

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:

Case No. 13-48107

TROPIC RANCH, INC.,

Chapter 11

Debtor.

Judge Thomas J. Tucker

ORDER REQUIRING DEBTOR TO AMEND DISCLOSURE STATEMENT

On June 25, 2013, Debtor filed a plan and disclosure statement, in a document entitled “First Amended Debtor’s Combined Disclosure Statement and Plan of Reorganization” (Docket # 39). The Court cannot yet grant preliminary approval of the disclosure statement contained within this document (“Disclosure Statement”). The Court notes the following problems, which Debtor must correct.

First, in Article II of the Plan on page 7 and in Article II of the Disclosure Statement on page 24, Debtor must change the word “REQUIRED” in the caption to ‘ENTITLED.’

Second, with regard to each class, Debtor must state when payments to that class will begin.

Third, with regard to each secured creditor, Debtor must state the total amount of the claim (without regard to the value of the collateral); the property securing the claim (if real estate, the full address, including city and state); the fair market value of the property securing the claim; whether any portion of the claim is unsecured; and if so, whether the secured creditor will have an unsecured deficiency claim, to be included and treated in the class of general unsecured claims; and if so, the amount of such claim. If more than one secured creditor has a lien on property, Debtors must state the priority of each secured creditor (*i.e.*, which creditor has a first

priority lien and which creditor has a second priority lien).¹

Fourth, in Section II.B of the Disclosure Statement on page 20, Debtor must provide the educational background and work experience of Debtor's principal Hanna Karcho. Debtor must also state whether Ms. Karcho received a salary and/or fringe benefits pre-petition. If so, Debtor must state what salary and fringe benefits Ms. Karcho received. Debtor must also provide information regarding the legal relationship(s), if any between Debtor and Ms. Karcho (*e.g.*, lessor, lessee, creditor of the estate, debtor of the estate.) If any such relationships exist, Debtor must provide the details.

Fifth, Section II.C of the Disclosure Statement on page 20 states, in relevant part: "Debtor **has procured financing** for the renovations, which will allow Debtor to operate and fund its Chapter 11 plan." (Emphasis added). But then later on this page, Debtor states: "It is **contemplated** that Debtor's renovations will be funded through a lender such as Hotel Mortgage Funding and/or Landmark, and that the renovations lender shall have a subordinate lien, subordinate to the \$2,000,000 of the Noteholder's lien and to the Broward County tax claim, but with priority over any other monies owed to Noteholder and any parties." (Emphasis added). This statement appears to be inconsistent with the first statement quoted. It appears from this second statement that Debtor has not, in fact, procured financing yet, as stated in the first sentence. Debtor must correct this apparent inconsistency. And Debtor must describe in detail what commitment(s) Debtor has obtained for financing, including the identity of the lender(s) and all the material terms of the financing. If Debtor has not yet obtained any financing

¹ Although some information regarding priority can be found elsewhere in the Plan and/or Disclosure Statement, such as in the Liquidation Analysis, Debtor must provide information regarding priority with respect to each class on pages 8 through 10 of the Plan.

commitment, Debtor must explicitly say so.

Sixth, in Section IV.D of the Disclosure Statement on page 23, Debtor must provide the total amount of priority claims, including administrative expenses (not the total of priority and secured claims).

Seventh, Debtor must modify Section VI.A of the Disclosure Statement on pages 23 through 27, so that it reflects any changes Debtor made in Articles II and III of the Plan on pages 7 through 10.

Eighth, Debtor must revise Section VII.E of the Disclosure Statement on page 32 so that it states in its entirety:

E. Effect of confirmation

If the plan is confirmed by the Court:

- 1. Its terms are binding on the debtor, all creditors, shareholders and other parties in interest, regardless of whether they have accepted the plan.*
- 2. Except as provided in the plan and in 11 U.S.C. § 1141(d):*
 - (a) In the case of a corporation that is reorganizing and continuing business, as in this case:*
 - (1) All claims and interests will be discharged.*
 - (2) Creditors and shareholders will be prohibited from asserting their claims against or interests in the debtor or its assets.*

Ninth, in the Liquidation Analysis on page 38, Debtor must delete “Priority Claims” from the heading of the fourth column. Debtor must also delete “and Priority” from “Secured and Priority Claims” under the heading “Pre-Petition Liabilities” on page 39.

Tenth, page 40 of the Disclosure Statement is captioned “Pre-petition Financial Information [taken from tax returns].” But what follows on page 41 is “Postpetition Financials”

and then on pages 42-49, what appears to be Debtor's projections. Prepetition Financial Information does not begin to appear until page 50. Debtor must correct this apparent mis-ordering of pages.

Eleventh, as stated above, it appears that Debtor's projections are attached to the Disclosure Statement on pages 42-49, but these documents are not labeled as projections. Debtor must clearly label each of the financial documents so that it is readily apparent what they are. In addition, the purported projections are only for 51 months, but the Plan is for 60 months (*see* Plan at 8). Debtor must correct these problems.

Twelfth, Debtor must label all of the financial documents on pages 50 through 93: "Tropic Ranch, Inc. Managed by Sea Horse Hotel Management, LLC." Currently these documents do not contain the "Inc." designation for Debtor, and some of the documents do not contain the Debtor's name at all (pages 66 through 79).

Accordingly,

IT IS ORDERED that no later than **July 3, 2013**, Debtor must file an amended combined plan and disclosure statement that is consistent with this Order.

IT IS FURTHER ORDERED that no later than **July 3, 2013**, Debtor also must file a redlined version of the amended combined plan and disclosure statement, showing the changes Debtor has made to the "First Amended Debtor's Combined Disclosure Statement and Plan of Reorganization," filed June 25, 2013 (Docket # 39).

Signed on June 28, 2013

/s/ Thomas J. Tucker
Thomas J. Tucker
United States Bankruptcy Judge