

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF OHIO  
EASTERN DIVISION

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

**FIRST AMENDED JOINT PLAN OF REORGANIZATION OF  
S&G HOSPITALITY, INC. AND ITS DEBTOR SUBSIDIARIES**

DAVID A. BECK (OH 0072868)  
CARPENTER LIPPS LLP  
280 N. High St., Suite 1300  
Columbus Ohio 43215  
Telephone: (614) 365-4142  
Facsimile: (614) 365-9145  
BECK@CARPENTERLIPPS.COM

ATTORNEYS FOR DEBTORS AND  
DEBTORS IN POSSESSION

February 3, 2025

<sup>1</sup> 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).

TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
ARTICLE I. DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME.....	1
A.    Defined Terms .....	1
1.    "Administrative Claim" .....	1
2.    "Administrative Trade Claims" .....	1
3.    "Allowed Claim" .....	1
4.    "Allowed . . . Claim" .....	2
5.    "Bankruptcy Code".....	2
6.    "Bankruptcy Court".....	2
7.    "Bankruptcy Rules" .....	2
8.    "Bar Date" .....	2
9.    "Bar Date Order".....	2
10.   "Buckeye".....	2
11.   "Business Day".....	2
12.   "Cash Collateral Orders".....	2
13.   "Chapter 11 Cases".....	3
14.   "Claim" .....	3
15.   "Claims Objection Bar Date".....	3
16.   "Class".....	3
17.   "Confirmation".....	3
18.   "Confirmation Date".....	3
19.   "Confirmation Hearing".....	3
20.   "Confirmation Notice" .....	3
21.   "Confirmation Order".....	3
22.   "Cure Amount Claim".....	3
23.   "Debtors" .....	4
24.   "Deferred General Unsecured Payments".....	4
25.   "Derivative Claims" .....	4
26.   "Disclosure Statement" .....	4
27.   "Disclosure Statement Order".....	4
28.   "Disputed Claim" .....	4
29.   "Distribution Record Date".....	4
30.   "Effective Date" .....	4

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
31. "Estate" .....	5
32. "Executory Contract and Unexpired Lease" .....	5
33. "Exit Fee" .....	5
34. "Fee Claim" .....	5
35. "File," "Filed," or "Filing" .....	5
36. "Final Order" .....	5
37. "Fixed Renovation Cycle Management" or "FRCM" .....	5
38. "Franchise Agreements" .....	6
39. "Hampton Franchise Agreement" .....	6
40. "Hampton Inn Lancaster" .....	6
41. "Hampton Inn Stipulated Order" .....	6
42. "Hilton" .....	6
43. "Hilton Attorney Fee Indebtedness" .....	6
44. "Hilton POC" .....	6
45. "InnVite Hospitality" .....	6
46. "Intercompany Claims" .....	6
47. "Interest" .....	6
48. "Itria" .....	6
49. "Itria Released Parties" .....	6
50. "Itria Settlement" .....	6
51. "Lancaster" .....	6
52. "Lancaster Adversary Proceeding" .....	6
53. "Litigation Trust" .....	6
54. "Management Agreement" .....	6
55. "New Common Stock" .....	7
56. "New Equity Infusion" .....	7
57. "New Equity Investors" .....	7
58. "New Secured Promissory Note" .....	7
59. "Old S&G Common Stock" .....	7
60. "Overbidding Equity Investor" .....	7
61. "Petition Date" .....	7
62. "Plan" .....	7
63. "Prepetition Hilton Indebtedness" .....	8
64. "Prepetition Loan Agreement" .....	8
65. "Prepetition Security Agreements" .....	8

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
66. "Priority Claim" .....	8
67. "Priority Tax Claim" .....	8
68. "Professional" .....	8
69. "Pro Rata" .....	8
70. "Reinstated" or "Reinstatement" .....	8
71. "Released Claims" .....	9
72. "Reorganized ..." .....	9
73. "Retained Actions" .....	9
74. "RSS" .....	9
75. "RSS Related Parties" .....	9
76. "S&G" .....	9
77. "SBA" .....	9
78. "SBA Released Parties" .....	9
79. "Schedules" .....	9
80. "Secondary Liability Claim" .....	9
81. "Secured Claim" .....	10
82. "Settlement Release of InnVite" .....	10
83. "Settlement Release of Itria" .....	10
84. "Settlement Release of RSS" .....	10
85. "Stipulation of Amount and Nature of Claim" .....	10
86. "Subsidiary Debtor" .....	10
87. "Subsidiary Debtor Equity Interests" .....	10
88. "Sunburst" .....	10
89. "Tax" .....	10
90. "Tort Claim" .....	10
91. "Trade Claim" .....	10
92. "Unsecured Claim" .....	10
<b>B. Rules of Interpretation and Computation of Time .....</b>	<b>11</b>
1. Rules of Interpretation .....	11
2. Computation of Time .....	11
<b>ARTICLE II. CLASSES OF CLAIMS AND INTERESTS .....</b>	<b>11</b>
<b>A. Unimpaired Classes of Claims and Interests .....</b>	<b>12</b>
1. Class 1 (Unsecured Priority Claims): .....	12
2. Class 2 (Other Secured Claims): .....	12
3. Class 11 (Subsidiary Interests): .....	12

**TABLE OF CONTENTS**  
(continued)

	Page
<b>B. Impaired Classes of Claims and Interests</b> .....	12
1. Class 3A (RSS Secured Claims): .....	12
2. Class 3B (RSS Unsecured Claims): .....	12
3. Class 4 (Itria Claim): .....	12
4. Class 5 (SBA Claim): .....	12
5. Class 6 (General Unsecured Claims): .....	12
6. Class 7 (Convenience Claims): .....	12
7. Class 8 (InnVite Hospitality Claims): .....	12
8. Class 9 (Intercompany Claims): .....	12
9. Class 10 (Hilton Claims): .....	12
10. Class 12 (Old S&G Common Stock): .....	12
<b>ARTICLE III. TREATMENT OF CLAIMS AND INTERESTS</b> .....	12
<b>A. Unclassified Claims</b> .....	12
1. Payment of Administrative Claims .....	12
2. Payment of Priority Tax Claims .....	14
<b>B. Unimpaired Classes of Claims</b> .....	14
1. Class 1 Claims (Unsecured Priority Claims) .....	14
2. Class 2 Claims (Other Secured Claims) .....	14
3. Class 5 Claims (SBA Claim) .....	15
4. Class 10 Interests (Subsidiary Debtor Equity Interests) .....	15
<b>C. Impaired Classes of Claims and Interests</b> .....	15
1. Class 3A Claims (RSS Secured Claims) .....	15
2. Class 3B Claims (RSS Unsecured Claims) .....	15
3. Class 4 Claims (Itria Claims) .....	15
4. Class 6 Claims (General Unsecured Claims) .....	15
5. Class 7 Claims (Convenience Claims) .....	15
6. Class 8 Claims (InnVite Hospitality Claims) .....	16
7. Class 9 Claims (Intercompany Claims) .....	16
8. Class 10 Claims (Hilton Claims) .....	16
9. Class 12 Interests (Old S&G Common Stock) .....	16
<b>D. Special Provisions Regarding the Treatment of Secondary Liability Claims</b> .....	16
<b>ARTICLE IV. MEANS FOR IMPLEMENTATION OF THE PLAN</b> .....	16
<b>A. Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors</b> .....	16
<b>B. Recapitalization of S&amp;G</b> .....	17

**TABLE OF CONTENTS**  
(continued)

	Page
<b>C. Corporate Governance, Directors and Officers, Employment-Related Agreements and Compensation Programs.....</b>	<b>17</b>
1. Certificates of Incorporation and Bylaws.....	17
2. Directors and Officers of the Reorganized Debtor .....	17
<b>D. Preservation of Rights of Action; Settlement Agreements and Releases.....</b>	<b>17</b>
1. Preservation of Rights of Action by the Debtors and the Reorganized Debtors.....	17
2. Creation of Litigation Trust.....	18
3. Releases.....	18
<b>E. Cancellation and Surrender of Instruments, Securities and Other Documentation .....</b>	<b>19</b>
<b>F. Release of Liens .....</b>	<b>20</b>
<b>G. Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes .....</b>	<b>20</b>
<b>ARTICLE V. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES .....</b>	<b>20</b>
<b>A. Executory Contracts and Unexpired Leases to Be Assumed or Assumed and Assigned .....</b>	<b>20</b>
1. Assumption and Assignment Generally .....	20
2. Approval of Assumptions .....	21
<b>B. Payments Related to the Assumption of Executory Contracts and Unexpired Leases .....</b>	<b>21</b>
1. Executory Contracts Generally .....	21
2. The Franchise Agreement for Lancaster Hospitality, LLC. ....	21
<b>C. Executory Contracts and Unexpired Leases to Be Rejected .....</b>	<b>25</b>
<b>D. Contracts and Leases Entered Into After the Petition Date.....</b>	<b>25</b>
<b>E. Rejection Damages.....</b>	<b>25</b>
<b>F. Bar Date for Rejection Damages .....</b>	<b>25</b>
<b>G. Obligations to Indemnify Directors, Officers and Employees.....</b>	<b>26</b>
<b>ARTICLE VI. PROVISIONS GOVERNING DISTRIBUTIONS .....</b>	<b>26</b>
<b>A. Distributions for Claims Allowed as of the Effective Date .....</b>	<b>26</b>
1. Distributions to Be Made on the Effective Date .....	26
<b>B. Delivery of Distributions and Undeliverable or Unclaimed Distributions .....</b>	<b>27</b>
1. Delivery of Distributions .....	27
2. Undeliverable Distributions Held by Debtors .....	27
<b>C. Distribution Record Date .....</b>	<b>27</b>
<b>D. Means of Cash Payments.....</b>	<b>28</b>
<b>E. Compliance with Tax Requirements .....</b>	<b>28</b>
<b>F. Setoffs.....</b>	<b>28</b>

**TABLE OF CONTENTS**  
(continued)

	Page
<b>ARTICLE VII. PROCEDURES FOR RESOLVING DISPUTED CLAIMS.....</b>	<b>28</b>
<b>A. Prosecution of Objections to Claims.....</b>	<b>28</b>
1. Objections to Claims.....	28
2. Authority to Prosecute Objections .....	29
<b>B. Treatment of Disputed Claims .....</b>	<b>29</b>
<b>C. Distributions on Account of Disputed Claims Once Allowed.....</b>	<b>29</b>
<b>ARTICLE VIII. SUBSTANTIVE CONSOLIDATION OF THE DEBTORS .....</b>	<b>29</b>
<b>ARTICLE IX. CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN .....</b>	<b>30</b>
<b>A. Conditions to Confirmation .....</b>	<b>30</b>
<b>B. Conditions to the Effective Date .....</b>	<b>30</b>
<b>C. Waiver of Conditions to the Confirmation or Effective Date.....</b>	<b>30</b>
<b>D. Effect of Nonoccurrence of Conditions to the Effective Date.....</b>	<b>30</b>
<b>ARTICLE X. CRAMDOWN.....</b>	<b>31</b>
<b>ARTICLE XI. DISCHARGE, TERMINATION, INJUNCTION AND SUBORDINATION RIGHTS.....</b>	<b>31</b>
<b>A. Discharge of Claims and Termination of Interests .....</b>	<b>31</b>
1. Complete Satisfaction, Discharge and Release.....	31
2. Discharge and Termination .....	31
<b>B. Injunctions .....</b>	<b>32</b>
1. Claims Enjoined.....	32
2. Enforcement Enjoined.....	32
3. Consent to Injunction .....	32
<b>C. Termination of Subordination Rights and Settlement of Related Claims and Controversies.....</b>	<b>33</b>
1. Termination.....	33
2. General Settlement .....	33
3. Settlement with InnVite Hospitality .....	33
4. Preservation of Subordination under Section 510(b) .....	34
<b>ARTICLE XII. RETENTION OF JURISDICTION.....</b>	<b>34</b>
<b>ARTICLE XIII. MISCELLANEOUS PROVISIONS.....</b>	<b>35</b>
<b>A. Limitation of Liability .....</b>	<b>35</b>
<b>B. Modification of the Plan .....</b>	<b>35</b>
<b>C. Revocation of the Plan .....</b>	<b>36</b>
<b>D. Severability of Plan Provisions .....</b>	<b>36</b>
<b>E. Successors and Assigns .....</b>	<b>36</b>

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
<b>F. Service of Documents .....</b>	<b>36</b>
<b>1. The Debtors and the Reorganized Debtors.....</b>	<b>36</b>
<b>2. The New Equity Investor .....</b>	<b>37</b>



## TABLE OF EXHIBITS<sup>2</sup>

Exhibit I.A.37 – Copy of Fixed Renovation Cycle Management Plan

Exhibit I.A.58 – Form of New Secured Promissory Note

Exhibit II – Identification of Claims in Each Class

Exhibit IV.C.1.a – Form of Certification of Incorporation of Reorganized S&G

Exhibit IV.C.1.b – Forms of Operating Agreements of Reorganized Buckeye Lodging, LLC, Reorganized Lancaster Hospitality, LLC, and Reorganized Sunburst Hotels, LLC.

Exhibit IV.C.2 – Initial Officers and Directors of the Reorganized Debtors

Exhibit IV.D.1 – Retained Actions

Exhibit V.A – List of Assumed Executory Contracts

Exhibit V.C – List of Rejected Executory Contracts

---

<sup>2</sup> The Debtors intend to file with the Court copies of all Exhibits by the deadline for parties to object to the Disclosure Statement for the Plan. The Debtors reserve the right to modify, amend, supplement, restate or withdraw any of the Exhibits after they are Filed.

## INTRODUCTION

S&G Hospitality, Inc., an Ohio corporation, and the other above-captioned debtors and debtors in possession (collectively, the "**Debtors**") propose the following joint plan of reorganization (the "**Plan**") for the resolution of the outstanding claims against and equity interests in the Debtors. The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code, 11 U.S.C. § 1129. Reference is made to the Debtors' disclosure statement, distributed contemporaneously with the Plan (the "**Disclosure Statement**"), for a discussion of the Debtors' history, business, results of operations, historical financial information, projections and properties, and for a summary and analysis of the Plan. There also are other agreements and documents, which will be Filed with the Bankruptcy Court, that are referenced in the Plan or the Disclosure Statement and that will be available for review.

## ARTICLE I. DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME

### A. Defined Terms

As used in the Plan, capitalized terms have the meanings set forth below. Any term that is not otherwise defined herein, but that is used in the Bankruptcy Code or the Bankruptcy Rules, will have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable.

1. "**Administrative Claim**" means a Claim for costs and expenses of administration allowed under sections 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estates and operating the businesses of the Debtors (such as wages, salaries, commissions for services and payments for inventories, leased equipment and premises); (b) compensation for legal, accounting and other services and reimbursement of expenses awarded or allowed under sections 330(a) or 331 of the Bankruptcy Code, including Fee Claims; and (c) all fees and charges assessed against the Estates under chapter 123 of title 28, United States Code, 28 U.S.C. §§ 1911-1930.

2. "**Administrative Trade Claims**" means an Administrative Claim (other than a Tort Claim) arising from or with respect to the sale of goods or rendition of services on or after the Petition Date in the ordinary course of the applicable Debtor's business, including Administrative Claims of employees for ordinary course wages and benefits.

3. "**Allowed Claim**" means:

a. a Claim that (i) has been listed by a Debtor in its Schedules as other than disputed, contingent or unliquidated and (ii) is not otherwise a Disputed Claim;

b. a Claim (i) for which a proof of Claim or request for payment of Administrative Claim has been Filed by the applicable Bar Date or otherwise been deemed timely Filed under applicable law and (ii) that is not otherwise a Disputed Claim; or

c. a Claim that is allowed: (i) in any Stipulation of Amount and Nature of Claim executed by the applicable Reorganized Debtor and Claim holder on or after the Effective Date; (ii) in any contract, instrument or other agreement entered into in connection with the Plan and, if prior to the Effective Date, approved by the Bankruptcy Court; (iii) pursuant to a Final Order; or (iv) pursuant to the terms of the Plan.

4. **"Allowed . . . Claim"** means an Allowed Claim in the particular Class or category specified.

5. **"Bankruptcy Code"** means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as in effect at the relevant time.

6. **"Bankruptcy Court"** means the United States District Court having jurisdiction over the Chapter 11 Cases and, to the extent of any reference made pursuant to 28 U.S.C. § 157, the bankruptcy unit of such District Court.

7. **"Bankruptcy Rules"** means, collectively, the Federal Rules of Bankruptcy Procedure and the local rules of the Bankruptcy Court, as in effect at the relevant time.

8. **"Bar Date"** means the applicable bar date by which a proof of Claim must be or must have been Filed, as established by an order of the Bankruptcy Court, including the Bar Date Order and the Confirmation Order.

9. **"Bar Date Order"** means the Order Establishing (I) The Last Dates to File Proofs of Claim, (II) Approving Procedures for Submitting Proofs of Claim, (III) Approving Notice Thereof; and (IV) Granting Related Relief (Docket No. 163) entered by the Bankruptcy Court on November 3, 2023 establishing Bar Dates for Filing proofs of Claims in the Chapter 11 Cases, as the same may be amended, modified or supplemented.

10. **"Buckeye"** means Buckeye Lodging, LLC.

11. **"Business Day"** means any day, other than a Saturday, Sunday or "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

12. **"Cash Collateral Orders"** shall mean the *Interim Order Permitting Usage of Cash Collateral and Providing Adequate Protection to Purported Secured Creditors for This Usage and Supporting a Final Hearing on Usage of Cash Collateral* (Docket. No. 28) entered by the Bankruptcy Court on August 23, 2023, the *Final Order Permitting Usage of Cash Collateral and Providing Adequate Protection to Purported Secured Creditors for Usage of Cash Collateral Through November 30, 2023* (Docket No. 118) entered by the Bankruptcy Court on October 2, 2023, the *Order Extending Usage of Cash Collateral and Providing Adequate Protection to Purported Secured Creditors for Usage of Cash Collateral Through March 31, 2024* (Docket No. 182) entered by the Bankruptcy Court on January 2, 2024, the *Stipulation and Agreed Order Between Debtors and RSS COMM2015-PC1-OH BL, LLC Extending the Usage of Cash Collateral Through and Including June 30, 2024* (Docket No. 225) entered by the Bankruptcy Court on March 28, 2024, the *Stipulation and Agreed Order Between Debtors and RSS COMM2015-PC1-OH BL, LLC Extending the Usage of Cash Collateral Through and Including July 31, 2024* (Docket No. 250), the *Stipulation and Agreed Order Between Debtors and RSS COMM2015-PC1-*

*OH BL, LLC Extending the Usage of Cash Collateral Through and Including August 31, 2024* (Docket No. 271), *the Stipulation and Agreed Order Between Debtors and RSS COMM2015-PC1-OH BL, LLC Extending the Stipulation and Agreed Order Between Debtors and RSS COMM2015-PC1-OH BL, LLC Extending the Usage of Cash Collateral Through and Including September 30, 2024* (Docket No. 286), *the Stipulation and Agreed Order Between Debtors and RSS COMM2015-PC1-OH BL, LLC Extending the Stipulation and Agreed Order Between Debtors and RSS COMM2015-PC1-OH BL, LLC Extending the Usage of Cash Collateral Through and Including November 30, 2024* (Docket No. 309), *the Stipulation and Agreed Order Between Debtors and RSS COMM2015-PC1-OH BL, LLC Extending the Stipulation and Agreed Order Between Debtors and RSS COMM2015-PC1-OH BL, LLC Extending the Usage of Cash Collateral Through and Including January 31, 2025* (Docket No. 335), and any subsequent orders extending cash collateral usage in the Chapter 11 Cases.

**13. "Chapter 11 Cases"** means the cases commenced under chapter 11 of the Bankruptcy Code by the Debtors.

**14. "Claim"** means a "claim," as defined in section 101(5) of the Bankruptcy Code, against a Debtor.

**15. "Claims Objection Bar Date"** means, for all Claims, other than those Claims allowed in accordance with Section I.A.3.c above 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.

**16. "Class"** means a class of Claims or Interests, as described in Article II.

**17. "Confirmation"** means the entry of the Confirmation Order on the docket of the Bankruptcy Court.

**18. "Confirmation Date"** means the date on which the Bankruptcy Court enters the Confirmation Order on its docket, within the meaning of Bankruptcy Rules 5003 and 9021.

**19. "Confirmation Hearing"** means the hearing held by the Bankruptcy Court on Confirmation of the Plan, as such hearing may be continued from time to time.

**20. "Confirmation Notice"** means a notice of Confirmation to be served on parties in interest, the form and manner of service of which will be approved by the Bankruptcy Court in the Confirmation Order.

**21. "Confirmation Order"** means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

**22. "Cure Amount Claim"** means a Claim based upon a Debtor's defaults pursuant to an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by such Debtor under section 365 of the Bankruptcy Code.

**23. "Debtors"** means, collectively, the above-captioned debtors and debtors in possession identified on the cover page to this Plan.

**24. "Deferred General Unsecured Payments"** shall mean payments of \$20,000 to be made on the 2nd, 3rd, and 4th anniversary of the Effective Date so long as there is no default then in existence on the New Secured Promissory Note or to pay any portion of the Exit Fee that is due and payable on or before that anniversary.

**25. "Derivative Claims"** means a claim or cause of action that is property of any of the Debtors or their Estates.

**26. "Disclosure Statement"** means the disclosure statement (including all exhibits and schedules thereto or referenced therein) that relates to the Plan and has been prepared and distributed by the Debtors, as plan proponents, as the same may be amended, modified or supplemented.

**27. "Disclosure Statement Order"** means an order approving the Disclosure Statement and bidding procedures for solicitation of higher and better bids for the New Equity Infusion.

**28. "Disputed Claim"** means:

a. if no proof of Claim has been Filed by the applicable Bar Date or has otherwise been deemed timely Filed under applicable law: (i) a Claim that is listed on a Debtor's Schedules as other than disputed, contingent or unliquidated, but as to which the applicable Debtor, Reorganized Debtor or, prior to the Confirmation Date, any other party in interest, has Filed an objection by the Claims Objection Bar Date and such objection has not been withdrawn or denied by a Final Order; or (ii) a Claim that is listed on a Debtor's Schedules as disputed, contingent or unliquidated;

b. if a proof of Claim or request for payment of an Administrative Claim has been Filed by the Bar Date or has otherwise been deemed timely Filed under applicable law a Claim for which an objection has been Filed by the applicable Debtor, Reorganized Debtor or, prior to the Confirmation Date, any other party in interest, by the Claims Objection Bar Date, and such objection has not been withdrawn or denied by a Final Order; or

c. a Claim for damages in respect of an Executory Contract or Unexpired Lease that has been rejected or is anticipated to be rejected under section 365 of the Bankruptcy Code and as to which the applicable Bar Date has not occurred and such Claim is not otherwise an Allowed Claim.

**29. "Distribution Record Date"** means the close of business on the Confirmation Date.

**30. "Effective Date"** means the first Business Day on which (a) all conditions to the Effective Date in Section IX.B have been met or waived in accordance with Section IX.C and (b) substantial consummation (within the meaning of section 1101(2) of the Bankruptcy Code) of the Plan has occurred.

**31. "Estate"** means, as to each Debtor, the estate created for such Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

**32. "Executory Contract and Unexpired Lease"** means a contract or lease to which a Debtor is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

**33. "Exit Fee"** means the right of RSS to receive a payment on account of a payoff of the New Secured Promissory Note in accordance with a sale or refinance of the New Secured Promissory Note based on the totals of the individual hotel values identified in 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 refinance 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.

**34. "Fee Claim"** means a Claim under sections 328, 330(a), 331, 503 or 1103 of the Bankruptcy Code for compensation of a Professional or other entity for services rendered or expenses incurred in the Chapter 11 Cases.

**35. "File," "Filed," or "Filing"** means file, filed, or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

**36. "Final Order"** means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket in the Chapter 11 Case or the docket of any other court of competent jurisdiction, that has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari or move for a new trial, reargument or rehearing has expired, and no appeal or petition for certiorari or other proceedings for a new trial, reargument or rehearing has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been timely filed has been withdrawn or resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or the new trial, reargument or rehearing shall have been denied or resulted in no modification of such order.

**37. "Fixed Renovation Cycle Management" or "FRCM"** means the Fixed Renovation Cycle Management renovation plan dated August 5, 2024, a copy of which is attached at Exhibit I.A.37 hereto.

**38. "Franchise Agreements"** means the executory contracts under which Debtor Buckeye Lodging, LLC operates the Red Roof + located at 5125 Post Road, Dublin, Ohio 43017, Debtor Lancaster Hospitality LLC operates the Hampton Inn Lancaster located at 2041 Schorway Drive NW, Lancaster, Ohio 43130, and Debtor Sunburst Hotels LLC operates the Quality Inn located at 7500 Vantage Drive, Columbus, Ohio 43235.

**39. "Hampton Franchise Agreement"** has the meaning ascribed to it in Section V.B.2.a.

**40. "Hampton Inn Lancaster"** has the meaning ascribed to it in Section V.B.2.a.

**41. "Hampton Inn Stipulated Order"** has the meaning ascribed to it in Section V.B.2.a.

**42. "Hilton"** means Hilton Franchise Holding LLC, as successor in interest to Hampton Inns Franchise LLC.

**43. "Hilton Attorney Fee Indebtedness"** has the meaning ascribed to it in Section V.B.2.a.

**44. "Hilton POC"** has the meaning ascribed to it in Section V.B.2.a.

**45. "InnVite Hospitality"** means InnVite Hospitality Group, LLC.

**46. "Intercompany Claims"** means any Claim between and among the Debtors.

**47. "Interest"** means the rights of the holders of Old S&G Common Stock and equity interests in any Subsidiary Debtor, any other instruments evidencing an ownership interest in a Debtor, and the rights of any entity to purchase or demand the issuance of any of the foregoing, including: (a) redemption, conversion, exchange, voting, participation and dividend rights (including any rights in respect of accrued and unpaid dividends); (b) liquidation preferences; and (c) stock options and warrants.

**48. "Itria"** means Itria Ventures LLC and any of its affiliates.

**49. "Itria Released Parties"** means Itria and its present or former directors, officers, employees, attorneys, accountants, members, managers and agents, but solely when acting in such capacity and only if they receive the Settlement Release of Itria.

**50. "Itria Settlement"** means the possible settlement provided for in Sections III.C.3 and IV.D.3 of the Plan.

**51. "Lancaster"** means Lancaster Hospitality, LLC.

**52. "Lancaster Adversary Proceeding"** has the meaning ascribed to it in Section V.B.2.a.

**53. "Litigation Trust"** means the Trust created, if necessary, to pursue the Retained Actions.

**54. "Management Agreement"** shall mean the management agreement between any Debtor and InnVite Hospitality, LLC.

**55. "New Common Stock"** means the shares of common stock of Reorganized S&G to be issued on the Effective Date.

**56. "New Equity Infusion"** means a minimum of \$500,000 in cash to be contributed by the New Equity Investors (or such higher amount as is offered by an Overbidding Equity Investor and is accepted by the Debtors and approved at the Confirmation Hearing in accordance with the bidding procedures) to Reorganized S&G on the Effective Date.

**57. "New Equity Investors"** means SDGD Enterprises LLC who will ensure that all administrative expense claims are satisfied, that the Fixed Renovation Cycle Management for the Hampton Inn Lancaster are completed and that adequate assurance of future performance requirements in connection with the adequate assurance of future performance requirements for the assumption of the Executory Contracts identified on Exhibit V.A to the Plan are satisfied

**58. "New Secured Promissory Note"** means a promissory note in the principal amount of \$11 million with a five year term, but amortizing as if it was a 30 year loan and bearing an interest rate of 5.5% in substantially the form attached hereto as Exhibit I.A.58 which will be treated as an amended and restated Note for purposes of the Prepetition Security Agreements. The promissory note will also provide that the Debtors are responsible for making direct payments for property insurance and payment of real estate taxes. This promissory note shall have no prepayment penalty and permit the sale or refinance individually or in combination of the hotels so long as any sale or refinance of the Hampton Inn Lancaster generates at least \$5.5 million in net sale or refinance proceeds which are allocated to the Hampton Inn Lancaster and \$5.5 million of those allocated sale or refinance proceeds are used to pay down the outstanding principal on the New Secured Promissory Note, any sale of the Red Roof Dublin generates at least \$3.3 million in net sale or refinance proceeds which are allocated to the Red Roof Dublin and \$3.3 million of those allocated sale or refinance proceeds are used to pay down the outstanding principal on the New Secured Promissory Note, and any sale or refinance of the Quality Inn North generates at least \$2.2 million in net sale or refinance proceeds which are allocated to the Quality Inn North and \$2.2 million of those allocated sale or refinance proceeds are used to pay down the outstanding principal on the New Secured Promissory Note.

**59. "Old S&G Common Stock"** means the common stock issued by S&G and outstanding as of the Petition Date.

**60. "Overbidding Equity Investor"** means a person or entity that submits a higher and better proposal to make the New Equity Infusion under the bidding procedures to be approved in connection with the Disclosure Statement Order, including ensuring that all administrative expense claims are satisfied, that the Fixed Renovation Cycle Management planned renovation for the Hampton Inn Lancaster are completed and that adequate assurance of future performance requirements in connection with the adequate assurance of future performance requirements for the assumption of the Executory Contracts identified on Exhibit V.A to the Plan are satisfied

**61. "Petition Date"** means August 18, 2023.

**62. "Plan"** means this joint plan of reorganization for the Debtors, and all Exhibits attached hereto or referenced herein, as the same may be amended, modified or supplemented.



**63. "Prepetition Hilton Indebtedness"** has the meaning ascribed to it in Section V.B.2.a.

**64. "Prepetition Loan Agreement"** means the Loan Agreement dated as of February 26, 2015 by and among Sunburst Hotels LLC, Buckeye Lodging LLC, and Lancaster Hospitality, LLC as Borrowers, and Jeffries Loancore LLC, as Lender, together with all exhibits, schedules, amendments, and assignments thereto.

**65. "Prepetition Security Agreements"** means the Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing made as of February 27, 2015 by Buckeye Lodging LLC to Jefferies Loancore LLC, Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing made as of February 27, 2015 by Lancaster Hospitality LLC to Jefferies Loancore LLC, Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing made as of February 27, 2015 by Sunburst Hotels LLC to Jefferies Loancore LLC, the Assignment of Leases and Rents dated and effective as of February 27, 2015 by Buckeye Lodging LLC to Jeffries Loancore LLC, the Assignment of Leases and Rents dated and effective as of February 27, 2015 by Lancaster Hospitality LLC to Jeffries Loancore LLC, and Sunburst Hotels, LLC, together with all exhibits, amendments, and assignments thereto.

**66. "Priority Claim"** means a Claim that is entitled to priority in payment pursuant to section 507(a) of the Bankruptcy Code that is not an Administrative Claim or a Priority Tax Claim.

**67. "Priority Tax Claim"** means a Claim that is entitled to priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code.

**68. "Professional"** means any professional employed in the Chapter 11 Cases pursuant to sections 327 or 1103 of the Bankruptcy Code or any professional or other entity seeking compensation or reimbursement of expenses in connection with the Chapter 11 Case pursuant to section 503(b)(4) of the Bankruptcy Code.

**69. "Pro Rata"** means when used with reference to a distribution of cash to holders of Allowed Claims in a particular Class or other specified group of Claims pursuant to Article III, proportionately so that with respect to a particular Allowed Claim in such Class, (a) the ratio of (i) the amount of cash distributed on account of such Claim to (ii) the amount of such Claim, is the same as (b) the ratio of (i) the amount of cash distributed to all holders of an Allowed Claim in such Class, as the case may be, distributed on account of all Allowed Claims in such Class or group of Claims to (ii) the amount of all Allowed Claims in such Class or group of Claims.

**70. "Reinstated" or "Reinstatement"** means rendering a Claim or Interest unimpaired within the meaning of section 1124 of the Bankruptcy Code. Unless the Plan specifies a particular method of Reinstatement, when the Plan provides that an Allowed Claim or Allowed Interest will be Reinstated, such Claim or Interest will be Reinstated, at the applicable Reorganized Debtor's sole discretion, in accordance with one of the following:

**a.** The legal, equitable and contractual rights to which such Claim or Interest entitles the holder will be unaltered; or

**b.** Notwithstanding any contractual provisions or applicable law that entitles the holder of such Claim or Interest to demand or receive accelerated payment of such Claim or Interest after the occurrence of a default:

**i.** any such default that occurred before or after the commencement of the applicable Chapter 11 Case, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code, will be cured;

**ii.** the maturity of such Claim or Interest as such maturity existed before such default will be reinstated;

**iii.** the holder of such Claim or Interest will be compensated for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and

**iv.** the legal, equitable or contractual rights to which such Claim or Interest entitles the holder of such Claim or Interest will not otherwise be altered.

**71. "Released Claims"** shall have the meaning given to such term in Section IV.D.3.a.

**72. "Reorganized ..."** means, when used in referenced to a particular Debtor, such Debtor on and after the Effective Date.

**73. "Retained Actions"** means any claims or causes of action listed on Exhibit IV.D.1.

**74. "RSS"** means RSS COMM2015-PC1-OH BL, LLC.

**75. "RSS Related Parties"** means RSS, Rialto Capital Advisors, LLC, Jeffries Loancore LLC, Wilmington Trust, National Association, as Trustee for the Benefit of the Holders of COMM 2015-PC1 Mortgage Trust Commercial Mortgage Pass-Through Certificates and their respective present or former directors, officers, employees, attorneys, accountants, members, managers and agents, but solely when acting in such capacity.

**76. "S&G"** means S&G Hospitality, Inc.

**77. "SBA"** means the Small Business Administration.

**78. "SBA Released Parties"** means SBA and its present or former directors, officers, employees, attorneys, accountants, managers and agents, but solely when acting in such capacity.

**79. "Schedules"** means the schedules of assets and liabilities and the statements of financial affairs Filed by a Debtor, as required by section 521 of the Bankruptcy Code, as the same may have been or may be amended, modified or supplemented.

**80. "Secondary Liability Claim"** means a Claim that arises from a Debtor being liable jointly, severally or secondarily liable for any contractual, tort, guaranty or other obligation of another Debtor based on any legal theory.

**81. "Secured Claim"** means a Claim that is secured by a lien on property in which an Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim holder's interest in such Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to sections 506(a) and, if applicable, 1129(b) of the Bankruptcy Code.

**82. "Settlement Release of InnVite"** has the meaning ascribed to it in Section IV.D.3.d.

**83. "Settlement Release of Itria"** has the meaning ascribed to it in Section IV.D.3.c.

**84. "Settlement Release of RSS"** has the meaning ascribed to it in Section IV.D.3.b.

**85. "Stipulation of Amount and Nature of Claim"** means a stipulation or other agreement between a Debtor or Reorganized Debtor and a holder of a Claim or Interest, or an agreed order of the Bankruptcy Court, establishing the amount and nature of a Claim or Interest.

**86. "Subsidiary Debtor"** means any Debtor other than S&G.

**87. "Subsidiary Debtor Equity Interests"** means, as to a particular Subsidiary Debtor, any Interests in such Debtor.

**88. "Sunburst"** means Sunburst Hotels, LLC.

**89. "Tax"** means (a) any net income, alternative or add-on minimum, gross income, gross receipts, sales, use, *ad valorem*, value added, transfer, franchise, profits, license, property, environmental or other tax, assessment or charge of any kind whatsoever (together in each instance with any interest, penalty, addition to tax or additional amount) imposed by any federal, state, local or foreign taxing authority; or (b) any liability for payment of any amounts of the foregoing types as a result of being a member of an affiliated, consolidated, combined or unitary group, or being a party to any agreement or arrangement whereby liability for payment of any such amounts is determined by reference to the liability of any other entity.

**90. "Tort Claim"** means any Claim that has not been settled, compromised or otherwise resolved that arises out of allegations of personal injury, wrongful death, property damage, products liability or similar legal theories of recovery.

**91. "Trade Claim"** means any Unsecured Claim arising from or with respect to the sale of goods or rendition of services prior to the Petition Date in the ordinary course of the applicable Debtor's business, including any Claims of an employee that is not a Priority Claim.

**92. "Unsecured Claim"** means any Claim that is not an Administrative Claim, Cure Amount Claim, Priority Claim, Priority Tax Claim or Secured Claim.

## **B. Rules of Interpretation and Computation of Time**

### **1. Rules of Interpretation**

For purposes of the Plan, unless otherwise provided herein: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural; (b) unless otherwise provided in the Plan, any reference in the Plan to a contract, instrument, release or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions; (c) any reference in the Plan to an existing document or Exhibit Filed or to be Filed means such document or Exhibit, as it may have been or may be amended, modified or supplemented pursuant to the Plan, Confirmation Order or otherwise; (d) any reference to an entity as a holder of a Claim or Interest includes that entity's successors, assigns and affiliates; (e) all references in the Plan to Sections, Articles and Exhibits are references to Sections, Articles and Exhibits of or to the Plan; (f) the words "herein," "hereunder" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (h) subject to the provisions of any contract, articles of incorporation, bylaws, similar constituent documents, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the rights and obligations arising under the Plan will be governed by, and construed and enforced in accordance with, federal law, including the Bankruptcy Code and the Bankruptcy Rules; (i) the word "entity" means a person (as defined in section 101(41) of the Bankruptcy Code), an estate, a trust or a governmental unit or the United States Trustee; and (j) the rules of construction set forth in section 102 of the Bankruptcy Code will apply to the extent not inconsistent with any other provision of this Section I.B.1.

### **2. Computation of Time**

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) will apply.

## **ARTICLE II. CLASSES OF CLAIMS AND INTERESTS**

All Claims and Interests, except Administrative Claims and Priority Tax Claims, are placed in the following Classes. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims, as described in Section III.A, have not been classified and thus are excluded from the following Classes. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any remainder of the Claim or Interest qualifies within the description of such other Classes. The attached Exhibit II identifies for each Proof of Claim that has not been withdrawn or amended to an amount of zero or claim identified in the Debtors' Schedules which of the below classes they fall in. In listing such amounts on Exhibit II, the Debtors are not agreeing that any such number should be the proper allowed amount or classification of the Claim and the Debtors retain the right to file objections to claims in

accordance with the Bankruptcy Code and Bankruptcy Rules until the Effective Date and in accordance with Article VII of this Plan thereafter.

**A. Unimpaired Classes of Claims and Interests**

1. **Class 1 (Unsecured Priority Claims):** Priority Claims.

2. **Class 2 (Other Secured Claims):** Secured Claims not otherwise classified under this Article II.

3. **Class 11 (Subsidiary Interests):** Subsidiary Debtor Equity Interests held by S&G.

**B. Impaired Classes of Claims and Interests**

1. **Class 3A (RSS Secured Claims):** The Secured portion of any Claims held by RSS.

2. **Class 3B (RSS Unsecured Claims):** The Unsecured portion of any Claims held by RSS.

3. **Class 4 (Itria Claim):** The Claims held by Itria.

4. **Class 5 (SBA Claim):** The Claim held by the SBA.

5. **Class 6 (General Unsecured Claims):** Unsecured Claims not otherwise classified under this Article II.

6. **Class 7 (Convenience Claims):** Any Unsecured Claim in an amount less than \$20,000.

7. **Class 8 (InnVite Hospitality Claims):** Any Unsecured Claim held by InnVite Hospitality, LLC.

8. **Class 9 (Intercompany Claims):** Intercompany Claims.

9. **Class 10 (Hilton Claims):** All claims Held by Hilton against Lancaster.

10. **Class 12 (Old S&G Common Stock):** Interests in respect of the Old S&G Common Stock.

**ARTICLE III.  
TREATMENT OF CLAIMS AND INTERESTS**

**A. Unclassified Claims**

**1. Payment of Administrative Claims**

**a. Administrative Claims in General**

Except as specified in this Section III.A.1, and subject to the bar date provisions herein, unless otherwise agreed by the holder of an Administrative Claim and the applicable Debtor

or Reorganized Debtor or unless a Final Order of the Bankruptcy Court provides otherwise, each holder of an Allowed Administrative Claim will receive, in full satisfaction of its Administrative Claim, cash equal to the amount of such Allowed Administrative Claim either (i) on the Effective Date or (ii) if the Administrative Claim is not allowed as of the Effective Date, 30 days after the date on which an order allowing such Administrative Claim becomes a Final Order or a Stipulation of Amount and Nature of Claim is executed by the applicable Reorganized Debtor and the holder of the Administrative Claim.

**b. Statutory Fees**

On and after the Effective Date, all fees payable pursuant to 28 U.S.C. § 1930 will be paid by the Reorganized Debtors in accordance therewith until the closing of the Chapter 11 Cases pursuant to section 350(a) of the Bankruptcy Code.

**c. Ordinary Course Liabilities**

Administrative Claims based on liabilities incurred by a Debtor in the ordinary course of its business — including Administrative Trade Claims, Administrative Claims of governmental units for Taxes (including Tax audit Claims related to Tax years commencing after the Petition Date) and Allowed Administrative Claims arising from those contracts and leases of the kind described in Section V.D — will be paid by the applicable Reorganized Debtor pursuant to the terms and conditions of the particular transaction giving rise to those Administrative Claims.

**d. Bar Dates for Administrative Claims**

**i. General Bar Date Provisions**

Except as otherwise provided in Section III.A.1.d.ii, 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. A notice of this Bar Date will be served on all known potential holders of Administrative Claims on or after the Effective Date, which may be part of the Confirmation Notice. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by the applicable Bar Date will be forever barred from asserting such Administrative Claims against the Debtors, the Reorganized Debtors or their respective property and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the Reorganized Debtors and the requesting party by the later of (A) 90 days after the Effective Date or (B) 60 days after the Filing of the applicable request for payment of Administrative Claims.

**ii. Bar Dates for Certain Administrative Claims**

**A. Professional Compensation**

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. A notice of the deadline for filing an application for allowance and payment of a Fee Claim will be served on all known potential holders of such Claims on or after the Effective Date, which may be part of the Confirmation Notice. Objections to any Fee Claim must be Filed and served on the Reorganized Debtor and the requesting party by the later of (1) 90 days after the Effective Date or (2) 30 days after the Filing of the applicable request for payment of the Fee Claim. To the extent necessary, the Confirmation Order will amend and supersede any previously entered order of the Bankruptcy Court regarding the payment of Fee Claims.

## **B. Ordinary Course Liabilities**

Holders of Administrative Claims based on liabilities incurred by a Debtor in the ordinary course of its business, including Administrative Trade Claims, Administrative Claims of governmental units for Taxes (including Tax audit Claims arising after the Petition Date) and Administrative Claims arising from those contracts and leases of the kind described in Section V.D, will not be required to File or serve any request for payment of such Administrative Claims. Such Administrative Claims will be satisfied pursuant to Section III.A.1.c.

### **2. Payment of Priority Tax Claims**

Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed by the holder of a Priority Tax Claim and the applicable Debtor or Reorganized Debtor, 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.

## **B. Unimpaired Classes of Claims**

**1. Class 1 Claims (Unsecured Priority Claims)** are 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.

**2. Class 2 Claims (Other Secured Claims)** are 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.

**3. Class 5 Claims (SBA Claim)** is unimpaired. On the Effective Date the Allowed Class 5 Claim will be reinstated.

**4. Class 11 Interests (Subsidiary Debtor Equity Interests)** are unimpaired. On the Effective Date Allowed Class 11 Interests will be Reinstated.

### **C. Impaired Classes of Claims and Interests**

For purposes of the following distributions, each holder's recovery, if any, is being received first in exchange for the principal amount of such holder's Claim, not the unpaid pre-Petition Date interest, if any, on that Claim.

**1. Class 3A Claims (RSS Secured Claims)** are impaired. On the Effective Date, RSS shall receive on account of its Secured Claim the New Secured Promissory Note. In addition, if RSS votes its Claims in both Class 3A and 3B in favor of the Plan, it shall receive the release provided for in Section IV.D.3.b of the Plan.

**2. Class 3B Claims (RSS Unsecured Claims)** are impaired. On the Effective Date, RSS shall receive on account of its unsecured claim the right to receive payment of the Exit Fee. In addition, if RSS votes its Claims in both Class 3A and 3B in favor of the Plan, does not object to confirmation of the Plan, and releases Abhijit Vasani and his other non-debtor entities of claims related to the Debtors, it shall receive the release provided for in Section IV.D.3.b of the Plan from the Debtors and a parallel release from Mr. Vasani and his non-debtor entities.

**3. Class 4 Claims (Itria Claims)** are impaired. On the Effective Date, Itria receives the right to participate pro-rata with Class 6 Claims in the Deferred General Unsecured Payments. If Itria accepts the Itria Settlement and votes in favor of the Plan and does not object to its confirmation, it shall also receive (a) monthly payments in the respective amounts currently being paid under the Cash Collateral Orders by the Debtors and Mr. Vasani's nondebtor businesses, with such payments to continue until Itria receives the lump sum payment provided for in the next clause; (b) a lump sum payment of \$50,000 to be paid at the same time that RSS receives the last installment of the Exit Fee; (c) be entitled to keep all payments it has received from the Debtors after the Petition Date under the Cash Collateral Orders, and (d) receive the Settlement Release of Itria in return for agreeing to cap its claims against nondebtors under the funding agreements that give rise to Itria's claims in the amount of \$250,000. In no event shall Itria be able to receive more than the total amount claimed in its proof of claims against the Debtors.

**4. Class 6 Claims (General Unsecured Claims)** are impaired. Each holder of an Allowed Claim in Class 6 shall receive a Pro Rata share of the Deferred General Unsecured Payments when taking into account the Class 4 Claim held by Itria.

**5. Class 7 Claims (Convenience Claims)** are 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.



**6. Class 8 Claims (InnVite Hospitality Claims)** are 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 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.

**7. Class 9 Claims (Intercompany Claims)** are impaired. No property shall be distributed to or retained by the holders of Allowed Claims in Class 9 on account of such Claims.

**8. Class 10 Claims (Hilton Claims)** are impaired. The Hilton Claims shall receive the treatment provided for by Section V.B.2 of the Plan.

**9. Class 12 Interests (Old S&G Common Stock)** are 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.

**D. Special Provisions Regarding the Treatment of 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 in Article VIII. As such, no distributions will be made in respect of any Secondary Liability Claims, and all such Claims shall be disallowed.

**ARTICLE IV.  
MEANS FOR IMPLEMENTATION OF THE PLAN**

**A. Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors**

Except as otherwise provided herein, each Debtor will, as a Reorganized Debtor, continue to exist after the Effective Date as a separate corporate entity entitled to all of the benefits and protections provided in the Confirmation Order, with all the powers of a corporation under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution or otherwise) under applicable state law. Except as otherwise provided herein, as of the Effective Date, all property of the Estate of a Debtor, and any property acquired by a Debtor or Reorganized Debtor under the Plan, will vest in such Reorganized Debtor, free and clear of all Claims, liens, charges, other encumbrances and Interests. On and after the Effective Date, each Reorganized Debtor may operate its business and may use, acquire and dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, each Reorganized Debtor may pay the charges that it incurs on or after the Effective Date for Professionals' fees, disbursements, expenses or related support services (including fees relating to the preparation of Professional fee applications) without application to the Bankruptcy Court.

## **B. Recapitalization of S&G**

On the Effective Date, the existing equity in S&G will be cancelled and, in return for the provision of the New Equity Infusion, the New Equity Investors or the Overbidding Equity Investor shall receive all of the Common Stock of Reorganized S&G.

## **C. Corporate Governance, Directors and Officers, Employment-Related Agreements and Compensation Programs**

### **1. Certificates of Incorporation and Bylaws**

As of the Effective Date, the certificates of incorporation or operating agreements of the Reorganized Debtors will be substantially in the forms set forth in Exhibits IV.C.1.a and IV.C.1.b, respectively. The certificates of incorporation and bylaws (or comparable constituent documents) of each Reorganized Debtor, among other things, will: (a) prohibit the issuance of nonvoting equity securities to the extent required by section 1123(a) of the Bankruptcy Code; and (b) in the case of Reorganized S&G, effective immediately after the cancellation of the Old S&G Common Stock as set forth in Section IV.B and Section IV.E of this Plan, authorize the issuance of New Common Stock to the New Equity Investors or the Overbidding Equity Investor, as the case may be, in return for the New Equity Infusion.

### **2. Directors and Officers of the Reorganized Debtor**

Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, the initial officers and the initial board of directors of each of the Reorganized Debtors will be identified on, or designated pursuant to the procedures specified on, Exhibit IV.C.2. Each such officer and director will serve from and after the Effective Date until his or her successor is duly elected or appointed and qualified or until his or her earlier death, resignation or removal in accordance with the terms of the certificate of incorporation and bylaws (or comparable constituent documents) of the respective Reorganized Debtor and applicable state law.

## **D. Preservation of Rights of Action; Settlement Agreements and Releases**

### **1. Preservation of Rights of Action by the Debtors and the Reorganized Debtors**

Except as provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors (if the New Equity Investors are selected to make the New Equity Infusion) or the Litigation Trust (if an Overbidding Equity Investor is selected to make the New Equity Infusion) that the Debtors or the Estates may hold against any entity, including, without limitation, the Retained Actions set forth in Exhibit IV.D.1, to the extent not released under Section IV.D.3. Each Reorganized Debtor, the Litigation Trust, or their successors may pursue such retained claims, demands, rights or causes of action, as appropriate, in accordance with the best interests of such Reorganized Debtor, the Creditors receiving distribution from the Litigation Trust, or its successor holding such claims, demands, rights or causes of action.

## 2. Creation of Litigation Trust

If the New Equity Investors do not submit the successful bid for the New Equity Infusion, on the Effective Date the Litigation Trust shall be created and the Retained Actions shall be conveyed to the Litigation Trust along with \$25,000 in cash. Abhijit Vasani shall be appointed trustee of the Litigation Trust.

## 3. Releases

### a. General Release by Holders of Claims or Interests That Vote in Favor of the Plan

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 and their respective present or former directors, officers, employees, attorneys, accountants, members, managers and agents, as of the Petition Date, during the Chapter 11 Cases or as of the Effective Date acting in such capacity (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).

### b. Settlement Release of RSS by Debtors

If RSS votes in favor of the Plan, does not object to confirmation of the Plan, and releases Abhijit 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**"). Mr. Vasani and his other non-debtor entities will also provide a parallel release to RSS if the Debtors provide the Settlement Release of RSS.

**c. Settlement Release of Itria by Debtors**

If Itria votes in favor of the Plan, and does not object to confirmation of the Plan, on the Effective Date the Debtors shall release the Itria 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 Itria'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 Itria**").

**d. Settlement Release of InnVite Hospitality**

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**").

**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.**

**E. Cancellation and Surrender of Instruments, Securities and Other Documentation**

Except as provided in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to Article III, the Prepetition Loan Agreement will be canceled and of no further force and effect, without any further action on the part of the Debtors or the Reorganized Debtors. The Old S&G Common Stock shall be deemed terminated and canceled and of no further force and effect on the Effective Date without any further action on the part of S&G or any other entity. The holders of or parties to such canceled instruments, securities and other documentation will have no rights arising from or relating to such instruments, securities and other documentation or the cancellation thereof, except the rights provided pursuant to the Plan.

**F. Release of Liens**

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to Article III, all mortgages, deeds of trust, liens or other security interests against the property of any Estate other than those of RSS and the SBA will be fully released and discharged, and all of the right, title and interest of any holder of such mortgages, deeds of trust, liens or other security interests, including any rights to any collateral thereunder, will revert to the applicable Reorganized Debtor and its successors and assigns. As of the Effective Date, the Reorganized Debtors shall be authorized to file on behalf of creditors Form UCC-3s or other forms as may be necessary to implement the provisions of this Section IV.F.

**G. Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes**

The President of each Debtor or Reorganized Debtor will be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan. Pursuant to section 1146(c) of the Bankruptcy Code, the following will not be subject to any stamp Tax, real estate transfer Tax or similar Tax: (1) the issuance, transfer or exchange of New Common Stock; (2) the creation of any mortgage, deed of trust, lien or other security interest; or (3) the assumption or assignment of any executory contract.

**ARTICLE V.  
TREATMENT OF EXECUTORY CONTRACTS  
AND UNEXPIRED LEASES**

**A. Executory Contracts and Unexpired Leases to Be Assumed or Assumed and Assigned**

**1. Assumption and Assignment Generally**

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into in connection with the Plan, on the Effective Date, pursuant to section 365 of the Bankruptcy Code, the applicable Debtor will assume or assume and assign, as indicated, each of the Executory Contracts and Unexpired Leases listed on Exhibit V.A; *provided, however*, that the Debtors reserve the right, at any time prior to the Effective Date, to amend Exhibit V.A to: (a) delete any Executory Contract or Unexpired Lease listed therein (other than the Hampton Franchise Agreement), thus providing for its rejection pursuant to Section V.C; or (b) add any Executory Contract or Unexpired Lease thereto, thus providing for its assumption or assumption and assignment pursuant to this Section V.A.1. The Debtors will provide notice of any amendments to Exhibit V.A to the parties to the Executory Contracts or Unexpired Leases affected thereby and to the parties on the then-applicable service list in the Chapter 11 Cases. Each contract and lease listed on Exhibit V.A will be assumed only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. Listing a contract or lease on Exhibit V.A will not constitute an admission by a Debtor or Reorganized Debtor that such contract

or lease is an Executory Contract or Unexpired Lease or that a Debtor or Reorganized Debtor has any liability thereunder.

## **2. Approval of Assumptions**

The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumptions described in this Section V.A and Section V.D, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date. An order of the Bankruptcy Court entered on or prior to the Confirmation Date, which may be included as part of the Confirmation Order, will specify the procedures for providing to each party whose Executory Contract or Unexpired Lease is being assumed or assumed and assigned pursuant to the Plan notice of: (a) the contract or lease being assumed or assumed and assigned; (b) the Cure Amount Claim, if any, that the applicable Debtor believes it would be obligated to pay in connection with such assumption; and (c) the procedures for such party to object to the assumption or assumption and assignment of the applicable contract or lease or the amount of the proposed Cure Amount Claim. If an objection to a proposed assumption or assumption and assignment is not resolved in favor of the Debtors or the Reorganized Debtors, the applicable Executory Contract or Unexpired Lease may be designated by the Debtors or the Reorganized Debtors for rejection, which shall be deemed effective as of the Effective Date.

### **B. Payments Related to the Assumption of Executory Contracts and Unexpired Leases**

#### **1. Executory Contracts Generally**

To the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the Debtor assuming such contract or lease or the assignee of such Debtor, if any, (1) by payment of the Cure Amount Claim in cash on the Effective Date or (2) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. Pursuant to section 365(b)(2)(D) of the Bankruptcy Code, no Cure Amount Claim shall be allowed for a penalty rate or other form of default rate of interest. If there is a dispute regarding (a) the amount of any Cure Amount Claim, (b) the ability of the applicable Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to assumption or assumption and assignment of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order resolving the dispute and approving the assumption. For assumptions of Executory Contracts or Unexpired Leases between Debtors, the Reorganized Debtor assuming such contract may cure any monetary default (i) by treating such amount as either a direct or indirect contribution to capital or distribution (as appropriate) or (ii) through an intercompany account balance in lieu of payment in cash.

#### **2. The Franchise Agreement for Lancaster Hospitality, LLC.**

Notwithstanding any other conflicting provisions of the Plan or Disclosure Statement, the following provisions shall control with respect to: (i) the assumption of the Hampton Franchise

Agreement by Lancaster and (ii) the treatment of the claims of Hilton against Lancaster under this Plan:

- a. Acknowledgments.** Lancaster acknowledges and affirms:

  - i.** Hilton’s predecessor and Lancaster entered into a Franchise Agreement dated February 27, 2015, including all amendments, riders, supplemental agreements, and assignments (collectively, the “**Hampton Franchise Agreement**”). Pursuant to the terms of the Hampton Franchise Agreement, Lancaster is authorized to operate its hotel at 2041 Schorrrway Drive NW, Lancaster, Ohio (the “**Hampton Inn Lancaster**”) as a Hampton Inn & Suites by Hilton®. The Franchise Agreement is an executory contract within the meaning of section 365 of the Bankruptcy Code.
  - ii.** As of the date of the filing of the petition initiating its bankruptcy proceeding, Lancaster was liable to Hilton in the amount of least \$27,895.50 (the “**Prepetition Hilton Indebtedness**”) as set forth in the proof of claim filed by Hilton (the “**Hilton POC**”) on October 31, 2023. Lancaster consents to the nature, extent and validity of the Prepetition Hilton Indebtedness as set forth in the Hilton POC.
  - iii.** Post-petition, Lancaster has continued to hold the Hampton Inn Lancaster out to the public as a Hampton Inn & Suites by Hilton® hotel and Lancaster has generated revenue post-petition via the continued use of the intellectual property and franchise system of Hilton.
  - iv.** On March 25, 2024, Lancaster filed an adversary proceeding against Hilton seeking a declaratory judgment regarding the Franchise Agreement, Adv. Pro. 24-ap-02024, (the “**Lancaster Adversary Proceeding**”). On May 9, 2024, Hilton filed a motion to dismiss the Lancaster Adversary Proceeding (Adv. Proc. 24-ap-02024, Doc. No. 15). On June 7, 2024, Lancaster filed a motion for summary judgment in the Lancaster Adversary Proceeding (Adv. Proc. 24-ap-02024, Doc. No. 26). The Lancaster Adversary Proceeding was resolved by a stipulation and consent order dated August 5, 2024 (Adv. Proc. 24-ap-02024, Doc. No. 39) the “**Hampton Stipulated**

**Order.”** The terms of the Hampton Stipulated Order are incorporated fully in the Plan.

- v. Lancaster (i) lacks any defense or set off as to the Hilton POC, and (ii) lacks any claims of any nature against Hilton.
- vi. The treatment of the claim set forth in the Hilton POC is impaired.

**b. Assumption of Hampton Franchise Agreement.** Notwithstanding any other conflicting provisions of the Plan, the following provisions shall control with respect to the assumption of the Franchise Agreement:

- i. **Assumption.** The Hampton Franchise Agreement is assumed by Lancaster pursuant to section 365(a) of the Bankruptcy Code effective as of the Effective Date.
- ii. **Post Confirmation Compliance.** Lancaster shall comply with all monetary and non-monetary post-petition obligations imposed under the Hampton Franchise Agreement. Pursuant to section 365(b)(1)(A) of the Bankruptcy Code, Lancaster is authorized and directed to pay Hilton all amounts which are or will become due by Lancaster under the Hampton Franchise Agreement post-petition. Any such indebtedness shall be paid in full and without compromise by Lancaster to Hilton as and when set forth in the Hampton Franchise Agreement. Lancaster’s default in the payment of post-petition amounts due shall constitute an event of default under the Plan as well as the assumed Hampton Franchise Agreement.

**c. Cure.** Pursuant to section 365(b)(1) of the Bankruptcy Code, Lancaster Debtor shall cure all defaults under the Hampton Franchise Agreement as follows:

- i. Pursuant to section 365(b)(1)(A) of the Bankruptcy Code, within three Business Days of the Effective Date, Lancaster shall pay Hilton \$27,895.50 on account of the Prepetition Hilton Indebtedness. Lancaster’s default in the payment of the Prepetition Hilton Indebtedness as set forth herein shall constitute an event of default under the Plan as well as the assumed Hampton Franchise Agreement.
- ii. Pursuant to section 365(b)(1)(B) of the Bankruptcy Code, the Hampton Franchise Agreement and applicable law, Lancaster is obligated to pay Hilton the attorney fees and expenses incurred by Hilton in connection with this bankruptcy proceeding and Adversary Proceeding (the “**Hilton Attorney Fee Indebtedness**”). As of July 31, 2024, the Hilton Attorney Fee Indebtedness totaled \$45,585.73, with additional amounts accruing thereafter. On the date of entry of the order confirming the Plan, Lancaster shall pay Hilton the full



amount of the Hilton Attorney Fee Indebtedness, which amount shall be spelled out in the Confirmation Order.

- iii. Pursuant to section 365(b)(1)(B) of the Bankruptcy Code, the Franchise Agreement and applicable law, the Lancaster is obligated to pay Hilton interest on the Prepetition Hilton Indebtedness. Such existing amount, together with all additional accruing interest on the Pre-petition Indebtedness as set forth under the Franchise Agreement, is referred to herein as the “Interest Indebtedness”. Lancaster and Hilton agree that the Interest Indebtedness shall be due and payable by Lancaster to Hilton only if Lancaster commits an event of default under the Plan or Franchise Agreement, which default is not cured by Lancaster Debtor within any applicable cure period. In the event of such uncured default, Lancaster Debtor shall pay the Interest Indebtedness upon written demand from Hilton.
- iv. Pursuant to section 365(b)(1)(C) of the Bankruptcy Code, Lancaster is obligated to provide adequate assurance of future performance under the Franchise Agreement. In connection with such obligation, on the Effective Date, Lancaster shall provide Hilton with a Guaranty of Payment and Performance of its obligations under the Hampton Franchise Agreement, in a form acceptable to Hilton, from S&G. and Abhijit Andy” Vasani. In addition, Lancaster agrees to and shall perform all items described in the Fixed Renovation Cycle Management plan dated August 5, 2024, a copy of which is attached at Exhibit I.A.37 hereto. In accordance with the FRCM plan, Lancaster’s designs and plans must be approved by Hilton, in Hilton’s discretion, by December 31, 2025 and the scope of work action items under the FRCM plan must be completed by Lancaster by December 31, 2026.

**d. Amendment to Hampton Franchise Agreement.** Effective as of the Effective Date, subject to satisfaction of the obligations of Lancaster under Sections V.B.2.c.i and V.B.2.c.iv hereof, the Hampton Franchise Agreement is amended as follows:

- i. The “Expiration Date” under the Franchise Agreement is extended to midnight on the last day of the month of the twenty-second anniversary of the “Effective Date” of the Franchise Agreement.
- ii. Except as specifically set forth in this Section V.D.2.d, there are no amendments to the Franchise Agreement.

**e. Release.** Effective as of the Effective Date confirming the Plan, Lancaster shall be deemed to remise, waive, release and forever discharge Hilton and Hilton’s directors, employees, agents, subsidiaries, affiliates, and attorneys (collectively, the “**Hilton Released Parties**”), of and from any and all manner of actions, causes of action, suits, debts, dues, agreements, obligations, liabilities, claims, accounts, damages and/or

demands whatsoever, known or unknown, whether at law or in equity, or any other claims the Lancaster may have or could have against the Released Parties in existence as of or arising prior to the date of entry of the order confirming the Plan.

**f. Support of Hilton.** Hilton has agreed to vote to accept the Plan so long as same includes all the provisions of this Section and does not otherwise alter or treat any of Hilton's rights/claims.

**C. Executory Contracts and Unexpired Leases to Be Rejected**

On the Effective Date, except for an Executory Contract or Unexpired Lease that was previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court or that is assumed pursuant to Section V.A, each Executory Contract and Unexpired Lease entered into by a Debtor prior to the Petition Date that has not previously expired or terminated pursuant to its own terms or an agreement among the parties will be rejected pursuant to section 365 of the Bankruptcy Code. The Executory Contracts and Unexpired Leases to be rejected will include the Executory Contracts and Unexpired Leases listed on Exhibit V.C. Each contract and lease listed on Exhibit V.C will be rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. Listing a contract or lease on Exhibit V.C will not constitute an admission by a Debtor or Reorganized Debtor that such contract or lease is an Executory Contract or Unexpired Lease or that a Debtor has any liability thereunder. Any Executory Contract and Unexpired Lease not listed on Exhibit V.A and not previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court will be deemed rejected irrespective of whether such contract is listed on Exhibit V.C. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date.

**D. Contracts and Leases Entered Into After the Petition Date**

Contracts and leases entered into after the Petition Date by a Debtor, including any Executory Contracts and Unexpired Leases assumed by a Debtor, will be performed by such Debtor or Reorganized Debtor in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

**E. Rejection Damages**

Any Claim arising from the rejection of an Executory Contract or Unexpired Lease will be treated as a Class 6 Claim.

**F. Bar Date for Rejection Damages**

Notwithstanding anything in the Bar Date Order to the contrary, if the rejection of an Executory Contract or Unexpired Lease gives rise to a Claim (including any Claims arising from those indemnification obligations described in Section V.G.2) by the other party or parties to such contract or lease, such Claim will be forever barred and will not be enforceable against the Debtors, the Reorganized Debtors, their respective successors or their respective properties unless a proof of Claim is Filed and served on the Reorganized Debtors, pursuant to the procedures

specified in the Confirmation Order and the notice of the entry of the Confirmation Order or another order of the Bankruptcy Court, as applicable. Upon the rejection of an Executory Contract or Unexpired Lease, notice of the applicable bar date for Filing rejection damage Claims will be served on the non-Debtor party or parties to such agreement, which may be part of the Confirmation Notice or may be given by serving the Bankruptcy Court's Order establishing such Bar Date.

**G. Obligations to Indemnify Directors, Officers and Employees**

1. The obligations of each Debtor or Reorganized Debtor to indemnify any person who has served as one of its directors, officers or employees at any time on or after the Petition Date and who is still serving as a director, officer or employee of a Debtor on the Confirmation Date by reason of such person's prior or future service in such a capacity or as a director, officer or employee of another corporation, partnership or other legal entity, to the extent provided in the applicable certificates of incorporation, by-laws or similar constituent documents, by statutory law or by written agreement, policies or procedures of or with such Debtor, will be deemed and treated as executory contracts that are assumed by the applicable Debtor or Reorganized Debtor pursuant to the Plan and section 365 of the Bankruptcy Code as of the Effective Date. Accordingly, such indemnification obligations will survive and be unaffected by entry of the Confirmation Order, irrespective of whether such indemnification is owed for an act or event occurring before or after the Petition Date.

2. The obligations of each Debtor or Reorganized Debtor to indemnify any person who, as of the Petition Date, was no longer serving as a director, officer or employee of such Debtor or Reorganized Debtor, which indemnity obligation arose by reason of such person's prior service in any such capacity or as a director, officer or employee of another corporation, partnership or other legal entity, whether provided in the applicable certificates of incorporation, by-laws or similar constituent documents, by statutory law or by written agreement, policies or procedures of or with such Debtor, will be terminated and be discharged pursuant to section 502(e) of the Bankruptcy Code or otherwise, as of the Effective Date; *provided, however*, that to the extent that such indemnification obligations no longer give rise to contingent Claims that can be disallowed pursuant to section 502(e) of the Bankruptcy Code, such indemnification obligations will be deemed and treated as executory contracts that are rejected by the applicable Debtor pursuant to the Plan and section 365 of the Bankruptcy Code, as of the Effective Date, and any Claims arising from such indemnification obligations (including any rejection damage claims) will be subject to the bar date provisions of Section V.F and, if timely filed, will be treated as Class 6 Claims.

**ARTICLE VI.  
PROVISIONS GOVERNING DISTRIBUTIONS**

**A. Distributions for Claims Allowed as of the Effective Date**

**1. Distributions to Be Made on the Effective Date**

Except as otherwise provided in this Article VI, distributions of Cash and other property under the Plan to be made on the Effective Date will be deemed made on the Effective Date if

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 (regarding cure payments for Executory Contracts and Unexpired Leases being assumed), Section VI.B.2 (regarding undeliverable distributions) or Section VII.C (regarding claims that become allowed after the Effective Date). All distributions to holders of Allowed Claims in Classes entitled to distributions under this Plan shall be allocated first to the principal amount of the holder's Allowed Claim and, only if the entire principal amount of the holder's Allowed Claim has been paid, then to any unpaid fees and expenses associated with any such Allowed Claim and then to the unpaid pre-Effective Date interest (if any) on such Allowed Claim.

## **B. Delivery of Distributions and Undeliverable or Unclaimed Distributions**

### **1. Delivery of Distributions**

Except as provided in Section VI.B.2, 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. Notwithstanding the foregoing, no distributions shall be mailed to addresses for which mail has previously been returned to the Debtors or the Bankruptcy Noticing Center as undeliverable.

### **2. Undeliverable Distributions Held by Debtors**

#### **a. Holding and Investment of Undeliverable Distributions;**

Subject to Section VI.B.2.b, distributions returned to the Debtors or otherwise undeliverable will remain in the possession of the Debtors pursuant to this Section VI.B.2.a until such time as a distribution becomes deliverable.

#### **b. Failure to Claim Undeliverable Distributions**

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.

## **C. Distribution Record Date**

i. The Debtors will have no obligation to recognize the transfer of, or the sale of any participation in, any Allowed Claim that occurs after the close of business on the Distribution Record Date and will be entitled for all purposes herein to recognize and make distributions only to those holders of Allowed Claims that are holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date.

ii. Except as otherwise provided in a Final Order of the Bankruptcy Court, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Distribution Record Date will be treated as the holders of such Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to such transfer has not expired by the Distribution Record Date.

**D. Means of Cash Payments**

Except as otherwise specified herein, cash payments made pursuant to the Plan will be in U.S. currency by checks drawn on a domestic bank selected by the Debtors or by wire transfer from a U.S. bank.

**E. Compliance with Tax Requirements**

1. In connection with the Plan, to the extent applicable, 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.

2. Notwithstanding any other provision of the Plan, each entity receiving a distribution of cash or other property under the Plan will have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed on it by any governmental unit on account of the distribution, including income, withholding and other Tax obligations.

**F. Setoffs**

Except with respect to claims of a Debtor or Reorganized Debtor released pursuant to the Plan or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Reorganized Debtors may, pursuant to section 553 of the Bankruptcy Code or applicable nonbankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of the Claim (before any distribution is made on account of the Claim) the claims, rights and causes of action of any nature that the applicable Debtor or Reorganized Debtor may hold against the holder of the Allowed Claim; *provided* that neither the failure to effect a setoff nor the allowance of any Claim hereunder will constitute a waiver or release by the applicable Debtor or Reorganized Debtor of any claims, rights and causes of action that the Debtor or Reorganized Debtor may possess against the Claim holder.

**ARTICLE VII.  
PROCEDURES FOR RESOLVING DISPUTED CLAIMS**

**A. Prosecution of Objections to Claims**

**1. Objections to Claims**

All objections to Claims must be Filed and served on the holders of such Claims by the Claims Objection Bar Date, and, if Filed prior to the Effective Date, such objections will be

served on the parties on the then-applicable special service list in the Chapter 11 Cases. If an objection has not been Filed to a proof of Claim or a scheduled Claim by the Claims Objection Bar Date, the Claim to which the proof of Claim or scheduled Claim relates will be treated as an Allowed Claim if such Claim has not been allowed earlier and is not otherwise a Disputed Claim.

## **2. Authority to Prosecute Objections**

After the Confirmation Date, only the Debtors, the Reorganized Debtors will have the authority to File, settle, compromise, withdraw or litigate to judgment objections to Claims, provided, however, that if the Litigation Trust is created and funded it shall have the sole and exclusive authority to File, settle, compromise, withdraw, or litigate to judgment any objections to Claims belonging to the Parties against whom the Retained Actions may be asserted. After the Effective Date, the Reorganized Debtors or the Litigation Trust (with respect to Claims belonging to persons against whom the Retained Actions may be asserted) may settle or compromise any Disputed Claim without approval of the Bankruptcy Court.

### **B. Treatment of Disputed Claims**

Notwithstanding any other provisions of the Plan, no payments or distributions will be made on account of a Disputed Claim until such Claim becomes an Allowed Claim.

### **C. Distributions on Account of Disputed Claims Once Allowed**

Within 30 days of any Disputed Claim becoming an Allowed Claim, the Debtors shall make the applicable distribution required under this Plan.

## **ARTICLE VIII. SUBSTANTIVE CONSOLIDATION OF THE DEBTORS**

**A.** 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.

**B.** This Plan will serve as a motion seeking entry of an order substantively consolidating the Debtors, as described and to the limited extent set forth in Section VIII.A above. Unless an objection to such substantive consolidation is made in writing by any creditor or claimant affected by the Plan, Filed with the Bankruptcy Court and served on the Debtors in accordance with any deadlines set by the Local Rules or such other date as may be fixed by the Bankruptcy Court, the substantive consolidation order (which may be the Confirmation Order)

may be entered by the Bankruptcy Court. In the event any such objections are timely Filed, a hearing with respect thereto will occur at the Confirmation Hearing.

**ARTICLE IX.  
CONDITIONS PRECEDENT TO CONFIRMATION  
AND CONSUMMATION OF THE PLAN**

**A. Conditions to Confirmation**

The Bankruptcy Court will not be requested to enter the Confirmation Order, unless and until the following conditions have been satisfied or duly waived pursuant to Section IX.C:

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.

**B. Conditions to the Effective Date**

The Effective Date will not occur, and the Plan will not be consummated unless and until the following conditions have been satisfied or duly waived pursuant to Section IX.C:

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.

**C. Waiver of Conditions to the Confirmation or Effective Date**

The conditions to confirmation and the conditions to the Effective Date may be waived by agreement of the Debtors without an order of the Bankruptcy Court.

**D. 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, 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 this Section IX.D, (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; and (c) the releases described in Section IV.D; 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.

## **ARTICLE X. CRAMDOWN**

The Debtors request Confirmation under section 1129(b) of the Bankruptcy Code with respect to any impaired Class that has not accepted or is deemed not to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code.

## **ARTICLE XI. DISCHARGE, TERMINATION, INJUNCTION AND SUBORDINATION RIGHTS**

### **A. Discharge of Claims and Termination of Interests**

#### **1. Complete Satisfaction, Discharge and Release**

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.

#### **2. Discharge and Termination**

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.



## **B. Injunctions**

### **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 that does not comply with 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.

## **C. Termination of Subordination Rights and Settlement of Related Claims and Controversies**

### **1. Termination**

The classification and manner of satisfying all Claims and Interests under the Plan take into consideration all subordination rights whether arising under general principles of equitable subordination, contract, section 510(c) of the Bankruptcy Code or otherwise, that a holder of a Claim or Interest may have against other Claim or Interest holders with respect to any distribution made pursuant to the Plan. All subordination rights that a holder of a Claim may have with respect to any distribution to be made pursuant to the Plan will be discharged and terminated, and all actions related to the enforcement of such subordination rights will be permanently enjoined. Accordingly, distributions pursuant to the Plan to holders of Allowed Claims will not be subject to payment to a beneficiary of such terminated subordination rights or to levy, garnishment, attachment or other legal process by a beneficiary of such terminated subordination rights.

### **2. General Settlement**

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the subordination rights that a holder of a Claim may have with respect to any Allowed Claim or any distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtors, the Reorganized Debtors and their respective property and Claim and Interest holders and is fair, equitable and reasonable.

### **3. Settlement with InnVite Hospitality**

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, 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, InnVite Hospitality shall (a) provide the Reorganized Debtors a line of credit of up to \$400,000 with such repayment terms are specified by InnVite Hospitality 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 Hospitality LLC has arising before the Effective Date under the Management Agreement. In return the Debtors shall provide InnVite Hospitality the Settlement Release of InnVite provided in Section IV.D.3.f above. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of this settlement and that it is in the best interests of the Debtors, the Reorganized Debtors and their respective property and Claim and Interest holders and is fair, equitable and reasonable.

#### **4. Preservation of Subordination under Section 510(b)**

Notwithstanding the foregoing, the provisions of section 510(b) of the Bankruptcy Code, to the extent applicable to Claims against the Debtors, are expressly preserved.

### **ARTICLE XII. RETENTION OF JURISDICTION**

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain such jurisdiction over the Chapter 11 Cases after the Effective Date as is legally permissible, including jurisdiction to:

1. Allow, disallow, determine, liquidate, classify, reclassify, estimate or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the allowance, priority or classification of Claims or Interests;

2. Grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan for periods ending on or before the Effective Date;

3. Resolve any matters related to the assumption, assumption and assignment or rejection of any Executory Contract and Unexpired Lease to which any Debtor is a party or with respect to which any Debtor or Reorganized Debtor may be liable and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including any Cure Amount Claims;

4. Ensure that distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

5. Decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving any Debtor, any Reorganized Debtor, or the Litigation Trust that may be pending on the Effective Date or brought thereafter;

6. Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

7. Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any contract, instrument, release or other agreement or document that is entered into or delivered pursuant to the Plan or any entity's rights arising from or obligations incurred in connection with the Plan or such documents;

8. Modify the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code; modify the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order; or remedy any defect or omission

or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into, delivered or created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

9. Issue injunctions, enforce the injunctions contained in the Plan and the Confirmation Order, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;

10. Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated or distributions pursuant to the Plan are enjoined or stayed;

11. Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order; and

12. Enter a final decree closing the Chapter 11 Cases.

### **ARTICLE XIII. MISCELLANEOUS PROVISIONS**

#### **A. Limitation of Liability**

No Debtor, Reorganized Debtor or their respective directors, officers, employees and professionals from and after the Petition Date will have or incur any liability to any entity (including the holder of any Claim or Interest) for any act taken or omitted to be taken in connection with, related to or arising out of the formulation, preparation, dissemination, implementation, Confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into, or any other act taken or omitted to be taken, in connection with the administration of the Chapter 11 Cases, pursuit of the Confirmation of the Plan, the consummation of the Plan or property distributed under the Plan; *provided, however*, that the foregoing provisions of this Section XIII.A will have no effect on: (1) the liability of any entity that would otherwise result from the failure to perform or pay any obligation or liability under the Plan or any contract, instrument, release or other agreement or document to be entered into or delivered in connection with the Plan or (2) the liability of any entity that would otherwise result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct.

#### **B. Modification of the Plan**

Subject to the restrictions on modifications set forth in section 1127 of the Bankruptcy Code, the Debtors or the Reorganized Debtors, as applicable, reserve the right to alter, amend or modify the Plan before the Effective Date.

**C. Revocation of the Plan**

The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan, or if Confirmation does not occur, then the Plan will be null and void in all respects, and nothing contained in the Plan will: (1) constitute a waiver or release of any claims by or against, or any Interests in, any Debtor; (2) prejudice in any manner the rights of any Debtor or any other party in interest; or (3) constitute an admission of any sort by any Debtor or any other party in interest.

**D. Severability of Plan Provisions**

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision then will be applicable as altered or interpreted; *provided* that any such alteration or interpretation must be in form and substance acceptable to the Debtors. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

**E. Successors and Assigns**

The rights, benefits and obligations of any entity named or referred to in the Plan will be binding on, and will inure to the benefit of, any heir, executor, administrator, successor or assign of such entity.

**F. Service of Documents**

Any pleading, notice or other document required by the Plan or the Confirmation Order to be served on or delivered to the Debtors or the Reorganized Debtors must be sent by overnight delivery service, courier service or messenger to:

**1. The Debtors and the Reorganized Debtors**

Abhijit Vasani  
S&G Hospitality, Inc.,  
P.O. Box 773  
Columbus, OH 43235

David A. Beck, Esq.  
Carpenter Lipps LLP  
290 North High St., Suite 1300  
Columbus, Ohio 43215

(Counsel to the Debtors and Reorganized Debtors)

**2. The New Equity Investor**

SDGD Enterprises LLC  
939 North High Street, Apt. 303  
Columbus, Ohio 43201

Gus Kallergis, Esq.  
Bernstein Burkley, P.C.  
1360 East Ninth Street, Suite 1250  
Cleveland, Ohio 44114

(Counsel to SDGD Enterprises, LLC)

Dated: February 3, 2025

Respectfully submitted,

S&G Hospitality, Inc. on its own behalf and on  
behalf of each Subsidiary Debtor

By: /s/ Abhijit Vasani  
Name: Abhijit Vasani  
Title: President, S&G Hospitality, Inc.

COUNSEL:

David A. Beck (OH 0072868)  
beck@carpenterlipps.com  
Carpenter Lipps LLP  
280 N. High St., Suite 1300  
Columbus, Ohio 43215  
Telephone: (614) 365-4100  
Facsimile: (614) 365-9145

ATTORNEYS FOR DEBTORS  
AND DEBTORS IN POSSESSION

**EXHIBIT I**

**[Copy of First Amended Plan]**

**THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, BUT HAS NOT YET BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF OHIO. THIS IS NOT A SOLICITATION OF VOTES ON THE PLAN. NO SUCH SOLICITATION SHALL OCCUR UNTIL THE BANKRUPTCY COURT APPROVES A DISCLOSURE STATEMENT AND VOTING PROCEDURES ON THE PLAN**

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF OHIO  
EASTERN DIVISION**

<b>In re:</b>  <b>S&amp;G HOSPITALITY, INC., <i>et al.</i>,<sup>1</sup></b>  <p style="text-align: center;"><b>Debtors.</b></p>	) Case No. 2:23-bk-52859 ) ) Chapter 11 ) ) Judge Nami Khorrami. ) ) (Jointly Administered) ) ) Case No. 2:23-bk-52861 ) Case No. 2:23-bk-52862 ) Case No. 2:23-bk-52859 ) Case No. 2:23-bk-52863
---	--

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

David A. Beck (OH 0072868)  
CARPENTER LIPPS LLP  
280 N. High St., Suite 1300  
Columbus Ohio 43215  
Telephone: (614) 365-4100  
Facsimile: (614) 365-9145  
beck@carpenterlipps.com

ATTORNEYS FOR DEBTORS AND  
DEBTORS IN POSSESSION

February 3, 2025

<sup>1</sup> 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).



**Table of Contents**

I. Introduction..... 1

II. Overview of the Plan’s Treatment of Creditors..... 2

    A. General..... 2

    B. Summary of Classes of Claims and Interests..... 2

    C. Administrative Claims ..... 6

    D. Priority Tax Claims..... 7

    E. Special Provisions Regarding the Treatment of Allowed Secondary Liability Claims... 7

    F. Distributions..... 7

    G. Objections to Claims..... 8

III. Background Regarding the Debtors..... 8

    A. Formation and Growth of the Debtors ..... 8

    B. COVID Changes the Hospitality Universe ..... 10

    C. Breakdown in Relations with the CMBS Trust and Their Foreclosure ..... 11

    D. Itria Litigation ..... 13

    E. The Debtors’ Debt Structure ..... 13

IV. The Chapter 11 Cases ..... 15

V. The Proposed Reorganization of the Debtors ..... 18

    A. General Overview ..... 18

    B. New Equity Infusion ..... 18

    C. Plan Treatment of RSS..... 20

    D. Plan Treatment of Itria and the Proposed Itria Settlement..... 21

    E. Settlement with Hilton ..... 22

    F. Provisions Regarding Other Executory Contracts ..... 23

    G. Substantive Consolidation ..... 23

    H. Discharge under the Plan and Related Injunction..... 24

    I. Releases..... 26

    J. Conditions to Confirmation and the Effective Date of the Plan ..... 27

    K. Effect of Nonoccurrence of Conditions to the Effective Date ..... 28

VI. Risk Factors ..... 28

    A. Risk Factors Regarding Bankruptcy Cases..... 28

        1. Treatment of claims ..... 28

        2. Risk of Non-Confirmation of Plan ..... 29

- B. Risk Factors Relating to Implementation of the Plan ..... 29
- VII. Voting and Confirmation Under the Plan ..... 30
  - A. General..... 30
  - B. Voting Procedures and Requirements..... 31
  - C. Objections to Confirmation and the Confirmation Hearing ..... 32
  - D. Acceptance or Cramdown..... 33
  - E. Best Interests Test and the Chapter 7 Liquidation Analysis ..... 34
  - F. Feasibility and Other Confirmation Requirements ..... 34
- VIII. Recommendation and Conclusion..... 35

## TABLE OF EXHIBITS

<b><u>Exhibit</u></b>	<b><u>Description</u></b>
Exhibit I	<i>First Amended Joint Plan of Reorganization of S&amp;G Hospitality, Inc. and its Debtor Subsidiaries</i>
Exhibit II	Disclosure Statement Order
Exhibit III	Historical Income Statements
Exhibit IV	Forecasted Financials
Exhibit V	Liquidation Analysis

## **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 *First 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 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 March [REDACTED], 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 APRIL [REDACTED], 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 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.

<b>Description of Class and Estimated Amount of Claims or Interests</b>	<b>Treatment and Estimated Recoveries (for classes of Claims only)</b>
<p><b>Class 1 (Unsecured Priority Claims):</b> 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.</p> <p><u>Estimated Amount of Claims: \$0</u></p>	<p><b>Unimpaired.</b> 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.</p> <p><u>Estimated Percentage Recovery: 100%</u></p>

<p><b>Class 2 (Other Secured Claims):</b> Consists of all Allowed Secured Claims not otherwise classified under Article II of the Plan.</p> <p><u>Estimated Amount of Claims:</u> \$0</p>	<p><b>Unimpaired.</b> 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.</p> <p>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.</p> <p>Option B: Allowed Claims in Class 2 with respect to which the applicable Debtor elects Option B will be Reinstated.</p> <p>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.</p> <p><u>Estimated Percentage Recovery:</u> 100%</p>
<p><b>Class 3A Claims (RSS Secured Claims):</b> Consists of any Allowed Claims held by RSS COMM2015-PC1-OH BL, LLC (“RSS”) that are Secured Claims.</p> <p><u>Estimated Amount of Claims:</u> \$11 million</p>	<p><b>Impaired.</b> On the Effective Date, RSS shall receive on account of its Secured Claim the New Secured Promissory Note. In addition, if RSS votes its Claims in both Class 3A and 3B in 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 the settlement offered to RSS by the Debtors, but not yet accepted by RSS (the “<b>RSS Settlement</b>”).</p> <p><u>Estimated Recovery:</u> 90-100%</p>

<p><b>Class 3B Claims (RSS Unsecured Claims):</b> Consists of any Allowed Claims held by RSS that are Unsecured Claims.</p> <p><u>Estimated Amount of Claims:</u> \$0-500,000</p>	<p><b>Impaired.</b> On the Effective Date, RSS shall receive on account of its unsecured claim the right to receive payment of the Exit Fee. In addition, if RSS votes its Claims in both Class 3A and 3B in favor of the Plan and does not object to confirmation of the Plan, it shall receive the release provided for in Section IV.D.3.b of the Plan as part of the offered, but not yet accepted, RSS Settlement.</p> <p>Recovery: \$100,000-\$500,000 (Dependent on timing of payment(s) of Exit Fee).</p>
<p><b>Class 4 Claims (Itria Claims):</b> Consists of any Allowed Claims held by Itria Ventures LLC and its affiliates (“<b>Itria</b>”).</p> <p><u>Estimated Amount of Claims:</u> \$1.1-\$1.2 million</p>	<p><b>Impaired.</b> On the Effective Date, Itria receives the right to participate pro-rata with Class 6 Claims in the Deferred General Unsecured Payments. If Itria votes in favor of the Plan and does not object to its confirmation, as part of the Debtors offered, but not yet accepted, settlement (the “<b>Itria Settlement</b>”) it shall also receive (a) monthly payments in the respective amounts currently being paid under the Cash Collateral Orders by the Debtors and Mr. Vasani’s nondebtor businesses, with such payments to continue until Itria receives the lump sum payment provided for in the next clause; (b) a lump sum payment of \$50,000 to be paid at the same time that RSS receives the last installment of the Exit Fee; (c) be entitled to keep all payments it has received from the Debtors after the Petition Date under the Cash Collateral Orders, and (d) receive the Settlement Release of Intria in return for agreeing to cap its claims against nondebtors under the funding agreements that give rise to Itria’s claims in the amount of \$250,000. In no event shall Itria be able to receive more than the total amount claimed in its proof of claims against the Debtors.</p> <p>Because of the uncertainty regarding whether Itria will elect the settlement and if it does the timing and amount of the payment of the Exit Fee, it is impossible to estimate accurately Itria’s recovery.</p>
<p><b>Class 5 Claims (SBA Claim):</b> Consists of any Allowed Claims held by SBA.</p>	<p><b>Unimpaired:</b> On the Effective Date the Allowed Class 5 Claim will be reinstated.</p>

<p><u>Estimated Amount of Claims: \$60,000</u></p>	<p><u>Estimated Percentage Recovery: 100%</u></p>
<p><b>Class 5 Claims (General Unsecured Claims):</b> Consists of any Allowed Unsecured Claims not otherwise classified by Article III of the Plan.</p> <p><u>Estimated Amount of Claims: \$0-\$100,000</u></p>	<p><b>Impaired.</b> Each holder of an Allowed Claim in Class 6 shall receive a Pro Rata share of the Deferred General Unsecured Payments with Itria.</p> <p><u>Estimated Percentage Recovery: 0-6%</u></p>
<p><b>Class 7 Claims (Convenience Claims):</b> Any Unsecured Claim in an amount less than \$20,000.</p> <p><u>Estimated Amount of Claims: \$100,000</u></p>	<p><b>Impaired.</b> 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.</p> <p><u>Estimated Percentage Recovery: 20%</u></p>
<p><b>Class 8 Claims (InnVite Hospitality Claims):</b> Any claims held by InnVite Hospitality, LLC.</p> <p><u>Estimated Amount of Claims: TBD</u></p>	<p><b>Impaired:</b> If the New Equity Investor becomes the new owner of S&amp;G and the Management Agreement is assumed, the InnVite Settlement will be consummated and InnVite Hospitality, LLC (“<b>InnVite</b>”) 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.</p> <p><u>Estimated Recovery: TBD</u></p>
<p><b>Class 9 Claims (Intercompany Claims):</b> Any claims among the Debtors.</p> <p><u>Estimated Amount of Claims: Unknown</u></p>	<p><b>Impaired.</b> No property shall be distributed to or retained by the holders of Allowed Claims in Class 9 on account of such Claims.</p> <p><u>Estimated Percentage Recovery: 0%</u></p>
<p><b>Class 10 Claims (Hilton Claims):</b> Any claims held by Hilton against Lancaster.</p> <p><u>Estimated Amount of Claims: TBD</u></p>	<p><b>Impaired.</b> The Hilton Claims shall receive the treatment provided for by Section V.B.2 of the Plan.</p> <p><u>Estimated Percentage Recovery: 90-95%</u></p>
<p><b>Class 11 Interests (Subsidiary Debtor Equity Interests):</b> Subsidiary Debtor Equity Interests held by S&amp;G.</p>	<p><b>Unimpaired.</b> On the Effective Date Allowed Class 11 Interests will be Reinstated.</p>
<p><b>Class 12 Interest (Old S&amp;G Common Stock):</b> Interests in respect of the Old S&amp;G Common Stock.</p>	<p><b>Impaired.</b> 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.</p>



### 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 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, 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 a request. 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.

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. 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. 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%.

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

In addition to the Debtors, Mr. Vasani currently owns and has owned in the past a number of hotels. 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. 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 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 borrower, and communicating with these borrowers regarding any issues on their respective loans.

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 approximately \$250,000 over and above the required regular payments to Wells try and resolve the situation.

Despite this payment record, in December of 2019 the CMBS Trust 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.

## **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. Breakdown in Relations with the CMBS Trust and Their Foreclosure**

Unfortunately, Mr. Vasani's efforts to restructure loans for 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 to a separate group of 5 hotels whose loan had been sold into a separate CMBS.

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. This information was asked for under the pretenses that it was to be used to help formulate a workout proposal. Unfortunately, no such proposal was ever forthcoming. Instead, despite the loan for the Debtors and the loan for the 5 hotels having come from different lenders and having been transferred into different CMBS, Rialto tried to link the two loans together. 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 30 to 60 days or more to provide a payoff-quote. Then when the payoff statement arrived it 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.

By December 2021, the Debtors were unable to reach a workout agreement with Rialto similar to what was done with the Hotel flags for the Debtors. In early December 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 claims against Mr. Vasani that he had breached obligations under my limited guaranty in favor of the CMBS Trust so as to make Mr. Vasani personally liable for all of the Debtors' debt. This case is captioned *RSS COMM 2015-PCI-OH BL, LLC, v. Sunburst Hotels, LLC, et al.* under Case No. 21 CV 007694 (the "**Franklin County Foreclosure**").

Later in December of 2021, Rialto filed a foreclosure action against a second portfolio of five hotels that Mr. Vasani owned that also had a loan that had been sold into a CMBS loan. 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, on January 29, 2025 the Franklin County Court of Common Pleas issued notice of a status conference in the Franklin County Foreclosure for February 25, 2025 at 2:30 pm.

#### **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.

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.<sup>2</sup> That case is captioned *Itria Ventures LLC v. Welcome Group LLC et al.*, and has been assigned Index No. 650527/2023.<sup>3</sup> While the case remains pending, it is stayed with respect to the Debtors and no activity has occurred in it since the Debtors filed notice of their bankruptcy filings in it.

#### **E. 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

---

<sup>2</sup> In New York the trial court of general jurisdiction is called the Supreme Court, the 1<sup>st</sup> level of appeals courts are called the Supreme Court Appellate Division, and the highest court is the Court of Appeals.

<sup>3</sup> The Supreme Court of New York, County of New York numbers cases using an index number rather than a case number.



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.<sup>4</sup> 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 RSS has only provided incomplete responses to the Debtors' requests for estimates and support. Nor do these amounts take into account the breaches by Wells Fargo as servicer or the various defenses that the Debtors may have to these claims.

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 of its claim is secured and \$10,813,352.75 is unsecured. For Lancaster, RSS asserts that \$10,500,000 of its claim is secured and \$5,613,352.75 is unsecured. For Sunburst, RSS asserts that \$3,400,000,000 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 colialble 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.

---

<sup>4</sup> RSS initially submitted a forth claim by also submitting a duplicate copy of the Buckeye Proof of Claim in the Lancaster case, but that claim has been withdrawn.

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.

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 mention 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. These 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. 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 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.

## **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 43<sup>rd</sup> out of 604 Red Roof properties in the entire country and is ranked 2<sup>nd</sup> 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 ("GAAP"). 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 are prepared using an assumed May 1, 2025 effective date for the Plan and cover the period of time through the maturity of the New Secured Promissory Note. In considering these financial projections, you should take into account the accompanying notes to the financial projections.

### **B. 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. That motion currently is still pending before the Bankruptcy Court.

If SDGD ends up submitting the winning bid for the equity under the proposed bidding procedures, 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 by 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.

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 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.

The Debtors believe that proposed settlement 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 consummate 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.

**C. Plan Treatment of RSS**

With respect to RSS, the Debtors are proposing 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 treated as an amended and restated Note for purposes of the Prepetition Security Agreements 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 or refinance individually or in combination of the three hotels so long as any sale or refinance of the Hampton Inn Lancaster generates at least \$5.5 million in net sale or refinance proceeds which are allocated to the Hampton Inn Lancaster and \$5.5 million of those allocated sale or refinance proceeds are used to pay down the outstanding principal on the New Secured Promissory Note, any sale of the Red Roof Dublin generates at least \$3.3 million in net sale or refinance proceeds which are allocated to the Red Roof Dublin and \$3.3 million of those allocated sale or refinance proceeds are used to pay down the outstanding principal on the New Secured Promissory Note, and any sale or refinance of the Quality Inn North generates at least \$2.2 million in net sale or refinance proceeds which are allocated to the Quality Inn North and \$2.2 million of those allocated sale or refinance proceeds are used to pay down the outstanding principal on the New Secured Promissory Note.

RSS will also receive on account of any unsecured claim it might have the “Exit Fee.” This is a preset payment for each hotel if it is refinanced or sold in accordance with the provisions of the New Secured Promissory Note. The Exit Fee is based on the following schedule:

<b>Months After the Effective Date</b>	<b>Hampton Inn Lancaster</b>	<b>Red Roof Dublin</b>	<b>Quality Inn North</b>	<b>Total (if all hotels paid off at the same time)</b>
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 refinance 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.

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 Abhijit 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**"). Mr. Vasani and his other-non-debtor entities will provide a parallel release to RSS if the Debtors provide the Settlement Release of RSS.

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.

#### **D. Plan Treatment of Itria and the Proposed Itria Settlement**

The Plan provides for Itria to share pro rata with General Unsecured Claims in the Deferred General Unsecured Payments to be provided under the Plan. Alternatively, if Itria accepts the Itria Settlement and votes in favor of the Plan and does not object to its confirmation, it shall also



receive: (a) monthly payments in the respective amounts currently being paid under the Cash Collateral Orders by the Debtors and Mr. Vasani's nondebtor businesses, with such payments to continue until Itria receives the lump sum payment provided for in the next clause; (b) a lump sum payment of \$50,000 to be paid at the same time that RSS receives the last installment of the Exit Fee; (c) be entitled to keep all payments it has received from the Debtors after the Petition Date under the Cash Collateral Orders, and (d) receive the Settlement Release of Itria in return for agreeing to cap its claims against nondebtors under the funding agreements that give rise to Itria's claims in the amount of \$250,000. In no event shall Itria be able to receive more than the total amount claimed in its proof of claims against the Debtors.

The Debtors believe that the Itria Settlement if Itria agrees to it constitutes a reasonable settlement of the Debtors' disputes with Itria. The Debtors dispute Itria's claim that all of its claims are secured. The Debtors assert that Itria's filing of UCC was in breach of the parties' agreement and hence that the UCCs were not properly authorized and should be considered ineffective to permit a security interest and thus subject to avoidance by the Debtors. In addition, the Debtors believe that because Itria's UCC filings come after filings made by RSS's predecessors, there is likely not enough value available to fully secure the amounts Itria claims it is owed. Both of these legal issues also implicate whether Itria should be entitled to keep all of the adequate protection payments it has received under the Cash Collateral Orders. Because Itria's claims are also asserted against nondebtors, they potentially raise contribution and subrogation issues that would need to be resolved by the Debtors. All of these issues will create attorneys' fees and can potentially complicate plan confirmation. The Debtors believe that providing the additional consideration provided by the proposed Itria Settlement would be reasonable if Itria agrees to support the Plan and helps avoid all of the legal costs associated with litigation the merits of Itria's claims and amply satisfies the standards provided by Bankruptcy Rule 9019.

#### **E. 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.

#### **F. 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.

#### **G. 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 even have an independent bank account. 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 XII.A. The Debtors believe this is appropriate and satisfies the standards required under applicable law.

#### **H. 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.

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.

### I. 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. That release will be included on the ballots mailed to creditors entitled to vote on the Plan. Creditors who vote against the Plan 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 and their respective present or former directors, officers, employees, attorneys, accountants, members, managers and agents, as of the Petition Date, during the Chapter 11 Cases or as of the Effective Date acting in such capacity (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.

**J. 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.

#### **K. 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.

#### **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 be 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 APRIL 22, 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.**

**ANY 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 APRIL 22, 2025*. FOR FURTHER INFORMATION REGARDING HOW TO FILE PLEADINGS WITH THE COURT, PLEASE VISIT THE COURT'S WEBSITE AT [WWW.OHSB.USCOURTS.GOV](http://WWW.OHSB.USCOURTS.GOV).**

**THE HEARING TO CONFIRM THE PLAN WILL COMMENCE AT 9:30 AM ON APRIL 29, 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 MUST TESTIFY 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 is estimating the value of the Debtors’ three hotels if sold by a chapter 11 trustee. Mr. Vasani is estimating 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.

**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.

<p>Dated: February 3, 2025</p>	<p>Respectfully submitted,</p> <p>S&amp;G Hospitality, Inc. on its own behalf and on behalf of each of the other Debtors</p> <p>By: <u>          /s/ Abhijit Vasani          </u>  Name: Abhijit Vasani  Title: President</p>
<p>Counsel:  David A. Beck (OH 0072868)  CARPENTER LIPPS LLP  280 N. High St., Suite 1300  Columbus Ohio 43215  Telephone: (614) 365-4142  Facsimile: (614) 365-9145  beck@carpenterlipps.com</p> <p>ATTORNEYS FOR DEBTORS AND  DEBTORS IN POSSESSION</p>	

**Exhibits II through V have not yet been filed with the Bankruptcy Court, but will be provided when they are filed.**