



Hotel Equity Fund V, LLC/Four Seasons Nevis Resort Involuntary Chapter 11 Case Dismissed

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On Thursday, United States Bankruptcy Judge Brendan Linehan Shannon of the District of Delaware Bankruptcy Court entered an order dismissing the involuntary chapter 11 bankruptcy petition filed against Hotel Equity Fund V, LLC. Hotel Equity Fund V, LLC is the owner of the [Four Seasons Nevis Resort](#), which was one of the highest-rated resorts in the Caribbean prior to being heavily damaged by Hurricane Omar in October 2008. The involuntary chapter 11 petition was filed by alleged creditors Capstead Mortgage Corp., Bergland Architects, LLC, and Island Water World in an apparently attempt to block the foreclosure of the resort by the resort's lender, Wells Fargo Bank N.A. (as successor to Wachovia Bank, N.A.). More details regarding the background on the resort, the attempted foreclosure and the petitioning creditors can be found in an [earlier blog post regarding a request by the government of Nevis for the Delaware bankruptcy court to abstain from hearing the case](#) (which is mooted by the dismissal).

Judge Shannon's order comes in response to a dismissal request made by Wells Fargo Bank. The dismissal motion was challenged by Capstead and its affiliate Redtail Capital Partners One, LLC, but was supported by Four Seasons Hotels and Resorts B.V. (which managed the resort prior to its closure following the hurricane and is positioned to manage the property when it reopens later this year), the sovereign government of Nevis (a/k/a the Nevis Island Administration), and the homeowners/association for resort condominiums/homes

built as part of the resort. Today's order does not provide more detail regarding the court's findings, other than referring to Judge Shannon's statements on the record at yesterday's hearing. A transcript of the hearing is not yet available.

In addition to the dismissal, Wells Fargo sought sanctions against Capstead and Redtail Capital for the filing of the involuntary petition. Early Wednesday, Capstead filed a motion seeking sanctions against Wells Fargo for alleged violations of the court's scheduling order governing the exchange of discovery. The court's order does not address either request for sanctions.

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