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes have not accepted the plan, *provided* that the plan has been accepted by at least one impaired class of claims. Under Bankruptcy Code § 1129(b), notwithstanding an impaired class rejection or deemed rejection of the plan, the plan will be confirmed, at the plan proponent’s request, in a procedure commonly known as “cramdown,” so long as the plan does not “discriminately unfairly” and is “fair and equitable” with respect to each class of claims or interests that is impaired under, and has not accepted, the plan.

If any impaired class of claims or interests rejects the Plan, including classes of claims or interests deemed to reject the Plan, the Debtors will request confirmation of the Plan, as it may be modified from time to time, utilizing the “cramdown” provision under

Bankruptcy Code § 1129(b). The Debtors reserve the right to modify the Plan in accordance with Article 10 of the Plan to the extent, if any, that confirmation under § 1129(b) of the Bankruptcy Code requires modification, including by modifying the treatment applicable to a class of claims to render such class of claims unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules or to withdraw the Plan as to such Debtor.

The Debtors believe that the Plan and the treatment of all classes of claims and interests under the Plan satisfy the requirements for cramdown and the Debtors will be prepared to meet their burden to establish that the Plan can be confirmed in accordance with § 1129(b) of the Bankruptcy Code.

#### **k) No Unfair Discrimination**

The “unfair discrimination” test applies with respect to classes of claim or interests that are of equal priority but are receiving different treatment under a proposed plan. The test does not require that the treatment be the same or equivalent, but that the treatment be “fair.” In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly. Under certain circumstances, a proposed plan may treat two classes of unsecured creditors differently without unfairly discriminating against either class.

With respect to the unfair discrimination requirement, all classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other classes that have equal rank. Accordingly, the Debtors believe that the Plan meets the standard to demonstrate that the Plan does not unfairly discriminate and the Debtors will be prepared to meet their burden to establish that there is no unfair discrimination as part of confirmation of the Plan.

#### **l) Fair and Equitable Test**

The “fair and equitable” test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100 percent of the amount of the allowed claims in such class. As to each non-accepting class and as set forth below, the test sets different standards depending on the type of claims or interests in such class. The Debtors believe that the Plan satisfies the “fair and equitable” requirement, notwithstanding the fact that certain classes are deemed to reject the Plan. There is no class receiving more than a 100-percent recovery and no junior class is receiving a distribution under the Plan until all senior classes have received a 100 percent recovery or agreed to receive a different treatment under the Plan.

**Secured Claims.** The condition that a plan be “fair and equitable” to a non-accepting class of secured claims includes the requirements that: (a) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan; and (b) each holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim

with a value, as of the effective date, at least equivalent to the value of the secured claimant's interest in the debtor's property subject to the claimant's liens.

**Unsecured Claims.** The condition that a plan be "fair and equitable" to a non-accepting class of unsecured claims includes the requirement that either: (a) the plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date, equal to the allowed amount of such claim; or (b) the holder of any claim or any interest that is junior to the claims of such class will not receive or retain any property under the plan on account of such junior claim or junior interest, subject to certain exceptions.

**Interests.** The condition that a plan be "fair and equitable" to a non-accepting class of interests, includes the requirements that either: (a) the plan provides that each holder of an interest in that class receives or retains under the plan on account of that interest property of a value, as of the effective date, equal to the greater of: (1) the allowed amount of any fixed liquidation preference to which such holder is entitled; (2) any fixed redemption price to which such holder is entitled; or (3) the value of such interest; or (b) the holder of any interest that is junior to the interests of such class will not receive or retain any property under the plan on account of such junior interest.

## **VIII. Risk Factors**

### **A. Risks Related to Restructuring**

#### **1. Restructuring Alternatives**

If the various alternative courses of action that the Debtors contemplate undertaking in accordance with the Plan are not completed, the Debtors will consider all other restructuring alternatives available at that time, which may include the filing of an alternative Chapter 11 plan, conversion to Chapter 7, commencement of § 363 sales of the Debtors' assets, or any other transaction that would maximize the value of the Debtors' estates. Any alternative restructuring proposal may be on terms less favorable to holders of claims against and interests in the Debtors than the terms of the Plan as described in this Disclosure Statement.

Any material delay in the confirmation of the Plan, or the Chapter 11 Cases, or the threat of rejection of the Plan by the Bankruptcy Court, could add substantial expense and uncertainty to the process.

### **B. Risks Related to Recoveries Under the Plan**

The Financial Projections represent management's best estimate of the future financial performance of the Debtors or the Reorganized Debtors, as applicable, based on currently known facts and assumptions about future operations of the Debtors or the Reorganized Debtors, as applicable, as well as the U.S. and world economy in general and the industry segments in which the Debtors operate in particular. There is no guarantee that the Financial Projections will be realized, and actual financial results may differ significantly from the Financial Projections. To the extent the Reorganized Debtors do not

meet their projected financial results or achieve projected revenues and cash flows, the Reorganized Debtors may lack sufficient liquidity to continue operating as planned after the applicable Effective Date, may be unable to service their debt obligations as they come due, or may not be able to meet their operational needs. Further, a failure of the Reorganized Debtors to meet their projected financial results or achieve projected revenues and cash flows could lead to cash flow and working capital constraints, which constraints may require the Debtors to seek additional working capital. The Reorganized Debtors may be unable to obtain such working capital when it is required, or may only be able to obtain such capital on unreasonable or cost prohibitive terms. For example, the Reorganized Debtors may be required to take on additional debt, the interest costs of which could adversely affect the results of the operations and financial condition of the Reorganized Debtors.

### **C. Miscellaneous Risks**

#### **1. No Audit Performed**

In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to assure the accuracy of the financial information provided in this Disclosure Statement, and while the Debtors believe that such financial information fairly reflects their financial condition, the Debtors are unable to warrant or represent that the financial information contained in this Disclosure Statement (or any information in any of the exhibits to the Disclosure Statement) is without inaccuracies.

#### **2. No Legal or Tax Advice Provided by this Disclosure Statement**

This Disclosure Statement is not legal advice to any person or Entity. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Readers should consult their own legal counsel and accountants with regard to any legal, tax, or other matters concerning their claims or interests. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote to accept or reject the Plan or whether to object to Plan confirmation.

#### **3. No Admissions Made**

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Entity (including the Debtors) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, the Reorganized Debtors, holders of claims or interests, or any other parties in interest.

#### **4. Failure to Identify Litigation Claims or Projected Objections**

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular claim is, or is not, identified in this Disclosure Statement. The Debtors may seek to investigate, file, and prosecute claims and may object to claims after confirmation and consummation of the Plan, irrespective of whether this Disclosure Statement identifies such claims or objections to claims.

## **5. Information Provided by Debtors Relied on by Debtors' Advisors**

Counsel to and other advisors retained by the Debtors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although counsel to and other advisors retained by the Debtors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement and the exhibits to the Disclosure Statement, they have not independently verified the information contained in this Disclosure Statement or the information in the exhibits to the Disclosure Statement.

## **6. No Representations Outside Disclosure Statement Authorized**

No representations concerning or relating to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure voting holders' acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by voting holders in arriving at their decision. voting holders should promptly report unauthorized representations or inducements to counsel to the Debtors and the Office of the United States Trustee for the Eastern District of Texas.

## **IX. Debtors' Recommendation**

After considering the effects that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors, the Debtors have determined that confirmation of the Plan will provide holders of allowed Unsecured Claims with at least as much as, and perhaps substantially more than, a Chapter 7 liquidation.

In the Debtors' opinion, the Plan is preferable to the alternative because it provides for a greater distribution to the holders of claims. Such holders would receive less in a liquidation under Chapter 7 of the Bankruptcy Code. Accordingly, the Debtors recommend that holders of claims entitled to vote on the Plan support confirmation of the Plan and vote to accept the Plan.

Respectfully submitted,  
December 17, 2017,

By: /s/ Dante E. Hahn  
Dante E. Hahn  
President and Manager  
Of Above-Named Chapter 11 Debtors

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