

1 AIKEN SCHENK HAWKINS & RICCIARDI P.C.
2 4742 North 24th St., Suite 100
3 Phoenix, Arizona 85016
4 Telephone: (602) 248-8203
5 Facsimile: (602) 248-8840
6 E-Mail: dlh@ashrlaw.com
7 E-Mail: prc@ashrlaw.com
8 E-Mail: crc@ashrlaw.com
9 D. Lamar Hawkins – 013251
10 Philip R. Rupprecht - 009288
11 Christopher R. Chicoine - 025260
12 Attorneys for Debtor

13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:	Chapter 11 Proceedings
HPT DEVELOPMENT CORPORATION,	Case No. 2:10-bk-06294-SSC
Debtor.	
Address: PMB 368 10645 N. Tatum Blvd., Ste. 200 Phoenix, AZ 85028	SUPPLEMENT TO SECOND AMENDED DISCLOSURE STATEMENT AND SECOND AMENDED PLAN
Tax I.D. No.: xx-xxx8142	(No hearing set)

Pursuant to the Court's order at a hearing held on November 2, 2010 regarding the approval of the Debtor's Second Amended Disclosure Statement (the "Disclosure Statement"), Debtor, by and through undersigned counsel, hereby supplements its Second Amended Disclosure Statement filed on September 21, 2010 at Docket No. 94 and its Second Amended Plan of Reorganization attached thereto as Exhibit "A."

The Debtor's Disclosure Statement currently contains the following Liquidation Analysis which is based on the Debtor's opinion of the current values of its real property:

IX. LIQUIDATION ANALYSIS

The following is a Liquidation Analysis indicating what the Debtor believes Creditors would receive in the event of a liquidation and it is based upon the appraisal obtained by the Debtor. The figures for "market value" and "liquidation value" are the Debtor's best estimate on what these assets are worth on a market or liquidation basis.

Asset	Market Value	Exemptions	Secured Claim	Equity
Developed Lots 1, 2, 4 and 5	12,700,000	0	11,799,872	900,127
Undeveloped Lots 3 and 6	1,950,000	0	1,502,813	447,187
Heritage Bank Account	29	0	0	29
Specialty Markets Account	188,156	0	0	188,156
Accounts Receivable	30,093	0	0	30,093
Equity				1,565,592

The real property is secured by Maricopa County. All of the Debtor's assets are secured by the Claim of Heritage Bank. The Debtor asserts, but Heritage Bank disagrees, that the amount of the secured claims is less than the value of the assets. If the Debtor is correct, the real property being turned over to Heritage Bank, subject to the secured claim of Maricopa County, frees up the remaining assets for the payment of administrative, priority and general unsecured claims. The Debtor believes that on a liquidation basis, full market value for assets cannot be obtained. Given the time constraints under which liquidation occurs, it is unlikely that a Chapter 7 trustee will wait to obtain the most optimal price for estate assets. Further, there are costs associated with a liquidation of assets that must be paid out of any sale proceeds. The liquidation analysis does not contain an estimation of any tax liability which could be associated with the liquidation. This would lessen the recovery to creditors. **Creditors should note that after Administration Claims and Priority Claims, Liquidation Equity should exist for the benefit of general Unsecured Claims. Nonetheless, if assets are recovered that would allow for a distribution to satisfy its creditors and have a return to equity, the Debtor would distribute this value to its creditors in accordance with the priorities of the Bankruptcy Code. The Debtor will pay in full all of its Administrative Claims and Priority Claims out of its Excess Cash Flow.**

This analysis is provided for informational purposes only, given that the Debtor's Plan does not contemplate a liquidation in this fashion. The importance of the analysis is to illustrate that even if the Debtor's estate was liquidated, values would lessen significantly and creditors would not be paid quickly and general unsecured creditors would not receive a distribution. The Debtor's Plan not only calls for the commencement of immediate payments to all creditors, it also enhances the ability to pay creditors in a greater amount more quickly. Unsecured creditors should be mindful that all administrative claims and priority claims are paid before any distribution to general unsecured claims.

**SUPPLEMENT TO DISCLOSURE STATEMENT
RE: LIQUIDATION ANALYSIS**

The Debtor provides below a supplemental Liquidation Analysis based upon the alternative potential treatment under the Debtor's Second Amended Plan of Reorganization (the "Plan"). This Liquidation Analysis indicates what Heritage Bank believes Creditors would receive in the event of a liquidation, and it is based upon the appraisal obtained by Heritage Bank.

Asset	"As Is" Current Market Value	Exemptions	Secured Claim	Equity
Developed Lots 1, 2, 4 and 5	10,100,000	0	11,717,045	0
Undeveloped Lots 3 and 6	1,100,000	0	1,502,813	0
Heritage Bank Account	29	0	0	29
Specialty Markets Account	188,156	0	0	188,156
Accounts Receivable	30,093	0	0	30,093
Equity				218,278

**SUPPLEMENT TO DISCLOSURE STATEMENT
RE: PROJECTIONS**

The Plan provides an alternative approach, depending on the value that the Court determines for the Property. The Debtor and Heritage Bank have a dispute as to the opinion of value of the Property, and the Court will make a determination as to the value of the Property. If the Court adopts Heritage's opinion of value, the Plan provides for a reamortization of Heritage's Allowed Secured Claim and monthly payments over time. The Debtor has several prospective tenants that it would sign leases with, but for the refusal by Heritage for the Debtor to go forward with these leases. The Debtor would go forward with these leases and they would provide further ongoing income to the operations. Attached hereto as Exhibit "1" are projections for the Debtor's operations. These projections assume the Court accepts the Debtor's proposed treatment of Heritage's Allowed Secured Claim. As these projections demonstrate, for a period of time the Equity Interests will need to infuse capital to cover the shortfall so that all Plan expenses can be paid. The Equity Interests are dedicated to this infusion and have the resources to do so. Over time, as the Debtor is able to obtain more tenants, the capital infusion requirements will diminish, until such time as the operations become self-sufficient. The Debtor believes that the addition of just two tenants can achieve this result, although the Debtor believes that more than two tenants will eventually be obtained. Further, the Debtor projects that all unsecured claims, including any

1 deficiency claim of Heritage Bank, will be paid in full under the terms of the Plan.
2

3 **SUPPLEMENT TO PLAN**
4 **RE: TREATMENT OF MARICOPA COUNTY – CLASS 2-A**

5 As to the Class 2-A Allowed Secured Claim of Maricopa County regarding real property
6 taxes and the Debtor's assertion that, if the Court adopts Heritage Bank's opinion of value and the
7 Debtor retains ownership of the real property, all real property taxes that became due prior to the
8 Effective Date shall bear interest at 5% from the date the taxes became due, the Debtor provides this
9 additional information: Maricopa County does not have to agree to the 5% interest rate, and if it
10 does not agree, then the interest rate of the property taxes will be at the state law tax rate of 16%.

11 **SUPPLEMENT TO PLAN**
12 **RE: TREATMENT OF HERITAGE BANK – CLASS 2-B**

13 The following language replaces the last paragraph of the treatment of Heritage Bank's
14 Class 2-B claim in the Debtor's Second Amended Plan:

15 If the Court adopts Heritage Bank's opinion of value of the Property, the
16 Debtor asserts that Heritage Bank is in first position on the Property junior only to
17 real property taxes. Heritage Bank shall retain its lien on the Property. Heritage
18 Bank's Allowed Secured Claim shall be allowed at the value of the Property minus
19 the real property taxes. This Allowed Secured Claim will be reamortized at the
20 Allowed Secured Claim and paid in equal monthly payments of principal and
21 interest, with interest at the rate of 5.5%, with the Allowed Secured Claim fully
22 amortized over 30 years. There will be a balloon payment in 10 years from the
23 Effective Date. The Debtor may prepay this obligation without penalty at any time.
24 Heritage Bank shall release its lien in the Property once its Allowed Secured Claim
25 has been paid. The Debtor may sell the Property at any time without penalty so
26 long as the balance owing on Heritage Bank's Allowed Secured Claim is satisfied
27 out of the sale proceeds. The balance of Heritage Bank's Allowed Claim shall be
28 treated in accordance with Class 3-B.

29 **SUPPLEMENT TO PLAN**
30 **RE: TREATMENT OF HERITAGE BANK – CLASS 2-C**

31 The following language replaces the last paragraph of the treatment of Heritage Bank's
32 Class 2-C claim in the Debtor's Second Amended Plan:

33 If the Court adopts Heritage Bank's opinion of value of the Property, the
34 Debtor asserts that Heritage Bank is in first position on the Property junior only to
35 real property taxes. Heritage Bank shall retain its lien on the Property. Heritage
36 Bank's Allowed Secured Claim shall be allowed at the value of the Property minus
37 the real property taxes. This Allowed Secured Claim will be reamortized at the
38 Allowed Secured Claim and paid in equal monthly payments of principal and
39 interest, with interest at the rate of 5.5%, with the Allowed Secured Claim fully
40 amortized over 30 years. There will be a balloon payment in 10 years from the

1 Effective Date. The Debtor may prepay this obligation without penalty at any time.
2 Heritage Bank shall release its lien in the Property once its Allowed Secured Claim
3 has been paid. The Debtor may sell the Property at any time without penalty so
4 long as the balance owing on Heritage Bank's Allowed Secured Claim is satisfied
out of the sale proceeds. The balance of Heritage Bank's Allowed Claim shall be
treated in accordance with Class 3-B.

5 DATED this 3rd day of February, 2011.

6 AIKEN SCHENK HAWKINS & RICCIARDI P.C.

7
8 By: 

D. Lamar Hawkins
Christopher R. Chicoine
Philip R. Rupprecht
4742 North 24th St., Suite 100
Phoenix, Arizona 85016
Attorneys for Debtor

12 HPT DEVELOPMENT CORPORATION

13
14 By: 

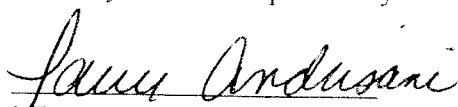
Howard D. Tay
Its President/Director

16 COPY of the foregoing mailed or served
17 via (fax* or electronic notification** if so marked)
this 3rd day of February, 2011, to:

18 Office of the U.S. Trustee * USTPRegion14.PX.ECF@USDOJ.GOV
230 North First Ave., Suite 204
19 Phoenix, AZ 85003-1706

20 Robert J. Miller ** rmiller@bryancave.com
Bryce A. Suzuki ** bryce.suzuki@bryancave.com
21 Justin A. Sabin ** justin.sabin@bryancave.com
BRYAN CAVE LLP
22 Two N. Central Ave., Suite 2200
Phoenix, AZ 85004-4406
23 Attorneys for Heritage Bank NA

24 J. Scott Dutcher gls_court_minute_entries@mail.maricopa.gov
Maricopa County Office of General Litigation Services
25 301 W. Jefferson St., Suite 3200
Phoenix, AZ 85003
26 Attorney for: Maricopa County

27 
28

THE PROJECTION WITH TWO ADDITIONAL TENANTS ADDED IN 2011 WITH 5.5% FIXED LOAN RATE:

Project Name: Thunderbird Commons
Date Prepared: 11/10/10
For Year Ending: 2011

Total Square Footage:
Net Rentable Square Footage:

54872
54872

Page One

	January	February	March	April	May	June	July	August	September	October	November	December	Total	Per Sq. Ft.
Operating Income														
Rental Income	\$ 64,638.76	\$ 64,638.76	\$ 64,638.76	\$ 69,092.51	\$ 69,092.51	\$ 69,092.51	\$ 69,154.21	\$ 69,154.21	\$ 77,877.96	\$ 77,877.96	\$ 78,049.48	\$ 78,049.48	\$ 851,357.11	\$ 15.51
Common Area Expense Reimbursement	\$ 15,511.80	\$ 15,511.80	\$ 15,511.80	\$ 17,053.80	\$ 17,053.80	\$ 17,053.80	\$ 17,053.80	\$ 17,053.80	\$ 19,928.80	\$ 22,803.80	\$ 25,678.80	\$ 28,553.80	\$ 228,769.60	\$ 4.17
TOTAL INCOME	\$80,150.56	\$80,150.56	\$80,150.56	\$86,146.31	\$86,146.31	\$86,146.31	\$86,208.01	\$86,208.01	\$97,806.76	\$100,681.76	\$103,728.28	\$106,603.28	\$1,080,126.71	\$19.68

OPERATING EXPENSES

OPERATING EXPENSES															
Electric	1130.00	1130.00	1130.00	1130.00	1130.00	1130.00	1130.00	1130.00	1130.00	1130.00	1130.00	1130.00	1130.00	13560.00	0.25
Domestic Water/Sewer	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	3660.00	0.07
Day Porter	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	3600.00	0.07
Landscaping Contract Service	1600.00	1600.00	1600.00	1600.00	1600.00	1600.00	1600.00	1600.00	1600.00	1600.00	1600.00	1600.00	1600.00	19200.00	0.35
Landscape Water	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	305.00	3660.00	0.07
Landscape Reps	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	200.00	0.00
Parking Lot Swe	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	2400.00	0.04
Parking Lot Lighting	350.00	250.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	3600.00	0.07
Parking Lot Side	455.00	0.00	455.00	0.00	0.00	0.00	0.00	455.00	0.00	0.00	455.00	0.00	0.00	1820.00	0.03
Parking Lot Repairs/Maintenance	0.00	0.00	1750.00	1800.00	0.00	0.00	0.00	0.00	0.00	0.00	250.00	0.00	0.00	3800.00	0.07
Wages	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	6000.00	0.11
Trash Removal	320.00	320.00	320.00	320.00	320.00	320.00	320.00	320.00	320.00	320.00	320.00	320.00	320.00	3840.00	0.07
Pest Control	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	660.00	0.01
General Building Lock & Key	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	150.00	0.00
General Buildi	485.00	255.00	255.00	485.00	255.00	255.00	485.00	255.00	255.00	485.00	1470.00	255.00	255.00	5195.00	0.09
General Building Windows	0.00	250.00	0.00	0.00	250.00	0.00	0.00	250.00	0.00	0.00	250.00	0.00	0.00	1000.00	0.02
General Building Fountains	0.00	50.00	0.00	0.00	50.00	0.00	0.00	50.00	0.00	0.00	50.00	0.00	0.00	200.00	0.00
General Buildi	75.00	0.00	75.00	0.00	75.00	0.00	75.00	0.00	75.00	0.00	75.00	0.00	75.00	450.00	0.01
General Buildi	0.00	85.00	0.00	85.00	0.00	85.00	0.00	85.00	0.00	85.00	85.00	0.00	85.00	510.00	0.01
SUBTOTAL OPERATING EXPENSES	5625.00	6110.00	7195.00	7335.00	6200.00	5305.00	5675.00	6110.00	5395.00	5785.00	7465.00	5305.00	73505.00	1.34	

Project Name: Thunderbird Commons
Date Prepared: 11/10/10
For Year Ending: 2011

Total Square Footage:
Net Rentable Square Footage:

54872
54872

Page Two

	January	February	March	April	May	June	July	August	September	October	November	December	Total	Per Sq. Ft.
Operating Expenses (Continued)														
Management	2475.00	2475.00	2475.00	2475.00	2475.00	2475.00	2475.00	2475.00	2475.00	2475.00	2475.00	2475.00	29700.00	0.54
Administrative	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	900.00	0.02
Insurance	773.00	773.00	773.00	0.00	0.00	0.00	2950.00	773.00	773.00	773.00	773.00	773.00	9134.00	0.17
Property Tax	0.00	0.00	0.00	84522.13	0.00	0.00	0.00	0.00	0.00	85000.00	0.00	0.00	169522.13	3.09
TOTAL OPER	8948.00	9433.00	10518.00	94407.13	8750.00	7855.00	11175.00	9433.00	8718.00	94108.00	10788.00	8628.00	282761.13	5.15
NET INCOME AFTER OPERATING EXPENSE	71202.56	70717.56	69632.56	-8260.82	77396.31	78291.31	75033.01	76775.01	89088.76	6573.76	92940.28	97975.28	797365.58	14.53
Class 2A Maricopa County	14126.84	14126.84	14126.84	14126.84	14126.84	14126.84	14126.84	14126.84	14126.84	14126.84	14126.84	14126.84	169522.08	
Class 2B Heritage Bank @ 5.5%	67983.11	67983.11	67983.11	67983.11	67983.11	67983.11	67983.11	67983.11	67983.11	67983.11	67983.11	67983.11	815797.32	
Administrative Claim	20000.00	20000.00	10000.00	5000.00	5000.00	3000.00	2000.00	1500.00	1000.00	1000.00	1000.00	1000.00	70500.00	
TOTAL LOAN AND MISC EXPENSES	102109.95	102109.95	92109.95	87109.95	87109.95	85109.95	84109.95	83609.95	83109.95	83109.95	83109.95	83109.95	1055819.40	
Net Income after loan and misc payments	-30907.39	-31392.39	-22477.39	-95370.77	-9713.64	-6818.64	-9076.94	-6834.94	5978.81	-76536.19	9830.33	14865.33	-258453.82	
EQUITY INFUSION:	\$ 30,907.39	\$ 31,392.39	\$ 22,477.39	\$ 95,370.77	\$ 9,713.64	\$ 6,818.64	\$ 9,076.94	\$ 6,834.94	\$ (5,978.81)	\$ 76,536.19	\$ (9,830.33)	\$ (14,865.33)	\$ 258,453.82	

EXHIBIT 1