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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:	)	**Case No. 2:23-bk-52859**
	)	
S&G HOSPITALITY, INC., *et al.*,[1]	)	**Chapter 11**
	)	
	)	**Judge Nami Khorrami**
Debtors.	)	
	)	**(Jointly Administered)**
	)	
Buckeye Lodging, LLC	)	**Case No. 2:23-bk-52861**
Lancaster Hospitality, LLC	)	**Case No. 2:23-bk-52862**
S&G Hospitality, LLC	)	**Case No. 2:23-bk-52859**
Sunburst Hotels, LLC	)	**Case No. 2:23-bk-52863**

DISCLOSURE STATEMENT FOR THIRD AMENDED JOINT PLAN OF REORGANIZATION OF S&G HOSPITALITY, INC. AND ITS DEBTOR SUBSIDIARIES

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ATTORNEYS FOR DEBTORS AND DEBTORS IN POSSESSION

July 18, 2025

[1] The Debtors and the last four digits of their federal tax identification numbers are as follows: S&G Hospitality, Inc. (4566), Buckeye Lodging, LLC (6047), Lancaster Hospitality, LLC (8830), and Sunburst Hotels, LLC (0374).

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TABLE OF EXHIBITS

I. Introduction

S&G Hospitality, Inc., an Ohio corporation, and the other above-captioned debtors and debtors in possession (collectively, the "**Debtors**") are seeking confirmation of the *Third Amended Joint Plan of Reorganization of S&G Hospitality, LLC and its Debtor Subsidiaries* (as it may be amended, the "**Plan**") by the United States Bankruptcy Court for the Southern District of Ohio (the "**Bankruptcy Court**"). A copy of the Plan is attached hereto as Exhibit I. All capitalized terms used in this Disclosure Statement and not otherwise defined herein have the meanings given to them in the Plan.

"Confirmation" is the label applied under title 11 of the United States Code (the "**Bankruptcy Code**") for the approval by a bankruptcy court of a chapter 11 plan. A chapter 11 plan and the associated order of a bankruptcy court confirming it provide for a resolution of all of the various claims against and equity interests in a debtor. When a plan is confirmed and becomes "effective" it becomes binding on a chapter 11 debtor, its creditors, its equity holders, and all other stakeholders. In the Debtors' cases, the Plan is a plan of "reorganization" which provides for the Debtors to continue their existing business operations with a distribution of the value from those among the Debtors' various creditors.

A fundamental principal of chapter 11 of the Bankruptcy Code is that creditors or equity holders whose legal rights are being changed by a proposed plan should have the opportunity to weigh in on the proposal. For creditors whose rights are being diminished by a proposed plan, but they are supposed to receive something, the Bankruptcy Code provides them an opportunity to vote to approve or reject the plan. Under the Bankruptcy Code creditors or holders of equity interest whose rights are being extinguished under the Plan without consideration are normally treated as having rejected the plan.

The purpose of this Disclosure Statement is to provide the Debtors' creditors and other stakeholders information regarding the Debtors' proposed Plan and what it provides for so that they can make an informed decision on whether or not they want to object to the Plan and for creditors who are entitled to vote on the Plan, whether or not they want to accept the Plan.

The Bankruptcy Court entered an order on August ___, 2025 (the "Disclosure Statement Order") finding that this Disclosure Statement provides "adequate information" to inform creditors and other interested parties of the contents of the Plan as required by section 1125 of the Bankruptcy Code. A copy of the Disclosure Statement Order is attached hereto as Exhibit II.

PLEASE CONSULT THE TABLE IN SECTION II.B BELOW ON PAGE 2 OF THIS DISCLOSURE STATEMENT FOR INFORMATION REGARDING THE TREATMENT OF CLAIMS AND INTERESTS.

THE DEBTORS BELIEVE THAT THIS PLAN IS IN THE BEST INTERESTS OF CREDITORS AND OTHER STAKEHOLDERS. THE DEBTORS URGE ALL CREDITORS ENTITLED TO VOTE ON THE PLAN TO DO SO BY THE _____, 2025 DEADLINE ESTABLISHED BY THE DISCLOSURE STATEMENT ORDER.

The requirements that must be satisfied for the Plan to be confirmed are described in *Section VII – Voting and Confirmation of the Plan* below.

II. Overview of the Plan's Treatment of Creditors

A. General

This section of the Disclosure Statement only summarizes the Plan for the convenience of the recipient. ***You should review this Disclosure Statement and the Plan in their entirety before voting to accept or reject the Plan.***

B. Summary of Classes of Claims and Interests

Article III of the Plan provides for the treatment of claims and interested. The classification of Claims and Interests, the estimated aggregate amounts of Claims in each Class, and the amount and nature of distributions to holders of Claims or Interests in each Class are summarized in the table below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified. For a discussion of matters related to Administrative Claims and Priority Tax Claims see *Sections II.C Administrative Claims* and *II.D Priority Tax Claims* below.

The information set forth in the table below with respect to each Class of Claims is presented on a combined basis for the Debtors based on the proposed substantive consolidation for distribution purposes proposed in this plan. The estimated amounts of Claims and the recovery on those claims is based on the best information available to the Debtors. ***The Debtors have not completed their review of the validity of Claims and believe some Claims are invalid or overstated. Thus, the estimates below are subject to change and do not reflect the Debtors' agreement to the amount of any individual creditor's claims or a representation that any claim will be allowed in any particular amount.***

The recoveries below include deferred payments of cash the payment of which may be dependent on the financial results of the Reorganized Debtors and the value of which are dependent on broader economic factors. For a discussion of the "Risk Factors" that could impact these payments, consult *Section VI Risk Factors* of this Disclosure Statement. As shown by the financial projections attached as Exhibit III to this Disclosure Statement, the Debtors believe they will have sufficient liquidity to make each of these proposed payments.

Description of Class and Estimated Amount of Claims or Interests	**Treatment and Estimated Recoveries (for classes of Claims only)**
Class 1 (Unsecured Priority Claims): Consists of all Allowed Unsecured Claims that are entitled to priority under section 507 of the Bankruptcy Code that are not Administrative Claims or Priority Tax Claims. Estimated Amount of Claims: $0	**Unimpaired.** On the Effective Date, each holder of an Allowed Claim in Class 1 will receive cash equal to the amount of such Claim, unless the holder of such Claim and the applicable Debtor or Reorganized Debtor agree to different treatment. Estimated Percentage Recovery: 100%

Class 2 (Other Secured Claims): Consists of all Allowed Secured Claims not otherwise classified under Article II of the Plan. Estimated Amount of Claims: $0	**Unimpaired**. On the Effective Date, unless otherwise agreed by a Claim holder and the applicable Debtor or Reorganized Debtor, each holder of an Allowed Claim in Class 2 will receive treatment on account of such Allowed Claim in the manner set forth in Option A, B or C below, at the election of the applicable Debtor. The applicable Debtor will be deemed to have elected Option A except with respect to any Allowed Claim as to which the applicable Debtor elects Option B or Option C in one or more certifications Filed prior to the conclusion of the Confirmation Hearing or as soon thereafter as is practicable. Option A: Allowed Claims in Class 2 with respect to which the applicable Debtor elects or is deemed to have elected Option A will be paid in cash, in full. Option B: Allowed Claims in Class 2 with respect to which the applicable Debtor elects Option B will be Reinstated. Option C: A holder of an Allowed Claim in Class 2 with respect to which the applicable Debtor elects Option C will be entitled to receive (and the applicable Debtor shall release and transfer to such holder) the collateral securing such Allowed Claim. Estimated Percentage Recovery: 100%
Class 3A Claims (RSS Secured Claims): Consists of any Allowed Claims held by RSS COMM2015-PC1-OH BL, LLC ("**RSS**") that are Secured Claims. Estimated Amount of Claims: $10.2 million[2]	**Impaired**. The treatment of the RSS Secured Claims depends on whether or not it withdraws the election it made on June 20, 2025 to have its claims treated in accordance with

[2] As discussed in Section III.F below, while RSS filed proofs of claim in the amount of $16,113,352.75 against Buckeye, Lancaster, and Sunburst, the Debtors believe the Allowed Amount of RSS's claims will be far lower because Wells Fargo was the first party to breach the loan agreement barring certain claims, certain parts of the claim are otherwise invalid under applicable law, some of the asserted amounts are not supported by adequate documentation, and the Debtors have been unable to validate the accuracy of all of the calculated items in the proofs of claim. The Debtors concerns about reconciling these amounts has only been bolstered by the recent admission by Wells Fargo, after almost a year of questioning by the Debtors, that it had failed to credit the post-bankruptcy filing escrowed amounts it is holding

	section 1111(b)(2) of the Bankruptcy Code (the "**1111(b) Election**"). If RSS does not withdraw the 1111(b) Election, it shall be entitled to receive the 1111(b) Note. This note will be structured to have the face amount of the note plus a prepayment penalty equal the amount of RSS's Allowed Claim (after taking into account the resolution by the Bankruptcy Court of any objections to RSS's claims). The 1111(b) Note shall have a term of 18 years. For the first three years the 1111(b) note shall be interest only at an annual interest rate of 5.5%. For the remaining 15 years, the 1111(b) Note shall have an interest rate of 2.00% and will be amortizing as if it was a 15-year loan. If the Bankruptcy Court determines that amortization period and interest rate does not provide sufficient present value to confirm the plan, the Debtors reserve the right to amend the amortization period and interest rate to numbers that provide sufficient value to confirm the Plan. If RSS withdraws the 1111(b) Election, on the Effective Date, RSS shall receive on account of its Secured Claim the New Secured Promissory Note and the Exit Fee. The rights to receive the 1111(b) Note, on the one hand, and the New Secured Promissory Note, on the other hand, are mutually exclusive. The 1111(b) Note or the New Secured Note (depending on which is issued) will be secured by the New Senior Secured Mortgages. Under either treatment, if RSS votes all of its claims in Class 3A and Class 3Bin favor of the Plan, does not object to confirmation of the Plan, and agrees to release claims against Mr. Vasani and his other entities related to these Debtors, it shall receive the release provided for in Section IV.D.3.b of the Plan as part of

pursuant to certain Bankruptcy Court orders for over $50,000 in real property tax refunds received after the bankruptcy filing.

	the settlement offered to RSS by the Debtors, but not yet accepted by RSS (the "**RSS Settlement**"). Estimated Percentage Recovery: 90-100%
Class 3B Claims (RSS Unsecured Claims): Consists of any Allowed Claims held by RSS that are Unsecured Claims in the event that the 1111(b) Election is withdrawn. Estimated Amount of Claims: $0-500,000	**Impaired.** On the Effective Date, RSS shall receive on account of its unsecured claim the right to share pro rata with holders of Class 4B, 5B, and 6 claims in the Deferred General Unsecured Payments. Estimated Percentage Recovery: 0-6%.
Class 4A Claims (Itria Secured Claims): Consists of any Allowed Secured Claims held by Itria Ventures LLC and its affiliates ("**Itria**"). Estimated Amount of Claims: $0-100,000	**Impaired**. On the Effective Date, Itria shall be paid in cash an amount equal to the amount of Allowed Claim in Class 4A *minus* the amount of any previous payments it has received under the Cash Collateral Orders and not had to disgorge pursuant to an order of the Court. Estimated Percentage Recovery: 100%
Class 4A Claims (Itria Unsecured Claims): Consists of any Allowed Unsecured Claim held by Itria Estimated Amount of Claims: $1,000,000 to $1,100,000	**Impaired**. On account of any Allowed Class 4B Claim, Itria has the right to share Pro Rata in the Deferred General Unsecured Payments with the holders of the Class 3B Claims, the Class 5B Claims, and the Class 6 General Unsecured Claims. Estimated Percentage Recovery: 0-6%
Class 5A Claims (SBA Secured Claim): Consists of any Allowed Secured Claims held by SBA. Estimated Amount of Claims: $0-$60,000	**Impaired:** On the Effective Date, the SBA shall be paid in cash an amount equal to the amount of Allowed Claim in Class 5A *minus* the amount of any previous payments it has received under the Cash Collateral Orders and not had to disgorge pursuant to an order of the Court. Estimated Percentage Recovery: 100%
Class 5B Claims (SBA Unsecured Claims): Consists of any Allowed Unsecured Claims held by the SBA. Estimated Amount of Claims: $60,000	On account of any Allowed Class 5B Claim, the SBA has the right to share Pro Rata in the Deferred General Unsecured Payments with the holders of the Class 3B Claims, the Class 4B Claims, and the Class 6 General Unsecured Claims Estimated Percentage Recovery: 0-6%
Class 6 Claims (General Unsecured Claims): Consists of any Allowed Unsecured	**Impaired.** Each holder of an Allowed Claim in Class 6 shall receive a Pro Rata share of the

Claims not otherwise classified by Article III of the Plan. Estimated Amount of Claims: $1,000,000-$2,000,000	Deferred General Unsecured Payments with the holders of the Clas 3B Claims, the Class 4B Claims, and the Class 6 General Unsecured Claims. Estimated Percentage Recovery: 0-6%
Class 7 Claims (Convenience Claims): Any Unsecured Claim in an amount less than $20,000. Estimated Amount of Claims: $100,000	**Impaired**. On the Effective Date, each holder of a Convenience Claim in Class 7 shall receive 20% of the Allowed Amount of such claim in cash. Estimated Percentage Recovery: 20%
Class 8 Claims (InnVite Hospitality Claims): Any claims held by InnVite Hospitality, LLC. Estimated Amount of Claims: TBD	**Impaired**: If the New Equity Investor becomes the new owner of S&G and the Management Agreement is assumed, the InnVite Settlement will be consummated and InnVite Hospitality, LLC ("**InnVite**") will receive the release provided for in Section IV.D.3.d of the Plan. Otherwise, InnVite shall receive a 100% interest in the Litigation Trust in satisfaction of its claims for rejection of the Management Agreement. Estimated Recovery: TBD
Class 9 Claims (Intercompany Claims): Any claims among the Debtors. Estimated Amount of Claims: Unknown	**Impaired**. No property shall be distributed to or retained by the holders of Allowed Claims in Class 9 on account of such Claims. Estimated Percentage Recovery: 0%
Class 10 Claims (Hilton Claims): Any claims held by Hilton against Lancaster. Estimated Amount of Claims: TBD	**Impaired.** The Hilton Claims shall receive the treatment provided for by Section V.B.2 of the Plan. Estimated Percentage Recovery: 90-95%
Class 11 Interests (Subsidiary Debtor Equity Interests): Subsidiary Debtor Equity Interests held by S&G.	**Unimpaired**. On the Effective Date Allowed Class 11 Interests will be Reinstated.
Class 12 Interest (Old S&G Common Stock): Interests in respect of the Old S&G Common Stock.	**Impaired**. No property will be distributed to or retained by the holders of Allowed Interests and Claims in Class 12 on account of such Interests or Claims, such Interests will be canceled on the Effective Date.

C. Administrative Claims

Section 502 of the Bankruptcy Code defines "administrative expenses" generally as obligations owed by the Debtors to a creditor which involve both a transaction between the Debtors and the Creditor ***after*** they filed for bankruptcy on August 18, 2023 ***and*** which also provided the Debtors some benefit. The Plan labels these sort of administrative expense obligations "Administrative Claims."

Section 1123(a)(1) of the Bankruptcy Code provides that Administrative Claims should not be classified. The Plan complies with this by placing administrative claims in their own Category under Section III.A.1 of the Plan. The Plan divides Administrative Claims into four groups:

- "Ordinary Course" Administrative Claims which are administrative expenses incurred by one of the Debtors in the ordinary course of business. These include claims for goods sold to the Debtors after the bankruptcy or most services rendered after the bankruptcy. This would include most claims under contracts entered into after August 18, 2023. This category also includes claims for Taxes related to periods after August 18, 2023.

- Administrative Claims for fees or expenses owed to professionals such as lawyers, accountants, or appraisers. The Plan refers to these type of Administrative Claims as a "Fee Claim."

- Claims by the Office of the United States Trustee for fees payable pursuant to 28 U.S.C. § 1930.

- All other administrative expense claims.

There are differing rules regarding how to assert each of these categories of Administrative Expenses. Under Section III.A.1.d.i, of the Plan, the general rule is that "unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the Reorganized Debtors, pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order, no later than 30 days after the date of service of a notice of such Bar Date." Unless one of the exceptions to this general rule applies, a request for allowance of an Administrative Claim needs to be filed in accordance with this provision for a payment to be received on this claim. The exceptions to this rule are:

- Professionals or other entities asserting a Fee Claim for services rendered before the Effective Date must File and serve on the Reorganized Debtors and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court an application for final allowance of such Fee Claim no later than 60 days after service of a notice of such deadline.

- Holders of Administrative Claims based on liabilities incurred by a Debtor in the ordinary course of business do ***not*** need to file a request for payment of an

administrative expense in such a manner. Instead such payments will be made by the Debtors based on the ordinary trade terms governing such a transaction.

- Claims by the Office of the United States Trustee for fees payable pursuant to 28 U.S.C. § 1930 will be paid pursuant to the provisions of that statute.

If you doubt whether your Administrative Claim falls within one of these expenses, you should file a request for allowance and payment of an Administrative Claim pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order, no later than 30 days after the date of service of a notice of such Bar Date.

D. Priority Tax Claims

Section 507 of the Bankruptcy Code provides for certain tax claims to receive priority status in bankruptcy cases. In accordance with section 1129(a)(9)(C) of the Bankruptcy Code, Section III.A.2 of the Plan provides that each holder of an Allowed Priority Tax Claim will receive, in full satisfaction of its Priority Tax Claim, cash equal to the Allowed Amount of such Priority Tax Claim.

E. Special Provisions Regarding the Treatment of Allowed Secondary Liability Claims

The classification and treatment of Allowed Claims under the Plan take into consideration all Secondary Liability Claims and the merger of all such claims into a single obligation pursuant to the substantive consolidation for purposes of implementing the Plan provided for in Article VIII of the Plan. As such, no distributions will be made in respect of any Secondary Liability Claims, and all such Claims shall be disallowed.

F. Distributions

Article VI of the Plan spells out the procedures for making distributions under the Plan. In general, the Debtors will be responsible for making deliveries of all distributions to Creditors. Distributions of Cash or other property under the Plan to be made on the Effective Date will be made on the Effective Date or as promptly thereafter as practicable, but in any event no later than: (a) 30 days after the Effective Date or (b) such later date when the applicable conditions of Section V.B of the Plan (regarding cure payments for Executory Contracts and Unexpired Leases being assumed), Section VI.B.2 of the Plan (regarding undeliverable distributions) or Section VII.C of the Plan (regarding claims that become allowed after the Effective Date). Section VI.D of the Plan provides that all cash payments will be made by a check in US currency from a domestic bank utilized by the Debtors or by wire transfer from such an account. Section VI.F of the Plan spells out when the Debtors can exercise a right of setoff against an Allowed Claim. Please note that Section VII.B of the Plan provides that no payments or distributions will be made on account of a Disputed Claim until such Claim becomes an Allowed Claim.

Under Section VI.B.1 of the Plan, distributions to holders of Allowed Claims will be made by the Debtors: (a) at the addresses set forth on the respective proofs of Claim Filed by holders of such Claims; (b) at the addresses set forth in any written certification of address change delivered

to the Debtors (including pursuant to a letter of transmittal delivered to the Debtors) after the date of Filing of any related proof of Claim; or (c) at the addresses reflected in the applicable Debtor's Schedules if no proof of Claim has been Filed and the Debtors have not received a written notice of a change of address. However, payments on a claim will not be sent to any such address for which mail in these cases has previously been returned as undeliverable. Under Section VI.B.2 of the Plan, the Debtors will hold any deliveries that are undeliverable Any holder of an Allowed Claim that does not assert a claim pursuant to the Plan for an undeliverable distribution to be made by the Debtors within two years after the later of (i) the Effective Date and (ii) the last date on which a distribution was deliverable to such holder will have its claim for such undeliverable distribution discharged and will be forever barred from asserting any such claim against the Reorganized Debtors. Nothing contained in the Plan will require any Debtor or Reorganized Debtor to attempt to locate any holder of an Allowed Claim.

In making distributions under the Plan, each Debtor will comply with all Tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan will be subject to applicable withholding and reporting requirements. Each Debtor will be authorized to take any actions that may be necessary or appropriate to comply with those withholding and reporting requirements, including requiring recipients to fund the payment of such withholding as a condition to delivery.

G. Objections to Claims

Under the Plan, all objections to Claims must be Filed by the "Claims Objection Bar Date" which is set at the latest of: (a) 120 days after the Effective Date; (b) 90 days after the Filing of a proof of Claim for such Claim; and (c) such other period of limitation as may be specifically fixed by the Plan, the Confirmation Order, the Bankruptcy Rules or a Final Order for objecting to such Claim. After the Effective Date, only the Debtors or the Reorganized Debtors may file objections to claims and they may settle or compromise any Disputed Claim without approval of the Bankruptcy Court.

III. Background Regarding the Debtors

A. Formation and Growth of the Debtors

The Debtors were formed by Abhijit "Andy" Vasani. Mr. Vasani and his wife have been working in the hospitality industry since the year 2000. They purchased their first hotel property in 2000, the Oak Hill hotel, which was located in Oklahoma using a Small Business Administration loan and loans from family members. Mr. Vasani and his wife did everything from work at the front desk to clean rooms in between guest visits. Mr. Vasani and his wife successfully rehabilitated this hotel, which they later sold in 2022.

Mr. Vasani purchased his first hotel in Ohio in September of 2003. Mr. and Ms. Vasani also moved to central Ohio at that time. Following that purchase, Mr. Vasani set about buying additional hotels and rehabilitating them with the goal of usually holding them for the long term. As part of this practice, he would form separate companies to acquire each hotel. In 2008, Mr. Vasani formed InnVite Hospitality Group LLC ("**InnVite**") to provide management services and

other services to each of the various hotels he owned. The goal of this was to take advantage of the economies of sale that were present for multiple properties.

In 2007, Mr. Vasani formed Debtor Sunburst Hotels, LLC ("**Sunburst**"). Sunburst then acquired a bankrupt Microtel located at 7500 Vantage Drive, Columbus, Ohio 43235. When Sunburst first purchased this hotel, it was a bankrupt Microtel. In connection with this acquisition, Sunburst obtained a conventional loan and also some SBA financing. After Sunburst purchased this hotel, it rebranded it as a Days Inn with renovations costing over a million dollars. Sunburst subsequently made additional improvements to the property which enabled it to be rebranded as a Quality Inn. This succession of rebrandings steadily made the hotel more profitable. In 2012, Mr. Vasani formed Debtor Buckeye Lodging, LLC ("**Buckeye**"). Shortly afterwards, Buckeye acquired the Red Roof Inn. In connection with this acquisition, Buckeye borrowed funds from First Financial Bank. Buckeye subsequently improved the property and were the first hotel franchisee in the country to have it rebranded by Red Roof as a Red Roof Plus signifying a higher quality hotel than a normal Red Roof hotel. Revenues increased over 30% and profitability increased over 20% after completing a brand required "Property Improvement Plan" renovation.

In January of 2015, Mr. Vasani formed Debtor Lancaster Hospitality, LLC ("**Lancaster**"). Lancaster subsequently acquired the Hampton Inn Lancaster and then, as described in more detail below, Lancaster has made millions of dollars of renovations to the Hampton Inn Lancaster since this purchase closed.

In addition to the Debtors, Mr. Vasani is currently the controlling investor for entities that own hotels and has previously been the controlling investor in entities which owned additional hotels. He currently is the controlling investors in entities that own 8 hotels located in Ohio. Each of these hotels is owned by a separate limited liability company he has formed. Mr. Vasani is also the president of InnVite, which is an Ohio limited liability company that manages each of the Debtors. This structure where an investor in multiple hotels uses a separate management company they own to provide services to the hotels is very common in the hospitality industry.

In February of 2015, Buckeye, Lancaster, and Sunburst entered into an $11.55 million loan with Jeffries Loancore LLC ("**Jeffries**"). Buckeye and Sunburst used a portion of this loan to pay-off their existing mortgage indebtedness with First Financial. Some of the remaining proceeds were used as part of the purchase price for Lancaster to acquire the Hampton Inn. $1.7 million in the proceeds were to be used to fund renovations at the Hampton Inn Lancaster. The Debtors used these proceeds for a "Product Improvement Plan" required by Hilton (Hampton is one of Hilton's brands).

The next few years generally proceeded smoothly. Jeffries sold or assigned its mortgage loan to a commercial mortgage backed loan securitization trust (a "**CMBS**"). The specific CMBS in this case is the COMM 2015 PC1 Mortgage Trust (the "**CMBS Trust**"). The CMBS Trust used Wells Fargo as a servicer. The servicer is the entity responsible for processing payments made by the commercial mortgage borrowers whose loans have been transferred to a CMBS, sending notices to these borrowers, and communicating with these borrowers regarding any issues on their respective loans. This was the first time Mr. Vasani had obtained financing for a hotel from a loan to be held by a CMBS.

The Debtors subsequently prospered for several years. The first hiccup with the CMBS Trust occurred in the spring of 2019. The payments on the loan were historically made by Wells Fargo directly debiting the Debtors' bank accounts, which were then held at Chase. In the spring of 2019, the Debtors decided that U.S. Bank's business banking services were better for the Debtors' businesses than the services they were then receiving from Chase. Accordingly, they started the process to move the bank accounts to U.S. Bank. Despite the Debtors having notified Wells Fargo well in advance of this move, Wells Fargo ignored that notice and tried to withdraw the March 2019 payment from the old accounts at Chase. Rather than acknowledge that the resulting late payment was caused by its own error, Wells started to assess additional fees and charges. Over the course of the remainder of 2019 the Debtors transferred many thousands of dollars over and above the required regular payments to Wells try and resolve the situation, but Wells kept wrongfully tacked on additional fees and charges in excess of the additional payments. In engaging in this conduct, Wells Fargo repeatedly breached the relevant contracts for the loan and caused harm to the Debtors.

Despite Wells Fargo and not the Debtors having been the one to breach the loan agreement and the Debtors having paid more than the scheduled payment amounts, in December of 2019 the CMBS Trust wrongfully moved the servicing of the Debtors' mortgage loan from Wells Fargo as the normal servicer to a "special servicer" named Rialto Capital Management ("**Rialto**"). A special servicer is usually employed by a CMBS to deal with the borrowers who are in the most serious trouble and have committed major breaches of a loan agreement. Both Rialto in communications to the Debtors and the CMBS Trust's public reporting stated that the loan was transferred to Rialto because of a fear of an unspecified "imminent non-monetary default" rather than an actual default. Based on the timing of the notice, the Debtors' best guess at what the alleged imminent non-monetary default was an upcoming "QA" inspection by Hilton of the Hampton Inn Lancaster. Despite the Hampton Inn passing this inspection and informing Rialto of this, the CMBS Trust did not move the Debtors back into normal servicing despite repeated requests to do so. No definitive reason was ever provided about what the "imminent non-monetary default" was. Nor were questions about what the Debtors would have to do to be moved back to regular servicing answered.

This refusal to restore the Debtors to normal servicing was improper and irreparably harmed the Debtors in several ways. First, the move to special servicing was publicly reported by the CMBS Trust. This caused reputational harm to the Debtors, Mr. Vasani, and the other entities he controlled. It severely limited their ability to seek additional capital, including to try and refinance the loan with CMBS lenders or other financing sources. Second, the move to special servicing meant the Debtors were no longer able to access the online portal that had been set up by Wells with respect to their loan. Among the services lost when access to the portal was cutoff was the ability to access information on how payments were being applied and what was due on the loan. Third, the monthly statements regarding what was owed on the loan were no longer sent to the Debtors. Fourth, default interest, special servicing, workout and other fees were added on to the loan, which meant that the asserted monthly payments which needed to be made increased dramatically. Fifth, monthly payments that were made would go into a "suspense account" rather than immediately being credited as a payment of principal and interest. Thus, there was seemingly no benefit to the Debtors in making payments.

Also in early 2019, Mr. Vasani reached an agreement with UBS AG to provide a CMBS loan to a group of five other companies he owned – Welcome Group 2, LLC, which owned a Super 8 hotel located in Zanesville Ohio, Hilliard Hotels, LLC, which was going to use some of the proceeds to help purchase and renovate the Hampton Inn located in Sidney, Ohio., Dayton Hotels, LLC which owned a Best Western located in Dayton, Ohio, Dayton Hotels 2, LLC, which owns a Best Western located in Engelwood, Ohio, and Elite Hospitality, LLC, which owned a Choice Hotel located in Obetz, Ohio. None of these entities, or the associated hotels, has ever been owned by the Debtors in these cases. Nor have any of those entities ever owned the Debtors in these cases or any of the hotels currently owned by the Debtors. Nor did either group of borrowers provide any guaranties in connection with the CMBS loan to the other group of borrowers. The only commonality on the two groups of borrowers was that Mr. Vasani was the controlling investor in the entities that own both groups of hotels and both groups of hotels are managed by InnVite. Following the closing of this loan in April 2019, UBS transferred it to a different CMBS than the CMBS Trust with a different trustee and servicer.

B. COVID Changes the Hospitality Universe

Unfortunately, the world in 2020 and subsequent years turned out nothing like what the Debtors had anticipated. In January of 2020 the United States reported its first Covid-19 cases. The pandemic rapidly accelerated both around the world and in the United States. People rapidly stopped traveling, at first voluntarily and soon as a result of various lock-down orders.

Because of plummeting travel, the Debtors were not able to make their scheduled payment on the mortgage loan in March of 2020. Initially the Debtors believed the national consensus that the effect of the pandemic would be short lived and that the shut-down isolations would be for a mere few weeks. But as time went on, it was clear that the industry we operated in would be subject to a massive shift in consumer demand. The effect on the Debtors' operations was nothing short of catastrophic.

The Debtors' hotels met with an immediate drop in revenue when the government-mandated shutdowns were put into effect, requiring substantial efforts by the Debtors' management staff to re-tool their operations. The Debtors focused on maintaining the baseline operations and fixed expenses of their hotel portfolio, trying best to continue with payroll obligations and to pay their critical vendors on a timely basis. Despite this, the Debtors had to shut-down the Quality Inn for a period of time. With the assistance of programs like the Payroll Protection Program, the Debtors were able to keep staff as a basis to later try and recover. At the start of the pandemic, the Debtors were unsure whether they would survive until the end of the year, but due to the government assistance, forbearance by creditors, and the work of their employees, the Debtors managed to survive.

In the spring of 2021, when the narrative and reality of the pandemic began to shift in favor of fewer restrictions, the Debtors believed that the worst was behind them. The Debtors did what most businesses in the hospitality industry did during this time period: they focused on the safety of staff and customers; increased efforts to clean and sanitize; and put attention to those areas of operation that could still yield revenue.

There are two categories of travelers for the Debtors' hotels - personal travel, and business and corporate travel. Personal travel all but ended in 2020 and did not really start to recover until 2022. Similarly, most business and corporate travel revenue disappeared overnight in 2020 due to the pandemic. Companies cancelled business travel; workers met by Zoom instead of travelling for in-person meetings; and corporate gathering functions, such as conventions and getaways, were cancelled. The only revenue area that remained steady was the ongoing use of the Debtors' hotels for logistics travelers, such as truck drivers.

Unfortunately for everyone, the summer of 2021 brought the delta variant of the coronavirus, and with it more business disruptions. The business uptick that began in the spring of 2021 was suffocated and the pathway for recovery looked much more extended. In addition to revenue problems, the middle of 2021 also brought to bear substantial staffing issues. As was widely reported at the time, many businesses began to experience difficulties finding and retaining employees. The Debtors tried every way they could to attract workers, but ultimately had to turn to staffing agencies to provide staffing. Even then, due to substantial demand for employees, the cost to meet payroll obligations was ever increasing and continues to increase.

Because of the need to maintain their good standing with the hotel brands, it was a high priority for the Debtors in the later part of 2021 to use any increased revenue from the hotels to begin acceptable payment plans with the flags rather than pay other deferred obligations. The Debtors were able to work with most of the brands to establish repayment plans for licensing and other fees that had been deferred during the beginning of the pandemic. However, to keep the flag on the Hampton Inn the Debtors had to complete a major exterior renovation project, including the installation of a new roof. In total this cost more than $750,000. Because of the COVID-19 pandemic's disruption to supply chains this exterior work took far longer than predicted and was substantially more expensive. This project was funded internally without any new borrowing from an external lender as the renovation monies from Jeffries in the 2015 loan had already been exhausted by the interior renovations made pre-pandemic to those properties.

Adding to that, certain flags have requirements for improvements to the image of the hotels that we will either need to complete or obtain agreements to defer for the time being. Oftentimes, these required actions can be costly. Many of the brand-required renovations were late in being completed and needed to be started when the Debtors filed for bankruptcy.

To help facilitate the operations and recovery of the Debtors' hotel portfolio, Mr. Vasani and Ms. Vasani only took compensation from their businesses for their personal use only when needed, and they committed other personal and financial assets — in addition to nearly all their waking hours — to the recovery of these assets since the pandemic began. Similarly, InnVite would often agree to defer management fees during the pandemic to help preserve cash for the hotels to pay expenses when they were experiencing depressed cash flow.

During this period, Mr. Vasani also tried to reach agreements with all of the various mortgage lenders for the hotels he owned (including the Debtors) to restructure their loans and return them to performing status. He was eventually able to reach such agreements with all of the conventional bank lenders for his hotels and all of these restructured loans are now current without any litigation having been filed.

C. The Debtors' Good Faith Attempts to Reach a Workout Agreement are Answered With a Foreclosure

Unfortunately, Mr. Vasani's efforts to restructure loans for both the Debtors and his other hotels whose loans had been assigned to CMBS were not as successful. Rialto was appointed not only as the special servicer by the CMBS Trust for the loans to the Debtors, but also as special servicer on the CMBS loan to Welcome Group 2, LLC, Hilliard Hotels, LLC, Elite Hospitality, LLC, Dayton Hotels, LLC, and Dayton Hotels, LLC (the "**Welcome Group**"). The same personnel at Rialto were responsible for both loans.

Mr. Vasani repeatedly answered Rialto's requests and provided information to it concerning both the loan held by the CMBS Trust and the other loan to the Welcome Group of hotels. This information was asked for under the pretenses that it was to be used to help formulate a forbearance and a workout proposal. Unfortunately, no such proposal was ever forthcoming. Instead, despite the loan for the Debtors and the loan for the Welcome Group of hotels having come from different lenders and having been transferred into different CMBS, Rialto consistently tried to link the two loans together. This complicated workout negotiations, particularly since the Welcome Group had a major dispute with its lender about its refusal to release loan proceeds that were supposed to have been used to complete a renovation of the Hampton Inn-Sidney which was being required by Hilton.

To compound the problems, when Mr. Vasani asked for pay-off statements to try and get an idea of what would need to be done to catch the loan up or pay it off if the Debtors could find other financing, Rialto would take 45 to 90 days or more to provide a payoff-quote, but the quotes that were received were always caveated that they were subject to a later pay off letter which never came) The quotes that were received would be missing necessary information and lack per-diem information so that figuring out what Rialto thought was needed to pay-off the loan was a continually moving target. Compounding the problem, the payoff amounts would at times jump inexplicably by more than $500,000 from month-to-month when historical monthly payments were $100,000 or less without any clear explanation and with the description of the categories of included charges being inconsistent from one statement to the month. When combined with the depressed state of the hotel market and conventional outside financing having dried up for hotels, it was impossible to figure out a way to pay-off the loan during the heart of the pandemic or to find capital to try to bring the loan current.

As 2021 progressed, the hospitality market started to recover from the unprecedented shock of the Covid pandemic and the prognosis of the Debtors' businesses were improving. However, the Debtors were still unable to reach a workout agreement with Rialto similar to what was done with the Hotel flags for the Debtors. In early December of 2021 the CMBS Trust assigned its interest in the loan and the related mortgage and security interests to RSS. On December 10, 2021, RSS then filed a foreclosure complaint in the Franklin County Court of Common Pleas against Sunburst, Buckeye, Lancaster, and other parties identified as having liens in the Debtors' assets. The complaint also included a claim against Mr. Vasani that he had breached obligations under his limited guaranty in favor of the CMBS Trust so as to make Mr. Vasani personally liable for all of the Debtors' debt, but provided no specifics about what this breach was. This case is captioned *RSS COMM 2015-PC1-OH BL, LLC, v. Sunburst Hotels, LLC, et al.* under Case No. 21 CV 007694 (the "**Franklin County Foreclosure**"). The Debtors contested many of the allegations in the

complaint and timely answered the complaint. On August 11, 2022, the Debtors and Mr. Vasani filed an amended answer and counterclaim in the Franklin County Foreclosure. In the Counterclaim, the Debtors asserted counterclaims based on Wells Fargo having been the first party to breach the loan agreement by virtue of its improper conduct in 2019 in charging late fees based on its own failure to properly ACH the Debtors' accounts and subsequent misconduct by Wells and RSS. RSS disputed the counterclaim and filed a motion to dismiss it, but that was never ruled on in the Franklin County Foreclosure.

Later in December of 2021, another entity controlled by Rialto filed a foreclosure action against the Welcome Group. This action is pending in a foreclosure case in the Common Pleas Court in Montgomery County, Ohio, captioned *RSS WFCM2019-C50 – OH WG2, LLC v. Welcome Group 2*, LLC, Case No. 2021 CV 05237. That action remains pending.

Meanwhile, the Debtors' case in Franklin County proceeded. On December 13, 2021 RSS moved to appoint Tom Moore of Janus Hotel Management Services, LLC as Receiver to take over the Quality Inn, the Red Roof Plus, and the Hampton Inn Lancaster. The basis for appointment was not that the Debtors had mismanaged the properties or failed to maintain them, but that the relevant loan agreement permitted the Plaintiff to ask for appointment of a receiver upon an event of default. The Debtors' counsel subsequently filed both an opposition to the receiver motion and a motion seeking an evidentiary hearing regarding the same. Notably, RSS and Rialto did not seem troubled by the Debtors' operation of the three hotels as they did not seek to push the Court to expedite the appointment of a receiver or to reach the merits of the foreclosure claim on these three properties.

In March of 2022 the Franklin County Common Pleas Court entered an order to hold the receiver motion in abeyance to permit settlement discussions to proceed. Under this order, the Debtors agreed to deposit all receipts into a cash management account and to only pay approved expenses on a budget out of that account. The Debtors also agreed to make interest only payments of at least $40,504.00 per month to RSS plus $7,500 towards the cost of an outside accountant to examine their books and records. However, Rialto refused to release funds for expenses for more than a month, which caused severe operational problems as it assumed working capital was available to fund this which was no longer present. While this Order was in place, the Debtors paid RSS over $120,000 and RSS swept additional large sums of money from the Debtors' lock box account.

During the period in which the receiver motion was in abeyance, the parties participated in a failed mediation. Following that, they resumed briefing on the receiver motion. On August 11, 2022, the three hotels filed an amended answer and counterclaim against RSS. In addition, the three hotels moved for judgment on the pleadings dismissing the claims of RSS, RSS in turn has moved to dismiss the three hotel's counterclaim. None of these motions have been ruled on. After a series of discovery fights in the Franklin County Foreclosure, on May 16, 2023 Judge Brown signed an order of reference referring the receivership matter to Magistrate Pamela B. Browning to conduct an evidentiary hearing on August 21, 2023 starting at 9:00 am. The Debtors filed for bankruptcy on August 18, 2023 to avoid having a receiver be appointed over their properties. The Franklin County Foreclosure remains pending. This case is subject to the automatic stay with respect to the Debtors. While it has otherwise been inactive since the Debtors' bankruptcy filing, the Franklin County Court of Common Pleas held a status conference in the Franklin County

Foreclosure on February 25, 2025 at 2:30 pm to inquire about the status of these bankruptcy proceedings. After receiving that report, the Court left the matter on inactive status for the time being.

D. Itria Litigation

In addition to mortgage financing, one of the ways that Mr. Vasani has historically obtained additional financing for his hotels besides mortgage financing is through obtaining "merchant cash advances." Immediately prior to and early during the pandemic a number of Mr. Vasani's hotels obtained financing from a merchant cash advance lender known as Itria. Not only were all of the Debtors obligors on these documents, so were a number of Mr. Vasani's other businesses. Mr. and Ms. Vasani personally guaranteed performance on these obligations.

The relationship with Itria rapidly deteriorated. While Itria had agreed to not file UCC financing statements as long as the Debtors were current, they proceeded to start doing so. In addition, Itria refused to provide account statements or reconciliations so it was difficult to determine how much was still owed to Itria. RSS has asserted that its earlier filed UCC financing statements are entitled to priority over the statements filed by Itria.

On January 26, 2023, Itria sued all four Debtors, Mr. Vasani, Ms. Vasani, and a number of other entities which Mr. Vasani owned in the Supreme Court for the State of New York, in New York County.[3] That case is captioned *Itria Ventures LLC v. Welcome Group LLC et al.*, and has been assigned Index No. 650527/2023.[4] While the case remains pending, it is stayed with respect to the Debtors and no activity has occurred in it with respect to the nondebtor defendants since the Debtors filed notice of their bankruptcy filings in it.

E. Other Pending or Recently Settled Litigation Related to the Debtors

The only other major pending litigation at the time the Debtors filed for bankruptcy involved litigation with Westfield Insurance for failing to pay damage claims. After Westfield Insurance Company failed to pay claims for wind damage to the Red Roof Inn that occurred in 2019, Buckeye sued it in February of 2021 in the Franklin County Court of Common Pleas. This case was captioned *Buckeye Lodging, LLC v. Westfield Insurance Company*, Case No. 21-CV-001075. That case remains pending, but the Franklin County Court of Common Pleas has placed it on hold because of the Debtors' bankruptcy filings. The Debtors intend to pursue that litigation when the Franklin County Court of Common Pleas returns it to active status if they are unable to otherwise reach a resolution of that case.

After Westfield's subsidiary American Select Insurance Company failed to pay claims for wind damage the Quality Inn suffered in 2019, Sunburst sued it in February of 2021 in the Franklin County Court of Common Pleas. That case is captioned *Sunburst Hotels LLC v. American Select Ins. Co*., Case No. 21-CV-1052. Sunburst and Westfield entered into a settlement agreement for this litigation in 2023 prior to the Debtors' filing for bankruptcy and that case has been settled.

[3] In New York the trial court of general jurisdiction is called the Supreme Court, the 1st level of appeals courts are called the Supreme Court Appellate Division, and the highest court is the Court of Appeals.

[4] The Supreme Court or New York, County of New York numbers cases using an index number rather than a case number.

However, because the settlement check needs to be signed by both Sunburst and Wells Fargo (as loan servicer), to date Sunburst has been unable to access those funds. RSS and the Debtors are discussing a possible resolution regarding this check.

F. The Debtors' Debt Structure

The largest asserted claims against the Debtors relate to the Mortgage Loan note which, as discussed above, was originally held by Jeffries and which has since passed through the CMBS Trust to RSS. This promissory note was in the original principal amount of $11,550,000, had a fixed interest rate and was supposed to mature in March of 2025. While that loan had a 10-year maturity schedule, it had a 25-year amortization schedule with the remainder of the principal to be a balloon payment on maturity. Debtors Buckeye, Lancaster, and Sunburst are jointly and severally liable under this note. Debtor S&G is not a party to this lending agreement and has not guaranteed its performance. RSS and Rialto have asserted that this indebtedness is secured by mortgages filed against each of the three hotel properties and has also filed UCC financing statements against the personal property, accounts, and fixtures of these three Debtors.

RSS has filed proofs of claim against Buckeye, Lancaster, and Sunburst based on the promissory note.[5] Each of these proofs of claim asserts a claim against the applicable Debtor for $16,113,352.75. Only $10,286,963.29 of each claim is on account of unpaid principal. The difference between that total and the total amount of each claim is $5,876,122.89 in allegedly unpaid interest and other fees and charges minus $36,517.29 in suspense or unapplied balances RSS that offset the claimed amount. The $5,876,122.89 in alleged interest and other fees are labeled in RSS's proofs of claim as consisting of: (a) "Interest" in the amount of $1,706,808.16; (b) "Default Interest" in the amount of $2,246,523.81; (c) "Prior Default Interest" in the amount of $285,846.24; (d) "LATE FEES" of $276,838.37; (e) "Special Servicing Fee" in the amount of $91,968.44; (f) "Est. Interest on Advances" of $306,922.30; (g) "Liquidation Fee" of $132,216.61; (h) "Tax and Interest Advances" of $332,210.73; (i) "Property Protective Advances" of $182,979.33; (j) "Yield/Maint/Prepay" of $308,608.90; (k) "BWR Paid SS" of $3,000.00; (l) "Payoff Fee" of $2,200.00. The Debtors have not been able to reconcile all of these amounts (or even understand what some of them relate to) and have served written discovery on RSS seeking additional information to reconcile these amounts. RSS's discovery responses have not allowed the Debtors to reconcile all of these amounts. The Debtors' concerns about the validity of these numbers has only been heightened by the recent admission by Wells Fargo after almost a year of the Debtors pointing out a discrepancy in the amounts it was holding in escrow for postpetition property taxes and insurance payments under the Cash Collateral Orders had not reflected over $50,000 in property tax refunds it received. In addition, the Debtors believe that the claims are also overstated because Wells Fargo was the first party to breach the loan agreement, which should bar certain of these claims are barred and other parts of the claim may be invalid under applicable law. The Debtors' investigation of these issues is ongoing.

Where the claims differ is based in the value of the real estate which they assert secures each claim. For Buckeye, RSS asserts that $5,300,000.00 of its claim is secured and $10,813,352.75 is unsecured. For Lancaster, RSS asserts that $10,500,000.00 of its claim is

[5] RSS initially submitted a fourth claim by also submitting a duplicate copy of the Buckeye Proof of Claim in the Lancaster case, but that claim has been withdrawn.

secured and $5,613,352.75 is unsecured. For Sunburst, RSS asserts that $3,400,000.00 of its claim is secured and $12,713,352.75 is unsecured. The Debtors believe that each of the secured amounts here are overstated. Second, all four Debtors are parties to multiple merchant cash advance agreements with Itria. In the state court litigation in New York mentioned earlier, Itria asserted that it is owed over $1.35 million in principal, plus collection costs and interest. The Debtors are coliable for these obligations with several non-debtor hotels which Mr. Vasani owes along with him and his wife. Itria has filed proofs of claim against Buckeye, Lancaster, and Sunburst, each of which is in the amount of $1,224,665.23. Each of these claims also asserts it is fully secured based on filed UCC financing statements. The Debtors believe that Itria's proofs of claim are overstated as they fail to take into account all payments by the Debtors. The Debtors also believe that the value of Itria's asserted security interests is overstated. RSS has asserted that its liens are entitled to priority over those of Itria.

Debtor Sunburst is party to a May 13, 2020 loan agreement with the Small Business Administration under which it borrowed $69,000. This loan is to be repaid over 30 years with payments of $337 monthly having commenced in May of 2021. The loan agreement for this loan also granted the SBA liens in substantially all of Sunburst's personal assets. The SBA filed a financing statement with the Ohio Secretary of State on account of this indebtedness on May 21, 2020. While Sunburst has never missed a payment on this loan, the Small Business Administration claims it accelerated this loan pre-bankruptcy. The Debtors do not have a record of receiving such an acceleration notice and the Small Business Administration took no steps to exercise remedies against Sunburst prior to its filing for bankruptcy. RSS has asserted that its liens in the Debtors assets are entitled to priority over those of the SBA.

The next major category of debt is the obligations the three hotel Debtors owe to their respective flags under the franchise agreements with these brands. These agreements not only require monthly payments to the flags based on revenues, but also impose a variety of other fees on the Debtors and require them to meet certain quality standards. The Debtors also have some natural trade debt based on the lag between when they purchase goods or services and the time for which payment for these goods or services are due.

IV. The Chapter 11 Cases

On August 18, 2023, the Debtors each filed chapter 11 petitions in the United States Bankruptcy Court for the Southern District of Ohio. The Debtors filed with their petitions a motion asking for their four chapter 11 cases to be jointly administered. The Debtors also filed a motion asking for authority to use the cash collateral of their purported secured lenders and a number of "soft-landing" motions seeking relief related to employees, taxes, insurance, and utilities to ease their transition into chapter 11 and minimize the disruption to the Debtors' business operations from the Debtors' bankruptcy filing. The Bankruptcy Court subsequently entered orders jointly administering the Debtors' chapter 11 cases and granting each of the Debtors' soft landing motions.

The Debtors initially focused their efforts on trying to make a smooth transition into chapter 11. On September 8, 2023, the Office of the United States Trustee held the initial meeting of creditors and Mr. Vasani testified under oath regarding the Debtors' operations and assets. Another early priority for the Debtors was the preparation of the required schedules of assets and

liabilities and statement of financial affairs for each of the Debtors. These were filed with the Bankruptcy Court on September 13, 2023. The Debtors also filed, and the Court subsequently approved, an application to retain Carpenter Lipps LLP as general bankruptcy counsel.

Meanwhile, on August 20, 2023, RSS filed both a motion and then an amended motion pursuant to Rule 2004 of the Federal Rules of Bankruptcy Procedure seeking certain information from the Debtors. The Debtors filed a limited objection to the amended motion and subsequently the Debtors and RSS reached agreement on categories of information for the Debtors to produce to RSS. This agreement was memorialized in an agreed order entered on October 26, 2023 and the Debtors produced the agreed upon information during November of 2023.

The Debtors also were able during the rest of 2023 to obtain the agreement of RSS to budgets providing for the consensual usage of cash collateral through first November 30, 2023 and then through March 31, 2024. During this period, the Debtors focused on their business operations and tried to keep legal activities during the cases at a minimum as the first quarter of the year is historically the slowest for the Debtors' business operations.

As spring of 2024 approached, the Debtors on a business level were focusing on trying to catch up with deferred maintenance and capital expenditures that had accumulated since the start of the COVID-19 pandemic. The Debtors also were hoping to focus on formulating a chapter 11 plan. An unexpected threat to the value of Lancaster's franchise agreement with Hilton erupted in this period which slowed progress.

As mentioned above, Mr. Vasani also owned a separate five-hotel portfolio of hotels whose loan was transferred to a separate CMBS trust for which Rialto had also been appointed as special servicer. Back on September 1, 2023, three of these five hotels — Welcome Group 2, LLC, Dayton Hotels LLC, and Hilliard Hotels LLC (collectively, the "**Welcome Group Debtors**"), filed chapter 11 petitions in the Southern District of Ohio. Those cases are being jointly administered as *In re Welcome Group 2, LLC, et. al.,* Case No. 2:23-bk-53043 and are pending in front of the same judge as these cases. The Welcome Group Debtors were subsequently able to reobtain operation of the hotels from the receiver which the Montgomery County Court of Common Pleas in Ohio had appointed at the behest of Rialto to operate these hotels.

Like Lancaster, Hilliard Hotels also operates a Hampton Inn franchise under a franchise agreement with Hilton. On February 28, 2024, Hilton filed a motion in the bankruptcy cases for the Welcome Group Debtors which sought relief from the automatic stay in that case to terminate Hilliard Hotels' franchise agreement with the Debtors. While one of Hilton's arguments for that relief was the failure of Hilliard Hotels to complete an agreed-upon renovation after its mortgage-lender refused to release borrowed funds for construction costs, Hilton also asserted that the franchise agreement was governed by the "hypothetical test" under section 365 of the Bankruptcy Code and could not under ***any*** circumstances be assumed without Hilton's affirmative consent.

This directly threatened the value of Lancaster's Hampton Inn franchise agreement (the "**Hampton Franchise Agreement**") as this franchise agreement was essentially identical to Hilliard's. A ruling that Hilliard's franchise agreement was subject to the "hypothetical test" would almost certainly by principles of collateral estoppel bind Lancaster. In order to protect the value of its franchise agreement, and to determine this fundamental issue for the structuring of a

plan of reorganization, on March 25, 2024, the Debtors filed an adversary judgment against Hilton seeking a declaratory judgment that the Hampton Franchise Agreement was not governed by the "hypothetical test" and instead that an "actual test" applied where Lancaster only needed the affirmative consent of Hilton for the assumption of the Hampton Franchise Agreement to be effective if it was seeking to assign the franchise agreement to a third-party. This adversary proceeding was captioned *Lancaster Hospitality, LLC v. Hilton Franchise, LLC*, Adv. Proc. 24-02024. On May 9, 2024, Hilton filed a motion to dismiss the declaratory judgment action on the grounds that it was premature. On May 17, 2024, Lancaster filed a motion for partial summary judgment on the declaratory judgment count in the adversary complaint. The parties subsequently engaged in settlement discussions. As part of these discussions, Hilton agreed that Lancaster could assume the Hampton Franchise Agreement if Lancaster paid certain cure costs to Hilton. As a result, on August 5, 2024, the Court entered a consent order dismissing the adversary proceeding. In the meantime, on July 10, 2024, the Court entered an order in the Welcome Group 2 bankruptcy cases finding that the assumption of their franchise agreement Hilton was governed by the actual test and thus Hilton's consent was only needed if the franchise agreement was going to be assigned.

An additional complication for the Debtors in formulating a plan of reorganization was that the Debtors' ultimate equity owner, Mr. Vasani, is being sued in his personal capacity by RSS under a "springing guarantee" he had provided for the indebtedness the Welcome Group Debtors (and the two associated nondebtor hotels) had provided in a case in Montgomery County Ohio. Absent any settlement with RSS, this made it unattractive for Mr. Vasani to invest any additional funds in the Debtors in return for equity in the reorganized Debtors because of the risk that such an investment would be seized by RSS if it prevailed in such litigation. As a result, the Debtors embarked on a search for parties who were willing to contribute capital to help fund a plan of reorganization for the Debtors.

On July 19, 2024, RSS objected to the Debtors' request to extend the exclusive periods to propose a plan because of concern that the cases were not moving fast enough. RSS followed this up by filing on July 24, 2024 a motion seeking to dismiss or convert the Debtors' chapter 11 cases. A hearing was initially scheduled for August 22, 2024 at 10:00 am on these motions. In the lead-up to this hearing, the parties reached agreement to adjourn the hearing until September 12, 2024 if the Debtors would commit to filing a plan of reorganization by August 30, 2024. On August 20, 2024, the Debtors and RSS filed a proposed stipulation and agreed order reflecting this agreement. On August 23, 2024, the Bankruptcy Court entered the Stipulation and Agreed Order regarding this adjournment.

In accordance with the stipulation, on August 30, 2024, the Debtors filed a proposed plan of reorganization. The Plan reflected discussions the Debtors had with two investors about providing capital for a new equity investment. Because RSS did not indicate it was abandoning its attempt to get the Debtors' cases dismissed, the Debtors filed their opposition to RSS's Motion to Dismiss on the deadline set by the stipulation of August 23, 2024. After that filing was made, RSS asserted it needed to take discovery prior to any hearing on the motion to dismiss based on the Debtors' arguments in their opposition. The hearing on the motion to dismiss was adjourned until January 28, 2025 so as to allow RSS to take discovery.

RSS proceeded to serve extensive discovery on the Debtors, which were a substantial distraction to the Debtors for much of the fall and consumed much of the budgeted amount for

professional fees in these cases during that period. Ultimately, the Debtors produced over 4,700 pages of documents in response to RSS's discovery requests and Mr. Vasani sat for a deposition as the corporate designee of the Debtors on the issues covered in RSS's motion to dismiss. On December 20, 2024, RSS filed its reply in support of the motion to dismiss.

In the meantime, the Debtors continued to pursue getting a written agreement for new equity investment to be made in the Debtors. On January 1, 2025, the Debtors executed a letter of intent with SDGD, LLC ("**SDGD**") to provide new equity financing, while allowing the Debtors to solicit higher and better offers for this financing. SDGD is controlled by a relative of Mr. Vasani who is not an owner, officer, or employee of the Debtors. Mr. Vasani is not an owner, officer, or employee of SDGD. The Debtors subsequently filed on January 15, 2025 a motion seeking approval of this letter of intent and the related bid procedures. The Debtors and RSS subsequently reached an agreement to again adjourn the hearing on the motion to dismiss and to set it for hearing together with a hearing on the Debtors' proposed Plan. On January 27, 2025, the Debtors filed an amended plan of reorganization with the bankruptcy court. On January 29, 2025, the Bankruptcy Court issued a scheduling order which included both a hearing to approve this Disclosure Statement and a hearing for confirmation of the Plan and, if the Plan is not confirmed, RSS's motion to dismiss or convert the Debtors' bankruptcy cases.

On February 3, 2025, the Debtors filed corrected versions of the Plan and the Disclosure Statement which made non-material corrections to the documents. On February 4, 2025, the Debtors filed a motion seeing approval of the amended Disclosure Statement and associated solicitation procedures for the Plan. The approval of the amended disclosure statement was originally scheduled for March 13, 2025.

Subsequently, RSS and the Office of the United States Trustee objected to the proposed motion for approval of the letter of intent with RSS and the related bidding procedures. Both of the objectors also took the position that the objection to the bidding procedures needed to be decided before the Court could move forward on the Disclosure Statement. After a status conference was held on February 26, 2025, the Bankruptcy Court converted the hearing on March 13, 2025 to a hearing on approval of the LOI with SDGD and the proposed bidding procedures.

The Court then held a hearing was held on March 13, 2025 regarding approval of the LOI with SDGD and the bidding procedures. Following this hearing, the Court entered an order on March 27, 2025 approving the letter of intent with SDGD and the associated bidding procedures. The Debtors proceeded to implement this order, but received no bids from parties seeking to submit higher and better offers for the Debtors' equity by the bid deadline of May 2, 2025.

The Court also entered an order on March 13, 2025 continuing the hearing on approval of the disclosure statement until May 12, 2025. In the run up to the hearing scheduled for May 12, 2025, and as the Debtors were working on crafting an amended Disclosure Statement to respond to informal comments and concerns they had received, the Office of the United States Trustee and RSS requested that hearing be adjourned to provide them time to review and respond to the amended form of documents. That led to that hearing on the approval of the disclosure statement being adjourned yet again..

On May 16, 2025, the Debtors filed a second amended plan and a second amended disclosure statement. On May 19, 2025, the Court entered a stipulation and agreed order rescheduling the hearing on approval of the disclosure statement for June 27, 2025. That order set a deadline of June 20, 2025 at 4:00 p.m. for parties to object to the disclosure statement. Less than an hour before that deadline, and without having provided any prior notice to the Debtors that they intended to do so, RSS filed an election under section 1111(b)(2) of the Bankruptcy Code to have its claims treated as fully secured. RSS also filed an objection to the Disclosure Statement. Because the existing version of the Plan did not contemplate RSS making that election, the Debtors agreed to convert the June 27, 2025 hearing to a status conference to discuss scheduling on the disclosure statement and the Plan.

At the status conference, the Court and parties in interest discussed a schedule for filing of an amended plan and disclosure statement and plan confirmation. On July 8, 2025, the Court entered a stipulation and agreed order approving the schedule that had been agreed upon at the June 27, 2025 status conference. Under this schedule, the Debtors were required to file an amended plan and disclosure statement by no later than July 18, 2025. A hearing has been scheduled for August 29, 2025 at 10:00 am on approval of the disclosure statement. If the disclosure statement is approved, a hearing on October 23, 2025 and October 24, 2025 will be held on the confirmation of the Plan and RSS's pending motion to dismiss.

V. The Proposed Reorganization of the Debtors

A. General Overview

The Plan centers on Buckeye, Lancaster, and Sunburst reorganizing and continuing their business operations. This would involve the assumption of their franchise agreements with Red Roof, Hilton, and Quality Inn respectively. The Debtors' three hotels would continue to operate as a Red Roof, Hampton Inn, and Quality Inn. From the perspective of the hotel's current and future guests, things would remain unchanged and the hotels would continue to provide the award-winning service which has seen them as some of the higher ranked hotels in their respective business chains. For instance, the most recent ranking report provided by Red Roof to Buckeye says the Red Roof it operates is ranked 43rd out of 604 Red Roof properties in the entire country and is ranked 2nd overall in the entire Midwestern region. Nor would the changes impact the Debtors' employees, who would keep their jobs without any impact from the Plan becoming effective. What the reorganization would change is the Debtors' ownership and capital structure. Those changes are discussed below.

Attached as Exhibit III to this Disclosure Statement are copies of the Debtors' unaudited income statements for 2023 and 2024. The Debtors report financial results on a cash basis and not all items in the financial statements are reported in accordance with Generally Accepted Accounting Principles. The financial statements should be considered in conjunction with the notes present on those statements. The Debtors in recent years have not paid the expense to obtain audited financials and no such financials are available for these periods.

Attached as Exhibit IV are the financial projections for the Reorganized Debtors. The financial projections cover both remainder of 2025 and the remaining time through 2030. These projections were prepared by Mr. Vasani based on his 25 years of experience in the hospitality

industry generally and his over a decade of experience in operating each of the Debtors. In considering these financial projections, you should take into account the accompanying notes to the financial projections.

B. Valuation of the Debtors' Assets

As mentioned above, the Debtors' primary assets are the three operating hotels they own – the Red Roof Inn Dublin owned by Buckeye, the Hampton Inn-Lancaster owned by Lancaster, and the Quality Inn Columbus North owned by Sunburst. The Debtors own not only the physical buildings for each of these hotels, but also the underlying land, and the personal property used in operation of each of these hotels. The Debtors believe that these assets are worth substantially more if the hotels continue to be operated as hotels than if the hotels are shut down, the personal property used in the hotel operation is sold off, and an attempt is made to use the real estate for other purposes or to sell them off.

As part of the restructuring process in these cases, the Debtors sought court approval to retain Integra Realty Resources as appraiser and expert valuation witness. On March 7, 2024, the Bankruptcy Court entered an order approving the retention of Integra. Michael Hunter, who is both a Director in Integra's national Hotels Specialty Practice Group and part of Integra's Columbus Hotel performed appraisals of each of the hotels as a going concern. Mr. Hunter reviewed the financial results for the hotels, other performance data for the hotels, industry data on the performance of similar hotel properties, sales of comparable properties, and visited each of the hotel locations. In addition, for the Hampton Inn Lancaster he took into account the need for that hotel to perform a "FRCM" renovation under an agreement with Hilton regarding the assumption of the Hampton Inn Franchise Agreement.

Mr. Hunter appraised the Red Roof Plus Dublin as having a market value of $4,100,000 as of April 26, 2024. This valuation covered not only the land and building, but also the personal property usually used in the operation of the hotel. This market value was based on Mr. Hunter's assessment of what the property could earn after a reasonable marketing period in a cash sale to a third-party buyer. Mr. Hunter also opined that if the Red Roof had to be sold quickly in a 60–90-day period as an operating hotel, which he referred to as a "liquidation value," would be $3,080,000.

Mr. Hunter appraised the Hampton Inn Lancaster as having a market value of $7,190,000 as of September 28, 2024, under the same assumptions about a sale after a reasonable marketing period as used for the Red Roof Dublin. This valuation also took into account the planned FRCM and its impact on valuation. This included both estimates from contractors that it would cost the Debtors $1,750,000 to perform the renovation. The market valuation also took into account the greater revenues that the Hampton Inn Lancaster would potentially earn once the renovations were completed. Mr. Hunter also opined that the "liquidation value" if the Hampton Inn had to be sold as a going concern in a 60–90-day period would be $5,750.000.

Mr. Hunter appraised the Quality Inn North Columbus as having a market value of $2,900,000, as of April 26, 2024, under the same assumptions about a sale after as 60–90-day marketing period as the Red Roof Dublin. Mr. Hunter determined that the liquidation value of the Quality Inn was $2,180,000 if it was sold as an operating hotel in a 60–90-day time period.

Because Mr. Hunter's appraisal values also include the personal property used to operate each of the three hotels, the Debtors believe that they have relatively little in the way of personal property which is not already included in his valuation. Thus, the only material assets of the Debtors which were excluded from Mr. Hunter's evaluation were the cash they have on hand and the value of any litigation claims they might hold. The amount of cash the Debtors hold on hand is reported in their monthly operating reports with the Court. This amount fluctuates from month-to-month based both on the seasonal nature of the business for the Debtors' three hotels and what capital expenditures or repairs are necessary and when they occur for the three hotels.

For purposes of confirming the Plan, the Debtors believe it is appropriate to value RSS's collateral position at a lower amount than Mr. Hunter's valuation of $14,190,000 for purposes of plan confirmation. Mr. Hunter's valuation was for a sales price outside of bankruptcy with a normal marketing period. Any valuation for plan purposes should take into account the associated sales expenses, which could total a half-million or more. Mr. Huner's valuation assumes the franchise agreements will remain in place, but does not deduct the associated cure payments for the hotels. As shown in the financial projections, the Debtors expect that cure payments for the franchise agreements will total as much as $150,000. Additional deductions may be appropriate for other reasons. The idea that the bankruptcy value of the hotels is lower than $14,190,000 is supported by the fact (discussed in more detail below) that no outsiders submitted a higher and better bid for the equity of reorganized S&G in the marketing process for the Debtors' assets.

The Debtors' final asset would be any litigation claims they might have. As noted earlier, prior to filing bankruptcy, Buckeye sued Westfield insurance for failure to pay wind damage claims pre-bankruptcy, which was in principle settled prior to the Petition Date, but for which the settlement check is currently uncashed because the Debtors and Wells Fargo have yet to reach a deal regarding the usage of the proceeds from that settlement (because the check is made out to both it and Wells Fargo). The face amount of that settlement check is $165,412.42. Before filing for bankruptcy, Sunburst also sued American Specialty Insurance for failure to pay wind damage claims. That case has not yet settled, and it is unclear what that claim is worth. The final group of claims the Debtors are investigating are their potential counterclaims against Itria and RSS, both of which filed proofs of claim against the Debtors. Because these counterclaims will most likely serve to diminish the size of the allowed claims for Itria and RSS in the bankruptcy, the Debtors have not attempted to value them for purposes of formulating the Plan.

C. New Equity Infusion

A key component of the Plan is that it provides for all of the equity in S&G to be cancelled and for all of the ownership in Reorganized S&G to be received by an investor in return for its making an investment of at least $500,000 in new equity to help provide fund working capital for the Debtors on a going forward basis, the expenses of the FRCM renovation of the Hampton Inn Lancaster (discussed in more detail below) and to pay administrative expenses of these cases.

As mentioned above, on January 1, 2025, the Debtors executed a letter of intent with SDGD to make an infusion of $500,000 in equity under the Plan in return for 100% of the ownership of Reorganized S&G. On January 15, 2025, the Debtors filed a motion to approve the letter of intent with SDGD, along with bidding procedures for other parties to submit higher and better bids for the equity in S&G by offering to submit more for that equity. On March 27, 2025, the Bankruptcy

Court entered an order approving the LOI and bidding procedures for other parties to submit higher and better bids. No party submitted a bid by the May 2, 2025 deadline established in the bidding procedures.

If SDGD ends up being approved as the new equity investor under the Plan, it has committed to keeping InnVite as the manager of each of three hotel debtors under the Debtors' current management agreements with InnVite, which make it responsible for running the ordinary business operations of the Debtors. InnVite's president is Mr. Vasani who has 25 years of experience in hotel operations and is currently an acceptable operator for Red Roof, Hilton (as the Hampton Inn), and Quality Inn. InnVite would in return be receiving a management fee of 3% of hotel revenues plus the other fees laid out in the management agreements for other services. SDGD will have the ability to select the board of directors and officers of S&G and the managers of each of the subsidiary debtors. Neither Mr. Vasani, nor any of the other initial officers and directors of the Debtors shall be receiving any salary or other compensation from the Debtors.

If SDGD ends up becoming the sole owner of Reorganized S&G on the Effective Date and the Management Agreement with InnVite is assumed, InnVite and the Debtors will enter into the InnVite Settlement. Under this settlement, InnVite shall (a) provide the Reorganized Debtors a line of credit of up to $400,000 with such repayment terms are specified by InnVite to help fund working capital needs and the costs of the Fixed Revenue Cycle Management renovations with Hilton for the Hampton Inn Lancaster and (b) a release of all claims InnVite has arising before the Effective Date under the Management Agreement. In return, InnVite will receive the release provided in Section IV.D.3.d of the Plan of:

> If the New Equity Investors become the sole owner of S&G on the Effective Date and the Management Agreement with Innvite Hospitality is assumed the Debtors shall release Innvite Hospitality of all claims (including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities (other than the right to enforce Innvite Hospitality's obligations under the Plan and the contracts, instruments, releases, agreements and documents delivered thereunder), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on or prior to the Effective Date in any way relating to a Debtor, the Chapter 11 Cases or the Plan or the Disclosure Statement (the "**Settlement Release of Innvite**").

Plan Section IV.D.3.d.

The Debtors believe that the proposed settlement with InnVite is reasonable. It would allow them to continue to enjoy the benefits of InnVite's deep experience in managing hotels in general and the Debtors in particular. It would also resolve any claims that might be held by InnVite against the Debtors, including claims for periods before the Debtors filed for bankruptcy when InnVite deferred management fees and paid various costs on behalf of the Debtors to help

the Debtors conserve cash. Since the Petition Date, InnVite has only received as payments the amounts budgeted for in the Cash Collateral Orders, which are less than InnVite was contractually owed under the Management Agreement, let alone the higher figures which would have been charged by an independent manager to perform the same services. The Debtors believe that this constitutes more than adequate consideration for the proposed Settlement Release of InnVite and that the proposed settlement amply satisfies the standards of Bankruptcy Rule 9019.

The Plan also provides that if the InnVite settlement is not consummated and the Management Agreements are rejected that InnVite will receive in satisfaction of its claims 100% of the interest in the Litigation Trust. This trust would have contributed to it the Retained Actions listed on Exhibit IV.D.1 of the Plan, which include any claims the Debtors might have against RSS (if the RSS Settlement is not consummated) or against Itria (if the Itria Settlement is not consummated). The Litigation Trust will also receive $25,000 in funding in cash on the Effective Date in such a scenario.

D. Plan Treatment of RSS

Section 506(a) of the Bankruptcy Code provides that secured creditors usually have their claims bifurcated into secured and unsecured portions based on the value of their interest in the debtor's collateral. The Debtors' first and second plans provided for RSS's claim to be divided into secured and unsecured claims based on this provision. Section 1111(b)(2) of the Bankruptcy Code provides a limited exception to this by permitting a secured creditor in chapter 11 cases in certain circumstances to elect to have the entire amount of its claim as secured for purposes of confirming a chapter 11 plan rather than having the claim bifurcated into secured and unsecured portions. The Plan's treatment of RSS depends on whether RSS maintains the 1111(b) Election to take advantage of this provision or timely withdraws it.

1. Treatment if the 1111(b) Election Remains in Place

If RSS does not withdraw the 1111(b) Election, the Plan provides for RSS to only have a claim in Class 3A. That claim would be satisfied by having RSS receive the 1111(b) Note, whose face amount would equal the amount of Allowed Claim (including any reductions to the proofs of claim filed by RSS made by the Bankruptcy Court based on any objections by the Debtors to RSS's asserted claims). The 1111(b) Note is structured to have a present value of at least what the Debtors believe is the amount at which the Debtors believe the Bankruptcy Court will likely value RSS's collateral or its claims. The 1111(b) Note shall permit the sale individually or in combination of the three hotels so long as RSS is provided the ability to timely purchase the properties under the Rights of First Refusal (including the exercise of its right to credit bid).

2. Treatment if RSS Withdraws the 1111(b) Election

If RSS withdraws the 1111(b) Election, its claims would be divided into secured and unsecured portions based on a valuation of RSS's interest in the collateral by the Bankruptcy Court. The Debtors are proposing to satisfy the remainder of the Allowed Secured Claim in two ways. The first is to replace the existing promissory note with the New Secured Promissory Note. This New Secured Promissory Note will be in the principal amount of $11 million (which is more than the outstanding principal on the RSS note, but less than the additional amounts asserted for fees

and interest in the proofs of claim filed by RSS). The note will have a five year term, but be amortizing as if is a 30 year loan and will also bear interest at the rate of 5.5%. The New Secured Promissory Note will be secured by amended and restated versions of the existing mortgages so that RSS will have the same security as it had before the Debtors' bankruptcy filing. The New Secured Promissory Note shall have no prepayment penalty and shall permit the sale individually or in combination of the three hotels so long as RSS is provided the ability to timely purchase the properties under the Rights of First Refusal (including the exercise of its right to credit bid).

RSS will also receive on account of its Allowed Secured Claim (if it withdraws the 1111(b) Election) the "Exit Fee." This is a preset payment for each hotel if it is sold in accordance with the provisions of the New Secured Promissory Note. The Exit Fee is based on the following schedule:

Months After the Effective Date	**Hampton Inn Lancaster**	**Red Roof Dublin**	**Quality Inn North**	**Total (if all hotels paid off at the same time)**
0 to 12 months	$50,000	$30,000	$20,000	$100,000
12 to 24 months	$100,000	$60,000	$40,000	$200,000
25 to 36 months	$150,000	$90,000	$60,000	$300,000
37 to 48 months	$200,000	$120,000	$80,000	$400,000
49 to 60 months	$250,000	$150,000	$100,000	$500,000

For example, if the Quality Inn North was sold in month 16, the Reorganized Debtors would make a payment to RSS of $40,000. If the Debtors then proceeded to sell the other two hotels in month 40, they would owe a payment to RSS of $200,000 on account of the Hampton Inn Lancaster and $120,000 on account of the Red Roof Dublin. No additional payment on the Quality Inn North would be owed because it has already had the fee paid for it. The structure of the Exit Fee provides the Reorganized Debtors an incentive to payoff the New Secured Promissory Note as quickly as possible. RSS's Allowed Unsecured Claim will be satisfied by allowing it to share on a pro rata basis with the holders of the Class 4B Claims, the Class 5B Claims, and the Class 6 General Unsecured Claims the Deferred General Unsecured Payments.

The Plan also contains the proposed RSS Settlement. If RSS votes in favor of the Plan, does not object to the confirmation of the Plan, and agrees to release Mr. Vasani and his other entities of all claims related to the Debtors, the Debtors will provide the release in Section IV.D.3.b of the Plan, which states:

> If RSS votes in favor of the Plan, does not object to confirmation of the Plan, and releases Abhijt Vasani and his other non-debtor entities of claims related to the Debtors, on the Effective Date the Debtors shall release the RSS Related Parties of all claims (including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities (other than the right to enforce RSS's obligations under the New Secured Promissory Note or under the Plan and the contracts, instruments, releases, agreements and documents delivered thereunder), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen,

> then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on or prior to the Effective Date in any way relating to a Debtor, the Chapter 11 Cases or the Plan or the Disclosure Statement (the "**Settlement Release of RSS**").

Section III.C.1 of the Plan provides that if the RSS Settlement is agreed to, Mr. Vasani and the nondebtor entities he controls will provide a release in the form attached as Exhibit III.C.1 of the Plan.

The Debtors believe that providing RSS this release if agrees to vote in favor of the Plan and not object to confirmation of the Plan would be reasonable. RSS's claims are the largest claims asserted against each of Buckeye, Lancaster, and Sunburst. As mentioned before, RSS was engaged in litigation with the Debtors prior to the Petition Date and has filed more objections in this case than any other party. The Debtors anticipate that the most difficult issues to litigate at the hearing to confirm the Plan relate to RSS and it is not certain that the Debtors will be able to prevail if they are litigating with RSS at the confirmation hearing. Nor is it certain that the Debtors will prevail in asserting a counterclaim against RSS or claims against the RSS Related Parties relating to their misconduct in connection with the servicing of the Debtors' loan Providing RSS a release if it agrees to support the Plan would allow the expenses related to this potential litigation to be avoided and the Debtors believe it amply exceeds the requirements for approval of a settlement under Bankruptcy Rule 9019.

E. Plan Treatment of Itria and the SBA

The Plan provides for the bifurcation of the claims of Itria and the SBA into secured and unsecured claims. The secured claims of each will be satisfied by Itria or the SBA receiving cash on the Effective Date in an amount equal to the amount of their secured claim minus any amounts they have been paid as adequate protection payments, but not had to disgorge, under the Cash Collateral Orders. The unsecured portion of their claims will be satisfied by having each share on a pro rata basis with RSS (if it retracts the 1111(b) Election for its Class 3B Claim and the holders of Class 6 Claims in the Deferred General Unsecured Payments to be provided under the Plan.

F. Settlement with Hilton

As described above, Lancaster previously commenced an adversary proceeding seeking a declaratory judgment against Hilton related to whether it could assume the Hampton Franchise Agreement without Hilton's consent. Under section 365 of the Bankruptcy Code, Lancaster would have to cure all defaults under the Hampton Franchise Agreement to assume it. It is undisputed that certain franchise fees were unpaid as the timing of the Debtors' bankruptcy filing because they had accrued, but were not paid. In addition, Hilton has asserted that the attorneys' fee provision in the Hampton Franchise Agreement allows it to collect all attorney fees it has incurred related to the Debtors' bankruptcy cases if the agreement is assumed. The Hilton Settlement also require the Debtors to complete a Fixed Renovation Cycle Management renovation. This is a renovation which Hilton requires all Hampton Inn franchisees to perform in the middle of their original franchise term. The proposed settlement resolves both the disputes about the attorney fees and any disputes regarding whether and when Lancaster must complete a Fixed Renovation Cycle

Management renovation to remain operational as a Hampton Inn. The settlement also resolves any arguments Hilton might make that its affirmative consent is required for the franchise agreements to be assumed. Resolving all of these issues consensually removes the need for further litigation regarding the parties' respective rights under the Hampton Franchise Agreement and the question of when the agreement can be assumed under applicable law. The proposed settlement also provides an additional substantial benefit to the Debtors in the form of an agreement by Hilton to extend the expiry of the Hampton Franchise Agreement from its current expiry in February of 2030 until February of 2037. Section 365 of the Bankruptcy Code does not provide the Debtors to the ability to force Hilton to extend the Hampton Franchise Agreement in this manner. Thus, the only way this extension can be obtained is Hilton's voluntary consent. This extension is valuable to the Debtors as it increases the time period during which they can continue to operate the Hampton Inn. The Debtors submit that this extension and the avoidance of additional attorney fees related to the Hampton Franchise Agreement amply exceed the burdens they are undertaking under this settlement agreement and that the settlement more than exceeds the standards for approval under Bankruptcy Rule 9019.

G. Provisions Regarding Other Executory Contracts

The Plan provides for the following in connection with executory contracts other than the Hampton Franchise Agreement and the InnVite Management Agreement whose assumption is described earlier:

- Assume or assume and assign each of the Executory Contracts and Unexpired Leases listed on Exhibit V.A of the Plan; and

- Reject all other prepetition Executory Contracts and Unexpired Leases that have not been previously assumed or rejected or are otherwise assumed under the Plan (including those identified on Exhibit V.A of the Plan). The Debtors' best efforts to identify the executory contracts which will be rejected is the list of contracts identified on Exhibit V.C to the Plan.

The Debtors reserve the right to amend Exhibits V.A and V.C to the Plan at any time until the Effective Date to either add or remove executory contracts and unexpired leases to either Exhibit (including moving contracts from one Exhibit to the other).

Either the Confirmation Order or a separate order of the Court will spell out the provisions for providing notice to counterparties of such proposed assumptions and the associated proposed Cure Amount Claim and the proposed rejections. That Order will also spell out the procedures for parties to file proofs of claim for rejection damages. Under the Plan, any Claim arising from the rejection of an executory Contract or Unexpired Lease will be treated as a Class 6 Claim.

H. Administrative Expenses

The administrative expense claims in these cases generally break down into two broad categories. The first is for the ordinary-course expenses of operating their businesses, such as employee wages, utilities, and supplies for operating each of their three hotels and the various payments required under the cash collateral orders in these cases. The Debtors have generally

been paying their employees and vendors for goods delivered or services rendered after the Petition Date according to the ordinary payment terms of those obligations. The exact amount of these administrative claims fluctuates depending on the requirements of hotel operations but should usually reflect no more than a pay-period worth of employee compensation and a month worth of other goods and services. The one ordinary course expense which has not always been paid in this manner is for the management fees of InnVite under its management agreement with the Debtors. The cash collateral budgets in this case have imposed limits on the amount of these fees that are sometimes less than what would be owed under the management agreements. In addition, InnVite has sometimes deferred portions of its management fees when the Debtors are having more constrained cash flow. The Debtors believe they have now paid InnVite almost all of the fees permitted to be paid currently under the cash collateral budgets in these cases.

The second broad category is for claims related to the allowed fees and expenses of the Debtors' lawyers, accountants, and appraiser. The amount of these claims also fluctuates because of the volume of services rendered by these professionals and how quickly the requests for these fees navigate the Bankruptcy Court approval process. As a result, there is usually at least one month and very often two months of professional fees which have not been paid at any one time.

It is possible that administrative expense claims could be asserted for other obligations in these cases, such as if someone alleges harm caused by the Debtors' post-bankruptcy or if a secured creditor asserts an adequate protection claim for the diminution of the value of their collateral during the Debtors' bankruptcy cases. The Debtors are not currently aware of any such claims.

The financial projections included as Exhibit IV to this Disclosure Statement include the Debtors' current best estimate of what administrative expense claims total in these bankruptcy cases. Because of the fluctuations in the amounts of ordinary course and professional fees described above and the potential for other administrative claims to be asserted, it is possible that allowed administrative expense claims in these cases may ultimately be lower or higher than what is projected.

I. Substantive Consolidation

As mentioned above, the largest creditor of each of the three operating Debtors is RSS and its asserted liens cover the vast majority of the Debtors' assets. As a result, there is a substantial commonality in terms of liabilities across these three Debtors. The remaining Debtor, S&G, was a holding company and does not own any real property or had its own bank account on the Petition Date. When the Debtors filed for bankruptcy, they scheduled their intercompany balances between them as unliquidated because more work would need be done to verify those balances. Both prior to and during the bankruptcy, the Debtors have not thought that the substantial expenses associated with such an exercise would provide any value to their ongoing business operations. Nor, given the nature of RSS's claims, would such an effort likely to result in any meaningful difference to creditor recoveries against any particular debtor while reducing recoveries as a whole from the associated expenses. As a result, the Debtors are proposing a "deemed" substantive consolidation of the Debtors for the purpose of implementing the Plan.

Under this proposed substantive consolidation for Plan purposes, the Debtors are requesting that:

> Pursuant to the Confirmation Order, the Bankruptcy Court shall approve the substantive consolidation of the Debtors for the purpose of implementing the Plan, including for purposes of voting, Confirmation and distributions to be made under the Plan. Pursuant to such order: (1) all assets and liabilities of the Debtors will be deemed merged; (2) all guarantees by one Debtor of the obligations of any other Debtor will be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors will be deemed to be one obligation of the consolidated Debtors; and (3) each and every Claim Filed or deemed Filed by or on behalf of a single creditor in a single Class of Claims against any of the Debtors will be deemed a single Claim Filed against the Debtors. Such substantive consolidation (other than for the purpose of implementing the Plan) will not affect the legal and corporate structures of the Debtors.

See Plan Section XII.A. The Debtors believe this is appropriate and satisfies the standards required under applicable law.

J. Avoidable Transfers

The Bankruptcy Code provides a debtor the ability in certain cases to bring adversary proceedings to "avoid" transfers made prior to the bankruptcy case. Essentially, this provides the ability to unwind the transaction and return things to the situation before the transaction was made. Section 548 of the Bankruptcy Code allows the Debtor to avoid transfers made in the two years prior to filing of bankruptcy that were made with the actual intent to hinder, delay, or defraud a creditor that existed at the time of the transfer. These types of transfers are called "actual fraudulent conveyances." Section 548 of the Bankruptcy Code also allows the avoidance of "constructive fraudulent conveyances" made in the two years prior to filing for bankruptcy which are transactions where a Debtor did not receive reasonably equivalent value in return for whatever asset it transfer. Section 547 of the Bankruptcy Code allows for the avoidance of "preferential transfers." These are transfers made on account of a pre-existing debt which allows the other party to receive more than it would in a chapter 7 liquidation of the debtor. Section 547 of the Bankruptcy Code also provides for certain defenses to these claims. For most transfers this reachback only extends to payments received in the 90 days before the bankruptcy filing, but for transfers to insiders a preference action can be filed for transfers made up to a year before the bankruptcy filing. Finally, section 544 of the Bankruptcy Code allows a debtor to avoid transfers that a creditor of the debtor could cause to be avoided under applicable nonbankruptcy law.

To date, the Debtors have not yet brought any claims under any of these sections of the Bankruptcy Code but still may bring such claims in the future. At several points during these cases, RSS has claimed that it believes that there are potentially significant amounts the Debtors paid in the years prior to bankruptcy to insiders that may be avoided under section 544, 547, or 550 of the Bankruptcy Code. More details regarding the payments made by the Debtors in the leadup in the year prior to bankruptcy are provided below. That is followed by an explanation of

why the Debtors believe that it does not make economic sense for them to bring avoidance actions in the future against insiders.

1. Payments to Insiders

Like most 100% owned companies, prior to filing for bankruptcy the Debtors from time to time engaged in transactions between themselves, or other entities owned by Mr. Vasani. As part of the Statements of Financial Affairs (the "**SOFAs**") each Debtor was required to file early in these cases, the Debtors had to disclose on Part 2 Question 4 of the SOFA the transfers they made to anyone who is considered an "insider" in the year prior to filing for bankruptcy. Debtor S&G Hospitality, Inc. made no such transfers, but the other Debtors did. Information on those transfers is set forth below.

Buckeye Lodging in the attachment to Part 2 Question 4 of the SOFA details $286,683.40 in transfers it made to insiders in the year before bankruptcy. All of these transfers were to InnVite, which is the management company for Buckeye and which Mr. Vasani also owns an interest in. Slightly more than half of the total amount of transfers, $146,083.40 relates to reimbursements Buckeye paid to InnVite for making payroll payments on behalf of Buckeye. $53,600 of the total amount relates to Buckeye reimbursing InnVite for other payments it made on behalf of Buckeye. The remainder of the transfers are payments to InnVite for management fees and accounting fees that were payable under the management agreement between the two entities. It should be noted that Buckeye paid no salary to Mr. Vasani or any other officer or director in the year prior to bankruptcy or has drawn a salary during the bankruptcy.

Lancaster Hospitality in the attachment to Part 2 Question 4 of the SOFA details in the attachment to Section made $711,638.75 in transfers to insiders in the year before bankruptcy. $546,853.80 of these were transfers to InnVite. $403,408.75 of these transfers were reimbursements for expenses other than payroll that InnVite paid on behalf of Lancaster Hospitality. These were primarily reimbursements for ongoing renovations being made to the exterior of the Hampton Inn Lancaster. InnVite was contractually responsible for managing this renovation project and would often directly contract with vendors to perform the work and pay the vendor. Lancaster Hospitality would then reimburse InnVite for these expenses. The remaining payments were almost all payments of management fees and accounting fees that were payable under the management agreement between the two entities.

Lancaster Hospitality also paid $118,000.00 to the other Debtors in the year prior to filing for bankruptcy. For $106,100 of these transfers it was booked as a loan to the other debtor. There were also $58,700.00 in payments that Lancaster made to hotels in the Welcome Group, all of which appears to relate payments for supplies that were purchased on a shared basis. Out of the Welcome Group, Welcome Group 2, LLC, Hilliard Hotels LLC, and Elite Hospitality LLC each have pending bankruptcy cases. The two remaining members of the Welcome Group, Dayton Hotels, LLC and Dayton Hotels II, LLC are defendants in a pending foreclosure action in the Montgomery County Court of Pleas. It should be noted that Lancaster paid no direct compensation to Mr. Vasani in the year prior to bankruptcy. Similar as it was with Buckeye, neither Mr. Vasani nor any other or director of officer of Lancaster drew a salary from it in the year before bankruptcy or has drawn a salary during the bankruptcy.

Sunburst Hotels in the attachment to Part 2 Question 4 of the SOFA details $223,508.66 in transfers to insiders in the year before bankruptcy. $154,508.66 of these transfers were reimbursements of payments InnVite made to employes on behalf of Sunburst Hotels. The remainder of the payments were to InnVite for management fees or accounting fees for the management services it provided to Sunburst under the management agreement between the two. It should be noted that Buckeye paid no direct compensation to Mr. Vasani in the year prior to bankruptcy. Like with Buckeye and Lancaster, neither Mr. Vasani nor any other officer or director of Sunburst drawn a salary from Sunburst in the year before bankruptcy or has drawn a salary during the bankruptcy.

2. Why the Debtors Believe It Does Not Make Sense to Pursue Avoidance Actions Against Insiders

The Debtors believe that the potential avoidance actions against insiders have relatively little value and are not worth the expense of further investigation, let alone the costs involved with pursuing them. The vast majority of the insider transfers in the year prior to bankruptcy were by the Debtors to InnVite. Many of these transfers were for the contractual management fees. Others were exact reimbursements of InnVite for amounts that it paid to third parties on behalf of one of the Debtors. These transfers were not made with the intent to hinder or defraud creditors and thus did not constitute an actual fraudulent transfer under either section 548 of the Bankruptcy Code or applicable nonbankruptcy law that the Debtor could raise under section 544 of the Bankruptcy Code. Nor is there any reason to believe payment of contractually specified management fees or reimbursement of expenses InnVite paid on a Debtor's behalf to a third party were for less than reasonably equivalent value. Thus, there would be no reason to believe that any of the transfers to Invite could be avoided as a constructive fraudulent conveyance under section 544 of the Bankruptcy Code. As for preference liability, many of the reimbursements paid to InnVite Hospitality involved transfers that were substantially contemporaneous with the underlying payment being made by InnVite. Section 547 of the Bankruptcy Code provides a defense to preference liability for transfers that are substantially contemporaneous. The Debtors also believe any payments of contractually specified management fees would qualify for the ordinary course of business defense to preference liability. The Debtors also believe that the reimbursements of InnVite for payments it made on the Debtors' behalf would also qualify for the ordinary course of business defense based on the historical course of dealing between them.

In addition, InnVite would also have a defense to preference claims or fraudulent avoidance claims because it would have a right to recoup against any such judgment the significant amounts that it has spent on behalf of the Debtors over the years, but has never been reimbursed for. In addition, InnVite also has a defense against preference claims based on the fact that it has not been paid all of the contractual management fees to which it was entitled either before or after the bankruptcy. Thus, InnVite has provided significant subsequent new value to the Debtors for which it has not been paid. This also constates a defense to any preference claims under section 547 of the Bankruptcy Code. Finally, under the Debtors' proposed plan the Debtors will be assuming the management contract with InnVite. As part of such assumption, the Debtors are required to cure any defaults with InnVite under the management agreement. Because avoiding payments to InnVite would just increase the cure payment that would have to be paid, it does not make sense to pursue any avoidance actions against InnVite.

The remaining transfers to insiders involved either transfers between the Debtors in these cases or transfers to other hotels that were indirectly owned by Mr. Vasani. An avoidance claim by one Debtor against another in these cases would only constitute an unsecured claim in the other Debtor's case. Given the relatively low recovery likely for general unsecured claims in these cases, it does not make sense for one Debtor to pursue an avoidance claim against another Debtor. During the year prior to bankruptcy, the Debtors here only transferred $58,700.00 to other hotels owned by Mr. Vasani. Because these amounts are spread across four different other hotel entities, the recovery for any individual claim would be relatively low. $45,300.00 of these transfers were to hotels that are part of the Welcome Group II group of bankruptcy cases, which are also pending in this District. Given the likely recovery for general unsecured claims in those cases, the Debtors do not believe pursuing avoidance of those recoveries would yield a meaningful recovery for them. The remaining $13,400.00 transfer was to Dayton Hotels 2, LLC. That entity's principal asset is a hotel which is currently subject to a pending foreclosure case in the Montgomery County Court of Common Pleas. Given the relatively low amount of that claim and the likely recovery for unsecured creditors of that entity if the foreclosure is completed, the Debtors do not believe that it is worthwhile to pursue an avoidance action for that transfer.

K. Tax Consequences

For purposes of satisfying their obligations to provide necessary information under section 1125(a) of the Bankruptcy Code, the Debtors are providing this generalized discussion of the potential federal income tax consequences of the Plan on holders of Allowed Claims. The Debtors have never historically provided tax advice to others. Nor are the Debtors promising or warranting that the tax consequences discussed below will be the ones that any particular holder of an Allowed Claim will experience in the future. Those consequences may be impacted by your own individual tax situation.

That being said, for federal income tax purposes, the general rule is that a holder of an Allowed Claim should recognize a gain or loss for federal income tax purposes based on the difference between what the Creditor receives in return for the Allowed Claim and its underlying basis on the claim. Whether that amount should be treated as ordinary income or a capital gain will depend on the particular nature of the transaction giving rise to the claim and how it was acquired. If the particular transaction giving rise to the claim means it is treated as a capital loss, you may be limited in your ability to deduct the transaction as a loss.

If you receive less in return for the Allowed Claim than the amount of your tax basis in the claim, you may be entitled to a "bad debt deduction" under section 166(a) of the Internal Revenue Code and the associated regulations. Because this provision and the associated regulations depend greatly on your own individual facts and circumstances, including what kind of taxpayer you are, the nature of the instrument giving rise to the deduction, and how it was acquired, it is impossible for the Debtors to provide any generalized advice to holders of Allowed Claims about whether they should expect to be able to take a bad debt deduction if the Plan is confirmed.

If you have questions or concerns about the tax impact of the Plan, you are strongly encouraged to consult your tax advisors. The Debtors and their professionals cannot provide tax advice to you regarding your own personal situation and how it is impacted by the Plan.

L. Discharge under the Plan and Related Injunction

In accordance with sections 524 and 1141 of the Bankruptcy Code, the Plan provides for a "discharge" on the Effective Date which extinguishes both claims against the Debtors and claims or interests being asserted in the Debtors' assets except for the exceptions specifically provided for in the Plan. Specifically, the Plan provides that:

> Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Interests under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims and termination of all Interests arising on or before the Effective Date, including any interest accrued on Claims from and after the Petition Date. Except as provided in the Plan or in the Confirmation Order, Confirmation will, as of the Effective Date and immediately after cancellation of the Old S&G Common Stock: (a) discharge the Debtors from all Claims or other debts that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h), or 502(i) of the Bankruptcy Code, whether or not (i) a proof of Claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (ii) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (iii) the holder of a Claim based on such debt has accepted the Plan; and (b) terminate all Interests and other rights of equity security holders in the Debtors.

See Plan Section XI.A.1. The Plan then goes on to provide that:

> In accordance with the foregoing, except as provided in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date and immediately after the cancellation of the Old S&G Common Stock, but prior to the issuance of the New S&G Common Stock, of a discharge of all Claims and other debts and liabilities against the Debtors and a termination of all Interests and other rights of the holders of Interests in the Debtors, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge will void any judgment obtained against the Debtor at any time, to the extent that such judgment relates to a discharged Claim or terminated Interest; provided, however, that, notwithstanding the extinguishment of any such judgment, the existence of a validly entered judgment may be treated as evidence of the entitlement to a Claim in the Chapter 11 Cases, which Claim, subject to other applicable requirements (including the timely filing of a proof of Claim, if necessary), will be satisfied by the distribution, if any, provided under the Plan.

See Plan Section XI.A.2. The Plan goes on to provide for a permanent injunction which prohibits any party from pursuing these discharged claims or interests. The specifics of this injunction are laid out in Section XI.B of the Plan, which states as follows:

> **1. Claims Enjoined**
>
> **Except as provided in the Plan or the Confirmation Order or agreed to by the Debtors or the Reorganized Debtors, as of the Effective Date all entities and persons that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Interest or other right of a holder of an Interest that is terminated pursuant to the terms of the Plan will be permanently enjoined from taking any of the following enforcement actions on account of any such discharged Claims, debts or liabilities or terminated Interests or rights: (a) commencing or continuing in any manner any action or other proceeding against any Debtor, any Reorganized Debtor or its respective property, other than to enforce any right pursuant to the Plan to a distribution; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against any Debtor, any Reorganized Debtor or its respective property, other than as permitted pursuant to (a) above; (c) creating, perfecting or enforcing any lien or encumbrance against any Debtor, any Reorganized Debtor or its respective property; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any Debtor or any Reorganized Debtor; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.**
>
> **2. Enforcement Enjoined**
>
> **As of the Effective Date, all entities and persons that have held, currently hold or may hold any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities that are released pursuant to the Plan will be permanently enjoined from taking any of the following actions against any released entity or its property on account of such released claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities: (a) commencing or continuing in any manner any action or other proceeding; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (c) creating, perfecting or enforcing any lien or encumbrance; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation**

> **due to any released entity; and (e) commencing or continuing any action, in any manner, in any place or is inconsistent with the provisions of the Plan.**
>
> **3. Consent to Injunction**
>
> **By accepting distributions pursuant to the Plan, each holder of an Allowed Claim receiving distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in Section XI.B.1 and Section XI.B.2 of this Plan.**

The Debtors submit that the language in the Disclosure Statement satisfies both the requirements of section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016.

M. Releases

In addition to the specific releases by the Debtors of RSS (if it accepts the RSS Settlement), Itria (if it accepts the Itria Settlement), and InnVite (if the InnVite Settlement is approved) the Plan also provides for a release by creditors who vote to accept the plan and do not elect to opt-out of the release. That release will be included on the ballots mailed to creditors entitled to vote on the Plan. Creditors who vote against the Plan will be not bound by the release unless they opt-into it. Creditors or who do not vote on the Plan will ***not be*** bound by that Release. That release is the following:

> As of the Effective Date, in consideration for the obligations of the Debtors and the Reorganized Debtors under the Plan and the cash, New Secured Promissory Note and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, each holder of a Claim or Interest that votes in favor of the Plan will be deemed to forever release, waive and discharge all claims (including Derivative Claims), obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities (other than the right to enforce the Debtors' and the Reorganized Debtors' obligations under the Plan and the contracts, instruments, releases, agreements and documents delivered thereunder), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising in law, equity or otherwise, that are based in whole or in part on any act, omission, transaction or other occurrence taking place on or prior to the Effective Date in any way relating to a Debtor, the Chapter 11 Cases or the Plan or the Disclosure Statement (collectively, the "**Released Claims**") that such entity has, had or may have against any of the Debtors (which release will be in addition to the discharge of Claims and termination of Interests provided herein and under the Confirmation Order and the Bankruptcy Code).

See Plan Section IV.D.3.a. Section IV.D.3.e of the Plan then provides that:

> **e. Injunction Related to Releases**
>
> **As further provided in Section XI.B, the Confirmation Order will permanently enjoin the commencement or prosecution by any entity or person, whether directly, derivatively or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released pursuant to the Plan, including pursuant to the releases in this Section IV.D.3.**

See Plan Section IV.D.3.e. This would include an injunction with respect to not only the general release by creditors who vote in favor of the Plan described in this Section, but also, if they occur, the Settlement Release of RSS, the Settlement Release of Itria, and the Settlement Release of InnVite discussed earlier.

N. Exculpation Clause

The Plan also contains an "exculpation" clause. This clause regulates when claims can be asserted against the Debtors' directors, officers, and professionals (the "**Exculpated Parties**") for an "Exculpated Claim." Section I.A.33 of the Plan defines "Exculpated Claim" with the following:

> **"Exculpated Claim"** means any Claim or Causes of Action whatsoever related to any act taken or omitted after the Commencement Date and on or before the Effective Date arising out of the Chapter 11 Cases related to the Debtors, including, without limitation, (i) the negotiation of any settlements entered into, with, or by the Debtors or any Estate representative, (ii) the formulation, preparation, dissemination, negotiation, filing, prosecution, approval or administration of the Plan and/or any financing, investment, or sale agreement with respect to the Debtors, and/or (iii) any contract, instrument, release, assignment, or other agreement or document created or entered into in connection with any such negotiations or settlements of the Chapter 11 Cases, or any financing agreement or settlement agreement in connection therewith, the filing of the Chapter 11 Cases, the pursuit of Confirmation, and the administration implementation of the Plan.

Section XIII.A of the Plan then provides that:

> None of the Debtors, their officers, their directors, and the Debtors' Professionals (collectively, the "**Exculpated Parties**") shall have or incur any liability to any Holder of a Claim or Equity Interest, or other party in interest, or any of their respective members, officers, directors, employees, advisors, professionals, attorneys or agents or any of their successors and assigns, with respect to any Exculpated Claim, including, without limitation, any act or omission in

connection with, related to, or arising out of, in whole or in part, the Debtors Chapter 11 Cases, except for willful misconduct, gross negligence, fraud or criminal misconduct as determined by a Final Order of a court of competent jurisdiction, and, in all respects, the Exculpated Parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under this Plan.

O. Conditions to Confirmation and the Effective Date of the Plan

Article IX of the Plan provides a set of conditions for both the confirmation of the Plan and for the Plan to become "effective" which is what happens when the critical transactions in terms of the cancellation of S&G's Old Common Stock, the New Equity Infusion, the assumption of executory contracts and the discharge of the Debtors is to occur. Subject to any restrictions in applicable law, the Debtors may waive any of these conditions.

The conditions to confirmation are:

1. The Confirmation Order will be reasonably acceptable in form and substance to the Debtors.

2. The Debtors shall have received a binding, unconditional commitment from the New Equity Investors for the New Equity Infusion.

3. All Exhibits to the Plan are in form and substance reasonably satisfactory to the Debtors.

The Conditions to the Effective Date are:

1. The Confirmation Order has been entered; has not been reversed; stayed, modified or amended; and has become a Final Order.

2. The Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order) approving and authorizing the Debtors and the Reorganized Debtors to take all actions necessary or appropriate to implement the Plan in form and substance acceptable to the Debtors.

P. Effect of Nonoccurrence of Conditions to the Effective Date

If each of the conditions to the Effective Date is not satisfied or duly waived in accordance with Section IX.C of the Plan, then upon motion by the Debtors or any party in interest made before the time that each of such conditions has been satisfied and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court. If the Confirmation Order is vacated pursuant to Section IX.D of the Plan, (1) the Plan will be null and void in all respects, including with respect to: (a) the discharge of Claims and termination of Interests pursuant to section 1141 of the Bankruptcy Code; (b) the assumptions of Executory Contracts and Unexpired Leases pursuant to Section V.A.1 of the Plan;

and (c) the releases described in Section IV.D of the Plan; and (2) nothing contained in the Plan will: (a) constitute a waiver or release of any claims by or against, or any Interest in, any Debtor; or (b) prejudice in any manner the rights of the Debtors or any other party in interest.

Q. United States Trustee Fees and Post-Effective Date Reporting

Under 28 U.S.C. 1930(a)(6), the Debtors have to pay a statutory fee to the Office of the United States Trustee based on disbursements until their cases are converted, dismissed, or closed. The confirmation and effectiveness of the Plan will not terminate these obligations. Instead, they continue until a final decree is obtained. The Debtors intend to comply with this obligation.

Following the Effective Date, the Debtors will no longer need to file monthly operating reports on form 11-MOR with the Bankruptcy Court. Instead, no later than the 21st day after the end of each calendar quarter they must file an operating report using UST Form 11-PCR. This obligation continues until one of the following occurs (1) a final decree is entered in the applicable Debtor's chapter 11 case; (2) the Debtor's chapter 11 case is converted into a chapter 7 case; or (3) the Debtor's chapter 11 case is dismissed. It should be noted that the amount of information required under UST Form 11-PCR is less than that which is contained in the monthly operating reports. The Debtors intend to comply with their obligation to file UST Form 11-PCR on a quarterly basis. The Debtors have no obligation under the Plan and do not promise to make any additional information available as part of their quarterly reports beyond that required in UST Form 11-PCR as may be in effect on the date of a particular report.

R. Procedure and Timing of Final Decree

Section 350 of the Bankruptcy Code provides in part that "[a]fter an estate is fully administered … the court shall close the case." Bankruptcy Rule 3022 allows not only any party in interest to move to enter a final decree and close a bankruptcy case, but also permits a bankruptcy court to do so on its own motion. While neither section 350 of the Bankruptcy Code nor Bankruptcy Rule 3022 spells out what means for a case to be fully administered, courts have taken guidance from the Advisory Committee notes for the 1991 amendment to Bankruptcy Rule 3022. These notes state that:

> Factors that the court should consider in determining whether the estate has been fully administered include (1) whether the order confirming the plan has become final, (2) whether deposits required by the plan have been distributed, (3) whether the property proposed by the plan to be transferred has been transferred, (4) whether the debtor or the successor of the debtor under the plan has assumed the business or the management of the property dealt with by the plan, (5) whether payments under the plan have commenced, and (6) whether all motions, contested matters, and adversary proceedings have been finally resolved.

It should be noted that these factors do not require that all payments provided for under a chapter 11 plan be completed before a final decree can be entered. As a result, a debtor can request for the case to be closed prior to the completion of all distributions if these factors have been

satisfied, particularly since cases can be reopened if necessary. The Debtors reserve the right to seek the closing of the case in this manner and a final decree be entered before the completion of all payments under the Plan have been made. For example, the Debtors could seek entry of a final decree closing the estate before all payments to RSS under the New Secured Promissory Note are completed or the distribution of the Deferred General Unsecured Payments are completed.

VI. Risk Factors

Before voting on the Plan, you need to consider the risks described below.

A. Risk Factors Regarding Bankruptcy Cases

1. Treatment of claims

The claim amounts above are not fixed. The Debtors anticipate that there may substantial disagreement about the size of a number of claims and the value and priority of the various secured creditors' alleged security interests in the Debtors' collateral. As a result, the amount of allowed claims at the end of the day could vary materially from the amounts identified in the table earlier in this Disclosure Statement, which would impact the projected recoveries of each claim. The Debtors' review of claims is ongoing and creditors should not assume that the absence from this Disclosure Statement of a discussion of issues with any particular claim means that the Debtors have agreed to the claim.

2. Risk of Non-Confirmation of Plan

As discussed in Section VII.A below, section 1129 of the Bankruptcy Code sets forth a number of requirements for the confirmation of chapter 11 plan. These include that (a) the Confirmation of the Plan not be followed by a need for further liquidation or reorganization and (b) that each holder of a claim in an impaired class either accepts the Plan or that the projected value of the distributions they receive exceeds what they would receive if the Debtors were to liquidation under chapter 7 of the Bankruptcy Code.

In addition to those requirements, section 1129 of the Bankruptcy Code requires at least one impaired class of creditors (not counting insiders) to accept a plan for it to be confirmed. However, if one or more classes of creditors do not vote to accept a plan it can only be confirmed if the "cramdown" requirements under section 1129(b) of the Bankruptcy Code. This subsection requires that the plans "not discriminate unfairly" and that the plan be "fair and equitable" with respect to each class of claims or interests that is impaired under the Plan. Section 1129(b) of the Bankruptcy Code then has specific additional requirements spelled out for what is required for a plan to be considered "fair and equitable" for classes of secured claims, unsecured claims, and interests. Under Article X of the Plan, the Debtors have reserved the right to seek cramdown if an impaired class of claims does not accept the Plan.

The Debtors anticipate that RSS will vote against the Plan and anticipate that other creditors may do so. If RSS votes against the Plan, the Debtors expect that it will vigorously contest whether the cram-down requirements are satisfied and it is possible that the Debtors may

not prevail if these requirements are litigated at the confirmation hearing. If the Debtors do not prevail, the Bankruptcy Court will have pending RSS's request to convert or dismiss these chapter 7 cases. The Debtors believe if either of these forms of relief is granted by the Bankruptcy Court it is likely that unsecured creditors will receive no recovery either in a chapter 7 case or if the Franklin County Foreclosure is restarted.

B. Risk Factors Relating to Implementation of the Plan

Even if the Plan is confirmed and goes forward, Creditors who are not paid in cash on the Effective Date under the Plan will be exposed to risks related to the profitability of the operations of the Reorganized Debtors after the Effective Date. These include, but are not limited to, the following risks:

- General fluctuations in Hotel Demand in Central Ohio. All three of the Debtors' hotels are in the greater Columbus, Ohio area. Changes in the general demand for hotel services in this market can have dramatic impact on the Debtors' businesses.

- Reduced Business Travel. Like all hotels outside of vacation hotspots, a substantial part of the Debtors' business relates to business travelers. During the Covid-19 pandemic, video conference services such as Zoom and Microsoft Teams experienced dramatically increased usage. Since the pandemic has passed, this has resulted in business travel not recovering to the levels that were expected pre-pandemic.

- Construction or Renovation of Competing Hotels. Both business and leisure travelers generally look for hotels close to their destination or that are conveniently placed along their route of travel. One of the strongest impacts on hotel demand is what competing brands are available nearby and the condition of those hotels. Construction of new hotels, or renovations of existing competitors, could decrease demand for the Debtors' rooms, force them to cut prices, or engage in more expensive on-line advertising to fill rooms.

- Operating Costs May Continue to Increase. In the wake of the COVID-19 pandemic, many of the Debtors' costs have increased. Even with the expiry of the various pandemic aid programs, the labor market in the greater Columbus area has been very tight, which has led to increased costs. Costs for furniture, mechanical items, and many other items have also escalated, which has meant that both normal maintenance and the period renovation work which must be completed periodically in the hospitality industry for hotels to stay competitive have become more expensive even before you take into account the increased labor expenses associated for these activities. Property insurance costs have also escalated significantly in recent years. If any of these trends continue, it could put pressure on the Debtors' operating margins.

- The Hampton Inn FRCM renovation may not go smoothly. As mentioned above, the Debtors need to complete the required FRCM renovation for the Hampton Inn Lancaster. If the costs to complete this renovation are greater than anticipated, it

will negatively impact the Debtors' business operations. In addition, it is possible that the renovation may result in greater disruption to the Hampton Inn Lancaster's ongoing operations during the renovation, which would negatively impact forecasted results and hurt the Debtors' operations.

Any of these risk factors could negatively impact the Reorganized Debtors' financial results going forward and impact their ability to pay the New Secured Promissory Note, the Exit Fee, the Deferred General Unsecured Payments, or any other amounts owed under the Plan.

VII. Voting and Confirmation Under the Plan

A. General

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court find that it satisfies a number of requirements including that:

1) The Plan has classified Claims and Interests in a permissible manner;

2) The Plan complies with the applicable provisions of the Bankruptcy Code;

3) The Debtors as proponents of the Plan, have proposed the plan in good faith and not by any means forbidden by law;

4) Necessary disclosures required by section 1125 of the Bankruptcy Code have been made;

5) The Plan has been accepted by the requisite votes of each classes of creditors and equity security interest holders (except to the extent that one or more classes of claims or interests are subject to cramdown as described in more detail in *Section VII.D Acceptance or Cramdown* below);

6) The Plan is feasible and Confirmation will not likely be followed by the liquidation or the need for further reorganization of the Debtors beyond that proposed by the Plan;

7) The Plan satisfies the "best interests" test that for all holders of Claims or interests in an impaired class that they either have accepted the Plan or are receiving distributions under the Plan which are projected to have a value as of the Effective Date at least as great as that which would be received in a chapter 7 liquidation of the Debtors (contrary to how the term "best" might ordinarily be understood, the best interests test does ***not*** require showing that the Debtors' proposed plan is better than all other possible alternatives, jus that it is a better option than conversion and liquidation);

8) All statutory fees and expenses payable under 28 U.S.C. § 1930 have been paid or will be paid; and

9) Adequate disclosures have been made in accordance with Section 1129(a)(5) of the Bankruptcy Code concerning the identity and affiliations of all persons who will serve as officers, directors, and voting trustees of the Reorganized Debtors.

B. Voting Procedures and Requirements

The Bankruptcy Code distinguishes between "impaired" and "unimpaired classes" when it comes to voting on a proposed chapter 11 plan. Only "impaired" classes of claims or equity interest can vote on a Plan. The Bankruptcy Code defines a class as "impaired" if the legal, equitable, or contractual rights associated with that class are modified in any way other than the curing of a default and reinstating the maturity of a debt. Classes of claims and interests which are not impaired are not allowed to vote on the Plan and are treated by the Bankruptcy Code as having accepted the Plan. For classes of Claims or Interests which are not slated to receive anything under the Plan are usually treated as having rejected the Plan unless special means are made for such a class to accept the Plan.

Because it is normal for the claim allowance process to not be completed prior to the voting on a Plan (and that process has not been completed in this case), section 502 of the Bankruptcy Code and Bankruptcy Rule 3019 allow the Bankruptcy Court to temporarily allow a claim solely for purposes of voting on a plan with the ultimate merits of the Plan to be resolved later. In conjunction with the Court Order approving the distribution of this Disclosure Statement to Creditors, the Bankruptcy Court also entered an order providing the rules for voting on the Plan in this case. Creditors who are allowed to vote on the Plan will receive a copy of such tabulation rules along with a ballot.

VOTING ON THE PLAN IS IMPORTANT. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS OR IF YOU HAVE MORE THAN ONE CLAIM IN A GIVEN CLASS, YOU MAY RECEIVE MORE THAN ONE BALLOT. IN SUCH A CASE, YOU WILL HAVE DIFFERENT BALLOTS FOR EACH OF THOSE CLAIMS AND YOU MUST COMPLETE, SIGN AND RETURN EACH BALLOT FOR IT BE COUNTED.

PLEASE PAY CAREFUL ATTENTION TO THE INSTRUCTIONS ON THE BALLOT. BALLOTS MUST BE RETURNED IN ACCORDANCE WITH THESE INSTRUCTIONS TO BE COUNTED.

TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY COUNSEL TO THE DEBTORS AT THE ADDRESS SPECIFIED IN THE INSTRUCTIONS BY NO LATER THAN _____, 2025.

VOTES CANNOT BE TRANSMITTED ORALLY.

If you are entitled to vote and either you did not receive your ballot, your ballot was damaged in the mail or after you received it, or you lost your ballot, please reach out to Breanna Tolbert at Carpenter Lipps LLP, (614) 365-4100 to request a replacement.

C. Objections to Confirmation and the Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court to hold a hearing to determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code before it can confirm the Plan. The Bankruptcy Code also requires the Debtors to provide notice of that hearing, which is either done by sending a creditor a copy of this Disclosure Statement or, where authorized as part of the Order approving this Disclosure Statement and the Solicitation Procedures, by mailing the approved form of notice of the Confirmation Hearing to creditors or other parties who are not receiving the entire Disclosure Statement.

YOU DO NOT HAVE TO ATTEND THE CONFIRMATION HEARING TO VOTE ON THE PLAN OR TO RECEIVE DISTRIBUTIONS UNDER THE PLAN.

ABY OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE MADE IN WRITING, IDENTIFY THE NAME AND ADDRESS OF THE OBJECTOR, IDENTIFY THE GROUNDS FOR THE OBJECTION, AND BE FILED WITH THE BANKRUPTCY COURT AND SERVED ON COUNSEL TO THE DEBTORS BY *NO LATER THAN_____, 2025*. FOR FURTHER INFORMATION REGARDING HOW TO FILE PLEADINGS WITH THE COURT, PLEASE VISIT THE COURT'S WEBSITE AT WWW.OHSB.USCOURTS.GOV.

THE HEARING TO CONFIRM THE PLAN WILL COMMENCE AT _____ ON _____, 2025 AT THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF OHIO, EASTERN DIVISION WHICH IS LOCATED AT 170 NORTH HIGH STREET, COLUMBUS, OHIO 43215. PARTIES WHO FILE AN OBJECTION, BUT FAIL TO ATTEND THE HEARING RISK HAVING THE COURT OVERRULE THAT OBJECTION. PLEASE ALSO TAKE NOTICE THAT JUDGE NAMI KHORRAMI DOES NOT PERMIT REMOTE APPEARANCES IN EVIDENTIARY MATTERS. BOTH WITNESSES WHO ARE TO TESTIFY AND COUNSEL WHO WISH TO EXAMINE ANY WITNESS WHO TESTIFIES AT THE CONFIRMATION HEARING WILL NEED TO APPEAR IN PERSON.

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court, except for an announcement of the adjournment in open court.

D. Acceptance or Cramdown

The Bankruptcy Code establishes a voting requirement that a chapter 11 plan is not considered accepted by an "impaired" class if *out of the claims which are voted in that class* at least two-thirds of the allowed dollar amount for voting purposes accept the chapter 11 plan *and* a majority of the individual claims that voted in that class accept the Plan. The need to meet these thresholds is why it is important for as many creditors as possible to accept the chapter 11 plan.

While at least one impaired class must accept a chapter 11 plan for it to be approved, the Bankruptcy Code does not require that each and every impaired class accept a chapter 11 plan for it to be approved. Instead, section 1129 of the Bankruptcy Code authorizes confirmation of a chapter 11 plan by "cramming-down" a class which does not accept the chapter 11 plan. To cramdown a class, the chapter 11 plan must satisfy all of the other requirements for confirmation

under section 1129 of the Bankruptcy Code besides that each class accepts. In addition, the Bankruptcy Court needs to determine that the chapter 11 plan is "fair and equitable" and does not "discriminate unfairly" with respect to the non-accepting class.

The "fair and equitable" standard is assessed using the "absolute-priority" rule which looks for unsecured claims to see if a junior class of claims or (more often, interests) is receiving property under the Plan, but the more senior dissenting class is not being paid in full (remember that even claims that are being paid in full can be considered impaired under the Bankruptcy Code. For secured claims, a chapter 11 plan is considered fair and equitable if either (a) the creditor retains its liens and receives cash payments (including any deferred cash payments) with a value as of the Effective Date equivalent to the amount of the secured claim or (b) receives the "indubitable equivalent" of the secured claim.

Bankruptcy Courts have also treated the fair and equitable standard as prohibiting plans which provide for a senior class to receive *more than 100%* of their allowed claim if a junior class has rejected the Plan.

The Debtors intend to seek approval of the Plan by cramdown if necessary. As mentioned earlier, the Debtors currently anticipate that RSS will likely vote against the plan, which will require the Debtors to prove that the standards for cramdown of a secured claim are satisfied. While the Debtors believe that they can do so with respect to RSS (or any other dissenting impaired class), the cramdown requirements may be vigorously litigated and it is not certain that they will prevail.

E. Best Interests Test and the Chapter 7 Liquidation Analysis

Unless all impaired creditors (not classes) accept the Plan, the Debtors will have to at the Confirmation Hearing persuade the Bankruptcy Court that the "best interests test" is satisfied. This test requires the Debtors to show that for each rejecting creditor the Plan provides them a projected recovery which is equal or greater than the projected recovery the creditor would receive if the Debtors' bankruptcy cases were converted to a chapter 7 case. It should be kept in mind that the best interests test is conducted only by comparing the projected recoveries under the proposed plan and the hypothetical chapter 7 liquidation. It does not involve an examination of other hypothetical or actual plans to see if they provide a better recovery than the proposed Plan.

The way this is shown is through conducting what is known as a Chapter 7 liquidation analysis. The first step in this analysis is to estimate the net liquidation value of the Debtors' assets if they have to be sold by a chapter 7 trustee. For the Debtors, that it is principally to value what the chapter 7 trustee would be able to recover if the Debtors' three hotels were sold relatively quickly. For the Debtors' liquidation analysis, Michael Hunter of Integra Realty Resources has estimating the value of the Debtors' three hotels if sold by a chapter 11 trustee. Mr. Vasani has estimated what can be recovered by a trustee from a liquidation of their non-hotel assets. The expenses of these sales then need to be deducted to get the net liquidation value of these assets.

The second step involves making a number of deductions from this to show the recoveries for creditors. These include: (a) the amount of any such recoveries that would be covered by the liens of secured creditors; (b) the expenses of the chapter 7 trustee and his or her professionals in

administering the case; (c) expenses for operating the hotels and protecting their value until their sale, such as employee wages, utilities, and insurance; (d) any unpaid administrative claims from the chapter 11 cases; and (e) any amounts entitled to priority under section 507(a) of the Bankruptcy Code (like certain taxes). These estimates have been made based on the best information available to the Debtors.

As shown by the liquidation analysis attached hereto as Exhibit V, the projected results for all impaired classes of creditors is worse under the liquidation analysis than under the Debtors' proposed plan. As a result the Debtors believe that the best interests standard is satisfied. However, it is possible that objectors will challenge whether the best interests test is satisfied, which would require the Bankruptcy Court to make factual findings regarding what would happen if the Debtors' assets were liquidated in a chapter 7 case.

F. Feasibility and Other Confirmation Requirements

The Bankruptcy Code has a number of other requirements which must be satisfied for a chapter 11 plan to be confirmed. The most important of these is what is known as the feasibility standard. This involves a consideration of whether consummation of the Plan is likely to be followed by a need for a further restructuring or liquidation of the Debtors. Courts usually do this by examining the Plan, the Debtors' projected financials, and the risk factors to determine if the projections show the Debtors are reasonably likely to meet them and be able to make all distributions provided for under the Plan. Based on the financial projections attached as Exhibit V, and the risk factors discussed earlier, the Debtors both believe their Plan is feasible and that they can persuade the Court that is true. The Debtors also believe the Plan satisfies the other miscellaneous factors required for confirmation.

G. Alternatives to Confirmation of the Plan

If the Plan is not confirmed and becomes effective, the Debtors' chapter 11 cases may either be converted or dismissed. If the cases are converted, a chapter 7 trustee or trustees will be appointed to liquidate the Debtors' assets. The net proceeds of this liquidation would then be distributed to creditors in accordance with the priority rules set forth in the Bankruptcy Code. As described in Section VII.E above and in the liquidation analysis attached as Exhibit V, the Debtors project that all classes of impaired creditors will do worse if these cases are converted than if the Plan is confirmed or becomes effective.

As an alternative to converting the cases if the Plan either is not confirmed or is confirmed but fails to become effective would be for the Debtors' cases to be dismissed. As mentioned in Section IV above, RSS has requested that these cases be dismissed. If the Debtors' cases were dismissed, the automatic stay would be lifted, and creditors could resume litigating against the Debtors and attempt to collect against their assets. Most importantly, this would allow both RSS to resume its pending foreclosure case against the Debtors in the Franklin County Court of Common Pleas and for Itria to resume its collection action against the Debtors in New York. While the Debtors believe they have significant defenses in these cases, a resumption of these cases very well could lead to the piecemeal liquidation of the Debtors' assets. In particular, as part of its pending stayed case against the Debtors, RSS had requested before the bankruptcy filing the appointment of a receiver. The Debtors believe that the appointment of a receiver would severely

disrupt their operations or even force a shut-down of one or more of the Debtors' hotels. Any receiver would also work to sell off the Debtors' hotels. The Debtors believe these actions would lead to lower recoveries for creditors than the proposed Plan.

Section 1112(b)(4)(N) of the Bankruptcy Code authorizes the Bankruptcy Court to dismiss or convert a chapter 11 case for "material default by the debtor with respect to a confirmed plan." However, once a chapter 11 plan becomes effective, section 1141 of the Bankruptcy Code provides for both the vesting of property in accordance with the confirmed plan and, in reorganization cases like this one, for the Debtors to receive a discharge of most pre-confirmation debts and liabilities. As a result, once a plan becomes effective there are relatively few assets for a chapter 7 trustee to administer or for which a creditor can proceed against if the case is dismissed. Thus, it is relatively rare to see chapter 11 cases converted after a plan becomes effective and a dismissal of the confirmed often provides little benefit to creditors. It is also exceedingly rare for a confirmation order to revoked as a remedy for a problem in implementing a chapter 11 plan. This is because section 1144 of the Bankruptcy Code only allows a Bankruptcy Court to revoke a confirmation order: (a) if the request is made within 180 days; (b) the Bankruptcy Court is convinced the confirmation order was procured by fraud; and (c) after notice and a hearing. Instead, the usual remedy for a problem with the post-effective date plan is an action to enforce either the plan or the corporate documents entered into in connection with it.

VIII. Recommendation and Conclusion

As the Debtors have described above, they believe that the Plan represents the best path forward for all of their creditors. Accordingly, the Debtors request that all holders of Claims who are eligible to vote to vote in favor of the Plan and return their ballots timely so that they may be counted under the solicitation procedures approved by the Bankruptcy Court.

Dated: July 18, 2025

Respectfully submitted,

S&G Hospitality, Inc. on its own behalf and on behalf of each of the other Debtors

By: */s/ Abhijit Vasani*
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Title: President

Counsel:
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ATTORNEYS FOR DEBTORS AND
DEBTORS IN POSSESSION

S&G Hospitality, Inc. Second Amended Disclosure Statement Ex. I

[Second Amended Joint Plan of Reorganization of S&G Hospitality, Inc. and Its Debtor Subsidiaries]

[Being filed separately]

S&G Hospitality, Inc. Second Amended Disclosure Statement Ex. II

[Disclosure Statement rder]

[o be attac ed once entered by ourt]

S&G Disclosure Statement Exhibit III

[Historical Consolidated Financials]

Pre-Bankruptcy Consolidated Financials for S&G Hospitality, Inc. Debtors

Hampton Inn - Lancaster, Quality Inn & Suites - North Columbus and Red Roof Inn Plus - Dublin OH
Consolidated Income Statements
Period From January 1, 2022 through August 17, 2023

	2022	Partial Year 2023	Total 2022 and Pre-bankruptcy filing 2023
Operating Revenue			
Room Department	$ 4,766,634.92	$ 3,034,347.46	$ 7,800,982.38
Food and Beverages Department	$ 13,268.99	$ 7,396.36	$ 20,665.35
Total Operating Revenue	**$ 4,766,634.92**	**$ 3,034,347.46**	**$ 7,800,982.38**
Departmental Expenses			
Room Department	$ 1,284,276.34	$ 793,508.15	$ 2,077,784.49
Food and Beverages Department	$ 10,316.52	$ 4,624.78	$ 14,941.30
Other Operating Department	$ -	$ -	$ -
Total Departmental Expenses	**$ 1,294,592.86**	**$ 798,132.93**	**$ 2,077,784.49**
Room Department	$ 3,482,358.58	$ 2,240,839.31	$ 5,723,197.89
Food and Beverages Department	$ 2,952.47	$ 2,771.58	$ 5,724.05
Other Operating Department	$ -	$ -	$ -
Miscellaneous Income	$ 154,498.47	$ 27,281.97	$ 181,780.44
Total Departmental Income	**$ 3,639,809.52**	**$ 2,270,892.86**	**$ 5,910,702.38**
Undistributed Operating Expense			
Administrative & General	$ 491,324.15	$ 366,817.49	$ 858,141.64
Information & Telecom System	$ 70,724.55	$ 47,676.14	$ 118,400.69
Sales & Marketing	$ 739,128.77	$ 399,868.09	$ 1,138,996.86
Property Operations & Maintenance	$ 302,075.41	$ 222,904.09	$ 524,979.50
Utilities	$ 392,980.64	$ 193,103.23	$ 586,083.87
Total Undistributed Operating Expense	**$ 1,996,233.52**	**$ 1,230,369.04**	**$ 3,226,602.56**
Gross Operating Profit	**$ 1,643,576.00**	**$ 1,040,523.82**	**$ 2,684,099.82**
Management Fees			
Management Fees	$ 186,661.15	$ 149,655.00	$ 336,316.15
Total Management Fees	**$ 186,661.15**	**$ 149,655.00**	**$ 336,316.15**
Income Before Property & Other Taxes	**$ 1,456,914.85**	**$ 890,868.82**	**$ 2,347,783.67**
Insurance	$ 44,626.88	$ 28,947.03	$ 73,573.91
Property & Other Taxes	$ 187,818.34	$ 5,672.00	$ 193,490.34
Non-Operating Expenses			
Other Non-Operating Exp	$ 3,183.90	$ 7,732.67	$ 10,916.57
Total Non-Operating Expenses	**$ 3,183.90**	**$ 7,732.67**	**$ 10,916.57**
EBITDA	**$ 1,221,285.73**	**$ 848,517.12**	**$ 2,069,802.85**
Interest Expense	$ -	$ -	$ -
EBTDA	**$ 1,221,285.73**	**$ 848,517.12**	**$ 2,069,802.85**
Depreciation & Amortization	$ -	$ -	$ -
Unclassified Dept	$ -	$ -	$ -
Net Income (loss)	**$ 1,221,285.73**	**$ 848,517.12**	**$ 2,069,802.85**

Notes

1. Financials are on a cash basis.

2. Because entities were not paying mortgage payments during foreclosure, Net Income is artificially inflated compared to results during the bankruptcy.

3. Property & Other Tax payments in 2023 are lower than they would be on a prorated basis because of the timing of when property taxes are paid.

4. S&G's owner, Abhijit Vasani, did not draw any salary from S&G or its subsidiaries during this time period or receive any dividends or profit distributions from them. Instead, his compensation is paid by InnVite Hospitality out of a portion of the management fees it receives which are listed above. The management fees also cover a range of services provided by other employees of InnVite Hospitality to S&G's operating subsidiaries.

Post-Petition Consolidated Financials for S&G Hospitality, Inc. Debtors

Hampton Inn - Lancaster
Quality Inn & Suites - North Columbus
Red Roof Inn Plus - Dublin OH

		Aug 18, 2023 to Dec 31, 2023
Operating Revenue		
Room Department	$	1,961,308.70
Total Operating Revenue	**$**	**1,961,308.70**
Departmental Expenses		
Room Department	$	593,272.88
Total Departmental Expenses	**$**	**593,272.88**
Room Department Income	$	1,368,035.82
Miscellaneous Income	$	7,374.49
Total Departmental Income	**$**	**1,375,410.31**
Undistributed Operating Expenses		
Administrative & General	$	195,743.90
Information & Telecom System	$	31,620.85
Property Operations & Maintenance	$	127,429.44
Sales & Marketing	$	245,692.86
Utilities	$	116,405.72
Total Undistributed Operating Expenses	**$**	**716,892.77**
Gross Operating Profit	**$**	**658,517.54**
Non-Operating Expenses		
	$	345,600.00
Other Non-Operating Expense	$	299.69
Property & Other Taxes	$	33,418.42
Insurance	$	24,958.90
Depreciation & Amortization	$	93,600.00
Other Expenses	$	10,923.03
Itria/SBA	$	4,925.21
Management Fees	$	49,058.56

Total Non-Operating Expenses	**$**	**562,783.81**
Income Before Capex and Restructuring Expenses	**$**	**95,733.73**
Restructuring and Other Expenses		
CAPEX	$	26,528.72
Professional Fees	$	19,396.04
US Trustees	$	1,576.45
Net Income	**$**	**48,232.52**

Notes

1. Financials are based on aggregating monthly financials filed by Debtors with Monthly Operating Reports with Bankruptcy Court. Because of changes in how results were reported, the categories may not be consistent with other time periods.

2. Payments to RSS included amounts to be escrowed for property taxes and property insurance.

3. While the Debtors generally report on a cash basis, for certain months they also reported Depreciation and Amortization whih are noncash items, on the monthly operating reports filed with the Bankruptcy Court.

4. S&G's owner, Abhijit Vasani, did not draw any salary from S&G or its subsidiaries during this time period or receive any dividends or profit distributions from them. Instead, his compensation is paid by InnVite Hospitality out of a portion of the management fees it receives which are listed above. The management fees also cover a range of services provided by other employees of InnVite Hospitality to S&G's operating

Post-Petition Consolidated Financials for S&G Hospitality, Inc. Debtors

Hampton Inn - Lancaster
Quality Inn & Suites - North Columbus
Red Roof Inn Plus - Dublin OH

		2024
Operating Revenue		
Room Department	$	5,660,784.56
Total Operating Revenue	**$**	**5,660,784.56**
Departmental Expenses		
Room Department	$	1,649,788.35
Total Departmental Expenses	**$**	**1,649,788.35**
Room Department Income	$	4,010,996.21
Miscellaneous Income	$	88,108.04
Total Departmental Income	**$**	**4,099,104.25**
Undistributed Operating Expense		
Administrative & General	$	537,978.63
Information & Telecom System	$	137,263.18
Property Operations & Maintenance	$	572,153.81
Sales & Marketing	$	885,017.52
Utilities	$	456,197.00
Total Undistributed Operating Expense	**$**	**2,588,610.14**
Gross Operating Profit	**$**	**1,510,494.11**
Non-Operating Expenses		
Payments to RSS	$	972,012.30
Itria/SBA	$	34,071.37
Management Fees	$	171,000.00
Total Non-Operating Expenses	**$**	**1,177,083.67**
Income	**$**	**333,410.44**
Restructuring and Other Expenses		
Capex/Misc	$	632,815.71
Professional fees	$	286,984.38
US Trustee Fees	$	33,535.56
Net Income	**$**	**(619,925.21)**

Notes

1. Financials are based on aggregating monthly financials filed by Debtors with Monthly Operating Reports with Bankruptcy Court. Because of changes in how results were reported, the categories may not be consistent with other time periods.

2. Payments to RSS included amounts to be escrowed for property taxes and property insurance.

3. Capex/Misc total includes $119,003.12 of real estate taxes that was reported in this category on monthly reports, but ordinarily would not be reported as part of this category.

4. S&G's owner, Abhijit Vasani, did not draw any salary from S&G or its subsidiaries during this time period or receive any dividends or profit distributions from them. Instead, his compensation is paid by InnVite Hospitality out of a portion of the management fees it receives which are listed above. The management fees also cover a range of services provided by other employees of InnVite Hospitality to S&G's operating subsidiaries.

Ex ibit I to t e Disclosure Statement

Pro ected inancial Information for S&G Hospitality, Inc. and its Debtor Subsidiaries

As part of confirmation of a chapter 11 plan, the Bankruptcy Court needs to find that the confirmed plan results in entities which will likely not lead to a future reorganization or financial reorganization of the debtors. To help provide information that the Plan satisfies these standards the management of the Debtors have prepared the attached income projections and sources and usage of cash in conjunction with their emergence from bankruptcy.

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The attached projections assume the successful implementation of the Debtors' business plans and that the Fixed Renovation Cycle Management project at the Hampton Inn Lancaster is completed successfully. The attached projections also assume that the economic environment is reasonably stable during the projection period. Like all providers in the hospitality industry, actual results will be impacted by macroeconomic factors and also developments with competing hotels in their respective markets. The Debtors believe that the projections are reasonable under these assumptions, but no assurances are being provided that these results will obtained.

The projections were developed by the Debtors' management team and have not been analyzed by any third-party accountants or advisors. Holders of claims entitled to vote under the Plan should use their own judgment regarding the reasonableness of these projections.

In re S&G Hospitality, Inc., et al. - Financial Projections of Reorganized Debtors

Item	Year starting Nov. 1, 2025	Nov. 1, 2026	Nov. 1, 2027	Nov. 1, 2028	Nov. 1, 2029
Operating Revenues	$ 5,610,000.00	$ 5,778,300.00	$ 6,017,579.30	$ 6,227,189.35	$ 6,476,276.92
Total Operating Expenses	$ 4,151,400.00	$ 4,160,376.00	$ 4,362,744.99	$ 4,545,848.22	$ 4,727,682.15
Non-Operating Expenses					
Payments on RSS Loan	$ 549,128.00	$ 549,128.00	$ 549,128.00	$ 770,982.60	$ 770,982.60
Property Taxes	$ 290,000.00	$ 295,000.00	$ 300,000.00	$ 370,000.00	$ 390,000.00
Property Insurance	$ 90,000.00	$ 95,000.00	$ 100,000.00	$ 120,000.00	$ 150,000.00
Management Fees	$ 168,300.00	$ 173,349.00	$ 180,527.38	$ 186,815.68	$ 194,288.31
SBA Payments	$ 4,400.00	$ 4,400.00	$ 4,400.00	$ 4,400.00	$ 4,400.00
Itria Payments	$ 24,699.96	$ 24,699.96	$ 24,699.96	$ 24,699.96	$ 24,699.96
General Unsecured Payments	$ -	$ -	$ 20,000.00	$ 25,000.00	$ 30,000.00
United States Trustee Fees	$ 21,111.71	$ 21,207.81	$ 22,166.00	$ 24,190.99	$ 25,168.21
Total Non-Operating Expenses	$ 1,147,639.67	$ 1,162,784.77	$ 1,200,921.34	$ 1,526,089.23	$ 1,589,539.08
Net Income Before Non-Recurring FRCM Costs	$ 310,960.33	$ 455,139.23	$ 453,912.97	$ 155,251.90	$ 159,055.69
Fixed Renovation Cycle Management Project at	$ 250,000.00	$ 500,000.00	$ 300,000.00	$ -	$ -
United States Trustee Fees related to FRCM	$ 1,000.00	$ 2,000.00	$ 1,200.00	$ -	$ -
Net Income after FRCM Costs	$ 59,960.33	$ (46,860.77)	$ 152,712.97	$ 155,251.90	$ 159,055.69
Net Infusion of Cash from Effective Date and Other Extraordinary 2025 Transactions	$ 447,259.09	$ -	$ -	$ -	$ -
Projected Year End Cash Balance	$ 507,219.42	$ 460,358.64	$ 613,071.61	$ 768,323.51	$ 927,379.20

Notes

1. Hypothetical effective date of November 1, 2025.

2. Projected revenues reflect that Hampton Inn Lancaster's projected revenues for 2025 are less than 2023 and 2024 numbers. This is because the most significant competing property for the Hampton Inn Lancaster was undergoing major renovations in 2023 and 2024, which provided a temporary boost to the Hampton Inn Lancaster's market share. Projected revenues also reflect that Red Roof's projected revenues for 2025 are lower than 2024 because a temporary occupancy boost provided by some long-term stays by construction workers for nearby construction projects which have now been completed.

3. Property insurance projections reflect an expectation that the insurance costs for the Hampton Inn Lancaster will rise when the Fixed Renovation Cycle Management ("FRCM") renovation being required by Hilton is completed.

4. RSS payments are based on an assumption RSS's Allowed Claim equals $13,212,176.89, the 1111(b) Note has a face amount of $9,984,146.10 at origination, but would also have a prepayment penalty at origination of $3,228,030.79. The 1111(b) Note has a term of 18 years. For the first two years the 1111(b) note shall be interest only at an annual interest rate of 5.5%. For the remaining 15 years, the 1111(b) Note shall have an interest rate of 2.00% and will be amortizing as if it was a 15-year loan. Depending on the Allowed Amount of RSS's claim and the value of its collateral at confirmation, payments could be lower or higher than reflected in these projections.

S&G Sources and Uses of Cash for Effective Date Transactions Under Plan

Sources	Amount
Projected Cash on Effective Date	$ 184,759
Equity Infusion	$ 500,000
Totals	**$ 684,759**

Uses	Amount	
Cure costs for Franchise Agreements	$	150,000
Other cure costs	$	7,500
Convenience class distributions	$	20,000
Pre-Effective Date Unpaid Professional Fees	$	50,000
Contingency for other Administrative Claims or costs	$	10,000
Totals	**$**	**237,500**

Notes:

1. Projected cash on Effective Date includes both cash and potential borrowings on the Innvite Line of Credit.

2. Convenience class distribution is based on the aggregate amount of filed and scheduled claims that qualify for that treatment and may change.

3. The amount of accured professional fees could be impacted by the timing of plan confirmation and the extent of litigation associated with plan confirmation.

Exhibit V – Liquidation Analysis

The liquidation analysis presented below (the "Hypothetical Liquidation Analysis") reflects the projected outcome of the hypothetical, orderly liquidation of the Debtors' assets under chapter 7 of the Bankruptcy Code. The Hypothetical Liquidation Analysis projects that creditors in Classes 3A, 3B, 4, 5, 6, 7, and 8 would receive less in such a scenario than their projected recovery under the Plan.

Section 1129(b)(7) of the Bankruptcy Code provides that, in order for a chapter 11 plan to be confirmed, the proposed plan must either be accepted by each holder of a claim in an impaired class or that each such holder "will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount such holder would so receive or retain if the debtor were liquidated under chapter 7 of this title on such date." The Hypothetical Liquidation Analysis provided below shows that the Debtors' proposed plan satisfies this requirement.

The Liquidation Analysis makes a number of assumptions regarding how the hypothetical, orderly liquidation of the Debtors will be conducted:

That the Debtors' chapter 11 cases are converted to chapter 7 cases on November 1, 2025.

That a single chapter 7 trustee is selected to administer all four of the Debtors' cases.

That the liquidation of assets would be conducted in a 60–90-day process.

The "high" liquidation value for the Debtors' hotels assumes that they can be sold in a deal where the existing franchise agreement is assumed and assigned to the buyer for the amounts opined by Michael Hunter in his appraisals for the Debtors. From these values are subtracted expected broker fees for the sale, cure costs for the franchise agreement, and accrued property taxes and utility charges.

The "high" liquidation value also takes into account the expenses that would be incurred with the chapter 7 trustee needing to retain an independent professional hotel manager to run the hotels during the liquidation process and the adverse impact that changing management companies would cause on net cash flows during this period.

The "low" liquidation value for the Debtors' hotels assumes that the chapter 7 trustee instead decides to shut down the hotels, which will lead to rejection of the franchise agreements and the hotels being sold without a flag.

In that scenario, the chapter 7 trustee would incur costs related to security for the hotels, utilities, and maintenance expenses to protect the value of the assets during that sales process.

Chapter 7 trustee expenses are estimate at the statutory rates under section 326 of the Bankruptcy Code plus professional fees (other than for real estate brokers) estimated to total 0.75%.

That net recoveries on older accounts receivable will be lower than on newer accounts receivable.

That the chapter 7 trustee will have to remit adequate protection amounts equal to those in the current cash collateral budget for 3 months.

As with any hypothetical analysis, there are no guarantees that any of these assumptions are accurate. It is quite possible that liquidating the Debtors' assets will take additional time or result in lower recoveries than projected herein. Thus, there is no guarantee that the if the Debtors' cases are converted to cases under chapter 7 that the projected recoveries here can be obtained.

Hypothetical Liquidation Analysis For S&G Hospitality, Inc. and Its Debtor Subsidiaries

Liquidation of Hotels		**Low**	**High**
Gross Proceeds from selling hotels		$ 7,000,000.00	$ 11,010,000.00
Real Estate Broker Commissions (at 3%)		$ 210,000.00	$ 330,300.00
Estimated prorations on taxes and utilities		$ 90,000.00	$ 90,000.00
Cost to operate or maintain hotels through sale		$ 225,000.00	$ 90,000.00
Cure costs on hotel franchises		$ -	$ 125,000.00
Net Proceeds from Hotels		$ 6,475,000.00	$ 10,374,700.00
Proceeds from Other Assets	**Book Value**	**Low**	**High**
Projected cash on conversion	$ 150,000.00	$ 150,000.00	$ 150,000.00
Accounts Receivables	$ 83,694.33	$ 22,816.73	$ 31,168.80
Causes of Action	Unliquidated	$ -	$ -
Total Proceeds from other Assets		$ 172,816.73	$ 181,168.80
		Low	**High**
Total Proceeds		$ 6,647,816.73	$ 10,555,868.80
Other Expenses		**Low**	**High**
Adequate Protection Payments		$ 252,549.68	$ 252,549.68
Chapter 7 Trustee Fees		$ 235,734.50	$ 356,285.06
Other Professonal fees		$ 49,858.63	$ 79,169.02
Other winddown related expenses		$ 10,000.00	$ 10,000.00
Total Chapter 7 Expenses		$ 548,142.81	$ 698,003.76
Hypothetical value available for distribution		$ 6,099,673.92	$ 9,857,865.04
Estimated Distribution to RSS		$ 6,099,673.92	$ 9,857,865.04
Estimated Distribution to SBA		$ -	$ -
Estimated Distribution to Itria.		$ -	$ -
Proceeds Available for Chapter 11 Administrative, Priority, and Unsecured Creditors		$ -	$ -