

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF HAWAII**

In re:) Chapter 11
)
M WAIKIKI LLC,)
)
) Case No. 11-02371 (RJF)
Debtor.)
_____)

**MARRIOTT INTERNATIONAL, INC. AND MARRIOTT HOTEL
SERVICES, INC.'S PROPOSED DISCLOSURE STATEMENT FOR THE
CHAPTER 11 PLAN OF REORGANIZATION OF M WAIKIKI LLC,
DATED, AS OF APRIL 2, 2012**

RUSH MOORE LLP
A Limited Liability Law Partnership
SUSAN TIUS 2873-0
737 Bishop Street, Suite 2400
Honolulu, Hawaii 96813-3862
Tel. No. (808) 521-0406
Fax No. (808) 521-0497
E-mail: Stius@rmhawaii.com

**SHEPPARD MULLIN RICHTER &
HAMPTON LLP**
CARREN B. SHULMAN
ALAN M. FELD
ORI KATZ
30 Rockefeller Plaza
New York, NY 10112-0015
Tel. No. (212) 653-8700
Fax No. (212) 653-8701
E-mail: CShulman@sheppardmullin.com
E-mail: AFeld@sheppardmullin.com
E-mail: OKatz@sheppardmullin.com

**ATTORNEYS FOR MARRIOTT INTERNATIONAL, INC. AND
MARRIOTT HOTEL SERVICES, INC.**

Dated: April 2, 2012

W02-EAST:7AAS2200475659.1

THE PROPONENTS PROVIDE NO ASSURANCE THAT THE DISCLOSURE STATEMENT AND THE EXHIBITS THERETO THAT ARE ULTIMATELY APPROVED IN THE CHAPTER 11 CASE (A) WILL CONTAIN ANY OF THE TERMS IN THIS CURRENT DOCUMENT OR (B) WILL NOT CONTAIN DIFFERENT ADDITIONAL OR MATERIAL TERMS THAT DO NOT APPEAR IN THIS CURRENT DOCUMENT.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT THE PLAN AND ANY EXHIBITS ATTACHED HERETO IS HIGHLY SPECULATIVE AND PERSONS SHOULD NOT RELY ON SUCH DOCUMENTS IN MAKING INVESTMENT DECISIONS WITH RESPECT TO (A) THE PROPONENTS, (B) THE DEBTOR, OR (B) ANY OTHER PERSON THAT MAY BE AFFECTED BY THE CHAPTER 11 CASE.

TABLE OF CONTENTS

	<u>Page</u>
I. RULES OF INTERPRETATION	1
II. EXECUTIVE SUMMARY	1
III. INTRODUCTION	2
IV. NOTICE TO HOLDERS OF CLAIMS AND INTERESTS	3
V. EXPLANATION OF CHAPTER 11.....	5
A. Overview of Chapter 11	5
B. Plan of Reorganization	6
VI. SUMMARY OF THE PLAN	8
A. Plan Overview	8
B. Plan Consideration	8
C. Overview of Treatment of Claims and Equity Interests	9
D. Unclassified Claims against the Debtor	10
1. Administrative Claims	11
2. DIP Loan Claim	13
3. Priority Tax Claims	13
4. U.S. Trustee Fees	13
5. Standing	13
E. Classified Claims and Interests	14
1. Non-Tax Priority Claims – Class 1	15
2. Secured Tax Claims – Class 2	16

3.	Wells Fargo Secured Claims – Class 3	16
4.	R.D. Olson Secured Claim – Class 4	17
5.	Marriott Secured and Unsecured Claims – Class 5	18
6.	Davidson Trust Secured Claim – Class 6	19
7.	Miscellaneous Secured Claims – Class 7	19
8.	General Unsecured Claims – Class 8.....	20
9.	Equity Interests – Class 9.....	21
F.	Treatment of Executory Contracts	21
1.	General Treatment of Executory Contracts: Rejected	21
2.	Rejection Claims	21
G.	Means of Implementation of the Plan	21
1.	Management and Operations Post-Effective Date.....	21
2.	Distributions.....	22
3.	Sources of Cash for Plan Distributions.....	22
4.	Reserves.	22
5.	Vesting of Assets	23
H.	Discharge.....	23
I.	Exculpation.....	23
J.	Injunction.....	24
K.	Release of Wells Fargo	24
L.	Revocation or Withdrawal of the Plan	27
M.	Modification of the Plan.....	27

VII. BUSINESS DESCRIPTIONS AND BACKGROUND TO THIS CHAPTER 11 CASE.....	28
A. Description of the Plan Proponent and its Business	28
B. Description of the Debtor.....	29
1. History and Organizational Structure	29
2. Principal Assets of the Debtor	29
3. Secured Indebtedness of the Debtor	29
4. Unsecured Non-Priority Indebtedness of the Debtor.....	30
C. The Nature of this Chapter 11 Filing	31
1. Events Leading to the Bankruptcy Case	31
D. Significant Events During the Bankruptcy Case.....	34
1. Schedules and Statement of Financial Affairs.....	34
2. Appointment of Creditors' Committee.....	35
3. Motion to Reject Management Agreement With Marriott	35
4. Marriott's Motion to Terminate Automatic Stay	35
5. Debtor in Possession Financing	35
6. Termination of Exclusivity	36
VIII. LITIGATION	36
A. Pending Litigation	36
B. Retained Causes of Action, Defenses, and Counterclaims.	37
IX. CONFIRMATION OF THE PLAN	38
A. Solicitation of Votes; Voting Procedures.....	38
1. Ballots and Voting Deadlines	38

2.	Parties in Interest Entitled to Vote.....	39
B.	Definition of Impairment	39
C.	Classes 3, 4, and 5 are Impaired Under the Plan.....	40
D.	Classes Not Entitled to Vote	41
E.	Vote Required for Class Acceptance	41
F.	Confirmation Hearing.....	41
G.	Requirements for Confirmation of a Plan	44
H.	Cramdown	47
X.	RISK FACTORS	49
A.	Consideration of Risks	49
B.	Disclosure Statement Disclaimer	50
XI.	ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN	53
XII.	CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES.....	54
XIII.	CONCLUSION AND RECOMMENDATION	57

I. RULES OF INTERPRETATION

Each capitalized term used but not otherwise defined herein shall have the meaning ascribed to it in Article I of the Plan of Reorganization, filed concurrently with this Disclosure Statement (and attached hereto as **Exhibit A**). Any capitalized term not defined in the Plan but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be. If there is any inconsistency between the Plan and the description of the Plan in the Disclosure Statement, the terms of the Plan shall govern.

II. EXECUTIVE SUMMARY

Marriott is proposing a relatively simple chapter 11 plan of reorganization. On or about the effective date of its Plan, Marriott will fund over \$130 Million in cash to pay or provide (through reserve accounts) a course of payment for entities with claims against the Debtor. Most creditors will be paid immediately under this arrangement, although Marriott will need some short amount of time to review claims in order to ensure they are accurate and valid before they can be paid. Only valid claims (referred to in the Plan as “Allowed” claims) will be paid.

Creditors will be paid the full amount they are entitled to (this treatment in the plan is referred to as “unimpaired”). Because general unsecured creditors are unimpaired under the Marriott plan, they are not entitled to vote on the plan, and are being provided the plan for information purposes.

Every claimant under the plan is either unimpaired or consents to the treatment Marriott has proposed. On top of the cash to be paid or reserved, Marriott will release its own claims against Debtor. The Court has yet to determine what those claims might be worth.

The current holders of equity in the Debtor will not receive anything under the plan. Rather, their interests in the Debtor will be cancelled when Marriott’s plan becomes effective.

If Marriott’s plan is confirmed by the Bankruptcy Court, the Debtor’s hotel will continue to engage in business, with Marriott or one of its affiliates acting as the new owner.

III. INTRODUCTION

Marriott International, Inc. and Marriott Hotel Services, Inc. submit this Disclosure Statement with respect to the *Plan of Reorganization Proposed by Marriott International, Inc. and Marriott Hotel Services, Inc., dated as of April 2, 2012*. This Disclosure Statement is to be used in connection with the solicitation of votes on the Plan attached hereto as **Exhibit A**.

Prior to soliciting acceptances of a proposed plan of reorganization, section 1125 of the Bankruptcy Code requires the plan proponent to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of a chapter 11 plan. This Disclosure Statement is being submitted in accordance with such requirements.

This Disclosure Statement includes, without limitation, information about:

how the Plan treats Holders of Claims against and Equity Interests in the Debtor (section VI);

how Distributions under the Plan will be made, the manner in which Disputed Claims will be resolved, and other significant aspects of the Plan (section VI);

who is entitled to vote on the Plan and how to vote on the Plan (section VI);

the reason the Debtor commenced the chapter 11 case (section VII);

significant events and participants in the chapter 11 case (section VII);

the procedure for Confirmation of the Plan (section IX);

certain factors to consider before voting (section X);

alternatives to Confirmation of the Plan (section XI); and

certain tax consequences of the Plan (section XII).

The Proponents believe the Plan is in the best interests of all Holders of Claims and urge each Holder of a Claim entitled to vote to accept the Plan and to

evidence such acceptance by returning its Ballot so that it will be received by the attorneys for the Proponents no later than _____, 2012.

IV. NOTICE TO HOLDERS OF CLAIMS AND INTERESTS

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT CAREFULLY.

The last day to deliver a Ballot casting a vote to accept or reject the Plan is _____, 2012 unless the attorneys for the Proponents extend the voting deadline. To be counted as a vote to accept or reject the Plan the attorneys for the Proponents must actually receive your Ballot on or before this date.

On _____, 2012, the Bankruptcy Court conducted a hearing on the adequacy of the Disclosure Statement and subsequently entered an order pursuant to section 1125 of the Bankruptcy Code (the "*Disclosure Statement Order*") approving this Disclosure Statement as containing information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor, typical of a solicited holder of a claim against the Debtor, to make an informed judgment with respect to the acceptance or rejection of the Plan. A copy of the Disclosure Statement Order is included in the materials accompanying this Disclosure Statement. APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT REGARDING THE FAIRNESS OR MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

The Debtor and the Davidson Family Trust do not necessarily agree with the statements made by the Proponents in their Disclosure Statement and reserve any and all rights to object to such statements on or before the date of the Plan Confirmation Hearing.

The purpose of this Disclosure Statement is to enable each Holder of a Claim against the Debtor whose Claim is impaired under, and is entitled to vote on,

the Plan to make an informed decision in exercising its right to vote to accept or reject the Plan. Each Holder of a Claim entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting. No Holder of a Claim entitled to vote on the Plan should rely upon any information relating to the Plan other than that contained in the Disclosure Statement and the exhibits hereto. The Disclosure Statement and the Plan are the only materials that the Holder of the Claim entitled to vote should use to determine whether to vote to accept or reject the Plan.

No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the attorneys for the Proponents and the Proponents, no person has been authorized to use or promulgate any information concerning the Plan, other than the information contained herein, in connection with the solicitation of votes to accept or reject the Plan. Unless otherwise indicated, the sources of all information set forth herein are provided by the Proponents and matters of record in this chapter 11 case, including pleadings filed by the Debtor.

After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot (if you are entitled to vote on the Plan) and returning the same to the address set forth on the Ballot, in the enclosed return envelope so that it will be received by the attorneys for the Proponents, Sheppard Mullin Richter & Hampton LLP, Four Embarcadero Center, Seventeenth Floor, San Francisco, CA 94111, Attn: Robert K. Sahyan, no later than 5:00 p.m. Hawaii Standard Time ("HST") on _____, 2012.

If you do not vote to accept the Plan, or if you are not entitled to vote on the Plan, you may be bound by the Plan if it is accepted by the requisite holders of claims.

TO BE SURE YOUR BALLOT IS COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 5:00 P.M. HST, ON _____, 2012. For an explanation of the procedures for confirming the Plan see section IX, which discusses solicitation of votes, voting procedures, requirements for Confirmation of the Plan, and the "cramdown" provision under section 1129 of the Bankruptcy Code.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled the Confirmation Hearing to consider Confirmation of the Plan, on _____ __, 2012, at _:_m. HST, in the United States Bankruptcy Court for the District of Hawaii. The Bankruptcy Court has directed that objections, if any, to Confirmation of the Plan be filed and served on or before _____ __, 2012 at 5:00 p.m. HST, in the manner described in section V herein.

THE PROPONENTS URGE EACH HOLDER OF AN IMPAIRED CLAIM TO ACCEPT THE PLAN.

V. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

The commencement of a chapter 11 case creates an estate comprising all the legal and equitable interests of a debtor in property as of the date the bankruptcy petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. In the present chapter 11 case, the Debtor has remained in possession of its property as a debtor in possession.

The filing of a chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, *inter alia*, for an automatic stay of all attempts to collect prepetition claims from the debtor or otherwise interfere with its property or business. Except as otherwise ordered by the Bankruptcy Court, the automatic stay remains in full force and effect until the effective date of a confirmed plan of reorganization.

The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. A plan sets forth the means for satisfying the claims against and interests in the debtor. Generally, unless a trustee is appointed, only a debtor may file a plan during the first 120 days of a chapter 11 case (the "**Exclusive Period**"). However, section 1121(d) of the Bankruptcy Code permits the court to extend or reduce the Exclusive Period upon a showing of "cause." A debtor has until the date that is 180 days from the commencement of its chapter 11 case to solicit acceptances of its plan (the "**Solicitation Period**"). The Solicitation Period may also be extended or reduced by the court upon a showing of "cause." After the Exclusive Period has expired, a creditor or any other party in interest may file a plan in the Debtor's chapter 11 case. Pursuant to an order entered on February 23,

2012 [Dkt. No. 627], the Bankruptcy Court terminated the Solicitation Period, thereby permitting any creditor or other party in interest to file a plan in the Debtor's Bankruptcy Case. On February 27, 2012, Marriott Hotel Services, Inc. and Marriott International, Inc. filed a plan of reorganization, attached hereto and described herein. In this chapter 11 case, there are competing plans: one plan proposed by Marriott and one plan proposed jointly by the Debtor and its affiliate.

The Court is expected to schedule hearings on the confirmation of both the Debtor's and Marriott's plans which will take place over several consecutive or non-consecutive days. Hearings to resolve certain issues in aid of confirmation may also be scheduled. On April 3, 2012, the Court is scheduled to begin one such hearing on the estimation of the Marriott Secured and Unsecured Claims.

B. Plan of Reorganization

After the Bankruptcy Court has approved a disclosure statement containing adequate information in connection with a filed plan of reorganization, a holder of an impaired claim against the Debtor is permitted to vote to accept or reject a plan. This Disclosure Statement is presented to holders of claims against the Debtor to satisfy the requirements of section 1125 of the Bankruptcy Code.

If all classes of claims and interests accept a plan of reorganization, the Bankruptcy Court may nonetheless deny confirmation of a plan unless the Bankruptcy Court independently determines that the requirements of section 1129 of the Bankruptcy Code have been satisfied. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests" test and be "feasible." The "best interests" test generally requires that the value of the property to be distributed to the holders of claims and interests under a plan may not be less than what those parties would receive if a debtor were liquidated pursuant to a hypothetical liquidation under chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the court generally must find that there is a reasonable probability that a reorganized debtor will be able to meet its obligations under its plan without the need for further financial reorganization.

The Proponents believe the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code, including, in particular, the "best interests" test and the "feasibility" requirement. The Proponents support Confirmation of the Plan and urge each Holder of an impaired claim to accept the Plan.

Chapter 11 does not require that each Holder of a Claim against or Interest in a debtor vote in favor of a plan of reorganization in order for the Bankruptcy Court to confirm a plan. At a minimum, however, a plan must be accepted by a majority in number and two-thirds in amount of those Claims actually voting in at least one class of impaired claims under a plan.

Classes of Claims or Interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified in any way under a plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity or payment in full in cash. Under the Plan, the Claims against the Debtor in Class 3 (Wells Fargo Secured Claim), Class 4 (R.D. Olson Secured Claim) and Class 5 (Marriott Secured and Unsecured Claims) are impaired, and the Holders of those Claims are entitled to vote on the Plan¹. Claims against the Debtor in Classes 1, 2, 6, 7, and 8 are not impaired, and the Holders of those Claims are not entitled to vote on the Plan. Holders of Equity Interests in the Estate in Class 9 are impaired and are not entitled to vote because such Holders are deemed to reject the Plan. Administrative Claims and Priority Tax Claims are unclassified because their treatment is prescribed by the Bankruptcy Code, and the Holders of such Claims are not entitled to vote on the Plan.

The Bankruptcy Court may also confirm a plan of reorganization notwithstanding the rejection of one or more classes of impaired claims and interests. For a plan of reorganization to be confirmed despite its rejection by a class of impaired claims or interests, the proponent of a plan must show, among other things, that a plan does not "discriminate unfairly" and is "fair and equitable" with respect to each impaired class of claims or interests that has not accepted the plan.

Under section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" as to a class of rejecting claims if, among other things, the plan provides: (a) with respect to secured claims, that each such holder will receive or retain on account of its claim, property that has a value as of the effective date of the plan equal to the allowed amount of such claim; and (b) with respect to unsecured claims and equity interests, that a holder of any claim or equity interest that is junior to the claims or

¹ Marriott will vote in favor of its Plan.

equity interests of such class will not receive or retain on account of such junior claim or equity interest any property at all unless the senior class is paid in full.

A plan does not "discriminate unfairly" against a rejecting class of claims if, under the totality of circumstances, there is a reasonable basis for the discrimination, if any, and the extent of the discrimination is reasonable in light of the basis for the discrimination.

The Proponents believe that the Plan has been structured so that it will satisfy these requirements as to any rejecting class of claims, and can therefore be confirmed, if necessary, over the objection of any class of claims. The Proponents thus reserve the right to request Confirmation of the Plan under the "cramdown" provisions of section 1129 of the Bankruptcy Code. Specifically, the Proponents reserve the right to seek Confirmation of the Plan, notwithstanding the deemed rejection of the Plan by Class 9 (holders of Equity Interests).

VI. SUMMARY OF THE PLAN

THIS IS ONLY A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. THE PLAN INCLUDES OTHER PROVISIONS THAT MAY AFFECT YOUR RIGHTS. YOU ARE URGED TO READ THE PLAN IN ITS ENTIRETY BEFORE VOTING ON THE PLAN.

The Plan governs the treatment of claims against and equity interests in the Debtor in this chapter 11 case. The tables in this section (section V) summarize the treatment for each Class. The tables are followed by a description of the types of Claims or Interests in each Class and a description of the property to be distributed under the Plan.

A. Plan Overview

The Plan provides for full payment in Cash of Allowed Claims for all Classes. On the Effective Date, Equity Interests will be cancelled and receive no Cash or other distribution, which is the exact same treatment that Equity Interests would receive pursuant to a chapter 7 liquidation.

B. Plan Consideration

The Plan will be funded by a combination of Cash and other consideration contributed by the Proponents. Specifically, on or about the Effective Date, the Proponents shall (i) contribute Cash in an amount sufficient to

fund the Plan, (ii) release the Marriott Secured and Unsecured Claims, and (iii) establish reserves sufficient to satisfy Disputed Claims in the event such claims are Allowed. In the event that the Plan is not confirmed and the Effective Date does not occur, the Marriott Secured and Unsecured Claims shall not be waived or released.

It is estimated that the total amount of Cash to be contributed by the Proponents will be in excess of \$130 million, with the majority of that amount to be paid to the holders of Allowed Claims on or shortly after the Effective Date.

The Court has yet to determine the allowed amount of the Marriott Claims.

C. Overview of Treatment of Claims and Equity Interests

First, Administrative Claims and the DIP Loan Claim are unclassified in accordance with the Bankruptcy Code. Administrative Claims and the DIP Loan Claim will be paid in cash in the full amount of the Allowed Administrative Claim and the Allowed DIP Loan Claim from the Exit Funding on the later of the Effective Date or the date such claim becomes Allowed, or as soon as practical thereafter. A Claim is an Allowed Claim, if it has been (i) expressly Allowed by agreement between the Proponents and the claimant in writing, (ii) expressly Allowed by order of the Bankruptcy Court, or (iii) undisputed after the occurrence of the Objection Deadline.

Second, all Allowed Secured Claims and Allowed General Unsecured Claims will be paid in Cash in full satisfaction of the Allowed amount of the Claims. The Allowed Secured Claims and Allowed General Unsecured Claims will be paid on the later of the Effective Date as provided in the Plan or the date the Claim becomes Allowed, or as soon as practicable thereafter.

Third, the Wells Fargo Secured Claim (Class 3) has been consensually resolved by agreement between the Proponents and Wells Fargo. Accordingly, the Class 3 Claim will be allowed in the aggregate amount of \$104 Million pursuant to the terms set forth in the Plan in full and final satisfaction of the Class 3 Claim. The Proponents will pay the Class 3 Claim on the Effective Date of the Plan or as soon as practicable thereafter. Wells Fargo has consented to this treatment and agreed to vote in favor of the Plan, provided that the Plan is confirmed in substantially the same form and with the same terms as the Plan attached hereto as **Exhibit A** and any and all payment with respect to the Class 3 Claim is made on or before July 31, 2012.

Fourth, the Holder of the R.D. Olson Secured Claim (Class 4) has consented to treatment on the same terms as the payment terms provided in the settlement agreement between the Debtor and R.D. Olson. Accordingly, the Class 4 Claim will be allowed in the Olson Settled Claim Amount of \$1,431,298.00 with interest at the amount of five percent (5.0%) per annum from June 1, 2011 until the Olson Settled Claim Amount is paid in full if the Olson Settled Claim Amount is not paid in full by June 1, 2012. Pursuant to this Plan, the Proponents will pay the Class 4 Claim on the Effective Date of the Plan or as soon as practicable thereafter.

Fifth, on the Effective Date the Proponents will release the Marriott Secured and Unsecured Claims and contribute the Exit Funding to the Reorganized Debtor in exchange for the issuance to Marriott of 100% of the equity interests in the Reorganized Debtor. All Estate Property of the Debtor, including affirmative claims of the Debtor against third parties, shall vest in the Reorganized Debtor on the Effective Date.

Finally, Equity Interests, in whatever form and wherever held, will be cancelled and extinguished, and will not receive any Distribution.

D. Unclassified Claims against the Debtor²

In accordance with section 1123(a)(1) of the Bankruptcy Code, unclassified Claims against the Debtor consist of Administrative Claims and Priority Tax Claims. Based on the Debtor's books and records, and the Debtor's projections for future expenses, as represented by the Debtor's disclosure statement, the Debtor estimates that Administrative Claims and Priority Tax Claims are approximately in the amounts provided below.

ADMINISTRATIVE CLAIMS	\$9,921,016
Professional Fees of the Debtor	\$500,000 (net of retainers)
DIP Loan Claim	\$9,384,788
Claims under Bankruptcy Code section 503 (b)(9)	\$36,228

² Amounts provided in connection with Claims liability are based on information provided in the Debtor's disclosure statement and exhibits thereto. The Proponents are not adopting the amounts set forth therein and reference to the amount of the Claim is not consent to the amount of the Claim.

PRIORITY TAX CLAIMS	\$259,208
---------------------	-----------

1. Administrative Claims

(a) ***Bar Date for Filing Administrative Claims.*** All requests for payment of Administrative Claims (other than Fee Claims), shall be filed with the Bankruptcy Court. Each Holder of an Administrative Claim (other than a Holder of any Administrative Claim that is incurred, accrued, or in existence prior to the Effective Date, other than (i) a Fee Claim, (ii) an Allowed Administrative Claim, (iii) the DIP Loan Claim, or (iv) a liability in the Ordinary Course of Business) must file with the Bankruptcy Court and serve on the attorneys for the Proponents and all parties required to receive such notice a request for the allowance of such Administrative Claim on or before thirty (30) days after the Effective Date. Such request must include at a minimum (i) the name of the Holder of the Claim, (ii) the amount of the Claim, and (iii) the basis of the Claim. Failure to timely and properly file and serve the request required under this section shall result in the Administrative Claim being forever barred and discharged. Objections to such requests must be filed and served pursuant to the Bankruptcy Rules on the Proponents, the requesting party, and the Reorganized Debtor within thirty (30) days after the filing of the applicable request for payment of an Administrative Claim.

(b) ***Professional Compensation Claims.*** Each Holder of a Professional Fee Claim seeking an award of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date will (i) file with the Bankruptcy Court their respective interim (if applicable) and final fee applications by no later than the thirtieth (30th) day after the Effective Date or such other date as may be fixed by the Bankruptcy Court and (ii) if granted such an award, be paid Cash, as applicable, in such amounts as are Allowed by the Bankruptcy Court on the date such Fee Claim becomes an Allowed Fee Claim, or as soon thereafter as is practicable.

(c) ***Allowance of Administrative Claims.*** An Administrative Claim with respect to which a request for payment is required and has been properly filed pursuant to section 2.01(a) of the Plan shall become an Allowed Administrative Claim if no timely objection is filed. If a timely

objection is filed, the Administrative Claim shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order. An Administrative Claim that is a Fee Claim, and with respect to which a Fee Application has been properly filed and served pursuant to section 2.01(b) of the Plan, shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order.

(d) ***Payment of Allowed Administrative Claims.*** Except to the extent that a Holder of an Allowed Administrative Claim has been paid prior to the Effective Date, or agrees with the Proponents to a different treatment, each Holder of an Allowed Administrative Claim (other than Allowed Administrative Claims incurred in the Ordinary Course of Business, which are paid pursuant to section 2.01(e) below) shall receive, in full satisfaction, release, and discharge of and exchange for such Administrative Claim, and after the application of any retainer or deposit held by such Holder, Cash in the full amount of the Allowed Administrative Claim, on the Allowance Date, or as soon as practical thereafter.

(e) ***Administrative Claims Incurred in the Ordinary Course of Business.*** Holders of Administrative Claims based on liabilities incurred in the Ordinary Course of Business of the Debtor after the Petition Date during the Bankruptcy Case (other than Claims of governmental units for taxes or Claims and/or penalties related to such taxes; Administrative Claims arising under section 503(b)(9) of the Bankruptcy Code; or alleged Administrative Claims arising in tort) shall not be required to file any request for payment of such Claims. Except to the extent that a Holder of an Allowed Administrative Claim incurred in the Ordinary Course of Business and the Proponents agree to a different treatment, each Administrative Claim incurred in the Ordinary Course of Business of the Debtor will be paid by the Debtor or the Reorganized Debtor pursuant to the terms and conditions of the transaction giving rise to such Administrative Claim, without any further action by the Holder of such Administrative Claim. The Proponents reserve their right and the right of the Debtor and Reorganized Debtor to object before the Objection Deadline to any Administrative Claim arising, or asserted as arising, in the Ordinary Course of Business, and shall withhold payment of such claim until such time as any objection is resolved pursuant to a settlement or a Final Order.

2. DIP Loan Claim

The Allowed DIP Loan Claim shall be paid in full in Cash from the Exit Funding on the Effective Date, or as soon as practical thereafter.

3. Priority Tax Claims

Except to the extent that a Holder of an Allowed Priority Tax Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall be paid in full in Cash from the Exit Funding on the later of the Effective Date and the date such Priority Tax Claim becomes Allowed, or as soon as practicable thereafter.

4. U.S. Trustee Fees

The U.S. Trustee Fees shall be paid in full in Cash on the Effective Date from the Exit Funding. On and after the Effective Date, the Reorganized Debtor shall pay the applicable U.S. Trustee Fees until the Bankruptcy Case is closed, dismissed or converted.

5. Standing

From and after the Effective Date, the Reorganized Debtor shall be afforded all of the rights and privileges of and in place of the Debtor with respect to, but not limited to, standing; and the Reorganized Debtor shall have standing to object to any and all Claims and Interests. The Confirmation Order shall approve the Plan in its entirety, including all of the terms contained in the Plan; and, specifically, the Confirmation Order shall provide, by reference to the Plan, that the Reorganized Debtor shall have standing to object to any and all Claims and Interests, including, but not limited to, Administrative Claims, DIP Loan Claims, Priority Tax Claims, U.S. Trustee Fees, Secured Claims, General Unsecured Claims, unliquidated claims, contingent claims, intercompany claims, intercompany interests, and Equity Interests.

E. Classified Claims and Interests

The following is an estimate of the numbers and amounts of classified Claims and Interests to receive treatment under the Plan, and their respective treatment:

UNLESS OTHERWISE NOTED, THE CLAIMS ESTIMATES CONTAINED HEREIN ARE THE DEBTOR'S. THE ESTIMATES OF THE NUMBER AND AMOUNT OF CLAIMS IN EACH CLASS SET FORTH IN THE TABLE BELOW INCLUDE CLAIMS ASSERTED AGAINST THE DEBTOR WITHOUT REGARD TO THE VALIDITY OR TIMELINESS OF THE FILING OF THE CLAIMS. THUS, BY INCLUDING ANY CLAIM IN THE ESTIMATES SET FORTH BELOW, NEITHER THE PROPONENTS NOR THE REORGANIZED DEBTOR ARE WAIVING THEIR RIGHTS TO OBJECT TO ANY CLAIM ON OR BEFORE THE CLAIM OBJECTION DEADLINE ESTABLISHED BY THE PLAN. IN ADDITION, THE PROPONENTS HAVE NOT YET UNDERTAKEN AN ANALYSIS OF POTENTIAL AVOIDANCE ACTIONS AND THE PROPONENTS ARE NOT WAIVING THEIR RIGHT TO ASSERT AVOIDANCE ACTIONS.³ PAYMENTS RECEIVED BY NON-INSIDER CREDITORS WITHIN NINETY (90) DAYS PRIOR TO THE PETITION DATE AND BY INSIDER CREDITORS WITHIN ONE YEAR PRIOR TO THE PETITION DATE ARE LISTED IN THE DEBTOR'S SCHEDULES ON FILE WITH THE COURT. A COPY OF THE SCHEDULES IS AVAILABLE FOR EXAMINATION ON PACER OR BY WRITTEN REQUEST SENT TO THE PROPONENTS' ATTORNEYS.

The following table divides the Claims against and Interests in the Estate into separate Classes and summarizes the treatment for each Class. The table also identifies those Classes entitled to vote on the Plan based on rules set forth in the Bankruptcy Code. Finally, the table indicates an estimated recovery for each class. The recoveries set forth below are projected recoveries and are therefore subject to change. The allowance of Claims may be subject to litigation or other adjustments, and actual Allowed Claim amounts may differ materially from these estimated amounts. The following summary of the classification and treatment of Claims and Interests under the Plan is without prejudice to a party in interest asserting that

³ The Proponents have considered and intend to further analyze whether any payments to insiders within the one-year statutory reach back period should be avoided pursuant to the Bankruptcy Code.

it is entitled to a different classification or treatment under the Plan or applicable law.

Summary of Treatment of Claims and Expected Recoveries

CLASS	TYPE OF CLAIM OR INTEREST	TREATMENT	ENTITLED TO VOTE	PROJECTED RECOVERY UNDER PLAN
1	Non-Tax Priority Claims	Unimpaired	No; Presumed to Accept	100%
2	Secured Tax Claims	Unimpaired	No; Presumed to Accept	100%
3	Wells Fargo Secured Claim	Impaired	Yes	Approximately 91% of fully liquidated amounts due and owing as of the Petition Date
4	R.D. Olson Secured Claims	Impaired	Yes	Approximately 78%
5(a)	Marriott Secured Claim	Impaired	Yes	Unknown
5(b)	Marriott Unsecured Claim	Impaired	Yes	Unknown
6	Davidson Trust Secured Claims	Unimpaired	No; Presumed to Accept	100%
7	Miscellaneous Secured Claims	Unimpaired	No; Presumed to Accept	100%
8	General Unsecured Claims	Unimpaired	No; Presumed to Accept	100%
9	Equity Interests	Impaired	No; Presumed to Reject	0%

**1. Non-Tax Priority Claims – Class 1
(1 Claim; \$37.50)**

(a) ***Impairment and Voting.*** Class 1 is unimpaired by this Plan. Holders of Non-Tax Priority Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 1 Claims are not entitled to vote to accept or reject the Plan.

(b) ***Treatment.*** Except to the extent that each Holder of an Allowed Non-Tax Priority Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each

Allowed Non-Tax Priority Claim, each Holder of such Allowed Non-Tax Priority Claim shall receive a Distribution in Cash from the Exit Funding in the amount Allowed on the later of the Effective Date and the date such Non-Tax Priority Claim becomes Allowed, or as soon as practicable thereafter.

**2. Secured Tax Claims – Class 2
(0 Claims; \$0)**

(a) *Impairment and Voting.* Class 2 is unimpaired by this Plan. Holders of Secured Tax Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 2 Claims are not entitled to vote to accept or reject the Plan.

(b) *Treatment.* Except to the extent that each Holder of an Allowed Secured Tax Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed Secured Tax Claim, each Holder of such Allowed Secured Tax Claim shall receive a Distribution in Cash from the Exit Funding in the amount Allowed on the later of the Effective Date and the date such Secured Tax Claim becomes Allowed, or as soon as practicable thereafter.

**3. Wells Fargo Secured Claims – Class 3
(1 Claim; \$114,900,000 plus interest and fees)**

(a) *Impairment and Voting.* Class 3 is impaired by this Plan. The Holder of the Class 3 Claim is entitled to vote to accept or reject the Plan, and, by agreement with Wells Fargo and the Proponents, which is subject to (among other things) the Bankruptcy Court's approval of the Disclosure Statement, such Holder of the Class 3 Claim must vote to accept the Plan and not object to the Disclosure Statement or any motions filed or joined by the Proponents in connection with solicitation or additional reasonable time for solicitation, the Confirmation Hearing, or litigation of the Plan, and such agreement shall be binding on any and all subsequent Holders of the Class 3 Claim, as long as the Plan is confirmed and all amounts owed to Wells Fargo pursuant to the Plan are received by July 31, 2012.

(b) *Treatment.* On the Effective Date, the Wells Fargo Secured Claim shall be Allowed in the aggregate amount of \$104 Million pursuant to the terms of the Plan in full and final satisfaction of the Wells Fargo Secured Claim. Except to the extent that the Holder of the Allowed Wells Fargo Secured Claim

and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for the Allowed Wells Fargo Secured Claim, the Holder of such Allowed Wells Fargo Secured Claim shall receive a Distribution in Cash from the Exit Funding in the aggregate amount of \$104 Million on the Effective Date, or as soon as practicable thereafter.⁴

**4. R.D. Olson Secured Claim – Class 4
(1 Claim; \$1,839,217)**

(a) ***Impairment and Voting.*** Class 4 is impaired by this Plan. The Holder of the Class 4 Claim is entitled to vote to accept or reject the Plan, and, by agreement with R.D. Olson and the Proponents, which is subject to (among other things) the Bankruptcy Court's approval of the Disclosure Statement, such Holder of the Class 4 Claim must vote to accept the Plan and not object to the Disclosure Statement or any motions filed or joined by the Proponents in connection with solicitation or additional reasonable time for solicitation, the Confirmation Hearing, or litigation of the Plan, and such agreement shall be binding on any and all subsequent Holders of the Class 4 Claim.

(b) ***Treatment.*** As a compromise and settlement of all disputes between R.D. Olson and the Estate, as set forth in the settlement agreement between the Debtor and R.D. Olson, dated as of January 5, 2012 [Dkt. No. 513] (the "***Olson Settlement Agreement***"), which is subject to approval by the Bankruptcy Court, the R.D. Olson Secured Claim shall be Allowed in the amount of \$1,839,217.00. Pursuant to the Olson Settlement Agreement, in full satisfaction, settlement, release, and discharge of and in exchange for the Allowed R.D. Olson Secured Claim, the Proponents shall pay the Holder of such Claim the amount of \$1,431,298.00 (the "***Olson Settled Claim Amount***") in Cash on the Effective Date, without interest; provided that if the Effective Date and payment of the foregoing amount of Cash do not occur before June 1, 2012, then the Olson Settled Claim Amount shall bear interest at a rate of five percent (5.0%) per annum from June 1, 2011 until the Olson Settled Claim Amount is paid in full.

⁴ Nothing in the Plan is intended as a waiver by either the Proponents or Wells Fargo of their rights and obligations under the SNDA, including their rights to enforce the obligations thereunder at any time until the Effective Date upon which Wells Fargo is released from its obligations under the SNDA as set forth in the Plan.

**5. Marriott Secured and Unsecured Claims – Class 5
(2 Claims; \$73,066,000)**

(a) *Marriott Secured Claims – Class 5(a).*

Impairment and Voting. Class 5(a) is impaired by this Plan. The Holder of the Class 5(a) Claim is entitled to vote to accept or reject the Plan.

Treatment. On the Effective Date, the Proponents shall (i) contribute Cash in an amount sufficient to fund the Plan, (ii) release the Marriott Secured and Unsecured Claims, and (iii) establish reserves sufficient to satisfy Disputed Claims in the event such claims are Allowed. Such contribution shall be in contemporaneous exchange for 100% of the equity interests in the Reorganized Debtor, including claims that have been, or may be, brought by the Debtor before the Bankruptcy Court or otherwise. The Proponents shall contribute the Cash amount provided in this subsection and the release of the Marriott Secured and Unsecured Claims for the purpose of satisfying (i) Allowed Administrative Claims, (ii) all Secured Claims as such amounts may be agreed to by each Holder of the Secured Claim and Marriott (except that Cash consideration for the Davidson Indebtedness shall be set aside in Reserves pending resolution of the Davidson Loan Dispute), (iii) the DIP Lender Secured Claim, (iv) Allowed Priority Claims, (v) Allowed General Unsecured Claims, and (vi) the requirement to establish sufficient Reserves. In the event that the Plan is not confirmed and the Effective Date does not occur, the Marriott Secured and Unsecured Claims shall not be waived or released.

(b) *Marriott Unsecured Claims – Class 5(b).*

Impairment and Voting. Class 5(b) is impaired by this Plan. The Holder of the Class 5(b) Claim is entitled to vote to accept or reject the Plan.

Treatment. Same as in Paragraph VI.E.5(a) above.

**6. Davidson Trust Secured Claim – Class 6
(1 Claim; \$15,000,000)**

(a) *Impairment and Voting.* Class 6 is unimpaired by this Plan. The Holder of the Davidson Trust Secured Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holder of Class 6 Claim is not entitled to vote to accept or reject the Plan.

(b) *Treatment.* On the Effective Date, the Proponents shall set aside the Reserves for the full liquidated amount of the Disputed Davidson Trust Secured Claim (believed to be in excess of \$15 Million) and such Reserve shall be included as part of the Exit Funding. In full and final satisfaction and discharge of and in exchange for each Allowed Davidson Trust Secured Claim the Proponents shall make a Distribution to the Holder of the Allowed Davidson Trust Secured Claim in the Allowed amount of the Davidson Trust Secured Claim in Cash from the Exit Funding on the date that the Davidson Trust Secured Claim becomes Allowed, or as soon as practical thereafter.

**7. Miscellaneous Secured Claims – Class 7
(3 Claims; \$62,640)**

(a) *Impairment and Voting.* Class 7 is unimpaired by this Plan. Each Holder of a Miscellaneous Secured Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, each Holder of a Class 7 Claim is not entitled to vote to accept or reject the Plan.

(b) *Treatment.* Except to the extent that each Holder of an Allowed Miscellaneous Secured Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed Miscellaneous Secured Claim, each Holder of such Allowed Miscellaneous Secured Claim shall receive a Distribution in Cash from the Exit Funding in the amount Allowed on the later of the Effective Date and the date such Miscellaneous Secured Claim becomes Allowed, or as soon as practicable thereafter. On the Effective Date, the Proponents shall set aside a reserve for the full liquidated amount of any Disputed Miscellaneous Secured Claim and such reserve shall be included as part of the Exit Funding.

**8. General Unsecured Claims – Class 8
(98 Claims; \$1,539,433)⁵**

(a) *Impairment and Voting.* Class 8 is unimpaired by this Plan. The Holders of General Unsecured Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of the Class 8 Claims are not entitled to vote to accept or reject the Plan.

(b) *Treatment.* Except to the extent that each Holder of an Allowed General Unsecured Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed General Unsecured Claim, each Holder of such Allowed General Unsecured Claim shall receive a Distribution in Cash from the Exit Funding in the amount Allowed on the later of the Effective Date and the date such General Unsecured Claim becomes Allowed, or as soon as practicable thereafter. Class 8 is unimpaired and each Holder of a Class 8 Claim that is entitled to a distribution under the Plan shall receive such distribution in Cash in the full amount required by law, which may include interest. On the Effective Date, the Proponents shall set aside a reserve for the full liquidated amount of any Disputed General Unsecured Claim and such reserve shall be included as part of the Exit Funding.⁶ The Reorganized Debtor intends to review all General Unsecured Claims promptly after the Effective Date, and it is anticipated that most such claims will be paid shortly after the Effective Date. If a General Unsecured Claim is Disputed, payment on account of such Claim may be delayed or denied. The Proponents anticipate that there will be few Disputed Claims in this Class, although all rights are reserved pending completion of a review of each Claim.

⁵ General Unsecured Claims liability is based on the Debtor's books, records and pleadings filed in this chapter 11 case and does not include disputed unliquidated Claims. The Proponents are neither adopting nor consenting to the Claim amounts set forth herein.

⁶ Class 8 includes all Claims that are General Unsecured Claims. This includes liabilities listed on Schedule F of the Debtor's statement of financial affairs and proofs of claim filed in the Chapter 11 Case that are neither Secured Claims or Claims entitled to a priority pursuant to the Bankruptcy Code. The Claims filed by Aqua and Modern are included in Class 8. Pursuant to the Plan and the Bankruptcy Code, the Proponents may Dispute any Claim that has not already been Allowed. The Proponents may Dispute the Claims filed by Aqua and Modern.

9. Equity Interests – Class 9

(a) *Impairment and Voting.* Class 9 is impaired by this Plan. Each Holder of an Equity Interest will not receive any Distributions under this Plan, is not entitled to vote, and is deemed to reject the Plan.

(b) *Treatment.* On the Confirmation Date, existing Equity Interests in the Debtor shall be cancelled and extinguished and each Holder thereof will receive no Distribution under the Plan. Existing warrants for Equity Interests shall also be cancelled and extinguished and Holders thereof will receive no Distribution under the Plan.

F. Treatment of Executory Contracts

1. General Treatment of Executory Contracts: Rejected

All Executory Contracts and leases shall be evaluated for assumption or rejection. All Executory Contracts and leases not assumed or rejected prior to the Effective Date or not subject to a motion for assumption or rejection of such executory contract shall be rejected on and as of the Effective Date. All Claims arising from the rejection of an Executory Contract or unexpired lease pursuant to the Plan must be filed with the Bankruptcy Court and served upon the attorneys for the Proponents on or before the Rejection Bar Date.

2. Rejection Claims

Any Rejection Claim arising from the rejection of an Executory Contract shall be treated as a General Unsecured Claim pursuant to the Plan, except as limited by the provisions of sections 502(b)(6) and 502(b)(7) of the Bankruptcy Code and mitigation requirements under applicable law. Nothing contained herein shall be deemed an admission by Proponents, the Reorganized Debtor, or any other party in interest that such rejection gives rise to or results in a Rejection Claim or shall be deemed a waiver by Proponents, the Reorganized Debtor, or any other party in interest of any objections to such Rejection Claim if asserted.

G. Means of Implementation of the Plan

1. Management and Operations Post-Effective Date

On and after the Effective Date, the Reorganized Debtor shall manage the Hotel exclusively. The new 100% owner or member, Marriott or its designee,

shall appoint a new board of directors and new officers or managing members to manage the Reorganized Debtor. The names and titles of the new directors and officers or managing member(s) shall be set forth in the Plan Supplement. All Estate Assets shall vest in the Reorganized Debtor, such that the Reorganized Debtor shall retain title, ownership, possession, and control over the management of the Hotel and all other Estate Assets. On the Effective Date, the existing officers and directors or members of the Debtor shall be immediately and automatically terminated without further order of the Court, and shall be relieved of all authority to act for or on behalf of the Reorganized Debtor.

2. Distributions

Cash shall be allocated as Distributions or set as Reserves on or before the Effective Date of the Plan. All Distributions shall be made pursuant to the terms of the Plan.

3. Sources of Cash for Plan Distributions

The Plan is funded by the Exit Funding.

4. Reserves.

On the Effective Date, the Reserves shall be set aside, from the proceeds otherwise available for distribution, for Disputed Claims, including the Davidson Indebtedness as liquidated and any other Disputed liquidated Claims. The Reserves shall be in the full amount of such Disputed Claims. In the event litigation has not already been filed, immediately following the Effective Date, litigation may be commenced with respect to the Davidson Loan Dispute before the Bankruptcy Court. The Reorganized Debtor shall endeavor to resolve the Davidson Loan Dispute within 90 to 120 days. Such litigation may seek, among other things, (i) the voiding of the Davidson Trust's security interest, (ii) the subordination of the Davidson Loan to all claims and equity, and (iii) determination that the Davidson Loan should be characterized and treated as equity.

The Reserves shall be held in an account in the name of the Reorganized Debtor and shall only be released in a manner consistent with the Plan or further order of the Bankruptcy Court.

5. Vesting of Assets

Except as otherwise provided in this Plan and the Confirmation Order, all Estate Assets shall vest in the Reorganized Debtor on and after the Effective Date, free and clear of all Liens, Claims, charges or other encumbrances. Commencing on the Effective Date, the Reorganized Debtor may deal with its property and conduct its business without any supervision by, or permission from, the Bankruptcy Court or the Office of the United States Trustee, and free of any restriction imposed on the Reorganized Debtor by the Bankruptcy Code or by the Bankruptcy Court during the Bankruptcy Case, other than any restrictions contained in the Plan, the Confirmation Order, and related documents.

H. Discharge

The rights afforded under the Plan and the treatment of all Claims and Equity Interests under the Plan shall be the sole and exclusive remedy on account of such Claims against, and Equity Interests in the Debtor, the Reorganized Debtor, and the Estate Assets. The Distributions made pursuant to the Plan shall be in full and final satisfaction, settlement, release, and discharge of each Allowed Claim on account of which such Distributions are made. Confirmation of the Plan shall bind and govern the acts of the Reorganized Debtor and all Holders of all Claims against and Equity Interests in the Debtor, whether or not: (i) a proof of Claim or proof of Equity Interest is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim or Equity Interest is allowed pursuant to section 502 of the Bankruptcy Code; or (iii) the Holder of a Claim or Equity Interest has accepted the Plan.

I. Exculpation

The Proponents and their Professionals, Wells Fargo and its Professionals⁷, and any of their respective present or former principals, agents, members, officers, directors, employees, advisors, representatives, successors, and assigns, shall not have or incur any liability or obligation, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, and whether asserted or assertable directly or derivatively, in law, equity, or otherwise, to any Holder of a Claim or Interest or any other Person for any act or

⁷ The term Professionals is intended to refer only to the Proponents' and Wells Fargo's professionals, and does not include those professionals that were employed by the estate pursuant to an order of the Bankruptcy Court.

omission originating or occurring on or after the Petition Date through and including the Effective Date in connection with, relating to, or arising out of the Debtor, the Estate, the Reorganized Debtor, the administration of the Bankruptcy Case, the operation of the Debtor's business during the Bankruptcy Case, the formulation, negotiation, preparation, filing, dissemination, approval, or Confirmation of the Plan, the Disclosure Statement, the solicitation of votes for or Confirmation of the Plan, the consummation or administration of the Plan, or the property to be distributed under the Plan, except for their willful misconduct or gross negligence as determined by a Final Order of a court of competent jurisdiction. The foregoing parties will be entitled to rely reasonably upon the advice of counsel in all respects regarding their duties and responsibilities under the Plan.

J. Injunction

Except as otherwise provided in the Plan, the Confirmation Order shall provide that from and after the Effective Date, all Holders of Claims against and Interests in the Proponents, Debtor, and/or Reorganized Debtor are permanently enjoined from taking any of the following actions against the Proponents, Debtor, and/or Reorganized Debtor or any of its Assets on account of any such Claim or Interest: (a) commencing or continuing in any manner or in any place, any action or other proceeding; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order; (c) creating, perfecting, or enforcing any encumbrance or Lien; (d) asserting a setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Proponents, Debtor, and/or Reorganized Debtor; and (e) commencing or continuing, in any manner or in any place, any action that does not conform to or comply with, or is inconsistent with, the provisions of the Plan; provided, however, that nothing contained herein shall preclude such Persons from exercising their rights pursuant to and consistent with the terms of the Plan or the Confirmation Order. If allowed by the Bankruptcy Court, any Person injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' and experts' fees and disbursements, and, in appropriate circumstances, may recover punitive damages, from the willful violator.

K. Release of Wells Fargo

On the Effective Date, the Debtor and the Proponents, for themselves and for and on behalf of each of their respective past, present and future partners,

members, shareholders, subsidiaries, parents, and any other direct or indirect related entities (whether or not such entities are wholly owned) and each of their respective past, present and future officers, directors, trustees, fiduciaries, administrators, managers, agents, employees, servants, representatives, beneficiaries, servicers, legal representatives, professionals and attorneys and all other persons or entities acting by, through, under or in concert with any of the aforesaid person or entities (as well as the respective predecessors, successors and assigns of any of the foregoing), in each case solely in their respective capacities as such (collectively, the “**Releasing Parties**”), in exchange for the vote of the Holder of Class 3 Claims, do hereby irrevocably, unconditionally, explicitly, unequivocally and forever release, waive, settle, satisfy, remise, acquit and discharge Wells Fargo, and any and all of each of their respective divisions, partners, members, shareholders, subsidiaries, parents, affiliates, and any other direct or indirect related entities (whether or not such entities are wholly-owned) and each of their respective past, present and future officers, directors, trustees, fiduciaries, administrators, managers, agents, independent contractors, consultants, asset managers, employees, servants, representatives, beneficiaries, servicers, participants, co-lenders, legal representatives, professionals, attorneys and all other persons or entities acting by, through, under, or in concert with any of the aforesaid persons or entities (as well as the respective predecessors, successors and assigns of any of the foregoing), in each case solely in their respective capacities as such (collectively, the “**Released Parties**”) of and from all manner of past, present or future actions, causes of action, rights of action, claims, counterclaims, defenses, claims of usury, suits, bonds, bills, specialties, covenants, controversies, contracts, agreements, promises, variances, trespasses, damages (whether general, special, punitive or otherwise), judgments, executions, orders, penalties, executions, demands, indebtedness (either as principal obligor or as surety or other accommodation party), liabilities, debts, obligations, costs, expenses, losses, attorneys’ fees and expenses (whether or not litigation is commenced), liens and indemnities of every kind and nature whatsoever, whether direct or indirect, consequential or incidental, disclosed or undisclosed, asserted or unasserted, fixed or contingent, known or unknown, suspected or unsuspected, foreseen or unforeseen, liquidated or unliquidated and whether based on contract, tort, statute, regulation or other legal or equitable theory of recovery, for injunctive relief, subordination or recovery of money or other remedies based on any equitable or legal theory which the Releasing Parties, or any of them, now have or ever had, or alleged or could have alleged, against one or more of the Released Parties for or by reason of any Released Claims arising or accruing at any time in connection with, arising out of, or to arise or accrue hereafter in

connection with, or in any way relating, directly or indirectly, to the following: (a) the prepetition secured loan (the “**Senior Loan**”) to the Debtor or any other indebtedness owed in connection therewith, (b) the Senior Loan documents and any and all other agreements or instruments referenced therein or related thereto, (c) any and all collateral securing the Senior Loan, (d) any escrow, deposits or other amounts held by the Released Parties, (e) any matters pertaining to any of the discussions, communications, correspondence, negotiations or dealings among any of the Releasing Parties and any of the Released Parties relating to the Senior Loan, (f) the lender-borrower relationship evidenced by the Senior Loan, (g) any defenses as to the enforcement of the Senior Loan and any related documents, (h) any previous pursuit of rights or remedies by the Released Parties against the Debtor or any other Releasing Party with respect to the Senior Loan, (i) the Bankruptcy Case, (j) that certain Subordination Non-Disturbance and Attornment Agreement by and among Wells Fargo, the Debtor and Marriott dated March 13, 2009 (as amended from time to time), or (k) any matters arising out of or in any way relating to any of the foregoing (collectively, the “**Released Claims**”). Without limiting the generality of the foregoing, the Released Claims shall include, without limitation, any loss, liability, expense and/or detriment, of any kind or character, in any way arising out of, connected with, or resulting from the acts or omissions of the Released Parties, or any of them, in connection with the foregoing, including, without limitation, the contracting for, charging, taking, reserving, collecting or receiving interest in excess of the highest lawful rate, any breach of fiduciary duty, breach of any duty of fair dealing, breach of confidence, any cause of action or defenses based on the negligence of any of the Released Parties, any cause of action under chapter 5 of the Bankruptcy Code, any “lender liability” theories, breach of funding commitment, undue influence, duress, coercion, control, omission, conflict of interest, negligence, bad faith, unfair dealing, misconduct, overreaching, unconscionability, disparate bargaining position, reliance, equitable subordination, malpractice, malicious prosecution, violations of the Racketeer Influenced and Corrupt Organizations Act, intentional or negligent infliction of mental distress, tortious interference with contractual relations, tortious interference with corporate governance or prospective business advantage, breach of contract, fraud, misrepresentation, mistake, deceptive trade practices, libel, slander, conspiracy, fraudulent conveyance, and/or any other tort or statutory claim, or any claim for wrongfully taking any action in connection with the foregoing. Upon any transfer of the Wells Fargo Secured Claim, Wells Fargo shall cause any transferee to assume Wells Fargo’s obligations under the Plan and upon any such assumption, Wells Fargo shall be released from any further obligations pursuant to the Plan but shall nevertheless be entitled to the

benefit of the releases and exculpations set forth in the Plan.

L. Revocation or Withdrawal of the Plan

The Proponents reserve the right to revoke and/or withdraw the Plan at any time before the Confirmation Date. If the Proponents revoke or withdraw the Plan, or if confirmation or the Effective Date of the Plan does not occur, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any (a) Claims by or against the Debtor or any other Person or (b) Interests in the Estate or any other Person, or to prejudice in any manner the rights of the Estate, the Proponents, or any other Person in any further proceedings involving the Debtor, the Proponents, or any other Person.

M. Modification of the Plan

The Proponents reserve the right to modify the Plan in writing at any time before the Confirmation Date, provided that (a) the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, (b) the Proponents shall have complied with section 1125 of the Bankruptcy Code, and (c) Wells Fargo consents, provided that Wells Fargo shall not unreasonably withhold approval of any changes or modifications that do not affect Wells Fargo's treatment, but Wells Fargo may withhold its approval in its sole discretion to any changes that affect Wells Fargo's treatment under the Plan. To ensure that any modifications to the terms of the Plan meet these requirements, the Proponents will endeavor to provide Wells Fargo with a copy of any modifications to the Plan by the lesser of (x) five (5) business days prior to the date such modifications are to be filed with the Bankruptcy Court or (y) as much time as is reasonably practicable in light of any pending deadlines imposed by or hearings scheduled by the Bankruptcy Court, whether or not the Proponents believe such changes are material or affect Wells Fargo, in order to allow Wells Fargo the opportunity to review such changes and confirm that any changes do not affect Wells Fargo's treatment under the Plan, or to allow Wells Fargo to raise any concerns regarding changes that it believes may affect the payment of the Wells Fargo Secured Claim and are otherwise reasonably acceptable to Wells Fargo.

Subject to the requirements of the immediately preceding paragraph, the Proponents further reserve the right to modify the Plan in writing at any time after the Confirmation Date and before substantial consummation of the Plan, provided that (a) the Plan, as modified, meets the requirements of sections 1122 and 1123 of

the Bankruptcy Code, (b) the Proponents shall have complied with section 1125 of the Bankruptcy Code, and (c) the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under section 1129 of the Bankruptcy Code. A Holder of a Claim or Interest that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such Holder changes its previous acceptance or rejection.

VII. BUSINESS DESCRIPTIONS AND BACKGROUND TO THIS CHAPTER 11 CASE

A. Description of the Plan Proponent and its Business

As a leading global lodging company, Marriott, its predecessors, and its affiliates own and operate hotels and lodging facilities under various brands that include, among others, Marriott Hotels & Resorts, JW Marriott Hotels & Resorts, The Ritz-Carlton, and EDITION Hotels. Hotels operating under Marriott's brands include hotels owned and managed by Marriott, hotels owned by third parties and managed by Marriott pursuant to management agreements, and franchised hotels owned and managed by third parties who have been licensed by Marriott to operate as a Marriott-branded hotel. Marriott currently has nearly 3,700 properties and 18 brands in 72 countries and territories worldwide. Founded in 1927 by J. Willard Marriott, Marriott has grown into a Fortune 500 company generating over \$11 Billion in revenues for 2011 and is ranked by Fortune as the lodging industry's most admired company and one of the best companies to work for.

With over 129,000 employees worldwide, Marriott has vast experience operating and managing hotels in many different cities and countries. There are currently three Marriott-branded hotels on the island of Oahu: The JW Marriott Ihilani Ko Olina Resort & Spa; Courtyard Waikiki Beach; and Waikiki Beach Marriott Resort & Spa. At its Oahu hotels, and at other Marriott-branded hotels worldwide, Marriott strictly adheres to its core values of treating its employees as its most important asset, creating an environment that fosters employee growth and development, and developing unique brands associated with a certain level of quality, consistency, and personalized service.

As evidenced by its long history of successfully developing and operating hotels, and consistent with its core values developed over many decades of operation, Marriott's interest with respect to Debtor and the Hotel, is to manage a

successful hotel, bringing back its highly valued employees, providing the highest quality services to its guests, and retaining, among others, its Hawaiian vendors.

Specifically with respect to the EDITION brand, in 2007, Marriott entered into an agreement with hotel innovator Ian Schrager to create next-generation lifestyle boutique hotels to be designed by Schrager and operated by Marriott. The EDITION brand offers a personal, intimate, individualized, and unique lodging experience on a global scale. At year-end 2011, the brand operates an award-winning 78-room hotel in Istanbul, Turkey and is scheduled to open hotels in London (2012), Miami Beach (2013), New York (2014), and Abu Dhabi (2015), with other projects under development in key locations around the world.

B. Description of the Debtor⁸

1. History and Organizational Structure

The Debtor is a Hawaii limited liability company with its principal place of business located in San Diego, California. It is a special purpose entity that has approximately seventy-five indirect investors.

2. Principal Assets of the Debtor

The Debtor's principal asset consists of The Modern Honolulu hotel (f/k/a The Waikiki EDITION), an 18-story, 353-room hotel located at 1775 Ala Moana Boulevard, Honolulu, Hawaii 96815.

3. Secured Indebtedness of the Debtor

(a) *Senior Secured Loan (Wells Fargo)*. On July 12, 2006, the Debtor issued a promissory note to Nomura Credit & Capital, Inc. in the principal amount of \$114,900,000, secured by a mortgage on the Hotel, among other collateral. Thereafter, such promissory note was assigned to Nomura CRE CDO Grantor Trust, Series 2007-2. The promissory note is presently held by Wells Fargo. The maturity date of the promissory note was August 9, 2011. On August 10, 2011, Wells Fargo declared the promissory note to be in default. Wells Fargo filed the Wells Fargo Secured Claim asserting that the outstanding balance as of the Petition Date was \$115,798,712 inclusive of principal, interest (including

⁸ Amounts provided in connection with Claims liability are based on information provided by the Debtor.

but not limited to applicable default interest), and other applicable fees and charges.

(b) *Junior Secured Loan (the Davidson Trust)*. The Davidson Trust is the controlling equity holder and an alleged junior secured lender of the Debtor, the owner of the Hotel (in an amount believed to be approximately \$15 Million). The Debtor entered into an agreement with the Davidson Trust, in its capacity as lender under the terms of a promissory note, dated November 16, 2010, in which the Davidson Trust made capital contributions to the Debtor, the nature of which is Disputed. On August 25, 2011, the Davidson Trust declared the Davidson Loan to be in default.

(c) *Mechanic's Lien (R.D. Olson)*. On or about April 8, 2009, the Debtor entered into an agreement with the Robert D. Olson Corporation pursuant to which the parties to the agreement agreed to provide certain construction services and materials for renovating the Hotel. The Robert D. Olson Corporation asserted a Secured Claim in the Bankruptcy Case in the amount of at least \$1,839,217.00 for unpaid amounts due and owing under the contract, secured by a statutory mechanic's and materialman's lien against the Hotel. The Debtor disputed the validity and amount of the R.D. Olson Secured Claim. However, the Debtor and the Robert D. Olson Corporation agreed to settle all disputes regarding the R.D. Olson Secured Claim. The terms of such settlement are set forth in the settlement agreement between the Debtor and the Robert D. Olson Corporation, dated as of January 5, 2012, and include payment by the Estate to R.D. Olson in Cash on the Effective Date in the amount of \$1,431,298.00, plus five percent (5.0%) interest per annum from June 1, 2011 until the Olson Settled Claim is paid in full if the Olson Settled Claim Amount is not paid in full by June 1, 2012. R.D. Olson has agreed to accept the same treatment provided for in the Olson Settlement Agreement under the Proponent's Plan.

(d) *Marriott Secured Claim*. Marriott asserts a Secured Claim against the Debtor in the amount of \$1,066,000, based on a contractual right of setoff that, according to Marriott, arises under a management agreement dated July 9, 2008 between the Debtor and Marriott.

4. Unsecured Non-Priority Indebtedness of the Debtor

As of the Petition Date, the Debtor had total unsecured, non-priority debt of approximately \$1,985,843 according to the schedules the Debtor filed with the Bankruptcy Court, which amount includes numerous claims that were listed in the

schedules as disputed, contingent, or unliquidated and for which no proof of claim has been filed. Creditors, including creditors with unsecured, non-priority claims listed on the schedules, have filed proofs of unsecured, non-priority Claims against the Debtor in the approximate amount of \$73,881,414 (including the proof of claim filed by the Proponents). The Proponents have established in the Plan that: (a) except to the extent that each holder of an Allowed General Unsecured Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed General Unsecured Claim, each holder of such Allowed General Unsecured Claim shall be paid in full in cash on the later of the Effective Date and the date such General Unsecured Claim becomes Allowed, or as soon as practicable thereafter; (b) disputed General Unsecured Claims will be reserved for in full; and (c) the claims of the Proponents will be released.

C. The Nature of this Chapter 11 Filing

1. Events Leading to the Bankruptcy Case

In or about July 2006, the Debtor purchased the Hotel for approximately \$112,000,000. The Hotel was previously branded as the Renaissance Ilikai Waikiki. The Debtor shut down the operations of the Hotel and in the Spring of 2007, began construction to modify the Hotel to become, what the Debtor describes as a "lifestyle" hotel.

In 2007, the Debtor, through Damien McKinney, principal of eRealty Fund, LLC, the Manager of the Debtor and the Debtor's sole Class A member, approached Marriott to discuss opening the Hotel under the new brand Marriott was creating with Ian Schrager, known as the EDITION Hotel. The parties negotiated various agreements, and in July 2008 (two years after the Debtor purchased the Hotel and closed it to begin construction), the Debtor signed the Management Agreement and that certain Design and Technical Services and Pre-Opening Agreement, both dated July 9, 2008 (the "*TSA*"), which addressed the parties rights and obligations relating to the design and construction of and pre-opening services for the Hotel.

That same ill-fated year, the world became embroiled in what few predicted would be the worst economic crisis since The Great Depression. The economic decline resulted in the collapse of Lehman Brothers in September 2008, which created a domino affect in the financial markets, the housing market, the commercial real estate market, and across industries. Financial institutions

collapsed and other financial behemoths teetered on the brink of collapse. Worldwide markets froze, mass unemployment ensued, and the hospitality industry suffered as people stopped traveling or limited travel.

Against this backdrop, construction began on the Hotel in late 2008. The Debtor hired contractors and the project manager for the Hotel, and after several delays and cost overruns, the Debtor replaced the project manager and contractors. The Hotel, which was originally slated to open earlier, finally opened on September 28, 2010, concededly, as a World-Class hotel.

The Debtor has alleged that in or about November 2010, the Debtor sought modifications to its existing loan agreements, replacing a junior secured lien with a new loan by the Davidson Trust in the amount of \$15,000,000. However, the nature of the Claims of the Davidson Trust are Disputed. On or about November 16, 2010, Marriott, the Debtor, and Davidson entered into that certain Subordination, Non-Disturbance and Attornment Agreement by and between Marriott and each of the Debtor's lenders in connection with the extension of credit or modification of an existing loan agreement (defined as the SNDA), pursuant to which the Davidson Trust is specifically prohibited from, *inter alia*, disturbing Marriott's right to manage the Hotel, and is obligated to assume the Management Agreement in the event it forecloses on the Hotel or otherwise takes possession of the Hotel through a bankruptcy. *See* SNDA, ¶3. Prior to and since the Petition Date, Davidson has engaged in acts designed to remove and successfully removing Marriott from the Hotel (such as executing the Petition and funding the removal of Marriott), and providing a loan to the Debtor conditioned upon keeping Marriott from returning to the Hotel as Manager. The Davidson Trust's breaches of the SNDA will likely be the subject of an objection to the Davidson Claim under the Plan.

In November 2010, Marriott also paid approximately \$5 Million in "key money" to the Debtor, pursuant to the Management Agreement, section 11.26(A), due and payable upon the opening of the Hotel, and returnable in accordance with a formula set forth in the Management Agreement, section 11.26(B), in the event the Management Agreement was terminated before the Terms.

Also on November 16, 2010, the Debtor issued that certain Owner's Estoppel Certificate in favor of Marriott stating, *inter alia*, that (i) the Management Agreement is in full force and affect, and (ii) there are no defaults and no events that given notice or passage of time would become a default.

Not surprisingly, the first year of a new brand, opening in difficult economic times, later than anticipated, met with a slow start. In fact, from the date the Hotel opened through and including the first quarter of 2011, revenue per available room for Waikiki beach-front hotels remained well below \$190/night.⁹ On March 11, 2011, Eastern Japan was devastated by a tsunami that also hit parts of Hawaii and the West Coast of California. The disaster resulted in a reduction in Japanese travel to Hawaii.¹⁰ Therefore, guest bookings entering a season that is already ordinarily slow, according to Debtor's financial advisor, fell short of expectations.

In April 2011, the Debtor failed to make required payments under the Management Agreement to fund shortfalls for operations. As a result, Marriott funded the shortfalls in accordance with the terms of its Management Agreement, which the Debtor is obligated to repay from operations.

On May 26, 2011, the Debtor alleged that Marriott was in default of the Management Agreement by virtue of its failure to properly operate the Hotel and open other EDITION brands, based upon the disappointing revenues and the Hotel's need for capital to fund shortfalls in operations. Marriott disputed the assertion.

Also on May 26, 2011, the Debtor commenced litigation in the New York Supreme Court, State of New York, County of New York against Marriott, I.S. International, LLC and Ian Schragar, for, *inter alia*, breach of certain contracts, including the Management Agreement. Marriott and Schragar both filed motions to dismiss the New York case on or about August 1, 2011, based in part upon the Estoppel Certificate and Debtor's failure to comply with the terms of the Management Agreement, responses to which were due in September 2011.

Discovery since the commencement of this Bankruptcy Case reveals that while the New York state court litigation was pending, in early July 2011, the Debtor commenced discussions with Aqua Hotels and Resorts, a competing hotel management company, to replace Marriott as the manager of the Hotel. As set forth in the Complaint filed by Marriott in the United States District Court, District

⁹ See RevPAR Seasonality chart produced by Debtor.

¹⁰ See Jim Carlton, *Quake Sinks Hawaii's Tourism* (Wall Street Journal, April 4, 2011), available at <http://online.wsj.com/article/SB10001424052748704530204576234733543325682.html> (“The number of Japanese visitors to the Aloha State has fallen 25% since the March 11 quake, compared with a year ago, according to the Hawaii Tourism Authority.”)

of Hawaii, styled *Marriott Hotel Services, Inc. v. Aqua Hotels And Resorts, Inc., et al.*, CV 11-00754 and confirmed through discovery in this Bankruptcy Case, Aqua secretly met with the Debtor and a Marriott employee, Marriott's head of security at the Hotel, with regard to the takeover.

In August of 2011, the Debtor requested access to the Hotel's books and records in accordance with the Management Agreement. Marriott provided access to the Hotel's books and records and allowed the Debtor to review and copy certain key financial and other documents, unaware of the Debtor's intended plans.

At approximately 2:30 a.m. on August 28, 2011, the Debtor entered the Hotel premises with security guards and with representatives of Aqua/Modern, and ordered all of Marriott's employees off of the premises unless they agreed to execute employment agreements with the Aqua/Modern. Those who refused were escorted off premises and required to leave all of their belongings behind, personal as well as all Marriott business documents. Until August 28, 2011, when Marriott was ousted from the Hotel in the overnight hours, Marriott managed the Hotel pursuant to the Management Agreement

Marriott immediately filed an order to show cause in the New York case for a temporary restraining order directing the Debtor to allow Marriott to return to its role as manager, and to recover its confidential and proprietary information located at the Hotel. The temporary restraining order was granted on August 31, 2011, and the Debtor was ordered to allow Marriott to return to the Hotel as manager, and was restrained from using and ordered to return Marriott's proprietary information and data to Marriott by 2:30 p.m. Hawaii time on August 31, 2011.

On August 31, 2011, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, admittedly, to avoid the effect of the temporary restraining order. Since the Petition Date, the Debtor has been a debtor in possession of its primary asset, the Hotel, now managed by Aqua/Modern.

D. Significant Events During the Bankruptcy Case

1. Schedules and Statement of Financial Affairs

On October 19, 2011, the Debtor filed its Schedules of Assets and Liabilities and its Statement of Financial Affairs [Dkt. No. 284].

2. Appointment of Creditors' Committee

On September 9, 2011, the U.S. Trustee appointed the Creditors' Committee, as may be reconstituted from time to time [Dkt. No. 81].

3. Motion to Reject Management Agreement With Marriott

On September 1, 2011, the Debtor filed its *Motion to Reject Management Agreement With Marriott Hotel Services, Inc.* [Dkt. No. 11]. The Plan resolves the rejection issue, provides for payments to all creditors, and cancels all Equity Interests in full.

4. Marriott's Motion to Terminate Automatic Stay

On September 1, 2011, Marriott filed its *Motion For Relief From Stay To Enforce Specific Provision In Temporary Restraining Order* [Dkt. No. 13] seeking to enforce that portion of the Temporary Restraining Order obtained in the Marriott Litigation, requiring the Debtor to turn over all confidential Marriott information in its possession. Marriott has not yet recovered all of its confidential information from the Debtor and related parties and continues to investigate and pursue claims with respect to the retention of such information and damages therefore.

5. Debtor in Possession Financing

On September 7, 2011, the Debtor filed an emergency motion for, *inter alia*, interim and final orders authorizing the Debtor to borrow up to \$2.5 Million from the Davidson Trust to finance the Hotel's operations and pay other administrative expenses of the Debtor's Bankruptcy Case [Dkt. No. 76]. The Bankruptcy Court granted that motion on an interim and then a final basis by orders entered on September 15, 2011 and September 29, 2011 [Dkt. Nos. 125 and 199], respectively.

On December 9, 2011, the Debtor filed an emergency motion for, *inter alia*, interim and final orders authorizing the Debtor to borrow an additional \$550,000 from the Davidson Trust to finance the Hotel's operations [Dkt. No. 410]. The Bankruptcy Court granted that motion on an interim and then a final basis by orders entered on December 16, 2011, January 18, 2012, and January 30, 2012 [Dkt. Nos. 437, 500, and 540], respectively.

On January 1, 2012, the Debtor filed a motion for, *inter alia*, authorization to enter into an amended and restated credit agreement with the Davidson Trust,

pursuant to which the Debtor would be authorized to borrow up to a maximum of \$9 Million from the Davidson Trust (inclusive of amounts previously authorized) to finance the Hotel's operations and pay other administrative expenses of the Debtor's Bankruptcy Case [Dkt. No. 454]. At a hearing held on January 30, 2012, the Court ruled in favor of granting that motion [Dkt. No. 540].

6. Termination of Exclusivity

At the hearing held on February 14, 2012, the Bankruptcy Court terminated the exclusive period of the Debtor to solicit votes for cause and authorized the Proponents to file the Plan and Disclosure Statement and to solicit votes to accept the Plan upon the Disclosure Statement pursuant to the *Order Terminating the Exclusive Period for Debtor to Solicit Votes for a Plan of Reorganization* entered on February 23, 2012 [see Dkt. No. 627].

VIII. LITIGATION

A. Pending Litigation¹¹

The following is a description of litigation involving the Debtor that was pending as of the Petition Date:

CAPTION OF SUIT AND CASE NUMBER	NATURE OF SUIT	COURT	STATUS OF SUIT
<i>Approved Electric, Inc. v. M Waikiki LLC, et al.</i> [M.L. No. 11-1-0011]	Mechanic's and Materialman's Lien in the principal amount of \$1,204,501.25	Circuit Court of the First Circuit State of Hawaii	Pending

¹¹ Summary of pending litigation is based on information provided in the Debtor's disclosure statement and exhibits thereto filed on January 20, 2012. The Proponents are merely disclosing all available information and are not adopting the descriptions set forth in the summary of pending litigation. Additionally, although the Debtor is not a party to the litigation, in 2011, Marriott Hotel Services, Inc. commenced litigation styled *Marriott Hotel Services, Inc. v. Aqua Hotels And Resorts, Inc., et al.*, CV 11-00754 for unfair competition, deceptive trade practices, tortious interference, civil conspiracy, and other statutory, legal and equitable claims, relating to the defendants' own actions related to the Hotel. The case is pending in the United States District Court, District of Hawaii.

CAPTION OF SUIT AND CASE NUMBER	NATURE OF SUIT	COURT	STATUS OF SUIT
<i>Standard Sheetmetal & Mechanical, Inc. v. M Waikiki LLC, et al.</i> [M.L. No. 10-1-0041]	Mechanic's and Materialman's Lien in the principal amount of \$2,000,000.	Circuit Court of the First Circuit State of Hawaii	Pending
<i>R.D. Olson Construction & Robert D Olson Corporation v. M Waikiki LLC</i> [Case No. 11-02371]	Mechanic's and Materialman's Lien for \$1,839,217	Circuit Court of the First Circuit State of Hawaii	Pending
<i>M Waikiki LLC v. Marriott Hotel Services, Inc., I.S. International, LLC, and Ian Schrager</i> [Index No. 651457/11]	Breach of Contract	Supreme Court of the State of New York, County of New York, Trial Term Part 3; Removed to the U.S. District Court for the S.D.N.Y.	Pending
<i>Marriott Hotel Services, Inc. v. M Waikiki LLC</i> [Index No. 651457/11]	Counter-claim in the same action styled M Waikiki LLC v. Marriott Hotel Services, Inc.	Supreme Court of the State of New York, County of New York, Trial Term Part 3; Removed to the U.S. District Court for the S.D.N.Y.	Pending
<i>M Waikiki LLC, a Hawaii Limited Liability Company v. Association of Apartment Owners of Ilikai, a Hawaii Corporation; Jane Does 1-20; Jane Does 1-20 Does Partnerships 1- 20; Doe Limited Liability Companies 1-20; Doe Corporations 1-20; and Doe Entities 1-20, Defendants</i> [Case No. 11-1-0162-01-VLC]	Easement Dispute	Circuit Court of the First Circuit State of Hawaii	Pending

B. Retained Causes of Action, Defenses, and Counterclaims.

Unless any Causes of Action and Defenses are expressly waived, relinquished, released, compromised, or settled in the Plan or any Final Order (including, without limitation, the Confirmation Order), the Proponents expressly reserve all such Causes of Action and Defenses for later adjudication as the Reorganized Debtor. The reservation set forth in this section shall include, without limitation, a reservation by the Proponents of any Causes of Action and Defenses

not specifically identified in the Plan or Disclosure Statement, or of which the Proponents may presently be unaware, or which may arise or exist by reason of additional facts or circumstances unknown to the Debtor and/or the Proponents at this time or facts or circumstances that may change or be different from those that the Debtor and/or the Proponents now believe to exist and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise), or laches will apply to such Causes of Action and Defenses upon or after the Confirmation of the Plan based on the Disclosure Statement, the Plan or the Confirmation Order, except where such Causes of Action and Defenses have been expressly waived, relinquished, released, compromised, or settled in the Plan or a Final Order. Following the Effective Date, the Reorganized Debtor may assert, compromise, or dispose of any Causes of Action and Defenses without further notice to Creditors or authorization of the Bankruptcy Court. Notwithstanding the foregoing or anything to the contrary elsewhere in this Plan, nothing in this Plan or the Confirmation Order shall prejudice or affect (1) any rights of any Person to assert Claims, including Administrative Claims, against the Debtor, the Reorganized Debtor, the Estates, or any transferee thereof, by way of offset, recoupment, or counterclaim to the extent permitted by applicable law; and/or (2) any defense to any Causes of Action and Defenses or any other claims asserted by the Proponents, the Reorganized Debtor, the Estate, or any transferee thereof.

IX. CONFIRMATION OF THE PLAN

A. Solicitation of Votes; Voting Procedures

1. Ballots and Voting Deadlines

A Ballot to be used for voting to accept or reject the Plan, together with an addressed return envelope, is enclosed with all copies of this Disclosure Statement mailed to each Holder of a Claim entitled to vote. **BEFORE COMPLETING YOUR BALLOT, PLEASE READ CAREFULLY THE INSTRUCTION SHEET THAT ACCOMPANIES THE BALLOT.**

The Bankruptcy Court has directed that in order to be counted for voting purposes, the Ballot for the acceptance or rejection of the Plan must be received no later than 5:00 p.m. HST on _____, 2012, to the attorneys for the Proponents at:

Sheppard Mullin Richter & Hampton LLP
Attn: Robert K. Sahyan
Four Embarcadero Center, Seventeenth Floor
San Francisco, CA 94111
Tel. No. (415) 774-3146
Fax No. (415) 403-6213

YOUR BALLOT MAY NOT BE COUNTED IF IT IS RECEIVED AT THE ABOVE ADDRESS OR FAX NUMBER AFTER 5:00 P.M. HST ON _____, 2012.

2. Parties in Interest Entitled to Vote

The Holders of the Class 3, Class 4 and Class 5 Claims against the Debtor as of the voting record date (_____, 2012) are entitled to vote to accept or reject the plan, if such Claim is impaired under the Plan and either (a) such Holders' Claim has been Scheduled by the Debtor (and such Claim is not Scheduled as Disputed, contingent, or unliquidated), (b) such Holder of a Claim or Interest is authorized by the Bankruptcy Court to vote on the Plan, or (c) such Holder has filed a proof of Claim or Interest on or before the Bar Date.¹² A Holder of a Claim or Interest as to which an objection has been filed is not entitled to vote unless the Bankruptcy Court, upon motion of the Proponents, the Debtor, or the Holder to whose Claim or interest an objection has been made, temporarily allows such Claim or Interest in an amount that it deems proper for the purpose of voting to accept or reject the Plan. Any such motion must be heard and determined by the Bankruptcy Court on or before commencement of the Confirmation Hearing. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

B. Definition of Impairment

As set forth in section 1124 of the Bankruptcy Code, a Class of Claims or Equity Interests is impaired under a plan of reorganization unless, with respect to each Claim or Equity Interest of such class, the Plan:

¹² If a Holder did not file a proof of Claim on or before the Bar Date, but such Holder subsequently obtained an order from the Bankruptcy Court allowing the Holder to file a proof of Claim or Interest thereafter, or such Holder obtains the consent of Proponents, such Holder will be entitled to vote to accept or reject the Plan.

leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or interest; or

notwithstanding any contractual provision or applicable law that entitles the holder of a claim or equity interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default:

cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code;

reinstates the maturity of such claim or interest as it existed before such default;

compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law; and

does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

In the event of a controversy as to whether any Claim or Interest or any Class of Claims or Interests is impaired under the Plan, the Bankruptcy Court will determine the controversy, after notice and a hearing.

C. Classes 3, 4, and 5 are Impaired Under the Plan

Classes of Claims or Equity Interests that are unimpaired under a plan of reorganization are conclusively presumed to have accepted the Plan and thus are not entitled to vote. Classes of Claims or Interests that are impaired under the Plan and are not receiving any Distribution under the Plan are conclusively presumed to have rejected the Plan and thus are not entitled to vote on the Plan. Accordingly, acceptances of a Plan will generally be solicited only from those persons who hold Claims or Equity Interests in an impaired class and are receiving a Distribution under the Plan. A class is “impaired” if the legal, equitable, or contractual rights attaching to the Claims or Equity Interests of that Class are modified in any way under the Plan. Modification for purposes of determining impairment, however, does not include curing defaults and reinstating maturity, or payment in full in

Cash. Based on this standard, the Holders of Claims in Classes 3, 4, and 5 are impaired and entitled to vote to accept or reject the Plan.¹³

D. Classes Not Entitled to Vote

Under the Bankruptcy Code, creditors are not entitled to vote if their contractual rights are unimpaired by the Plan or if they will receive no property under the Plan. Based on this standard, the Holders of Claims in Classes 1, 2, 6, 7, 8, and 9 are not entitled to vote to accept or reject the Plan.

Administrative Claims and Priority Tax Claims are unclassified. The Bankruptcy Code prescribes the treatment of those Claims, and the Holders of such Claims are not entitled to vote on the Plan.

E. Vote Required for Class Acceptance

The Bankruptcy Code defines acceptance of a plan by a Class of Claims as acceptance by Holders of at least two-thirds in dollar amount and more than one-half in number of the Claims of that Class that actually cast ballots for acceptance or rejection of the plan.

F. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation of a plan. By order of the Bankruptcy Court, **the Confirmation Hearing on the Plan has been scheduled for _____, 2012 at _:_ .m. HST** in the United States Bankruptcy Court for the District of Hawaii. The Bankruptcy Court may adjourn the Confirmation Hearing from time to time without further notice except for an announcement made at the Confirmation Hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of a Plan. **Any objection to Confirmation of the Plan must be made in writing and filed with the Bankruptcy Court on or before _____, 2012 at 5:00 p.m. HST**, at the following address:

Clerk of the United States Bankruptcy Court
District of Hawaii
1132 Bishop Street, Suite 250

¹³ Marriott as the Plan Proponent will vote in favor of its Plan.

Honolulu, HI 96813

In addition, any such objection must be served upon the following parties, together with proof of service, so that they are received by such parties on or before 5:00 p.m. HST on _____, 2012:

-to attorneys for the Proponents and Reorganized Debtor:

Sheppard Mullin Richter & Hampton LLP

Attn: Carren B. Shulman

Attn: Alan M. Feld

Attn: Ori Katz

30 Rockefeller Plaza

New York, NY 10112-0015

Tel. No. (212) 653-8700

Fax No. (212) 653-8701

Rush Moore LLP

Attn: Susan Tius

737 Bishop Street, Suite 2400

Honolulu, HA 96813-3862

Tel. No. (808) 521-0406

Fax No. (808) 521-0497

-to attorneys for the Creditors' Committee:

Wagner Choi & Verbrugge

Attn: James A. Wagner

Attn: Chuck C. Choi

745 Fort Street, Suite 1900

Honolulu, HI 96813

Fax No. (808) 566-6900

-Office of the U.S. Trustee:

Office of the United States Trustee

District of Hawaii

Attn: Terri Didion

1132 Bishop Street, Suite 602

Honolulu, Hawaii 96813-2836

-to attorneys for Wells Fargo:

Weil Gotshal & Manges LLP
Attn: Alfredo R. Pérez
700 Louisiana, Suite 1600
Houston, Texas 77002
Tel. No. (713) 546-5000
Fax No. (713) 224-9511

Weil Gotshal & Manges LLP
Attn.: Manesh J. Shah
200 Crescent Court, Suite 300
Dallas, Texas 75201
Tel. No. (214) 746-7700
Fax No. (214) 746-7777

Starn O'Toole Marcus & Fisher
Attn: Sharon V. Lovejoy
733 Bishop Street, Suite 1900
Honolulu, Hawaii 96813
Tel. No. (808) 537-6100

- to the Debtor:

Damian McKinney
McKinney Advisory Group, Inc.
12250 El Camino Real, Suite 220
San Diego, CA 92130
Fax No. (858) 519-3250

- to attorneys for the Debtor:

Patrick J. Neligan, Jr.
James P. Muenker
Neligan Foley LLP
325 N. St. Paul, Suite 3600
Dallas, TX 75201
Tel. No. (214) 840-5300
Fax No. (214) 840-5301

Simon Klevansky
Klevansky Piper, LLP
Davies Pacific Center, Suite 1707
841 Bishop Street
Honolulu, HI 96813
Tel. No. (808) 536-0200
Fax No. (808) 237-5757

Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014 and the order approving Disclosure Statement and setting deadline for objections. **UNLESS AN OBJECTION TO CONFIRMATION IS SERVED AND FILED ON THE ATTORNEYS FOR THE PROPONENTS SO THAT IT IS ACTUALLY RECEIVED BY NO LATER THAN 5:00 P.M. HST ON _____ __, 2012, THE BANKRUPTCY COURT MAY NOT CONSIDER IT.**

The Proponents believe that the key dates leading up to and including the Confirmation Hearing may be summarized as follows:

1. _____ __, 2012, 5:00 p.m. HST: Deadline for parties to file and serve any objection to the Plan.
2. _____ __, 2012, 5:00 p.m. HST: Deadline for the party entitled to vote on the Plan to have its Ballot received by the tabulation agent.
3. _____ __, 2012, 5:00 p.m. HST: Commencement of the Confirmation Hearing.

G. Requirements for Confirmation of a Plan

At the Confirmation Hearing, the Bankruptcy Court must determine whether the Bankruptcy Code's requirements for Confirmation of the Plan have been satisfied, in which event the Bankruptcy Court will enter an order Confirming the Plan. The requirements set forth in section 1129 of the Bankruptcy Code are provided below.

The plan complies with the applicable provisions of the Bankruptcy Code.

The proponent of the plan complied with the applicable provisions of the Bankruptcy Code.

The plan has been proposed in good faith and not by any means forbidden by law.

Any payment made or promised by the debtor, by the plan proponents, or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in, or in connection with, the case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.

The proponents of the plan have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor, or a successor to the debtor under the plan; and

the appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security holders and with public policy; and

the proponents of the plan have disclosed the identity of any insider that will be employed or retained by the reorganized debtor, and the nature of any compensation for such insider.

Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor have approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.

With respect to each impaired class of claims or interests:

each holder of a claim or interest of such class has accepted the plan or will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor liquidated on such date under chapter 7 of the Bankruptcy Code on such date; or

if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the holder of a claim of such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.

With respect to each class of claims or interests:

such class has accepted the plan; or

such class is not impaired under the plan.

Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that:

with respect to a claim of a kind specified in section 507(a)(2) or 507(a)(3) of the Bankruptcy Code, on the effective date of the plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

with respect to a class of claims of a kind specified in section 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code, each holder of a claim of such class will receive:

if such class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claim; and

with respect to a claim of a kind specified in section 507(a)(8) of the Bankruptcy Code, the holder of a claim will receive on account of such claim regular installment payments in cash —

of a total value, as of the effective date of the plan, equal to the allowed amount of such claim;

over a period ending not later than 5 years after the date of the order for relief under section 301, 302, or 303; and

in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the plan (other than cash payments made to a class of creditors under section 1122(b)); and

with respect to a secured claim that would otherwise meet the description of an unsecured claim of a governmental unit under section 507(a)(8), but for the secured status of that claim, the holder of that claim will receive on account of that claim, cash payments, in the same manner and over the same period, as described in subparagraph (c) above.

If a class of claims is impaired under the plan, at least one class of claims that is impaired has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim of such class.

Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan.

All fees payable under 28 U.S.C. §1930, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payments of all such fees on the effective date of the plan.

The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114 of the Bankruptcy Code, at any time prior to confirmation of the plan, for the duration of the period the debtor has obligated itself to provide such benefits.

The Proponents believe that the Plan satisfies all the statutory requirements of chapter 11 of the Bankruptcy Code, that they have complied or will have complied with all the requirements of chapter 11, and that the Plan is proposed in good faith.

H. Cramdown

If any impaired Class of claims or interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Proponents if, as to each impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to that Class. A plan of reorganization “does not discriminate unfairly” within the meaning of the Bankruptcy Code if no Class receives more than it is legally entitled to receive for its Claims or Equity Interests.

“Fair and equitable” has different meanings with respect to the treatment of secured and unsecured claims. As set forth in section 1129(b)(2) of the Bankruptcy Code, those meanings are as follows:

With respect to a class of Secured Claims:

that the holders of such claims retain the liens securing such claims, whether the

property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims; and

that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property; or

the realization by such holders of the "indubitable equivalent" of such claims.

With respect to a class of unsecured claims:

that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

With respect to a class of Equity Interests:

that each holder of an interest of such class receive or retain on account of such interest property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or

that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property.

If any impaired class of claims or interests does not accept the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable with respect to, and does not discriminate unfairly against, any such class. For the reasons set forth above, the Proponents believe the Plan does not discriminate unfairly against, and is fair and equitable with respect to, each impaired Class of Claims or Interests.

X. RISK FACTORS

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN THE HOLDER OF A CLAIM ENTITLED TO VOTE SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH HEREIN AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THESE RISK FACTORS ARE MANY THESE FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS PRESENT IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

The following is intended as a summary of certain risks associated with the Plan, but it is not exhaustive and must be supplemented by the analysis and evaluation made by each Holder of a Claim or Interest of the Plan and this Disclosure Statement as a whole with such holder's own advisors.

A. Consideration of Risks

Insufficient Acceptances. For the Plan to be confirmed, each impaired Class of Claims is given the opportunity to vote to accept or reject the Plan, unless the Plan provides that the Holders in such Class will not receive any Distribution under the plan (in which event such holders are deemed to reject the Plan). With regard to such impaired voting classes, the plan will be deemed accepted by a class of impaired Claims if the Plan is accepted by claimants of such Class who hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the total Allowed Claims in that class that actually vote on the plan. Only those members of a Class who vote to accept or reject the plan will be counted for voting purposes. The Debtor reserves the right to request confirmation of the plan pursuant to the cramdown provisions in section 1129(b) of the Bankruptcy Code, which will allow Confirmation of the Plan even if a particular Class of impaired Claims has not accepted the Plan. However, there can be no assurance that any impaired Class of Claims will accept the Plan or that the Debtor would succeed in seeking Confirmation of the Plan under the cramdown provisions of the Bankruptcy Code.

Confirmation Risks. The following specific risks exist with respect to Confirmation of the Plan:

(1) Any objection to Confirmation of the Plan filed by any Holder of a Claim or Interest could either prevent Confirmation of the Plan or delay Confirmation for a significant period of time.

(2) A cramdown (seeking approval of the Plan over the rejection by one or more impaired Classes of Claims or Interests), if required, could delay Confirmation.

Conditions Precedent. As set forth in Article VIII of the Plan, Confirmation of the Plan and occurrence of the Effective Date are subject to certain conditions precedent that may never occur. The Proponents, however, will work diligently with all parties in interest to ensure that all conditions precedent are satisfied.

Risk Regarding Amounts and Classifications of Claims. The estimated number and amount of Claims in each Class set forth in this Disclosure Statement is based on the Proponents' review and analysis of the Debtor's schedules and the proofs of claim filed in the Bankruptcy Case, and on the Proponents' reasonable assumptions regarding how certain Claims may be classified and treated under the Plan and the Allowed amount of various Disputed Claims. There can be no assurance that the Proponents' estimates of the number and amount of Claims in each Class, or the Proponents' assumptions regarding the allowed amount of any specific Disputed claim, and the concomitant amount of distributions to the Holder of any Claim in any Class (whether in amount or as a percentage of any Allowed Claim), will prove to be accurate. The actual Allowed Claim Amounts, Distributions, and recoveries may be substantially less than estimated.

B. Disclosure Statement Disclaimer

Information Contained in the Disclosure Statement is for the Purpose of Soliciting Acceptances to the Plan. The information contained in this Disclosure Statement is for the purposes of soliciting acceptances of the Plan and may not be relied upon for any other purposes.

Disclosure Statement was not Approved by the Securities and Exchange Commission. This Disclosure Statement was not filed with the securities and exchange commission. Neither the securities and exchange commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained herein, and any representation to the contrary is unlawful.

Forward Looking Statements may be Contained in the Disclosure Statement. This Disclosure Statement may contain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may," "expect," "anticipate" "estimate," or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The liquidation analysis is an estimate only, and the timing and amount of actual Distributions to Holders of allowed claims may be affected by many factors that cannot be predicted. Therefore, any analyses, estimates, or recovery projections may or may not turn out to be accurate.

THIS DISCLOSURE STATEMENT IS NOT LEGAL ADVICE TO YOU. The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Holder of a Claim or an Equity Interest should consult his or her own legal counsel and accountant with regard to any legal, tax, and other matters concerning his or her Claim or Equity Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

No Admissions Made. The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any entity (including, without limitation, the Proponents or the Reorganized Debtor) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Proponents or Reorganized Debtor, Holders of Allowed Claims or Equity Interests or any other parties in interest.

Failure to Identify Litigation Claims or Projected Objections. No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Equity Interest is, or is not, identified in this Disclosure Statement. The Proponents may seek to investigate Claims and file and prosecute objections to Claims and Equity Interests.

No Waiver of Right to Object or Right to Recover Transfers and Assets. The vote by a Holder of an Allowed Claim for or against the Plan does not constitute a waiver or release of any claims or rights of the Proponents, Debtor, or Reorganized Debtor to object to that holder's allowed claim, or to bring causes of

action or recover any preferential, fraudulent, or other voidable transfer of assets, regardless of whether any claims or causes of action of the Proponents, Debtor, or Reorganized Debtor or the Estate are specifically or generally identified herein.

Information was Provided by the Proponents and the Debtor and was Relied Upon by the Proponents' Advisors. Attorneys for and other advisors retained by the Proponents have relied upon information provided by the Debtor in pleadings filed in connection with the Bankruptcy Case and information provided by the Proponents in connection with the preparation of this Disclosure Statement. Although the attorneys for and other advisors retained by the Proponents have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

Potential Exists for Inaccuracies, and the Proponents have No Duty to Update. The Proponents make the statements contained in this Disclosure Statement as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since that date. While the Proponents have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Proponents nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Proponents may subsequently update the information in this Disclosure Statement, the Proponents have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

No Representations Outside the Disclosure Statement Are Authorized. No representations concerning or relating to the Proponents, the Debtor, this chapter 11 case, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. In deciding whether to vote to accept or reject the Plan, you should not rely upon any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement. You should promptly report unauthorized representations or inducements to the attorneys for the Proponents, attorneys for the Debtor, attorneys for the Creditors' Committee, and the United States Trustee for the District of Hawaii.

XI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

Liquidation. Section 1129(a)(7) of the Bankruptcy Code requires that every creditor in an impaired class who has not accepted a proposed plan of reorganization receive at least as much under the plan as that creditor would receive in a hypothetical liquidation of the debtor under chapter 7 of the Bankruptcy Code. That is, each creditor under the Plan is entitled to be certain that it is no worse off under the Plan than it would be if the debtor were liquidated and the proceeds of that liquidation were distributed among all the debtor's creditors in accordance with the distribution priorities established by the Bankruptcy Code. This requirement is generally known as the "best interests of creditors" test.

In this case, all holders of Claims are either unimpaired or have consented to the treatment proposed. As a result, the best interests test is applicable only to the holders of Equity Interests.

The Debtor has prepared a liquidation analysis in connection with its competing chapter 11 plan. A copy of that liquidation analysis is attached to the Debtor's plan as Exhibit E. The Debtor's liquidation analysis is based on certain assumptions. The Proponents do not agree with all of the Debtor's assumptions, and intend to challenge certain of those assumptions in connection with the plan confirmation process. Solely for purposes of the discussion that follows below, however, the Debtor's assumptions are used as a starting point.

According to the Debtor, a chapter 7 trustee may be able to sell the Hotel in a manner that yields approximately \$70 million of net proceeds. Not including the claims of Marriott, in a chapter 7 scenario the Debtor estimates total claims against the Debtor of approximately \$141 million. Accordingly, claims will exceed net assets by roughly \$71 million and, to the extent Marriott's claims against the Debtor are allowed, the total claims against the Debtor will exceed net assets by an amount in excess of \$71 million (and potentially far in excess of \$71 million).

Post-liquidation of the Hotel, there will be no assets left for the chapter 7 trustee to liquidate other than potential affirmative causes of action against third parties (including Marriott). Because the liquidation value of such affirmative claims is far less than \$71 million, not all creditors will be paid in full in a chapter 7 case. More important, Equity Interests will not receive or retain property of any value in a chapter 7. Instead, Equity Interests will receive nothing.

For the avoidance of doubt, the Proponents are neither adopting nor conceding the accuracy of the Debtor's liquidation analysis. Nothing in the liquidation analysis shall be dispositive of the allowance of any Claims or constitute a waiver by the Proponents of their right to object to any Claim or object to the Debtor's plan and liquidation analysis. Marriott's decision to pay all creditors in full is not reflective of asset values but rather its willingness to pay for the benefit of a streamlined, easily confirmable plan that allows genuine creditors of the estate to be made whole through the bankruptcy process. Unless otherwise provided in the Plan, the Proponents are not stipulating to the validity or amount of any of the Claims set forth in the liquidation analysis, or to the accuracy of any of the underlying assumptions contained therein, and are instead reserving all rights.

Alternative Plans. The Debtor has proposed an alternative chapter 11 plan. Each Holder of a Claim or Interest in the Debtor should read the Debtor's disclosure statement and plan of reorganization to obtain information regarding the alternative plan.

PERSONS CONSIDERING EITHER OF THE PLANS ARE ADVISED TO CONSULT THEIR OWN ADVISORS CONCERNING THE PARTICULAR CONSEQUENCES TO THEM OF THE REORGANIZATION OF THE DEBTOR PURSUANT TO THE PLAN FILED BY THE PROPONENTS AND THE ALTERNATIVE PLAN FILED BY THE DEBTOR.

XII. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

Introduction. The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Debtor and Reorganized Debtor, as applicable, and certain Holders of Claims. This summary does not address all aspects of federal income taxation that may be relevant to all persons considering the Plan. Special federal income tax considerations not discussed in this summary may be applicable to, among other persons, financial institutions, insurance companies, foreign corporations, tax-exempt institutions, and persons who are not citizens or residents of the United States. In addition, this summary does not discuss the effect of any foreign, state or local tax law, the effect of which may be significant. Furthermore, this discussion assumes that the Debtor and Reorganized Debtor, as applicable, is classified as a partnership for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended ("*IRC*"), the regulations promulgated thereunder, judicial decisions, and administrative positions of the Internal Revenue Service (the "*Service*"). All section references in this summary are to sections of the IRC. Any change in the foregoing authorities may be applied retroactively in a manner that could adversely affect persons considering the Plan.

No ruling will be sought from the Service with respect to the federal income tax aspects of the Plan and there can be no assurance that the conclusions set forth in this summary will be accepted by the Service. No opinion has been sought or obtained with respect to the tax aspects of the Plan.

THIS SUMMARY IS INTENDED FOR GENERAL INFORMATION ONLY. PERSONS CONSIDERING THE PLAN ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE REORGANIZATION OF THE DEBTOR, THE RECEIPT OF ANY PAYMENT UNDER THE PLAN, AND THE IMPACT ON THAT PERSON OR ANY OTHER PERSON OF ANY OBLIGATION IMPOSED UNDER THE PLAN. MARRIOTT MAKES NO REPRESENTATION WITH RESPECT TO THE TAX CONSEQUENCES OF CONFIRMATION OF THE PLAN, OR THE TAX TREATMENT TO HOLDERS OF CLAIMS OR INTERESTS UNDER THE PLAN.

IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS in Circular 230, you are hereby informed that (i) any tax advice contained in this disclosure statement is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code, (ii) the advice is written to support the promotion or marketing of the transactions or matters addressed in the Disclosure Statement, and (iii) each holder should seek advice based on its particular circumstances from an independent tax advisor.

Tax Consequence to the Estate. Under the IRC, a taxpayer generally must include in gross income the amount of any discharge-of-indebtedness income realized during the taxable year. If, the Reorganized Debtor pays all allowed claims, the Reorganized Debtor will not recognize any discharge-of-indebtedness income pursuant to section 108 of the IRC. If, however, the Reorganized Debtor does not pay all allowed claims in full, then the Reorganized Debtor may be required to realize discharge-of-indebtedness income.

Tax Consequences to Holders of Claims. A Holder of an Allowed Claim who receives cash or other consideration in satisfaction of any allowed claim may recognize ordinary income. Each Holder of a Claim is urged to consult with its tax advisor regarding the tax implications of any distributions it may receive under the Plan.

Tax Consequences to Holders of Interests. Under the Plan, each Holder of an Interest in the Debtor will lose its interest in the Debtor after the Effective Date. The amount, character and timing of the loss recognized by the Holder of any Interest depends on a variety of factors, including the individual circumstances of such Holder. Each Holder of an Interest in the Debtor should consult with its own tax advisor to determine the impact of losing its interest in the Debtor.

Information Reporting and Withholding. All Distributions to Holders of Claims or Interests are subject to any applicable withholding (including employment tax withholding). Under the IRC, interest, dividends and other "reportable payments" may, under certain circumstances, be subject to "backup withholding" then in effect. Backup withholding generally applies if the Holder (1) fails to furnish its social security number or other taxpayer identification number ("*TIN*"), (2) furnishes an incorrect TIN, (3) fails properly to report interest or dividends, or (4) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations, and financial institutions.

THE FOREGOING SUMMARY OF CERTAIN MATERIAL FEDERAL INCOME TAX CONSEQUENCES HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISOR FOR THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES THAT MAY BE APPLICABLE UNDER THE PLAN.

XIII. CONCLUSION AND RECOMMENDATION

The Proponents believe the Plan is in the best interests of all Holders of Claims against and Interests in the Estate and urges the Holder of the Claim entitled to vote to accept the Plan and to evidence such acceptance by returning its Ballot so that it will be received by the attorneys for the Proponents no later than 5:00 p.m., _____, 2012 HST.

Dated: April 2, 2012

Respectfully submitted,

**MARRIOTT INTERNATIONAL,
INC. AND MARRIOTT HOTEL
SERVICES, INC.**

By: /s/ Catherine L. Young

Name: Catherine L. Young

Title: Senior Vice President-Global

Asset Management of

Marriott International, Inc.

Prepared by:

RUSH MOORE LLP

A Limited Liability Law Partnership

SUSAN TIUS 2873-0

737 Bishop Street, Suite 2400

Honolulu, Hawaii 96813-3862

Tel. No. (808) 521-0406

Fax No. (808) 521-0497

E-mail: Stius@rmhawaii.com

**SHEPPARD MULLIN RICHTER &
HAMPTON LLP**

CARREN B. SHULMAN

ALAN M. FELD

ORI KATZ

30 Rockefeller Plaza

New York, NY 10112-0015

Tel. No. (212) 653-8700

Fax No. (212) 653-8701

E-mail: CShulman@sheppardmullin.com

E-mail: AFeld@sheppardmullin.com

E-mail: OKatz@sheppardmullin.com

**ATTORNEYS FOR MARRIOTT INTERNATIONAL, INC. AND
MARRIOTT HOTEL SERVICES, INC.**

EXHIBIT A

(The Plan)

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF HAWAII**

In re:)	Chapter 11
)	
)	
M WAIKIKI LLC,)	Case No. 11-02371 (RJF)
)	
)	
Debtor.)	
)	
)	

**PLAN OF REORGANIZATION PROPOSED BY MARRIOTT
INTERNATIONAL, INC. AND MARRIOTT HOTEL SERVICES, INC.**

RUSH MOORE LLP

A Limited Liability Law Partnership
SUSAN TIUS 2873-0
737 Bishop Street, Suite 2400
Honolulu, Hawaii 96813-3862
Tel. No. (808) 521-0406
Fax No. (808) 521-0497
E-mail: Stius@rmhawaii.com

**SHEPPARD MULLIN RICHTER &
HAMPTON LLP**

CARREN B. SHULMAN
ALAN M. FELD
ORI KATZ
30 Rockefeller Plaza
New York, NY 10112-0015
Tel. No. (212) 653-8700
Fax No. (212) 653-8701
E-mail: CShulman@sheppardmullin.com
E-mail: AFeld@sheppardmullin.com
E-mail: OKatz@sheppardmullin.com

**ATTORNEYS FOR MARRIOTT INTERNATIONAL, INC. AND
MARRIOTT HOTEL SERVICES, INC.**

Dated: April 2, 2012

TABLE OF CONTENTS

	<u>Page</u>
<u>ARTICLE I</u> DEFINITIONS, CONSTRUCTION, AND INTERPRETATION	1
<u>ARTICLE II</u> UNCLASSIFIED CLAIMS.....	13
2.01 Administrative Claims	13
2.02 DIP Loan Claim.....	15
2.03 Priority Tax Claims.....	15
2.04 U.S. Trustee Fees	15
2.05 Standing.....	16
<u>ARTICLE III</u> CLASSIFICATION OF CLAIMS AND INTERESTS	16
3.01 Introduction	16
3.02 Claims Against and Interests in the Debtor.....	16
<u>ARTICLE IV</u> IDENTIFICATION OF UNIMPAIRED AND IMPAIRED CLAIMS AND INTERESTS	17
4.01 Controversy Concerning Impairment.....	17
<u>ARTICLE V</u> TREATMENT OF CLAIMS AND INTERESTS	17
5.01 Non-Tax Priority Claims - Class 1.....	17
5.02 Secured Tax Claims - Class 2	17
5.03 Wells Fargo Secured Claim - Class 3	18
5.04 R.D. Olson Secured Claim - Class 4	19
5.05 Marriott Secured and Unsecured Claims - Class 5.....	19
5.06 Davidson Trust Secured Claim - Class 6.....	20
5.07 Miscellaneous Secured Claims - Class 7.....	20

5.08 General Unsecured Claims - Class 821

5.09 Equity Interests - Class 922

ARTICLE VI MEANS FOR EXECUTION AND IMPLEMENTATION OF THIS PLAN22

6.01 Management and Operations Post-Effective Date22

6.02 Distributions.....22

6.03 Sources of Cash for Plan Distributions22

6.04 Reserves23

6.05 Duties of the Creditors' Committee23

6.06 Operation of the Reorganized Debtor23

6.07 Corporate Action24

ARTICLE VII TREATMENT OF EXECUTORY CONTRACTS24

7.01 General Treatment of Executory Contracts: Rejected.....24

7.02 Rejection Claims24

ARTICLE VIII CONDITIONS TO CONFIRMATION DATE AND EFFECTIVE DATE.....25

8.01 Conditions Precedent to Confirmation Date25

8.02 Conditions Precedent to the Effective Date25

8.03 Consequences of Non-Occurrence of Effective Date.....27

ARTICLE IX EFFECT OF PLAN CONFIRMATION AND EFFECTIVE DATE28

9.01 Binding Effect28

9.02 Vesting of Assets28

9.03 Retained Causes of Action, Defenses, and Counterclaims28

9.04 Discharge29

9.05 Exculpation	29
9.06 Injunction	30
9.07 Term of Bankruptcy Injunction or Stays.....	31
9.08 Release of Wells Fargo	31
9.09 Effectuating Documents; Further Transactions; Timing.....	33
<u>ARTICLE X</u> OBJECTIONS TO CLAIMS AND INTERESTS; DISTRIBUTIONS	33
10.01 Objections to Claims and Interests.....	33
10.02 Objection Deadline	33
10.03 Settlement of Objections to Claims or Interests.....	34
10.04 No Interest on Claims.....	34
10.05 Setoffs; No Waiver.....	34
10.06 Procedures for Treating and Resolving Disputed and Contingent Claims	35
10.07 Distributions Under the Plan	36
10.08 Duty to Disgorge Overpayments	37
<u>ARTICLE XI</u> ACCEPTANCE OR REJECTION OF THE PLAN	37
11.01 Impaired Classes Entitled to Vote	37
11.02 Acceptance by an Impaired Class.....	38
11.03 Section 1129(b) Cramdown	38
<u>ARTICLE XII</u> RETENTION OF JURISDICTION.....	38
12.01 Jurisdiction.....	38
12.02 Examination of Claims.....	39
12.03 Determination of Disputes	39

12.04 Additional Purposes39

12.05 Failure of the Bankruptcy Court to Exercise Jurisdiction.....42

ARTICLE XIII MISCELLANEOUS PROVISIONS.....42

13.01 General Notices42

13.02 Plan Supplement44

13.03 Exemption From Transfer Taxes.....44

13.04 Asserting and Curing Default Under the Plan44

13.05 Revocation or Withdrawal of the Plan45

13.06 Modification of the Plan.....45

13.07 Computation of Time46

13.08 Due Authorization46

13.09 Implementation.....46

13.10 Execution of Documents46

13.11 Bankruptcy Restrictions47

13.12 Ratification47

13.13 Integration Clause47

13.14 Interpretation.....47

13.15 Severability of Plan Provisions.....47

13.16 Governing Law48

INTRODUCTION

Marriott International, Inc. and Marriott Hotel Services, Inc., creditors and parties in interest herein, respectfully propose the following Plan of Reorganization pursuant to section 1121(c) of the Bankruptcy Code (as defined herein). Reference is made to the Disclosure Statement distributed contemporaneously herewith, for a discussion of the business of the Proponents, the history of the Debtor, resolutions of certain material disputes, liquidation, risk factors, a summary and analysis of the Plan, events leading up to the contemplated restructuring, and certain related matters (as defined herein).

MARRIOTT URGES ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS TO READ THIS PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY. NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND ANY DOCUMENTS, SCHEDULES, OR EXHIBITS ATTACHED THERETO OR REFERENCED THEREIN HAVE BEEN AUTHORIZED BY THE PROPONENTS OR THE BANKRUPTCY COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS PLAN.

The Distributions to be made pursuant to this Plan to Holders of Allowed Claims, in each of the Classes of Claims against and Interests in the Debtor set forth in Article III of this Plan, are set forth in Article V of this Plan.

ARTICLE I **DEFINITIONS, CONSTRUCTION, AND INTERPRETATION**

The capitalized terms used herein shall have the respective meanings set forth below. A capitalized term used herein that is not defined in this Article or otherwise defined in the Plan shall have the meaning, if any, ascribed to that term in the Bankruptcy Code. To the extent there is an inconsistency between a definition in this Plan and a definition in the Bankruptcy Code, the definition set forth in this Plan shall control. The rules of construction contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan, provided, that in the event of any conflict between the Plan and the Disclosure Statement, the Plan shall govern over the Disclosure Statement. In the event a conflict between the Plan and any document implementing the Plan arises, the document shall govern unless the Plan provides otherwise. In the event a conflict between the Plan and the Confirmation Order arises, the Confirmation Order shall govern. Whenever the context requires, words denoting the singular number shall include the plural number and vice versa, and words denoting one gender shall include the

other gender and vice versa. All exhibits and schedules to the Disclosure Statement are incorporated herein. **The Plan Supplement and all exhibits to the Disclosure Statement have been, or will be, filed electronically with the Bankruptcy Court. Copies of the Plan Supplement and such exhibits may be viewed and/or downloaded from the Bankruptcy Court's PACER website.**

Further, the Proponents will provide copies of any or all of the Plan Supplement and all exhibits to the Disclosure Statement upon written request submitted to:

Sheppard Mullin Richter & Hampton LLP
Attn: Robert K. Sahyan
Four Embarcadero Center, Seventeenth Floor
San Francisco, CA 94111
Tel. No. (415) 774-3146
Fax No. (415) 403-6213

1.01 "Administrative Claim" means a Claim against the Debtor for payment or reimbursement of an administrative expense of a kind within the scope of section 503(b) of the Bankruptcy Code and entitled to priority under section 507(a)(2) of the Bankruptcy Code, including, without limitation, (a) actual, necessary costs and expenses, incurred after the Petition Date, of preserving the Estate and operating the Debtor's business, including wages, salaries, or commissions for services rendered, (b) Fee Claims and all other Claims for compensation or reimbursement of expenses to the extent allowed by the Bankruptcy Court under the Bankruptcy Code, (c) the DIP Loan Claim, (d) all Claims arising under section 503(b)(9) of the Bankruptcy Code, (e) all fees and charges assessed against the Debtor under the Bankruptcy Code or section 1930 of chapter 123 of title 28 of the United States Code, and (f) all other Claims entitled to Administrative Claim or Priority Claim status pursuant to a Final Order.

1.02 "Allowance Date" means the date on which a Claim becomes an Allowed Claim or an Interest becomes an Allowed Interest.

1.03 "Allowed" with respect to a Claim, other than an Administrative Claim means such a Claim, or any portion thereof, (a) that has been allowed by a Final Order, (b) that either (y) was listed in the Schedules as a liquidated, noncontingent, and undisputed Claim in an amount greater than zero or (z) is the subject of a timely filed proof of Claim as to which either (i) no objection to its allowance has been filed (either by way of objection or amendment of the Schedules) on or before the Objection Deadline or (ii) any objection to its

allowance has been settled, waived through payment, withdrawn, or overruled by a Final Order, (c) that is expressly allowed in a liquidated amount in the Plan, or (d) that is in an amount agreed to by the Proponents or Reorganized Debtor and the Holder of such Claim; with respect to an Administrative Claim, means an Administrative Claim for which a timely written request for payment has been made in accordance with the Plan (if such written request is required) and as to which (y) no timely objection to its allowance has been filed, or (z) any objection to its allowance has been settled, waived through payment, withdrawn, or overruled by a Final Order; and, with respect to an Interest, means any Interest that appears, as of the Petition Date, in the Debtor's books and records except as provided in the Plan or otherwise determined by a Final Order.

1.04 "Aqua/Modern" means, collectively, Aqua Hotels & Resorts, LLC, Aqua Hotels & Resorts, Inc., and/or Modern Management Services, LLC.

1.05 "Asset" means any property owned by the Debtor.

1.06 "Avoidance Action" means any Cause of Action arising under chapter 5 of the Bankruptcy Code including, but not limited to, sections 502, 510, 541, 542, 544, 545, 547, 548, 549, 550, 551, or 553 of the Bankruptcy Code, or under any similar applicable law, including, without limitation, fraudulent transfer laws, whether or not any such Cause of Action has been asserted or commenced as of the Effective Date.

1.07 "Ballot" means the form of ballot distributed with the Disclosure Statement and the Plan to each Holder of an impaired Claim entitled to vote to accept or reject the Plan and which such Holder may use to cast a vote to accept or reject the Plan.

1.08 "Bankruptcy Case" means the case under chapter 11 of the Bankruptcy Code commenced by the Debtor in the Bankruptcy Court.

1.09 "Bankruptcy Code" means title 11 of the United States Code, as now in effect or hereafter amended and as applicable to the Bankruptcy Case.

1.10 "Bankruptcy Court" means the United States Bankruptcy Court for the District of Hawaii, or any other court or adjunct thereof having jurisdiction over the Bankruptcy Case.

1.11 "Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended, the Federal Rules of Civil Procedure, as amended and as applicable to the Bankruptcy Case or

proceedings therein, and the Local Rules of the Bankruptcy Court, all as now in effect or hereafter amended.

1.12 "Bar Date" means the deadline for filing in the Bankruptcy Case proofs of Claims or Interests arising before the Petition Date against or in the Debtor, which date was January 3, 2012, other than (a) Claims by governmental units, as to which the deadline is February 27, 2012, and (b) Claims whose filing deadline is otherwise subject to the Rejection Bar Date.

1.13 "Business Day" means any day other than a Saturday, a Sunday, a "legal holiday" as such term is defined in Rule 9006(a) of the Bankruptcy Rules, or any other day on which commercial banks in New York, New York are required or authorized to close by law or executive order.

1.14 "Cash" means legal tender of the United States of America and equivalents thereof, which may be conveyed by check or wire transfer.

1.15 "Causes of Action" means any and all claims, actions, arbitrations, proceedings, causes of action, rights, suits, complaints, notices of non-compliance or violation, enforcement actions, investigations, accounts, controversies, agreements, promises, rights of action, rights to legal or equitable remedies, rights to payment, 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 or derivatively, in law, equity, or otherwise, that the Debtor may hold against any Person, or which could be asserted by the Debtor on behalf of any Creditor or Creditor representative under the Bankruptcy Code as a debtor in possession (under sections 1107(a) and 1108 of the Bankruptcy Code) or by any representative of the Debtor, including, but not limited to, objections to claims the Reorganized Debtor may assert, all Avoidance Actions, all proceeds of and recoveries of the same, and all actual and potential actions and causes of action identified in the Disclosure Statement.

1.16 "Claim" shall have the meaning provided in section 101(5) of the Bankruptcy Code.

1.17 "Class" a category of Holders of Claims or Equity Interests which are substantially similar in nature to the Claims or Equity Interests of other Holders placed in such category, as provided in Article V of this Plan.

1.18 "Collateral" means any property or interest in property of (a) the Debtor or, (b) after the Effective Date, of the Reorganized Debtor, that is subject to

a Lien to secure the payment or performance of a Claim, which Lien is valid, perfected and enforceable under applicable law and is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable non-bankruptcy law.

1.19 "Confirmation" means entry of the Confirmation Order by the Bankruptcy Court.

1.20 "Confirmation Date" means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on its docket.

1.21 "Confirmation Hearing" means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider Confirmation of the Plan, which is scheduled to commence on _____ __, 2012, at __:00 __.m. Hawaii Standard Time, and as may be adjourned or continued from time to time.

1.22 "Confirmation Order" means the order of the Bankruptcy Court confirming the Plan under section 1129 of the Bankruptcy Code.

1.23 "Contingent Claim" means any Claim for which a proof of Claim has been filed with the Bankruptcy Court that (a) has not accrued, (b) is dependent on a future event that has not occurred and may never occur, and (c) has not been Allowed.

1.24 "Creditor" means any Person that is the Holder of a Claim against the Debtor.

1.25 "Creditors' Committee" means the committee of unsecured creditors appointed in the Bankruptcy Case by the United States Trustee pursuant to section 1102(a)(1) of the Bankruptcy Code.

1.26 "Cure Amount" means any amount required to be paid as a condition for the assumption of an Executory Contract under section 365(b) of the Bankruptcy Code.

1.27 "Davidson Indebtedness" means the alleged liabilities asserted in (a) the Davidson Trust Secured Claim and (b) proof of claim 72 filed by Mark Herron, as agent for the Davidson Trust, as a general unsecured claim in the amount of \$845,000 on account of alleged liabilities in connection with a certain payment advance to Bickel & Brewer for legal services for the Debtor and alleged payments in connection with that certain letter agreement dated March 13, 2009 by and between eRealty Fund LLC, eRealty Companies, Inc., and the Davidson Trust, and that certain side letter agreement dated as of November 16, 2010 by and between

eRealty Fund, LLC, eRealty Companies, Inc., the Debtor, and the Davidson Trust. The Davidson Indebtedness does not include the DIP Lender Secured Claim.

1.28 "Davidson Loan Dispute" means the dispute between the Proponents, the Debtors, and/or the Reorganized Debtors, as applicable, against the Davidson Trust in connection with determining the extent of allowance, if any, of the Davidson Indebtedness.

1.29 "Davidson Trust" means The Davidson Family Trust dated December 22, 1999, as amended, and its successors and assigns.

1.30 "Davidson Trust Secured Claim" means proof of Claim number 67 filed by Mark Herron, as agent for The Davidson Trust, as a secured claim in the principal amount of \$15,000,000 as of the Petition Date, plus accrued interest, late charges, attorneys' fees and costs on account of alleged liabilities in connection with that certain Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement, Fixture Filing by and between the Debtor, as mortgagor, and trustees of The Davidson Trust, as mortgagee

1.31 "Debtor" means M Waikiki LLC, including, as the context may require, such entity reorganized pursuant to the Plan from and after the Effective Date.

1.32 "DIP Loan Claim" means any and all Allowed amounts owed (including interest, reasonable fees, and expenses as permitted under the DIP Loan Facility and applicable law) to the Davidson Trust in its capacity as lender under the DIP Loan Facility and all loan documents executed in connection therewith.

1.33 "DIP Loan Facility" means the post-petition Amended and Restated Loan and Security Agreement entered into by the Debtor and the Davidson Trust in accordance with the terms and conditions set forth in that certain order of the Bankruptcy Court authorizing the Debtor to enter into the DIP Loan Facility [Dkt. No. 587].

1.34 "Disclosure Statement" means the disclosure statement (including all exhibits and schedules thereto) relating to the Plan, as approved by the Bankruptcy Court and distributed contemporaneously with this Plan in accordance with section 1125 of the Bankruptcy Code and Rule 3017 of the Bankruptcy Rules, as it may be altered, amended, or modified from time to time in accordance with the provisions of the Bankruptcy Code and the Bankruptcy Rules.

1.35 "Disputed" means, with respect to a Claim (including any Administrative Claim) or Interest, a Claim or Interest, or any portion thereof, (a) that is neither Allowed pursuant to the Plan or a Final Order nor deemed Allowed under sections 502, 503, or 1111 of the Bankruptcy Code; (b) that is listed in the Schedules as disputed, contingent, or unliquidated and which has not been resolved by written agreement of the parties or a Final Order; (c) or which a proof of Claim or Interest has been timely filed or deemed timely filed with the Bankruptcy Court and as to which any party in interest has timely filed an objection or request for estimation in accordance with the Plan, the Bankruptcy Code, the Bankruptcy Rules or any order of the Bankruptcy Court, or which is otherwise Disputed by the Proponents or the Reorganized Debtor, as applicable, in accordance with applicable law, which objection, request for estimation, or dispute has not been withdrawn or resolved or determined by a Final Order; or (d) that is the subject of a pending action in a forum other than the Bankruptcy Court unless such Claim or Interest has been determined by Final Order in such other forum and Allowed by Final Order. Prior to the expiration of the time within which to object to such Claim or Interest set forth herein or otherwise established by order of the Bankruptcy Court, a Claim or Interest shall be considered Disputed to the extent that (i) the amount of the Claim or Interest specified in a proof of Claim or Interest exceeds the amount listed in the Schedules and/or (ii) the Claim or Interest is classified differently in the proof of Claim or Interest than in the Schedules. To the extent an objection to the allowance of only a portion of a Claim or Interest has been timely filed, such Claim or Interest shall be a Disputed Claim only to the extent of the portion subject to objection.

1.36 "Distribution" means the property to be distributed pursuant to the Plan to each Holder of an Allowed Claim or each Holder of an Allowed Interest.

1.37 "Distribution Date" means the date upon which a Distribution is made in accordance with the Plan to Holders of Allowed Claims or Allowed Interests entitled to receive Distributions under the Plan.

1.38 "Effective Date" means the first Business Day (a) after the Confirmation Order becomes a final and nonappealable order, and (b) all conditions to the Effective Date have been met or waived. The Proponents will file and serve notice of the Effective Date within five (5) Business Days after its occurrence.

1.39 "Equity Interests" means any equity security of the Debtor within the meaning of section 101(16) of the Bankruptcy Code, including, without limitation, all issued, unissued, authorized, or outstanding shares of stock or other equity

interests (including common and preferred), together with any warrants, options, convertible securities, liquidating preferred securities, or contractual rights to purchase or acquire such equity interests at any time and all rights arising with respect thereto.

1.40 "Estate" means the estate of the Debtor created under section 541 of the Bankruptcy Code.

1.41 "Estate Assets" means all of the property of the Debtor under section 541 of the Bankruptcy Code.

1.42 "Executory Contract" means any prepetition executory contract or unexpired lease within the meaning of section 365 of the Bankruptcy Code between the Debtor and any other Person(s).

1.43 "Exit Funding" means, collectively, (i) Cash in an amount to be funded by the Proponents on or prior to the Effective Date that is sufficient to fund the Plan, (ii) the release of the Marriott Secured and Unsecured Claims, and (iii) any existing Estate Assets.

1.44 "Fee Application" means an application for the allowance and/or payment of a Fee Claim.

1.45 "Fee Claim" means a Claim against the Debtor by a Professional or any other party pursuant to sections 327, 328, 330, 331, 363, 503(b), or 1103 of the Bankruptcy Code or otherwise for compensation for services rendered or reimbursement of costs, expenses, or other charges incurred after the Petition Date and prior to and including the Effective Date.

1.46 "Final Decree" means the final decree entered by the Bankruptcy Court pursuant to Rule 3022 of the Bankruptcy Rules, which shall, *inter alia*, close the Bankruptcy Case.

1.47 "Final Order" means an order or judgment of the Bankruptcy Court or other court of competent jurisdiction that has not been stayed, reversed, or amended and as to which order or judgment (or any revision, modification, or amendment thereof) the time to appeal or seek review or rehearing has expired and as to which no appeal or petition for review or rehearing was filed or, if filed, remains pending; provided, however, that no order or judgment shall fail to be a Final Order solely because of the possibility that a motion pursuant to Rule 60 of the Federal Rules of Civil Procedure may be filed with respect to such order or judgment.

1.48 "General Unsecured Claim" means Claims other than Administrative Claims, Fee Claims, the U.S. Trustee Claims, Secured Claims, Priority Tax Claims, Non-Tax Priority Claims, the R.D. Olson Secured Claim, the Wells Fargo Secured Claim, the Davidson Trust Secured Claim, the DIP Loan Claim, the Secured Tax Claims, the Miscellaneous Secured Claims, and the Claims filed by Marriott.

1.49 "Holder" means the beneficial owner of a Claim or an Interest.

1.50 "Hotel" means The Modern Honolulu hotel (f/k/a The Waikiki EDITION), an 18-story, 353-room hotel located at 1775 Ala Moana Boulevard, Honolulu, Hawaii 96815, which is the Debtor's principal asset.

1.51 "Interest" means the legal, equitable, contractual, and/or other rights of any Person with respect to any capital stock or other ownership interest in the Debtor, whether or not transferable, and any option, warrant, or right to purchase, sell, or subscribe for an ownership interest or other equity security in the Debtor.

1.52 "Lien" has the meaning provided in section 101(37) of the Bankruptcy Code and shall include a "statutory lien" as defined in section 101(53) of the Bankruptcy Code.

1.53 "Marriott" means, collectively, Marriott Hotel Services, Inc. and Marriott International, Inc. together, provided, however, that in connection with the consummation of the Plan and the occurrence of the Effective Date, the term "Marriott" may also include any designee of Marriott to be listed in the Plan Supplement for specific purposes.

1.54 "Marriott Secured Claims" means the Secured Claims filed by Marriott.

1.55 "Marriott Secured and Unsecured Claims" means the Marriott Secured Claims together with the Marriott Unsecured Claims.

1.56 "Marriott Unsecured Claims" means the unsecured Claims filed by Marriott.

1.57 "Miscellaneous Secured Claims" means a Secured Claim other than a Secured Tax Claim, the DIP Loan Claim, the Wells Fargo Secured Claim, the Davidson Trust Secured Claim, the R.D. Olson Secured Claim, and the Claims filed by Marriott.

1.58 "Non-Tax Priority Claim" means any Claim against the Debtor that, if Allowed, would be entitled to priority in payment under section 507(a) of the Bankruptcy Code other than a Priority Tax Claim or an Administrative Claim.

1.59 "Objection Deadline" means the last day for filing objections to Claims (other than Administrative Claims or Fee Claims) or Interests, which day shall be the later of (a) 180 days after the Effective Date, (b) 90 days after the filing date of any proof of Claim or Interest that is timely filed after the Confirmation Date, or (c) such other day as the Bankruptcy Court may order. The filing of a motion to extend the Objection Deadline shall automatically extend the Objection Deadline until an order ruling on such motion becomes a Final Order. If such motion to extend the Objection Deadline is denied, the Objection Deadline shall be the later of the current Objection Deadline (as previously extended, if applicable) or thirty (30) days after the Bankruptcy Court's order denying such motion becomes a Final Order.

1.60 "Ordinary Course of Business" shall have the meaning provided under section 363 of the Bankruptcy Code and judicial interpretations thereof.

1.61 "Person" means any entity, natural person, corporation, limited partnership, general partnership, joint venture, trust, land trust, business trust, unincorporated organization, or other organization (irrespective of whether it is a legal entity), and any "governmental unit" as that term is defined in section 101(27) of the Bankruptcy Code.

1.62 "Petition Date" means August 31, 2011, the date the Debtor filed its petition for relief under chapter 11 of the Bankruptcy Code.

1.63 "Plan" means this plan of reorganization proposed by Marriott and all exhibits or agreements annexed to such plan, referenced in such plan, or included in the Plan Supplement, as the same may be altered, amended, modified, or supplemented from time to time in accordance with the Bankruptcy Code and the Bankruptcy Rules.

1.64 "Plan Supplement" means the exhibits, schedules, agreements, and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, which, unless otherwise specified in the Plan, shall be filed by the Proponents no later than fourteen (14) days before the Confirmation Hearing or such later date as may be approved by the Bankruptcy Court without further notice to parties in interest, and as may be amended thereafter. All documents comprising the Plan Supplement shall be in form and

substance acceptable to the Proponents.

1.65 "Priority Claims" means Priority Non-Tax Claims and Priority Tax Claims.

1.66 "Priority Tax Claim" means any Claim that, if Allowed against the Debtor, would be entitled to priority under section 507(a)(8) of the Bankruptcy Code.

1.67 "Professional" means (a) any Person employed in the Bankruptcy Case pursuant to sections 327, 328, or 1103 of the Bankruptcy Code or otherwise and (b) any Person seeking compensation or reimbursement of costs and expenses in connection with the Bankruptcy Case pursuant to section 503(b)(4) or 1129(a)(4) of the Bankruptcy Code.

1.68 "Proponents" means Marriott.

1.69 "R.D. Olson" means, collectively, Robert D. Olson Construction Company and R.D. Olson Construction, Inc.

1.70 "R.D. Olson Secured Claim" means the Secured Claim held by R.D. Olson against the Debtor, which such Claimant asserts to be in the amount, as of the Petition Date, of \$1,839,217.00 plus attorneys' fees and costs, interest, and other charges and expenses.

1.71 "Rejection Bar Date" means the deadline by which any Person must file a Rejection Claim, which deadline shall be no later than thirty (30) days after notice of entry of the Confirmation Order, unless such other date is prescribed by the Bankruptcy Court.

1.72 "Rejection Claim" means a Claim by a party to an Executory Contract that has not been assumed by the Debtor pursuant to the Plan or a prior Final Order entered in the Bankruptcy Case for damages arising from the rejection by the Debtor or the Reorganized Debtor, as applicable, of such Executory Contract under section 365 of the Bankruptcy Code.

1.73 "Reorganized Debtor" means the post-Effective Date entity, which shall be wholly owned and controlled by Marriott from and after the Effective Date. The Debtor's officers and directors shall be terminated as of the Effective Date. Marriott shall, thereafter, control the governance of the post-Effective Date entity.

1.74 "Reserves" means, fund created and funded by the Proponents on the Effective Date set aside for Disputed Claims, which fund shall total the full amount of any liquidated Disputed Claims that have been filed in the Bankruptcy Case.

1.75 "Schedules" means the schedules of Assets and liabilities, the list of Holders of Interests, and the statement of financial affairs filed by the Debtor under section 521 of the Bankruptcy Code and Rule 1007 of the Bankruptcy Rules, as such items have been or may be modified, supplemented, or amended.

1.76 "Secured Claim" means a Claim against the Debtor secured by a Lien that is not subject to avoidance under the Bankruptcy Code or other applicable non-bankruptcy law, on or against property in which the Debtor has an interest, or a Claim that is subject to setoff under section 553 of the Bankruptcy Code, but only to the extent of the value of the Holder's interest in the Debtor's interest in such property or to the extent of the amount subject to setoff, as applicable; as determined by a Final Order pursuant to section 506(a) of the Bankruptcy Code or, in the case of setoff, pursuant to section 553 of the Bankruptcy Code, or in either case as agreed upon in writing by the Debtor and the Holder of such Claim. Secured Claims shall include Claims secured by Liens junior in priority to other Liens, whether by operation of law, contract, or otherwise, but solely to the extent of the value, as of the Effective Date or such other date established by the Bankruptcy Court, of such Claim Holder's interest in the Debtor's interest in such property after giving effect to all Liens that are senior in priority. The amount of any Claim that exceeds the value of the Holder's interest in the Debtor's interest in property or the amount subject to setoff shall be treated as a General Unsecured Claim.

1.77 "Secured Tax Claim" means a Claim by a governmental unit for the payment of a tax assessed against property of the Debtor and that is secured as of the Effective Date by a Lien against such property, which Lien is valid, perfected, and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law, but only to the extent of the value of the property securing such Claim.

1.78 "SNDA" means that certain Amended and Restated Subordination, Non-disturbance and Attornment Agreement between Marriott and Wells Fargo, dated as of March 13, 2009, as amended, which was recorded on March 17, 2009 as Document Number 3838881 on Cert(s) 813,270.

1.79 "Unclaimed Property" means any Distribution that has not been delivered to the Holder of a Claim entitled to receive such Distribution within 120

days after the later of (a) the Effective Date or (b) the underlying Claim becoming an Allowed Claim (unless otherwise extended by an order of the Bankruptcy Court or an agreement with the Proponents) and the inability to deliver the Distribution is either due to (x) the failure of the Holder of such Allowed Claim to prepare, execute, and return an Internal Revenue Service Form W-9, (y) the Distribution being returned to the Reorganized Debtor or sender of the Distribution or otherwise undeliverable, or (c) such Distribution was otherwise unclaimed.

1.80 "U.S. Trustee" means the Office of the United States Trustee for the District of Hawaii.

1.81 "U.S. Trustee Fees" means fees due to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6).

1.82 "Voting Deadline" means _____, 2012 at 5:00 p.m. Hawaii Standard Time, the deadline set by the Bankruptcy Court's order approving the Disclosure Statement for the attorneys for the Proponents to receive a ballot cast to accept or reject the Plan in order for such ballot to be counted.

1.83 "Wells Fargo" means Wells Fargo Bank NA, as trustee for Nomura CRE CDO Grantor Trust, Series 2007-2.

1.84 "Wells Fargo Secured Claim" means the Secured Claim held by Wells Fargo against the Debtor, which Wells Fargo claims is in the amount of \$115,798,712.50 as of the Petition Date, inclusive of principal, interest (including but not limited to applicable default interest), and other applicable fees and charges. The Wells Fargo Secured Claim also includes amounts asserted by Wells Fargo against the Debtor for post-petition interest (including but not limited to applicable default interest) and other amounts consisting of costs, fees, expenses, and other obligations owed by the Debtor pursuant to certain loan agreements and related documents.

ARTICLE II **UNCLASSIFIED CLAIMS**

2.01 Administrative Claims

(a) ***Bar Date for Filing Administrative Claims.*** All requests for payment of Administrative Claims (other than Fee Claims), shall be filed with the Bankruptcy Court. Each Holder of an Administrative Claim (other than a Holder of any Administrative Claim that is incurred, accrued, or in existence prior to the Effective Date, other than (i) a Fee Claim, (ii) an Allowed Administrative Claim,

(iii) the DIP Loan Claim, or (iv) a liability in the Ordinary Course of Business) must file with the Bankruptcy Court and serve on the attorneys for the Proponents and all parties required to receive such notice a request for the allowance of such Administrative Claim on or before thirty (30) days after the Effective Date. Such request must include at a minimum (i) the name of the Holder of a Claim, (ii) the amount of the Claim, and (iii) the basis of the Claim. Failure to timely and properly file and serve the request required under this section shall result in the Administrative Claim being forever barred and discharged. Objections to such requests must be filed and served pursuant to the Bankruptcy Rules on the requesting party, the Debtor and the Reorganized Debtor within thirty (30) days after the filing of the applicable request for payment of an Administrative Claim.

(b) ***Professional Compensation Claims.*** Each Holder of a Professional Fee Claim seeking an award of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date will (i) file with the Bankruptcy Court their respective interim (if applicable) and final fee applications by no later than the thirtieth (30th) day after the Effective Date or such other date as may be fixed by the Bankruptcy Court and (ii) if granted such an award, be paid Cash as applicable, in such amounts as are Allowed by the Bankruptcy Court on the date such Fee Claim becomes an Allowed Fee Claim, or as soon thereafter as is practicable.

(c) ***Allowance of Administrative Claims.*** An Administrative Claim with respect to which a request for payment is required and has been properly filed pursuant to section 2.01(a) of the Plan shall become an Allowed Administrative Claim if no timely objection is filed. If a timely objection is filed, the Administrative Claim shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order. An Administrative Claim that is a Fee Claim, and with respect to which a Fee Application has been properly filed and served pursuant to section 2.01(b) of the Plan, shall become an Allowed Administrative Claim only to the extent Allowed by a Final Order.

(d) ***Payment of Allowed Administrative Claims.*** Except to the extent that a Holder of an Allowed Administrative Claim has been paid prior to the Effective Date, or agrees with the Proponents to a different treatment, each Holder of an Allowed Administrative Claim (other than Allowed Administrative Claims incurred in the Ordinary Course of Business, which are paid pursuant to section 2.01(e) below) shall receive, in full satisfaction, release, and discharge of and exchange for such Administrative Claim, and after the application of any retainer or deposit held by such Holder, Cash in the full amount of the Allowed Administrative Claim on the Allowance Date, or as soon as practical thereafter.

(e) ***Administrative Claims Incurred in the Ordinary Course of Business.*** Holders of Administrative Claims based on liabilities incurred in the Ordinary Course of Business of the Debtor after the Petition Date during the Bankruptcy Case (other than Claims of governmental units for taxes or Claims and/or penalties related to such taxes; Administrative Claims arising under section 503(b)(9) of the Bankruptcy Code; or alleged Administrative Claims arising in tort) shall not be required to file any request for payment of such Claims. Except to the extent that a Holder of an Allowed Administrative Claim incurred in the Ordinary Course of Business and the Proponents agree to a different treatment, each Administrative Claim incurred in the Ordinary Course of Business of the Debtor will be paid by the Debtor or the Reorganized Debtor pursuant to the terms and conditions of the transaction giving rise to such Administrative Claim, without any further action by the Holder of such Administrative Claim. The Proponents reserve their right and the right of the Debtor and Reorganized Debtor to object before the Objection Deadline to any Administrative Claim arising, or asserted as arising, in the Ordinary Course of Business, and shall withhold payment of such claim until such time as any objection is resolved pursuant to a settlement or a Final Order.

2.02 DIP Loan Claim

The Allowed DIP Loan Claim shall be paid in full in Cash from the Exit Funding on the Effective Date, or as soon as practical thereafter.

2.03 Priority Tax Claims

Except to the extent that a Holder of an Allowed Priority Tax Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall be paid in full in Cash from the Exit Funding on the later of the Effective Date and the date such Priority Tax Claim becomes Allowed, or as soon as practicable thereafter.

2.04 U.S. Trustee Fees

The U.S. Trustee Fees shall be paid in full in Cash on the Effective Date from the Exit Funding. On and after the Effective Date, the Reorganized Debtor shall pay the applicable U.S. Trustee Fees until the Bankruptcy Case is closed, dismissed or converted.

2.05 Standing

From and after the Effective Date, the Reorganized Debtor shall be afforded all of the rights and privileges of the Debtor in place of the Debtor, with respect to, but not limited to, standing; and the Reorganized Debtor shall have standing to object to any and all Claims and Interests. The Confirmation Order shall approve the Plan in its entirety, including all of the terms contained in the Plan; and, specifically, the Confirmation Order shall provide, by reference to the Plan, that the Reorganized Debtor shall have standing to object to any and all Claims and Interests, including, but not limited to, Administrative Claims, DIP Loan Claims, Priority Tax Claims, U.S. Trustee Fees, Secured Claims, General Unsecured Claims, unliquidated claims, contingent claims, intercompany claims, intercompany interests, and Equity Interests.

ARTICLE III **CLASSIFICATION OF CLAIMS AND INTERESTS**

3.01 Introduction

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims against and Equity Interests in the Debtor. A Claim or Equity Interest is placed in a particular Class for the purposes of voting on this Plan and of receiving Distributions pursuant to this Plan only to the extent that such Claim or Equity Interest is an Allowed Claim or Allowed Equity Interest in that Class and such Claim or Equity Interest has not been paid, released, withdrawn, or otherwise settled prior to the Effective Date. As provided in section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims against the Debtor are not classified for purposes of voting on, or receiving distributions under, the Plan. Holders of such Claims are not entitled to vote on the Plan. All such Claims are instead treated separately in accordance with Article II and in accordance with the requirements set forth in section 1129(a)(9) of the Bankruptcy Code.

3.02 Claims Against and Interests in the Debtor

- (a) Class 1: Non-Tax Priority Claims
- (b) Class 2: Secured Tax Claims
- (c) Class 3: Wells Fargo Secured Claim
- (d) Class 4: R.D. Olson Secured Claim

- (e) Class 5(a): Marriott Secured Claims
- (f) Class 5(b): Marriott Unsecured Claims
- (g) Class 6: Davidson Trust Secured Claim
- (h) Class 7: Miscellaneous Secured Claims
- (i) Class 8: General Unsecured Claims
- (j) Class 9: Equity Interests

ARTICLE IV
**IDENTIFICATION OF UNIMPAIRED AND IMPAIRED
CLAIMS AND INTERESTS**

4.01 Controversy Concerning Impairment

In the event of a controversy as to whether any Claim or Interest or any Class of Claims or Interests is impaired under the Plan, the Bankruptcy Court will determine the controversy, after notice and a hearing.

ARTICLE V
TREATMENT OF CLAIMS AND INTERESTS

5.01 Non-Tax Priority Claims - Class 1

(a) ***Impairment and Voting.*** Class 1 is unimpaired by this Plan. Holders of Non-Tax Priority Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 1 Claims are not entitled to vote to accept or reject the Plan.

(b) ***Treatment.*** Except to the extent that each Holder of an Allowed Non-Tax Priority Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed Non-Tax Priority Claim, each Holder of such Allowed Non-Tax Priority Claim shall receive a Distribution in Cash from the Exit Funding in the amount Allowed on the later of the Effective Date and the date such Non-Tax Priority Claim becomes Allowed, or as soon as practicable thereafter.

5.02 Secured Tax Claims - Class 2

(a) ***Impairment and Voting.*** Class 2 is unimpaired by this Plan.

Holders of Secured Tax Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 2 Claims are not entitled to vote to accept or reject the Plan.

(b) **Treatment.** Except to the extent that each Holder of an Allowed Secured Tax Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed Secured Tax Claim, each Holder of such Allowed Secured Tax Claim shall receive a Distribution in Cash from the Exit Funding in the amount Allowed on the later of the Effective Date and the date such Secured Tax Claim becomes Allowed, or as soon as practicable thereafter.

5.03 Wells Fargo Secured Claim - Class 3

(a) **Impairment and Voting.** Class 3 is impaired by this Plan. The Holder of the Class 3 Claim is entitled to vote to accept or reject the Plan, and, by agreement with Wells Fargo and the Proponents, which is subject to (among other things) the Bankruptcy Court's approval of the Disclosure Statement, such Holder of the Class 3 Claim must vote to accept the Plan and not object to the Disclosure Statement or any motions filed or joined by the Proponents in connection with solicitation or additional reasonable time for solicitation, the Confirmation Hearing, or litigation of the Plan, and such agreement shall be binding on any and all subsequent Holders of the Class 3 Claim, as long as the Plan is confirmed and all amounts owed to Wells Fargo pursuant to the Plan are received by July 31, 2012.

(b) **Treatment.** On the Effective Date, the Wells Fargo Secured Claim shall be Allowed in the aggregate amount of \$104 Million pursuant to the terms of the Plan in full and final satisfaction of the Wells Fargo Secured Claim. Except to the extent that the Holder of the Allowed Wells Fargo Secured Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for the Allowed Wells Fargo Secured Claim, the Holder of such Allowed Wells Fargo Secured Claim shall receive a Distribution in Cash from the Exit Funding in the aggregate amount of \$104 Million on the Effective Date, or as soon as practicable thereafter.¹

¹ Nothing in the Plan is intended as a waiver by either the Proponents or Wells Fargo of their rights and obligations under the SNDA, including their rights to enforce the obligations thereunder at any time until the Effective Date upon which Wells Fargo is released from its obligations under the SNDA as set forth in the Plan.

5.04 R.D. Olson Secured Claim - Class 4

(a) ***Impairment and Voting.*** Class 4 is impaired by this Plan. The Holder of the Class 4 Claim is entitled to vote to accept or reject the Plan, and, by agreement with R.D. Olson and the Proponents, which is subject to (among other things) the Bankruptcy Court's approval of the Disclosure Statement, such Holder of the Class 4 Claim must vote to accept the Plan and not object to the Disclosure Statement or any motions filed or joined by the Proponents in connection with solicitation or additional reasonable time for solicitation, the Confirmation Hearing, or litigation of the Plan, and such agreement shall be binding on any and all subsequent Holders of the Class 4 Claim.

(b) ***Treatment.*** As a compromise and settlement of all disputes between R.D. Olson and the Debtor, as set forth in the settlement agreement between the Debtor and R.D. Olson, dated as of January 5, 2012 [Dkt. No. 513] (the "***Olson Settlement Agreement***"), the R.D. Olson Secured Claim shall be Allowed in the amount of \$1,839,217.00. Pursuant to the Olson Settlement Agreement, in full satisfaction, settlement, release, and discharge of and in exchange for the Allowed R.D. Olson Secured Claim, the Proponents shall pay the Holder of such Claim the amount of \$1,431,298.00 (the "***Olson Settled Claim Amount***") in Cash on the Effective Date, without interest; provided that if the Effective Date and payment of the foregoing amount of Cash do not occur before June 1, 2012, then the Olson Settled Claim Amount shall bear interest at a rate of five percent (5.0%) per annum from June 1, 2011 until the Olson Settled Claim Amount is paid in full.

5.05 Marriott Secured and Unsecured Claims - Class 5

(a) ***Marriott Secured Claims – Class 5(a).***

(1) ***Impairment and Voting.*** Class 5(a) is impaired by this Plan. The Holder of the Class 5(a) Claim is entitled to vote to accept or reject the Plan.

(2) ***Treatment.*** On the Effective Date, the Proponents shall: (i) contribute Cash in an amount sufficient to fund the Plan, (ii) release the Marriott Secured and Unsecured Claims, and (iii) establish reserves sufficient to satisfy Disputed Claims in the event such claims are Allowed. Such contribution shall be in contemporaneous exchange for 100% of the equity interests in the Reorganized Debtor, including claims that have been, or may be, brought by the Debtor before the Bankruptcy Court or otherwise. The Proponents shall contribute

the Cash amount provided in this subsection and the release of the Marriott Secured and Unsecured Claims for the purpose of satisfying (i) Allowed Administrative Claims, (ii) all Secured Claims as such amounts may be agreed to by each Holder of a Secured Claim and Marriott (except that Cash consideration for the Davidson Indebtedness shall be set aside in Reserves pending resolution of the Davidson Loan Dispute), (iii) the DIP Lender Secured Claim, (iv) Allowed Priority Claims, (v) Allowed General Unsecured Claims, and (vi) the requirement to establish sufficient Reserves. In the event that the Plan is not confirmed and the Effective Date does not occur, the Marriott Secured and Unsecured Claims shall not be waived or released.

(b) ***Marriott Unsecured Claims – Class 5(b).***

(1) Impairment and Voting. Class 5(b) is impaired by this Plan. The Holder of the Class 5(b) Claim is entitled to vote to accept or reject the Plan.

(2) Treatment. Same as in Section 5.05(a)(2), above.

5.06 Davidson Trust Secured Claim - Class 6

(a) ***Impairment and Voting.*** Class 6 is unimpaired by this Plan. The Holder of the Davidson Trust Secured Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holder of Class 6 Claim is not entitled to vote to accept or reject the Plan.

(b) ***Treatment.*** On the Effective Date, the Proponents shall create the Reserves for the full liquidated amount of the Disputed Davidson Trust Secured Claim (believed to be in excess of \$15 Million) and such Reserves shall be included as part of the Exit Funding. In full and final satisfaction and discharge of and in exchange for each Allowed Davidson Trust Secured Claim the Proponents shall make a Distribution to the Holder of the Allowed Davidson Trust Secured Claim in the Allowed amount of the Davidson Trust Secured Claim in Cash from the Exit Funding on the date that the Davidson Trust Secured Claim becomes Allowed, or as soon as practical thereafter.

5.07 Miscellaneous Secured Claims - Class 7

(a) ***Impairment and Voting.*** Class 7 is unimpaired by this Plan. Each Holder of a Miscellaneous Secured Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 7 Claims are not entitled to vote to accept or reject the Plan.

(b) **Treatment.** Except to the extent that each Holder of an Allowed Miscellaneous Secured Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed Miscellaneous Secured Claim, each Holder of such Allowed Miscellaneous Secured Claim shall receive a Distribution in Cash from the Exit Funding in the amount Allowed on the later of the Effective Date and the date such Miscellaneous Secured Claim becomes Allowed, or as soon as practicable thereafter. On the Effective Date, the Proponents shall set aside a reserve for the full liquidated amount of any Disputed Miscellaneous Secured Claim and such reserve shall be included as part of the Exit Funding.

5.08 General Unsecured Claims - Class 8

(a) **Impairment and Voting.** Class 8 is unimpaired by this Plan. Each Holder of a General Unsecured Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of the Class 8 Claims are not entitled to vote to accept or reject the Plan.

(b) **Treatment.** Except to the extent that each Holder of an Allowed General Unsecured Claim and the Proponents agree to a less favorable treatment, in full and final satisfaction and discharge of and in exchange for each Allowed General Unsecured Claim, each Holder of such Allowed General Unsecured Claim shall receive a Distribution in Cash from the Exit Funding in the amount Allowed on the later of the Effective Date and the date such General Unsecured Claim becomes Allowed, or as soon as practicable thereafter. Class 8 is unimpaired and each Holder of a Class 8 Claim that is entitled to a distribution under the Plan shall receive such distribution in Cash in the full amount required by law, which may include interest. On the Effective Date, the Proponents shall set aside a reserve for the full liquidated amount of any Disputed General Unsecured Claim and such reserve shall be included as part of the Exit Funding. The Reorganized Debtor intends to review all General Unsecured Claims promptly after the Effective Date, and it is anticipated that most such claims will be paid shortly after the Effective Date. If a General Unsecured Claim is Disputed, payment on account of such Claim may be delayed or denied. The Proponents anticipate that there will be few Disputed Claims in this Class, although all rights are reserved pending completion of a review of each Claim.

5.09 Equity Interests - Class 9

(a) ***Impairment and Voting.*** Class 9 is impaired by this Plan. Each Holder of an Equity Interest will not receive any Distributions under this Plan, is not entitled to vote, and is deemed to reject the Plan.

(b) ***Treatment.*** On the Confirmation Date, existing Equity Interests in the Debtor shall be cancelled and extinguished and each Holder thereof will receive no Distribution under the Plan. Existing warrants for Equity Interests shall also be cancelled and extinguished and Holders thereof will receive no Distribution under the Plan.

ARTICLE VI

MEANS FOR EXECUTION AND IMPLEMENTATION OF THIS PLAN

6.01 Management and Operations Post-Effective Date

On and after the Effective Date, the Reorganized Debtor shall manage the Hotel exclusively. The new 100% owner or member, Marriott or its designee, shall appoint a new board of directors and new officers or managing members to manage the Reorganized Debtor. The names and titles of the new directors and officers or managing member(s) shall be set forth in the Plan Supplement. All Estate Assets shall vest in the Reorganized Debtor, such that the Reorganized Debtor shall retain title, ownership, possession, and control over the management of the Hotel and all other Estate Assets. On the Effective Date, the existing officers and directors or members of the Debtor shall be immediately and automatically terminated without further order of the Court, and shall be relieved of all authority to act for or on behalf of the Reorganized Debtor.

6.02 Distributions

Cash shall be allocated as Distributions or set as Reserves on or before the Effective Date of the Plan. All Distributions shall be made pursuant to the terms of the Plan.

6.03 Sources of Cash for Plan Distributions

The Plan is funded by the Exit Funding.

6.04 Reserves

On the Effective Date, the Reserves shall be set aside from the proceeds otherwise available for distribution, for Disputed Claims, including the Davidson Indebtedness as liquidated and any other liquidated Disputed Claims. The Reserves shall be in the full amount of such Disputed Claims. In the event litigation has not already been filed, immediately following the Effective Date, litigation may be commenced with respect to the Davidson Loan Dispute before the Bankruptcy Court. The Reorganized Debtor shall endeavor to resolve the Davidson Loan Dispute within 90 to 120 days. Such litigation may seek, among other things, (i) the voiding of the Davidson Trust's security interest, (ii) the subordination of the Davidson Loan to all claims and equity, and (iii) determination that the Davidson Loan should be characterized and treated as equity.

The Reserves shall be held in an account in the name of the Reorganized Debtor and shall only be released in a manner consistent with the Plan or further order of the Bankruptcy Court.

6.05 Duties of the Creditors' Committee

The duties of the Creditors' Committee and its Professionals will terminate on the later of: (a) completion of performance of those actions required to be executed on or about the Effective Date; and (b) resolution of any Fee Applications filed or objected to by the Creditors' Committee or its Professionals. Upon the termination of the duties of the Creditors' Committee and its Professionals, the Creditors' Committee will be dissolved and its members will be deemed released by the Debtor or Reorganized Debtor, as applicable, from (y) all their duties, responsibilities and obligations in connection with the Bankruptcy Case, and (z) all Claims and Causes of Action relating to or arising directly or indirectly from services performed. Upon the dissolution of the Creditors' Committee, no notice to the Creditors' Committee that might otherwise be required pursuant to an order of the Bankruptcy Court shall be required.

6.06 Operation of the Reorganized Debtor

As of the Effective Date, the Reorganized Debtor shall maintain its separate legal existence for all purposes under the Plan, with the Reorganized Debtor retaining all the powers of a legal entity under applicable law. From and after the Effective Date, the Reorganized Debtor shall continue to engage in business under

this Plan; however from and after the Effective Date the corporate governance of the Reorganized Debtor shall be controlled by Marriott and any new officers and directors retained by Marriott.

6.07 Corporate Action

On the Effective Date, the adoption, filing, approval, and ratification, as necessary, of all corporate or related actions contemplated under the Plan with respect to the Reorganized Debtor shall be deemed authorized and approved in all respects. Without limiting the foregoing, such actions may include: (i) the adoption and filing of corporate formation documents for the Reorganized Debtor and (ii) the election or appointment, as the case may be, of directors and officers for the Reorganized Debtor. All matters provided for herein involving the corporate structure of the Reorganized Debtor, or any corporate action required by the Reorganized Debtor in connection with the Plan, shall be deemed to have occurred and shall be in effect. On or after the Effective Date, the appropriate officers of the Reorganized Debtor and members of the board of directors (or equivalent body) of the Reorganized Debtor are authorized and directed to issue, execute, deliver, file, and record any and all agreements, documents, securities, deeds, bills of sale, conveyances, releases, and instruments contemplated by the Plan in the name of and on behalf of such Reorganized Debtor and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

ARTICLE VII **TREATMENT OF EXECUTORY CONTRACTS**

7.01 General Treatment of Executory Contracts: Rejected

All Executory Contracts and leases shall be evaluated for assumption or rejection. All Executory Contracts and leases not assumed or rejected prior to the Effective Date or not subject to a motion for assumption or rejection of such executory contract shall be rejected on and as of the Effective Date. All Claims arising from the rejection of an Executory Contract or unexpired lease pursuant to the Plan must be filed with the Bankruptcy Court and served upon the attorneys for the Proponents on or before the Rejection Bar Date.

7.02 Rejection Claims

Any Rejection Claim arising from the rejection of an Executory Contract shall be treated as a General Unsecured Claim pursuant to the Plan, except as

limited by the provisions of sections 502(b)(6) and 502(b)(7) of the Bankruptcy Code and mitigation requirements under applicable law. Nothing contained herein shall be deemed an admission by Proponents, the Reorganized Debtor, or any other party in interest that such rejection gives rise to or results in a Rejection Claim or shall be deemed a waiver by Proponents, the Reorganized Debtor, or any other party in interest of any objections to such Rejection Claim if asserted.

ARTICLE VIII

CONDITIONS TO CONFIRMATION DATE AND EFFECTIVE DATE

8.01 Conditions Precedent to Confirmation Date

The occurrence of the Confirmation Date of the Plan is subject to satisfaction or waiver by the Proponents of each of the following conditions:

(a) The Bankruptcy Court shall have entered a Final Order approving the Disclosure Statement that is in form and substance acceptable to (i) the Proponents and (ii) Wells Fargo, provided that Wells Fargo shall not unreasonably withhold approval of waiving any condition to the Confirmation Date that does not affect Wells Fargo's treatment, but Wells Fargo may withhold its approval in its sole discretion to any waiver that affects Wells Fargo's treatment under the Plan;

(b) The proposed Confirmation Order shall be in form and substance acceptable to (i) the Proponents and (ii) Wells Fargo, provided that Wells Fargo shall not unreasonably withhold approval of waiving any condition to the Confirmation Date that does not affect Wells Fargo's treatment, but Wells Fargo may withhold its approval in its sole discretion to any waiver that affects Wells Fargo's treatment under the Plan; and

(c) All of the schedules, documents, supplements, and exhibits to the Plan shall have been filed in form and substance acceptable to (i) the Proponents and (ii) Wells Fargo, provided that Wells Fargo shall not unreasonably withhold approval of waiving any condition to the Confirmation Date that does not affect Wells Fargo's treatment, but Wells Fargo may withhold its approval in its sole discretion to any waiver that affects Wells Fargo's treatment under the Plan.

8.02 Conditions Precedent to the Effective Date

The occurrence of the Effective Date of the Plan is subject to the occurrence or waiver of the Proponents of each of the following conditions precedent:

(a) The Confirmation Order shall have become a Final Order in form and substance acceptable to (i) the Proponents and (ii) Wells Fargo, provided that Wells Fargo shall not unreasonably withhold approval of waiving any condition to the Effective Date that does not affect Wells Fargo's treatment, but Wells Fargo may withhold its approval in its sole discretion to any waiver that affects Wells Fargo's treatment under the Plan;

(b) All documents constituting the Plan Supplement have been executed and delivered by the parties thereto and all conditions to the effectiveness of such documents shall have been satisfied or waived as provided therein; and, such documents shall be in the form and substance acceptable to (i) the Proponents and (ii) Wells Fargo, provided that Wells Fargo shall not unreasonably withhold approval of waiving any condition to the Effective Date that does not affect Wells Fargo's treatment, but Wells Fargo may withhold its approval in its sole discretion to any waiver that affects Wells Fargo's treatment under the Plan; and

(c) The Holder of the Wells Fargo Secured Claim shall receive a Distribution in Cash equal to the treatment provided for in section 5.03 hereof. In the event that the Holder of the Wells Fargo Secured Claim does not receive a Distribution in Cash equal to the treatment provided for in section 5.03 hereof by July 31, 2012, Wells Fargo, at its sole discretion, may amend its Ballot and vote to reject the Plan by notifying the Proponents, within five (5) business days thereof, of any such change in the Wells Fargo vote. To the extent that Wells Fargo amends its Ballot and votes to reject the Plan, in order to return the Proponents and Wells Fargo back to the same position as though Wells Fargo did not vote in favor of the Plan, (i) the Confirmation Order shall not be binding upon Wells Fargo until and unless Wells Fargo receives full payment as provided for under section 5.03 of the Plan by or before July 31, 2012, (ii) the Proponents and Wells Fargo shall work cooperatively to obtain a new hearing (subject to the Bankruptcy Court's availability) solely on Wells Fargo's objections to Confirmation of the Plan on as expedited a basis as is practicable, (iii) Wells Fargo shall have no other or further obligations under the Plan, (iv) Wells Fargo shall be able to file and prosecute an objection to the Plan and the Proponents shall be able to file any responsive pleadings in support of Confirmation of the Plan, and (v) until and unless Wells Fargo receives full payment as provided for under sections 5.03 of the Plan by or before July 31, 2012, the Proponents and Wells Fargo shall have all of their respective rights and positions as though the Plan had never been confirmed. Nothing in this section 8.02(c) shall affect the treatment of any other classes under the Plan.

The Proponents may waive any of the foregoing conditions to the Effective

Date, in whole or in part, without notice to any other parties in interest or the Bankruptcy Court, without any hearing or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Plan except that conditions either relating to, or requiring the approval of, Wells Fargo may not be waived without prior written consent of Wells Fargo, provided that Wells Fargo shall not unreasonably withhold approval of waiving any of the foregoing conditions to the Effective Date that do not affect Wells Fargo's treatment, but Wells Fargo may withhold its approval in its sole discretion to any waiver that affects Wells Fargo's treatment under the Plan. To ensure that any waiver of the foregoing conditions meets these requirements, the Proponents will endeavor to provide Wells Fargo with a copy of any such waiver by the lesser of (x) five (5) business days prior to the date such waiver takes effect or (y) as much time as is reasonably practicable in light of any pending deadlines imposed by an entity other than the Proponents, whether or not the Proponents believe such waiver is material or affects Wells Fargo, in order to allow Wells Fargo the opportunity to review such proposed waiver and confirm that any such waiver does not affect Wells Fargo's treatment under the Plan, or to allow Wells Fargo to raise any concerns regarding such waiver that it believes may affect the payment of the Wells Fargo Secured Claim and to ensure that any such waiver is otherwise reasonably acceptable to Wells Fargo. Without limiting the foregoing, the Effective Date may occur notwithstanding the pendency of an appeal of the Confirmation Order so long as there is no stay in effect, if the Proponents so elect in writing. The Effective Date may occur before the expiration of time to take an appeal or to seek reconsideration of the Confirmation Order without the giving of any notice to any objecting party, if the Proponents so elect in writing. In the event of any such appeal, the Proponents or any other party in interest may seek the dismissal of such appeal on any grounds. The failure of the Proponents to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time. The Proponents will file with the Bankruptcy Court, and serve a copy on all parties in interest, a notice of the Effective Date within five (5) Business Days after its occurrence.

8.03 Consequences of Non-Occurrence of Effective Date

If the Effective Date does not timely occur, the Proponents reserve all rights to seek an order from the Bankruptcy Court directing that the Confirmation Order be vacated and/or that the Plan be null and void in all respects. If the Bankruptcy Court enters an order vacating the Confirmation Order, the Rejection Bar Date

shall be extended for a period of thirty (30) days after the date the Confirmation Order is vacated or as further extended by the Bankruptcy Court.

ARTICLE IX

EFFECT OF PLAN CONFIRMATION AND EFFECTIVE DATE

9.01 Binding Effect

From and after the Effective Date, the Plan shall be binding upon and inure to the benefit of the Reorganized Debtor, the Debtor, all former, present, and future Holders of Claims and Interests, and each of their respective agents, successors, and assigns, and all other parties in interest in the Bankruptcy Case. Confirmation of the Plan binds each Holder of a Claim or an Interest to the terms and conditions of the Plan, whether or not such Holder has accepted the Plan.

9.02 Vesting of Assets

Except as otherwise provided in this Plan and the Confirmation Order, all Estate Assets shall vest in the Reorganized Debtor on and after the Effective Date free and clear of all Liens, Claims, charges and other encumbrances. Commencing on the Effective Date, the Reorganized Debtor may deal with its property and conduct its business without any supervision by, or permission from, the Bankruptcy Court or the Office of the United States Trustee, and free of any restriction imposed on the Reorganized Debtor by the Bankruptcy Code or by the Bankruptcy Court during the Bankruptcy Case, other than any restrictions contained in the Plan, the Confirmation Order, and related documents.

9.03 Retained Causes of Action, Defenses, and Counterclaims

Unless any Causes of Action and Defenses are waived, relinquished, released, compromised, or settled in the Plan or any Final Order (including, without limitation, the Confirmation Order), the Proponents expressly reserve all such Causes of Action and Defenses for later adjudication as the Reorganized Debtor. The reservation set forth in this section shall include, without limitation, a reservation by the Proponents of any Causes of Action and Defenses not specifically identified in the Plan or Disclosure Statement, or of which the Proponents may presently be unaware, or which may arise or exist by reason of additional facts or circumstances unknown to the Debtor and/or the Proponents at this time or facts or circumstances that may change or be different from those that the Debtor and/or the Proponents now believe to exist and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral

estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise), or laches will apply to such Causes of Action and Defenses upon or after the Confirmation of the Plan based on the Disclosure Statement, the Plan or the Confirmation Order, except where such Causes of Action and Defenses have been expressly waived, relinquished, released, compromised, or settled in the Plan or a Final Order. Following the Effective Date, the Reorganized Debtor may assert, compromise, or dispose of any Causes of Action and Defenses without further notice to Creditors or authorization of the Bankruptcy Court. Notwithstanding the foregoing or anything to the contrary elsewhere in this Plan, nothing in this Plan or the Confirmation Order shall prejudice or affect (1) any rights of any Person to assert Claims, including Administrative Claims, against the Debtor, the Reorganized Debtor, the Estates, or any transferee thereof, by way of offset, recoupment, or counterclaim to the extent permitted by applicable law; and/or (2) any defense to any Causes of Action and Defenses or any other claims asserted by the Proponents, the Reorganized Debtor, the Estate, or any transferee thereof.

9.04 Discharge

The rights afforded under the Plan and the treatment of all Claims and Equity Interests under the Plan shall be the sole and exclusive remedy on account of such Claims against, and Equity Interests in the Debtor, the Reorganized Debtor, and the Estate Assets. The Distributions made pursuant to the Plan shall be in full and final satisfaction, settlement, release, and discharge of each Allowed Claim on account of which such Distributions are made. Confirmation of the Plan shall bind and govern the acts of the Reorganized Debtor and all Holders of all Claims against and Equity Interests in the Debtor, whether or not: (i) a proof of Claim or proof of Equity Interest is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim or Equity Interest is allowed pursuant to section 502 of the Bankruptcy Code; or (iii) the Holder of a Claim or Equity Interest has accepted the Plan.

9.05 Exculpation

The Proponents and their Professionals, Wells Fargo and its Professionals², and any of their respective present or former principals, agents, members, officers, directors, employees, advisors, representatives, successors, and assigns, shall not

² The term Professionals is intended to refer only to Proponents' and Wells Fargo's professionals, and was not intended to include those professionals that were employed by the estate pursuant to an order of the Bankruptcy Court.

have or incur any liability or obligation, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, and whether asserted or assertable directly or derivatively, in law, equity, or otherwise, to any Holder of a Claim or Interest or any other Person for any act or omission originating or occurring on or after the Petition Date through and including the Effective Date in connection with, relating to, or arising out of the Debtor, the Estate, the Reorganized Debtor, the administration of the Bankruptcy Case, the operation of the Debtor's business during the Bankruptcy Case, the formulation, negotiation, preparation, filing, dissemination, approval, or Confirmation of the Plan, the Disclosure Statement, the solicitation of votes for or Confirmation of the Plan, the consummation or administration of the Plan, or the property to be distributed under the Plan, except for their willful misconduct or gross negligence as determined by a Final Order of a court of competent jurisdiction. The foregoing parties will be entitled to rely reasonably upon the advice of counsel in all respects regarding their duties and responsibilities under the Plan.

9.06 Injunction

Except as otherwise provided in the Plan, the Confirmation Order shall provide that from and after the Effective Date, all Holders of Claims against and Interests in the Proponents, Debtor, and/or Reorganized Debtor are permanently enjoined from taking any of the following actions against the Proponents, Debtor, and/or Reorganized Debtor or any of its Assets on account of any such Claim or Interest: (a) commencing or continuing in any manner or in any place, any action or other proceeding; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order; (c) creating, perfecting, or enforcing any encumbrance or Lien; (d) asserting a setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Proponents, Debtor, and/or Reorganized Debtor; and (e) commencing or continuing, in any manner or in any place, any action that does not conform to or comply with, or is inconsistent with, the provisions of the Plan; provided, however, that nothing contained herein shall preclude such Persons from exercising their rights pursuant to and consistent with the terms of the Plan or the Confirmation Order. If allowed by the Bankruptcy Court, any Person injured by any willful violation of such injunction shall recover actual damages, including costs and attorneys' and experts' fees and disbursements, and, in appropriate circumstances, may recover punitive damages, from the willful violator.

9.07 Term of Bankruptcy Injunction or Stays

Unless otherwise provided herein or an order of the Bankruptcy Court (including without limitation the Confirmation Order), all injunctions or stays provided in the Bankruptcy Case under section 105 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. Upon the Effective Date, the injunction provided in Section 9.06 of the Plan shall be effective.

9.08 Release of Wells Fargo

*On the Effective Date, the Debtor and the Proponents, for themselves and for and on behalf of each of their respective past, present and future partners, members, shareholders, subsidiaries, parents, and any other direct or indirect related entities (whether or not such entities are wholly owned) and each of their respective past, present and future officers, directors, trustees, fiduciaries, administrators, managers, agents, employees, servants, representatives, beneficiaries, servicers, legal representatives, professionals and attorneys and all other persons or entities acting by, through, under or in concert with any of the aforesaid person or entities (as well as the respective predecessors, successors and assigns of any of the foregoing), in each case solely in their respective capacities as such (collectively, the “**Releasing Parties**”), in exchange for the vote of the Holder of Class 3 Claims, do hereby irrevocably, unconditionally, explicitly, unequivocally and forever release, waive, settle, satisfy, remise, acquit and discharge Wells Fargo, and any and all of each of their respective divisions, partners, members, shareholders, subsidiaries, parents, affiliates, and any other direct or indirect related entities (whether or not such entities are wholly-owned) and each of their respective past, present and future officers, directors, trustees, fiduciaries, administrators, managers, agents, independent contractors, consultants, asset managers, employees, servants, representatives, beneficiaries, servicers, participants, co-lenders, legal representatives, professionals, attorneys and all other persons or entities acting by, through, under, or in concert with any of the aforesaid persons or entities (as well as the respective predecessors, successors and assigns of any of the foregoing), in each case solely in their respective capacities as such (collectively, the “**Released Parties**”) of and from all manner of past, present or future actions, causes of action, rights of action, claims, counterclaims, defenses, claims of usury, suits, bonds, bills, specialties, covenants, controversies, contracts, agreements, promises, variances, trespasses, damages (whether general, special, punitive or otherwise), judgments, executions, orders, penalties, executions, demands, indebtedness (either as principal obligor or as surety or other accommodation party), liabilities, debts, obligations, costs,*

*expenses, losses, attorneys' fees and expenses (whether or not litigation is commenced), liens and indemnities of every kind and nature whatsoever, whether direct or indirect, consequential or incidental, disclosed or undisclosed, asserted or unasserted, fixed or contingent, known or unknown, suspected or unsuspected, foreseen or unforeseen, liquidated or unliquidated and whether based on contract, tort, statute, regulation or other legal or equitable theory of recovery, for injunctive relief, subordination or recovery of money or other remedies based on any equitable or legal theory which the Releasing Parties, or any of them, now have or ever had, or alleged or could have alleged, against one or more of the Released Parties for or by reason of any Released Claims arising or accruing at any time in connection with, arising out of, or to arise or accrue hereafter in connection with, or in any way relating, directly or indirectly, to the following: (a) the prepetition secured loan (the "**Senior Loan**") to the Debtor or any other indebtedness owed in connection therewith, (b) the Senior Loan documents and any and all other agreements or instruments referenced therein or related thereto, (c) any and all collateral securing the Senior Loan, (d) any escrow, deposits or other amounts held by the Released Parties, (e) any matters pertaining to any of the discussions, communications, correspondence, negotiations or dealings among any of the Releasing Parties and any of the Released Parties relating to the Senior Loan, (f) the lender-borrower relationship evidenced by the Senior Loan, (g) any defenses as to the enforcement of the Senior Loan and any related documents, (h) any previous pursuit of rights or remedies by the Released Parties against the Debtor or any other Releasing Party with respect to the Senior Loan, (i) the Bankruptcy Case, (j) that certain Subordination Non-Disturbance and Attornment Agreement by and among Wells Fargo, the Debtor and Marriott dated March 13, 2009 (as amended from time to time), or (k) any matters arising out of or in any way relating to any of the foregoing (collectively, the "**Released Claims**"). Without limiting the generality of the foregoing, the Released Claims shall include, without limitation, any loss, liability, expense and/or detriment, of any kind or character, in any way arising out of, connected with, or resulting from the acts or omissions of the Released Parties, or any of them, in connection with the foregoing, including, without limitation, the contracting for, charging, taking, reserving, collecting or receiving interest in excess of the highest lawful rate, any breach of fiduciary duty, breach of any duty of fair dealing, breach of confidence, any cause of action or defenses based on the negligence of any of the Released Parties, any cause of action under chapter 5 of the Bankruptcy Code, any "lender liability" theories, breach of funding commitment, undue influence, duress, coercion, control, omission, conflict of interest, negligence, bad faith, unfair dealing, misconduct, overreaching, unconscionability, disparate bargaining position, reliance, equitable subordination, malpractice, malicious prosecution,*

violations of the Racketeer Influenced and Corrupt Organizations Act, intentional or negligent infliction of mental distress, tortious interference with contractual relations, tortious interference with corporate governance or prospective business advantage, breach of contract, fraud, misrepresentation, mistake, deceptive trade practices, libel, slander, conspiracy, fraudulent conveyance, and/or any other tort or statutory claim, or any claim for wrongfully taking any action in connection with the foregoing. Upon any transfer of the Wells Fargo Secured Claim, Wells Fargo shall cause any transferee to assume Wells Fargo's obligations under the Plan and upon any such assumption, Wells Fargo shall be released from any further obligations pursuant to the Plan but shall nevertheless be entitled to the benefit of the releases and exculpations set forth in the Plan.

9.09 Effectuating Documents; Further Transactions; Timing

The Proponents are required and the Reorganized Debtor is authorized to execute, deliver, file, or record such contracts, instruments, releases, and other agreements or documents and to take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. All transactions that are required to occur on the Effective Date under the terms of the Plan shall be deemed to have occurred simultaneously, unless otherwise provided in the Plan.

ARTICLE X

OBJECTIONS TO CLAIMS AND INTERESTS; DISTRIBUTIONS

10.01 Objections to Claims and Interests

After the Effective Date, the Reorganized Debtor may file objections to Claims and Interests (other than Claims that have been previously Allowed or that are Allowed under the Plan). The Reorganized Debtor (or its designees, successors, and assigns) is not obligated to object to any Claim or Interest, but will nevertheless have standing to object to any such Claim or Interest from and after the Effective Date, if it so elects.

10.02 Objection Deadline

Except as set forth in sections 2.01(a) and 2.01(b) of the Plan with respect to Administrative Claims and Fee Claims, any objections to Claims must be filed no later than the Objection Deadline. An objection to a Claim or Interest will be deemed properly served on the Holder of a Claim of Interest if service is effected by any of the following methods: (a) in accordance with Federal Rule of Civil

Procedure 4, as modified and made applicable by Bankruptcy Rule 7004; (b) to the extent counsel for a Holder is unknown, by first class mail, postage prepaid, on the signatory or other representative identified on the proof of Claim or Interest or any attachment thereto; (c) by first class mail, postage prepaid, on any counsel that has appeared on the behalf of the Holder in the Bankruptcy Case; or (d) if no proof of Claim or Interest has been filed, by first class mail, postage prepaid, on the Holder of such Claim or Interest at the address set forth in the Schedules.

10.03 Settlement of Objections to Claims or Interests

From and after the Effective Date, the Reorganized Debtor is authorized to approve compromises of all Claims or Interests, Disputed Claims or Interests, and Liens pursuant to Bankruptcy Rule 9019(b) and to execute necessary documents, including Lien releases (subject to the written consent of the party having such Lien) and stipulations of settlement, compromise, or release, without further order of the Bankruptcy Court or notice to any party.

10.04 No Interest on Claims

Unless otherwise specifically provided for in the Plan or the Confirmation Order, post-petition interest shall not accrue or be paid on any Claim, and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date. Additionally, and without limiting the foregoing, interest shall not accrue or be paid on any Disputed Claim for the period from the Petition Date to the date a Distribution is made when and if such Disputed Claim becomes an Allowed Claim.

10.05 Setoffs; No Waiver

(a) The Reorganized Debtor, as vested, may but shall not be required to, set off or recoup against any Claim or Interest and the payments or Distributions to be made pursuant to the Plan in respect of such Claim or Interest, Claims or Causes of Action of any nature whatsoever that the Reorganized Debtor, as vested, may have to the fullest extent permitted under applicable law. Any dispute related to the setoff or recoupment rights of the Reorganized Debtor, as vested, shall be determined by the Bankruptcy Court. Neither the failure to effect such a setoff or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor or Reorganized Debtor of any such claims or Causes of Action that it may have against such Holder or any affiliate of such Holder.

10.06 Procedures for Treating and Resolving Disputed and Contingent Claims

(a) ***No Distributions Pending Allowance.*** Notwithstanding any other provision of the Plan, the Reorganized Debtor shall make Distributions only to Holders of Allowed Claim. No Holder of a Disputed Claim or Interest will receive any Distribution on account thereof until and to the extent that its Disputed Claim or Interest becomes an Allowed Claim or Interest. To the extent a Claim or Interest is not a Disputed Claim or Interest but is held by a Holder that is or may be liable to the Proponents, Debtor, or Reorganized Debtor on account of a Cause of Action, no payments or Distributions shall be made with respect to all or any portion of such Claim or Interest unless and until such Cause of Action has been settled, withdrawn, or determined by a Final Order or such other court having jurisdiction over the matter.

In determining the amount of a Distribution due to each Holder of an Allowed Claim or Interest, the Reorganized Debtor may, in its discretion, make the calculation as if all Disputed Claims or Interests were Allowed in the full amount claimed or in the amount estimated under section 10.06(b) hereof. The Reorganized Debtor, in its discretion, may withhold Distributions otherwise due hereunder to any Holder of a Disputed Claim or Interest until the Objection Deadline, to enable the Reorganized Debtor or any other party in interest to file a timely objection thereto.

(b) ***Claim Estimation.*** The Proponents may request estimation or limitation of any Claim or Interest pursuant to section 502(c) of the Bankruptcy Code regardless of whether that Claim or Interest was previously objected to or whether the Bankruptcy Court has ruled on any such objection; provided, however, that the Bankruptcy Court will determine (i) whether such Claims or Interests are subject to estimation pursuant to section 502(c) of the Bankruptcy Code and (ii) the timing and procedures for such estimation proceedings, if any. The Bankruptcy Court will retain jurisdiction to estimate any Claim or Interest at any time during litigation concerning any objection to any Claim or Interest, including, without limitation, during the pendency of any appeal relating to any such objection. Claims or Interests may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Plan or the Bankruptcy Court.

(c) ***Distributions After Allowance of Disputed Claim or Interest.*** Distributions to each Holder of a Disputed Claim, to the extent it becomes an Allowed Claim, will be made in accordance with the provisions of the Plan that

govern Distributions to such Holders of Claims in the applicable Class. Unless otherwise provided in the Plan, as promptly as practicable after the date on which a Disputed Claim or Interest becomes an Allowed Claim or Interest, if any, the Reorganized Debtor shall distribute to each Holder thereof from the Reserves, any Distribution that would have been made to such Holder had its Claim or Interest been an Allowed Claim or Interest on the date that Distributions were previously made to Holders of Allowed Claims or Interests in the applicable Class, without interest (except as otherwise provided by the Plan), and net of any setoff and/or any required withholding of applicable taxes. After all Disputed Claims and Interests have been resolved by a Final Order or other final resolution, any remaining Cash in the Reserves shall be distributed in accordance with the other provisions of the Plan.

(d) *Allowance of Claims Subject to Section 502(d) of the Bankruptcy Code.* Allowance of Claims will in all respects be subject to the provisions of section 502(d) of the Bankruptcy Code, except as provided by a (i) Final Order or (ii) settlement among the relevant parties that has been authorized by an order of the Bankruptcy Court.

10.07 Distributions Under the Plan

(a) *Means of Cash Payment.* Except as otherwise provided in the Plan, Cash payments made pursuant to the Plan shall be in U.S. dollars and may be made, at the option of and in the sole discretion of the Reorganized Debtor, by checks drawn on or wire transfers from a domestic bank; provided, that in the case of foreign Holders of Allowed Claims, if any, Cash payments may be made, at the option of and in the sole discretion of the Reorganized Debtor, in such currency and by such means as are necessary or customary in a particular jurisdiction.

(b) *Delivery of Distributions.* All Distributions to any Holder of an Allowed Claim shall be made at the address of each such Holder as set forth on the proof of Claim filed by such Holder (or at the last address of such a Holder known to the Reorganized Debtor if no proof of Claim is filed or if the Reorganized Debtor has been notified in writing of a change of address). If any Holder's Distribution is returned as undeliverable, no further Distributions to such Holder shall be made unless and until the Reorganized Debtor is notified in writing of such Holder's then current address, at which time all missed Distributions shall be made to such Holder without interest. Any Holder of an Allowed Claim whose Distribution is undeliverable must make demand for such Distribution to the Reorganized Debtor in writing on or before 120 days after the date such undeliverable Distribution was initially made, after which the Distribution shall be

retained by the Reorganized Debtor for Distribution to other Holders of Claims pursuant to the terms of the Plan, and any Claim by such intended recipient with respect to such undeliverable Distribution shall be discharged and forever barred. The Reorganized Debtor may employ or contract with other Persons to assist in or make the Distributions required under the Plan. **The Reorganized Debtor and the agents and professionals of the Reorganized Debtors are under no duty to take any action to either attempt to locate any Holder of a Claim or Interest, or obtain an executed Internal Revenue Service Form W-9 from any Holder of a Claim or Interest.**

(c) *Fractional Dollars; De Minimis Distributions.*

Notwithstanding any other provision of the Plan, payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made will reflect a rounding of the fraction to the nearest whole dollar (up or down), with half dollars being rounded down. No payment of less than ten dollars (\$10.00) shall be made with respect to any Allowed Claim, and the Reorganized Debtor shall retain any such payment and shall deposit same into a pool for redistribution to other Holders of Allowed Claims in the same Class.

(d) *Unclaimed Property.*

Any Distributions that become Unclaimed Property shall be retained by the Reorganized Debtor free and clear of any claims or restrictions thereon, and any entitlement of any Holder of any Claim or Interest to such Distributions shall be extinguished and forever barred. The Reorganized Debtor shall distribute Unclaimed Property to other Holders of Claims and Interests pursuant to the terms of the Plan.

10.08 Duty to Disgorge Overpayments

To the extent any Holder of an Allowed Claim or Interest receives more than what such Holder is permitted to receive under the Plan, such Holder shall immediately return such excess payment(s) to the Reorganized Debtor, failing which, the Reorganized Debtor may sue such Holder for the return of the overpayment in the Bankruptcy Court or any other court of competent jurisdiction.

ARTICLE XI **ACCEPTANCE OR REJECTION OF THE PLAN**

11.01 Impaired Classes Entitled to Vote

If there is more than one impaired Class entitled to vote to accept or reject

the plan, then each impaired Class entitled to vote to accept or reject the Plan will vote separately. A Holder of a Claim or Interest as to which an objection has been filed and that has not been temporarily allowed for purposes of voting on the Plan may not vote. A Holder of a contingent or unliquidated Claim or Interest may vote on the Plan in an amount based on the portion, if any, of the Claim or Interest shown as non-contingent, liquidated, and undisputed in the Schedules, or equal to \$1.00 if not so shown.

11.02 Acceptance by an Impaired Class

A Class of Claims that is entitled to vote to accept or reject the Plan shall have accepted the Plan if it is accepted by at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in such Class that have voted on the Plan. A Class of Interests that is entitled to vote to accept or reject the Plan, if any, shall have accepted the Plan if it is accepted by the Holders of at least two-thirds (2/3) in amount of the Allowed Interests in such Class that have voted on the Plan. Any Ballot that is not properly completed and timely received by the Voting Deadline will not be counted.

11.03 Section 1129(b) Cramdown

If any impaired Class of Claims or Interests fails to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code, the Proponents will seek Confirmation of the Plan by the Bankruptcy Court pursuant to the "cramdown" provisions in section 1129(b) of the Bankruptcy Code. The Proponents assert that the Plan provides for fair and equitable treatment of all Classes of Claims and Interests. The Proponents reserve the right to amend the Plan as may be necessary to obtain Confirmation of the Plan under section 1129(b) of the Bankruptcy Code.

ARTICLE XII **RETENTION OF JURISDICTION**

12.01 Jurisdiction

Until the Bankruptcy Case is closed, the Bankruptcy Court will retain the fullest and most extensive jurisdiction as is legally permissible under applicable law, including under sections 105(a) and 1142 of the Bankruptcy Code, including that which is necessary to ensure that the purpose and intent of the Plan are carried out and to hear and determine all objections thereto that could have been brought before the entry of the Confirmation Order. The Bankruptcy Court will retain jurisdiction to hear and determine all Claims and to enforce all Causes of Action

and any related counterclaims, cross-claims, and/or third-party claims over which the Bankruptcy Court otherwise has jurisdiction. Nothing contained in the Plan will prevent the Proponents or Reorganized Debtor from taking any action as may be necessary to enforce any Cause of Action that may exist on behalf of the Proponents or Reorganized Debtor and that may not have been enforced or prosecuted by the Proponents or Reorganized Debtor.

12.02 Examination of Claims

Following the Confirmation Date, the Bankruptcy Court will retain jurisdiction to decide disputes concerning the classification and allowance of any Claim or Interest and the reexamination of Claims and Interests that have been Allowed for the purposes of voting, if any, and the determination of any objections as may be filed to Claims and Interests. The failure by the Proponents, Debtor, or Reorganized Debtor to object to, or to examine, any Claim or Interest for the purposes of voting will not be deemed a waiver of its right to object to, or to re-examine, the Claim or Interest in whole or in part.

12.03 Determination of Disputes

The Bankruptcy Court will retain jurisdiction after the Confirmation Date to determine (a) all questions and disputes regarding title to the Assets, (b) disputes concerning the allowance of Claims and Interests, (c) all Causes of Action, controversies, disputes, or conflicts, whether or not subject to any pending action, as of the Confirmation Date, to recover property pursuant to the provisions of the Bankruptcy Code, and (d) all disputes and controversies regarding the operation, implementation, and interpretation of the Plan, the Confirmation Order, and any agreements that are identified or implement the Plan or the Confirmation Order.

12.04 Additional Purposes

Under sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order, occurrence of the Effective Date and/or substantial consummation of the Plan, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of or related to the Bankruptcy Case and the Plan to the fullest extent permitted by applicable law, including but not limited to jurisdiction to:

(a) hear and determine any modification of the Plan or the Plan Supplement pursuant to section 1127 of the Bankruptcy Code, to cure any defect or omission or reconcile any inconsistency in the Plan, the Plan Supplement, or any

order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary or appropriate to carry out the purposes and effects thereof;

(b) hear and determine disputes, issue injunctions, and enter and implement other orders and take such other actions as may be necessary or appropriate to execute, interpret, implement, consummate, or enforce the terms and conditions of the Plan and the Plan Supplement, and the transactions contemplated the Plan and/or Plan Supplement, the Confirmation Order, the Disclosure Statement, or any other order of the Bankruptcy Court, or to maintain the integrity of the Plan following confirmation;

(c) hear and determine any and all adversary proceedings, motions, applications, and contested or litigated matters arising out of or related to the Bankruptcy Case or the Plan;

(d) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered or approved in the Bankruptcy Case;

(e) hear and determine all disputes involving the existence, nature, or scope of the discharge, injunctions, releases, exculpations, and indemnifications granted pursuant to the Plan or the Confirmation Order;

(f) hear and determine disputes arising in connection with the execution, interpretation, implementation, consummation, or enforcement of the Plan, the Confirmation Order, any transactions, performance, or payments provided for or contemplated in the Plan or the Confirmation Order, or any agreement, instrument, or other document governing or relating to any of the foregoing;

(g) construe and apply any findings of fact and/or conclusions of law made in or in connection with the Confirmation Order;

(h) adjudicate matters arising in the Bankruptcy Case, including matters relating to the formulation and consummation of the Plan;

(i) enter any orders, including injunctions, as are necessary to enforce title, rights, and powers of the Debtor, as vested in the Reorganized Debtor, to impose any limitations, restrictions, terms, and conditions on such title, rights, and powers as the Bankruptcy Court may deem necessary;

(j) hear and determine all questions and disputes regarding title to

or recovery of the Assets and property of the Debtor, as vested in the Reorganized Debtor;

(k) enter a Final Decree closing the Bankruptcy Case;

(l) correct any defect, cure any omission, or reconcile any inconsistency in the Plan, the Plan Supplement, or the Confirmation Order as may be necessary to carry out the purposes and intent of the Plan, the Plan Supplement, and the Confirmation Order including the adjustment of the date(s) of performance under the Plan, the Plan Supplement, and any other documents related thereto if the Effective Date does not occur as provided herein, so that the intended effect of the Plan, the Plan Supplement, and such other documents may be substantially realized thereby;

(m) enter, implement, or enforce such orders as may be appropriate if the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

(n) hear and determine all applications for compensation for services rendered and reimbursement of expenses incurred through and including the Effective Date of Professionals or any other Person retained under the Plan or under sections 330, 331, 503(b), 1103, and 1129(a)(4) of the Bankruptcy Code; provided, however, that from and after the Effective Date, the payment of fees and expenses of professionals retained by the Reorganized Debtor shall be made in the ordinary course of business and shall not be subject to approval of the Bankruptcy Court;

(o) hear and determine issues concerning federal tax reporting and withholding that arise in connection with the confirmation or consummation of the Plan;

(p) hear and determine issues concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(q) hear and determine all matters regarding the assumption or rejection of Executory Contracts, including any disputes concerning Rejection Claims or Cure Amounts;

(r) hear and determine any objection to any Claim (including any Administrative Claim) or any Interest, including the allowance, classification, priority, secured status, compromise, estimation, subordination, or payment thereof;

(s) allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured, unsecured, or subordinated status of any Claim (including any Administrative Claim) or any Interest and to re-examine Claims that have been allowed for purposes of voting;

(t) hear and determine any Cause of Action and any collection or settlement matters related thereto;

(u) hear and determine any disputes or litigation regarding the validity, priority, or extent of any Lien and any Claim associated therewith; and

(v) hear and to determine any other matter related hereto and not inconsistent with the Plan, the Confirmation Order, the Bankruptcy Code, or title 28 of the United States Code.

12.05 Failure of the Bankruptcy Court to Exercise Jurisdiction

If the Bankruptcy Court abstains from exercising or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under, or related to the Bankruptcy Case, including the matters set forth in Article VII of the Plan, such provisions shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

ARTICLE XIII **MISCELLANEOUS PROVISIONS**

13.01 General Notices

Any notice, request, or demand required or permitted to be given in connection with the Plan shall be (a) in writing, (b) served to the parties and addresses set forth below by certified mail, return receipt requested, hand delivery, overnight delivery, first class mail, or fax transmission, and (c) deemed to have been given or made when actually delivered or received:

-to attorneys for the Proponents and Reorganized Debtor:

Sheppard Mullin Richter & Hampton LLP
Attn: Carren B. Shulman
Attn: Alan M. Feld
Attn: Ori Katz
30 Rockefeller Plaza

New York, NY 10112-0015
Tel. No. (212) 653-8700
Fax No. (212) 653-8701

Rush Moore LLP
Attn: Susan Tius
737 Bishop Street, Suite 2400
Honolulu, HA 96813-3862
Tel. No. (808) 521-0406
Fax No. (808) 521-0497

- to the Debtor:

Damian McKinney
McKinney Advisory Group, Inc.
12250 El Camino Real, Suite 220
San Diego, CA 92130
Fax No. (858) 519-3250

- to attorneys for the Debtor:

Patrick J. Neligan, Jr.
James P. Muenker
Neligan Foley LLP
325 N. St. Paul, Suite 3600
Dallas, TX 75201
Tel. No. (214) 840-5300
Fax No. (214) 840-5301

Simon Klevansky
Klevansky Piper, LLP
Davies Pacific Center, Suite 1707
841 Bishop Street
Honolulu, HI 96813
Tel. No. (808) 536-0200
Fax No. (808) 237-5757

13.02 Plan Supplement

No later than fourteen (14) days prior to the Confirmation Hearing, or no later than any other deadline specified in the Plan with respect to a specific agreement or document, the Proponents shall file with the Bankruptcy Court the Plan Supplement and such exhibits, schedules, agreements, and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. Upon the filing of the Plan Supplement, (a) the Proponents will serve copies of the Plan Supplement on the Office of the United States Trustee and (b) the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon written request to the attorneys for the Proponents. The Plan Supplement is incorporated into, and is a part of, the Plan as if set forth in full herein, and all references to the Plan shall refer to the Plan together with all documents contained in the Plan Supplement.

13.03 Exemption From Transfer Taxes

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of securities or other property under the Plan; the creation, transfer, filing, or recording of any mortgage, deed of trust, financing statement, or other security interest; or the making, delivery, filing, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, shall not be subject to any stamp tax, real estate tax, conveyance, filing, or transfer fees, mortgage, recording, or other similar tax or other government assessment. The Confirmation Order shall direct all appropriate governmental officials or agents to forgo the collection of any such tax or assessment and to accept such documents delivered under the Plan without the imposition or payment of any charge, fee, governmental assessment, or tax.

13.04 Asserting and Curing Default Under the Plan

Except as otherwise provided in the Plan, if the Reorganized Debtor defaults under the provisions of the Plan (as opposed to default under the documentation executed in implementing the terms of the Plan), any Creditor or party in interest must provide the Reorganized Debtor and the attorneys for the Proponents with written notice of the alleged default in order to assert such default. The Proponents, as the Reorganized Debtor, shall have thirty (30) days from receipt of such written notice to cure the alleged default. If the default is not cured within thirty (30) days, then any Creditor or party in interest may file with the Bankruptcy Court, and serve on the Reorganized Debtor and the attorneys for the Proponents, a

motion to compel compliance with the applicable provision of the Plan. The Bankruptcy Court, on finding a material default, shall issue orders compelling compliance with the pertinent provisions of the Plan.

13.05 Revocation or Withdrawal of the Plan

The Proponents reserve the right to revoke and/or withdraw the Plan at any time before the Confirmation Date. If the Proponents revoke or withdraw the Plan, or if confirmation or the Effective Date of the Plan does not occur, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any (a) Claims by or against the Debtor or any other Person or (b) Interests in the Debtor or any other Person, or to prejudice in any manner the rights of the Proponents, or any other Person in any further proceedings involving the Debtor, the Proponents, or any other Person.

13.06 Modification of the Plan

The Proponents reserve the right to modify the Plan in writing at any time before the Confirmation Date, provided that (a) the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, (b) the Proponents shall have complied with section 1125 of the Bankruptcy Code, and (c) Wells Fargo consents, provided that Wells Fargo shall not unreasonably withhold approval of any changes or modifications that do not affect Wells Fargo's treatment, but Wells Fargo may withhold its approval in its sole discretion to any changes that affect Wells Fargo's treatment under the Plan. To ensure that any modifications to the terms of the Plan meet these requirements, the Proponents will endeavor to provide Wells Fargo with a copy of any modifications to the Plan by the lesser of (x) five (5) business days prior to the date such modifications are to be filed with the Bankruptcy Court or (y) as much time as is reasonably practicable in light of any pending deadlines imposed by or hearings scheduled by the Bankruptcy Court, whether or not the Proponents believe such changes are material or affect Wells Fargo, in order to allow Wells Fargo the opportunity to review such changes and confirm that any changes do not affect Wells Fargo's treatment under the Plan, or to allow Wells Fargo to raise any concerns regarding changes that it believes may affect the payment of the Wells Fargo Secured Claim and are otherwise reasonably acceptable to Wells Fargo.

Subject to the requirements of the immediately preceding paragraph, the Proponents further reserve the right to modify the Plan in writing at any time after the Confirmation Date and before substantial consummation of the Plan, provided that (a) the Plan, as modified, meets the requirements of sections 1122 and 1123 of

the Bankruptcy Code, (b) the Proponents shall have complied with section 1125 of the Bankruptcy Code, and (c) the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified, under section 1129 of the Bankruptcy Code. A Holder of a Claim or Interest that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such Holder changes its previous acceptance or rejection.

13.07 Computation of Time

In computing any period of time prescribed or allowed by the Plan, unless otherwise set forth herein, the provisions of Bankruptcy Rule 9006(a) shall apply.

13.08 Due Authorization

Each and every Holder of an Allowed Claim that receives a Distribution under the Plan warrants that it is authorized to accept, in consideration of such Claim, the Distributions provided for in the Plan and that there are no outstanding commitments, agreements, or understandings, express or implied, that may or can in any way defeat or modify the rights conveyed or obligations undertaken by it under the Plan.

13.09 Implementation

The Proponents and Reorganized Debtor may execute such documents, take such other actions, and perform all acts necessary or appropriate to implement the terms and conditions of the Plan without the need for further Bankruptcy Court approval. The Proponents and Reorganized Debtor must perform all acts necessary or appropriate to implement the terms and conditions of the Plan and the Proponents and Reorganized Debtor may perform such acts without further order of the Court.

13.10 Execution of Documents

Upon application by the Proponents or Reorganized Debtor, the Bankruptcy Court may issue an order directing any necessary party to execute or deliver, or to join in the execution or delivery of, any instrument or document, and to perform any act, necessary for the consummation or implementation of the Plan.

13.11 Bankruptcy Restrictions

From and after the Effective Date, the Reorganized Debtor shall no longer be subject to the restrictions and controls provided by the Bankruptcy Code (*e.g.*, sections 363 or 364 of the Bankruptcy Code) except as the Bankruptcy Code may specifically provide otherwise. No monthly operating reports will be filed after the Effective Date; however, the Reorganized Debtor shall provide the U.S. Trustee such financial reports as may be required by law, including post-confirmation quarterly reports.

13.12 Ratification

The Confirmation Order will ratify transactions and related actions of the Debtor to the extent such transactions or actions are contemplated under the Plan and, if ratified, such transactions or actions shall be deemed authorized and approved in all respects. The Confirmation Order will ratify all transactions and related actions of the Reorganized Debtor and all such transactions or actions shall be deemed authorized and approved in all respects.

13.13 Integration Clause

This Plan is a complete and integrated statement of the binding agreement among the Estate and/or Reorganized Debtor, as applicable, each Holder of a Claim or Interest, and other parties in interest upon the matters herein. Parol evidence shall not be admissible in an action regarding the Plan or its provisions.

13.14 Interpretation

Unless otherwise specified, all section, Article, and exhibit references in the Plan are to the respective section in, Article of or exhibit to the Plan, as the same may be amended, waived, or modified from time to time. The headings of the Articles, paragraphs, and sections of the Plan and table of contents in the Plan are inserted for convenience of reference only and shall not limit or otherwise affect the provisions of the Plan or its interpretation. Nothing herein shall be deemed as a judicial admission by the Reorganized Debtor. Likewise, any defined terms in the Plan not defined shall have the same meaning as that term has under the Bankruptcy Code.

13.15 Severability of Plan Provisions

If any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable before the Confirmation Date, the Bankruptcy

Court, upon the request of the Proponents, will have the power to alter or interpret the Plan to make such term or provision valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and the term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by the holding, alteration, or interpretation, provided that the Proponents consent. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

13.16 Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules), (a) the laws of the State of Hawaii shall govern the construction and implementation of the Plan and any agreements, documents, and instruments executed in connection with the Plan unless otherwise specified therein, and (b) the laws of the state of incorporation, formation, or organization of the Reorganized Debtor, as applicable, shall govern corporate or other governance matters with respect to the Reorganized Debtor, as applicable, in either case without giving effect to the principles of conflicts of law thereto.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

Dated: April 2, 2012

Respectfully submitted,

**MARRIOTT INTERNATIONAL,
INC. AND MARRIOTT HOTEL
SERVICES, INC.**

By: /s/ Catherine L. Young

Name: Catherine L. Young

Title: Senior Vice President-Global
Asset Management of
Marriott International, Inc.

Prepared by:

RUSH MOORE LLP

A Limited Liability Law Partnership

SUSAN TIUS 2873-0

737 Bishop Street, Suite 2400

Honolulu, Hawaii 96813-3862

Tel. No. (808) 521-0406

Fax No. (808) 521-0497

E-mail: Stius@rmhawaii.com

**SHEPPARD MULLIN RICHTER &
HAMPTON LLP**

CARREN B. SHULMAN

ALAN M. FELD

ORI KATZ

30 Rockefeller Plaza

New York, NY 10112-0015

Tel. No. (212) 653-8700

Fax No. (212) 653-8701

E-mail: CShulman@sheppardmullin.com

E-mail: AFeld@sheppardmullin.com

E-mail: OKatz@sheppardmullin.com

**ATTORNEYS FOR MARRIOTT INTERNATIONAL, INC. AND
MARRIOTT HOTEL SERVICES, INC.**