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7 **IN THE UNITED STATES BANKRUPTCY COURT**
8 **THE DISTRICT OF ARIZONA**

9 In re:
10 SCOTTSDALE VENETIAN VILLAGE, LLC
11 Debtor.

Chapter 11 Proceedings
Case No. 2-13-bk-02150-GBN

**SECOND AMENDED DISCLOSURE
STATEMENT RELATING TO
DEBTOR'S SECOND AMENDED PLAN
OF REORGANIZATION DATED
SEPTEMBER 19, 2013**

14 **I. INTRODUCTION**

15 Scottsdale Venetian Village, LLC, debtor and debtor-in-possession in the above captioned
16 bankruptcy case (“Debtor”), hereby submits to the Court and creditors of the Debtor’s estate this
17 *Second Amended Disclosure Statement Relating to Debtor’s Plan of Reorganization Dated*
18 *September 19, 2013* (the “Disclosure Statement”). This Disclosure Statement is submitted pursuant
19 to 11 U.S.C. § 1125.

20 11 U.S.C. § 1125(b) prohibits the solicitation of acceptances or rejections of a plan of
21 reorganization unless such plan is accompanied by a copy of the Disclosure Statement which has
22 been approved by the Bankruptcy Court.

23 The purpose of this Disclosure Statement is to provide creditors and interested parties in this
24 bankruptcy proceeding with such information as is sufficient to allow Creditors and interested
25 parties to make an informed decision regarding the Debtor’s *Second Amended Plan of*
26 *Reorganization Dated September 19, 2013* (the “Plan”).
27
28

1 Unless otherwise noted, those portions of the Plan and this Disclosure Statement providing
2 factual information concerning the Debtor, its assets and liabilities, have been prepared from
3 information submitted by the Debtor and its retained professionals.

4 This Disclosure Statement contains information that may influence your decision to accept
5 or reject the Debtor's proposed Plan. Please read this document with care.

6 The financial information contained in this Disclosure Statement has not been subjected to
7 an audit by an independent certified public accountant. For that reason, the Debtor is not able to
8 warrant or represent that the information contained in this Disclosure Statement is without any
9 inaccuracy. To the extent practicable, the information has been prepared from the Debtor's
10 financial books and records and great effort has been made to ensure that all such information is
11 fairly represented.

12 This Disclosure Statement and the Plan will classify all Creditors into classes. The
13 treatment of each class of Creditors will be set forth in this Disclosure Statement and in the Plan.
14 You should carefully examine the treatment of the Class to which your Claim will be assigned.

15 This Disclosure Statement requires approval by the Bankruptcy Court after notice and a
16 hearing pursuant to 11 U.S.C. §1125(b). Once approved, the Disclosure Statement will be
17 distributed with the Debtor's proposed Plan for voting. Approval of the Disclosure Statement by
18 the Bankruptcy Court does not constitute either certification or approval of the Debtor's Plan by the
19 Bankruptcy Court or that the Disclosure Statement is without any inaccuracy.

20 The Bankruptcy Court will confirm the Plan if the requirements of §1129 of the Bankruptcy
21 Code are satisfied. The Bankruptcy Court must determine whether the Plan has been accepted by
22 each impaired Class entitled to vote on the Plan. Impaired Classes entitled to vote on the Plan are
23 those Classes of claims whose legal, equitable, or contractual rights are altered, as defined under
24 §1124 of the Bankruptcy Code. An impaired Class of claims is deemed to have accepted the Plan if
25 at least two-thirds (2/3) in amount of those claims who vote and more than one-half (1/2) in number
26 of those claims who vote have accepted the Plan. An impaired Class of interests is deemed to have
27 accepted the Plan if the Plan has been accepted by at least two-thirds (2/3) in amount of the allowed
28 interests who vote on the Plan.

1 Even if each Class of creditors does not accept the Plan, the Plan can be confirmed under
2 §1129(b) of the Bankruptcy Code, so long as one impaired Class of creditors accepts the Plan. This
3 is referred to as the “cram down” provision of the Bankruptcy Code. The failure of each Class to
4 accept the Plan could very well result in a conversion of this case to Chapter 7 or dismissal of the
5 Chapter 11.

6 Only the votes of those creditors or interested parties whose ballots are timely received will
7 be counted in determining whether a Class has accepted the Plan.

8 **II. DEFINITIONS**

9 Unless otherwise indicated herein, the definitions set forth in Article I of the Plan apply in
10 this Disclosure Statement.

11 **III. THE DEBTOR AND ITS OPERATIONS**

12 **A. The Debtor**

13 The Debtor is an Arizona limited liability company that was formed on March 30, 2006.
14 The Debtor is managed by Ceasar Perez and owned by Perez Holdings II LLC.

15 **B. The Debtor’s Property**

16 The Debtor operates the Days Hotel located at 5101 N. Scottsdale Road, Scottsdale,
17 Arizona (the “Hotel”). The Hotel consists of 211 guest rooms and, among other things, facilities
18 for meetings and banquets. In prior years, the Hotel was operated as a Clarion Hotel under the
19 Choice franchise system. On or about December 12, 2012, however, the Debtor changed the
20 Hotel’s franchise affiliation, and it is now being operated as a Days Hotel. The Debtor has
21 completed the substitution of signage and other practical aspects of the Hotel’s change in flag, and
22 is working towards completing the transfer of all of its remaining systems and procedures.

23 In addition to the Hotel, the Debtor operates the Papi Chulo’s Mexican Grill & Cantina, a
24 restaurant located immediately adjacent to the Hotel (the “Restaurant,” and together with the Hotel,
25 the “Property”). The Restaurant is a full service restaurant and bar that offers guests of the Hotel
26 and the general public Sonoran style Mexican cuisine and cocktails.

1 The Debtor does not own the real property on which the Hotel and Restaurant are situated,
2 but, rather, occupies the Property pursuant to a long-term land lease (the “Land Lease”). The Land
3 Lease was originally entered into on April 15, 1969 by and between Raymond and Lenore
4 Silverman, as lessors, and Scottsdale, Inc. as lessee. The Land Lease has been amended from time
5 to time, and is presently set to terminate on April 30, 2068. The Debtor currently holds the lessee’s
6 interest under the Land Lease and believes that TRC Holdings, LLC (“TRC”) holds the lessor’s
7 interest.

8 C. **Value of the Hotel and Restaurant**

9 According to an appraisal performed by Appraisal Technology, Inc., as of January 26, 2010,
10 the Debtor’s leasehold interest in the Property, and its furniture, fixtures, and equipment, had a
11 value of \$12,000,000. Given the passage of time, and the changes in the marketplace and at the
12 Hotel, however, the Hotel’s current value could be meaningfully higher or lower than this amount.
13 These variables notwithstanding, however, the Debtor is confident that the value of its leasehold is
14 in excess of the extent of its encumbrances.

15 D. **Operations and Management**

16 The Debtor intends to complete its transition of the Hotel to the Days Hotel system, and to
17 continue operating the Restaurant in the current manner. The Debtor intends to continue to use the
18 revenues generated by the Hotel and the Restaurant to pay the ordinary and necessary operating and
19 maintenance expenses of the Property. For a budget demonstrating the Debtor’s current projected
20 revenues and expenses, parties can look to the budget attached to the recent cash collateral order for
21 the period of August 1, 2013 through September 30, 2013. For further information regarding the
22 Debtor’s cash position and receivables, parties are directed to the Monthly Operating Reports
23 reflecting the Debtor’s operations on a monthly basis. The Monthly Operating Report for July
24 2013 is attached hereto as Exhibit “A”, and the Debtor’s other Monthly Operating Reports are
25 available from the Court’s docket.

26 The Debtor’s manager is Ceasar Perez. Mr. Perez has been involved in the operation and
27 management of the Hotel and Restaurant since 2006. Prior to his involvement with the Hotel,
28 among other things, Mr. Perez had been involved in the operation and remodeling of a La Quinta

1 Inn in Phoenix that was comprised of approximately 164 rooms. Mr. Perez is also a mortgage
2 banker and real estate developer that has developed shopping centers, housing, apartments, and raw
3 land. The Hotel's general manager and controller is Safia Edwards. Prior to her employment by
4 the Debtor, Ms. Edwards was a general manager and controller for Windemere Hotels. In that
5 position, Ms. Edwards was responsible for management oversight, finance, and accounting for five
6 separate hotels with total annual revenues in excess of \$8.2 million. _

7 In order to provide for efficient and continuous operations, and to keep the Debtor's
8 business competitive, the Debtor intends to retain the same management team and structure that
9 existed pre-petition. The issues that led to the Debtor's bankruptcy filing were a result of the
10 economy and the credit market, and arguably FNBH's improper actions, not the Debtor's
11 management. The Debtor's existing management structure is appropriate to meet the needs of the
12 Debtor, and a change in management would not be in the best interests of the Debtor or its
13 creditors. By maintaining its current management and operational structure, the Debtor will avoid
14 the transactional costs associated with significant and unnecessary change and preserve the
15 Debtor's institutional knowledge.

16 **E. Projections of Future Operations**

17 The Debtor has prepared cash flow projections for the Property for the life of the Plan, (the
18 "Projections"). The Projections are attached hereto as Exhibit "B" and incorporated herein by this
19 reference. The Projections are based upon the Debtor's best estimates of the future revenue to be
20 generated by the Hotel and Restaurant, and the future expenses to be incurred in in their operation
21 and maintenance. The Debtor believes that the Projections are conservative and achievable.

22 **IV. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE**

23 **A. The Bankruptcy Filing and First Meeting of Creditors**

24 The Debtor filed its voluntary petition for relief under Chapter 11 on February 19, 2013 (the
25 "Petition Date"), and a first meeting of creditors was held on March 26, 2013.

26 **B. Retention of Professionals**

27 The Debtor retained Polsinelli P.C. ("Polsinelli") to act as its bankruptcy counsel. The
28 Court signed an Order approving the retention of Polsinelli on February 19, 2013.

1 **C. Appointment of Unsecured Creditors Committee**

2 The United States Trustee’s Office filed a statement stating that, despite its efforts to contact
3 unsecured creditors, it was unable to appoint a Committee of Unsecured Creditors.

4 **D. First Day Motions and Order Regarding the Use of Cash Collateral**

5 On the Petition Date, the Debtor filed (a) a motion seeking authority to pay the pre-petition
6 claims of critical vendors; (b) a motion seeking authority to pay the pre-petition wages, benefit
7 contributions, and reimbursements owed to the Debtor’s employees and contractors; and (c) a
8 motion seeking authority to use cash claimed to be the collateral of FNBH for the payment of
9 ordinary and necessary expenses (collectively, the “First Day Motions”). After a hearing before the
10 Court on March 7, 2013, and with the consent of FNBH and the office of the United States Trustee,
11 the First Day Motions were granted by the entry of the *Stipulated Order Authorizing Debtor’s Use*
12 *of Cash Collateral Under 11 U.S.C. § 363 on an Interim Basis and Granting the Debtor’s First Day*
13 *Motions*.

14 On June 7, 2013, the Debtor and FNBH agreed, and the Court authorized by entry of its
15 *Second Stipulated Order Authorizing the Debtor’s Use of Cash Collateral Under 11 U.S.C. § 363*
16 *on an Interim Basis*, the Debtor’s continued use of cash claimed to be the collateral of FNBH
17 through July 31, 2013. On August 2, 2013, the Debtor, FNBH, and the Arizona Department of
18 Revenue lodged stipulated orders authorizing the continued use of cash collateral through
19 September 30, 2013. Those stipulated orders were entered by the Court on August 5, 2013.

20 **V. DESCRIPTION OF ASSETS AND LIABILITIES OF THE DEBTORS**

21 **A. Assets**

22 Unless otherwise indicated, the values ascribed to the Debtor’s assets below are based on
23 the Debtor’s best estimate and other factors such as the purchase price, comparable sales, tax
24 assessments, and appraisals.

- 25 1. **Real Property** – The Debtor does not own the real property upon which the
26 Hotel and Restaurant are located. Based upon an appraisal performed in 2010 and the opinion of its
27 management, the Debtor believes that the total value of its interest in the Property may approximate
28 \$12,000,000. This amount, however, includes the value of certain personal property owned by the

1 Debtor. In the Debtor's Schedules it has estimated that the value of just its leasehold interest in the
2 Property is approximately \$10,856,291. FNBH has obtained an appraisal that opines that the value
3 of the Debtor's leasehold interest in the Property, as of March 22, 2012, was \$7,000,000.
4 Ultimately, the Court will determine the value of the Debtor's interest in the Property.

5 **2. Bank Accounts** – As of the Petition Date, the Debtor held approximately
6 \$13,800 in its bank accounts. The current amount of cash held by the Debtor is reflected in the
7 most recent Monthly Operating Report filed by the Debtor.

8 **3. Vehicles** – The Debtor owns a 2006 Ford 450 Van, with an estimated value
9 of \$29,000, and a 2006 Dodge Sprinter with an estimated value of \$19,000.

10 **4. Causes of Action** – The Debtor may hold claims against Choice Hotels for
11 actions taken in violation of the Debtor's prior franchise agreement, and against FNBH for
12 unreasonably preventing the sale of a portion of the Debtor's equity interests that would have
13 provided a cash infusion sufficient to satisfy the obligations that were then due to FNBH and,
14 conceivably, eliminated the need for a bankruptcy proceeding. The Debtor's analysis of these
15 claims is ongoing, and the Debtor has yet to determine whether their prosecution would be in the
16 best interests of the estate.

17 **5. Personal Property** – The Debtor owns a wide array of furniture, equipment,
18 and inventory, as is necessary to the operations of the Hotel and Restaurant. This personal property
19 is more specifically identified in the Debtor's Schedules and Statements. Although the extent of
20 these items, and therefore their total value, fluctuates in the ordinary course of operations, the
21 Debtor estimates that, in aggregate, this personal property has an aggregate value of approximately
22 \$1,175,000.

23 **B. Liabilities**

24 The following is an overview of the Debtor's known liabilities.

25 **1. Priority Claims**

26 In its Schedules and Statements, the Debtor has listed priority claims owing to (i) the
27 Arizona Department of Revenue for unpaid pre-petition taxes in the aggregate amount of \$285,958;
28

1 (ii) the City of Scottsdale for unpaid pre-petition sales taxes in the amount of \$10,550; and (iii) the
2 Maricopa County Treasurer for unpaid pre-petition personal property taxes in the amount of \$1,000.

3 **2. Secured Claims**

4 a. First National Bank of Hutchinson

5 First National Bank of Hutchinson (“FNBH”), on behalf of itself and various
6 participants, has asserted claims against the Debtor, allegedly secured by, among other things, the
7 Debtor’s leasehold interest in the Property, in the aggregate amount of approximately \$6,888,857.
8 As discussed above, the Debtor believes that it may have certain claims against FNBH that could
9 result in a substantial reduction in the amount of FNBH’s claim against the Debtor.

10 b. Maricopa County

11 The Maricopa County Treasurer holds a claim for unpaid pre-petition real
12 property taxes, which is secured by a tax lien on the real property upon which the Hotel and
13 Restaurant are operated. In the Debtor’s schedules, the amount of Maricopa County’s claim for
14 property taxes is estimated to be \$217,300. TRC, the owner of the real property upon which the
15 Hotel and Restaurant are situated, believes that Maricopa County’s claim is in the amount of
16 \$232,912.24. Maricopa County asserts that, because the Debtor does not own the real property
17 upon which the Hotel and Restaurant are situated, its claim for property taxes is not a claim against
18 the Debtor that can be treated in the Plan.

19 The Maricopa County Treasurer has also asserted a claim for unpaid personal
20 property taxes in the amount of \$14,617.09 which is alleged to be secured by all of the personal
21 property located at the Hotel and Restaurant. In the Debtor’s schedules, Maricopa County’s claim
22 for personal property taxes is estimated to be \$1,000.25. Ultimately, the Court will establish the
23 amount of Maricopa County’s claims and the extent to which they can be modified in the Plan.

24 c. Arizona Department of Revenue

25 The Arizona Department of Revenue (“ADOR”) has filed a proof of claim
26 asserting a secured claim against the Debtor in the amount of \$236,770, which is asserted to be
27 secured by all of the Debtor’s assets. This claim relates to pre-petition transaction privilege taxes
28

1 that are allegedly owed. The Debtor is still conducting an investigation into the ADOR's asserted
2 claim, but suspects that all or part of such claim may not be enforceable against the Debtor.

3 d. Horizon Capital Investment Group, LLC

4 Horizon Capital Investment Group, LLC holds a claim in the approximate
5 amount of \$15,000, which is secured by a lien on the Debtor's 2006 Dodge Sprinter.

6 e. Plexus Technology Solutions, LLC

7 Plexus Technology Solutions, LLC holds a claim in the approximate amount
8 of \$10,000, which is secured by a lien on the Debtor's 2006 F 450 van.

9 f. Small Business Term Loans, Inc.

10 Small Business Term Loans, Inc. holds a claim against the Debtor in the
11 approximate amount of \$243,040, which is allegedly secured by the Debtor's credit card
12 receivables and other personal property.

13 **3. Unsecured Claims**

14 The Debtor's Schedules of Assets and Liabilities indicate that the total amount of general
15 unsecured claims against the Debtor's estate is approximately \$1,326,313, however, as identified in
16 the Schedules of Assets and Liabilities, various of those claims are disputed and may not ultimately
17 be entitled to repayment.

18 **C. Administrative Expenses**

19 Debtor's administrative expenses consist of the fees and costs of attorneys and other
20 professionals necessary to the Debtor's operations, the administration of the Debtor's bankruptcy
21 case, and the formulation and confirmation of the Plan. The fees and costs of these professionals
22 will not be precisely known until the Bankruptcy Case is completed. The largest anticipated
23 administrative expense of the Debtor's bankruptcy will be its attorneys' fees. The Debtor's
24 bankruptcy counsel is Polsinelli PC. Prior to the bankruptcy, Polsinelli received, in two
25 installments, a retainer in the amount of \$30,000 from the Debtor. Prior to the filing of the
26 Debtor's petition, however, Polsinelli offset approximately \$15,188.50 against this retainer in
27 connection with pre-petition services rendered. Polsinelli is unable to presently estimate the
28 ultimate extent of its fees in the Debtor's reorganization, but expects that they may exceed

1 \$100,000. To the extent that Polsinelli's fees and costs exceed the amount of the retainer, and are
2 approved by the Court, Polsinelli's fees and costs will constitute administrative claims against the
3 Debtor's Estate.

4 **VI. PLAN SUMMARY**

5 The following statements concerning the Plan are merely a summary of the Plan and are not
6 complete. The statements are qualified entirely by express reference to the Plan. Creditors are
7 urged to consult with counsel or each other in order to understand the Plan fully. The Plan is
8 complete, inasmuch as it proposes a legally binding agreement by the Debtor, and an intelligent
9 judgment cannot be made without reading it in full. With the exception of the Classes 1-A, all the
10 Creditors of the Debtor are impaired under the terms of the Plan. The Secured Creditors are
11 impaired because they will be subjected to different treatment than they had originally contracted
12 for with the Debtor. The Unsecured Creditors will be impaired because they will be subject to
13 different treatment than they originally contracted for. Thus, the Debtor will have numerous
14 classes with the right to vote on its Plan of reorganization, as set forth herein.

15 **VII. CLASSIFICATION OF CLAIMS AND INTERESTS.**

16 **A. Class 1: Priority Claims**

- 17 1. Class 1-A consists of Allowed Administrative Claims.
- 18 2. Class 1-B consists of Allowed Priority Tax Claims.

19 **B. Class 2: Secured Claims**

- 20 1. Class 2-A consists of the Allowed Secured Claim of First National Bank of
21 Hutchinson (on behalf of itself and its participant banks, "FNBH").
- 22 2. Class 2-B consists of the Allowed Secured Claim of the Maricopa County
23 Treasurer ("Maricopa County").
- 24 3. Class 2-C consists of the Allowed Secured Claim, if any, of the Arizona
25 Department of Revenue (the "ADOR").
- 26 4. Class 2-D consists of the Allowed Secured Claim of Horizon Capital
27 Investment Group, LLC ("Horizon").

1 5. Class 2-E consists of the Allowed Secured Claim of Plexus Technology
2 Solutions, LLC (“Plexus”).

3 6. Class 2-F consists of the Allowed Secured Claim of Small Business Term
4 Loans, Inc. (“SBTLI”).

5 **C. Class 3: Unsecured Claims**

6 1. Class 3-A consists of the Allowed Unsecured Claim of Days Inn Worldwide,
7 Inc. (“Days Inn”).

8 2. Class 3-B consists of the Allowed Unsecured Claims of Creditors not
9 otherwise treated in the Plan.

10 **D. Class 4: Interest Holders**

11 Class 4 consists of all Allowed Interests of Interest Holders in the Debtor.

12 **VIII. IMPAIRMENT OF CLASSES.**

13 Classes 1-A is unimpaired under the Plan. All other Classes are impaired, as that term is
14 defined in Section 1124 of the Bankruptcy Code.

15 **IX. TREATMENT OF CLASSES.**

16 **A. Class 1: Priority Claims**

17 **1. Class 1-A: Administrative Claims**

18 This Class consists of Allowed Administrative Claims. This Class is not impaired. Unless
19 Claimants holding Claims in this Class agree to an alternative form of treatment, the Allowed
20 Administrative Claims of Class 1-A shall be paid in full, in cash, on or before the Effective Date.
21 Any Class 1-A Administrative Claim not allowed as of the Effective Date shall be paid as soon
22 thereafter as it is allowed and ordered paid by the Court.

23 **2. Class 1-B: Tax Claims**

24 This Class consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) which are not
25 otherwise treated as secured claims herein. This Class is not impaired. As provided in 11 U.S.C. §
26 1129(a)(9)(C), unless Claimants holding Claims in this Class agree to an alternative form of
27 treatment, the Allowed Priority Claims of Class 1-B shall be paid in full, in cash, on or before the
28 Effective Date, or, at the Debtor’s option, holders of such Allowed Claims shall be paid, on

1 account of such Allowed Claim, quarterly cash payments, commencing 30 days after the Effective
2 Date and extending to the date that is five years from the Petition Date, of a value, as of the
3 Effective Date of the Plan, equal to the allowed amount of such Claim. Any Class 1-B Claims not
4 allowed as of the Effective Date shall be paid as soon thereafter as they are allowed by the Court
5 according to the terms of this Class.

6 **B. Class 2: Secured Claims**

7 **1. Class 2-A – Allowed Secured Claims of First National Bank of**
8 **Hutchinson**

9 This Class consists of the Allowed Secured Claim of FNBH. This Class is impaired.
10 Pursuant to § 506(a) of the Bankruptcy Code, the amount of FNBH’s Allowed Secured Claim will
11 be limited to the value of its collateral, as determined by the Court, and any amount by which
12 FNBH’s Allowed Claim exceeds the value of its collateral will be deemed to be an unsecured
13 Claim, pursuant to § 506(a) of the Bankruptcy Code, and treated as part of Class 3-B. The Debtor
14 intends to pay the full amount of FNBH’s Allowed Secured Claim, with interest, over a period of
15 12 years.

16 Specifically, the Debtor will execute and deliver to FNBH a promissory note (the “New
17 Note”) in the amount of FNBH’s Allowed Secured Claim. The New Note will mature and become
18 fully due and payable on the twelfth anniversary of the Effective Date (the “FNBH Maturity
19 Date”). The New Note shall be secured by the same collateral which existed on the Petition Date,
20 as evidenced by the pre-petition loan documents, except to the extent the documents are modified
21 by this Plan and any Order confirming the Plan. For the months of January, February, March, and
22 April of each year, the Debtor shall make payments of 150% of the monthly principal and interest
23 payments that would be due if FNBH’s Allowed Secured Claim were amortized over twenty-five
24 years at the Plane Rate (“Standard Monthly Payment”). For the months of May, June, July, and
25 August of each year, the Debtor shall make monthly payments of 25% of the Standard Monthly
26 Payment. For the months of September, October, November and December of each year, the
27 Debtor shall make monthly payments of 125% of the Standard Monthly Payment. This payment
28 schedule shall remain in full force and effect until FNBH’s Allowed Secured Claim is paid in full

1 or the parties agree to a different schedule in writing. The first payment will be made on the
2 Effective Date and each payment thereafter will be made on the first business day of each calendar
3 month during the term of the New Note. Any remaining principal balance and any interest due
4 under the New Note will be paid to FNBH on the FNBH Maturity Date. At any time prior to the
5 FNBH Maturity Date, the Debtor may pay the balance of the New Note without penalty.
6 Immediately upon payment in full of the New Note, FNBH's Allowed Secured Claim and its liens
7 and security interests in the Debtor's property, will be deemed satisfied, extinguished, released, and
8 discharged, in full.

9 **2. Class 2-B – Allowed Secured Claim of Maricopa County**

10 This Class consists of the Allowed Secured Claims of Maricopa County ("Maricopa
11 County"), including claims for unpaid real and personal property taxes, which are allegedly
12 secured, respectively, by tax liens on the Property and the Debtor's personal property. This Class
13 is impaired.

14 Commencing on the Effective Date, the Allowed Secured Claim of Maricopa County will
15 be paid, in full, in equal quarterly payments of principal and interest based upon a twenty year
16 amortization schedule and interest accruing at the statutory rate. Any remaining principal and
17 accrued interest due to Maricopa County on account of its Allowed Secured Claim will be paid, in
18 cash, on or before the fifth anniversary of the Petition Date. Maricopa County will retain its
19 existing secured interest in the Property until its Allowed Secured Claim has been satisfied in full.

20 If, and only if, Maricopa County votes in favor of this Plan, it will receive a cash payment
21 of \$5,000 on the Effective Date. The remainder of its Allowed Secured Claim will be treated as
22 described above.

23 **3. Class 2-C – Allowed Secured Claim, if any, of the Arizona Department**
24 **of Revenue**

25 This Class consists of the Allowed Secured Claim, if any, of the Arizona Department of
26 Revenue ("ADOR"), which is alleged to exist as against the Debtor and be secured by all of the
27 Debtor's assets. The Debtor is still conducting an investigation in to the ADOR's asserted claim,
28

1 but suspects that all or part of such claim may not be enforceable against the Debtor. This class is
2 impaired.

3 Commencing on the Effective Date, the Allowed Secured Claim of ADOR, if any, will be
4 paid, in full, in equal quarterly payments of principal and interest based upon a twenty year
5 amortization schedule and interest accruing at the statutory rate. Any remaining principal and
6 accrued interest due to ADOR on account of its Allowed Secured Claim will be paid, in cash, on or
7 before the fifth anniversary of the Petition Date. ADOR will retain any existing liens and security
8 interests, to the extent of its Allowed Secured Claim, with the same validity and priority as existed
9 pre-petition.

10 If, and only if, ADOR votes in favor of this Plan, it will receive a payment of \$5,000 on the
11 Effective Date. The remainder of its Allowed Claim will be treated as described above.

12 **4. Class 2-D – Allowed Secured Claim of Horizon Capital Investment**
13 **Group**

14 This Class consists of the Allowed Secured Claim of Horizon Capital Investment Group
15 (“Horizon”), which is alleged to be secured by a lien upon a 2006 Dodge Sprinter owned by the
16 Debtor and used in its business. This Class is impaired.

17 The Allowed Secured Claim of Horizon will be paid in full, with interest at the Plan Rate, in
18 equal quarterly installments commencing on the Effective Date and concluding on the seventh
19 anniversary of the Effective Date. Horizon shall retain a lien on its collateral, to the same extent
20 and with same priority as enjoyed prior to the Petition Date, until its Secured Claim is paid in full.
21 Upon Horizon’s receipt of payment in full of its Allowed Secured Claim, its security interest in its
22 collateral shall be deemed released and discharged in full.

23 **5. Class 2-E – Allowed Secured Claim of Plexus Technology Solutions**

24 This Class consists of the Allowed Secured Claim of Plexus Technology Solutions
25 (“Plexus”), which is alleged to be secured by a lien upon a 2006 Ford van owned by the Debtor and
26 used in its business. This Class is impaired.

27 The Allowed Secured Claim of Plexus will be paid in full, with interest at the Plan Rate, in
28 equal quarterly installments commencing on the Effective Date and concluding on the seventh

1 anniversary of the Effective Date. Plexus shall retain a lien on its collateral, to the same extent and
2 with same priority as enjoyed prior to the Petition Date, until its Secured Claim is paid in full. Upon
3 Plexus' receipt of payment in full of its Allowed Secured Claim, its security interest in its collateral
4 shall be deemed released and discharged in full.

5 **6. Class 2-F – Allowed Secured Claim of Small Business Term Loans, Inc.**

6 This Class consists of the Allowed Secured Claim of Small Business Term Loans, Inc.
7 (“SBTLI”), which is alleged to be secured by a lien upon the Debtor’s credit card receivables and
8 other personal property. This Class is impaired.

9 The Allowed Secured Claim of SBTLI will be paid in full, with interest at the Plan Rate, in
10 equal quarterly installments commencing on the Effective Date and concluding on the tenth
11 anniversary of the Effective Date. SBTLI shall retain a lien on its collateral, to the same extent and
12 with same priority as enjoyed prior to the Petition Date, until its Secured Claim is paid in full. Upon
13 SBTLI’s receipt of payment in full of its Allowed Secured Claim, its interest in its collateral shall
14 be deemed released and discharged in full.

15 **Class 3: Unsecured Claims**

16 **1. Class 3-A – Allowed Unsecured Claim of Days Inn Worldwide (“Days
17 Inn”)**

18 This Class consists of the Allowed Unsecured Claim of Days Inn Worldwide, Inc. (“Days
19 Inn”), in the approximate amount of \$135,000, arising by virtue of that certain Development
20 Incentive Note (the “Days Inn Note”). This Class is impaired.

21 The Days Inn Note will be treated, and retired, in accordance with its terms, but for the date
22 upon which payment is due in the event of acceleration. In the event of an acceleration, the Debtor
23 will be permitted ninety (“90”) days in which to pay the remaining balance of the Days Inn Note.

24 **2. Class 3-B – All Unsecured Claims Not Otherwise Classified in the Plan**

25 This Class consists of all Allowed Unsecured Claims of Creditors that are not specifically
26 treated elsewhere in the Plan. This Class is impaired.

27 Holders of Allowed Unsecured Claims in this Class will be paid in full, with interest
28 accruing at the Plan Rate, in equal quarterly installments commencing on the Effective Date and

1 concluding on the eighth anniversary of the Effective Date. Any Insider that holds a Claim
2 included in this class shall not be paid anything on account of such Claim until all other Claims
3 against the Debtor are paid in full. Upon each Unsecured Claimant's receipt of payment in full, its
4 Allowed Unsecured Claim shall be deemed paid and discharged in full.

5 **C. Class 4: Interest Holders**

6 Class 4 consists of the Allowed Interests in the Debtor. The Interest Holder(s) will retain
7 their equity interests, and constitute the New Interest Holders in the Reorganized Debtor.

8 **X. MEANS FOR EXECUTING THE PLAN.**

9 **A. Funding**

10 The Plan will be funded by the operations of the Hotel and Restaurant, as demonstrated in
11 the financial projections attached to this Disclosure Statement as Exhibit "B." Although the
12 Debtor's projections do not anticipate the need for any material infusion of cash, to the extent any
13 such infusion is necessary, it will be made from either the Debtor's Interest Holder, Perez Holdings
14 II, LLC, or a third-party investor, likely through the sale of a portion of the Interest Holder's equity
15 interest in the Debtor.

16 **B. Liquidation of Estate Property**

17 The Debtor has marketed, and will continue to market, its leasehold interest in the Property
18 for sale. The Debtor does not have, and has never purported to have, the ability to convey fee title
19 to the real property upon which the Hotel and Restaurant are situated. The Reorganized Debtor
20 shall be able to sell or assign any of its interests in the Property so long as such sale or assignment
21 complies with the requirements of Section 363 and/or 365 of the Bankruptcy Code, and shall have
22 the authority to retain such brokers, agents, counsel, or representatives as it deems necessary.

23 **C. Management**

24 The Plan will be implemented through the retention of the Debtor's existing management.
25 The Debtor's current management structure is described in the Disclosure Statement.

26 **D. Disbursing Agent**

27 The Reorganized Debtor shall act as the Disbursing Agent under the Plan.
28

1 **E. Documentation of Plan Implementation**

2 In the event any entity which possesses an Allowed Secured Claim or any other lien in any
3 of the Debtor's assets for which the Plan requires the execution of any documents to incorporate
4 the terms of the Plan, fails to provide a release of its lien or execute the necessary documents to
5 satisfy the requirements of the Plan, the Debtor may record a copy of this Plan or the Confirmation
6 Order with the appropriate governmental agency and such recordation shall constitute the lien
7 release and creation of any necessary new liens to satisfy the terms of the Plan. If the Debtor
8 deems advisable, it may obtain a further Order from the Court that may be recorded in order to
9 implement the terms of the Plan.

10 **XI. EFFECT OF CONFIRMATION**

11 Except as otherwise provided in the Plan or the Confirmation Order, Confirmation acts as a
12 discharge, effective as of the Confirmation Date, of any and all debts of the Debtor that arose any
13 time before the entry of the Confirmation Order including, but not limited to, all principal and all
14 interest accrued thereon, pursuant to § 1141(d)(1) of the Bankruptcy Code. The Discharge shall be
15 effective as to each Claim, regardless of whether a proof of claim thereon was filed, whether the
16 Claim is an Allowed Claim, or whether the holder thereof votes to accept the Plan.

17 In addition, any pre-confirmation obligations of the Debtor dealt with in the Plan shall be
18 considered New Debt Obligations of the Reorganized Debtor that completely replace the Debtor's
19 pre-confirmation obligations, and these New Debt Obligations shall not be considered in default
20 unless and until the Reorganized Debtor defaults in making payments on the New Debt
21 Obligations pursuant to the terms of the Plan. The New Debt Obligations provided for in the Plan
22 shall be in the place of, and completely substitute for, any pre-Confirmation obligations of the
23 Debtor. Once the Plan is confirmed, the only obligations of the Reorganized Debtor shall be such
24 New Debt Obligations as provided for under the Plan.

25 **XII. OBJECTIONS TO AND ESTIMATIONS OF CLAIMS**

26 **A. Objections and Bar Date for Filing Objections**

27 As soon as practicable, but in no event later than 90 days after the Effective Date,
28 objections to Claims shall be filed with the Bankruptcy Court and served upon the holders of each

1 of the Claims to which objections are made pursuant to the Bankruptcy Code and the Bankruptcy
2 Rules.

3 **B. Settlement of Claims**

4 Settlement of any objection to a Claim not exceeding \$10,000 shall be permitted on the
5 eleventh (11th) day after notice of the settlement has been provided to the Reorganized Debtor, the
6 Creditors, the settling party, and other persons specifically requesting such notice, and if on such
7 date there is no written objection filed, such settlement shall be deemed approved. In the event of
8 a written objection to the settlement, the settlement must be approved by the Court on notice to the
9 objecting party.

10 **C. Estimation of Claims**

11 For purposes of making distributions provided for under the Plan, all Claims objected to
12 shall be estimated by the Disbursing Agent at an amount equal to (i) the amount, if any,
13 determined by the Court pursuant to § 502(c) of the Bankruptcy Code as an estimate for
14 distribution purposes; (ii) an amount agreed to between the Debtor and the Claimant; or (iii) that
15 amount set forth as an estimate in the Plan or Disclosure Statement. Notwithstanding anything
16 herein to the contrary, no distributions shall be made on account of any Claim until such Claim is
17 an Allowed Claim.

18 **D. Unclaimed Funds and Interest**

19 Distribution to Claimants shall be mailed by the Reorganized Debtor to the Claimants at
20 the address appearing on the master mailing matrix unless the Claimant provides the Reorganized
21 Debtor with an alternative address. For a period of one year from the date that a distribution was
22 to be made by the disbursing agent but has gone uncollected by the Claimant, the disbursing agent
23 shall retain any distributions otherwise distributable hereunder which remain unclaimed or as to
24 which the disbursing agent has not received documents required pursuant to the Plan. Thereafter,
25 the unclaimed funds shall be deposited in the appropriate distribution account for distribution to
26 other Claimants entitled to participate in such respective fund.

1 **XIII. NON-ALLOWANCE OF PENALTIES AND FINES**

2 No distribution shall be made under this Plan on account of, and no Allowed Claim,
3 whether Secured, Unsecured, Administrative, or Priority, shall include any fine, penalty,
4 exemplary or punitive damages, late charges, default interest or other monetary charges relating to
5 or arising from any default or breach by the Debtor, and any Claim on account thereof shall be
6 deemed disallowed, whether or not an objection was filed to it.

7 **XIV. CLOSING OF CASE**

8 Until this case is officially closed, the Reorganized Debtor will be responsible for filing
9 pre- and post-confirmation reports required by the United States Trustee and paying the quarterly
10 post-confirmation fees of the United States Trustee, in cash, pursuant to 28 U.S.C. § 1930, as
11 amended. Pursuant to 11 U.S.C. § 1129(a)(12), all fees payable under § 1930 of Title 28, as
12 determined by the Court at the hearing on confirmation of the Plan, will be paid, in cash, on the
13 Effective Date.

14 **XV. MODIFICATION OF THE PLAN**

15 In addition to its modification rights under § 1127 of the Bankruptcy Code, the Debtor may
16 amend or modify this Plan at any time prior to Confirmation without leave of the Court. The
17 Reorganized Debtor may propose amendments and/or modifications of this Plan at any time
18 subsequent to Confirmation with leave of the Court and upon notice to Creditors. After
19 Confirmation of the Plan, the Reorganized Debtor may, with approval of the Court, as long as it
20 does not materially or adversely affect the interests of Creditors, remedy any defect or omission or
21 reconcile any inconsistencies of the Plan, or in the Confirmation Order, if any may be necessary to
22 carry out the purposes and intent of this Plan.

23 **XVI. JURISDICTION OF THE COURT**

24 The Court will retain jurisdiction until this Plan has been fully consummated for, including
25 but not limited to, the following purposes:

- 26 1. To determine the classification of the Claims of any Creditors and the re-
27 examination of any Claims which have been allowed for the purposes of voting, and for the
28 determination of such objections as may be filed to the Creditor's Claims. The failure by the

1 Debtor or the Reorganized Debtor to object to or examine any Claim for the purpose of voting
2 shall not be deemed to be a waiver of the right to object to or to re-examine the Claim in whole or
3 in part.

4 2. To determine any Claims which are disputed by the Debtor or the Reorganized
5 Debtor, whether such objections are filed before or after Confirmation, and to estimate any
6 Unliquidated or Contingent Claims pursuant to 11 U.S.C. § 502(c)(1) upon request of the Debtor
7 or any holder of a Contingent or Unliquidated Claim, and to make determinations regarding any
8 objection to such Claim.

9 3. To determine all questions and disputes regarding title to the assets of the Estate,
10 and to determine and adjudicate all causes of action, controversies, disputes or conflicts, whether
11 or not subject to action pending as of the date of Confirmation, between the Debtor and any other
12 party, including but not limited to, any rights of the Debtor or the Reorganized Debtor to recover
13 assets pursuant to the provisions of the Bankruptcy Code.

14 4. To correct any defect, cure any omission or make any reconciliation of any
15 inconsistencies in this Plan, or the Confirmation Order, as may be necessary to carry out the
16 purposes and intent of this Plan.

17 5. To address and approve any proposed modification of this Plan after Confirmation,
18 pursuant to the Bankruptcy Rules and the Bankruptcy Code.

19 6. To enforce and interpret the terms and conditions of this Plan.

20 7. To enter any order, including injunctions, necessary to enforce the title, rights and
21 powers of the Debtor or the Reorganized Debtor, and to impose such limitations, restrictions, terms
22 and conditions of such title, right and power that this Court may deem necessary.

23 8. To hear, determine, and approve any requests to sell or assign any of the Debtor's
24 property, including, but not limited to, its leasehold interest in the Property.

25 9. To enter an order concluding and terminating this case.

26 **XVII. RETENTION AND ENFORCEMENT OF CLAIMS**

27 Pursuant to § 1123(b)(3) of the Bankruptcy Code, the Reorganized Debtor shall retain and
28 may enforce any and all claims of the Debtor, except those claims specifically waived herein. Any

1 retained causes of action include, but are not limited to, all avoidance actions, fraudulent
2 conveyance actions, preference actions, and other claims and causes of action of every kind and
3 nature whatsoever, arising before the Effective Date which have not been resolved or disposed of
4 prior to the Effective Date, whether or not such claims or causes of action are specifically
5 identified in the Disclosure Statement.

6 Any recovery obtained from retained causes of action shall become an additional asset of
7 the Reorganized Debtor and may be distributed to creditors or used in connection with the
8 operations of the Reorganized Debtor's business, in the sole discretion of the Reorganized Debtor,
9 unless otherwise ordered by the Court.

10 **XVIII. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

11 The Debtor hereby assumes any and all executory contracts listed in Schedule "G" of the
12 Debtor's Schedules of Assets and Liabilities, as amended. Unless otherwise assumed prior to the
13 Confirmation Date, every other executory contract and/or unexpired lease of the Debtor not
14 expressly assumed by this Plan is hereby rejected. Claims under § 502(g) of the Code arising as a
15 result of the rejection of executory contracts or unexpired leases shall be filed no later than 30 days
16 after the Confirmation Date. Any such Claims not timely filed and served shall be disallowed.

17 **XIX. REVESTING**

18 Except as provided for in the Plan or in the Confirmation Order, on the Effective Date the
19 Reorganized Debtor shall be vested with all the property of the Estate free and clear of all claims,
20 liens, charges, and other interests of Creditors, arising prior to the Effective Date. Upon the
21 Effective Date, the Reorganized Debtor shall operate their business free of any restrictions.

22 **XX. LIQUIDATION ANALYSIS**

23 Section 1129(a)(7) of the Bankruptcy Code requires that, in order for a plan to be
24 confirmed, each holder of a claim within an impaired class of claims either accept the plan or
25 "retain under the plan on account of such claim or interest property of a value, as of the effective
26 date of the plan, that is not less than the amount that such holder would so receive or retain if the
27 debtor were liquidated under chapter 7 of [the Bankruptcy Code] on such date." In this case,
28 because the Plan provides for the repayment of all Allowed Claims in full, with interest at a market

1 rate, it would not be possible for a creditor to receive any more from the Debtor's estate through a
2 Chapter 7 liquidation than it is entitled to receive under the Plan. The very best that any creditor
3 could hope to receive through a liquidation would be full repayment of its Allowed Claim, and that
4 is what each creditor is to be paid under the Plan. As such, the Debtor submits that the Plan
5 necessarily provides all creditors with at least as much as they would receive in the event of a
6 Chapter 7 liquidation.

7 Furthermore, in all likelihood, if the Plan were not confirmed and the Debtor's assets were
8 liquidated under Chapter 7 of the Bankruptcy Code instead, many creditors would receive far less
9 than what is provided under the Plan. The Debtor's ability to repay unsecured creditors is
10 completely derivative of its ability to continue to generate revenue through the operation of the
11 Hotel and Restaurant. In the event of a Chapter 7 liquidation, it is likely that the operations of the
12 Hotel and Restaurant would be terminated. Although it is conceivable that a Chapter 7 trustee
13 could retain an independent operator and maintain the Debtor's operations in an attempt to sell the
14 Debtor's leasehold and personal property as a going concern, it would be unlikely that a Chapter 7
15 trustee would be willing to assume responsibility for the Debtor's ongoing operations. Moreover,
16 given that the Debtor has been actively involved in marketing its assets throughout the course of
17 these proceedings, it does not suspect that a ready buyer would be willing to pay the fair market
18 value of the Debtor's assets, even as a going concern, within the context of a Chapter 7 liquidation.

19 The Debtor submits that the most likely consequences of a conversion of these bankruptcy
20 proceedings to a Chapter 7 liquidation would be a termination of the Debtor's ongoing business
21 operations and a subsequent foreclosure upon all of the Debtor's equipment and inventory.
22 Although, as demonstrated by the Debtor's prior appraisal, the Debtor's interests in the Property,
23 and its equipment and inventory, have substantial value as a going concern, in the context of a
24 forced liquidation, their value would be drastically reduced. Specifically, in a forced sale, the
25 Debtor's inventory and equipment may generate very few, if any, proceeds. In aggregate, it is
26 possible that no proceeds in excess of the Debtor's secured claims would be generated and
27 available to unsecured creditors in the event of a Chapter 7 liquidation. Moreover, even in the
28 unlikely event that excess proceeds were generated, they would like be consumed by the

1 administrative costs of a Chapter 7 trustee and his or her counsel that would necessarily attend a
2 conversion of the Debtor's bankruptcy to a Chapter 7 liquidation. In sum, in the event of a
3 liquidation, it is possible that only the Debtor's secured creditors, and potentially certain
4 administrative claimants, would recover anything, and all other creditors would recover nothing
5 from the Debtor's Estate.

6 The Debtor's Plan provides a better recovery than such liquidation. It provides for the
7 repayment in full of all secured claims in a reasonable time, while also providing full repayment to
8 unsecured creditors who would receive nothing in the event of a liquidation. Thus, the Plan
9 provides for a better recovery to creditors than would a Chapter 7 liquidation.

10 **XXI. TAX CONSEQUENCES**

11 **A. General Tax Issues**

12 Pursuant to §1125(a)(1) of the Bankruptcy Code, the Debtor is to provide a discussion of
13 the potential material tax consequences of the Plan to the Debtor, any successor to the Debtor, and a
14 hypothetical investor typical of the holders of claims or interests in the case, that would enable such
15 a hypothetical investor of the relevant Class to make an informed judgment about the Plan.
16 However, the Debtor need not include such information about any other possible or proposed plan.
17 In determining whether the Disclosure Statement provides adequate information, the Court shall
18 consider the complexity of the case, the benefit of additional information to creditors and other
19 parties in interest, and the cost of providing additional information. The following discussion
20 summarizes certain considerations that may affect the anticipated federal income tax consequences
21 of the Plan's implementation to Creditors and to the Debtor. It does not address all federal income
22 tax consequences of the Plan nor does it address the state or local income tax or other state or local
23 tax consequences of the Plan's implementation to Creditors or to the Debtor.

24 This description of the federal income tax consequences of implementing the Plan is based
25 on Debtor's interpretation of the applicable provisions of the Internal Revenue Code of 1986, as
26 amended (the "IRC"), the regulations promulgated thereunder, and other relevant authority.
27 Debtor's interpretation, however, is not binding on the IRS or any court. The Debtor has not
28 obtained, nor does it intend to obtain, a private letter ruling from the IRS, nor has the Debtor

1 obtained an opinion of counsel with respect to any of these matters. The discussion below is
2 general in nature and is not directed to the specific tax situation of any particular interested
3 taxpayer. **For these reasons, all Creditors and the Interest Holder should consult with their**
4 **own tax advisors as to the tax consequences of implementation of the Plan to them under**
5 **applicable federal, state, and local tax laws.**

6 **B. Tax Consequences to the Debtor**

7 In general, pursuant to IRC Section 108, the amount of any debt of a corporation that is
8 partially or totally discharged pursuant to a Title 11 bankruptcy case is excluded from gross
9 income. According to IRC Section 108(b), the amount of debt discharge income (“DDI”) that is
10 excluded from gross income must be applied to reduce the tax attributes of the Debtor. The
11 Debtor’s tax attributes are reduced in the following order: (1) net operating losses (“NOLs”); (2)
12 general business credits; (3) minimum tax credit; (4) capital loss carryovers; (5) reduction in tax
13 basis of the Debtor’s property; (6) passive activity loss and credit carryovers; and (7) foreign tax
14 credit carryovers. To the extent any discharge takes place, the Debtor may elect to apply the debt
15 discharge exclusion first to depreciable property and thereafter to the tax attributes in the above-
16 prescribed order.

17 **C. Tax Consequences to the Secured and Unsecured Creditors**

18 Both the Secured Claimants and/or the Unsecured Claimants may be required to report
19 income or be entitled to a deduction as a result of implementation of the Plan. The exact tax
20 treatment depends on, among other things, each Claimant’s method of accounting, the nature of
21 each Claimant’s claim, and whether and to what extent such Claimant has taken a bad debt
22 deduction in prior taxable years with respect to the particular debt owed to it by one of the Debtors.
23 **Each Holder of a secured claim or an unsecured claim is urged to consult with his, her, or its**
24 **own tax advisor regarding the particular tax consequences of the treatment of his, her, or its**
25 **claim under the Plan.**

26 **XXII. DISCLAIMER**

27 Court approval of this Disclosure Statement and the accompanying Plan of Reorganization
28 is not a certification of the accuracy of the contents thereof. Furthermore, Court approval of these

1 documents does not constitute the Court's opinion as to whether the Plan should be approved or
2 disapproved.

3 **XXIII. RISKS**

4 The risk of the Plan lies primarily with the Debtor's ability to successfully operate the Hotel
5 and Restaurant as necessary to fund the Plan. If the revenues generated by the Hotel and
6 Restaurant exceed projections, or if the Interest Holders are able to infuse cash as necessary to
7 cover any operating shortfalls, the risks inherent in the Plan will be substantially reduced. To some
8 extent, the success of the Debtor also depends on the recovery of the national economy over the
9 several years following confirmation.

10 **XXIV. PROPONENTS RECOMMENDATION/ALTERNATIVES TO THE PLAN**

11 The Debtor recommends that all creditors entitled to vote for the Plan do so. The Debtor's
12 Plan will pay all allowed claims, in full, with interest. The alternatives to confirmation of the Plan
13 would be conversion of this case to a case under Chapter 7 of the Bankruptcy Code or dismissal,
14 and neither of those options would serve to benefit the Debtor's creditors at large.

15 Conversion will result in the appointment of a Chapter 7 trustee and, most likely, the hiring
16 of an attorney by the trustee. Expenses incurred in administering the Chapter 7 case would take
17 priority in the right to payment over allowed, administrative expenses incurred in the Chapter 11
18 case. Both Chapter 7 and Chapter 11 administrative expenses take priority over the payment of
19 unsecured claims without priority. In other words, conversion would likely decrease the net
20 amount available to pay currently existing creditors. The most likely effect of conversion of the
21 case to a Chapter 7 would be a series of foreclosures by secured creditors and, as a result,
22 Unsecured Creditors would receive nothing.

23 Dismissal of this case would likewise result in the foreclosure of the Debtor's assets by all
24 secured creditors. Again, in the event of such foreclosures, Unsecured Creditors would likely
25 receive nothing on account of their claims.


26 For all these reasons, the Debtor urges you to vote to accept its Plan and to return your
27 ballots in time to be counted.

28 **SIGNATURES ON NEXT PAGE**

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DATED: September 19, 2013.

POLSINELLI PC

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Its Manager

COPY of the foregoing mailed (or served via electronic notification if indicated by an “**”) on September 19, 2013, to:

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