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8 UNITED STATES BANKRUPTCY COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN FRANCISCO DIVISION

11 In re

12 TRAVANA, INC.,

13 Debtor.

Case No. TBD

Chapter 7

**STATUS CONFERENCE STATEMENT  
AND REQUEST FOR IMMEDIATE  
STATUS CONFERENCE**

14  
15  
16 **I. INTRODUCTION**

17 The petitioning creditors in the above-captioned involuntary bankruptcy case (the  
18 “Petitioning Creditors”) hereby submit this status conference statement, and request that the Court  
19 set a status conference as soon as reasonably convenient. This is an unusual situation, and the  
20 Petitioning Creditors believe it is in the best interests of all parties to hold an immediate status  
21 conference so that the Court and the various parties can address how to move forward.

22 This case involves Travana, Inc. (“Debtor” or “Travana”), an Online Travel Agency  
23 (“OTA”) that was originally conceived to compete with the major OTAs, such as Expedia and  
24 Priceline. The two majority stockholders, HNA Group (International) Co., Ltd. and HNA Capital  
25 Ltd. (both of which are parts of the HNA Group, a major Chinese airline, hospitality and shipping  
26 conglomerate) (together “HNA”), pledged to invest not less than \$50 million and up to \$200  
27 million to fund development of the technology and launch of the company. Then, when Travana  
28 was ready to ramp up, after less than a year of rapid development, HNA unexpectedly put the

1 brakes on, cutting all further funding after providing only approximately \$27.5 million of the \$50  
2 million minimum it had contracted to provide. In February of this year, after meeting with Adam  
3 Tan (the CEO of HNA), the HNA-appointed president of Travana announced, without consulting  
4 with the CEO or the board, that the company would be restructured. After the co-founder and  
5 CEO, who was also the only non-HNA board member, raised concerns about the situation through  
6 a formal whistle-blower letter to the board, he was terminated as CEO at a board meeting in mid-  
7 March. At the same time, the HNA-dominated board voted to immediately terminate all  
8 employees (save a few to assist with liquidation) with no notice or severance, and to employ  
9 Sherwood Partners to liquidate the company through an Assignment for the Benefit of Creditors.  
10 Shortly thereafter, HNA voted to remove the former CEO from the board, even though he was the  
11 only designated appointee of the minority stockholders, leaving only HNA appointees.

12         The Petitioning Creditors are concerned that the liquidation process is being conducted  
13 primarily for the benefit of the majority stockholder, HNA, rather than the many creditors of  
14 Travana. The remaining executive and all remaining board members running the liquidation are  
15 HNA appointees, and have either allowed or perpetrated significant wrong-doing, as described  
16 below. No information has been provided to creditors to assure them that their rights are being  
17 protected as the company is being liquidated.

18         When the board voted to liquidate the company, there was approximately \$1.5 million in  
19 unrestricted funds in the company bank accounts. It is also likely that there is substantial value in  
20 Travana's intellectual property. It is essential that there be a transparent process to maximize  
21 value and ensure that all creditors are treated fairly.

22         There are a number of reasons for the request for an immediate status conference. The  
23 Petitioning Creditors do not know whether the Debtor will oppose entry of an order for relief.  
24 Since there is no question regarding the grounds for an involuntary bankruptcy filing, given the  
25 retention of a liquidation firm to conduct an Assignment for the Benefit of Creditors, it may be  
26 possible to enter an order by stipulation. The Petitioning Creditors are also uncertain what the  
27 status of the liquidation is, including whether any efforts are being made to find a buyer for the  
28 assets, what the status is of vacating the costly San Francisco office lease, and even whether the

1 assets have been assigned to Sherwood Partners or not. It is unclear who is currently in control of  
2 Debtor's bank accounts. It is appropriate to have a status conference so that the Debtor and  
3 Sherwood can provide some assurances to the Court and creditors that the assets are being  
4 protected pending entry of an order for relief. Hopefully this will avoid the need for a motion  
5 under section 303(g) for immediate appointment of an interim trustee. The Petitioning Creditors  
6 may also request at the status conference that the Court enter an order under section 303(f),  
7 prohibiting the transfer or disposal of any property of the estate. Given that there is no operating  
8 business, this would be appropriate.

## 9 10 **II. BACKGROUND**

### 11 **A. Formation and Growth of Travana**

12 Travana was originally formed in 2015, as a Delaware corporation. The company was  
13 formed for the purpose of acquiring the technology platform of a company called Airfasttickets,  
14 which had been forced into bankruptcy.<sup>1</sup> Travana successfully purchased the Airfasttickets  
15 platform through a Section 363 sale in November 2015. To accomplish the mandate of building a  
16 fast growing international OTA, Travana assembled a management team of highly experienced  
17 professionals from the industry. By the end of 2016 Travana had hired over 70 well-qualified  
18 employees with diverse backgrounds in the travel and technology fields as full time workers in its  
19 San Francisco office, along with dozens of contractors. The company quickly established a  
20 presence as a significant employer in its locality in San Francisco. In 2016, the Travana team  
21 devoted itself to building a class-leading OTA. Travana also entered into a 10-year lease in  
22 approximately May 2016, for 40,000 square feet South of Market to accommodate its growing  
23 workforce, at a cost of \$225,000 per month.

24 After an intensive eight-month development period, in mid-July 2016 Travana went live  
25 with its distinctively-branded website, Janbala.com. By September 2016, the company was ready  
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27 <sup>1</sup> Travana was originally formed as AirTourist, Inc., but later changed its name to Travana, Inc.  
28

1 for a major marketing ramp-up. At this time, Travana had available inventory from over 115 U.S.  
2 and international (including most major) airlines and 160,000 hotels in 150 countries around the  
3 world and had direct agreements with approximately 40 airlines, and was in negotiations with  
4 approximately 30 more. Travana had contracts with 11 major metasearch engines (websites like  
5 Kayak.com or FareCompare.com that perform searches for flights or hotels across multiple  
6 sellers), which positioned the company for a full-scale marketing campaign to boost search and  
7 transaction volume. It also had agreements with a number of influential nonprofit organizations  
8 that provided for co-branding and co-marketing efforts. On the operations side, Travana had  
9 established a 24/7 call center with agents in the San Francisco head office and overseas. On the  
10 technology side, Travana had a full service OTA platform, capable of sophisticated global flight  
11 and hotel searches, booking, ticketing, customer service, and complex transaction processing. In  
12 short, Travana had a strong platform that was significantly differentiated from other OTAs.

13

14 **B. HNA and Its Commitment to Travana**

15 Beijing-based HNA Group is one of the largest foreign investors in the United States,  
16 investing more than \$13 billion in the US in 2016 alone. As of 2016, it is listed at number 353 on  
17 the Fortune Magazine Global 500, with annual revenues of approximately \$29.5 billion, and total  
18 assets of approximately \$95.3 billion.<sup>2</sup> HNA Group has extensive holdings in airlines, tourism,  
19 finance, leasing, real estate, retail, and technology. In December 2016, HNA Group acquired the  
20 Irvine California based company Ingram Micro, which is the world's largest wholesaler of  
21 technology products and services, for \$6 billion.

22 In late 2015, immediately following the fledgling Travana's acquisition of the assets and  
23 technology of Airfasttickets, HNA entered into a transaction to acquire most of the equity of  
24 Travana. Through this transaction, HNA committed to fund a minimum of \$50 million, and up to  
25 a \$200 million, in installments tied to meeting certain milestones. In exchange for this investment,

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27 <sup>2</sup> As described on Fortune Magazine's website: <http://beta.fortune.com/global500/hna-group-353>.

28

1 HNA received approximately 90% of the equity of Travana. HNA also obtained the right to  
2 appoint four out of five board members.

3 The Petitioning Creditors are informed that despite HNA's size and vast financial  
4 resources, there were significant concerns with HNA from the beginning. Among other things, the  
5 Petitioning Creditors are informed that HNA brought and installed its own representative from  
6 China as the president of the company, and repeatedly took actions to, in effect, control the  
7 company directly through him, in contravention of the corporate authority of the board and the  
8 CEO.

9  
10 **C. HNA Directs the Shutdown and Liquidation of Travana**

11 The Petitioning Creditors are informed that just as Travana was ready to expand based on  
12 the successful implementation of its platform, HNA pulled the rug out from under the company.  
13 Among other things, the Petitioning Creditors are informed that HNA acted through its  
14 representative in management, and contrary to the business plan approved by the board of  
15 directors, to halt planned marketing efforts that were critical for the growth of the company. The  
16 Petitioning Creditors are also informed that by this action, HNA directly prevented the company  
17 from meeting its business plan milestones. Further, Petitioning Creditors are informed that HNA  
18 abruptly halted all further funding, after having funded only approximately \$27.5 million of the  
19 \$50 million it had contracted to provide. This was despite the clear contractual commitment to  
20 fund a full \$50 million. Then, in February of this year, the HNA-appointed president of Travana  
21 suddenly announced to all employees, without first consulting with the CEO or the board, that the  
22 company would be restructured, with its business model and direction being significantly altered.  
23 This announcement came immediately after a meeting with Adam Tan, the CEO of HNA. The  
24 Petitioning Creditors are informed that the CEO, who was also the only non-HNA board member,

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1 raised concerns about the situation described above in a formal whistle-blower letter to the board  
2 of directors.<sup>3</sup>

3 The Petitioning Creditors are informed that in March 2017, approximately three weeks  
4 after a whistle-blower letter from the CEO raised concerns regarding, among other matters,  
5 HNA's interference with proper corporate governance, HNA acted to shut down Travana entirely  
6 with no explanation. On March 15, 2017, HNA's representatives called a meeting of the Travana  
7 board of directors. The Petitioning Creditors are informed that at this meeting, the HNA-  
8 appointed directors voted to liquidate the company immediately, over the objections of the one  
9 non-HNA director. At HNA's direction, the board immediately hired Sherwood Partners, a firm  
10 specializing in assignments for the benefit of creditors, to liquidate the assets of Travana. The  
11 Petitioning Creditors are further informed that HNA then voted its 90% equity interest in Travana  
12 to remove the one non-HNA director from the board, even though he was the appointee of the  
13 minority stockholders, under their right to appoint one board member.

14 On the same day that the HNA-appointed board voted to liquidate Travana, it terminated  
15 substantially all employees effective the same day.<sup>4</sup> A number of these employees had relocated  
16 to the Bay Area to work for Travana. There were induced to work for Travana based on  
17 assurances that it was backed by a funding commitment from HNA that insured that its growth  
18 would be fully supported. Most were offered stock options. Then, a little more than a year after  
19 the doors opened, the employees were terminated without any notice or any severance benefits.  
20 Their stock options are rendered worthless as a result of the liquidation. They received continued  
21 health insurance benefits for only the two weeks remaining in the month, and with callous

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24 <sup>3</sup> The former CEO of the company and the one non-HNA director was Jason Chen, who was  
25 appointed to the board as the representative of the minority stockholders. Mr. Chen is a Petitioning  
26 Creditor in this involuntary case, based on his substantial claim for severance which remains  
unpaid, even though Mr. Chen is informed that other severance claims have been paid.

27 <sup>4</sup> The termination of all employees excluded a very small number who were kept to assist with the  
liquidation, including primarily the HNA-appointed president.

28

1 disregard for their circumstances were not provided any COBRA benefits, even as to the four  
2 employees who are pregnant or have spouses who are pregnant.

3         The Petitioning Creditors are informed that Travana has now vacated its former offices at  
4 600 Townsend Street. Since there are approximately nine years left to run on the lease at  
5 \$225,000 per month, the lease is now a liability of more than \$24,000,000. The Petitioning  
6 Creditors are informed that the landlord is secured by an irrevocable letter of credit of  
7 approximately \$1.8 million, but outside of bankruptcy the company is potentially on the hook for  
8 the remainder of the lease. This is also a reason why a bankruptcy is essential in order to protect  
9 the non-landlord creditors. Outside of bankruptcy, all other creditor claims are subject to being  
10 massively diluted by the landlord claim. Bankruptcy affords the protection of the Bankruptcy  
11 Code section 502(b)(6) cap on the lease claim.

12         In sum, HNA committed to a long-term plan for the development of a new OTA. Then,  
13 after the company had entered into a \$30 million lease, hired employees (many of whom had to  
14 relocate to the Bay Area based on promises of stock options and being part of a fast-growing and  
15 fully-funded company), and spent months and many millions of dollars developing its technology  
16 and capabilities to the point that it was ready to support a full-service fully functional OTA, HNA  
17 abruptly shuttered the company, having funded only half of its committed investment. As a result  
18 of HNA's actions, the management team, employees, minority stockholders, and creditors have  
19 been left completely in the lurch. HNA has offered no explanation for why this happened.

20         There may be legitimate explanations for HNA's actions. The result, however, is that a  
21 fully functional OTA technology platform has been developed, and at the same time the people  
22 who built it and the creditors who provided services with the expectation of being paid appear to  
23 be left with nothing. At the same time, it is possible that HNA's intent is to acquire the  
24 technology through an assignment for the benefit of creditors, or some other means, and then  
25 transfer the technology to its operations in China.

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1 **III. NEED FOR IMMEDIATE ACTION**

2 The Petitioning Creditors have filed this involuntary petition, and seek a status conference  
3 as soon as convenient for the Court, to address a number of urgent concerns, in order to protect the  
4 rights of all creditors.

5 First, the Petitioning Creditors are informed that at the time Travana was shuttered there  
6 was approximately \$3.5 million in the bank. Of this, a little less than \$2 million was in blocked  
7 accounts securing letters of credit or other obligations. The remaining approximately \$1.5 million  
8 was unencumbered. The Petitioning Creditors believe that appropriate steps must be taken to  
9 immediately secure all remaining funds. Since the company is no longer operating, there is no  
10 need for continuing use of cash in the ordinary course. Unless Travana’s current management and  
11 Sherwood Partners will confirm who is in control of the company’s cash and stipulate that it will  
12 not be dissipated pending resolution of this involuntary bankruptcy, the Petitioning Creditors  
13 respectfully submit that it would be appropriate for the Court to immediately enter an order  
14 prohibiting dissipation of any remaining cash.

15 Second, the Petitioning Creditors believe that the intellectual property assets of the  
16 company have significant value. Eighteen months ago, HNA was willing to commit \$50 million  
17 based largely on the strength of the intellectual property and business model, and the team  
18 executing it. Millions of dollars were actually spent in 2016 developing the OTA platform, to the  
19 point that Travana was ready to launch as a full-featured OTA. Based on this, it is reasonable to  
20 assume that the platform that has been built has significant value. At a minimum, it is essential for  
21 the protection of all creditors that a fully transparent marketing and sale process be conducted.  
22 HNA and Sherwood have thus far shown no inclination to do this. Indeed, the Petitioning  
23 Creditors are concerned that HNA may seek to remove the source code and other valuable aspects  
24 of the OTA platform to another jurisdiction for its own use. Again, Petitioning Creditors  
25 respectfully submit that it would be appropriate for the Court to enter an order preserving the  
26 status quo, unless all parties are prepared to stipulate that the technology assets will be preserved  
27 and will not be transferred.

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1 Third, the Petitioning Creditors are informed that some claims have been paid, while others  
2 have not. This raises a substantial concern that preferential payments are being selectively made,  
3 without any transparency for creditors as a whole.

4 Fourth, the circumstances of Travana's sudden closure give rise to questions as to whether  
5 there may claims against HNA, whether for failing to fund its full commitment or for  
6 circumventing proper corporate governance. Petitioning Creditors do not have enough  
7 information to know whether there are meritorious claims, but if there are, the board comprised  
8 entirely of HNA appointees cannot be expected to pursue them. It is therefore essential that an  
9 independent bankruptcy trustee be appointed to evaluate whether there are significant claims that  
10 could be pursued for the benefit of all creditors.

11 Finally, underlying the above issues, the Petitioning Creditors are deeply concerned that  
12 there is a complete lack of transparency regarding Travana. HNA has acted to remove non-HNA  
13 senior management and board members, and then hired counsel and a liquidation firm of its  
14 choice. To date, creditors have not been provided with any disclosure regarding the liquidation  
15 process, the status of assets, intended treatment of creditors, or anything else.

16 In order to address the above concerns, and to give all parties an opportunity to have input  
17 into the manner in which this involuntary bankruptcy should proceed, the Petitioning Creditors  
18 respectfully request that the Court set a status conference within the next week, at a time  
19 convenient for the Court. As set forth above, the Petitioning Creditors intend to ask the Court to  
20 enter an order providing interim, emergency relief preventing dissipation of assets.

21  
22 DATED: April 19, 2017

McNUTT LAW GROUP LLP

23  
24 By:                   /s/ Shane J. Moses                    
25 Shane J. Moses  
26 Attorneys for Petitioning Creditors  
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