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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
EL PASO DIVISION

IN RE:	§	Chapter 11
	§	
HARDAGE HOTELS I, LLC ¹	§	CASE NO. 12-30443 (HCM)
	§	
DEBTOR.	§	

**DISCLOSURE STATEMENT WITH RESPECT TO THE DEBTOR'S
PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE UNITED
STATES BANKRUPTCY CODE**

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Dated: October 18, 2012

¹ Debtor owns seven hotels doing business as Chase Suite Hotels. The seven hotels are located in Clive, IA; Dublin, OH; El Paso, TX; Lincoln, NE; Kansas City, MO; Newark, CA; and Overland Park, KS.

DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE DEBTOR'S PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE (AS MAY BE AMENDED IN ACCORDANCE WITH THE TERMS THEREOF AND APPLICABLE LAW, THE "PLAN"). THE INFORMATION CONTAINED HEREIN MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THE EXHIBITS ANNEXED TO THE PLAN AND . THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN SHALL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF THE DEBTOR SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR MEMBERSHIP INTERESTS IN THE DEBTOR.

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I. INTRODUCTION

The debtor in possession in the above-referenced Chapter 11 Case is Hardage Hotels I, LLC or the Debtor.

The Debtor submits this Disclosure Statement for use in the solicitation of votes on the Debtor's Plan. A copy of the Plan is attached hereto as Appendix A. Each capitalized term used in this Disclosure Statement but not otherwise defined herein has the meaning ascribed to such term in the Plan. In addition, all references in this Disclosure Statement to monetary figures refer to United States currency, unless otherwise expressly provided.

The Plan provides for the sale of two hotels (Clive, IA and Dublin, OH) and restructuring the outstanding debt obligations of the Debtor.

The Disclosure Statement sets forth certain information regarding the Debtor's prepetition operating and financial history, the Debtor's reasons for seeking protection and reorganization under chapter 11 and significant events that have occurred during the Chapter 11 Case. This Disclosure Statement also describes certain terms and provisions of the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan and the securities to be issued under the Plan and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that Holders of Claims entitled to vote on the Plan must follow for their votes to be counted.

By order entered on or about [____], 2012, the Bankruptcy Court has approved this Disclosure Statement as containing "adequate information," in accordance with section 1125 of the Bankruptcy Code, to enable a hypothetical, reasonable investor typical of Holders of Claims

against the Debtor to make an informed judgment as to whether to accept or reject the Plan, and has authorized its use in connection with the solicitation of votes with respect to the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.** No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, Holders of Claims entitled to vote should not rely on any information relating to the Debtor and its business, other than that contained in this Disclosure Statement, the Plan and all exhibits and appendices hereto and thereto.

Pursuant to the provisions of the Bankruptcy Code, only classes of Claims that are: (a) "impaired" by a plan; and (b) entitled to receive a distribution under such plan are entitled to vote on the plan. Classes 1 through 4 and Class 7 are Impaired by, and entitled to receive a distribution under the Plan; and accordingly, are entitled to vote to accept or reject the Plan. Claims in Classes 5, 6 and 8 are Unimpaired by the Plan; accordingly, the Holders thereof are conclusively presumed to have accepted the Plan and, thus, are not entitled to vote on the Plan.

FOR A DESCRIPTION OF THE PLAN AND VARIOUS RISKS AND OTHER FACTORS PERTAINING TO THE PLAN, PLEASE SEE ARTICLE VI OF THIS DISCLOSURE STATEMENT, ENTITLED "SUMMARY OF THE PLAN" AND ARTICLE VII OF THIS DISCLOSURE STATEMENT, ENTITLED "CERTAIN RISK FACTORS TO BE CONSIDERED."

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATING TO THE PLAN, CERTAIN EVENTS THAT HAVE OCCURRED IN THE CHAPTER 11 CASE AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTOR BELIEVES THAT THE SUMMARIES OF THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE AS OF THE DATE HEREOF, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS AND TO THE EXTENT THEY MAY CHANGE OR BE MODIFIED AS PERMITTED BY THE PLAN AND APPLICABLE LAW. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTOR DOES NOT WARRANT OR REPRESENT, HOWEVER, THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

NOTHING CONTAINED HEREIN SHALL BE DEEMED TO CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS OR INTERESTS. YOU SHOULD CONSULT YOUR PERSONAL COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES OR OTHER LEGAL CONSEQUENCES OF THE PLAN.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS, BY ITS NATURE, FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. ACCORDINGLY, THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCE IMPLY THAT THE INFORMATION HEREIN IS CORRECT OR COMPLETE AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THE DEBTOR BELIEVES THAT THE PLAN WILL ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTOR, ITS CREDITORS, EQUITY HOLDERS AND ITS ESTATE AND PROMOTES THE BEST ECONOMIC RECOVERY. THE DEBTOR URGES ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT THE PLAN.

II. OVERVIEW OF THE PLAN

The following is a brief overview of the material provisions of the Plan. The complete text of the Plan should be reviewed and relied upon for any inconsistencies. For a more detailed description of the terms and provisions of the Plan, see Article VI of this Disclosure Statement entitled “Summary of the Plan.”

The Plan provides for the classification and treatment of Claims against and Interests in the Debtor. The Plan designates 7 Classes of Claims and 1 Class of Interests. These Classes take into account the differing nature and priority under the Bankruptcy Code of the various Claims and Interests.

A. General Structure of the Plan

The Chapter 11 Case was filed to implement a restructuring of the Debtor’s balance sheet, such as the one embodied in the Plan, in an efficient, expedient and economical manner, with minimal disruption to the Debtor’s ongoing business operations. The Plan provides for the means of implementation through a reorganization, which includes, among other things, restructuring certain debt obligations and selling certain of the Debtor’s hotels.

As of March 6, 2012 (the “Petition Date”), the aggregate principal amount of Prepetition Secured Obligation Claims as alleged totaled approximately \$43,658,895.81 which is broken down as follows²:

Security Bank of Kansas City -- \$11,497,974.76 secured by hotels located in Kansas City, MO., Newark, CA and Overland Park, KS.³

California First National Bank -- \$2,036,926.65 secured by a hotel located in Clive, IA.⁴

OneWest Bank FSB -- \$29,778,990.40 secured by hotels located in Dublin, OH., El Paso, TX., and Lincoln, NE.⁵

Samuel A. Hardage -- \$345,000.00

The aggregate of the Debtor’s unsecured Claims total approximately \$14,895,407.26 which include \$675,418.26 in trade debt, \$150,000.00 in a promissory note to Hardage Hospitality, LLC, and \$14,069,989 in Insider Intercompany Claims.

² Amounts are provided from Proofs of Claim filed or the Debtor’s Schedules and Statements of Financial Affairs and exclude any real property tax escrows.

³ POC No. 64.

⁴ POC No. 59.

⁵ POC No. 15.

B. Summary of Treatment of Claims and Interests under the Plan

The table below summarizes the classification and treatment of the prepetition Claims against and Interests in the Debtor under the Plan. For certain Classes of Claims, estimated percentage recoveries also are set forth below. Estimated percentage recoveries have been calculated based upon a number of assumptions regarding the amount of Allowed Claims in each Class. For certain Classes of Claims, the actual amounts of Allowed Claims could materially exceed or could be materially less than the estimated amounts shown in the table that follows.

Claims or Class Description	Treatment	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery of Allowed Claims or Interests
Administrative Expense Claims	<u>Unimpaired.</u> Each Allowed Administrative Expense Claim shall, in full and final satisfaction of such Allowed Administrative Expense Claim, be paid by the Reorganized Debtor, in full, in Cash, in such amounts as are incurred in the ordinary course of business by the Reorganized Debtor, or in such amounts as such Administrative Expense Claim is Allowed by the Bankruptcy Court upon: (a) the later of: (i) the Effective Date; and (ii) if such Claim is Allowed after the Effective Date, the date upon which there is a Final Order allowing such Administrative Expense Claim; (b) such other terms as may exist in the ordinary course of the Debtor's business and in accordance with the terms and conditions of any agreement governing or document evidencing such Administrative Expense Claim; or (c) such terms and conditions as may be agreed upon between the Holder of such Allowed Administrative Expense Claim and the Debtor.	No	\$785,322.00 [estimate]	100%
Priority Tax Claims	<u>Unimpaired.</u> Each Holder of an Allowed Priority Tax Claim shall, in full and final satisfaction of such Holder's Allowed Priority Tax Claim, be paid: (a) in Cash, in full, on the later of the (i) Effective Date and (ii) date such Priority Tax Claim becomes due and payable in the ordinary course of business; or (b) on such other terms and conditions as may be agreed upon between the Holder of such Allowed Priority Tax Claim and the Reorganized Debtor.	No	\$265,551.00 [estimate]	100%

Claims or Class Description	Treatment	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery of Allowed Claims or Interests
Class 1: SBKC Secured Claim	<u>Impaired.</u> SBKC shall, in full and final satisfaction of its Allowed SBKC Secured Claim, enter into the SBKC Loan Modification Agreement and retain its liens on the Kansas City Hotel, Newark Hotel and Overland Park Hotel under existing loan and security agreements provided that the interest rate shall be reduced from 6.75% to 6% with monthly payments to be based on a twenty year amortization schedule, but with the entire amount to be due at the currently scheduled maturity. SBKC shall enter into that Subordination and Intercreditor Agreement providing that SBKC shall consent to allow OneWest to place junior Liens upon the SBKC Hotels and shall consent to Membership Interests Assignment.	Yes	\$_[]	100%
Class 2: CFNB Secured Claim	<u>Impaired.</u> CFNB shall, in full and final satisfaction of its Allowed CFNB Secured Claim, retain its liens on the Clive Hotel. The Debtor and CFNB shall execute the The Clive Amendment which will extend the loan maturity for an additional twelve months. The Clive Amendment shall bear an interest rate of 7.25% through April 1, 2013 and shall increase to 8.25% thereafter. Debtor shall pay interest on the first day of each calendar month until the maturity date under The Clive Amendment. Notwithstanding, Debtor shall pay CFNB the full amount of its indebtedness set forth in The Clive Amendment on the date such sale between the Debtor and Buyer pursuant to that Clive Asset Purchase Agreement closes.	Yes	[\$2,036,592.20]	100%

Claims or Class Description	Treatment	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery of Allowed Claims or Interests
Class 3: OneWest Secured Claim	<u>Impaired.</u> On the Effective Date, the OneWest Secured Claim shall be fully and finally allowed in accordance with the OWB Restructured Loan Documents and shall retain all of its prepetition Liens and security interests as provided for in the OWB Restructured Loan Documents and shall receive the new Liens and security interests provided for in the OWB Restructured Loan Documents, including without limitation, the junior Liens on the SBKC Hotels, the pledge of the Membership Interests, and any other Liens and security interests provided OWB Restructured Loan Documents.	Yes	\$[_____]	100%
Class 4: Samuel A. Hardage Secured Claim	<u>Impaired.</u> This Class includes the Samuel A. Hardage Notes. The Samuel A. Hardage Notes shall be cancelled.	Yes	\$345,000.00	\$0
Class 5: Other Secured Claims	<u>Unimpaired.</u> This Class includes the Holders of a Mechanics' Lien Claim, if any. Each Holder of an Allowed Mechanics' Lien Claim shall, in full and final satisfaction of such Allowed Mechanics' Lien Claim, be paid either: (a) in Cash, in full, on the Effective Date; or (b) on such other terms and conditions as may be agreed upon between the Holder of such Allowed Mechanics' Lien Claim and the Reorganized Debtor.	No	\$0	100%

Claims or Class Description	Treatment	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery of Allowed Claims or Interests
Class 6: General Unsecured Claims	<u>Unimpaired.</u> Each Holder of an Allowed General Unsecured Claim shall, in full and final satisfaction of such Allowed General Unsecured Claim, be paid in Cash, in full, on (a) the later of: (i) the Effective Date; and (ii) if such Unsecured Claim is Allowed after the Effective Date, the date upon which there is a Final Order allowing such Unsecured Claim; (b) such other terms as may exist in the ordinary course of the Debtor's business and in accordance with the terms and conditions of any agreement governing or document evidencing such Unsecured Claim; or (c) such terms and conditions as may be agreed upon between the Holder of such Unsecured Claim and the Debtor.	No	\$675,418.26 [estimate]	100%
Class 7: Subordinated Claims	<u>Impaired.</u> This Class includes the Hardage Hospitality Unsecured Note and Insider Intercompany Claims . The Claims in this class shall be cancelled.	Yes	\$14,219,989	\$0
Class 8: Membership Interests in the Debtor	<u>Unimpaired.</u> Holders of Membership Interests in the Debtor shall retain their Membership Interests in the Reorganized Debtor in exchange for the contribution of [\$] in cash to the Reorganized Debtor on the Effective Date.	No	N/A	100%

THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR HOLDERS OF CLAIMS AND INTERESTS AGAINST THE DEBTOR AND, THUS, STRONGLY RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN.

III. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims and Interests

Approval by the Bankruptcy Court of this Disclosure Statement means that the Bankruptcy Court has found that this Disclosure Statement contains information of a kind and in sufficient and adequate detail to enable Holders of Claims and Interests to make an informed judgment whether to accept or reject the Plan.

THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR THEREIN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

IF THE PLAN IS APPROVED BY THE REQUISITE VOTE OF HOLDERS OF CLAIMS ENTITLED TO VOTE AND IS SUBSEQUENTLY CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTOR, WHETHER OR NOT THEY WERE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS, ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR ENTITLED TO VOTE ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN.

No solicitation of votes may be made except after distribution of this Disclosure Statement and no person has been authorized to distribute any information concerning the Debtor other than the information contained herein. No such information will be relied upon in making a determination to vote to accept or reject the Plan.

B. Solicitation Materials

In soliciting votes for the Plan pursuant to this Disclosure Statement, the Debtor, through agent Haynes and Boone LLP (the "Voting Agent" or "H & B"), will send to Holders of Impaired Claims copies of: (i) the Disclosure Statement and Plan; (ii) the notice of, among other things: (a) the date, time and place of the hearing to consider confirmation of the Plan and related matters; and (b) the deadline for filing objections to confirmation of the Plan (the "Confirmation Hearing Notice"); (iii) one or more ballots (and return envelopes) to be used in

voting to accept or to reject the Plan; and (iv) other materials as authorized by the Bankruptcy Court (collectively the “Solicitation Materials”). Copies of the Solicitation Materials may be provided in electronic format. Non-voting classes not entitled to vote will only receive a notice of their non-voting status.

If you are a Holder of an Impaired Claim that is entitled to vote, but you did not receive a ballot, or if your ballot is damaged or illegible, or if you have any questions concerning voting procedures, you may contact the following:

If by regular mail, overnight mail or hand delivery:

Haynes and Boone, LLP
Attn: Trey Monsour, Esq. and Mark Elmore, Esq.
2323 Victory Avenue,
Suite 700
Dallas, Texas 75219

If by telephone:

Haynes and Boone, LLP
Attn: Mark Elmore, Esq.
(214) 651-5265

C. Voting Procedures, Ballots and Voting Deadline

After reviewing the Plan and this Disclosure Statement, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the accompanying ballot. You should complete and sign your original ballot (neither copies nor ballots received via electronic means will be accepted) and return it in the envelope provided.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN [____], 2012, AT 5:00 P.M. (PREVAILING CENTRAL TIME) (THE “VOTING DEADLINE”) BY THE FOLLOWING:

If by regular mail, overnight mail or hand delivery:

HAYNES AND BOONE LLP
ATTN: TREY MONSOUR ESQ. AND MARK ELMORE ESQ.
2323 VICTORY AVENUE
SUITE 700
DALLAS, TEXAS 75219

UNLESS OTHERWISE PROVIDED IN THE INSTRUCTIONS ACCOMPANYING THE BALLOTS, FAXED BALLOTS AND BALLOTS RECEIVED BY ELECTRONIC MAIL WILL NOT BE ACCEPTED. BALLOTS THAT ARE RECEIVED BUT NOT SIGNED WILL NOT BE COUNTED. BALLOTS THAT ARE SIGNED BUT DO NOT

SPECIFY WHETHER THE HOLDER ACCEPTS OR REJECTS THE PLAN WILL BE NULL AND VOID. DO NOT RETURN ANY STOCK CERTIFICATES, DEBT INSTRUMENTS OR OTHER EVIDENCE OF YOUR CLAIM WITH YOUR BALLOT.

Copies of this Disclosure Statement, the Plan and any appendices and exhibits to such documents may be viewed and downloaded from the Bankruptcy Court's electronic case filing system, available at <https://ecf.txwb.uscourts.gov/>, or inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. If you have any questions about: (i) the procedure for voting your Claim; (ii) the Solicitation Materials that you have received; or (iii) the amount of your Claim, or if you wish to obtain, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), an additional copy of the Plan, this Disclosure Statement or any appendices or exhibits to such documents, please contact:

If by regular mail, overnight mail or hand delivery:

Haynes and Boone, LLP
Attn: Trey Monsour, Esq. and Mark Elmore, Esq.
2323 Victory Avenue,
Suite 700
Dallas, Texas 75219

If by telephone:

Haynes and Boone, LLP
Attn: Mark Elmore, Esq.
(214) 651-5265

For further information and general instruction on voting to accept or reject the Plan, see Article XII of this Disclosure Statement and the instructions accompanying your ballot.

THE DEBTOR URGES ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO EXERCISE THEIR RIGHT BY VOTING IN FAVOR OF THE PLAN AND OTHERWISE COMPLETING THEIR BALLOTS AND RETURNING THEM BY THE VOTING DEADLINE.

D. Confirmation Hearing and Deadline for Objections to Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled a Confirmation Hearing for [____], 2012, at [____] (prevailing Central time). The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. Objections to confirmation of the Plan or proposed modifications to the Plan, if any, must: (i) be in writing; (ii) conform to the Bankruptcy Rules and the Local Rules of the Bankruptcy Court; (iii) state the name and address of the objecting party and the amount and nature of the claim or interest of such party; (iv) state with particularity the basis and nature of any objection to the Plan; and (v) be filed electronically, together with proof of service, with the United States Bankruptcy Court for the Western District of Texas, 8515 Lockheed, El Paso,

Texas 79925, <https://ecf.txwb.uscourts.gov/>, and served on the parties listed in the Confirmation Hearing Notice, in each case so as to be actually received on or before 5:00 p.m. (prevailing Central time) on [____], 2012. Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014.

IV. GENERAL INFORMATION CONCERNING THE DEBTOR

A. Overview of Business Operations

The Debtor is a Delaware limited liability company formed in 1995. The Debtor's corporate offices are located at 11975 El Camino Real, Suite 104, San Diego, California 92130.

The Debtor owns seven hotels and is headquartered in San Diego, California. The Debtor owns and operates seven hotels in seven states under the brand name of "Chase Suites". The hotels are located in El Paso, Texas, Overland Park, Kansas, Newark, California, Kansas City, Missouri, Clive, Iowa, Lincoln, Nebraska; and Dublin, Ohio. The Hotels are supported by a collective accounting and cash management system, although there are various individual debt instruments regarding each individual hotel.

B. Management and Employees

The Hotels are subject to Franchise Agreements with Hardage Hospitality. In exchange for these services, Hardage Hospitality receives a customary hotel franchise fee. Pursuant to the Franchise Agreements, the Debtor is required to employ a franchisor-approved manager for each of the Hotels.

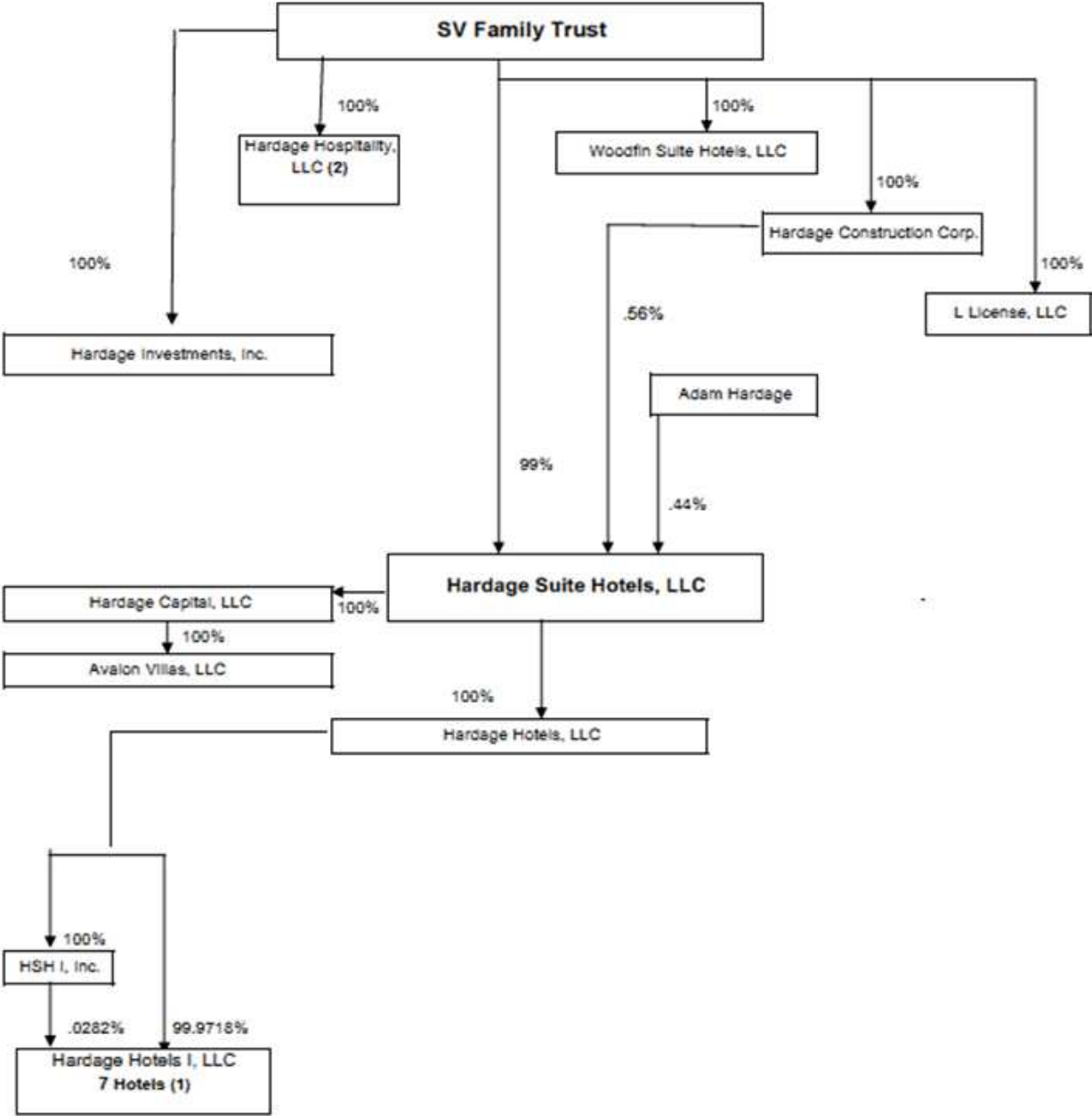
The Debtor has no employees. All persons that work at the Hotels are employed by Hardage Hospitality pursuant to the Hotel Management Agreements. Hardage Hospitality provides hotel management services to the Hotels. In exchange for these services, Hardage Hospitality receives a customary hotel management fee. Additionally, pursuant to the Hotel Management Agreements, the Debtor transfers to Hardage Hospitality funds sufficient to cover the payment of payroll and benefits for those persons employed by Hardage Hospitality to manage and operate the Hotels as well as reimbursement for other non-labor expenses incurred by Hardage Hospitality on behalf of the Hotels.

On April 4, 2012, the Bankruptcy Court entered its *Final Order Authorizing But Not Directing the Debtor to Continue to Perform the Obligations Set Forth in the Hotel Management Agreements* (the "Management Order") [Docket No. 70].

C. Organizational Structure

The Organizational Chart showing the names and percentages of the entities and persons holding direct or indirect interests in the Debtor is set forth below:

Organization Chart



(1) Owns 7 hotels consisting of Des Moines, Dublin, El Paso, Kansas City, Lincoln, Newark, and Overland Park.
(2) Hardage Hospitality, LLC is a Franchisor and Hotel Property Manager (formerly known as Haradge Group Management, LLC).

D. Pre-Confirmation Financial Structure of the Company

The Debtor is a borrower under several different secured credit facilities and, as of the Petition Date, has total outstanding secured debt in the aggregate amount of \$43,658,895.81, plus accrued interest thereon. The Debtor has financial arrangements with three lenders: OneWest,⁶ CFNB, and SBKC. The loan agreements are as follows:

- El Paso Loan Agreement. That certain Loan No. 101320719 (the "Texas Loan") to the Debtor in the original principal amount of \$11,525,000 evidenced by that certain Promissory Note dated as of October 26, 2004, in the original principal amount of \$11,525,000, given by the Debtor to La Jolla Bank, FSB (the "Original Lender"), as amended by that certain Amendment to Promissory Note dated as of October 26, 2004 (as so amended, the "Texas Note") and secured by, among other things, (a) a Deed of Trust dated October 26, 2004, with attached Leasehold Addendum to Deed of Trust dated October 26, 2004 executed by Debtor in favor of Original Lender and recorded on November 5, 2004, as Instrument No. 20040103889 in the Official Records of El Paso County, Texas, granting to Original Lender, among other things, a first lien on Debtor's leasehold interest in certain real property located at 6791 Montana Avenue, El Paso, Texas (the "Texas Property"), as assigned to OneWest by Corporate Assignment of Deed of Trust dated August 13, 2010 and recorded on August 26, 2012, as Instrument No. 2010-0059922 in the Official Records of El Paso County, Texas; (a) an Assignment of Rents executed by Debtor in favor of Original Lender dated as of October 26, 2004 and recorded November 5, 2004, as Instrument No. 20040103890 in the Official Records of El Paso County, Texas (the "Original Texas Assignment of Rents") as assigned to OneWest by an Assignment of Assignment of Leases and Rents dated September 13, 2010 recorded on October 1, 2010, as Instrument No. 20100070311, in the Official Records of El Paso County, Texas; (c) that certain Commercial Security Agreement dated as of October 26, 2004 executed by Debtor in favor of Original Lender (the "Original Texas Security Agreement"). The payment and performance of all Debtor's obligations under the Texas Loan is guaranteed by Samuel A. Hardage ("Guarantor"), pursuant to the terms of that certain Commercial Guaranty dated as of October 26, 2004 (the "Texas Guaranty") executed by Guarantor in favor of Original Lender. The Texas Note, the Texas Security Instrument, the Texas Assignment of Rents, the Texas Security Agreement, the Texas Guaranty, together with the other documents and agreements related thereto are collectively referred to as the "Original Texas Loan Documents".

⁶ On February 19, 2010, On February 19, 2010, Original Lender was closed by the Office of Thrift Supervision and the Federal Deposit Insurance Corporation ("FDIC") was appointed as receiver of the institution (the "Receiver"). The Receiver sold certain assets of Original Lender to OneWest pursuant to a Purchase and Assumption Agreement dated as of February 19, 2010, including the Texas Loan, the Ohio Loan, the Nebraska Loan, the Borrower Affiliate Loans and all related Original Texas Loan Documents, Original Ohio Loan Documents, Original Nebraska Loan Documents, Original Hardage Suite Loan Documents and Original Woodfin Loan Documents). OneWest is the owner and holder of the Texas Loan, the Nebraska Loan, the Ohio Loan and the Borrower Affiliate Loans and all related Original Texas Loan Documents, Original Ohio Loan Documents, Original Nebraska Loan Documents, Hardage Suite Loan Documents and Woodfin Loan Documents.

- Lincoln Loan Agreement. That certain Loan No. 101320717 (the "Nebraska Loan") to Debtor in the original principal amount of \$5,304,500.00 evidenced by that certain Promissory Note dated as of July 8, 2004, executed by Debtor in favor of Original Lender, in the original principal amount of \$5,304,500.00, as amended by that certain Amendment to Promissory Note dated as of July 8, 2004 (as so amended, the "Nebraska Note") and secured by, among other things, (a) a Deed of Trust executed by Debtor in favor of Original Lender dated as of July 8, 2004 and recorded on August 3, 2004, as Instrument No. 2004-051418 in the Official Records of Lancaster County, Nebraska, granting to Original Lender, among other things, a first lien on certain real property located at 200 S. 68th Street Place, Lincoln, Lancaster County, Nebraska (the "Nebraska Property") as assigned to OneWest by Corporate Assignment of Deed of Trust dated August 6, 2010 recorded on August 23, 2010, as Instrument No. 2010-035921 in the Official Records of Lancaster County, Nebraska; (b) an Assignment of Rents executed by Debtor in favor of Original Lender dated as of July 8, 2004 and recorded August 3, 2004, as Instrument No. 2004-051419 in the Official Records of Lancaster County, Nebraska (the "Original Nebraska Assignment of Rents") as assigned to OneWest by Assignment of Assignment of Leases and Rents dated August 6, 2010 and recorded on August 23, 2010, as Instrument No. 2010-035922, in the Official Records of Lancaster County, Nebraska; (c) that certain Commercial Security Agreement dated as of July 8, 2004 executed by Debtor in favor of Original Lender (the "Original Nebraska Security Agreement"). The payment and performance of all Debtor's obligations under the Nebraska Loan is guaranteed by Guarantor pursuant to the terms of that certain Commercial Guaranty dated July 8, 2004 (the "Nebraska Guaranty") executed by Guarantor in favor of Original Lender. The Nebraska Note, the Nebraska Security Instrument, the Nebraska Assignment of Rents, the Nebraska Security Agreement, the Nebraska Guaranty, together with all other documents and agreements related thereto are collectively referred to as the "Original Nebraska Loan Documents"
- Dublin Loan Agreement. That certain Loan No. 101320718 (the "Ohio Loan") to Debtor in the original principal amount of \$5,742,000 evidenced by that certain Promissory Note dated as of July 8, 2004, in the original principal amount of \$5,742,000 given by Debtor to Original Lender, as amended by that certain Amendment to Promissory Note dated as of July 8, 2004 (as so amended, the "Ohio Note") and secured by, among other things, (a) a Mortgage executed by Debtor in favor of Original Lender dated as of July 8, 2004 and recorded on August 2, 2004, as Instrument No. 200408020178570, in the Real Property Records of Franklin County, Ohio, granting to Original Lender, among other things, a first lien on certain real property located at 4130 Tuller Road, Dublin, Franklin County, Ohio (the "Ohio Real Property") as assigned to OneWest by Assignment of Mortgage dated May 9, 2010 recorded on June 14, 2010, as Instrument No. 201006140072939 in the Real Property Records of Franklin County, Ohio; (b) an Assignment of Rents executed by Debtor in favor of Original Lender dated as of July 8, 2004 and recorded on August 2, 2004, as Instrument No. 200408020178571 in the Real Property Records of Franklin County, Ohio (the "Original Ohio Assignment of Rents") as assigned to OneWest by an Assignment of Assignment of Leases and Rents dated May 9, 2010 and recorded on June 14, 2010, as Instrument No. 201006140072941 in the Real Property Records of Franklin County, Ohio; (c) that certain Commercial Security

Agreement dated as of July 8, 2004 executed by Debtor in favor of Original Lender (the "Original Ohio Security Agreement"). The payment and performance of all Debtor's obligations under the Ohio Loan is guaranteed by Guarantor pursuant to the terms of that certain Commercial Guaranty dated as of July 8, 2004 (the "Ohio Guaranty") executed by Guarantor in favor of Original Lender. The Ohio Note, the Ohio Security Instrument, the Ohio Assignment of Rents, the Ohio Security Agreement, the Ohio Guaranty, together with all other documents and agreements related thereto are collectively referred to as the "Original Ohio Loan Documents".

- Clive Loan Agreement. The Debtor as borrower on that certain promissory note dated July 31, 2007, with lender CFNB in the original principal loan amount of \$2,450,000.00, as amended from time to time, and together with all related loan and security documents.
- Overland Park Loan Agreement. The Debtor as borrower on that certain promissory note dated November 21, 2006, with lender SBKC in the original principal loan amount of \$1,085,584.00, as amended from time to time, and together with all related loan and security documents.
- Kansas City Loan Agreement. The Debtor, as borrower on that certain promissory note dated November 21, 2006, with lender SBKC in the original principal loan amount of \$1,235,000.00, as amended from time to time, and together with all related loan and security documents.
- Newark Loan Agreement. The Debtor as borrower on that certain promissory note dated December 5, 2007, with lender SBKC in the original principal loan amount of \$6,000,000.00, as amended from time to time, and together with all related loan and security documents.
- June 2010 Loan Agreement. The Debtor as borrower on that certain promissory note dated July 30, 2010, with lender SBKC in the original principal loan amount of \$600,000.00, as amended from time to time, and together with all related loan and security documents.
- November 2009 Loan Agreement. The Debtor as borrower on that certain modification and extension agreement dated November 30, 2009, with lender SBKC in the original principal loan amount of \$3,295,040.44, as amended from time to time, and together with all related loan and security documents.

OneWest has also made loans to certain affiliates of the Debtor, which, among other things are secured by deeds of trust encumbering the Texas Property, the Nebraska Property and the Ohio Real Property.

- Hardage Suite Loan. That certain Loan No. 106300081 to Hardage Suite in the original principal amount of \$3,586,000 evidenced by the Hardage Suite Loan Documents.

- Woodfin Loan. That certain Loan No. 106321474 to Woodfin in the original principal amount of \$1,700,000 evidenced by the Woodfin Loan Documents.

E. Summary of Assets

The Debtor filed Schedules with the Bankruptcy Court that detail the assets owned by the Debtor. Such assets include real property, cash on hand, bank accounts, security deposits, insurance policies, stock interests, accounts receivable, intellectual property, vehicles, office equipment, furnishings and supplies, machinery, fixtures, equipment and supplies used in business, inventory and other items of personal property and a sub-leasehold estate. Unless otherwise indicated therein, the Schedules provide asset values on a net book basis, which may not be reflective of actual values. The Schedules may be reviewed on the Bankruptcy Court electronic case filing system, available at <https://ecf.txwb.uscourts.gov/>, or during business hours in the offices of the Clerk of the Bankruptcy Court.

F. Historical Financial Information

[to be provided]

G. Events Leading to Commencement of the Chapter 11 Case

The recent economic crisis and recession has been a particularly difficult challenge for the hospitality industry. Despite the economic downturn confronting the hospitality industry as a whole, the Hotels have for the most part successfully weathered the economic crisis. The Debtor has seen an uptick in hotel revenues and anticipates that its underperforming hotels will return to creating positive cash flow.

Beginning in 2010, the Debtor began negotiations with OneWest, seeking to restructure the OneWest Secured Claim. Ultimately the negotiations broke down, and on January 13, 2012, OneWest posted a notice of foreclosure sale for the El Paso Hotel. The foreclosure sale was scheduled to take place on March 6, 2012. On March 6, 2012, the Debtor commenced the Bankruptcy Case.

H. California State Court Litigation With OneWest

On March 5, 2012, the Debtor and certain of its affiliates initiated a lawsuit against OneWest in the Superior Court (the “California State Court”) of the State of California for the County of Los Angeles, Central District (the “Lawsuit”). The Lawsuit alleges several causes of action against OneWest, including fraud, breach of contract, breach of the covenant of good faith and fair dealing, and promissory estoppel.

On April 11, 2012, OneWest filed a notice of removal of the Lawsuit to the Bankruptcy Court for the Central District of California.

On April 24, 2012, OneWest filed a motion seeking to transfer venue of the Lawsuit to the Bankruptcy Court (the “Motion to Transfer Venue”). On May 1, 2012, the Debtor and its affiliates filed their response to the Motion to Transfer Venue.

On May 11, 2012, the Debtor and its affiliates filed a motion to remand (the “Remand Motion”) the Lawsuit to the California State Court. A hearing on the Motion to Transfer Venue and the Remand Motion is currently set for October 30, 2012.

I. The Complaint for Injunctive Relief

On March 6, 2012, the Debtor initiated adversary proceeding No. 12-03005 (the “Adversary Proceeding”) in the Bankruptcy Case by filing the *Complaint For Injunctive Relief* (the “Adversary Complaint”) [Adv. Docket No. 1], seeking to enjoin OneWest from pursuing litigation against Samuel A. Hardage, relating to Samuel A. Hardage’s guaranty of certain of the Debtor’s obligations relating to the Hotels. Concurrently with the filing of the Adversary Complaint, the Debtor filed its *Debtor’s (I) Application for Temporary Restraining Order and (II) Motion for Preliminary Injunction* (the “Preliminary Injunction Motion”) [Adv. Docket No. 3].

On March 8, 2012, the Bankruptcy Court denied the Debtor’s request for the imposition of a temporary restraining order on the basis of representations made by OneWest’s litigation counsel that it would not pursue any actions against Samuel A. Hardage prior to a hearing on the Debtor’s request for a preliminary injunction.

A hearing on the Debtor’s request for a preliminary injunction was held on April 2, 2012. At the hearing, the Court denied the Debtor’s request for a preliminary injunction, without prejudice to the Debtor’s right to seek an injunction pursuant to a plan of reorganization or to seek to enjoin an action to collect on a final judgment.

On August 9, 2012, the Adversary Proceeding was dismissed by agreement without prejudice.

J. The Standstill

On May 24, 2012, the Debtor and OneWest filed their *Joint Motion for Entry of (I) Order Continuing Hearings Set for May 25, 2012 and June 4, 2012 (II) Modified Third Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank FSB* (the “Motion to Continue”) [Docket No. 127]. In the Motion to Continue the Debtor and OneWest informed the Bankruptcy Court that the parties had agreed to a sixty (60) day standstill of all litigation between them so that the parties could focus on negotiations regarding a global settlement and restructuring of the Debtor’s business.

On May 24, 2012, the Bankruptcy court entered an order granting the relief requested in the Motion to Continue [Docket No. 128].

The parties have continued to stay all litigation between them while negotiating a consensual plan treatment.

V. THE CHAPTER 11 CASE

A. Continuation of Business; Stay of Litigation

As mentioned above, on March 6, 2012, the Debtor filed a petition for relief under chapter 11 of the Bankruptcy Code. Since the Petition Date, the Debtor has continued to operate as debtor in possession subject to the supervision of the Bankruptcy Court and in accordance with the Bankruptcy Code. The Debtor is authorized to operate its business in the ordinary course, with transactions outside of the ordinary course of business requiring Bankruptcy Court approval.

An immediate effect of the filing of the Debtor's bankruptcy petition was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtor and the continuation of litigation against the Debtor. The relief provides the Debtor with the "breathing room" necessary to assess their business and reorganization alternatives.

B. First Day Motions

On the first day of the Chapter 11 Case, the Debtor filed several applications and motions seeking certain relief by virtue of so-called "first day orders." First day motions and orders are intended to facilitate the transition between a debtor's prepetition and postpetition business operations by approving certain regular business practices that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior approval by the Bankruptcy Court. The first day motions filed in the Chapter 11 Case are typical of motions filed in large chapter 11 cases across the country. Such motions sought, among other things, the following relief:

- interim and final use of cash collateral (as further discussed below);
- the maintenance of the Debtor's bank accounts and operation of its cash management systems substantially as such systems existed prior to the Petition Date;
- an extension of the deadline for the Debtors to file their Schedules of Assets and Liabilities and Statements of Financial Affairs;
- an order prohibiting utility companies from altering, refusing or discontinuing services and establishing procedures to provide utilities with adequate assurance of future payment;
- an order granting the Debtor's applications to retain professionals (as further discussed below);
- an order authorizing the Debtor to pay certain prepetition taxes and authorizing and directing banks and other financial institutions to honor checks and electronic payments relating to such taxes;
- an order authorizing the Debtor to pay prepetition insurance policy obligations and to continue administering insurance policies; and

- an order authorizing the Debtor to continue to honor its obligations under its Hotel Management Agreements.

C. Retention of Professionals

The Debtor is represented in the Chapter 11 Case by Haynes and Boone, LLP, as bankruptcy counsel. The Debtor has retained Kemp Smith LLP and Cappello & Noël LLP as special litigation counsel relating to the Lawsuit and other litigation with OneWest. The Debtor has retained Solomon Ward Seidenwurm & Smith LLP as special corporate counsel. The Debtor has retained HREC Investment Advisors, Fred B. Miehe and NAI OH Equities, LLC as Brokers for the Debtor in connection with the sale of the Clive Property and the Ohio Real Property. The Debtor has retained Transitional Finance Partners (“TFP”) as its financial advisor. The Official Committee of Unsecured Creditors has retained Brinkman Portillo Ronk, PC as its legal counsel.

D. Authorization to Use Cash Collateral of Prepetition Secured Parties

As of the Petition Date, the Debtor held proceeds of assets on which the Prepetition Secured Creditors have first priority liens and security interests. Cash collateral is defined in section 363 of the Bankruptcy Code and includes, but is not limited to, “cash, negotiable instruments, documents of title, securities, deposit accounts, . . . other cash equivalents . . . and . . . proceeds, products, offspring, rents or profits of property subject to a security interest” 11 U.S.C. § 363(a). Under the Bankruptcy Code, the Debtors are prohibited from using, selling or leasing cash collateral unless either: (i) the appropriate creditors consent; or (ii) the Bankruptcy Court, after notice and a hearing, determines that the creditor is adequately protected.

On the Petition Date, the Debtor filed the *Debtor’s Request that its Notice of Intent to Use Cash Be Deemed to Be a Motion to Use Cash Collateral Only as it Relates to OneWest Bank, FSB* [Docket No. 16] (the “Cash Collateral Motion”).

By the Cash Collateral Motion, the Debtors sought authority on an interim basis to use OneWest’s cash collateral in accordance with a proposed budget. The Debtor’s other secured lenders, SBKC and CFNB, have consented to the Debtor’s use of their cash collateral.

On March 9, 2012, the Bankruptcy Court entered the *Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 25] (the “First Interim Cash Collateral Order”). By the First Interim Cash Collateral Order, the Bankruptcy Court authorized the Debtors, among other things, to use OneWest’s Cash Collateral in accordance with a proposed budget pending a final hearing.

On April 3, 2012, the Bankruptcy Court entered the *Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 65] (the “First Extension of Cash Collateral Order”). By the First Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtors, among other things, to use OneWest’s Cash Collateral in accordance with a proposed budget pending a final hearing.

On April 20, 2012, the Bankruptcy Court entered the *Second Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 97]

(the “Second Extension of Cash Collateral Order”). By the Second Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtors, among other things, to use OneWest’s Cash Collateral in accordance with a proposed budget pending a final hearing.

On July 9, 2012, the Bankruptcy Court entered the *Third Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 157] (the “Third Extension of Cash Collateral Order”). By the Third Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtors, among other things, to use OneWest’s Cash Collateral in accordance with a proposed budget pending a final hearing.

On July 30, 2012, the Bankruptcy Court entered the *Fourth Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 176] (the “Fourth Extension of Cash Collateral Order”). By the Fourth Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtors, among other things, to use OneWest’s Cash Collateral in accordance with a proposed budget pending a final hearing. A final hearing is scheduled for October 18, 2012.

On October 18, 2012, the Bankruptcy Court entered the *Fifth Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 235] (the “Fifth Extension of Cash Collateral Order”). By the Fifth Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtors, among other things, to use OneWest’s Cash Collateral in accordance with a proposed budget pending a final hearing. A final hearing is scheduled for November 29, 2012.

VI. SUMMARY OF THE PLAN

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND IMPLEMENTATION OF THE PLAN AND THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR THE DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTOR UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTOR AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN OR ANY OTHER OPERATIVE

DOCUMENT, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

A. Overall Structure of the Plan

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of its creditors and other stakeholders. Upon the filing of a petition for relief under chapter 11, section 362 of the Bankruptcy Code provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the chapter 11 case.

The consummation of a plan of reorganization is the principal objective of a chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder: (i) is impaired under or has accepted the plan; or (ii) receives or retains any property under the plan. Subject to certain limited exceptions, and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes for such debt the obligations specified under the confirmed plan.

The terms of the Plan are based upon, among other things, the Debtor's assessment of its ability to achieve the goals of its business plan, make the distributions contemplated under the Plan and pay its continuing obligations in the ordinary course of its business. Under the Plan, Claims against and Interests in the Debtor are divided into Classes according to their relative seniority and other criteria.

On the Effective Date and at certain times thereafter, the Disbursing Agent will distribute Cash, securities and other property in respect of certain Classes of Claims as provided in the Plan. The Classes of Claims against and Interests in the Debtor created under the Plan, the treatment of those Classes under the Plan, and the securities and other property to be distributed under the Plan are described below.

B. Classification and Treatment of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan must classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with section 1122 of the Bankruptcy Code, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class. The Debtor is also required, under section 1122 of the Bankruptcy Code, to classify Claims against and Interests in the Debtor into Classes that contain Claims and Interests that are substantially similar to the other Claims and Interests in such Class.

The Debtor believes that the Plan has classified all Claims and Interests in compliance with the provisions of section 1122 of the Bankruptcy Code and applicable case law, but it is possible that a Holder of a Claim or Interest may challenge the Debtor's classification of Claims and Interests and that the Bankruptcy Court may find that a different classification is

required for the Plan to be confirmed. In that event, the Debtor intends, to the extent permitted by the Bankruptcy Code, to make such reasonable modifications of the classifications under the Plan to permit confirmation and to use the Plan acceptances received for purposes of obtaining the approval of the reconstituted Class or Classes of which each accepting Holder ultimately is deemed to be a member. Any such reclassification could adversely affect the Class in which such Holder initially was a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for the approval of the Plan.

Except as to Claims specifically Allowed in the Plan, the amount of any Impaired Claim that ultimately is Allowed by the Bankruptcy Court may vary from any estimated Allowed amount of such Claim and, accordingly, the total Claims ultimately Allowed by the Bankruptcy Court with respect to the Impaired Class of Claims may also vary from any estimates contained herein with respect to the aggregate Claims in the Impaired Class. Thus, the value of the property that ultimately will be received by a particular Holder of an Allowed Claim under the Plan may be adversely or favorably affected by the aggregate amount of Claims ultimately Allowed in the applicable Class.

The classification of Claims and Interests and the nature of distributions to members of each Class are summarized below. The Debtor believes that the consideration, if any, provided under the Plan to Holders of Claims and Interests reflects an appropriate resolution of their Claims and Interests, taking into account the differing nature and priority (including applicable contractual and statutory subordination) of such Claims and Interests and the fair value of the Debtor's assets.

1. *Treatment of Unclassified Claims under the Plan*

(a) *Administrative Expense Claims*

An Administrative Expense Claim is defined in the Plan as a Claim for: (i) any cost or expense of administration (including, without limitation, the fees and expenses of Professionals) of the Chapter 11 Case asserted or arising under sections 503, 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, but not limited to: (a) any actual and necessary post Petition Date cost or expense of preserving the Debtor's Estate or operating the business of the Debtor; (b) any post Petition Date cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtor in the ordinary course of its business; (c) compensation or reimbursement of expenses of Professionals to the extent Allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code; and (d) all Allowed Claims that are entitled to be treated as Administrative Expense Claims pursuant to a Final Order of the Bankruptcy Court under section 546 of the Bankruptcy Code and (ii) any fees or charges assessed against the Debtor's Estate under section 1930 of title 28 of the United States Code.

Administrative Expense Claims are Unimpaired. Each Allowed Administrative Expense Claim shall, in full and final satisfaction of such Allowed Administrative Expense Claim, be paid by the Reorganized Debtor, in full, in Cash, in such amounts as are incurred in the ordinary course of business by the Reorganized Debtor, or in such amounts as such Administrative Expense Claim is Allowed by the Bankruptcy Court upon: (a) the later of: (i) the Effective Date; and (ii) if such Claim is Allowed after the Effective Date, the date upon

which there is a Final Order allowing such Administrative Expense Claim; (b) such other terms as may exist in the ordinary course of the Debtor's business and in accordance with the terms and conditions of any agreement governing or document evidencing such Administrative Expense Claim; or (c) such terms and conditions as may be agreed upon between the Holder of such Allowed Administrative Expense Claim and the Debtor.

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, will be paid on or before the Effective Date. All such fees that arise after the Effective Date but before the closing of the Chapter 11 Case will be paid by the Reorganized Debtor.

(b) *Priority Tax Claims*

A Priority Tax Claim is defined in the Plan as any and all Claims accorded priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims include Claims of governmental units for taxes owed by the Debtor that are entitled to a certain priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. The taxes entitled to priority are: (i) taxes on income or gross receipts that meet the requirements set forth in section 507(a)(8)(A) of the Bankruptcy Code; (ii) property taxes meeting the requirements of section 507(a)(8)(B) of the Bankruptcy Code; (iii) taxes that were required to be collected or withheld by the Debtor and for which the Debtor is liable in any capacity as described in section 507(a)(8)(C) of the Bankruptcy Code; (iv) employment taxes on wages, salaries or commissions that are entitled to priority pursuant to section 507(a)(4) of the Bankruptcy Code, to the extent that such taxes also meet the requirements of section 507(a)(8)(D); (v) excise taxes of the kind specified in section 507(a)(8)(E) of the Bankruptcy Code; (vi) customs duties arising out of the importation of merchandise that meet the requirements of section 507(a)(8)(F) of the Bankruptcy Code; and (vii) prepetition penalties relating to any of the foregoing taxes to the extent such penalties are in compensation for actual pecuniary loss as provided in section 507(a)(8)(G) of the Bankruptcy Code.

Priority Tax Claims are Unimpaired. Under the Plan, Each Holder of an Allowed Priority Tax Claim shall, in full and final satisfaction of such Holder's Allowed Priority Tax Claim, be paid: (a) in Cash, in full, on the later of the: (i) Effective Date; and (ii) date such Priority Tax Claim becomes due and payable in the ordinary course of business, or (b) on such other terms and conditions as may be agreed upon between the Holder of such Allowed Priority Tax Claim and the Reorganized Debtor.

(c) *Class 1: SBKC Secured Claim*

The SBKC Secured Claim is defined in the Plan as the secured claims of SBKC against the Debtor pursuant to the Overland Park Loan Agreement, the Kansas City Loan Agreement, the Newark Loan Agreement, the June 2010 Loan Agreement, and the November 2009 Loan Agreement.

The SBKC Secured Claim is Impaired. SBKC shall, in full and final satisfaction of its Allowed SBKC Secured Claim, enter into the SBKC Loan Modification Agreement and retain its liens on the Kansas City Hotel, Newark Hotel and Overland Park Hotel, under existing

loan and security agreements provided that the interest rate shall be reduced from 6.75% to 6% with monthly payments to be based on a twenty year amortization schedule, but with the entire amount to be due at the currently scheduled maturity. SBKC shall enter into that Subordination and Intercreditor Agreement providing that SBKC shall consent to allow OneWest to place junior Liens upon the SBKC Hotels and shall consent to Membership Interests Assignment.

(d) *Class 2: CFNB Secured Claim*

The CFNB Secured Claim is defined in the Plan as the secured claims of CFNB against the Debtor pursuant to the Clive Loan Agreement.

The CFNB Secured Claim is Impaired. CFNB shall, in full and final satisfaction of its Allowed CFNB Secured Claim, retain its Liens on the Clive Hotel. The Debtor and CFNB shall execute the Clive Amendment which will extend the loan maturity for an additional twelve months. The Clive Amendment shall bear an interest rate of 7.25% through April 1, 2013 and shall increase to 8.25% thereafter. Debtor shall pay interest on the first day of each calendar month until the maturity date under The Clive Amendment. Notwithstanding, Debtor shall pay CFNB the full amount of its indebtedness set forth in The Clive Amendment on the date such sale between the Debtor and Buyer pursuant to that Clive Asset Purchase Agreement closes.

(e) *Class 3: OneWest Secured Claim*

The OneWest Secured Claim is defined in the Plan as the secured claims of OneWest against the Debtor pursuant to the OWB Prepetition Loan Documents.

The OneWest Secured Claim is Impaired. On the Effective Date, the OneWest Secured Claim shall be fully and finally allowed in accordance with the OWB Restructured Loan Documents and shall retain all of its prepetition Liens and security interests as provided for in the OWB Restructured Loan Documents and shall receive the new Liens and security interests provided for in the OWB Restructured Loan Documents, including without limitation, the junior Liens on the SBKC Hotels, the pledge of the Membership Interests, and any other Liens and security interests provided OWB Restructured Loan Documents.

(f) *Class 4: Samuel A. Hardage Secured Claim*

This class includes the Samuel A. Hardage Notes. The Samuel A. Hardage Notes shall be cancelled. Class 4 is Impaired.

(g) *Class 5: Other Secured Claims*

This class includes the Holders of a Mechanics' Lien Claim. Class 5 Secured Claims are Unimpaired. Each Holder of an Allowed Mechanics' Lien Claim shall, in full and final satisfaction of such Mechanics' Lien Claim, be paid either: (a) in Cash, in full, on the Effective Date; or (b) on such other terms and conditions as may be agreed upon between the Holder of such Allowed Mechanics' Lien Claim and the Reorganized Debtor.

(h) *Class 6: General Unsecured Claims*

A General Unsecured Claim is defined in the Plan as all Claims that are not Administrative Expense Claims, Professional Fee Claims, Priority Tax Claims, Priority Non-Tax Claims, the SBKC Secured Claim, the CFNB Secured Claim, the OneWest Secured Claim, the Samuel A. Hardage Secured Claim, or Miscellaneous Secured Claims.

General Unsecured Claims are Unimpaired. Each Holder of an Allowed General Unsecured Claim shall, in full and final satisfaction of such Allowed General Unsecured Claim, be paid in Cash, in full, on (a) the later of: (i) the Effective Date; and (ii) if such Unsecured Claim is Allowed after the Effective Date, the date upon which there is a Final Order allowing such Unsecured Claim; (b) such other terms as may exist in the ordinary course of the Debtor's business and in accordance with the terms and conditions of any agreement governing or document evidencing such Unsecured Claim; or (c) such terms and conditions as may be agreed upon between the Holder of such Unsecured Claim and the Debtor.

(i) *Class 7: Subordinated Claims*

This Class includes the Hardage Hospitality Unsecured Note and Insider Intercompany Claims. The claims in this class shall be cancelled. Holders of Class 7 Claims are Impaired.

(j) *Class 8: Membership Interests in the Debtor*

Membership Interests in the Debtor are Unimpaired. Holders of Membership Interests in the Debtor shall retain their Membership Interests in the Reorganized Debtor in exchange for the contribution of [\$] in cash to the Reorganized Debtor on the Effective Date.

C. Sale of the Chase Suite Hotel Located in Clive, Iowa

The Debtor intends to enter into the Clive Asset Purchase Agreement between it and Buyer providing for the sale of the Clive Hotel including all rights, title and interest of the Debtor in the furniture, furnishings, equipment, fixtures, machinery, signage, inventory, consumables and equipment utilized in the operation of the Clive Hotel; all computers, computer equipment and manuals and computer software, programs and data bases located on the Clive Hotel and used in connection with the operation of the Clive Hotel and all leases, contracts, licenses and other agreements incident to the operation of the Clive Hotel to the extent assignable. The purchase price shall be \$[]. The purchase price shall be payable as follows:

(a) \$50,000.00 as Clive Earnest Money to be deposited with Clive Escrow Agent within two (2) business days following the execution of the Clive Asset Purchase Agreement. The Clive Earnest Money shall be held by the Clive Escrow Agent in an interest bearing account for the account of the Buyer. At the conclusion of sixty (60) days following the execution of the Clive Asset Purchase Agreement, if the Buyer elects to proceed with the transaction, the Buyer shall deposit an additional \$50,000.00 with the Clive Escrow Agent as additional Clive Earnest Money. At closing, the total of the Clive Earnest Money and all

interest earned thereon shall be credited to the purchase price. \$[] in cash, wire transfer or certified check payable to the Debtor on the date of the closing of the sale.

(b) Debtor executed the Clive Asset Purchase Agreement on [] and anticipates the sale will close no later than []. The proceeds of the sale will first be applied to pay CFNB the full amount of its indebtedness set forth in the Clive Amendment. Excess proceeds will first be applied to pay the commission of three (3) percent of the gross sales price of the Clive Property earned by the Brokers, and then to the Debtor and OneWest (to reduce the principle amount of its indebtedness to OneWest) in equal amounts. The Debtor anticipates net proceeds to the Reorganized Debtor on the closing of the sale to equal to \$[].

D. Reservation of Rights Regarding Claims

Except to the extent that any Claim is Allowed during the Chapter 11 Case or expressly by the Plan or the Confirmation Order, nothing, including, but not limited to, the failure of the Debtor or the Reorganized Debtor (as applicable) to object to a Claim for any reason during the pendency of the Chapter 11 Case, shall affect, prejudice, diminish or impair the rights and legal and equitable defenses of the Debtor or the Reorganized Debtor (as applicable) with respect to any Claim, including, but not limited to, all rights of the Debtor or the Reorganized Debtor (as applicable) to contest or defend themselves against such Claims in any lawful manner or forum when and if such Claim is sought to be enforced by the Holder thereof.

E. Provisions Governing Distributions Under The Plan

1. Timing of Distributions

Except as specifically set forth in the Plan, distributions of Property will be made to Holders of Allowed Claims in accordance with Article III of the Plan. If a Claim is not an Allowed Claim as of the applicable distribution date, distributions will be made only if and when the Claim is Allowed, and then in accordance with Article III of the Plan and, with respect to the cure of defaults for assumed executory contracts and unexpired leases, Section 6.02 of the Plan, and in each case, subject to Article VIII of the Plan. Distributions to be made as of the Effective Date on account of Claims that are Allowed as of the Effective Date, and are entitled to receive distributions under the Plan, shall be made on the Effective Date or as soon as reasonably practicable thereafter.

2. Distributions to Holders of Allowed Claims

Except as otherwise provided therein, the Disbursing Agent shall make all distributions required under the Plan in a manner consistent with the Plan. Distributions to Holders of Allowed Claims will be made in accordance with Article III of the Plan. Payments and other distributions to be made pursuant to the Plan will be made by the Disbursing Agent, and will be available from assets and funds transferred to or otherwise held by the Disbursing Agent as of and after the Effective Date. If any dispute arises as to the identity of a Holder of an Allowed Claim who is to receive any distribution, the Disbursing Agent, the Debtor or the Reorganized Debtor shall, as appropriate and in lieu of making such distribution to such Holder, delay such distribution until the disposition thereof shall be determined by Final Order of the Bankruptcy Court or by written agreement among the interested parties to such dispute.

3. *Delivery of Distributions*

Except for distributions to Holders of the SBKC Secured Claim, the CFNB Secured Claim, and the OneWest Secured Claim, distributions to Holders of Allowed Claims shall be made by the Disbursing Agent: (a) at the last known addresses of such Holders; or (b) at the addresses set forth in any written notices of address changes delivered to the Reorganized Debtor or the Disbursing Agent. If any Holder's distribution is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Disbursing Agent is notified of such Holder's then current address, at which time all missed distributions shall be made to such Holder without interest.

4. *Method of Cash Distributions*

Any Cash payment to be made pursuant to the Plan may be made by Cash, draft, check, wire transfer or as otherwise required or provided in any relevant agreement or applicable law at the option of the Disbursing Agent.

5. *Failure to Negotiate Checks*

Checks issued in respect of distributions under the Plan shall be null and void if not negotiated within sixty (60) days after the date of issuance. Any amounts returned to the Disbursing Agent in respect of such non-negotiated checks shall be forwarded to (if necessary) and held by the Disbursing Agent. Requests for reissuance for any such check shall be made directly to the issuer of the check by the Holder of the Allowed Claim with respect to which such check originally was issued. All amounts represented by any voided check will be held until the earlier of: (a) one (1) month after the date on which the check is voided; or (b) the date on which the Bankruptcy Court enters the Final Decree, and all requests for reissuance by the Holder of the Allowed Claim in respect of a voided check are required to be made prior to such date. Thereafter, all such amounts shall be deemed to be Unclaimed Property, in accordance with Section 5.06 of the Plan, and all Holders of Claims in respect of void checks shall be forever barred, estopped and enjoined from asserting a claim to such funds in any manner against the Debtor or its assets, the Disbursing Agent or Reorganized Debtor.

6. *Unclaimed Distributions*

All Property distributed on account of Claims must be claimed prior to the date on which the Bankruptcy Court enters the Final Decree, or, in the case of a distribution made in the form of a check, must be negotiated and a request for reissuance be made as provided for in Section 5.05 of the Plan. All Unclaimed Property will be retained by and will vest in the Reorganized Debtor. All full or partial payments made by the Debtor and received by the Holder of a Claim prior to the Effective Date will be deemed to be payments under the Plan for purposes of satisfying the obligations of the Debtor or the Disbursing Agent pursuant to the Plan. Nothing contained in the Plan shall require the Debtor, the Disbursing Agent or Reorganized Debtor (as applicable) to attempt to locate any Holder of an Allowed Claim other than by reviewing the records of the Debtor and any Claims filed in the Chapter 11 Case. Pursuant to section 1143 of the Bankruptcy Code, all claims in respect of Unclaimed Property shall be deemed Disallowed and the Holder of any Claim Disallowed in accordance with Section 5.06 of the Plan will be

forever barred, expunged, estopped and enjoined from asserting such Claim in any manner against the Debtor or its assets, the Disbursing Agent or the Reorganized Debtor.

7. *Limitation on Distribution Rights*

If a claimant holds more than one Claim in any one Class, all Claims of the claimant in that Class will be aggregated into one Claim and one distribution will be made with respect to the aggregated Claim.

8. *Fractional Dollars*

Notwithstanding any other provision of the Plan, Cash distributions of fractions of dollars will not be made; rather, whenever any payment of a fraction of a dollar would be called for, the actual payment made shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded down. To the extent that Cash remains undistributed as a result of the rounding of such fraction to the nearest whole dollar, such Cash shall be treated as Unclaimed Property pursuant to Section 5.06 of the Plan.

9. *Compliance With Tax Requirements*

In connection with each distribution with respect to which the filing of an information return (such as an Internal Revenue Service Form 1099 or 1042) or withholding is required, the Debtor, the Disbursing Agent or the Reorganized Debtor, as appropriate, shall file such information return with the Internal Revenue Service and provide any required statements in connection therewith to the recipients of such distribution or effect any such withholding and deposit all moneys so withheld as required by law. With respect to any Person from whom a tax identification number, certified tax identification number or other tax information required by law to avoid withholding has not been received by the Debtor, the Disbursing Agent or the Reorganized Debtor within thirty (30) days from the date of such request, the Debtor, the Disbursing Agent or Reorganized Debtor may, at their or its option, withhold the amount required and distribute the balance to such Person or decline to make such distribution until the information is received.

10. *De Minimis Distributions*

No Cash payment of less than fifteen (\$15.00) dollars shall be made to any Holder of an Allowed Claim on account of such Allowed Claim.

F. Executory Contracts and Unexpired Leases

1. *Treatment of Executory Contracts and Unexpired Leases*

(a) All executory contracts and unexpired leases of the Debtor shall be deemed to be assumed by the Debtor and assigned to the Reorganized Debtor as of the Effective Date, except for any executory contract or unexpired lease that: (a) has previously been assumed and assigned or rejected pursuant to an order of the Bankruptcy Court on or prior to the Confirmation Date; or (b) is listed on the Schedule of Rejected Contracts; provided, however, that the Debtor shall have the right, at any time prior to the Confirmation Date, to amend the

Schedule of Rejected Contracts by filing an amended version of such schedule to provide for the assumption and assignment or rejection of an executory contract or unexpired lease pursuant to Section 6.01 of the Plan.

(b) The Confirmation Order (except as otherwise provided therein) shall constitute an order of the Bankruptcy Court pursuant to section 365 of the Bankruptcy Code, effective as of the Effective Date, approving the assumptions, assignments and rejections hereunder. Each contract and lease assumed pursuant to Section 6.01 of the Plan shall be assumed only to the extent that any such contract or lease constitutes an executory contract or unexpired lease. Assumption of a contract or lease pursuant to Section 6.01 of the Plan shall not constitute an admission by the Debtor or the Reorganized Debtor (as applicable) that such contract or lease is an executory contract or unexpired lease or that the Debtor or the Reorganized Debtor (as applicable) have any liability thereunder. All executory contracts and unexpired leases that are assumed will be assumed under their present terms or upon such terms as are agreed to in writing between the Debtor and the counterparty to such contract or lease.

2. *Cure with Respect to Assumed Contracts and Leases*

The Schedule of Assumed Contracts will identify, with respect to each executory contract and unexpired lease to be assumed and assigned, the relevant Cure Amount for each executory contract or unexpired lease. The Debtor will serve the Schedule of Assumed Contracts on the non-Debtor counterparties to each such executory contract or unexpired lease prior to the Confirmation Hearing. Each such counterparty shall have until the later of: (a) the date that is five (5) Business Days prior to the Confirmation Hearing; or (b) thirty (30) days from the date of service of the Schedule of Assumed Contracts to File an objection to the assumption and assignment of their executory contract or unexpired lease (whether the objection relates to the Cure Amount or otherwise). If any objections are Filed and cannot be resolved by agreement, the Bankruptcy Court shall hold a hearing to determine the Cure Amount with respect to such executory contract or unexpired lease or to otherwise resolve the objection. Any party failing to object to the assumption of their executory contract or unexpired lease as set forth above shall be forever barred from asserting, collecting or seeking to collect from the Reorganized Debtor any amounts in excess of the Cure Amount or from otherwise objecting to the assumption or assignment of such executory contract or unexpired lease. Notwithstanding the foregoing, or anything else in Article VI of the Plan, with respect to any executory contract or unexpired lease which is the subject of an objection, the Reorganized Debtor shall retain the right, until five (5) Business Days following any order resolving such objection having become a Final Order, to reject such executory contract or unexpired lease. Within thirty (30) days of the Effective Date, or as otherwise agreed with the counterparty to each executory contract or unexpired lease, the Reorganized Debtor shall pay the Cure Amounts to the non-Debtor parties to such executory contracts and unexpired leases being assumed.

3. *Bar Date for Claims for Rejection Damages*

Claims arising out of the rejection of any executory contract or unexpired lease pursuant to Article VI of the Plan must be Filed with the Bankruptcy Court no later than thirty (30) days after entry of the Confirmation Order. Any Claim not Filed within such time period shall be forever barred. The Debtor, the Reorganized Debtor, and the Disbursing Agent shall

have the right to object to any Claim arising out of the rejection of an executory contract or unexpired lease pursuant to the terms of Section 8.04 of the Plan.

4. *Treatment of Rejection Claims*

The Bankruptcy Court shall determine any objections Filed in accordance with Section 8.04 of the Plan at a hearing to be held on a date to be determined by the Bankruptcy Court. Subject to any statutory limitation, including, but not limited to the limitations contained in sections 502(b)(6) and 502(b)(7) of the Bankruptcy Code, any Claims arising out of the rejection of executory contracts and unexpired leases shall, pursuant to section 502(g) of the Bankruptcy Code, be Unimpaired and treated as Class 6 General Unsecured Claims in accordance with Section 3.08 of the Plan.

5. *Executory Contracts and Unexpired Leases Entered Into and Other Obligations Incurred After the Petition Date*

On the Effective Date, all contracts, leases, and other agreements entered into by the Debtor on or after the Petition Date, which agreements have not been terminated in accordance with their terms on or before the Effective Date, shall be deemed assumed and assigned to the Reorganized Debtor.

G. Means for Implementation of the Plan

1. *Corporate Action*

The entry of the Confirmation Order shall constitute authorization for the Debtor and the Reorganized Debtor to take all actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court.

2. *Entry Into New Financing Documents*

The entry of the Confirmation Order shall constitute authorization for the Debtor and the Reorganized Debtor to take or to cause to be taken all actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, including, but not limited to, the execution and delivery of the OWB Restructured Loan Documents, and to take all actions necessary to satisfy the conditions set forth in the OWB Restructured Loan Documents, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court.

3. *Operations Between Confirmation Date and Effective Date*

The Debtor shall continue to operate, subject to the supervision of the Bankruptcy Court, during the period from the Confirmation Date through and until the Effective Date.

4. *Revesting of Assets*

Except as otherwise expressly provided in the Plan, pursuant to sections 1123(a)(5), 1123(b)(3) and 1141(b) of the Bankruptcy Code, all Property comprising the Estate of the Debtor, including, but not limited to, all Avoidance Actions and all Causes of Action shall automatically be retained and revested in the Reorganized Debtor, free and clear of all Claims, Liens, contractually-imposed restrictions, charges, and encumbrances of Creditors on the Effective Date, except that such revesting shall not be free and clear of any of OneWest's Liens relating to the OWB Prepetition Loan Documents or any new Liens granted under the OWB Restructured Loan Documents. As of the Effective Date, the Reorganized Debtor may operate its business and use, acquire and dispose of Property and settle and compromise Claims without supervision of the Bankruptcy Court free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and Confirmation Order. Without limiting the foregoing, the Reorganized Debtor may pay the charges it incurs for professional fees, disbursements, expenses or related support services after the Effective Date without any application to the Bankruptcy Court.

5. *Change of Control*

The transactions contemplated under the Plan shall not be deemed or considered a change of control that would result in any acceleration, vesting or similar change of control rights under any agreements or arrangements triggered by the consummation of the Plan shall be waived or otherwise cancelled under the Plan.

6. *Post Effective Date Management*

On the Effective Date, the management, control and operation of the Reorganized Debtor shall be vested in the Manager, HSH I, Inc. which will appoint the following officers:

Samuel A. Hardage	President
Keith Hindenlang	Treasurer
Beth Chaney	Secretary

H. Preservation of Causes of Action and Right to Defend and Contest

1. *Preservation of Rights*

Except to the extent that any Claim is Allowed during the Chapter 11 Case or expressly by the Plan or the Confirmation Order, nothing, including, but not limited to, the failure of the Debtor or the Reorganized Debtor (as applicable) to object to a Claim for any reason during the pendency of the Chapter 11 Case, shall affect, prejudice, diminish or impair the rights and legal and equitable defenses of the Debtor or the Reorganized Debtor (as applicable) with respect to any Claim, including, but not limited to, all rights of the Debtor or the Reorganized Debtor (as applicable) to contest or defend themselves against such Claims in any lawful manner or forum when and if such Claim is sought to be enforced by the Holder thereof.

2. *Setoffs*

Except to the extent that any Claim is Allowed, the Debtor, the Disbursing Agent, or the Reorganized Debtor, may, but shall not be required to, set off against any Claims and the payments or distributions to be made pursuant to the Plan in respect of such Claims, any and all debts, liabilities, Causes of Action and claims of every type and nature whatsoever which the Estate, the Debtor, the Disbursing Agent or the Reorganized Debtor may have against such Creditors, but neither the failure to do so nor the allowance of any such Claims, whether pursuant to the Plan or otherwise, shall constitute a waiver or release by the Debtor, the Disbursing Agent or the Reorganized Debtor of any such claims or Causes of Action the Debtor, the Disbursing Agent or the Reorganized Debtor may have against such Creditors.

3. *No Payment or Distribution Pending Allowance*

All references to Claims and amounts of Claims refer to the amount of the Claim Allowed by agreement of the Debtor, the Reorganized Debtor, or the Disbursing Agent and the Holder of such Claim, by operation of law, by Final Order or by the Plan. Notwithstanding any other provision in the Plan, no payment or distribution shall be made on account of or with respect to any Claim to the extent it is a Disputed Claim unless and until the Disputed Claim becomes an Allowed Claim.

4. *Resolution of Disputed Claims*

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Reorganized Debtor shall have the right, on and after the Effective Date, to File objections to Claims (except those specifically Allowed by the Plan) and shall serve a copy of each such objection upon the Holder of the Claim to which the objection is made as soon as practicable, but in no event later than the applicable Claims Objection Deadline. The foregoing deadlines may be extended by order of the Bankruptcy Court. An objection to any Claim shall be deemed properly served on the Holder thereof if the Disbursing Agent or the Reorganized Debtor (as applicable) effects service in any of the following manners: (a) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004; (b) by first class mail, postage prepaid, on the signatory and at the address set forth on the proof of claim or other representative identified in the proof of claim or any attachment thereto; or (c) by first class mail, postage prepaid, on any counsel that has appeared on the Holder's behalf in the Chapter 11 Case.

I. Conditions to Consummation of the Plan

1. *Conditions to Effective Date*

The Plan shall not be consummated, and the Effective Date shall not occur, unless and until the following conditions have occurred or been duly waived (if waivable) pursuant to Section 9.02 of the Plan:

- (a) the Bankruptcy Court shall have approved the information contained in the Disclosure Statement as adequate;

- (b) the Confirmation Order shall have been entered and shall not be stayed by order of a court of competent jurisdiction and the Confirmation Order shall have become a Final Order;
- (c) the Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order) authorizing and directing the Debtor to take all actions necessary or appropriate to enter into, implement and consummate the documents created, amended, supplemented, modified or adopted in connection with the Plan;
- (d) all authorizations, consents and regulatory approvals required, if any, in connection with the Plan's effectiveness shall have been obtained;
- (e) no order of a court shall have been entered and shall remain in effect restraining the Debtor from consummating the Plan; and
- (f) all conditions precedent identified in the Own Prepetition Loan Agreement.

2. *Waiver of Conditions to Consummation*

The conditions to consummation in Section 9.01 of the Plan (other than Sections 9.01(a), (b), (e) and (f)) may be waived at any time by a writing signed by an authorized representative of the Debtor without notice or order of the Bankruptcy Court or any further action other than proceeding to consummation of the Plan.

3. *Effect of Failure or Absence of Waiver of Conditions Precedent to the Effective Date of the Plan*

In the event that one or more of the conditions specified in Section 9.01 of the Plan have not occurred (or been waived), upon notification submitted by the Debtor to the Bankruptcy Court: (a) the Confirmation Order, automatically and without further order of the Bankruptcy Court, shall be deemed, vacated, null and void and with no force or legal effect whatsoever; (b) no distributions under the Plan shall be made; (c) all Property of the Estate shall remain in the Debtor's Estate; (d) the Debtor and all Holders of Claims and Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Order had never been entered and Confirmation had not occurred; and (e) the Debtor's obligations with respect to the Claims and Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Interests by or against the Debtor or any other Person or Entity or to prejudice in any manner the rights of the Debtor or any Person or Entity in any further proceedings involving the Debtor.

J. Effects of Confirmation

1. *Discharge*

To the fullest extent permitted by applicable law (including, without limitation, section 105 of the Bankruptcy Code), and except as otherwise provided in the Plan or in the

Confirmation Order, all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims of any nature whatsoever against the Debtor or any of its assets or properties, regardless of whether any Property shall have been distributed or retained pursuant to the Plan on account of such Claims. To the fullest extent permitted by applicable law (including, without limitation, section 105 of the Bankruptcy Code), upon the Effective Date, and except as expressly contemplated in the Plan, the Debtor shall be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, debts (as such term is defined in section 101(12) of the Bankruptcy Code), Liens, security interests and encumbrances of and against all Property of the Estate or the Debtor that arose prior to the Effective Date, including, without limitation, all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not: (a) such Claim has been Allowed pursuant to section 502 of the Bankruptcy Code; or (b) the Holder of such Claim has voted to accept the Plan. Further, to the fullest extent under applicable law (including, without limitation, section 105 of the Bankruptcy Code), as of the Effective Date, all entities, including, without limitation, all Holders of Claims, shall be barred and enjoined from asserting against the Debtor, the Disbursing Agent or Reorganized Debtor, their Property or their successors or assigns any other or further Claims, debts, rights, Causes of Action, or liabilities relating to the Debtor based upon any act, omission, transaction or other activity of any nature that occurred prior to the Effective Date, except for those obligations expressly created by, or reserved in, the Plan. In accordance with the foregoing, to the fullest extent permitted by applicable law (including, without limitation, section 105 of the Bankruptcy Code), except as provided in the Plan or the Confirmation Order, the Confirmation Order shall be a judicial determination of discharge of all such Claims and other debts and liabilities against the Debtor, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge and termination shall void any judgment obtained against the Debtor, the Disbursing Agent or the Reorganized Debtor at any time, to the extent that such judgment relates to a discharged Claim. Such discharge shall not, however, discharge the Debtor from any obligations under the OWB Prepetition Loan Documents as amended, restated, and consolidated by the OWB Restructured Loan Documents.

2. *Injunction*

(a) *Discharged Claims.* Except as otherwise provided for in the Plan or the Confirmation Order, and to the fullest extent authorized or provided by the Bankruptcy Code, including sections 524 and 1141 thereof, the entry of the Confirmation Order shall, provided that the Effective Date occurs, permanently enjoin all Persons that have held, currently hold or may hold a Claim or other debt or liability that is discharged from taking any of the following actions against the Debtor, the Disbursing Agent or the Reorganized Debtor, or the Property of any of the foregoing on account of any such discharged Claims, debts or liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or enforcing in any manner, directly or indirectly, any Lien or encumbrance of any kind; (iv) asserting any setoff, offset, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtor; and (v) proceeding in any manner in any place whatsoever, including employing any process, that

does not conform to or comply with or is inconsistent with the provisions of the Plan. The Plan shall not, however, enjoin OneWest's rights under or relating to the OWB Restructured Loan Documents.

(b) *Released Claims.* As of the Effective Date, and except as otherwise provided for in the Plan or in the OWB Restructured Loan Documents, the Confirmation Order shall constitute an injunction permanently enjoining any Person that has held, currently holds or may hold a Claim, demand, debt, right, Cause of Action or liability that is released pursuant to Section 10.04 of the Plan from enforcing or attempting to enforce any such Claim, demand, debt, right, Cause of Action or liability against any Releasee, the Disbursing Agent or any of their respective Property, based on, arising from or relating to, in whole or in part, any act, omission or other occurrence taking place on or prior to the Effective Date with respect to or in any way relating to the Chapter 11 Case, all of which claims, demands, debts, rights, Causes of Action or liabilities shall be deemed released on and as of the Effective Date; provided, however, that this injunction shall not apply to: (i) any Claims that Creditors may assert under the Plan to enforce their rights thereunder, to the extent permitted by the Bankruptcy Code; or (ii) any claims Creditors or other third parties may have against each other, which Claims are not related to the Debtor, it being understood, however, that any defenses, offsets or counterclaims of any kind or nature whatsoever that the Debtor may have or assert in respect of any of the claims of the type described in (i) or (ii) of this proviso are fully preserved.

3. *Exculpation*

Except as otherwise provided in the Plan or the OWB Restructured Loan Documents, neither the Disbursing Agent nor any Releasee shall have or incur any liability to any Person, including, without limitation, any Holder of a Claim or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or Affiliates or any of their successors or assigns, for any act taken or omission made in connection with, relating to, or arising out of, the Chapter 11 Case, Filing, negotiating, prosecuting, administering, formulating, implementing, confirming or consummating the Plan, or the Property to be distributed under the Plan, including all activities leading to the promulgation and confirmation of the Plan, this Disclosure Statement (including any information provided or statement made in the Disclosure Statement or omitted herefrom), or any contract, instrument, release or other agreement or document created in connection with or related to the Plan or the administration of the Debtor or the Chapter 11 Case; provided, however, that the foregoing exculpation shall not apply to any act of gross negligence or willful misconduct.

4. *Releases*

(a) *Releases by Debtor.* Effective as of the Effective Date, and except as otherwise provided in the Plan, the OWB Restructured Loan Documents or the Confirmation Order, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtor, in its individual capacity and as debtor in possession, will be deemed to have forever released, waived and discharged: (i) the Prepetition Secured Parties, collectively and individually, and their respective current and former officers, directors, employees, agents, stockholders, managers, members, Affiliates, partners, attorneys, advisors and professionals; and (ii) procurement, from any and all claims, obligations, suits, judgments, damages, demands,

debts, rights, Causes of Action and liabilities (other than the rights of the Debtor or the Disbursing Agent to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws or otherwise, 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 part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by the Debtor, taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Case or the Plan.

(b) *Releases by Holders of Claims and Interests.* Effective as of the Effective Date, and except as otherwise provided in the Plan, the OWB Restructured Loan Documents, or the Confirmation Order, to the fullest extent permitted under applicable law, in consideration for the obligations of the Persons set forth below under the Plan and, if applicable, the Cash, contracts, releases and other agreements or documents to be delivered in connection with the Plan, each Holder of a Claim or Interest who votes or is deemed to have voted in favor of the Plan, and any Affiliate of any such Holder (as well as any trustee or agent on behalf of each such Holder) shall be deemed to have forever waived, released and discharged the Releasees and the Disbursing Agent from any and all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtor to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws or otherwise, 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 part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by the Debtor, taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Case or the Plan.

5. *Other Documents and Actions*

The Debtor is authorized to execute such documents and take such other action as is necessary to effectuate the transactions provided for in the Plan.

6. *Term of Stays*

Unless otherwise provided herein or in the Confirmation Order, any stays provided for in the Chapter 11 Case under sections 105(a) or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

7. *Preservation of Insurance*

Except as necessary to be consistent with the Plan, the Plan and the discharge provided herein shall not diminish or impair the enforceability of insurance policies that may cover Claims against the Debtor or any other Person or Entity, including self-insurance programs.

8. *Guaranties*

Except as set forth in the Plan, notwithstanding the existence of guaranties by the Debtor of obligations of any Entity or Entities, and the Debtor's joint obligations with another Entity or Entities with respect to the same obligations, all Claims against the Debtor based upon any such guaranties shall be satisfied, discharged and released in the manner provided in the Plan and the Holders of Claims shall be entitled to only one distribution with respect to any given obligation of the Debtor.

9. *Subordination Rights*

Except as set forth in the Plan, any distributions under the Plan shall be received and retained free of and from any obligations to hold or transfer the same to any other Creditor, and shall not be subject to levy, garnishment, attachment or other legal process by any Holder by reason of claimed contractual subordination rights, which rights shall be waived and the Confirmation Order shall constitute an injunction enjoining any Person from enforcing or attempting to enforce any contractual, legal or equitable subordination rights to Property distributed under the Plan, in each.

10. *No Successor Liability*

Except as otherwise expressly provided in the Plan, the Debtor, its Affiliates, the Disbursing Agent, and the Reorganized Debtor do not, pursuant to the Plan or otherwise, assume, agree to perform, pay or indemnify, or otherwise have any responsibilities for any liabilities or obligations of the Debtor or any other party relating to or arising out of the operations of or assets of the Debtor, whether arising prior to, on, or after the Effective Date. The Disbursing Agent and the Reorganized Debtor are not, and shall not be, successors to the Debtor by reason of any theory of law or equity, and none shall have any successor or transferee liability of any kind or character, except that the Disbursing Agent and the Reorganized Debtor shall assume the obligations specified in the Plan and the Confirmation Order.

K. Retention of Jurisdiction

1. *Exclusive Jurisdiction of Bankruptcy Court*

Except as set for the Plan, including without limitation the OWB Loan Documents, notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain after the Effective Date exclusive jurisdiction of all matters arising out of, arising in or related to the Chapter 11 Case to the fullest extent permitted by applicable law, including, without limitation, jurisdiction to:

- (a) classify or establish the priority or secured or unsecured status of any Claim (whether Filed before or after the Effective Date and whether or not contingent, Disputed or unliquidated) or resolve any dispute as to the treatment of any Claim pursuant to the Plan;
- (b) grant or deny any applications for allowance of compensation or reimbursement of expenses pursuant to sections 330, 331, or 503(b) of the

Bankruptcy Code, or otherwise provided for in the Plan, for periods ending on or before the Effective Date;

- (c) determine and resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which the Debtor is a party or with respect to which the Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;
- (d) ensure that all payments due under the Plan and performance of the provisions of the Plan are accomplished as provided herein and resolve any issues relating to distributions to Holders of Allowed Claims pursuant to the provisions of the Plan;
- (e) construe, take any action and issue such orders, prior to and following the Confirmation Date and consistent with section 1142 of the Bankruptcy Code, as may be necessary for the enforcement, implementation, execution and consummation of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan, including, without limitation, the Disclosure Statement and the Confirmation Order, for the maintenance of the integrity of the Plan and protection of the Disbursing Agent in accordance with sections 524 and 1141 of the Bankruptcy Code following consummation;
- (f) determine and resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, implementation or enforcement of the Plan (and all Exhibits to the Plan) or the Confirmation Order, including the indemnification and injunction provisions set forth in and contemplated by the Plan or the Confirmation Order, or any Entity's rights arising under or obligations incurred in connection therewith;
- (g) hear any application of the Reorganized Debtor to modify the Plan after the Effective Date, pursuant to section 1127 of the Bankruptcy Code and Section 12.04 of the Plan, or modify the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created 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, indenture or other agreement or document 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, to the extent authorized by the Bankruptcy Code and the Plan;

- (h) issue injunctions, 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;
- (i) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
- (j) determine any other matters that may arise in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, except as otherwise provided in the Plan.
- (k) determine such other matters and for such other purposes as may be provided in the Confirmation Order;
- (l) hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code;
- (m) hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;
- (n) enter a Final Decree closing the Chapter 11 Case;
- (o) determine and resolve any and all controversies relating to the rights and obligations of the Disbursing Agent in connection with the Chapter 11 Case;
- (p) allow, disallow, determine, liquidate or estimate any Claim, including the compromise, settlement and resolution of any request for payment of any Claim, the resolution of any Objections to the allowance of Claims and to hear and determine any other issue presented hereby or arising hereunder, including during the pendency of any appeal relating to any Objection to such Claim (to the extent permitted under applicable law);
- (q) permit the Debtor (and the Reorganized Debtor, to the extent provided for in the Plan) to recover all of the Debtor's assets and Property of the Estate wherever located;
- (r) hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes, tax benefits and similar or related matters with respect to the Debtor or the Estate arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Case, including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

- (s) hear and determine any motions, applications, adversary proceedings, contested matters and other litigated matters pending on, Filed or commenced after the Effective Date that may be commenced by the Reorganized Debtor thereafter, including Avoidance Actions, proceedings with respect to the rights of the Reorganized Debtor to recover Property under sections 542, 543 or 553 of the Bankruptcy Code, or proceedings to otherwise collect to recover on account of any claim or Cause of Action that the Debtor may have had; and
- (t) hear any other matter not inconsistent with the Bankruptcy Code.

Notwithstanding the foregoing, upon the occurrence of the Effective Date and the final execution of the OWB Restructured Loan Documents, OneWest shall have the right to enforce the OWB Restructured Loan Documents in state court in accordance with their provisions and applicable law.

2. *Failure of Bankruptcy Court to Exercise Jurisdiction*

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Debtor, including with respect to the matters set forth above in Section 11.01 of the Plan, Article XI of the Plan shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

L. Miscellaneous Provisions

1. *Binding Effect of Plan*

The provisions of the Plan shall be binding upon and inure to the benefit of the Debtor, the Estate, the Disbursing Agent, Reorganized Debtor, the Prepetition Secured Parties, any Holder of any Claim or Interest treated herein or any Person named or referred to in the Plan, and each of their respective heirs, executors, administrators, representatives, predecessors, successors, assigns, agents, officers and directors, and, to the fullest extent permitted under the Bankruptcy Code and other applicable law, each other Person affected by the Plan.

2. *Withdrawal of the Plan*

The Debtor reserves the right, at any time prior to Confirmation of the Plan to withdraw the Plan. If the Plan is withdrawn, the Plan shall be null and void and have no force and effect. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor.

3. *Final Order*

Except as otherwise expressly provided in the Plan, any requirement in the Plan for a Final Order may be waived by the Debtor or, after the Effective Date, the Disbursing Agent and the Reorganized Debtor upon written notice to the Bankruptcy Court. No such waiver shall

prejudice the right of any party in interest to seek a stay pending appeal of any order that is not a Final Order

4. *Modification of the Plan*

The Debtor may alter, amend or modify the Plan in accordance with section 1127 of the Bankruptcy Code or as otherwise permitted at any time prior to the Confirmation Date. After the Confirmation Date and prior to the substantial consummation of the Plan, and in accordance with the provisions of section 1127(b) of the Bankruptcy Code and the Bankruptcy Rules, the Debtor may, so long as the treatment of Holders of Claims or Interests under the Plan is not adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, prior notice of such proceedings shall be served in accordance with Bankruptcy Rules 2002 and 9014.

5. *Business Days*

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

6. *Severability*

Should the Bankruptcy Court determine, prior to the Confirmation Date, that any provision of the Plan is either illegal on its face or illegal as applied to any Claim or Interest, such provision shall be unenforceable as to all Holders of Claims or Interests or to the specific Holder of such Claim or Interest, as the case may be, as to which such provision is illegal. Unless otherwise determined by the Bankruptcy Court, such a determination of unenforceability shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan. The Debtor reserves the right not to proceed with Confirmation or consummation of the Plan if any such ruling occurs.

7. *Governing Law*

EXCEPT TO THE EXTENT THAT THE BANKRUPTCY CODE, BANKRUPTCY RULES OR OTHER FEDERAL LAWS ARE APPLICABLE, AND EXCEPT AS OTHERWISE PROVIDED IN THE PROVISIONS OF ANY CONTRACT, INSTRUMENT, RELEASE, INDENTURE OR OTHER AGREEMENT OR DOCUMENT ENTERED INTO IN CONNECTION WITH THE PLAN, THE CONSTRUCTION, IMPLEMENTATION AND ENFORCEMENT OF THE PLAN AND ALL RIGHTS AND OBLIGATIONS ARISING UNDER THE PLAN SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO CONFLICTS-OF-LAW PRINCIPLES THAT WOULD APPLY THE LAW OF A JURISDICTION OTHER THAN THE STATE OF TEXAS.

8. *Dissolution of Committee*

On the Effective Date, any statutory committee that has been established shall be automatically dissolved and all of its members, Professionals and agents shall be deemed released of their duties responsibilities, and obligations, and shall be without further duties, responsibilities and authority in connection with the Debtor, the Chapter 11 Case, the Plan or its implementation.

9. *Payment of Statutory Fees*

All U.S. Trustee's Fee Claims, as determined, if necessary, by the Bankruptcy Court at the hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid on or before the Effective Date by the Reorganized Debtor.

10. *Post-Confirmation Operating Reports*

The Disbursing Agent shall file quarterly operating reports as required by the United States Trustee until such time as a Final Decree or other order is entered under section 350(a) of the Bankruptcy Code closing the Bankruptcy Cases.

11. *Notices*

Any notice required or permitted to be provided under the Plan to the Debtor, or any request for information with respect to the Plan, shall be in writing and served by either: (a) certified mail, return receipt requested, postage prepaid; (b) hand delivery; or (c) reputable overnight delivery service, freight prepaid, to be addressed as follows:

Haynes and Boone, LLP
Attn: Trey Monsour, Esq. and Mark Elmore, Esq.,
2323 Victory Avenue,
Suite 700
Dallas, Texas 75219

12. *Filing of Additional Documents*

On or before substantial consummation of the Plan, the Debtor shall issue, execute, deliver, and File with the Bankruptcy Court or record any agreements and other documents, and take any action as may be necessary or appropriate to effectuate, consummate and further evidence the terms and conditions of the Plan.

13. *Section 1125 of the Bankruptcy Code*

The Debtor has, and upon Confirmation of the Plan shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code. The Debtor (and each of its Affiliates, officers, directors, employees, consultants, agents, advisors, members, attorneys, accountants, financial advisors, other representatives and Professionals) have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer, issuance, sale, solicitation and/or purchase of the securities offered and sold under the Plan, and are not, and on account of such offer, issuance, sale, solicitation and/or purchase will not be liable at any time for the violation of

any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale, solicitation and/or purchase of the securities offered and sold under the Plan.

14. *Section 1146 Exemption*

To the fullest extent permitted under section 1146(a) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, if any, or the execution, delivery or recording of an instrument of transfer under the Plan, or the revesting, transfer or sale of any real or other Property of or to the Reorganized Debtor or the Disbursing Agent, shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, mortgage recording tax, intangible tax or similar tax.

15. *Section 1145 Exemption*

To the fullest extent permitted under section 1145 of the Bankruptcy Code, the issuance of any interests in the Reorganized Debtor on or around the Effective Date shall be exempt from the registration requirements of Section 5 of the Securities Act and any and all federal, state and local laws requiring the registration or licensing of an issuer, underwriter, broker or dealer in such securities.

16. *Time*

Unless otherwise specified herein, in computing any period of time prescribed or allowed by the Plan, the day of the act or event from which the designated period begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day, in which event the period runs until the end of next succeeding day that is a Business Day. Otherwise, the provisions of Bankruptcy Rule 9006 shall apply.

17. *No Attorneys' Fees*

No attorneys' fees will be paid by the Debtor with respect to any Claim or Interest, except as expressly specified herein or by order of the Bankruptcy Court.

18. *No Injunctive Relief*

No Claim shall under any circumstances be entitled to specific performance or other injunctive, equitable or other prospective relief.

19. *No Admissions or Waivers*

Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed an admission or waiver by the Debtor with respect to any matter set forth herein,

including, without limitation, liability on any Claim or Interest or the propriety of any classification of any Claim or Interest.

20. *Entire Agreement*

The Plan (and all Exhibits to the Plan) sets forth the entire agreement and undertakings relating to the subject matter hereof and supersedes all prior discussions and documents. The Debtor shall not be bound by any terms, conditions, definitions, warranties, understandings or representations with respect to the subject matter hereof, other than as expressly provided for herein or as may hereafter be agreed to by the parties in writing.

21. *Waiver*

The Debtor reserves the right to waive any provision of the Plan to the extent such provision is for the sole benefit of the Debtor.

22. *Bar Date for Professionals*

All Professionals asserting Professional Fee Claims shall file and serve on counsel for the Reorganized Debtor, the Prepetition Secured Parties, the United States Trustee and any other party specifically requesting a copy in writing, an application for its Professional Fee Claim no later than forty-five (45) days after the Effective Date. Any interested party desiring to object to any Professional Fee Claim must file and serve its Objection on the Reorganized Debtor, the Prepetition Secured Parties, the United States Trustee and the Professional to whose application the Objection is addressed no later than sixty (60) days after the Effective Date

VII. CERTAIN RISK FACTORS TO BE CONSIDERED

A. General Considerations

The Plan sets forth the means for satisfying the Claims against and Interests in the Debtor.

Reorganization of the Debtor's business and operations under the proposed Plan avoids the potentially adverse impact of a liquidation on the Debtor's customers, suppliers, employees, communities and other stakeholders.

The financial information contained in this Disclosure Statement has been prepared by the Debtor and its advisors. The Debtor has made a good faith effort to correctly present the financial information and believes that the financial information is true and accurate but cannot represent and warrant that the financial information is without any inaccuracies.

B. Certain Bankruptcy Considerations

Even if Impaired Classes entitled to vote on the Plan vote in favor of the Plan, the Bankruptcy Court may choose not to confirm the Plan. Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtor (see Section X.A.) and

that the value of distributions to dissenting Holders of Claims and Interests will not be less than the value such Holders would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code (see Section X.D.). Although the Debtor believes that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion. See Appendix C for a liquidation analysis of the Debtor.

If a liquidation or protracted reorganization were to occur, there is a significant risk that the value of the Debtor's enterprise value would be substantially eroded to the detriment of all stakeholders.

The Debtor's future results are dependent upon the successful confirmation and implementation of a plan of reorganization. Failure to obtain this approval in a timely manner could adversely affect the Debtor's operating results, as the Debtor's relations with its customers and suppliers may be harmed by protracted bankruptcy proceedings. Furthermore, the Debtor cannot predict the ultimate amount of all the Debtor's liabilities that will be subject to a plan of reorganization. Once a plan of reorganization is approved and implemented, the Debtor's operating results may be adversely affected by the possible reluctance of prospective lenders, customers and suppliers to do business with a company that recently emerged from bankruptcy proceedings.

C. Claims Estimations

There can be no assurance that any estimated Claim amounts set forth in this Disclosure Statement are correct. The actual Allowed amount of Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, the actual Allowed amount of Claims may vary from those estimated herein.

D. Conditions Precedent to Consummation

The Plan provides for certain conditions that must be satisfied (or waived) prior to confirmation of the Plan and for certain other conditions that must be satisfied (or waived) prior to the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed.

E. Inherent Uncertainty of Financial Projections

The Projections have been prepared by the Debtor in consultation with its financial advisor and cover the projected operations of the successor to the Debtor through fiscal year [_____]. These Projections are based on numerous assumptions that are an integral part of the Projections, including confirmation and consummation of the Plan in accordance with its terms, realization of the operating strategy of the Debtor, industry performance, no material adverse changes in applicable regulations, or the administration thereof, or regulations, exchange rates or generally accepted accounting principles, general business and economic conditions, competition, retention of key management and other key employees, absence of material

contingent or unliquidated litigation, indemnity or other claims, and other matters. Certain additional material assumptions are disclosed on Appendix B, and the Projections should be read in conjunction with these assumptions.

To the extent that the assumptions inherent in the Projections are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and are based on assumptions considered reasonable by the Debtor, the assumptions and estimates underlying the Projections are subject to business, economic and competitive uncertainties and contingencies. Accordingly, the Projections are only the Debtor's educated, good faith estimates and are necessarily contingent in nature. It can be expected that some or all of the assumptions in the Projections will not be realized and that actual results will vary from the Projections, which variations may be material and may increase over time. The projected financial information contained herein should not be regarded as a guaranty by the Debtor, its respective advisors or any other Person that the Projections can or will be achieved. However, the Debtor believes that the Projections are credible and that there is a reasonable likelihood that the results set forth in the Projections can be achieved. In connection with Confirmation of the Plan, the Debtor anticipates that it will successfully demonstrate that the Plan is feasible and Confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor.

F. Competition

The high degree of competition in the Debtor's business and the potential for new competitors to enter into those business could cause actual results to differ from those expected by the Debtor.

G. Seasonality

There are seasonal trends in the Debtor's industry. There can be no assurance that seasonal market conditions relating to the Debtor's services will not impair the Debtor's future financial performance.

H. Litigation

The Reorganized Debtor may be subject to various claims and legal actions arising in the ordinary course of its business. The Debtor is not able to predict the nature and extent of any such claims and actions and cannot guarantee that the ultimate resolution of such claims and actions will not have a material adverse effect on the Reorganized Debtor.

I. Certain Tax Considerations

There are a number of income tax considerations, risks and uncertainties associated with consummation of the Plan. The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. No assurance can be given that legislative or administrative changes or court decisions will not be forthcoming which would require significant modification of the statements in this section. No ruling has been requested from the IRS or an opinion of counsel with respect to any tax aspects of the Plan. Therefore, no assurance can be given as to the position the IRS will take on the tax consequences of the

transactions that are to occur in accordance with the Plan. An interested party should consult counsel or a tax advisor on any questions or concerns regarding certain U.S. federal income tax consequences of the transactions proposed by the Plan and to Holders of Claims who are entitled to vote to accept or reject the Plan.

VIII. FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

A. Feasibility of the Plan

In connection with confirmation of the Plan, the Bankruptcy Court will be required to determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code, which means that the confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor.

To support their belief in the feasibility of the Plan, the Debtor has prepared and relied upon the Projections.

The Plan proposes a reorganization of the Debtor's assets and liabilities. By the Plan, the Debtor will be significantly deleveraged by a significant reduction of its secured obligations. Further, the Debtor believes that the Projections indicate that the Reorganized Debtor should have sufficient cash flow to fund its operations. Accordingly, the Debtor believes that the Plan complies with the financial feasibility standard of section 1129(a)(11) of the Bankruptcy Code.

The Projections were developed by the financial advisor to the Debtor. The Projections are based on the Debtor's and its advisors' knowledge of the Debtor's business and by reference to publicly available projections for industry revenue growth.

The Projections, however, are based upon numerous assumptions that are an integral part of the Projections, including, without limitation, confirmation and consummation of the Plan in accordance with its terms, industry performance, no material adverse changes in applicable legislation or regulations, or the administration thereof, exchange rates or generally accepted accounting principles, general business and economic conditions, competition, absence of material contingent or unliquidated litigation, indemnity or other claims, and other matters. To the extent that the assumptions inherent in the Projections are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and the assumptions on which they are based are considered reasonable by the Debtor, the assumptions and estimates underlying the Projections are subject to business, economic and competitive uncertainties and contingencies. Accordingly, the Projections are only an educated, good faith estimate and are necessarily contingent in nature. It can be expected that some or all of the assumptions in the Projections will not be realized and that actual results will vary from the Projections, which variations may be material and may be adverse. The Projections should therefore not be regarded as a guaranty by the Debtor or any other Person that the results set forth in the Projections will be achieved. In light of the foregoing, readers are cautioned not to place undue reliance on the Projections. The projected financial information contained herein and in the Projections should not be regarded as a representation or warranty by the Debtor, its advisors or any other Person that the Projections can

or will be achieved. The Projections should be read together with the assumptions set forth in the Projections and information in Article VII of this Disclosure Statement entitled "Certain Risk Factors to be Considered," which sets forth important factors that could cause actual results to differ from those in the Projections. The Debtor, however, believes that the Projections are credible and that there is a reasonable likelihood that the results set forth in the Projections can be achieved.

The Debtor does not intend to update or otherwise revise the Projections, including any revisions to reflect events or circumstances existing or arising after the date of the Projections or to reflect the occurrence of unanticipated events, even if any or all of the underlying assumptions do not come to fruition. Furthermore, the Debtor does not intend to update or revise the Projections to reflect changes in general economic or industry conditions.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: This Disclosure Statement and the financial projections contained herein and in the Projections include "forward-looking statements" within the meaning of section 27A of the Securities Act and section 21E of the Exchange Act. All statements other than statements of historical fact included in this Disclosure Statement are forward-looking statements, including, without limitation, financial projections, the statements, and the underlying assumptions, regarding the timing of, completion of and scope of the current restructuring, the Plan, debt and equity market conditions, the cyclical nature of the Debtor's industry, current and future industry conditions, the potential effects of such matters on the Debtor's business strategy, results of operations or financial position, and the adequacy of the Reorganizing Debtor's liquidity. The forward-looking statements are based upon current information and expectations. Estimates, forecasts and other statements contained in or implied by the forward-looking statements speak only as of the date on which they are made, are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to evaluate and predict. Although the Debtor believes that the expectations reflected in the forward-looking statements are reasonable, parties are cautioned that any such forward-looking statements are not guarantees of future performance, and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Certain important factors that could cause actual results to differ materially from the Debtor's expectations or what is expressed, implied or forecasted by or in the forward-looking statements include developments in the Chapter 11 Case, adverse developments in the timing or results of the Debtor's business plan (including the time line to emerge from chapter 11), the timing and extent of changes in economic conditions, industry capacity and operating rates, the supply-demand balance for the Debtor's services, competitive services and pricing pressures, federal and state regulatory developments, the Debtor's financial leverage, motions filed or actions taken in connection with the bankruptcy proceedings, the availability of skilled personnel, the Debtor's ability to attract or retain high quality employees and operating hazards attendant to the industry. Additional factors that could cause actual results to differ materially from the Projections or what is expressed, implied or forecasted by or in the forward-looking statements are stated herein in cautionary statements made in conjunction with the forward-looking statements or are included elsewhere in this Disclosure Statement.

B. Acceptance of the Plan

As a condition to Confirmation, the Bankruptcy Code requires that each Class of Impaired Claims entitled to vote must accept the Plan.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan.

C. Best Interests Test

As noted above even if a plan is accepted by each class of claims and interests, the Bankruptcy Code requires a bankruptcy court to determine that the plan is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The “best interests” test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to holders of each impaired class of claims and interests if the debtor were liquidated under chapter 7, a bankruptcy court must first determine the aggregate dollar amount that would be generated from the debtor’s assets if its chapter 11 case were converted to a chapter 7 case under the Bankruptcy Code. This “liquidation value” would consist primarily of the proceeds from a forced sale of the debtor’s assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 case and the Chapter 11 Case. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid administrative expenses incurred by the Debtor in the chapter 11 case that are allowed in the chapter 7 case, litigation costs and claims arising from the operations of the debtor during the pendency of the chapter 11 case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity security interests. The liquidation would also prompt the rejection of a large number of executory contracts and unexpired leases and thereby significantly enlarge the total pool of unsecured claims by reason of resulting rejection damages claims.

Once the bankruptcy court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. If

such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under the plan, then the plan is not in the best interests of creditors and equity security holders.

D. Liquidation Analysis

For purposes of the best interests test, in order to determine the amount of liquidation value available to Creditors, the Debtor, with the assistance of its financial advisor, prepared the Liquidation Analysis, which concludes that, other than the Prepetition Secured Parties, no Holders of prepetition Claims would receive any recovery whatsoever. In the event of an orderly liquidation of the Debtor's assets in chapter 7, the aggregate deficit to be realized by the Debtor's Estate would be between \$(14,336.00) and \$(11,686.00). In either event, all such value would be distributed to Holders of Allowed Claims of the Prepetition Secured Creditors, and no other Holder of a Claim or Interest, including unpaid Administrative Expense Claims incurred during the administration of the Chapter 11 Case, would receive a distribution.

The Debtor believes that any liquidation analysis with respect to the Debtor is inherently speculative. The Liquidation Analysis for the Debtor necessarily contains estimates of the net proceeds that would be received from a forced or orderly sale of assets, as well as the amount of Claims that would ultimately become Allowed Claims. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected amounts of Allowed Claims set forth in the Liquidation Analysis. In preparing the Liquidation Analysis, the Debtor has projected an amount of Allowed Claims that represents its best estimate of what Claims would be Allowed by the Bankruptcy Court. The estimate of the amount of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan. The Debtor believes that the financial disclosures and Projections contained herein imply a greater recovery to Holders of all Claims in all Classes than the recovery available in a chapter 7 liquidation. Accordingly, the Debtor believes that the "best interests" test of section 1129 of the Bankruptcy Code is satisfied

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtor believes that the Plan affords Holders of all Claims in all Classes the potential for the greatest realization on the Debtor's assets and, therefore, is in the best interests of such Holders. If, however, the requisite acceptances are not received, or the Plan is not confirmed and consummated, the alternatives include: (a) formulation of an alternative plan or plans of reorganization; or (b) liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

A. Liquidation Under Chapter 7

If no plan is confirmed, the Debtor's case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict with certainty how the proceeds of the liquidation would be distributed to the respective Holders of Claims against or Interests in the Debtor.

However, because the Prepetition Secured Parties have first priority perfected liens on substantially all assets to be liquidated, it is possible that nothing will be distributed to any other Class of Claims or Interests.

The Debtor believes that a liquidation under chapter 7 would cause a substantial diminution in the Debtor's Estate given the substantial premium in the enterprise value of their business over the liquidation value of their assets, and the additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees. The assets available for distribution to Creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, arising by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtor's assets. More importantly, conversion to a chapter 7 liquidation would likely result in the immediate cessation of the Debtor's business, as most chapter 7 trustees are disinclined to continue operations.

X. THE SOLICITATION; VOTING PROCEDURES

A. Parties in Interest Entitled to Vote

In general, a holder of a claim or interest may vote to accept or to reject a plan if: (i) the claim or interest is "allowed," which means generally that no party in interest has objected to such claim or interest; and (ii) the claim or interest is "impaired" by the plan but entitled to receive or retain property under the plan.

Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless: (i) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitles the holder thereof; or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan and, accordingly, holders of such claims and interests do not actually vote on the plan. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan.

B. Solicitation Order

Upon approval of this Disclosure Statement, the Bankruptcy Court will enter an order that, among other things, determines the dates, procedures and forms applicable to the process of soliciting votes on the Plan and establishes certain procedures with respect to the tabulation of such votes (the "Solicitation Order"). Parties in interest may obtain a copy of the Solicitation Order through the Bankruptcy Court's electronic case filing system, available at <https://ecf.txwb.uscourts.gov/>, or by making written request upon the Voting Agent.

C. Waivers of Defects, Irregularities, Etc.

All questions with respect to the validity, form, eligibility (including time of receipt), acceptance and revocation or withdrawal of ballots will be determined by the Bankruptcy Court. As indicated below under “Withdrawal of Ballots; Revocation,” effective withdrawals of ballots must be delivered to the Voting Agent prior to the Voting Deadline. The Debtor reserves the absolute right to contest the validity of any such withdrawal. The Debtor also reserves the right to seek rejection of any and all ballots not in proper form. The Debtor further reserves the right to seek waiver of any defects or irregularities or conditions of delivery as to any particular ballot. Neither the Debtor nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of ballots nor will any of them incur any liabilities for failure to provide such notification. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) may be invalidated by the Bankruptcy Court.

D. Withdrawal of Ballots; Revocation

Any party who has delivered a valid ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Voting Agent at any time prior to the Voting Deadline. A notice of withdrawal, to be valid, must: (i) contain the description of the Claim(s) to which it relates and the aggregate principal amount represented by such Claim(s); (ii) be signed by the withdrawing party in the same manner as the ballot being withdrawn; (iii) contain a certification that the withdrawing party owns the Claim(s) and possesses the right to withdraw the vote sought to be withdrawn; and (iv) be received by the Voting Agent in a timely manner *via* regular mail, overnight courier or hand delivery at Haynes & Boone LLP, 2323 Victory Avenue Suite 700, Dallas, Texas 75219. The Debtor intends to consult with the Voting Agent to determine whether any withdrawals of ballots were received and whether the requisite acceptances of the Plan have been received. As stated above, the Debtor expressly reserves the absolute right to contest the validity of any such withdrawals of ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of ballots which is not received in a timely manner by the Voting Agent will not be effective to withdraw a previously cast ballot.

Any party who has previously submitted to the Voting Agent prior to the Voting Deadline a properly completed ballot may revoke such ballot and change its vote by submitting to the Voting Agent prior to the Voting Deadline a subsequent properly completed ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed ballot is received, only the ballot which bears the latest date will be counted for purposes of determining whether the requisite acceptances have been received.

E. Voting Rights of Disputed Claimants

Holders of Disputed Claims whose Claims are: (i) asserted as wholly unliquidated or wholly contingent in Proofs of Claim filed prior to the Distribution Record Date; or (ii) whose Claims are asserted in Proofs of Claim as to which an objection to the entirety of

the Claim is pending as of the Distribution Record Date (collectively, the “Disputed Claimants”), are not permitted to vote on the Plan except as provided in the Solicitation Order. Pursuant to the procedures outlined in the Solicitation Order, Disputed Claimants may obtain a ballot for voting on the Plan only by filing a motion under Bankruptcy Rule 3018(a) seeking to have their Claims temporarily Allowed for voting purposes (a “Rule 3018 Motion”). Any such Rule 3018 Motion must be filed and served upon the Debtor’s counsel no later than 5:00 p.m. (Central time) on the fourteenth (14th) day after the later of: (i) the Solicitation Date; and (ii) the date of service of an objection, if any, to such claim. The ballot of any creditor filing such a motion will not be counted unless temporarily allowed by the Bankruptcy Court for voting purposes, after notice and a hearing. Any party timely filing and serving a Rule 3018 Motion will be provided a ballot and be permitted to cast a provisional vote to accept or reject the Plan. If and to the extent that the Debtor and such party are unable to resolve the issues raised by the Rule 3018 Motion prior to the Voting Deadline established by the Bankruptcy Court, then at the Confirmation Hearing the Bankruptcy Court will determine whether the provisional ballot should be counted as a vote on the Plan. Nothing herein affects the Debtor’s right to object to any Proof of Claim after the Distribution Record Date. With respect to any such objection, the Debtor may request that any vote cast by the Holder of the Claim subject to the objection be disallowed and not counted in determining whether the requirements of section 1126(c) of the Bankruptcy Code have been met.

F. Further Information; Additional Copies

If you have any questions or require further information about the voting procedures for voting your Claim or about the package of materials you received, or if you wish to obtain an additional copy of the Plan or this Disclosure Statement, or any exhibits or appendices to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d) or the Solicitation Order), please contact the Voting Agent at:

If by regular mail, overnight mail or hand delivery:

Haynes and Boone, LLP
Attn: Trey Monsour, Esq. and Mark Elmore, Esq.,
2323 Victory Avenue,
Suite 700
Dallas, Texas 75219.

If by telephone:

Haynes and Boone, LLP
Mark Elmore, Esq.
(214) 651-5000

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtor believes that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtor urges all Holders of Claims in all Impaired Classes vote to ACCEPT

the Plan, and to complete and return their ballots so that they will be RECEIVED on or before
[_____], 2012, at 5:00 p.m. (prevailing Central time).

Dated: _____, 2012
Dallas, Texas

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Appendix A

[Chapter 11 Plan]

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
EL PASO DIVISION

IN RE:	§	Chapter 11
	§	
HARDAGE HOTELS I, LLC ¹	§	CASE NO. 12-30443 (HCM)
	§	
DEBTOR.	§	

**DEBTOR’S PLAN OF REORGANIZATION UNDER CHAPTER 11 OF
THE UNITED STATES BANKRUPTCY CODE**

HAYNES AND BOONE, LLP
2323 Victory Avenue, Suite 700
Dallas, Texas 75219
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Counsel to Hardage Hotels I, LLC

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¹ Debtor owns seven hotels doing business as Chase Suite Hotels. The seven hotels are located in Clive, IA; Dublin, OH; El Paso, TX; Lincoln, NE; Kansas City, MO; Newark, CA; and Overland Park, KS.

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INTRODUCTION

The Debtor proposes this Chapter 11 plan of reorganization, dated as of October 18, 2012 (as may be further amended or modified hereafter, the “Plan”), for Hardage Hotels I, L.L.C., a debtor and debtor in possession that filed a petition for relief under Chapter 11 of the Bankruptcy Code (the “Debtor” or “Hardage”). Reference is made to the Disclosure Statement accompanying the Plan for a discussion of the Debtor’s history, business, results of operations, historical financial information, properties, projections for future operations and risk factors, a summary and analysis of the Plan and certain related matters. The Debtor is a proponent of the Plan within the meaning of section 1129 of the Bankruptcy Code.

ALL CREDITORS OF THE DEBTOR ENTITLED TO VOTE ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. SUBJECT TO CERTAIN RESTRICTIONS AND REQUIREMENTS SET FORTH IN SECTION 1127 OF THE BANKRUPTCY CODE, BANKRUPTCY RULE 3019 AND THE PLAN, THE DEBTOR RESERVES THE RIGHT TO ALTER, AMEND, MODIFY, REVOKE OR WITHDRAW THE PLAN PRIOR TO ITS SUBSTANTIAL CONSUMMATION.

Capitalized terms used herein shall have the meanings set forth in Article I hereof. Claims against, and Interests in, the Debtor are classified in Article II hereof and treated in Article III hereof.

ARTICLE I DEFINITIONS, INTERPRETATION AND EXHIBITS

Section 1.01. Definitions. Unless the context requires otherwise, the following terms shall have the following meanings whether presented in the Plan or the Disclosure Statement with initial capital letters or otherwise. As used herein:

“Administrative Expense Application” shall have the meaning set forth in Section 12.23.

“Administrative Expense Claim” means a Claim for: (a) any cost or expense of administration (including, without limitation, the fees and expenses of Professionals) of the Chapter 11 Case asserted or arising under sections 503, 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, but not limited to: (i) any actual and necessary post Petition Date cost or expense of preserving the Debtor’s Estate or operating the business of the Debtor; (ii) any post Petition Date cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtor in the ordinary course of its business; (iii) compensation or reimbursement of expenses of Professionals to the extent Allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code; and (iv) all Allowed Claims that are entitled to be treated as Administrative Expense Claims pursuant to a Final Order of the Bankruptcy Court under section 546 of the Bankruptcy Code; and (b) any fees or charges assessed against the Debtor’s Estate under section 1930 of title 28 of the United States Code.

“Affiliate” shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

“Allowed” means, with reference to any Claim: (a) any Claim against the Debtor that has been listed by the Debtor in the Schedules, as such Schedules may have been amended by the Debtor from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent, and with respect to which no contrary proof of claim has been filed; (b) any Claim specifically allowed under the Plan; (c) any Claim the amount or existence of which has been determined or allowed by a Final Order; or (d) any Claim as to which a proof of claim has been timely filed before the Bar Date, provided that at the time of the Effective Date the Debtor has not identified such Claim as being objectionable in part or in whole and no objection to the allowance thereof has been filed by the Claims Objection Deadline. Notwithstanding the foregoing, the term “Allowed”, with reference to any Claim, shall not include: (x) any unliquidated claim; or (y) interest or attorneys’ fees on or related to any Claim that accrues from and after the Petition Date unless otherwise expressly provided for in the Plan.

“Allowed Claim” means a Claim that is Allowed.

“Allowed Interest” means an Interest that is Allowed.

“Avoidance Actions” means any and all Causes of Action which a trustee, debtor in possession, the Estates or other appropriate party in interest may assert under sections 502, 510, 541, 542, 543, 544, 545, 547, 548, 549, 550, 551 or 553 of the Bankruptcy Code (other than those which are released or dismissed as part of and pursuant to the Plan) or under other similar or related state or federal statutes or common law, including fraudulent conveyance laws.

“Ballot” means the forms of ballots accompanying the Disclosure Statement upon which Holders of Impaired Claims entitled to vote on the Plan shall, among other things, indicate their acceptance or rejection of the Plan in accordance with the instructions regarding voting.

“Bankruptcy Code” means the Bankruptcy Reform Act of 1978, as codified in title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*, as in effect on the Petition Date, together with all amendments and modifications thereto.

“Bankruptcy Court” means the United States Bankruptcy Court for the Western District of Texas, El Paso Division, or, if such court ceases to exercise jurisdiction over these proceedings, the court or adjunct thereof that exercises jurisdiction over the Chapter 11 Case.

“Bankruptcy Rules” means: (a) the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended and promulgated under section 2075 of title 28 of the United States Code; (b) the Federal Rules of Civil Procedure, as amended and promulgated under section 2072 of title 28 of the United States Code; (c) any local rules applicable to the Bankruptcy Court; and (d) any standing orders governing practice and procedure issued by the Bankruptcy Court, each as in effect on the Petition Date, together with all amendments and modifications thereto that were subsequently made applicable to the Chapter 11 Case or proceedings therein, as the case may be.

“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.

“Brokers” means HREC Investment Advisors, NAI OH Equities, LLC, and Fred B. Mieke as brokers for the Debtor in connection with the sale of the Clive Hotel and Ohio Real Property.

“Business Day” means any day which is not a Saturday, a Sunday, a “legal holiday” as defined in Bankruptcy Rule 9006(a) or a day on which banking institutions in the State of Texas are authorized or obligated by law, executive order or governmental decree to be closed.

“Buyer” means [].

“Cash” means money, currency and coins, negotiable checks, balances in bank accounts and other lawful currency of the United States of America and its equivalents.

“Causes of Action” means any and all actions, claims, rights, defenses, third party claims, damages, executions, demands, crossclaims, counterclaims, suits, choses in action, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims whatsoever, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly, indirectly or derivatively, at law, in equity or otherwise, accruing to the Debtor, including, but not limited to, the Avoidance Actions.

“CFNB” means California First, National Bank.

“CFNB Secured Claim” means the CFNB secured claim under the Clive Loan Agreement.

“Chapter 11 Case” means the case under chapter 11 of the Bankruptcy Code commenced by the Debtor in the Bankruptcy Court on the Petition Date.

“Claim” shall have the meaning set forth in section 101(5) of the Bankruptcy Code.

“Claims Objection Deadline” means the latest of: (a) 75 days after the Effective Date; (b) 75 days after the date on which any Claim is Filed; or (c) such other date as may be fixed by the Bankruptcy Court, whether fixed before or after the date specified in clauses (a) and (b) above.

“Class” means each class, subclass or category of Claims or Interests as classified in Article II hereof.

“Clive Amendment” means that certain Agreement for Amendment No. 1 to Mortgage and Security Agreement and Note amending the Clive Loan Agreement.

“Clive Asset Purchase Agreement” means that certain agreement between [] and the Debtor for the sale of the Clive Hotel.

“Clive Earnest Money” means the earnest money deposited with the Clive Escrow Agent in connection with the Clive Asset Purchase Agreement.

“Clive Escrow Agent” means First American Title Company.

“Clive Hotel” means that certain 112 room hotel and all other property contained therein owned by the Debtor and located at 11428 Forest Ave., Clive, Iowa, 50325.

“Clive Loan Agreement” means that certain promissory note dated July 31, 2007, with lender CFNB in the original principal loan amount of \$2,450,000, as amended from time to time, and together with all related loan and security documents.

“Clive Property” means the Clive Hotel including all rights, title and interest of the Debtor in the furniture, furnishings, equipment, fixtures, machinery, signage, inventory, consumables and equipment utilized in the operation of the Clive Hotel; all computers, computer equipment and manuals and computer software, programs and data bases located at the Clive Hotel and used in connection with the operation of the Clive Hotel and all leases, contracts, licenses and other agreements incident to the operation of the Clive Hotel to the extent assignable.

“Committee” means the committee of unsecured creditors appointed by the United States Trustee.

“Confirmation” or “Confirmed” means the entry by the Bankruptcy Court of the Confirmation Order.

“Confirmation Date” means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court with respect to the Chapter 11 Case within the meaning of Bankruptcy Rules 5003 and 9021.

“Confirmation Hearing” means the hearing held before the Bankruptcy Court to consider Confirmation of the Plan pursuant to sections 1128 and 1129 of the Bankruptcy Code.

“Confirmation Order” means the order entered by the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

“Creditor” means any Person that is the Holder of any Claim against the Debtor.

“Cure Amount” means, with respect to any executory contract or unexpired lease that is assumed and/or assumed and assigned by the Debtor pursuant to Article VI hereof, the amount necessary to cure any existing defaults in order to permit the Debtor to assume such contract or lease pursuant to section 365 of the Bankruptcy Code, which amount shall be the amount indicated for each such contract or lease on the Schedule of Assumed Contracts (as the same may be amended or modified by the Debtor at any time prior to the Effective Date) unless modified by order of the Bankruptcy Court pursuant to an objection by the non-Debtor counterparty in accordance with the procedure set forth in Section 6.02 hereof.

“Day(s)” means, unless expressly otherwise provided, calendar day(s).

“Debtor” means Hardage Hotels I, L.L.C.

“Disallowed” means, with respect to any Claim or Interest or portion thereof, any Claim against or Interest in the Debtor which: (a) has been withdrawn, in whole or in part, by agreement of the Debtor and the Holder thereof; (b) has been withdrawn, in whole or in part, by the Holder thereof; or (c) has been disallowed, in whole or part, by Final Order of a court of competent jurisdiction. In each case, a Disallowed Claim or a Disallowed Interest is disallowed only to the extent of disallowance or withdrawal.

“Disallowed Claim” means a Claim, or any portion thereof, that is Disallowed.

“Disallowed Interest” means an Interest, or any portion thereof, that is Disallowed.

“Disbursing Agent” means the Reorganized Debtor or such other Entity or Entities that is or are designated by the Reorganized Debtor to disburse Property pursuant to the Plan.

“Disclosure Statement” means the Disclosure Statement with Respect to the Plan, Filed on June 30, 2012, including all exhibits, appendices, schedules and annexes, if any, attached thereto, as submitted by the Debtor, as the same may be altered, amended, supplemented or modified from time to time, and which was prepared and distributed in accordance with sections 1125 and 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018.

“Disputed” means any Claim or Interest that has been neither Allowed nor Disallowed.

“Disputed Claim” means a Claim, or any portion thereof, that is Disputed. For purposes of the Plan, a Claim that has been neither Allowed nor Disallowed shall be considered a Disputed Claim.

“Effective Date” means the first Business Day following the date on which all conditions to consummation set forth in Article IX hereof have been satisfied or waived (if capable of being duly and expressly waived), provided that no stay of the Confirmation Order is then in effect.

“Entity” means any individual, corporation, limited or general partnership, joint venture, association, joint stock company, limited liability company, estate, trustee, United States Trustee, unincorporated organization, government, governmental unit (as defined in the Bankruptcy Code), agency or political subdivision thereof.

“Estate” means the estate of the Debtor created in the Chapter 11 Case pursuant to section 541 of the Bankruptcy Code upon commencement of the Chapter 11 Case.

“February 22, 2012 Note” means that certain note and deed of trust and assignment of rents between the Debtor and Samuel A. Hardage in the principle amount of \$310,000.

“Federal Governmental Unit” means the United States and/or any department, agency or instrumentality of the United States (but not a United States trustee while serving as a trustee in a case under title 11 of the United States Code).

“File,” “Filed” or “Filing” means file, filed or filing with the Bankruptcy Court in the Chapter 11 Case.

“Final Decree” means the final decree entered by the Bankruptcy Court after the Effective Date and pursuant to section 350(a) of the Bankruptcy Code and Bankruptcy Rule 3022.

“Final Order” means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket of such court, the operation or effect of which has not been stayed, reversed, vacated, modified or amended, and as to which order or judgment (or any revision, modification or amendment thereof) of the time to appeal, petition for certiorari or seek review or rehearing has expired and as to which no appeal, petition for certiorari or petition for review or rehearing was filed or, if filed, remains pending; provided, however, that the possibility that a motion may be filed pursuant to Rules 9023 or 9024 of the Bankruptcy Rules or Rules 59 or 60(b) of the Federal Rules of Civil Procedure shall not mean that an order or judgment is not a Final Order.

“Franchise Agreements” means the Debtor’s seven franchise agreements, as amended from time to time, with Hardage Hospitality relating to the Hotels.

“General Unsecured Claims” means all Claims that are not Administrative Expense Claims, Professional Fee Claims, Priority Tax Claims, Priority Non-Tax Claims, the SBKC Secured Claim, the CFNB Secured Claim, the OneWest Secured Claim, or Mechanics’ Lien Claims.

“Hardage Hospitality” means that certain affiliate of the Debtor, Hardage Hospitality, LLC, that manages the operations of the Debtor pursuant to the Hotel Management Agreements.

“Hardage Hospitality Unsecured Note” means that certain unsecured promissory note dated February 17, 2012, in the principle amount of \$150,000, between the Debtor and Hardage Hospitality, LLC.

“Hardage Suite” means Hardage Suite Hotels, LLC.

“Hardage Suite Loan” means that certain Loan No. 106300081 to Hardage Suite, in the original principal amount of \$3,586,000.

“Hardage Suite Loan Documents” are the Hardage Suite Loan, the Hardage Suite Note, and all other documents and agreements related thereto.

“Hardage Suite Note” means that certain Promissory Note dated as of February 8, 2007, executed by Hardage Suite in favor of LJB, in the original principal amount of \$3,586,000, as amended by that certain Amendment to Promissory Note dated as of February 8, 2007.

“Holder” means an Entity holding a beneficial interest in a Claim or Interest and, when used in conjunction with a Class or type of Claim or Interest, means a holder of a beneficial interest in a Claim or Interest in such Class or of such type.

“Hotels” means the Clive Hotel, the Ohio Real Property, the Texas Property, the Nebraska Property, the Kansas City Hotel, the Newark Hotel, and the Overland Park Hotel.

“Hotel Management Agreements” means those certain agreements between the Debtor and Hardage Hospitality governing the operation and management of each of the Hotels.

“Impaired” means, when used with reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

“Impaired Claim” means a Claim that is Impaired.

“Impaired Interest” means an Interest that is Impaired.

“Insider Intercompany Claims” means those insider intercompany claims by and among the Debtor and its Affiliates in the aggregate principle amount of \$14,069,989 as of August 31, 2012.

“Interests” mean Membership Interests and any Claim or Cause of Action related to or arising therefrom.

“June 2010 Loan Agreement” means that certain promissory note dated July 30, 2010 with lender SBKC in the original principal loan amount of \$600,000.00, as amended from time to time, and together with all related loan and security documents.

“Kansas City Hotel” means that certain 112 room hotel and all other property contained therein owned by the Debtor and located at NW Prairie View Road, Kansas City, Missouri 64153.

“Kansas City Loan Agreement” means that certain promissory note dated November 21, 2006, with lender SBKC in the original principal loan amount of \$1,235,000.00, as amended from time to time, and together with all related loan and security documents.

“Liens” means, with respect to any asset or Property (or the rents, revenues, income, profits or proceeds therefrom), and in each case, whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise: (a) any and all mortgages, liens, pledges, attachments, charges, leases evidencing a capitalizable lease obligation, conditional sale or other title retention agreement, or other security interest or encumbrance or other legally cognizable security devices of any kind in respect of any asset or Property, or upon the rents, revenues, income, profits or proceeds therefrom; or (b) any arrangement, express or implied, under which any Property is transferred, sequestered or otherwise identified for the purpose of subjecting or making available the same for the payment of debt or performance of any other obligation in priority to the payment of general unsecured Creditors.

“Liquidation Analysis” means the analysis attached hereto and contained in Appendix C.

“Management/Franchise Assignments” has the meaning ascribed to it in the OWB Loan Documents.

“March 5, 2012 Note” means that certain note and deed of trust and assignment of rents between the Debtor and Samuel A. Hardage in the principle amount of \$35,000.

“Mechanics’ Lien Claim” means the Claim of a Creditor who, prior to the Petition Date, duly filed and perfected a mechanics or similar lien under applicable state law, which is not subject to avoidance in accordance with the provisions of section 546(b) of the Bankruptcy Code.

“Membership Interests” means that percentage interests of the entities or persons holding direct or indirect interests in the Debtor as of the Petition Date.

“Membership Interests Assignment” means the Membership Interests and assignment and subordination of the Management/Franchise Assignments for the SBKC Hotels as set forth in the OWB Loan Documents.

“Nebraska Property” means certain real property located at 200 S. 68th Street Place, Lincoln, Lancaster County, Nebraska.

“Newark Hotel” means that certain 148 room hotel and all other property contained therein owned by the Debtor and located at 39150 Cedar Boulevard, Newark, California 94560.

“Newark Loan Agreement” means that certain promissory note dated December 5, 2007, with lender SBKC in the original principal loan amount of \$6,000,000.00, as amended from time to time, and together with all related loan and security documents.

“November 2009 Loan Agreement” means that certain modification and extension agreement dated November 30, 2009, with lender SBKC in the original principal loan amount of \$3,295,040.44, as amended from time to time, and together with all related loan and security documents.

“Objection” means any objection, application, motion, complaint or any other legal proceeding seeking, in whole or in part, to Disallow, determine, liquidate, classify, reclassify or establish the priority, expunge, subordinate or estimate any Claim (including the resolution of any request for payment of any Administrative Expense Claim) or Interest other than a Claim or an Interest that is Allowed.

“Ohio Real Property” means certain real property located at 4130 Tuller Road, Dublin, Franklin County, Ohio.

“OneWest” means OneWest Bank, FSB.

“OneWest Secured Claim” means the secured claims of OneWest relating to the OWB Prepetition Loan Documents, Hardage Suite Loan Documents and the Woodfin Loan Documents.

“OneWest Secured Hotels” means the Ohio Real Property, the Texas Property, and the Nebraska Property collectively.

“Overland Park Hotel” means that certain 112 room hotel and all other property contained therein owned by the Debtor and located at 6300 W. 100th Street, Overland Park, Kansas 66211.

“Overland Park Loan Agreement” means that certain Promissory Note dated November 21, 2006, with lender SBKC in the original principal loan amount of \$1,085,584.00, as amended from time to time, and together with all related loan and security documents.

“OWB Prepetition Loan Documents” means the Original Nebraska Loan Documents, the Original Ohio Loan Documents, and the Original Texas Loan Documents as such terms are defined in the OWB Restructured Loan Agreement.

“OWB Restructured Loan Agreement” means that certain loan agreement referenced in the OWB Restructured Loan Documents.

“OWB Restructured Loan Documents” means those certain documents and agreements, including without limitation, the OWB Restructured Loan Agreement, which amend, restate, and consolidate the OWB Prepetition Loan Documents and which will be incorporated into the Plan.

“Person” means and includes a natural person, individual, partnership, corporation (as defined in section 101 (a) of the Bankruptcy Code) or organization including, without limitation, corporations, limited partnerships, limited liability companies, general partnerships, joint ventures, joint stock companies, trusts, land trusts, business trusts, unincorporated organizations or associations, or other organizations, irrespective of whether they are legal entities, governmental bodies (or any agency, instrumentality or political subdivision thereof) or any other form of legal entities; provided, however, “Person” does not include governmental units, except that a governmental unit that: (a) acquires an asset from a Person: (i) as a result of the operation of a loan guarantee agreement; or (ii) as receiver or liquidating agent of a Person; (b) is a guarantor of a pension benefit payable by or on behalf of the Debtor or an Affiliate; or (c) is the legal or beneficial owner of an asset of: (i) an employee pension benefit plan that is a governmental plan, as defined in section 414(d) of the Internal Revenue Code of 1986; or (ii) an eligible deferred compensation plan, as defined in section 457(b) of the Internal Revenue Code of 1986, shall be considered for purposes of section 1102 of the Bankruptcy Code to be a Person with respect to such asset or such benefit.

“Petition Date” means March 6, 2012.

“Plan” means the Debtor’s Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code, Dated as of October 18, 2012, including all exhibits, appendices, schedules and annexes, if any, attached hereto, as submitted by the Debtor, as such

Plan may be altered, amended, supplemented or modified from time to time in accordance with the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Confirmation Order and the terms and conditions of Section 12.04 hereof.

“Plan Documents” means, collectively, the Disclosure Statement, the Plan, and the Confirmation Order (including any provision that purports to be preemptory or supervening).

“Prepetition Secured Obligation Claims” means the secured claims of the Prepetition Secured Parties.

“Prepetition Secured Creditors” means SBKC, CFNB, and OneWest.

“Prepetition Secured Parties” means SBKC, CFNB, OneWest, and Samuel A. Hardage.

“Projections” means the projections attached hereto and contained in Appendix B.

“Priority Tax Claims” means any and all Claims accorded priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code.

“Priority Non-Tax Claims” means any Claim against the Debtor entitled to priority in payment pursuant to section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim or an Administrative Expense Claim.

“Pro Rata Share” means, with respect to any Claim, a proportionate share, so that the ratio of the consideration distributed on account of an Allowed Claim in one or more Classes to the consideration distributed on account of all Allowed Claims in such Classes is the same as the ratio such Claim bears to the total amount of all Allowed Claims in such Classes (plus Disputed Claims in such Classes until disallowed).

“Professional Fee Claims” means claims for compensation and/or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 503(b), or 506(b) of the Bankruptcy Code relating to services incurred on and after the Petition Date and prior to and including the Effective Date in connection with an application made to the Bankruptcy Court by Professionals in the Chapter 11 Case.

“Professionals” means any professional employed in the Chapter 11 Case pursuant to sections 327 or 1103 of the Bankruptcy Code or any Professional entitled to compensation pursuant to sections 327, 328, 330, 331, 503(b)(2) or (4) or 1103 of the Bankruptcy Code.

“Property” means all assets or property of the Debtor’s Estate of any nature whatsoever, real or personal, tangible or intangible, including contract rights, accounts and Causes of Action, previously or now owned by the Debtor, or acquired by the Debtor’s Estate, as defined in section 541 of the Bankruptcy Code.

“Rejection Claims” means Claims of any non-Debtor counterparty to any unexpired lease of nonresidential real property or any executory contract arising on account of

the rejection of such lease or contract during the administration of the Chapter 11 Case under section 365 of the Bankruptcy Code or pursuant to the Plan.

“Releasees” means: (a) the Debtor, collectively and individually, and its current and former officers, directors, employees, attorneys, advisors and professionals; (b) the Prepetition Secured Parties, collectively and individually, and their respective current and former officers, directors, employees, agents, stockholders, managers, members, Affiliates, partners, attorneys, advisors and professionals; (c) the Reorganized Debtor and its current and former officers, directors, employees, agents, stockholders, managers, members, Affiliates, partners, attorneys, advisors and professionals; (d) Samuel A. Hardage; and (e) the Committee and its members, attorneys, advisors and professionals.

“Reorganized Debtor” means the Debtor on and after the Effective Date.

“Reorganized Debtor’s Organizational Documents” means the Amended and Restated certificates, articles, agreements, by-laws or other organizational documents, as appropriate, of the Reorganized Debtor.

“Samuel A. Hardage Notes” means the February 22, 2012 Note and the March 5, 2012 Note.

“SBKC” means Security Bank of Kansas City.

“SBKC Hotels” means the Kansas City Hotel, Newark Hotel, and Overland Park Hotel.

“SBKC Loan Modification Agreement” means the agreement to be entered into between SBKC and the Debtor modifying the current loan agreements between SBKC and the Debtor.

“SBKC Secured Claim” means the secured claims of SBKC against the Debtor pursuant to the Overland Park Loan Agreement, the Kansas City Loan Agreement, the Newark Loan Agreement, the June 2010 Loan Agreement, and the November 2009 Loan Agreement.

“Schedule of Assumed Contracts” means the schedule listing certain executory contracts and unexpired leases to be assumed by the Debtor and assigned to the Reorganized Debtor.

“Schedule of Rejected Contracts” means the schedule listing certain executory contracts and unexpired leases to be rejected by the Debtor as of the Effective Date.

“Schedules” means the schedules of assets and liabilities and statements of financial affairs Filed by the Debtor in the Chapter 11 Case, as required by section 521 of the Bankruptcy Code, as the same may have been or may be amended, modified or supplemented.

“Secured Claim” means any Claim arising before the Petition Date that is: (a) secured in whole or part, as of the Petition Date, by a Lien which is valid, perfected and enforceable under applicable law on Property in which the Debtor’s Estate has an interest and

which is not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law; or (b) subject to setoff under section 553 of the Bankruptcy Code, but, with respect to both cases (a) and (b), only to the extent of the value of the assets or Property securing any such Claim or the amount subject to setoff, as the case may be.

“Securities Act” means the Securities Act of 1933, as amended.

“State of Texas” means, collectively, the State of Texas and/or any department, agency or instrumentality of the State of Texas.

“Subordinated Claims” means the Hardage Hospitality Note and the Insider Intercompany Claims.

“Subordination and Intercreditor Agreement” means that certain agreement between SBKC and OneWest relating to the placement of junior Liens on the SBKC Hotels.

“Tax” means any tax, charge, fee, levy, impost or other assessment by any federal, state, local or foreign governmental authority, including, without limitation, income, excise, property, sales, transfer, employment, payroll, franchise, profits, license, use, *ad valorem*, estimated, severance, stamp, occupation and withholding tax, together with any interest, penalties, fines or additions attributable to, imposed on or collected by any such federal, state, local or foreign governmental authority.

“Texas Property” means that certain real property located at 6791 Montana Avenue, El Paso, Texas.

“Unclaimed Property” means any distribution of Cash or any other Property made to the Holder of an Allowed Claim pursuant to the Plan that is returned to the Reorganized Debtor or the Disbursing Agent as undeliverable and no appropriate forwarding address is received prior to the date on which the Final Decree is entered in the Chapter 11 Case, and in the case of a distribution made in the form of a check, is not negotiated and no request for reissuance is made as provided for in Section 5.05 hereof.

“Unimpaired” means any Claim that is not Impaired within the meaning of section 1124 of the Bankruptcy Code.

“United States Trustee” means the Office of the United States Trustee appointed under section 581(a)(3) of title 28 of the United States Code to serve in the Western District of Texas.

“U.S. Trustee’s Fee Claims” means any fees assessed against the Debtor’s Estate pursuant to section 1930(a)(6) of title 28 of the United States Code.

“Voting Agent” means Haynes and Boone, LLP.

“Voting Deadline” means the date and time set by the Bankruptcy Court as the deadline by which Holders of Impaired Claims must cast their votes to accept or reject the Plan for such votes to count.

“Woodfin” means Woodfin Suite Hotels, LLC.

“Woodfin Loan” means that certain Loan No. 106321474 to Woodfin in the original principal amount of \$1,700,000.

“Woodfin Loan Documents” means the Woodfin Loan, the Woodfin Note, and all other documents and agreements related thereto.

“Woodfin Note” means that certain Promissory Note dated as of April 20, 2005, executed by Woodfin in favor of Original Lender, in the original principal amount of \$1,700,000, as amended by that certain Amendment to Promissory Note dated as of April 20, 2005.

Section 1.02. Rules of Interpretation. All references to “the Plan” herein shall be construed, where applicable, to include references to this document and all its exhibits, appendices, schedules and annexes, if any (and any amendments thereto made in accordance with the Bankruptcy Code). Whenever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter. The words “herein,” “hereof,” “hereto,” “hereunder” and other words of similar import refer to the Plan as a whole and not to any particular paragraph, subparagraph, or clause contained in the Plan. The words “includes” and “including” are not limiting and mean that the things specifically identified are set forth for purposes of illustration, clarity or specificity and do not in any respect qualify, characterize or limit the generality of the class within which such things are included. The captions and headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. Any term used in the Plan that is not defined in the Plan, either in Article I hereof or elsewhere, but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in (and shall be construed in accordance with the rules of construction under) the Bankruptcy Code or the Bankruptcy Rules (with the Bankruptcy Code controlling in the case of a conflict or ambiguity). Without limiting the preceding sentence, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply to the Plan unless superseded herein; provided, however, the rule of construction set forth in section 102(5) of the Bankruptcy Code shall not apply. In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) and Section 12.16 hereof shall apply, but Bankruptcy Rule 9006(a) shall govern.

Section 1.03. Exhibits. All Exhibits to the Plan are incorporated into and are a part of the Plan as if set forth in full herein, regardless of when Filed.

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS

Section 2.01. Generally. Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Interests. A Claim or an Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of the Class and is classified in a different Class to the extent the Claim or Interest qualifies within the description of that different Class. A Claim or Interest is placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent

that such Claim or Interest is an Allowed Claim or an Allowed Interest in that Class and such Claim or Interest has not been paid, released, settled or otherwise satisfied prior to the Effective Date.

Section 2.02. Unclassified Claims. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not classified and are excluded from the Classes designated in this Article II of the Plan. The treatment accorded Administrative Expense Claims and Priority Tax Claims is set forth in Article III of the Plan.

Section 2.03. Unimpaired Classes. The Plan classifies the following Unimpaired Claims and Interests as Unimpaired Classes that are not entitled to vote to accept or reject the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, each Holder of a Claim or Interest in the following Classes is conclusively presumed to have accepted the Plan in respect of such Claims or Interests and is not entitled to vote to accept or reject the Plan:

- Class 5: Other Secured Claims
- Class 6: General Unsecured Claims
- Class 8: Membership Interests in the Debtor

Section 2.04. Impaired Classes Entitled to Vote. The Plan classifies the following Classes as the only Impaired Classes that may receive a distribution under the Plan and that are entitled to vote to accept or reject the Plan:

- Class 1: SBKC Secured Claim
- Class 2: CFNB Secured Claim
- Class 3: OneWest Secured Claim
- Class 4: Samuel A. Hardage Secured Claim
- Class 7: Subordinated Claims

ARTICLE III PROVISIONS FOR TREATMENT OF CLASSES OF CLAIMS

Section 3.01. Satisfaction of Claims. The treatment of and consideration to be received by Holders of Allowed Claims pursuant to this Article III and the Plan shall be in full satisfaction, settlement, release, extinguishment and discharge of their respective Claims against the Debtor and the Debtor's Estate, except as otherwise provided in the Plan or the Confirmation Order.

Section 3.02. Unclassified Claims. Administrative Expense Claims and Priority Tax Claims are treated in accordance with section 1129(a)(9)(A) and

section 1129(a)(9)(C) of the Bankruptcy Code, respectively. Such Claims are Unimpaired under the Plan and, in accordance with section 1123(a)(1) of the Bankruptcy Code, are not designated as Classes of Claims for purposes of this Plan and for purposes of sections 1123, 1124, 1126 and 1129 of the Bankruptcy Code.

Section 3.03. Administrative Expense Claims. Administrative Expense Claims are Unimpaired. Each Allowed Administrative Expense Claim shall, in full and final satisfaction of such Allowed Administrative Expense Claim, be paid by the Reorganized Debtor, in full, in Cash, in such amounts as are incurred in the ordinary course of business by the Reorganized Debtor, or in such amounts as such Administrative Expense Claim is Allowed by the Bankruptcy Court upon: (a) the later of: (i) the Effective Date; and (ii) if such Claim is Allowed after the Effective Date, the date upon which there is a Final Order allowing such Administrative Expense Claim; (b) such other terms as may exist in the ordinary course of the Debtor's business and in accordance with the terms and conditions of any agreement governing or document evidencing such Administrative Expense Claim; or (c) such terms and conditions as may be agreed upon between the Holder of such Allowed Administrative Expense Claim and the Debtor.

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, will be paid on or before the Effective Date. All such fees that arise after the Effective Date but before the closing of the Chapter 11 Case will be paid by the Reorganized Debtor.

Section 3.04. Priority Tax Claims. Priority Tax Claims are Unimpaired. Under the Plan, Each Holder of an Allowed Priority Tax Claim shall, in full and final satisfaction of such Holder's Allowed Priority Tax Claim, be paid: (a) in Cash, in full, on the later of the (i) Effective Date and (ii) date such Priority Tax Claim becomes due and payable in the ordinary course of business; or (b) on such other terms and conditions as may be agreed upon between the Holder of such Allowed Priority Tax Claim and the Reorganized Debtor.

Section 3.05. Class 1: SBKC Secured Claim. The SBKC Secured Claim is Impaired. SBKC shall, in full and final satisfaction of its Allowed SBKC Secured Claim, enter into the SBKC Loan Modification Agreement and retain its liens on the Kansas City Hotel, Newark Hotel and Overland Park Hotel, under existing loan and security agreements provided that the interest rate shall be reduced from 6.75% to 6% with monthly payments to be based on a twenty year amortization schedule, but with the entire amount to be due at the currently scheduled maturity. SBKC shall enter into that Subordination and Intercreditor Agreement providing that SBKC shall consent to allow OneWest to place junior Liens upon the SBKC Hotels and shall consent to Membership Interests Assignment.

Section 3.06. Class 2: CFNB Secured Claim. The CFNB Secured Claim is Impaired. CFNB shall, in full and final satisfaction of its Allowed CFNB Secured Claim, retain its Liens on the Clive Hotel. The Debtor and CFNB shall execute the Clive Amendment which will extend the loan maturity for an additional twelve months. The Clive Amendment shall bear an interest rate of 7.25% through April 1, 2013 and shall increase to 8.25% thereafter. Debtor shall pay interest on the first day of each calendar month until the maturity date under The Clive Amendment. Notwithstanding, Debtor shall pay CFNB the full amount of its indebtedness set

forth in The Clive Amendment on the date such sale between the Debtor and Buyer pursuant to that Clive Asset Purchase Agreement closes.

Section 3.07. Class 3: OneWest Secured Claim. The OneWest Secured Claim is Impaired. On the Effective Date, the OneWest Secured Claim shall be fully and finally allowed in accordance with the OWB Restructured Loan Documents and shall retain all of its prepetition Liens and security interests as provided for in the OWB Restructured Loan Documents and shall receive the new Liens and security interests provided for in the OWB Restructured Loan Documents, including without limitation, the junior Liens on the SBKC Hotels, the pledge of the Membership Interests, and any other Liens and security interests provided OWB Restructured Loan Documents.

Section 3.08. Class 4: Samuel A. Hardage Secured Claim. This Class includes the Samuel A. Hardage Notes. The Samuel A. Hardage Notes shall be cancelled. Class 4 is Impaired.

Section 3.09. Class 5: Other Secured Claims. This Class includes the Holders of a Mechanics' Lien Claim. Class 5 Claims are Unimpaired. Each Holder of an Allowed Mechanics' Lien Claim shall, in full and final satisfaction of such Allowed Mechanics' Lien Claim, be paid either: (a) in Cash, in full, on the Effective Date; or (b) on such other terms and conditions as may be agreed upon between the Holder of such Allowed Mechanics' Lien Claim and the Reorganized Debtor.

Section 3.10. Class 6: General Unsecured Claims. General Unsecured Claims are Unimpaired. Each Holder of an Allowed General Unsecured Claim shall, in full and final satisfaction of such Allowed General Unsecured Claim, be paid in Cash, in full, on (a) the later of: (i) the Effective Date; and (ii) if such Unsecured Claim is Allowed after the Effective Date, the date upon which there is a Final Order allowing such Unsecured Claim; (b) such other terms as may exist in the ordinary course of the Debtor's business and in accordance with the terms and conditions of any agreement governing or document evidencing such Unsecured Claim; or (c) such terms and conditions as may be agreed upon between the Holder of such Unsecured Claim and the Debtor.

Section 3.11. Class 7: Subordinated Claims. This Class includes the Hardage Hospitality Unsecured Note and Insider Intercompany Claims. The Claims in this Class shall be cancelled. Holders of Class 7 Claims are Impaired.

Section 3.12. Class 8: Membership Interests in the Debtor. Membership Interests in the Debtor are Unimpaired. Holders of Membership Interests in the Debtor shall retain their Membership Interests in the Reorganized Debtor in exchange for the contribution of [\$] in cash to the Reorganized Debtor on the Effective Date.

ARTICLE IV ACCEPTANCE OR REJECTION OF THE PLAN

Section 4.01. Acceptance by Impaired Classes of Claims. The Holders of Claims in Classes 1, 2, 3, 4 and 7 are Impaired, entitled to vote on the Plan and shall be provided with a Ballot pursuant to which they may vote to accept or reject the Plan. Pursuant to

section 1126(c) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted the Plan if: (i) the Holders of at least two-thirds (2/3) in dollar amount of the Allowed Claims actually voting in such Class (other than Claims held by any Holder designated pursuant to section 1126(e) of the Bankruptcy Code) have timely and properly voted to accept the Plan; and (ii) more than one-half (1/2) in number of the Holders of such Allowed Claims actually voting in such Class (other than Claims held by any Holder designated pursuant to section 1126(e) of the Bankruptcy Code) have timely and properly voted to accept the Plan.

Section 4.02. Voting Classes. Except as otherwise required by the Bankruptcy Code or the Bankruptcy Rules or as otherwise provided in this Section 4.02, the Holders of Claims in Classes 1, 2, 3, 4, and 7 shall be entitled to vote to accept or reject the Plan in accordance with Section 4.01 of the Plan. Classes of Claims or Interests Unimpaired under the Plan (Claims and Interests in Classes 5, 6 and 8) shall not be entitled to vote to accept or reject the Plan, and shall be conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

Section 4.03. Ballot Instructions. Each Holder of a Claim in Classes 1, 2, 3, 4, and 7 entitled to vote on the Plan will be asked to complete and return a Ballot to the Voting Agent, which will compile the votes so received. Any questions as to the validity, form and eligibility (including time of receipt) of Ballots will be resolved by the Bankruptcy Court upon application or at the Confirmation Hearing.

ARTICLE V

PROVISIONS GOVERNING DISTRIBUTIONS UNDER THE PLAN

Section 5.01. Timing of Distributions. Except as specifically set forth in the Plan, distributions of Property will be made to Holders of Allowed Claims in accordance with Article III hereof. If a Claim is not an Allowed Claim as of the applicable distribution date, distributions will be made only if and when the Claim or Interest is Allowed, and then in accordance with Article III hereof and, with respect to the cure of defaults for assumed executory contracts and unexpired leases, Section 6.02 hereof, and in each case, subject to Article VIII hereof. Distributions to be made as of the Effective Date on account of Claims that are Allowed as of the Effective Date, and are entitled to receive distributions under the Plan, shall be made on the Effective Date or as soon as reasonably practicable thereafter.

Section 5.02. Distributions to Holders of Allowed Claims and Allowed Interests. Except as otherwise provided herein, the Disbursing Agent shall make all distributions required under the Plan in a manner consistent with the Plan. Distributions to Holders of Allowed Claims and Interests will be made in accordance with Article III hereof. Payments and other distributions to be made pursuant to the Plan will be made by the Disbursing Agent, and will be available from assets and funds transferred to or otherwise held by the Disbursing Agent as of and after the Effective Date. If any dispute arises as to the identity of a Holder of an Allowed Claim or Interest who is to receive any distribution, the Disbursing Agent, the Debtor or the Reorganized Debtor shall, as appropriate and in lieu of making such distribution to such Holder, delay such distribution until the disposition thereof shall be determined by Final Order of the Bankruptcy Court or by written agreement among the interested parties to such dispute.

Section 5.03. Delivery of Distributions. Except for distributions to Holders of the SBKC Secured Claim, the CFNB Secured Claim, and the OneWest Secured Claim, distributions to Holders of Allowed Claims shall be made by the Disbursing Agent: (i) at the last known addresses of such Holders; or (ii) at the addresses set forth in any written notices of address changes delivered to the Reorganized Debtor or the Disbursing Agent. If any Holder's distribution is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Disbursing Agent is notified of such Holder's then current address, at which time all missed distributions shall be made to such Holder without interest.

Section 5.04. Method of Cash Distributions. Any Cash payment to be made pursuant to the Plan may be made by Cash, draft, check, wire transfer or as otherwise required or provided in any relevant agreement or applicable law at the option of the Disbursing Agent or the Reorganized Debtor.

Section 5.05. Failure to Negotiate Checks. Checks issued in respect of distributions under the Plan shall be null and void if not negotiated within sixty (60) days after the date of issuance. Any amounts returned to the Disbursing Agent or in respect of such non-negotiated checks shall be forwarded to (if necessary) and held by the Disbursing Agent. Requests for reissuance for any such check shall be made directly to the issuer of the check by the Holder of the Allowed Claim with respect to which such check originally was issued. All amounts represented by any voided check will be held until the earlier of: (a) one (1) month after the date on which the check is voided; or (b) the date on which the Bankruptcy Court enters the Final Decree, and all requests for reissuance by the Holder of the Allowed Claim in respect of a voided check are required to be made prior to such date. Thereafter, all such amounts shall be deemed to be Unclaimed Property, in accordance with Section 5.06 hereof, and all Holders of Claims in respect of void checks shall be forever barred, estopped and enjoined from asserting a claim to such funds in any manner against the Debtor or its assets, the Disbursing Agent or Reorganized Debtor.

Section 5.06. Unclaimed Distributions. All Property distributed on account of Allowed Claims must be claimed prior to the date on which the Bankruptcy Court enters the Final Decree, or, in the case of a distribution made in the form of a check, must be negotiated and a request for reissuance be made as provided for in Section 5.05 hereof. All Unclaimed Property will be retained by and will vest in the Reorganized Debtor. All full or partial payments made by the Debtor and received by the Holder of a Claim prior to the Effective Date will be deemed to be payments under the Plan for purposes of satisfying the obligations of the Debtor or the Disbursing Agent pursuant to the Plan. Nothing contained in the Plan shall require the Debtor, the Disbursing Agent or Reorganized Debtor to attempt to locate any Holder of an Allowed Claim other than by reviewing the records of the Debtor and any Claims filed in the Chapter 11 Case. Pursuant to section 1143 of the Bankruptcy Code, all claims in respect of Unclaimed Property shall be deemed Disallowed and the Holder of any Claim Disallowed in accordance with this Section 5.06 will be forever barred, expunged, estopped and enjoined from asserting such Claim or Interest in any manner against the Debtor or its assets, the Disbursing Agent or the Reorganized Debtor.

Section 5.07. Limitation on Distribution Rights. If a claimant holds more than one Claim in any one Class, all Claims of the claimant in that Class will be aggregated into one Claim and one distribution will be made with respect to the aggregated Claim.

Section 5.08. Fractional Dollars. Notwithstanding any other provision of the Plan, Cash distributions of fractions of dollars will not be made; rather, whenever any payment of a fraction of a dollar would be called for, the actual payment made shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded down. To the extent that Cash remains undistributed as a result of the rounding of such fraction to the nearest whole dollar, such Cash shall be treated as Unclaimed Property pursuant to Section 5.06 hereof.

Section 5.09. Compliance With Tax Requirements. In connection with each distribution with respect to which the filing of an information return (such as an Internal Revenue Service Form 1099 or 1042) or withholding is required, the Debtor, the Disbursing Agent or the Reorganized Debtor, as appropriate, shall file such information return with the Internal Revenue Service and provide any required statements in connection therewith to the recipients of such distribution or effect any such withholding and deposit all moneys so withheld as required by law. With respect to any Person from whom a tax identification number, certified tax identification number or other tax information required by law to avoid withholding has not been received by the Debtor, the Disbursing Agent or the Reorganized Debtor within thirty (30) days from the date of such request, the Debtor, the Disbursing Agent or Reorganized Debtor may, at their or its option, withhold the amount required and distribute the balance to such Person or decline to make such distribution until the information is received.

Section 5.10. De Minimis Distributions. No Cash payment of less than fifteen (\$15.00) dollars shall be made to any Holder of an Allowed Claim or Interest on account of such Allowed Claim or Interest.

ARTICLE VI EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Section 6.01. Treatment of Executory Contracts and Unexpired Leases.

(a) All executory contracts and unexpired leases of the Debtor shall be deemed to be assumed by the Debtor and assigned to the Reorganized Debtor as of the Effective Date, except for any executory contract or unexpired lease that: (a) has previously been assumed and assigned or rejected pursuant to an order of the Bankruptcy Court on or prior to the Confirmation Date; or (b) is listed on the Schedule of Rejected Contracts; provided, however, that the Debtor shall have the right, at any time prior to the Confirmation Date, to amend the Schedule of Rejected Contracts by filing an amended version of such schedule to provide for the assumption and assignment or rejection of an executory contract or unexpired lease pursuant to this Section 6.01.

(b) The Confirmation Order (except as otherwise provided therein) shall constitute an order of the Bankruptcy Court pursuant to section 365 of the Bankruptcy Code, effective as of the Effective Date, approving the assumptions, assignments and rejections

hereunder. Each contract and lease assumed pursuant to this Section 6.01 shall be assumed only to the extent that any such contract or lease constitutes an executory contract or unexpired lease. Assumption of a contract or lease pursuant to this Section 6.01 shall not constitute an admission by the Debtor or the Reorganized Debtor that such contract or lease is an executory contract or unexpired lease or that the Debtor or the Reorganized Debtor have any liability thereunder. All executory contracts and unexpired leases that are assumed will be assumed under their present terms or upon such terms as are agreed to in writing between the Debtor and the counterparty to such contract or lease.

Section 6.02. Cure of Defaults for Assumed Contracts and Leases. The Schedule of Assumed Contracts will identify, with respect to each executory contract and unexpired lease to be assumed and assigned, the relevant Cure Amount for each executory contract or unexpired lease. The Debtor will serve the Schedule of Assumed Contracts on the non-Debtor counterparties to each such executory contract or unexpired lease prior to the Confirmation Hearing. Each such counterparty shall have until the later of: (a) the date that is five (5) Business Days prior to the Confirmation Hearing; or (b) thirty (30) days from the date of service of the Schedule of Assumed Contracts to File an objection to the assumption and assignment of their executory contract or unexpired lease (whether the objection relates to the Cure Amount or otherwise). If any objections are Filed and cannot be resolved by agreement, the Bankruptcy Court shall hold a hearing to determine the Cure Amount with respect to such executory contract or unexpired lease or to otherwise resolve the objection. Any party failing to object to the assumption of their executory contract or unexpired lease as set forth above shall be forever barred from asserting, collecting or seeking to collect from the Reorganized Debtor any amounts in excess of the Cure Amount or from otherwise objecting to the assumption or assignment of such executory contract or unexpired lease. Notwithstanding the foregoing, or anything else in this Article VI, with respect to any executory contract or unexpired lease which is the subject of an objection, the Reorganized Debtor shall retain the right, until five (5) Business Days following any order resolving such objection having become a Final Order, to reject such executory contract or unexpired lease. Within thirty (30) days of the Effective Date, or as otherwise agreed with the counterparty to each executory contract or unexpired lease, the Reorganized Debtor shall pay the Cure Amounts to the non-Debtor parties to such executory contracts and unexpired leases being assumed.

Section 6.03. Bar Date for Claims for Rejection Damages. Claims arising out of the rejection of any executory contract or unexpired lease pursuant to Article VI of the Plan must be Filed with the Bankruptcy Court no later than thirty (30) days after the entry of the Confirmation Order. Any Claim not Filed within such time period shall be forever barred. The Debtor, the Reorganized Debtor, and the Disbursing Agent shall have the right to object to any Claim arising out of the rejection of an executory contract or unexpired lease pursuant to the terms of Section 8.04 hereof.

Section 6.04. Treatment of Rejection Claims. The Bankruptcy Court shall determine any objections Filed in accordance with Section 8.04 hereof at a hearing to be held on a date to be determined by the Bankruptcy Court. Subject to any statutory limitation, including, but not limited to the limitations contained in sections 502(b)(6) and 502(b)(7) of the Bankruptcy Code, any Claims arising out of the rejection of executory contracts and unexpired leases shall,

pursuant to section 502(g) of the Bankruptcy Code, be Unimpaired and treated as Class 5 General Unsecured Claims in accordance with Section 3.08 hereof.

Section 6.05. Executory Contracts and Unexpired Leases Entered Into and Other Obligations Incurred After the Petition Date. On the Effective Date, all contracts, leases, and other agreements entered into by the Debtor on or after the Petition Date, which agreements have not been terminated in accordance with their terms on or before the Effective Date, shall be deemed assumed and assigned to the Reorganized Debtor.

ARTICLE VII MEANS FOR IMPLEMENTATION OF THE PLAN

Section 7.01. Corporate Action. The entry of the Confirmation Order shall constitute authorization for the Debtor and the Reorganized Debtor to take all actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court.

Section 7.02. Entry Into New Financing Documents. The entry of the Confirmation Order shall constitute authorization for the Debtor and the Reorganized Debtor to take or to cause to be taken all actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, including, but not limited to, the execution and delivery of the OWB Restructured Loan Documents, and to take all actions necessary to satisfy the conditions set forth in the OWB Restructured Loan Documents, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court.

Section 7.03. Operations Between Confirmation Date and Effective Date. The Debtor shall continue to operate, subject to the supervision of the Bankruptcy Court, during the period from the Confirmation Date through and until the Effective Date.

Section 7.04. Revesting of Assets. Except as otherwise expressly provided in the Plan, pursuant to sections 1123(a)(5), 1123(b)(3) and 1141(b) of the Bankruptcy Code, all Property comprising the Debtor's Estate, including, but not limited to, all Avoidance Actions and all Causes of Action shall automatically be retained and revested in the Reorganized Debtor or its successor, free and clear of all Claims, Liens, contractually-imposed restrictions, charges, and encumbrances on the Effective Date, except that such revesting shall not be free and clear of any of OneWest's Liens relating to the OWB Prepetition Loan Documents or any new Liens granted under the OWB Restructured Loan Documents. As of the Effective Date, the Reorganized Debtor may operate its business and use, acquire and dispose of Property and settle and compromise Claims without supervision of the Bankruptcy Court free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and Confirmation Order. Without limiting the foregoing, the Reorganized Debtor may pay the charges it incurs for professional fees, disbursements, expenses or related support services after the Effective Date without any application to the Bankruptcy Court.

Section 7.05. Change of Control. The transactions contemplated under the Plan shall not be deemed or considered a change of control triggered by the consummation of the Plan.

Section 7.06. Post Effective Date Management. On the Effective Date, the management of the Debtor shall be vested in the Manager (HSH I, Inc.) who has appointed the following officers:

Samuel A. Hardage	President
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Keith Hindenlang	Treasurer
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Beth Chaney	Secretary
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ARTICLE VIII PRESERVATION OF CAUSES OF ACTION AND RIGHT TO DEFEND AND CONTEST

Section 8.01. Preservation of Rights. Except to the extent that any Claim is Allowed during the Chapter 11 Case or expressly by this Plan or the Confirmation Order, nothing, including, but not limited to, the failure of the Debtor or the Reorganized Debtor to object to a Claim for any reason during the pendency of the Chapter 11 Case, shall affect, prejudice, diminish or impair the rights and legal and equitable defences of the Debtor or the Reorganized Debtor with respect to any Claim, including, but not limited to, all rights of the Debtor or the Reorganized Debtor to contest or defend themselves against such Claims in any lawful manner or forum when and if such Claim is sought to be enforced by the Holder thereof.

Section 8.02. Setoffs. Except to the extent that any Claim is Allowed, the Debtor, the Disbursing Agent or the Reorganized Debtor, as applicable, may, but shall not be required to, set off against any Claims and the payments or distributions to be made pursuant to the Plan in respect of such Claims, any and all debts, liabilities, Causes of Action and claims of every type and nature whatsoever which the Estate, the Debtor, the Disbursing Agent or the Reorganized Debtor may have against such Creditors, but neither the failure to do so nor the allowance of any such Claims, whether pursuant to the Plan or otherwise, shall constitute a waiver or release by the Debtor, the Disbursing Agent or the Reorganized Debtor of any such claims or Causes of Action the Debtor, the Disbursing Agent or the Reorganized Debtor may have against such Creditors.

Section 8.03. No Payment or Distribution Pending Allowance. All references to Claims and amounts of Claims refer to the amount of the Claim Allowed by agreement of the Debtor, the Reorganized Debtor, or the Disbursing Agent, and the Holder of such Claim, by operation of law, by Final Order or by this Plan. Notwithstanding any other provision in the Plan, no payment or distribution shall be made on account of or with respect to any Claim to the extent it is a Disputed Claim unless and until the Disputed Claim becomes an Allowed Claim.

Section 8.04. Resolution of Disputed Claims. Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Reorganized Debtor shall have the right, on

and after the Effective Date, to File objections to Claims (except those specifically Allowed by this Plan) and shall serve a copy of each such objection upon the Holder of the Claim to which the objection is made as soon as practicable, but in no event later than the applicable Claims Objection Deadline. The foregoing deadlines may be extended by order of the Bankruptcy Court. An objection to any Claim shall be deemed properly served on the Holder thereof if the Disbursing Agent effects service in any of the following manners: (a) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004; (b) by first class mail, postage prepaid, on the signatory and at the address set forth on the proof of claim or other representative identified in the proof of claim or any attachment thereto; or (c) by first class mail, postage prepaid, on any counsel that has appeared on the Holder's behalf in the Chapter 11 Case.

ARTICLE IX

CONDITIONS TO CONSUMMATION OF THE PLAN

Section 9.01. Conditions to Effective Date. The Plan shall not be consummated, and the Effective Date shall not occur, unless and until the following conditions have occurred or been duly waived (if waivable) pursuant to Section 9.02 below:

- (a) the Bankruptcy Court shall have approved the information contained in the Disclosure Statement as adequate;
- (b) the Confirmation Order shall have been entered and shall not be stayed by order of a court of competent jurisdiction and the Confirmation Order shall have become a Final Order;
- (c) the Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order) authorizing and directing the Debtor to take all actions necessary or appropriate to enter into, implement and consummate the documents created, amended, supplemented, modified or adopted in connection with the Plan;
- (d) all authorizations, consents and regulatory approvals required, if any, in connection with the Plan's effectiveness shall have been obtained;
- (e) no order of a court shall have been entered and shall remain in effect restraining the Debtor from consummating the Plan; and
- (f) all conditions precedent identified in the OWB Restructured Loan Agreement.

Section 9.02. Waiver of Conditions to Consummation. The conditions to consummation in Section 9.01 (other than Sections 9.01(a), (b), (e) and (f)) may be waived at any time by a writing signed by an authorized representative of Debtor without notice or order of the Bankruptcy Court or any further action other than proceeding to consummation of the Plan.

Section 9.03. Effect of Failure or Absence of Waiver of Conditions Precedent to the Effective Date of the Plan. In the event that one or more of the conditions specified in Section 9.01 hereof have not occurred (or been waived), upon notification submitted by the Debtor to the Bankruptcy Court: (a) the Confirmation Order, automatically and without further order of the Bankruptcy Court, shall be deemed, vacated, null and void and with no force or legal effect whatsoever; (b) no distributions under the Plan shall be made; (c) all Property of the Estate shall remain in the Debtor's Estate; (d) the Debtor and all Holders of Claims and Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Order had never been entered and Confirmation had not occurred; and (e) the Debtor's obligations with respect to the Claims and Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Interests by or against the Debtor or any other Person or Entity or to prejudice in any manner the rights of the Debtor or any Person or Entity in any further proceedings involving the Debtor.

ARTICLE X EFFECTS OF CONFIRMATION

Section 10.01. Discharge. To the fullest extent permitted by applicable law (including, without limitation, section 105 of the Bankruptcy Code), and except as otherwise provided in the Plan or in the Confirmation Order, all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims of any nature whatsoever against the Debtor or any of its assets or properties, regardless of whether any Property shall have been distributed or retained pursuant to the Plan on account of such Claims. To the fullest extent permitted by applicable law (including, without limitation, section 105 of the Bankruptcy Code), upon the Effective Date, and except as expressly contemplated in this Plan, the Debtor shall be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, debts (as such term is defined in section 101(12) of the Bankruptcy Code), Liens, security interests and encumbrances of and against all Property of the Estate or the Debtor that arose prior to the Effective Date, including, without limitation, all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not: (a) such Claim has been Allowed pursuant to section 502 of the Bankruptcy Code; or (b) the Holder of such Claim has voted to accept the Plan. Further, to the fullest extent under applicable law (including, without limitation, section 105 of the Bankruptcy Code), as of the Effective Date, all entities, including, without limitation, all Holders of Claims, shall be barred and enjoined from asserting against the Debtor, the Disbursing Agent or Reorganized Debtor, their Property or their successors or assigns any other or further Claims, debts, rights, Causes of Action, or liabilities relating to the Debtor based upon any act, omission, transaction or other activity of any nature that occurred prior to the Effective Date, except for those obligations expressly created by, or reserved in, this Plan. In accordance with the foregoing, to the fullest extent permitted by applicable law (including, without limitation, section 105 of the Bankruptcy Code), except as provided in the Plan or the Confirmation Order, the Confirmation Order shall be a judicial determination of discharge of all such Claims and other debts and liabilities against the Debtor pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge and termination shall void any judgment obtained against the Debtor, the Disbursing Agent or the Reorganized Debtor at any time, to the extent that such

judgment relates to a discharged Claim. Such discharge shall not, however, discharge the Debtor from any obligations under the OWB Prepetition Loan Documents as amended, restated, and consolidated by the OWB Restructured Loan Documents.

Section 10.02. Injunction.

(a) *Discharged Claims.* Except as otherwise expressly provided for in the Plan or the Confirmation Order, and to the fullest extent authorized or provided by the Bankruptcy Code, including sections 524 and 1141 thereof, the entry of the Confirmation Order shall, provided that the Effective Date occurs, permanently enjoin all Persons that have held, currently hold or may hold a Claim or other debt or liability that is discharged from taking any of the following actions against the Debtor, the Disbursing Agent or the Reorganized Debtor, or the Property of any of the foregoing on account of any such discharged Claims, debts or liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or enforcing in any manner, directly or indirectly, any Lien or encumbrance of any kind; (iv) asserting any setoff, offset, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtor; and (v) proceeding in any manner in any place whatsoever, including employing any process, that does not conform to or comply with or is inconsistent with the provisions of the Plan. The Plan shall not, however, enjoin OneWest's rights under or relating to the OWB Restructured Loan Documents.

(b) *Released Claims.* As of the Effective Date, and except as otherwise provided in the OWB Restructured Loan Documents, the Confirmation Order shall constitute an injunction permanently enjoining any Person that has held, currently holds or may hold a Claim, demand, debt, right, Cause of Action or liability that is released pursuant to Section 10.04 hereof from enforcing or attempting to enforce any such Claim, demand, debt, right, Cause of Action or liability against any Releasee, the Disbursing Agent or any of their respective Property, based on, arising from or relating to, in whole or in part, any act, omission or other occurrence taking place on or prior to the Effective Date with respect to or in any way relating to the Chapter 11 Case, all of which claims, demands, debts, rights, Causes of Action or liabilities shall be deemed released on and as of the Effective Date; provided, however, that this injunction shall not apply to: (i) any Claims that Creditors may assert under the Plan to enforce their rights thereunder, to the extent permitted by the Bankruptcy Code; or (ii) any claims Creditors or other third parties may have against each other, which claims are not related to the Debtor, it being understood, however, that any defenses, offsets, or counterclaims of any kind or nature whatsoever that the Debtor may have or assert in respect of any of the claims of the type described in (i) or (ii) of this proviso are fully preserved.

Section 10.03. Exculpation. Except as otherwise provided in the Plan or the OWB Restructured Loan Documents, neither the Disbursing Agent nor any Releasee shall have or incur any liability to any Person, including, without limitation, any Holder of a Claim or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or Affiliates or any of their successors or assigns, for any act taken or omission made in connection with, relating to, or arising out of, the Chapter 11 Case, Filing,

negotiating, prosecuting, administering, formulating, implementing, confirming or consummating this Plan, or the Property to be distributed under this Plan, including all activities leading to the promulgation and confirmation of the Plan, the Disclosure Statement (including any information provided or statement made in the Disclosure Statement or omitted therefrom), or any contract, instrument, release or other agreement or document created in connection with or related to the Plan or the administration of the Debtor or the Chapter 11 Case; provided, however, that the foregoing exculpation shall not apply to any act of gross negligence or wilful misconduct.

Section 10.04. Releases.

(a) *Releases by Debtor.* Effective as of the Effective Date, and except as otherwise provided in the Plan, the OWB Restructured Loan Documents or the Confirmation Order, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtor, in its individual capacity and as debtor in possession, will be deemed to have forever released, waived and discharged: (i) the Prepetition Secured Parties, collectively and individually, and their respective current and former officers, directors, employees, agents, stockholders, managers, members, Affiliates, partners, attorneys, advisors and professionals; and (ii) procurement, from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtor or the Disbursing Agent to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws or otherwise, 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 part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by the Debtor, taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Case or the Plan.

(b) *Releases by Holders of Claims and Interests.* Effective as of the Effective Date, and except as otherwise provided in the Plan, the OWB Restructured Loan Documents or the Confirmation Order, to the fullest extent permitted under applicable law, in consideration for the obligations of the Persons set forth below under the Plan and, if applicable, the Cash contracts, releases and other agreements or documents to be delivered in connection with the Plan, each Holder of a Claim or Interest who votes or is deemed to have voted in favor of the Plan, and any Affiliate of any such Holder (as well as any trustee or agent on behalf of each such Holder) shall be deemed to have forever waived, released and discharged the Releasees and the disbursing Agent from any and all Claims obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of the Debtor to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws or otherwise, 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 part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by the Debtor, taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Case or the Plan.

Section 10.05. Term of Stays. Unless otherwise provided herein or in the Confirmation Order, all stays provided for in the Chapter 11 Case under sections 105(a) or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

Section 10.06. Preservation of Insurance. Except as necessary to be consistent with the Plan, the Plan and the discharge provided herein shall not diminish or impair the enforceability of insurance policies that may cover Claims against the Debtor or any other Person or Entity, including self-insurance programs.

Section 10.07. Guaranties. Except as set forth in the Plan, notwithstanding the existence of guaranties by the Debtor of obligations of any Entity or Entities, and the Debtor's joint obligations with another Entity or Entities with respect to the same obligations, all Claims against the Debtor based upon any such guaranties shall be satisfied, discharged and released in the manner provided in this Plan and the Holders of Claims shall be entitled to only one distribution with respect to any given obligation of the Debtor.

Section 10.08. Subordination Rights. Except as set forth in the Plan, any distributions under the Plan shall be received and retained free of and from any obligations to hold or transfer the same to any other Creditor, and shall not be subject to levy, garnishment, attachment or other legal process by any Holder by reason of claimed contractual subordination rights, which rights shall be waived and the Confirmation Order shall constitute an injunction enjoining any Person from enforcing or attempting to enforce any contractual, legal or equitable subordination rights to Property distributed under the Plan, in each case.

Section 10.09. No Successor Liability. Except as otherwise expressly provided in the Plan, the Debtor, its Affiliates, the Disbursing Agent, and the Reorganized Debtor do not, pursuant to the Plan or otherwise, assume, agree to perform, pay or indemnify, or otherwise have any responsibilities for any liabilities or obligations of the Debtor or any other party relating to or arising out of the operations of or assets of the Debtor, whether arising prior to, on or after the Effective Date. The Disbursing Agent and the Reorganized Debtor are not, and shall not be, successors to the Debtor by reason of any theory of law or equity, and none shall have any successor or transferee liability of any kind or character, except that the Disbursing Agent and the Reorganized Debtor shall assume the obligations specified in the Plan and the Confirmation Order.

ARTICLE XI

RETENTION OF JURISDICTION

Section 11.01. Exclusive Jurisdiction of Bankruptcy Court. Except as set forth in the Plan, notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain after the Effective Date exclusive jurisdiction of all matters arising out of, arising in or related to the Chapter 11 Case to the fullest extent permitted by applicable law, including, without limitation, jurisdiction to:

(a) classify or establish the priority or secured or unsecured status of any Claim (whether Filed before or after the Effective Date and whether or not contingent,

Disputed or unliquidated) or resolve any dispute as to the treatment of any Claim pursuant to the Plan;

(b) grant or deny any applications for allowance of compensation or reimbursement of expenses pursuant to sections 330, 331 or 503(b) of the Bankruptcy Code, or otherwise provided for in the Plan, for periods ending on or before the Effective Date;

(c) determine and resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which the Debtor is a party or with respect to which the Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;

(d) ensure that all payments due under the Plan and performance of the provisions of the Plan are accomplished as provided herein and resolve any issues relating to distributions to Holders of Allowed Claims pursuant to the provisions of the Plan;

(e) construe, take any action and issue such orders, prior to and following the Confirmation Date and consistent with section 1142 of the Bankruptcy Code, as may be necessary for the enforcement, implementation, execution and consummation of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan, including, without limitation, the Disclosure Statement and the Confirmation Order, for the maintenance of the integrity of the Plan and protection of the Disbursing Agent in accordance with sections 524 and 1141 of the Bankruptcy Code following consummation;

(f) determine and resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, implementation or enforcement of the Plan (and all Exhibits to the Plan) or the Confirmation Order, including the indemnification and injunction provisions set forth in and contemplated by the Plan or the Confirmation Order, or any Entity's rights arising under or obligations incurred in connection therewith;

(g) hear any application of the Reorganized Debtor to modify the Plan after the Effective Date, pursuant to section 1127 of the Bankruptcy Code and Section 12.04 hereof, or modify the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created 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, indenture or other agreement or document 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, to the extent authorized by the Bankruptcy Code and the Plan;

(h) issue injunctions, 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;

(i) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;

(j) determine any other matters that may arise in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, except as otherwise provided in the Plan;

(k) determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(l) hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code;

(m) hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;

(n) enter a Final Decree closing the Chapter 11 Case;

(o) determine and resolve any and all controversies relating to the rights and obligations of the Disbursing Agent in connection with the Chapter 11 Case;

(p) allow, disallow, determine, liquidate or estimate any Claim, including the compromise, settlement and resolution of any request for payment of any Claim, the resolution of any Objections to the allowance of Claims and to hear and determine any other issue presented hereby or arising hereunder, including during the pendency of any appeal relating to any Objection to such Claim (to the extent permitted under applicable law);

(q) permit the Debtor (and the Reorganized Debtor, to the extent provided for in the Plan) to recover all of the Debtor's assets and Property of the Estate wherever located;

(r) hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes, tax benefits and similar or related matters with respect to the Debtor or the Estate arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Case, including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(s) hear and determine any motions, applications, adversary proceedings, contested matters and other litigated matters pending on, Filed or commenced after the Effective Date that may be commenced by the Reorganized Debtor thereafter, including Avoidance Actions, proceedings with respect to the rights of the Reorganized Debtor to recover Property under sections 542, 543 or 553 of the Bankruptcy Code, or proceedings to otherwise collect to recover on account of any claim or Cause of Action that the Debtor may have had;

(t) hear any other matter not inconsistent with the Bankruptcy Code.

Notwithstanding the foregoing, upon the occurrence of the Effective Date and the final execution of the OWB Restructured Loan Documents, OneWest shall have the right to enforce the OWB Restructured Loan Documents in state court in accordance with their provisions and applicable law.

Section 11.02. Failure of Bankruptcy Court to Exercise Jurisdiction. If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Debtor, including with respect to the matters set forth above in Section 11.01 hereof, this Article XI shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

ARTICLE XII MISCELLANEOUS PROVISIONS

Section 12.01. Binding Effect of Plan. The provisions of the Plan shall be binding upon and inure to the benefit of the Debtor, the Estate, the Disbursing Agent, Reorganized Debtor, the Prepetition Secured Parties, any Holder of any Claim or Interest treated herein or any Person named or referred to in the Plan, and each of their respective heirs, executors, administrators, representatives, predecessors, successors, assigns, agents, officers and directors, and, to the fullest extent permitted under the Bankruptcy Code and other applicable law, each other Person affected by the Plan.

Section 12.02. Withdrawal of the Plan. The Debtor reserves the right, at any time prior to Confirmation of the Plan to withdraw the Plan. If the Plan is withdrawn, the Plan shall be null and void and have no force and effect. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor.

Section 12.03. Final Order. Except as otherwise expressly provided in the Plan, any requirement in the Plan for a Final Order may be waived by the Debtor or, after the Effective Date, the Disbursing Agent and the Reorganized Debtor upon written notice to the Bankruptcy Court. No such waiver shall prejudice the right of any party in interest to seek a stay pending appeal of any order that is not a Final Order.

Section 12.04. Modification of the Plan. The Debtor may alter, amend or modify the Plan in accordance with section 1127 of the Bankruptcy Code or as otherwise permitted at any time prior to the Confirmation Date. After the Confirmation Date and prior to the substantial consummation of the Plan, and in accordance with the provisions of section 1127(b) of the Bankruptcy Code and the Bankruptcy Rules, the Debtor may, so long as the treatment of Holders of Claims or Interests under the Plan is not adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, prior notice of such proceedings shall be served in accordance with Bankruptcy Rules 2002 and 9014.

Section 12.05. Business Days. If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

Section 12.06. Severability. Should the Bankruptcy Court determine, prior to the Confirmation Date, that any provision of the Plan is either illegal on its face or illegal as applied to any Claim or Interest, such provision shall be unenforceable as to all Holders of Claims or Interests or to the specific Holder of such Claim or Interest, as the case may be, as to which such provision is illegal. Unless otherwise determined by the Bankruptcy Court, such a determination of unenforceability shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan. The Debtor reserves the right not to proceed with Confirmation or consummation of the Plan if any such ruling occurs.

Section 12.07. Governing Law. EXCEPT TO THE EXTENT THAT THE BANKRUPTCY CODE, BANKRUPTCY RULES OR OTHER FEDERAL LAWS ARE APPLICABLE, AND EXCEPT AS OTHERWISE PROVIDED IN THE PROVISIONS OF ANY CONTRACT, INSTRUMENT, RELEASE, INDENTURE OR OTHER AGREEMENT OR DOCUMENT ENTERED INTO IN CONNECTION WITH THE PLAN, THE CONSTRUCTION, IMPLEMENTATION AND ENFORCEMENT OF THE PLAN AND ALL RIGHTS AND OBLIGATIONS ARISING UNDER THE PLAN SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO CONFLICTS-OF-LAW PRINCIPLES THAT WOULD APPLY THE LAW OF A JURISDICTION OTHER THAN THE STATE OF TEXAS.

Section 12.08. Dissolution of Committee. On the Effective Date, any statutory committee that has been established shall be automatically dissolved and all of its members, Professionals and agents shall be deemed released of their duties, responsibilities and obligations, and shall be without further duties, responsibilities and authority in connection with the Debtor, the Chapter 11 Case, the Plan or its implementation.

Section 12.09. Payment of Statutory Fees. All U.S. Trustee's Fee Claims, as determined, if necessary, by the Bankruptcy Court at the hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid on or before the Effective Date by the Reorganized Debtor.

Section 12.10. Post-Confirmation Operating Reports. The Debtor shall file quarterly operating reports as required by the United States Trustee until such time as a Final Decree or other order is entered under section 350(a) of the Bankruptcy Code closing the Bankruptcy Cases.

Section 12.11. Notices. Any notice required or permitted to be provided under this Plan to the Debtor, or any request for information with respect to the Plan, shall be in writing and served by either: (a) certified mail, return receipt requested, postage prepaid; (b) hand delivery; or (c) reputable overnight delivery service, freight prepaid, to be addressed as follows:

Haynes and Boone, LLP,
Attn: Trey Monsour, Esq. and Mark Elmore, Esq.
2323 Victory Avenue
Suite 700
Dallas, Texas 75219

Section 12.12. Filing of Additional Documents. On or before substantial consummation of the Plan, the Debtor shall issue, execute, deliver, and File with the Bankruptcy Court or record any agreements and other documents, and take any action as may be necessary or appropriate to effectuate, consummate and further evidence the terms and conditions of the Plan.

Section 12.13. Section 1125 of the Bankruptcy Code. The Debtor has, and upon Confirmation of the Plan shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code. The Debtor (and each of its Affiliates, officers, directors, employees, consultants, agents, advisors, members, attorneys, accountants, financial advisors, other representatives and Professionals) have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer, issuance, sale, solicitation and/or purchase of the securities offered and sold under the Plan, and are not, and on account of such offer, issuance, sale, solicitation and/or purchase will not be liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale, solicitation and/or purchase of the securities offered and sold under the Plan.

Section 12.14. Section 1146 Exemption. To the fullest extent permitted under section 1146(a) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, if any, or the execution, delivery or recording of an instrument of transfer under the Plan, or the revesting, transfer or sale of any real or other Property of or to the Reorganized Debtor or the Disbursing Agent, shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, mortgage recording tax, intangible tax or similar tax.

Section 12.15. Section 1145 Exemption. To the extent applicable and to the fullest extent permitted under section 1145 of the Bankruptcy Code, the issuance of any interests in the Reorganized Debtor on or around the Effective Date shall be exempt from the registration requirements of Section 5 of the Securities Act and any and all federal, state and local laws requiring the registration or licensing of an issuer, underwriter, broker or dealer in such securities.

Section 12.16. Time. Unless otherwise specified herein, in computing any period of time prescribed or allowed by the Plan, the day of the act or event from which the designated period begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day, in which event the period runs until the end of next succeeding day that is a Business Day. Otherwise, the provisions of Bankruptcy Rule 9006 shall apply.

Section 12.17. No Attorneys' Fees. No attorneys' fees will be paid by the Debtor with respect to any Claim or Interest, except as expressly specified herein or by order of the Bankruptcy Court.

Section 12.18. No Injunctive Relief. No Claim shall under any circumstances be entitled to specific performance or other injunctive, equitable or other prospective relief.

Section 12.19. Continued Confidentiality Obligations. Pursuant to the terms thereof, members of and advisors to any statutory committee, any other Holder of a Claim or Interest and their respective predecessors, successors and assigns shall continue to be obligated and bound by the terms of any confidentiality agreement executed by them in connection with the Chapter 11 Case or the Debtor to the extent that such agreement, by its terms, may continue in effect after the Confirmation Date.

Section 12.20. No Admissions or Waivers. Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed an admission or waiver by the Debtor with respect to any matter set forth herein, including, without limitation, liability on any Claim or the propriety of any classification of any Claim.

Section 12.21. Entire Agreement. The Plan (and all Exhibits to the Plan) sets forth the entire agreement and undertakings relating to the subject matter hereof and supersedes all prior discussions and documents. The Debtor shall not be bound by any terms, conditions, definitions, warranties, understandings or representations with respect to the subject matter hereof, other than as expressly provided for herein or as may hereafter be agreed to by the parties in writing.

Section 12.22. Waiver. The Debtor reserves the right to waive any provision of this Plan to the extent such provision is for the sole benefit of the Debtor.

Section 12.23. Bar Date for Professionals. All Professionals asserting Professional Fee Claims shall file and serve on counsel for the Reorganized Debtor, the Prepetition Secured Parties, the United States Trustee and any other party specifically requesting a copy in writing, an application for its Professional Fee Claim no later than forty-five (45) days after the Effective Date. Any interested party desiring to object to any Professional Fee Claim must file and serve its Objection on the Reorganized Debtor, the Prepetition Secured Parties, the United States Trustee and the Professional to whose application the Objection is addressed no later than sixty (60) days after the Effective Date. In the event that a party files an Objection to all or a portion of a Professional's Professional Fee Claim, and such objecting party and the Professional cannot mutually resolve the Objection(s) with respect to the Disputed portion of such Professional's Professional Fee Claim, the Professional may apply to the Bankruptcy Court for approval of the Professional's Professional Fee Claim upon notice to the objecting party, the Reorganized Debtor, the Prepetition Secured Parties, and the United States Trustee of not less than ten (10) Business Days.

CONFIRMATION REQUEST

The Debtor hereby requests confirmation of the Plan pursuant to section 1129(a) or section of the Bankruptcy Code.

Dated: October 18, 2012
Dallas, Texas

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COUNSEL TO THE DEBTOR

Appendix B

[Financial Projections]

Appendix C

[Liquidation Analysis]