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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

**DISCLOSURE STATEMENT  
RELATING TO DEBTOR'S PLAN OF  
REORGANIZATION DATED JUNE 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 "Disclosure Statement Relating to Debtor's Plan of Reorganization Dated June 19, 2013" (the  
18 "Disclosure Statement"). This Disclosure Statement is submitted pursuant to 11 U.S.C. § 1125.

19 11 U.S.C. § 1125(b) prohibits the solicitation of acceptances or rejections of a plan of  
20 reorganization unless such Plan is accompanied by a copy of the Disclosure Statement which has  
21 been approved by the Bankruptcy Court.

22 The purpose of this Disclosure Statement is to provide creditors and interested parties in this  
23 bankruptcy proceeding with such information as is sufficient to allow Creditors and interested  
24 parties to make an informed decision regarding the Debtor's "Plan of Reorganization Dated June  
25 19, 2013" (the "Plan").

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

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

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

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

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

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

26 Even if each Class of creditors does not accept the Plan, the Plan can be confirmed under  
27 §1129(b) of the Bankruptcy Code, so long as one impaired Class of creditors accepts the Plan. This  
28 is referred to as the "cram down" provision of the Bankruptcy Code. The failure of each Class to

1 accept the Plan could very well result in a conversion of this case to Chapter 7 or dismissal of the  
2 Chapter 11.

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

## 5 **II. DEFINITIONS**

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

## 8 **III. THE DEBTOR AND ITS OPERATIONS**

### 9 **A. The Debtor**

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

### 12 **B. The Debtor's Property**

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

20 In addition to the Hotel, the Debtor operates the Papi Chulo's Mexican Grill & Cantina, a  
21 restaurant located immediately adjacent to the Hotel (the "Restaurant," and together with the Hotel,  
22 the "Property"). The Restaurant is a full service restaurant and bar that offers guests of the Hotel  
23 and the general public Mexican cuisine and cocktails.

24 The Debtor does not own the real property on which the Hotel and Restaurant are situated,  
25 but, rather, occupies the Property pursuant to a long-term land lease (the "Land Lease"). The Land  
26 Lease was originally entered into on April 15, 1969 by and between Raymond and Lenore  
27 Silverman, as lessors, and Scottsdale, Inc. as lessee. The Land Lease has been amended from time  
28

1 to time, and is presently set to terminate on April 30, 2068. The Debtor currently holds the lessee's  
2 interest under the Land Lease and believes that TRC Holdings, LLC holds the lessor's interest.

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

4 According to an appraisal performed by Appraisal Technology, Inc., as of January 26, 2010,  
5 the Debtor's leasehold interest in the Property had a value of \$12,000,000. Given the passage of  
6 time, and the changes in the marketplace and at the Hotel, however, the Hotel's current value could  
7 be meaningfully higher or lower than this amount. These variables notwithstanding, however, the  
8 Debtor is confident that the value of its leasehold is in excess of the extent of its encumbrances.

9 **D. Operations and Management**

10 The Debtor intends to complete its transition of the Hotel to the Days Inn system, and to  
11 continue operating the Restaurant in the current manner. The Debtor intends to continue to use the  
12 revenues generated by the Hotel and the Restaurant to pay the ordinary and necessary operating and  
13 maintenance expenses of the Property. For a budget demonstrating the Debtor's current projected  
14 revenues and expenses, parties can look to the budget attached to the recent cash collateral order for  
15 the period of June 1, 2013 through July 31, 2013. For further information regarding the Debtor's  
16 cash position and receivables, parties are directed to the Monthly Operating Reports reflecting the  
17 Debtor's operations on a monthly basis. Each of these Monthly Operating Reports is available  
18 from the Court's docket.

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

1           **E.       Projections of Future Operations**

2           The Debtor has prepared cash flow projections for the Property for the life of the Plan, (the  
3 “Projections”). The Projections are attached hereto as Exhibit “A” and incorporated herein by this  
4 reference. The Projections are based upon the Debtor’s best estimates of the future revenue to be  
5 generated by the Hotel and Restaurant, and the future expenses to be incurred in in their operation  
6 and maintenance. The Debtor believes that the Projections are conservative and achievable.

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

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

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

11           **B.       Retention of Professionals**

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

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

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

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

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

27           On June 7, 2013, the Debtor and FNBH agreed, and the Court authorized by entry of its  
28 *Second Stipulated Order Authorizing the Debtor’s Use of Cash Collateral Under 11 U.S.C. § 363*

1 on an Interim Basis, the Debtor's continued use of cash claimed to be the collateral of FNBH  
2 through July 31, 2013.

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

4 **A. Assets**

5 Unless otherwise indicated, the values ascribed to the Debtor's assets below are based on  
6 the Debtor's best estimate and other factors such as the purchase price, comparable sales, tax  
7 assessments, and appraisals.

8 1. **Real Property** – The Debtor does not own the real property upon which the  
9 Hotel and Restaurant are located. Based upon the most current appraisal available, the Debtor  
10 believes that the value of its leasehold interest in the Property is approximately \$12 million.

11 2. **Bank Accounts** – As of the Petition Date, the Debtor held approximately  
12 \$13,800 in its bank accounts. The current amount of cash held by the Debtor is reflected in the  
13 most recent Monthly Operating Report filed by the Debtor.

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

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

23 5. **Personal Property** – The Debtor owns a wide array of furniture, equipment,  
24 and inventory, as is necessary to the operations of the Hotel and Restaurant. This personal property  
25 is more specifically identified in the Debtor's Schedules and Statements. Although the extent of  
26 these items, and therefore their total value, fluctuates in the ordinary course of operations, the  
27 Debtor estimates that, in aggregate, this personal property has an aggregate value of approximately  
28 \$1,175,000.

1           **B.       Liabilities**

2           The following is an overview of the Debtor’s known liabilities.

3                   **1.       Priority Claims**

4           In its Schedules and Statements, the Debtor has listed priority claims owing to (i) the  
5 Arizona Department of Revenue for unpaid pre-petition taxes in the aggregate amount of \$285,958;  
6 (ii) the City of Scottsdale for unpaid pre-petition sales taxes in the amount of \$10,550; and (iii) the  
7 Maricopa County Treasurer for unpaid pre-petition personal property taxes in the amount of \$1,000.

8                   **2.       Secured Claims**

9                   a.           First National Bank of Hutchinson

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

15                   b.           Maricopa County

16           The Maricopa County Treasurer holds a claim for unpaid pre-petition real  
17 property taxes in the approximate amount of \$217,300, which are secured by a tax lien on the real  
18 property upon which the Hotel and Restaurant are operated.

19                   c.           Horizon Capital Investment Group, LLC

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

22                   d.           Plexus Technology Solutions, LLC

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

25                   e.           Small Business Term Loans, Inc.

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

1                                   **3.       Unsecured Claims**

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

6                   **C.       Administrative Expenses**

7                   Debtor’s administrative expenses consist of the fees and costs of attorneys and other  
8 professionals necessary to the Debtor’s operations, the administration of the Debtor’s bankruptcy  
9 case, and the formulation and confirmation of the Plan. The fees and costs of these professionals  
10 will not be precisely known until the Bankruptcy Case is completed. The largest anticipated  
11 administrative expense of the Debtor’s bankruptcy will be its attorneys’ fees. The Debtor’s  
12 bankruptcy counsel is Polsinelli PC. Prior to the bankruptcy, Polsinelli received, in two  
13 installments, a retainer in the amount of \$30,000 from the Debtor. Prior to the filing of the  
14 Debtor’s petition, however, Polsinelli offset approximately \$15,188.50 against this retainer in  
15 connection with pre-petition services rendered. Polsinelli is unable to presently estimate the  
16 ultimate extent of its fees in the Debtor’s reorganization, but expects that they may exceed  
17 \$100,000. To the extent that Polsinelli’s fees and costs exceed the amount of the retainer, and are  
18 approved by the Court, Polsinelli’s fees and costs will constitute administrative claims against the  
19 Debtor’s Estate.

20 **VI.     PLAN SUMMARY**

21                   The following statements concerning the Plan are merely a summary of the Plan and are not  
22 complete. The statements are qualified entirely by express reference to the Plan. Creditors are  
23 urged to consult with counsel or each other in order to understand the Plan fully. The Plan is  
24 complete, inasmuch as it proposes a legally binding agreement by the Debtor, and an intelligent  
25 judgment cannot be made without reading it in full. With the exception of the Classes 1-A, all the  
26 Creditors of the Debtor are impaired under the terms of the Plan. The Secured Creditors are  
27 impaired because they will be subjected to different treatment than they had originally contracted  
28 for with the Debtor. The Unsecured Creditors will be impaired because they will be subject to



1 different treatment than they originally contracted for. Thus, the Debtor will have numerous  
2 classes with the right to vote on its Plan of reorganization, as set forth herein.

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

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

- 5 1. Class 1-A consists of Allowed Administrative Claims.  
6 2. Class 1-B consists of Allowed Priority Tax Claims.

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

8 1. Class 2-A consists of the Allowed Secured Claim of First National Bank of  
9 Hutchinson (on behalf of itself and its participant banks, "FNBH").

10 2. Class 2-B consists of the Allowed Secured Claim of the Maricopa County  
11 Treasurer ("Maricopa County").

12 3. Class 2-C consists of the Allowed Secured Claim, if any, of the Arizona  
13 Department of Revenue (the "ADOR").

14 4. Class 2-D consists of the Allowed Secured Claim of Horizon Capital  
15 Investment Group, LLC ("Horizon").

16 5. Class 2-E consists of the Allowed Secured Claim of Plexus Technology  
17 Solutions, LLC ("Plexus").

18 6. Class 2-F consists of the Allowed Secured Claim of Small Business Term  
19 Loans, Inc. ("SBTLI").

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

21 1. Class 3-A consists of the Allowed Unsecured Claim of Days Inn Worldwide,  
22 Inc. ("Days Inn").

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

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

26 Class 4 consists of all Allowed Interests of Interest Holders in the Debtor.  
27  
28

1 **VIII. IMPAIRMENT OF CLASSES.**

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

4 **IX. TREATMENT OF CLASSES.**

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

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

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

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

13 This Class consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) which are not  
14 otherwise treated as secured claims herein. This Class is not impaired. As provided in 11 U.S.C. §  
15 1129(a)(9)(C), unless Claimants holding Claims in this Class agree to an alternative form of  
16 treatment, the Allowed Priority Claims of Class 1-B shall be paid in full, in cash, on or before the  
17 Effective Date, or, at the Debtor's option, holders of such Allowed Claims shall be paid, on  
18 account of such Allowed Claim, quarterly cash payments, commencing 30 days after the Effective  
19 Date and extending to the date that is five years from the Petition Date, of a value, as of the  
20 Effective Date of the Plan, equal to the allowed amount of such Claim. Any Class 1-B Claims not  
21 allowed as of the Effective Date shall be paid as soon thereafter as they are allowed by the Court  
22 according to the terms of this Class.

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

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

26 This Class consists of the Allowed Secured Claim of FNBH. This Class is impaired.  
27 Pursuant to § 506(a) of the Bankruptcy Code, the amount of FNBH's Allowed Secured Claim will  
28 be limited to the value of its collateral, as determined by the Court, and any amount by which

1 FNBH's Allowed Claim exceeds the value of its collateral will be deemed to be an unsecured  
2 Claim, pursuant to § 506(a) of the Bankruptcy Code, and treated as part of Class 3-B. The Debtor  
3 intends to pay the full amount of FNBH's Allowed Secured Claim, with interest, over a period of  
4 12 years.

5 Specifically, the Debtor will execute and deliver to FNBH a promissory note (the "New  
6 Note") in the amount of FNBH's Allowed Secured Claim. The New Note will mature and become  
7 fully due and payable on the twelfth anniversary of the Effective Date (the "FNBH Maturity  
8 Date"). The New Note shall be secured by the same collateral which existed on the Petition Date,  
9 as evidenced by the pre-petition loan documents, except to the extent the documents are modified  
10 by this Plan and any Order confirming the Plan. For the months of January, February, March, and  
11 April of each year, the Debtor shall make payments of 150% of the monthly principal and interest  
12 payments that would be due if FNBH's Allowed Secured Claim were amortized over twenty-five  
13 years at the Plane Rate ("Standard Monthly Payment"). For the months of May, June, July, and  
14 August of each year, the Debtor shall make monthly payments of 25% of the Standard Monthly  
15 Payment. For the months of September, October, November and December of each year, the  
16 Debtor shall make monthly payments of 125% of the Standard Monthly Payment. This payment  
17 schedule shall remain in full force and effect until FNBH's Allowed Secured Claim is paid in full  
18 or the parties agree to a different schedule in writing. The first payment will be made on the  
19 Effective Date and each payment thereafter will be made on the first business day of each calendar  
20 month during the term of the New Note. Any remaining principal balance and any interest due  
21 under the New Note will be paid to FNBH on the FNBH Maturity Date. At any time prior to the  
22 FNBH Maturity Date, the Debtor may pay the balance of the New Note without penalty.  
23 Immediately upon payment in full of the New Note, FNBH's Allowed Secured Claim and its liens  
24 and security interests in the Debtor's property, will be deemed satisfied, extinguished, released, and  
25 discharged, in full.

## 26 2. Class 2-B – Allowed Secured Claim of Maricopa County

27 This Class consists of the Allowed Secured Claim of Maricopa County ("Maricopa  
28 County"), which is secured by a tax lien on the Property. This Class is impaired.

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

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

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

12 This Class consists of the Allowed Secured Claim, if any, of the Arizona Department of  
13 Revenue (“ADOR”), which is alleged to exist as against the Debtor and be secured by all of the  
14 Debtor’s assets. The Debtor is still conducting an investigation in to the ADOR’s assert claim, but  
15 suspects that all or part of such claim may not be enforceable against the Debtor. This class is  
16 impaired.

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

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

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

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

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

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

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

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

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

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

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

1 anniversary of the Effective Date. SBTLI 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 SBTLI's receipt of payment in full of its Allowed Secured Claim, its interest in its collateral shall  
4 be deemed released and discharged in full.

5 **Class 3: Unsecured Claims**

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

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

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

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

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

17 Holders of Allowed Unsecured Claims in this Class will be paid in full, with interest  
18 accruing at the Plan Rate, in equal quarterly installments commencing on the Effective Date and  
19 concluding on the eighth anniversary of the Effective Date. Any Insider that holds a Claim  
20 included in this class shall not be paid anything on account of such Claim until all other Claims  
21 against the Debtor are paid in full. Upon each Unsecured Claimant's receipt of payment in full, its  
22 Allowed Unsecured Claim shall be deemed paid and discharged in full.

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

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

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

2 **A. Funding**

3 The Plan will be funded by operations of the Hotel and Restaurant, as demonstrated in the  
4 financial projections attached to the Disclosure Statement as Exhibit “A”, and, to the extent  
5 necessary and possible, cash infusions from the Interest Holders.

6 **B. Liquidation of Estate Property**

7 The Debtor has marketed, and will continue to market, its leasehold interest in the Property  
8 for sale. The Reorganized Debtor shall be able to sell or assign any of its interests in the Property  
9 so long as such sale or assignment complies with the requirements of Section 363 and/or 365 of the  
10 Bankruptcy Code, and shall have the authority to retain such brokers, agents, counsel, or  
11 representatives as it deems necessary.

12 **C. Management**

13 The Plan will be implemented through the retention of the Debtor’s existing management.  
14 The Debtor’s current management structure is described in the Disclosure Statement.

15 **D. Disbursing Agent**

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

17 **E. Documentation of Plan Implementation**

18 In the event any entity which possesses an Allowed Secured Claim or any other lien in any  
19 of the Debtor’s assets for which the Plan requires the execution of any documents to incorporate  
20 the terms of the Plan, fails to provide a release of its lien or execute the necessary documents to  
21 satisfy the requirements of the Plan, the Debtor may record a copy of this Plan or the Confirmation  
22 Order with the appropriate governmental agency and such recordation shall constitute the lien  
23 release and creation of any necessary new liens to satisfy the terms of the Plan. If the Debtor  
24 deems advisable, it may obtain a further Order from the Court that may be recorded in order to  
25 implement the terms of the Plan.

26 **XI. EFFECT OF CONFIRMATION**

27 Except as otherwise provided in the Plan or the Confirmation Order, Confirmation acts as a  
28 discharge, effective as of the Confirmation Date, of any and all debts of the Debtor that arose any

1 time before the entry of the Confirmation Order including, but not limited to, all principal and all  
2 interest accrued thereon, pursuant to § 1141(d)(1) of the Bankruptcy Code. The Discharge shall be  
3 effective as to each Claim, regardless of whether a proof of claim thereon was filed, whether the  
4 Claim is an Allowed Claim, or whether the holder thereof votes to accept the Plan.

5 In addition, any pre-confirmation obligations of the Debtor dealt with in the Plan shall be  
6 considered New Debt Obligations of the Reorganized Debtor that completely replace the Debtor's  
7 pre-confirmation obligations, and these New Debt Obligations shall not be considered in default  
8 unless and until the Reorganized Debtor defaults in making payments on the New Debt  
9 Obligations pursuant to the terms of the Plan. The New Debt Obligations provided for in the Plan  
10 shall be in the place of, and completely substitute for, any pre-Confirmation obligations of the  
11 Debtor. Once the Plan is confirmed, the only obligations of the Reorganized Debtor shall be such  
12 New Debt Obligations as provided for under the Plan.

## 13 **XII. OBJECTIONS TO AND ESTIMATIONS OF CLAIMS**

### 14 **A. Objections and Bar Date for Filing Objections**

15 As soon as practicable, but in no event later than 90 days after the Effective Date,  
16 objections to Claims shall be filed with the Bankruptcy Court and served upon the holders of each  
17 of the Claims to which objections are made pursuant to the Bankruptcy Code and the Bankruptcy  
18 Rules.

### 19 **B. Settlement of Claims**

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

### 26 **C. Estimation of Claims**

27 For purposes of making distributions provided for under the Plan, all Claims objected to  
28 shall be estimated by the Disbursing Agent at an amount equal to (i) the amount, if any,



1 determined by the Court pursuant to § 502(c) of the Bankruptcy Code as an estimate for  
2 distribution purposes; (ii) an amount agreed to between the Debtor and the Claimant; or (iii) that  
3 amount set forth as an estimate in the Plan or Disclosure Statement. Notwithstanding anything  
4 herein to the contrary, no distributions shall be made on account of any Claim until such Claim is  
5 an Allowed Claim.

6 **D. Unclaimed Funds and Interest**

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

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

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

21 **XIV. CLOSING OF CASE**

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

1 **XV. MODIFICATION OF THE PLAN**

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

10 **XVI. JURISDICTION OF THE COURT**

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

13 1. To determine the classification of the Claims of any Creditors and the re-  
14 examination of any Claims which have been allowed for the purposes of voting, and for the  
15 determination of such objections as may be filed to the Creditor's Claims. The failure by the  
16 Debtor or the Reorganized Debtor to object to or examine any Claim for the purpose of voting  
17 shall not be deemed to be a waiver of the right to object to or to re-examine the Claim in whole or  
18 in part.

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

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

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

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

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

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

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

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

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

14           Pursuant to § 1123(b)(3) of the Bankruptcy Code, the Reorganized Debtor shall retain and  
15 may enforce any and all claims of the Debtor, except those claims specifically waived herein. Any  
16 retained causes of action include, but are not limited to, all avoidance actions, fraudulent  
17 conveyance actions, preference actions, and other claims and causes of action of every kind and  
18 nature whatsoever, arising before the Effective Date which have not been resolved or disposed of  
19 prior to the Effective Date, whether or not such claims or causes of action are specifically  
20 identified in the Disclosure Statement.

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

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

26           The Debtor hereby assumes any and all executory contracts listed in Schedule "G" of the  
27 Debtor's Schedules of Assets and Liabilities, as amended. Unless otherwise assumed prior to the  
28 Confirmation Date, every other executory contract and/or unexpired lease of the Debtor not

1 expressly assumed by this Plan is hereby rejected. Claims under § 502(g) of the Code arising as a  
2 result of the rejection of executory contracts or unexpired leases shall be filed no later than 30 days  
3 after the Confirmation Date. Any such Claims not timely filed and served shall be disallowed.

#### 4 **XIX. REVESTING**

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

#### 9 **XX. LIQUIDATION ANALYSIS**

10 If the Plan is not confirmed, and the Debtor's assets were liquidated under Chapter 7 of the  
11 Bankruptcy Code instead, it is likely that only the secured creditors would recover anything from  
12 such liquidation, and all other creditors would recover nothing from the Debtor's Estate. The  
13 Debtor's ability to repay unsecured creditors is completely derivative of its ability to continue to  
14 generate revenue through the operation of the Hotel and Restaurant. In the event of a liquidation,  
15 secured creditors would foreclose upon the Debtor's leasehold interest in the Property, and  
16 effectively gain control of the Hotel and Restaurant and ownership of their combined revenues.  
17 Such a foreclosure, when coupled with similar foreclosures that would be commenced by secured  
18 creditors with liens on the Debtor's personal property, would leave the Debtor without any assets or  
19 revenues, and completely unable to make continued payments to unsecured creditors.

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

#### 24 **XXI. TAX CONSEQUENCES**

##### 25 **A. General Tax Issues**

26 Pursuant to §1125(a)(1) of the Bankruptcy Code, the Debtor is to provide a discussion of  
27 the potential material tax consequences of the Plan to the Debtor, any successor to the Debtor, and a  
28 hypothetical investor typical of the holders of claims or interests in the case, that would enable such

1 a hypothetical investor of the relevant Class to make an informed judgment about the Plan.  
2 However, the Debtor need not include such information about any other possible or proposed plan.  
3 In determining whether the Disclosure Statement provides adequate information, the Court shall  
4 consider the complexity of the case, the benefit of additional information to creditors and other  
5 parties in interest, and the cost of providing additional information. The following discussion  
6 summarizes certain considerations that may affect the anticipated federal income tax consequences  
7 of the Plan's implementation to Creditors and to the Debtor. It does not address all federal income  
8 tax consequences of the Plan nor does it address the state or local income tax or other state or local  
9 tax consequences of the Plan's implementation to Creditors or to the Debtor.

10 This description of the federal income tax consequences of implementing the Plan is based  
11 on Debtor's interpretation of the applicable provisions of the Internal Revenue Code of 1986, as  
12 amended (the "IRC"), the regulations promulgated thereunder, and other relevant authority.  
13 Debtor's interpretation, however, is not binding on the IRS or any court. The Debtor has not  
14 obtained, nor does it intend to obtain, a private letter ruling from the IRS, nor has the Debtor  
15 obtained an opinion of counsel with respect to any of these matters. The discussion below is  
16 general in nature and is not directed to the specific tax situation of any particular interested  
17 taxpayer. **For these reasons, all Creditors and the Interest Holder should consult with their**  
18 **own tax advisors as to the tax consequences of implementation of the Plan to them under**  
19 **applicable federal, state, and local tax laws.**

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

21 In general, pursuant to IRC Section 108, the amount of any debt of a corporation that is  
22 partially or totally discharged pursuant to a Title 11 bankruptcy case is excluded from gross  
23 income. According to IRC Section 108(b), the amount of debt discharge income ("DDI") that is  
24 excluded from gross income must be applied to reduce the tax attributes of the Debtor. The  
25 Debtor's tax attributes are reduced in the following order: (1) net operating losses ("NOLs"); (2)  
26 general business credits; (3) minimum tax credit; (4) capital loss carryovers; (5) reduction in tax  
27 basis of the Debtor's property; (6) passive activity loss and credit carryovers; and (7) foreign tax  
28 credit carryovers. To the extent any discharge takes place, the Debtor may elect to apply the debt

1 discharge exclusion first to depreciable property and thereafter to the tax attributes in the above-  
2 prescribed order.

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

4 Both the Secured Claimants and/or the Unsecured Claimants may be required to report  
5 income or be entitled to a deduction as a result of implementation of the Plan. The exact tax  
6 treatment depends on, among other things, each Claimant's method of accounting, the nature of  
7 each Claimant's claim, and whether and to what extent such Claimant has taken a bad debt  
8 deduction in prior taxable years with respect to the particular debt owed to it by one of the Debtors.

9 **Each Holder of a secured claim or an unsecured claim is urged to consult with his, her, or its**  
10 **own tax advisor regarding the particular tax consequences of the treatment of his, her, or its**  
11 **claim under the Plan.**

12 **XXII. DISCLAIMER**

13 Court approval of this Disclosure Statement and the accompanying Plan of Reorganization  
14 is not a certification of the accuracy of the contents thereof. Furthermore, Court approval of these  
15 documents does not constitute the Court's opinion as to whether the Plan should be approved or  
16 disapproved.

17 **XXIII. RISKS**

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

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

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

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

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

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

14 DATED: June 19, 2013.

15 POLSINELLI PC

16 By: 

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21 *Attorneys for Debtor*

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