

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:)	Chapter 11
)	
SHAMROCK-HOSTMARK PRINCETON)	Case No. 12-25860
HOTEL, LLC,)	
)	
Debtor.)	Honorable Jacqueline P. Cox

In re:)	Chapter 11
)	
SHAMROCK-HOSTMARK TEXAS)	Case No. 12-25874
HOTELS, LP,)	
)	
Debtor.)	Honorable Jacqueline P. Cox

In re:)	Chapter 11
)	
SHAMROCK-HOSTMARK ANDOVER)	Case No. 12-25883
HOTELS, LLC,)	
)	
Debtor.)	Honorable Jacqueline P. Cox

In re:)	Chapter 11
)	
SHAMROCK-HOSTMARK TAMPA)	Case No. 12-25885
WESTSHORES HOTEL, LLC,)	
)	
Debtor.)	Honorable Jacqueline P. Cox

**DEBTORS' DISCLOSURE STATEMENT IN SUPPORT OF
DEBTORS' JOINT CHAPTER 11 PLAN OF REORGANIZATION**

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Shamrock-Hostmark Princeton Hotel, LLC (“S-H Princeton”), Shamrock-Hostmark Texas Hotels, L.P. (“S-H Texas”), Shamrock-Hostmark Andover Hotels, LLC (“S-H Andover”) and Shamrock-Hostmark Tampa Westshores Hotel, LLC (“S-H Tampa” and together with S-H Princeton, S-H Texas and S-H Andover, “Debtors”), by their attorneys, Perkins Coie, LLP (“Perkins Coie”), provides Debtors’ Disclosure Statement in Support of Debtors’ Joint Chapter 11 Plan of Reorganization (as may be amended, the “Disclosure Statement”) to creditors pursuant to 11 U.S.C. § 1125 and in support of Debtors’ Joint Chapter 11 Plan of Reorganization dated April 12, 2013 (the “Plan”) filed with the United States Bankruptcy Court for the Northern District of Illinois (the “Bankruptcy Court”) in the above-captioned cases.

The purpose of this Disclosure Statement is to provide creditors whose claims or interests are impaired under the Plan with adequate information to make an informed and prudent business judgment when voting on the Plan. This Disclosure Statement is not meant to take the place of the Plan. Because creditors will be bound by the Plan if the Bankruptcy Court confirms it, Debtors urge creditors to read the Plan carefully and to consult with their own attorneys about the Plan’s effect on their claims. A copy of the Plan is attached hereto as Exhibit A. Each capitalized term used in this Disclosure Statement that is not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

This Disclosure Statement sets forth certain information regarding Debtors’ prepetition operating and financial history, their reason for seeking protection under chapter 11 of the Bankruptcy Code and significant events that have occurred during the Chapter 11 Cases. This Disclosure Statement also describes certain terms and provisions of the Plan, certain effects of the Plan’s confirmation and the manner in which Distributions will be made under the Plan. In

addition, this Disclosure Statement discusses the confirmation process and the voting procedures that Holders of Claims entitled to vote on the Plan must follow for their votes to be counted.

On _____, 2013, the Bankruptcy Court entered an order in the Chapter 11 Cases approving this Disclosure Statement and found that it contains “adequate information” in accordance with section 1125 of the Bankruptcy Code to enable a hypothetical, reasonable investor typical of Holders of Claims against Debtors to make an informed judgment as to whether to accept or reject the Plan, and the Bankruptcy Court has authorized its use in connection with the solicitation of votes on the Plan. Approval of this Disclosure Statement does not, however, constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan. No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, Holders of Claims or Interests entitled to vote should not rely on any information relating to Debtors and their businesses other than that contained in this Disclosure Statement, the Plan and all exhibits to these documents.

I. INTRODUCTION

A. Explanation of Chapter 11

Chapter 11 of the Bankruptcy Code is a remedial statute designed to effect the rehabilitation and reorganization of financially distressed businesses and individuals. As a general matter, the statutory goals of a reorganization case under chapter 11 of the Bankruptcy Code include the following: (a) preservation of the debtor’s property as a “going concern” and the preservation of any “going concern” value of the debtor’s business and property; (b) avoidance of a forced and destructive liquidation of the debtor’s assets; (c) protection of the interests of creditors, both secured and unsecured; and (d) restructuring of debts, finances and/or ownership of the debtor such as will enable it to retain those assets necessary to rehabilitate its finances and (at the same time) produce the greatest recovery for creditors.

The filing of Debtors' Chapter 11 Cases created four separate and distinct Estates consisting of all of Debtors' respective legal and equitable interests in Property as of the date their voluntary chapter 11 bankruptcy petitions were filed on June 27, 2012 (the "Petition Date"). Sections 1107 and 1108 of the Bankruptcy Code allowed Debtors to continue in possession of their assets and operate their businesses during the Chapter 11 Cases. The commencement of Debtors' Chapter 11 Cases triggered the automatic stay under section 362 of the Bankruptcy Code, which barred all attempts to collect prepetition claims from Debtors or otherwise to interfere with Debtors' Property.

The formulation and confirmation of a plan is the principal function of a chapter 11 case. Such a plan normally includes provisions for: (a) settling, altering and modifying the rights of creditors and/or equity security holders; (b) dealing with a debtor's property; (c) paying costs and expenses of administering the chapter 11 case; (d) dealing with executory contracts and unexpired leases; and (e) executing the plan. Confirmation of a chapter 11 plan does not necessarily mean that creditors will receive full payment for all of their claims, but does provide a mechanism for obtaining an equitable and optimal recovery for creditors.

B. Overview of the Plan

The following is a brief overview of the material provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan. For a more detailed description of the terms and provisions of the Plan, see Article V of this Disclosure Statement, entitled "Summary of the Plan."

General Purpose:	<i>Debtors intend to emerge from bankruptcy by restructuring their debts and ownership through an Equity Commitment from the Venture. Debtors' Interests and Properties shall vest 100% in the Venture, which shall be comprised of Equity Investor and the Fund and which shall repay Lender's Secured Claims over seven years pursuant to modified loan terms.</i>
Funding:	<i>Payments to Creditors shall be funded from the Equity Contribution.</i>
Classes:	<i>Administrative Claims, Priority Tax Claims, Miscellaneous Secured Claims and Miscellaneous Priority Claims against all Debtors are Unimpaired and thus Holders of those Claims are deemed to have accepted the Plan and are not entitled to vote. All Intercompany Claims against all Debtors and all Interests in all Debtors will not receive any Distribution under the Plan and thus Holders of those Claims and Interests are deemed to reject the Plan and are not entitled to vote. Claims against all Debtors in Classes 3, 4 and 5 are Impaired and thus Holders of Claims in those Classes are entitled to vote on the Plan.</i>
Substantive Consolidation:	<i>Debtors' Estates will not be substantively consolidated.</i>
Voting:	<i>Those Holders of Claims entitled to vote on the Plan should complete the enclosed Ballot and (a) File it under the Case Number for the Debtor against which such Claim is held with the Clerk of the United States Bankruptcy Court for the Northern District of Illinois, 219 South Dearborn Street, Room 713, Chicago, Illinois 60604 and (b) deliver a copy of such completed Ballot to Debtors' counsel: Brian A. Audette, Perkins Coie LLP, 131 S. Dearborn Street, Suite 1700, Chicago, Illinois 60603, Fax: 312-324-9534, e-mail: baudette@perkinscoie.com. Ballots must be received on or before _____, 2013 (the "Voting Deadline"). Only those ballots filed and delivered to Debtors' counsel in a timely manner shall be counted in determining whether a particular Class of Claims has accepted or rejected the Plan. Acceptance necessary for confirmation with respect to each Class voting on the Plan is at least two-thirds in amount and more than one-half in number of total Claims in each Class. If no Holders of Claims in a particular Class of Claims vote to accept or reject the Plan, such Class shall be deemed to have accepted the Plan.</i>

<i>Confirmation Hearing:</i>	<i>On _____, 2013 at _____, __m., the Confirmation Hearing shall be held before the Honorable Jacqueline P. Cox at the Everett McKinley Dirksen Building, 219 South Dearborn Street, Courtroom 680, Chicago, Illinois 60604. Objections to Plan Confirmation must be Filed with the Bankruptcy Court on or before 5:00 p.m. Chicago time on _____, 2013.</i>
<i>Additional Information:</i>	<i>Requests for additional information regarding the Plan or the Disclosure Statement should be directed to counsel for Debtors:</i> <i>Brian A. Audette Perkins Coie LLP 131 South Dearborn, Suite 1700 Chicago, Illinois 60603 Phone: (312) 324-8400 Fax: (312) 324-9400 baudette@perkinscoie.com</i>

The tables below summarize the classification and treatment of Claims against and Interests in Debtors under the Plan. For certain Classes of Claims, anticipated percentage recoveries also are set forth below. Anticipated percentage recoveries have been calculated based upon a number of assumptions, including the amount of Allowed Claims in each such Class. For certain Classes of Claims, the actual amounts of Allowed Claims could be materially more or less than the estimated amounts shown in the following tables:

Claims Against and Interests in S-H Princeton

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
Unclassified	<p>Unclassified Claims consist of Administrative Claims and Priority Tax Claims.</p> <p>Administrative Claims include the Professional Fee Claims, which consist of Claims of Debtors' bankruptcy counsel (Perkins Coie) in excess of its pre-petition retainer.</p> <p>Priority Tax Claims consist of Claims entitled to priority under 11 U.S.C. § 507(a)(8). S-H Princeton is not aware of any unpaid Priority Tax Claims. To the extent there are any Allowed Priority Tax Claims, such Claims will be paid in full from the Equity Contribution on the Effective Date or as soon thereafter as is reasonably practicable.</p>	1 (Professional Fee Claims)	\$100,000	100%

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 1</i>	<i>Class 1 Claims consist of Miscellaneous Secured Claims, which are any Secured Claims against S-H Princeton other than Lender's S-H Princeton Secured Claim. S-H Princeton is not aware of any Miscellaneous Secured Claims. To the extent there are any Allowed Miscellaneous Secured Claims, Holders of such Claims will: (a) be paid in full from the Equity Contribution; (b) have their Claims reinstated; or (c) receive the Property securing such Miscellaneous Secured Claim, on the Effective Date or as soon thereafter as is reasonably practicable.</i>	<i>0</i>	<i>\$0</i>	<i>100%</i>
<i>Class 2</i>	<i>Class 2 Claims consist of Miscellaneous Priority Claims, which are Claims against S-H Princeton entitled to Priority pursuant to 11 U.S.C. § 507(a), other than Administrative Claims and Priority Tax Claims. S-H Princeton is not aware of any Miscellaneous Priority Claims. To the extent there are any Allowed Miscellaneous Priority Claims, such Claims will be paid in full from the Equity Contribution on the Effective Date or as soon thereafter as is reasonably practicable.</i>	<i>0</i>	<i>\$0</i>	<i>100%</i>

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
<i>Class 3</i>	<p><i>The Class 3 Claim consists of Lender's S-H Princeton Secured Claim. Lender shall retain its Lien on all of S-H Princeton's Property and the Venture will assume all obligations under the S-H Princeton Loan Documents as amended pursuant to the Plan. On the Effective Date or as soon as reasonably practicable thereafter the Venture shall make a payment to Lender totaling 5% of the S-H Princeton Secured Claim.</i></p> <p><i>If Lender does not make a section 1111(b) election, the amount of its Secured Claim will be determined by the Bankruptcy Court.</i></p> <p><i>If Lender makes a section 1111(b) election, the amount of its Secured Claim will total the amount owed by S-H Princeton to Lender under the S-H Princeton Loan Documents as of the Petition Date plus one-fourth of the balance of the S-H Palm Desert Loan as of the Petition Date, to be determined by the Bankruptcy Court, but excluding all penalties and other fees, costs and interest and minus (a) S-H Princeton's Effective Date Cash, (b) S-H Princeton's FF&E Reserves and (c) one-fourth of the S-H Palm Desert Hotel's value as determined by the Bankruptcy Court. On the Effective Date or as soon as reasonably practicable thereafter the Venture shall make a payment to Lender totaling 5% of the S-H Princeton Secured Claim as if Lender had not made a section 1111(b) election.</i></p>	<i>1</i>	<i>To be determined by the Bankruptcy Court</i>	<i>100% over the course of seven years upon modified loan terms</i>

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 4</i>	<i>Class 4 Claims consist of General Unsecured Claims against S-H Princeton. Each Holder of an Allowed Class 4 General Unsecured Claim against S-H Princeton shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim Cash equal to 25% of such Allowed General Unsecured Claim. Distributions to each Holder of Class 4 General Unsecured Claims shall be made on or as soon as reasonably practicable after the later of (a) the Effective Date or (b) the date that such General Unsecured Claim becomes Allowed.</i>	<i>100</i>	<i>\$200,000</i>	<i>25%</i>
<i>Class 5</i>	<i>The Class 5 Claim consists of Lender's S-H Princeton Deficiency Claim. If Lender does not make a section 1111(b) election, the Holder of Lender's S-H Princeton Deficiency Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim Cash equal to 10% of Lender's S-H Princeton Deficiency Claim. Distributions to the Holder of Lender's S-H Princeton Deficiency Claim shall be made on or as soon as reasonably practicable after the later of (a) the Effective Date or (b) the date that such Class 5 Lender's S-H Princeton Deficiency Claim becomes Allowed. If Lender makes a section 1111(b) election there will be no Class 5 Lender's S-H Princeton Deficiency Claim.</i>	<i>1</i>	<i>To be determined by the Bankruptcy Court</i>	<i>10%</i>

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 6</i>	<i>Class 6 Claims consist of Intercompany Claims against S-H Princeton. Holders of Class 6 Intercompany Claims against S-H Princeton shall not receive any Distribution under the Plan.</i>	<i>3</i>	<i>\$165,000</i>	<i>0%</i>
<i>Class 7</i>	<i>Class 7 Interests consist of all Interests in S-H Princeton. Holders of Class 7 Interests shall not receive or retain any interest, Property or other consideration under the Plan.</i>	<i>1</i>	<i>\$0</i>	<i>0%</i>

Claims Against And Interests In S-H Texas

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Unclassified</i>	<p><i>Unclassified Claims consist of Administrative Claims and Priority Tax Claims.</i></p> <p><i>Administrative Claims include the Professional Fee Claims, which consist of Claims of Debtors' bankruptcy counsel (Perkins Coie) in excess of its pre-petition retainer.</i></p> <p><i>Priority Tax Claims consist of Claims entitled to priority under 11 U.S.C. § 507(a)(8). S-H Texas is not aware of any unpaid Priority Tax Claims. To the extent there are any Allowed Priority Tax Claims, such Claims will be paid in full from the Equity Contribution on the Effective Date or as soon thereafter as is reasonably practicable.</i></p>	<i>1 (Professional Fee Claims)</i>	<i>\$100,000</i>	<i>100%</i>
<i>Class 1</i>	<p><i>Class 1 Claims consist of Miscellaneous Secured Claims, which are any Secured Claims against S-H Texas other than Lender's S-H Texas Secured Claim. S-H Texas is not aware of any Miscellaneous Secured Claims. To the extent there are any Allowed Miscellaneous Secured Claims, Holders of such Claims will: (a) be paid in full from the Equity Contribution; (b) have their Claims reinstated; or (c) receive the Property securing such Miscellaneous Secured Claim, on the Effective Date or as soon thereafter as is reasonably practicable.</i></p>	<i>0</i>	<i>\$0</i>	<i>100%</i>

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 2</i>	<i>Class 2 Claims consist of Miscellaneous Priority Claims, which are Claims against S-H Texas entitled to Priority pursuant to 11 U.S.C. § 507(a), other than Administrative Claims and Priority Tax Claims. S-H Texas is not aware of any Miscellaneous Priority Claims. To the extent there are any Allowed Miscellaneous Priority Claims, such Claims will be paid in full from the Equity Contribution on the Effective Date or as soon thereafter as is reasonably practicable.</i>	<i>0</i>	<i>\$0</i>	<i>100%</i>

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
<i>Class 3</i>	<p><i>The Class 3 Claim consists of Lender's S-H Texas Secured Claim. Lender shall retain its Lien on all of S-H Texas's Property and the Venture will assume all obligations under the S-H Texas Loan Documents as amended pursuant to the Plan. On the Effective Date or as soon as reasonably practicable thereafter the Venture shall make a payment to Lender totaling 5% of the S-H Texas Secured Claim.</i></p> <p><i>If Lender does not make a section 1111(b) election, the amount of its Secured Claim will be determined by the Bankruptcy Court.</i></p> <p><i>If Lender makes a section 1111(b) election, the amount of its Secured Claim will total the amount owed by S-H Texas to Lender under the S-H Texas Loan Documents as of the Petition Date plus one-fourth of the balance of the S-H Palm Desert Loan as of the Petition Date, to be determined by the Bankruptcy Court, but excluding all penalties and other fees, costs and interest and minus (a) S-H Texas's Effective Date Cash, (b) S-H Texas's FF&E Reserves and (c) one-fourth of the S-H Palm Desert Hotel's value as determined by the Bankruptcy Court. On the Effective Date or as soon as reasonably practicable thereafter the Venture shall make a payment to Lender totaling 5% of the S-H Texas Secured Claim as if Lender had not made a section 1111(b) election.</i></p>	<i>1</i>	<i>To be determined by the Bankruptcy Court</i>	<i>100% over the course of seven years upon modified loan terms</i>

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 4</i>	<i>Class 4 Claims consist of General Unsecured Claims against S-H Texas. Each Holder of an Allowed Class 4 General Unsecured Claim against S-H Texas shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim Cash equal to 25% of such Allowed General Unsecured Claim. Distributions to each Holder of Class 4 General Unsecured Claims shall be made on or as soon as reasonably practicable after the later of (a) the Effective Date or (b) the date that such General Unsecured Claim becomes Allowed.</i>	<i>95</i>	<i>\$200,000</i>	<i>25%</i>
<i>Class 5</i>	<i>The Class 5 Claim consists of Lender's S-H Texas Deficiency Claim. If Lender does not make a section 1111(b) election, the Holder of Lender's S-H Texas Deficiency Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim Cash equal to 10% of Lender's S-H Texas Deficiency Claim. Distributions to the Holder of Lender's S-H Texas Deficiency Claim shall be made on or as soon as reasonably practicable after the later of (a) the Effective Date or (b) the date that such Class 5 Lender's S-H Texas Deficiency Claim becomes Allowed. If Lender makes a section 1111(b) election there will be no Class 5 Lender's S-H Texas Deficiency Claim.</i>	<i>1</i>	<i>To be determined by the Bankruptcy Court</i>	<i>10%</i>

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 6</i>	<i>Class 6 Claims consist of Intercompany Claims against S-H Texas. Holders of Class 6 Intercompany Claims against S-H Texas shall not receive any Distribution under the Plan.</i>	<i>4</i>	<i>\$440,000</i>	<i>0%</i>
<i>Class 7</i>	<i>Class 7 Interests consist of all Interests in S-H Texas. Holders of Class 7 Interests shall not receive or retain any interest, Property or other consideration under the Plan.</i>	<i>2</i>	<i>\$0</i>	<i>0%</i>

Claims Against And Interests In S-H Andover

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
<i>Unclassified</i>	<p><i>Unclassified Claims consist of Administrative Claims and Priority Tax Claims.</i></p> <p><i>Administrative Claims include the Professional Fee Claims, which consist of Claims of Debtors' bankruptcy counsel (Perkins Coie) in excess of its pre-petition retainer.</i></p> <p><i>Priority Tax Claims consist of Claims entitled to priority under 11 U.S.C. § 507(a)(8). S-H Andover is not aware of any unpaid Priority Tax Claims. To the extent there are any Allowed Priority Tax Claims, such Claims will be paid in full from the Equity Contribution on the Effective Date or as soon thereafter as is reasonably practicable.</i></p>	<i>1 (Professional Fee Claims)</i>	<i>\$100,000</i>	<i>100%</i>
<i>Class 1</i>	<p><i>Class 1 Claims consist of Miscellaneous Secured Claims, which are any Secured Claims against S-H Andover other than Lender's S-H Andover Secured Claim. S-H Andover is not aware of any Miscellaneous Secured Claims. To the extent there are any Allowed Miscellaneous Secured Claims, Holders of such Claims will: (a) be paid in full from the Equity Contribution; (b) have their Claims reinstated; or (c) receive the Property securing such Miscellaneous Secured Claim, on the Effective Date or as soon thereafter as is reasonably practicable.</i></p>	<i>0</i>	<i>\$0</i>	<i>100%</i>

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 2</i>	<i>Class 2 Claims consist of Miscellaneous Priority Claims, which are Claims against S-H Andover entitled to Priority pursuant to 11 U.S.C. § 507(a), other than Administrative Claims and Priority Tax Claims. S-H Andover is not aware of any Miscellaneous Priority Claims. To the extent there are any Allowed Miscellaneous Priority Claims, such Claims will be paid in full from the Equity Contribution on the Effective Date or as soon thereafter as is reasonably practicable.</i>	<i>0</i>	<i>\$0</i>	<i>100%</i>

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
<i>Class 3</i>	<p><i>The Class 3 Claim consists of Lender's S-H Andover Secured Claim. Lender shall retain its Lien on all of S-H Andover's Property and the Venture will assume all obligations under the S-H Andover Loan Documents as amended pursuant to the Plan. On the Effective Date or as soon as reasonably practicable thereafter the Venture shall make a payment to Lender totaling 5% of the S-H Andover Secured Claim.</i></p> <p><i>If Lender does not make a section 1111(b) election, the amount of its Secured Claim will be determined by the Bankruptcy Court.</i></p> <p><i>If Lender makes a section 1111(b) election, the amount of its Secured Claim will total the amount owed by S-H Andover to Lender under the S-H Andover Loan Documents as of the Petition Date plus one-fourth of the balance of the S-H Palm Desert Loan as of the Petition Date, to be determined by the Bankruptcy Court, but excluding all penalties and other fees, costs and interest and minus (a) S-H Andover's Effective Date Cash, (b) S-H Andover's FF&E Reserves and (c) one-fourth of the S-H Palm Desert Hotel's value as determined by the Bankruptcy Court. On the Effective Date or as soon as reasonably practicable thereafter the Venture shall make a payment to Lender totaling 5% of the S-H Andover Secured Claim as if Lender had not made a section 1111(b) election.</i></p>	<i>1</i>	<i>To be determined by the Bankruptcy Court</i>	<i>100% over the course of seven years upon modified loan terms</i>

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 4</i>	<i>Class 4 Claims consist of General Unsecured Claims against S-H Andover. Each Holder of an Allowed Class 4 General Unsecured Claim against S-H Andover shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim Cash equal to 25% of such Allowed General Unsecured Claim. Distributions to each Holder of Class 4 General Unsecured Claims shall be made on or as soon as reasonably practicable after the later of (a) the Effective Date or (b) the date that such General Unsecured Claim becomes Allowed.</i>	<i>145</i>	<i>\$320,000</i>	<i>25%</i>
<i>Class 5</i>	<i>The Class 5 Claim consists of Lender's S-H Andover Deficiency Claim. If Lender does not make a section 1111(b) election, the Holder of Lender's S-H Andover Deficiency Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim Cash equal to 10% of Lender's S-H Andover Deficiency Claim. Distributions to the Holder of Lender's S-H Andover Deficiency Claim shall be made on or as soon as reasonably practicable after the later of (a) the Effective Date or (b) the date that such Class 5 Lender's S-H Andover Deficiency Claim becomes Allowed. If Lender makes a section 1111(b) election there will be no Class 5 Lender's S-H Andover Deficiency Claim.</i>	<i>1</i>	<i>To be determined by the Bankruptcy Court</i>	<i>10%</i>

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 6</i>	<i>Class 6 Claims consist of Intercompany Claims against S-H Andover. Holders of Class 6 Intercompany Claims against S-H Andover shall not receive any Distribution under the Plan.</i>	<i>1</i>	<i>\$10,400</i>	<i>0%</i>
<i>Class 7</i>	<i>Class 7 Interests consist of all Interests in S-H Andover. Holders of Class 7 Interests shall not receive or retain any interest, Property or other consideration under the Plan.</i>	<i>1</i>	<i>\$0</i>	<i>0%</i>

Claims Against And Interests In S-H Tampa

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Unclassified</i>	<p><i>Unclassified Claims consist of Administrative Claims and Priority Tax Claims.</i></p> <p><i>Administrative Claims include the Professional Fee Claims, which consist of Claims of Debtors' bankruptcy counsel (Perkins Coie) in excess of its pre-petition retainer.</i></p> <p><i>Priority Tax Claims consist of Claims entitled to priority under 11 U.S.C. § 507(a)(8). S-H Tampa is not aware of any unpaid Priority Tax Claims. To the extent there are any Allowed Priority Tax Claims, such Claims will be paid in full from the Equity Contribution on the Effective Date or as soon thereafter as is reasonably practicable.</i></p>	<i>1 (Professional Fee Claims)</i>	<i>\$100,000</i>	<i>100%</i>
<i>Class 1</i>	<p><i>Class 1 Claims consist of Miscellaneous Secured Claims, which are any Secured Claims against S-H Tampa other than Lender's S-H Tampa Secured Claim. S-H Tampa is not aware of any Miscellaneous Secured Claims. To the extent there are any Allowed Miscellaneous Secured Claims, Holders of such Claims will: (a) be paid in full from the Equity Contribution; (b) have their Claims reinstated; or (c) receive the Property securing such Miscellaneous Secured Claim, on the Effective Date or as soon thereafter as is reasonably practicable.</i></p>	<i>0</i>	<i>\$0</i>	<i>100%</i>

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 2</i>	<i>Class 2 Claims consist of Miscellaneous Priority Claims, which are Claims against S-H Tampa entitled to Priority pursuant to 11 U.S.C. § 507(a), other than Administrative Claims and Priority Tax Claims. S-H Tampa is not aware of any Miscellaneous Priority Claims. To the extent there are any Allowed Miscellaneous Priority Claims, such Claims will be paid in full from the Equity Contribution on the Effective Date or as soon thereafter as is reasonably practicable.</i>	<i>0</i>	<i>\$0</i>	<i>100%</i>

<u>Class of Claim / Interest</u>	<u>Treatment</u>	<u>Approximate Number of Holders</u>	<u>Estimated Allowed Claim Amounts</u>	<u>Estimated Payment for Allowed Claims</u>
<i>Class 3</i>	<p><i>The Class 3 Claim consists of Lender's S-H Tampa Secured Claim. Lender shall retain its Lien on all of S-H Tampa's Property and the Venture will assume all obligations under the S-H Tampa Loan Documents as amended pursuant to the Plan. On the Effective Date or as soon as reasonably practicable thereafter the Venture shall make a payment to Lender totaling 5% of the S-H Tampa Secured Claim.</i></p> <p><i>If Lender does not make a section 1111(b) election, the amount of its Secured Claim will be determined by the Bankruptcy Court.</i></p> <p><i>If Lender makes a section 1111(b) election, the amount of its Secured Claim will total the amount owed by S-H Tampa to Lender under the S-H Tampa Loan Documents as of the Petition Date plus one-fourth of the balance of the S-H Palm Desert Loan as of the Petition Date, to be determined by the Bankruptcy Court, but excluding all penalties and other fees, costs and interest and minus (a) S-H Tampa's Effective Date Cash, (b) S-H Tampa's FF&E Reserves and (c) one-fourth of the S-H Palm Desert Hotel's value as determined by the Bankruptcy Court. On the Effective Date or as soon as reasonably practicable thereafter the Venture shall make a payment to Lender totaling 5% of the S-H Tampa Secured Claim as if Lender had not made a section 1111(b) election.</i></p>	<i>1</i>	<i>To be determined by the Bankruptcy Court</i>	<i>100% over the course of seven years upon modified loan terms</i>

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 4</i>	<i>Class 4 Claims consist of General Unsecured Claims against S-H Tampa. Each Holder of an Allowed Class 4 General Unsecured Claim against S-H Tampa shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim Cash equal to 25% of such Allowed General Unsecured Claim. Distributions to each Holder of Class 4 General Unsecured Claims shall be made on or as soon as reasonably practicable after the later of (a) the Effective Date or (b) the date that such General Unsecured Claim becomes Allowed.</i>	<i>130</i>	<i>\$500,000</i>	<i>25%</i>
<i>Class 5</i>	<i>The Class 5 Claim consists of Lender's S-H Tampa Deficiency Claim. If Lender does not make a section 1111(b) election, the Holder of Lender's S-H Tampa Deficiency Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim Cash equal to 10% of Lender's S-H Tampa Deficiency Claim. Distributions to the Holder of Lender's S-H Tampa Deficiency Claim shall be made on or as soon as reasonably practicable after the later of (a) the Effective Date or (b) the date that such Class 5 Lender's S-H Tampa Deficiency Claim becomes Allowed. If Lender makes a section 1111(b) election there will be no Class 5 Lender's S-H Tampa Deficiency Claim.</i>	<i>1</i>	<i>To be determined by the Bankruptcy Court</i>	<i>10%</i>

<i><u>Class of Claim / Interest</u></i>	<i><u>Treatment</u></i>	<i><u>Approximate Number of Holders</u></i>	<i><u>Estimated Allowed Claim Amounts</u></i>	<i><u>Estimated Payment for Allowed Claims</u></i>
<i>Class 6</i>	<i>Class 6 Claims consist of Intercompany Claims against S-H Tampa. Holders of Class 6 Intercompany Claims against S-H Tampa shall not receive any Distribution under the Plan.</i>	<i>0</i>	<i>\$0</i>	<i>0%</i>
<i>Class 7</i>	<i>Class 7 Interests consist of all Interests in S-H Tampa. Holders of Class 7 Interests shall not receive or retain any interest, Property or other consideration under the Plan.</i>	<i>1</i>	<i>\$0</i>	<i>0%</i>

THIS IS ONLY A SUMMARY OF CERTAIN INFORMATION CONTAINED IN THE PLAN AND DISCLOSURE STATEMENT. ALL CREDITORS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW THOSE DOCUMENTS IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN OR TAKING ANY ACTION WITH RESPECT THERETO.

C. Voting and Confirmation

Whether Debtors implement the Plan depends upon whether creditors vote to accept the Plan and whether the Bankruptcy Court Confirms (i.e., approves) the Plan. The Bankruptcy Code provides that only creditors whose Claims are “impaired,” as that term is defined by section 1124 of the Bankruptcy Code, are entitled to vote on the Plan. Essentially, the Plan impairs a creditor’s claim if it alters the creditor’s legal or equitable rights. Creditors whose claims are not impaired (i.e., creditors who will receive everything that they are legally entitled

to receive) automatically are deemed to have accepted the Plan. Creditors who will receive nothing under the Plan automatically are deemed to have rejected the Plan.

Each creditor entitled to vote will receive (a) the Plan, (b) this Disclosure Statement, (c) a notice informing creditors of the date, time and place of the Plan Confirmation Hearing, and (d) a Ballot. Ballots must be Filed by creditors entitled to vote on the Plan in the above-captioned case in which such creditors hold a Claim. On or before the Voting Deadline, all Ballots must be filed with the Clerk's Office, 219 S. Dearborn Street, Room 713, Chicago, IL 60604, and served upon Debtors' bankruptcy counsel, Brian A. Audette, Perkins Coie LLP, 131 S. Dearborn St., Suite 1700, Chicago, Illinois 60603, Tel: 312-324-8400, Fax: 312-324-9400, Baudette@perkinscoie.com. Votes will be tabulated by Debtors' counsel after creditors complete voting. Each class of impaired creditors will have accepted the Plan if members of the class that hold at least two-thirds in dollar amount and more than one-half in number of all Allowed Claims in that Class voting on the Plan have voted to accept the Plan. If all creditors in a Class of Claims entitled to vote on the Plan fail to vote to accept or reject the Plan, such Class of Claims will be deemed to have accepted the Plan. The Plan must be Confirmed with respect to each Debtor, *e.g.*, if the Plan cannot be confirmed with respect to one or more Debtors, it cannot be Confirmed with respect to the remaining Debtors.

The Confirmation Hearing will be held before the Honorable Jacqueline P. Cox at the United States Bankruptcy Court for the Northern District of Illinois, Everett McKinley Dirksen Building, Courtroom 680, 219 South Dearborn Street, Chicago, Illinois. If Confirmed, the Plan will become effective on the Effective Date, which will be the first Business Day following the date on which all conditions to consummation set forth in Article X of the Plan have been

satisfied or waived (if capable of being duly and expressly waived), provided that no stay of the Confirmation Order is then in effect.

II. DISCLAIMERS

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

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT SHALL BE DEEMED TO CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING DEBTORS OR ANY OTHER PARTY OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS OR INTERESTS. YOU SHOULD CONSULT YOUR PERSONAL COUNSEL

OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES OR OTHER LEGAL CONSEQUENCES OF THE PLAN.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. EXCEPT AS OTHERWISE SPECIFICALLY AND EXPRESSLY STATED HEREIN, THIS DISCLOSURE STATEMENT DOES NOT REFLECT ANY EVENTS THAT MAY OCCUR SUBSEQUENT TO THE DATE HEREOF AND THAT MAY HAVE A MATERIAL IMPACT ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. FURTHER, DEBTORS DO NOT ANTICIPATE THAT ANY AMENDMENTS OR SUPPLEMENTS TO THIS DISCLOSURE STATEMENT WILL BE DISTRIBUTED TO REFLECT SUCH OCCURRENCES. ACCORDINGLY, THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCE IMPLY THAT THE INFORMATION HEREIN IS CORRECT OR COMPLETE AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS DISCLOSURE STATEMENT.

DEBTORS BELIEVE THAT THE PLAN WILL ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF DEBTORS, THEIR CREDITORS AND THEIR ESTATES. DEBTORS URGE ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT THE PLAN.

III. GENERAL INFORMATION CONCERNING DEBTORS

A. Debtors' Bankruptcy Filings, Debtors' Ownership and Debtors' Businesses

On the Petition Date, Debtors and their affiliate, Shamrock-Hostmark Palm Desert Hotels, LLC ("S-H Palm Desert"),¹ filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Debtors' and S-H Palm Desert's bankruptcy case numbers are as follows: S-H Princeton (No. 12-25860); S-H Texas (No. 12-25874); S-H Andover (No. 12-25883); S-H Tampa (No. 12-25885); and S-H Palm Desert (No. 12-25880). Debtors each own full service hotels located throughout the country and, as of the Petition Date, S-H Palm Desert owned the Embassy Suites Palm Desert hotel located at 74-700 Highway 111, Palm Desert, California 92260 (the "S-H Palm Desert Hotel").

Shamrock-Hostmark Hotel Fund, L.P. (the "Fund") owns 100% of S-H Princeton, S-H Andover, S-H Tampa and S-H Palm Desert. The Fund owns 99% of S-H Texas and the remaining 1% is owned by S/HM San Antonio, LLC. Hostmark Investors LP ("Hostmark") manages each of Debtors' Hotels and managed the S-H Palm Desert Hotel prior to its transfer to Lender in November, 2012. Based in Schaumburg, Illinois, Hostmark is one of the leading third party hotel management companies in the country and has been in business since 1965. Hostmark has extensive experience managing boutique, limited and full-service hotels, resorts, distressed real estate and restaurants throughout the United States. Hostmark has managed hotels branded by virtually all of the major hotel companies, including Hilton, Marriott, Holiday Inn and many others. It has also acted as court-appointed receiver for dozens of hotels throughout the country.

¹ S-H Palm Desert is not a proponent of the Plan and its assets are not subject to the Plan. Nevertheless, for the reasons provided in this Disclosure Statement, S-H Palm Desert's debt to Lender and the value of the S-H Palm Desert Hotel are integral to Debtors' reorganization under the Plan.

Hostmark does not own a direct interest in the Fund, although an entity that may share some common owners with Hostmark, HFI Holdings LLC, holds a 2.45% limited partnership interest in the Fund, and another entity that may share some common owners with Hostmark, Plaza Hotel Investors, LLC, holds a 25% membership interest in the Fund's general partner, Shamrock-Hostmark, LLC, which itself owns 0.2% of the Fund. In addition to its general partner, the Fund consists of approximately 17 limited partners that invested in the Fund. One of the largest investors is Lender's affiliate, General Electric Real Estate Equities, Inc., which holds an approximately 10% limited partnership interest in the Fund.

1. The S-H Princeton Hotel

S-H Princeton owns the DoubleTree by Hilton Princeton hotel located at 4355 U.S. Route 1, Princeton, New Jersey (the "S-H Princeton Hotel"). S-H Princeton purchased the Hotel in May, 2006 and converted it from a Radisson branded hotel to a DoubleTree branded hotel. The S-H Princeton Hotel has 238 rooms, including standard guest rooms, suites and executive rooms, as well as 8,000 square feet of meeting space. The S-H Princeton Hotel also has an on-site fitness center, heated indoor pool and business center. A full-service restaurant, On the Bone, is located at the S-H Princeton Hotel and is open for breakfast, lunch and dinner.

S-H Princeton operates the Hotel as a DoubleTree by Hilton hotel pursuant to a certain Franchise License Agreement Doubletree Hotel Princeton dated May 11, 2006, as may be amended, between Shamrock-Hostmark Princeton Hotel, LLC and HLT Existing Franchise Holding LLC. Hostmark manages the S-H Princeton Hotel pursuant to a Hostmark Hospitality DoubleTree Hotel Princeton, New Jersey Management Agreement dated as of March 16, 2006 between S-H Princeton and Hostmark. An affiliate of Hostmark, Raintree Enterprises Princeton, Inc., employs all of the S-H Princeton Hotel's approximately 100 employees. S-H Princeton is nevertheless obligated to satisfy all employee-related expenses and obligations.

2. The S-H Texas Hotel

S-H Texas owns the Crowne Plaza San Antonio Airport hotel located at 1111 Northeast Loop 410, San Antonio, Texas (the “S-H Texas Hotel”), near the San Antonio International Airport and minutes from downtown San Antonio, the San Antonio River Walk and the Henry B. Gonzales Convention Center. S-H Texas purchased the S-H Texas Hotel in May, 2006. The S-H Texas Hotel has 224 rooms, including standard guest rooms, executive rooms, and suites, as well as over 5,200 square feet of flexible event space. In addition, the S-H Texas Hotel offers its guests an on-site fitness center, outdoor heated pool and whirlpool, business center and complimentary shuttle service to the airport and other area destinations. A full service restaurant, Cilantro! Oven, is located at the S-H Texas Hotel and is open daily for breakfast, lunch and dinner.

S-H Texas operates the Hotel as a Crowne Plaza pursuant to a certain Holiday Hospitality Franchising Inc. Crown Plaza® License Agreement with Shamrock-Hostmark Texas Hotels, L.P. Licensee dated May 19, 2006, as may be amended. Hostmark manages the S-H Texas Hotel pursuant to a Hostmark Hospitality Group Crowne Plaza San Antonio Airport San Antonio, Texas Management Agreement dated as of May 15, 2006 between S-H Texas and Hostmark. An affiliate of Hostmark, Raintree Enterprises San Antonio, Inc., employs all of the S-H Texas Hotel’s approximately 90 employees. Of those employees, approximately 49 are members of a union and S-H Texas is a party to a collective bargaining agreement with Unite Here Local Southwest Region. Even though it is not the employer, S-H Texas is nevertheless obligated to satisfy all employee-related expenses and obligations.

3. The S-H Andover Hotel

S-H Andover owns the Wyndham Boston Andover hotel located at 123 Old River Road, Andover, Massachusetts (the “S-H Andover Hotel”), just 25 miles from Boston. S-H Andover purchased the Hotel in May, 2007. The S-H Andover Hotel is the only full-service hotel in Andover, with 293 rooms, including standard guest rooms, junior suites, one-bedroom suits and conference suites, and over 8,000 square feet of meeting space. The S-H Andover Hotel offers its guests a 24-hour on-site fitness center, heated indoor pool and spa and business center. Two full-service restaurants, On the Bone and Characters Sports Bar and Club, are located at the S-H Andover Hotel.

S-H Andover operates the Hotel as a Wyndham Hotel pursuant to a certain Wyndham Hotel Franchise Agreement dated March 23, 2005, as may be amended, as assumed by Shamrock-Hostmark Andover Hotels, LLC pursuant to that certain Assignment and Assumption Agreement dated May 1, 2007, between Shamrock-Hostmark Andover Hotels, LLC and Wyndham Hotels and Resorts LLC. Hostmark manages the S-H Andover Hotel pursuant to a Hostmark Hospitality Group Wyndham Boston Andover Hotel, Andover, MA Management Agreement dated as of April 10, 2007 between S-H Andover and Hostmark. An affiliate of Hostmark, Raintree Enterprises Andover, Inc., employs all of the S-H Andover Hotel’s approximately 150 employees. Nevertheless, S-H Andover is obligated to satisfy all employee-related expenses and obligations.

4. The S-H Tampa Hotel

S-H Tampa owns the DoubleTree by Hilton Tampa Airport - Westshore hotel, which is located at 4500 West Cypress Street, Tampa, Florida (the “S-H Tampa Hotel”), just five minutes from Tampa International Airport. S-H Tampa purchased the Hotel in September, 2007. The S-

H Tampa Hotel has 489 rooms, including standard guest rooms, accessible guest rooms, and suites as well as over 16,000 square feet of function space. The S-H Tampa Hotel also offers its guests an on-site fitness center, heated outdoor pool, whirlpool and sun deck. Two full-service restaurants, ItaliAsia and Players Sports Pub, are located at the S-H Tampa Hotel.

S-H Tampa operates the Hotel as a DoubleTree pursuant to a certain Franchise License Agreement Doubletree Hotel Tampa Westshore Airport Tampa, Florida dated September 20, 2007, as may be amended, between Shamrock-Hostmark Tampa Westshores Hotel, LLC and HLT Existing Franchise Holding LLC. Hostmark manages the S-H Tampa Hotel pursuant to a Hostmark Hospitality Group DoubleTree Hotel, Tampa Westshore Airport Management Agreement between S-H Tampa and Hostmark. But for certain employees with management roles at the Hotel who are employed by Hostmark, an affiliate of Hostmark, Raintree Enterprises Tampa, Inc., employs all of the Hotel's approximately 230 employees. Nevertheless, S-H Tampa is obligated to satisfy all employee-related expenses and obligations.

B. Debtors' and S-H Palm Desert's Prepetition Financing

To purchase the S-H Princeton Hotel, S-H Princeton obtained a \$15,762,500 loan from Lender in May, 2006. In connection with the loan, S-H Princeton executed, among other S-H Princeton Loan Documents, (a) that certain Loan Agreement dated as of May 11, 2006, (b) that certain Promissory Note in the original principal amount of \$15,762,500 dated as of May 11, 2006, (c) that certain Mortgage, Security Agreement and Fixture Filing dated as of May 11, 2006, (d) that certain Assignment of Rents, Leases and Income dated as of May 11, 2006, and (e) that certain Security Agreement dated as of May 11, 2006.

To purchase the S-H Texas Hotel, S-H Texas obtained a \$13,000,000 loan from Lender in May, 2006. In connection with the loan, S-H Texas executed, among other S-H Texas Loan Documents, (a) that certain Loan Agreement dated as of May 24, 2006, (b) that certain

Promissory Note in the original principal amount of \$13,000,000 dated as of May 24, 2006, (c) that certain Deed of Trust, Security Agreement and Fixture Filing dated as of May 24, 2006, (d) that certain Assignment of Rents, Leases and Income dated as of May 24, 2006, and (e) that certain Security Agreement dated as of May 24, 2006.

To purchase the S-H Andover Hotel, S-H Andover obtained a \$17,545,000 loan from Lender in May, 2007. In connection with the loan, S-H Andover executed, among other S-H Andover Loan Documents, (a) that certain Loan Agreement dated as of May 1, 2007, (b) that certain Promissory Note in the original principal amount of \$17,545,000 dated as of May 1, 2007, (c) that certain Mortgage, Security Agreement and Fixture Filing dated as of May 1, 2007, (d) that certain Assignment of Rents, Leases and Income dated as of May 1, 2007, and (e) that certain Security Agreement dated as of May 1, 2007.

To purchase the S-H Tampa Hotel, S-H Tampa obtained a \$37,000,000 loan from Lender in September, 2007. In connection with the loan, S-H Tampa executed, among other S-H Tampa Loan Documents, (a) that certain Loan Agreement dated as of September 19, 2007, (b) that certain Promissory Note in the original principal amount of \$37,000,000 dated as of September 19, 2007, (c) that certain Mortgage, Security Agreement and Fixture Filing dated as of September 19, 2007, (d) that certain Assignment of Rents, Leases and Income dated as of September 19, 2007, and (e) that certain Security Agreement dated as of September 19, 2007.

To purchase the S-H Palm Desert Hotel, S-H Palm Desert obtained a \$16,900,000 loan from Lender in February, 2007. In connection with the loan, S-H Palm Desert executed, among other documents, (a) that certain Loan Agreement dated as of February 8, 2007, (b) that certain Promissory Note in the original principal amount of \$16,900,000 dated as of February 8, 2007,

(c) that certain Deed of Trust, Security Agreement and Fixture Filing dated as of February 8, 2007, and (d) that certain Assignment of Rents, Leases and Income dated as of February 8, 2007.

In July, 2009, Lender extended the maturity date of its loans to Debtors and S-H Palm Desert through May 31, 2012. In connection with that extension, Debtors and S-H Palm Desert each executed a separate Guaranty Agreement, pursuant to which they each agreed to guaranty the repayment of Lender's loans to all Debtors and S-H Palm Desert. At that same time, Debtors and S-H Palm Desert also each executed mortgages, deeds of trust and/or security agreements, as applicable, pursuant to which Lender's loans to Debtors and S-H Palm Desert were all cross-collateralized and cross-defaulted.

In addition to the foregoing Loan Documents, each Debtor, Lender and Hostmark are parties to separate Tri-Party Agreements, which, among other things, address Lender's and Hostmark's rights in the event of a default under the Loan Documents. The Tri-Party Agreements are not material to Debtors' reorganization efforts.

C. Events Leading to Commencement of the Chapter 11 Cases

Debtors and S-H Palm Desert acquired their respective Hotels throughout 2006 and 2007 when the hospitality industry was thriving. However, a great economic recession followed soon thereafter, which had a devastating impact on the hospitality industry. For example, in September, 2008, the United States government announced that it had taken over control of Fannie Mae and Freddie Mac and Lehman Brothers announced its filing of a voluntary petition for relief under chapter 11 of the Bankruptcy Code. Thereafter, during the first week of October 2008, it was reported nationally that executives from a subsidiary of one of the world's largest insurance firms, American International Group ("AIG"), spent over \$440,000 on a corporate retreat at the St. Regis Monarch Beach Resort in Dana Point, California, less than two weeks after AIG had received an \$85 billion loan from the Federal Reserve, which set off a fire storm

of politicians, including dozens of Congressmen, President George W. Bush, and later President Barack Obama, railing against perceived excesses in corporate spending on travel and meetings. This political rhetoric and intense media scrutiny focused on the issue of corporate travel expenses continued through the end of 2008 and well into 2009, thus creating what has now become widely known throughout the travel, tourism, hospitality and meeting planner industries as the “AIG effect,” wherein corporations severely cut back their travel and meeting budgets for fear of negative publicity that would potentially follow any events that might have even the slightest appearance of frivolity, over-indulgence or extravagance.

Notwithstanding these significant challenges, Debtors and S-H Palm Desert all remained current on their respective loans from Lender through the date of maturity, *i.e.* May 31, 2012. Nevertheless, neither Debtors nor S-H Palm Desert could pay off the balance of their loans at that time; thus, they entered into negotiations with Lender to extend or refinance the loans. Those negotiations proved unsuccessful and, on June 18, 2012, Lender issued notices of default to Debtors and S-H Palm Desert and threatened to foreclose on the Hotels. Debtors and S-H Palm Desert commenced the Chapter 11 Cases to avoid foreclosure and reorganize their businesses through the chapter 11 process.

IV. THE CHAPTER 11 CASES

A. Continuation of Business; Stay of Litigation

Since the Petition Date, Debtors have continued to operate as debtors in possession subject to the supervision of the Bankruptcy Court and in accordance with the Bankruptcy Code. Debtors are authorized to operate their businesses and manage their properties in the ordinary course of business, with transactions outside of the ordinary course of business requiring Bankruptcy Court approval.

An immediate effect of the commencement of the Chapter 11 Cases was the imposition of the automatic stay under section 362 of the Bankruptcy Code, which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by creditors, the enforcement of liens against Debtors' property and the continuation of litigation against Debtors. The relief provides Debtors with the "breathing room" necessary to assess their businesses and prevent creditors from obtaining an unfair recovery advantage while the Chapter 11 Cases are pending.

B. First Day Motions

At the outset of the Chapter 11 Cases Debtors and S-H Palm Desert filed certain motions seeking relief by virtue of so-called "first day orders." First day motions and orders are intended to facilitate the transition between a debtor's prepetition and postpetition business operations by approving certain regular business practices that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior Bankruptcy Court approval. The first day motions filed in each of the Chapter 11 Cases were substantially similar and were typical of motions filed in medium to large chapter 11 cases across the country. Such motions sought, among other things, the following relief:

- Interim use of Lender's cash collateral;
- The maintenance of Debtors' and S-H Palm Desert's bank accounts and operation of their cash management systems substantially as such systems existed prior to the Petition Date;
- Payment of employees' prepetition wages, benefits and expense reimbursements;
- Authority to administer customer programs and honor certain prepetition obligations to customers;
- Payment of prepetition sales, use and occupancy taxes; and
- Approval of procedures to provide utility companies with adequate assurance of future payment, which prohibited utility companies from discontinuing service to Debtors and S-H Palm Desert.

C. Retention of Professionals

Debtors and S-H Palm Desert applied for and obtained Bankruptcy Court approval to retain Perkins Coie as their bankruptcy counsel. Perkins Coie has served as Debtors' and S-H Palm Desert's bankruptcy counsel at all times during the Chapter 11 Cases.

D. Authorization to Use Cash Collateral

As of the Petition Date, Debtors and S-H Palm Desert held the operating proceeds of the Hotels and the S-H Palm Desert Hotel on which Lender asserts a first priority lien and security interest (the "Cash Collateral"). Cash Collateral includes, but is not limited to, "cash, negotiable instruments, documents of title, securities, deposit accounts, . . . other cash equivalents . . . and . . . proceeds, products, offspring, rents or profits of property subject to a security interest . . ." 11 U.S.C. § 363(a). Under the Bankruptcy Code, Debtors and S-H Palm Desert are prohibited from using Cash Collateral unless either Lender consents or the Bankruptcy Court, after notice and a hearing, authorizes such use.

On the Petition Date, Debtors and S-H Palm Desert moved for the entry of interim and final orders authorizing their use of Cash Collateral. On July 1, 2012, Lender filed its initial objections to Debtors' and S-H Palm Desert's use of Cash Collateral. On July 6, 2012, the Bankruptcy Court entered interim cash collateral orders, which authorized Debtors' and S-H Palm Desert's limited use of Cash Collateral through July 31, 2012. The Bankruptcy Court scheduled a further hearing on the continued use of Cash Collateral for July 26, 2012. Prior to that hearing, Lender requested a further short-term extension to allow the parties to attempt to negotiate longer-term Cash Collateral usage.

On July 30, 2012, the Bankruptcy Court entered second interim cash collateral orders, which authorized Debtors' and S-H Palm Desert's limited use of Cash Collateral through August 10, 2012. The Bankruptcy Court scheduled a further hearing on the use of Cash Collateral for

August 9, 2012. Rather than negotiate longer-term Cash Collateral usage, Lender replaced its counsel and on August 6, 2012, filed additional objections to Debtors' and S-H Palm Desert's use of Cash Collateral. On August 8, 2012, Debtors, S-H Palm Desert and Hostmark filed responses to Lender's objections to the continued use Cash Collateral.

On August 9, 2012, the Bankruptcy Court conducted an evidentiary hearing, during which Debtors and S-H Palm Desert called four witnesses to testify and introduced numerous exhibits into evidence. Immediately following the evidentiary hearing, the Bankruptcy Court overruled Lender's objections and permitted Debtors' and S-H Palm Desert's use of Cash Collateral. Consequently, on August 16, 2012, the Bankruptcy Court entered third interim cash collateral orders, which authorized Debtors' and S-H Palm Desert's use of Cash Collateral through October 31, 2012.

On October 15, 2012, Debtors filed motions for the continued use of Lender's cash collateral through January 31, 2013.² On October 19, 2012, Lender filed objections to Debtors' requests for further use of Cash Collateral and filed motions for adequate protection. On October 23, 2012, the Bankruptcy Court heard oral argument and again overruled Lender's objections to Debtors' use of Cash Collateral and denied Lender's request for adequate protection.

On November 2, 2012, the Bankruptcy Court entered fourth interim orders authorizing Debtors' use of Cash Collateral through January 31, 2013. On January 30, 2013, the Bankruptcy Court entered fifth interim orders authorizing Debtors' use of Cash Collateral through April 30, 2013. Debtors expect to obtain authority to use Cash Collateral through the Plan's Effective Date.

² S-H Palm Desert did not move for further use of cash collateral because S-H Palm Desert agreed to turn its hotel over to Lender, which turnover was expected to occur on or before October 31, 2012 – the date which S-H Palm Desert's authorization to use cash collateral was set to expire. Such turnover actually occurred on November 15, 2012; thus, S-H Palm Desert is no longer attempting to reorganize its business.

E. S-H Palm Desert's Transfer To Lender

S-H Palm Desert estimated that it would run out of cash in the middle of September, 2012, and Lender was unwilling to permit S-H Palm Desert to access its funds held in a furniture, fixtures and equipment reserve (the "S-H Palm Desert Reserve") to permit the S-H Palm Desert Hotel to continue operating. Consequently, on August 9, 2012, S-H Tampa filed Debtor's Motion for Entry of an Order Authorizing a Loan to Shamrock-Hostmark Palm Desert Hotels, LLC and Request for Shortened Notice (the "Loan Motion"), pursuant to which S-H Tampa requested authority to loan funds to S-H Palm Desert to permit it to keep the S-H Palm Desert Hotel operating.

On August 9, 2012, S-H Palm Desert filed Debtor's Supplemental Motion to Use Cash Collateral Held by Lender in a Furniture, Fixtures and Equipment Reserve or, in the Alternative, Convert or Dismiss Debtor's Case, and Request for Shortened Notice, pursuant to which S-H Palm Desert requested use of its funds held by Lender in the S-H Palm Desert Reserve to maintain its business and avoid closing the S-H Palm Desert Hotel.

On September 7, 2012, S-H Palm Desert initiated an adversary proceeding against Lender in which it requested turnover of S-H Palm Desert's funds held by Lender in the S-H Palm Desert Reserve. Contemporaneously therewith, S-H Palm Desert filed in the adversary proceeding Debtor's Motion for Preliminary Mandatory Injunction (the "Motion for Preliminary Injunction"), pursuant to which S-H Palm Desert requested the immediate turnover from Lender of its funds in the S-H Palm Desert Reserve sufficient to permit S-H Palm Desert to continue operating through October, 2012.

On September 10, 2012, Lender filed a motion to dismiss S-H Palm Desert's case. On September 11, 2012, Lender filed responses to the Loan Motion and the Motion for Preliminary Injunction. On September 12, 2012, the Bankruptcy Court heard argument on all pending

motions relating to S-H Palm Desert's cash needs. By agreement of the parties, the Court directed the parties to submit an agreed order pursuant to which S-H Palm Desert would voluntarily turn over the S-H Palm Desert Hotel to Lender.

On September 14, 2012, the Court entered the Agreed Order Authorizing Orderly Transition of Debtor's Assets to General Electric Capital Corporation, pursuant to which Lender was ordered to pay \$90,000 immediately from the S-H Palm Desert Reserve to S-H Palm Desert, and S-H Palm Desert and Lender agreed to work cooperatively to transfer the S-H Palm Desert Hotel to Lender or its designee by October 31, 2012. The parties agreed to extend the deadline for the transfer to November 15, 2012 and the transfer occurred on that date. Accordingly, S-H Palm Desert is no longer operating and has no business to reorganize.

Because Lender's loans to Debtors and S-H Palm Desert are cross-collateralized and each of the Debtors and S-H Palm Desert guaranteed all of the loans, Debtors have a significant interest in seeing that the S-H Palm Desert Hotel's value is maximized. The more the S-H Palm Desert Hotel is worth, the lower the debt will be against Debtors. Accordingly, on December 5, 2012, S-H Palm Desert filed a Motion to Determine Value of General Electric Capital Corporation's Secured Claim. By agreement of the parties, that motion has been continued from time to time.

On April 3, 2013, Debtors filed their own motions requesting that the Bankruptcy Court determine the value of Lender's Secured Claims in their respective cases. Such valuations will determine Lender's secured claims and Lender's deficiency claims under the Plan. Debtors will request that the Court determine these values no later than June, 2013.

F. Debtors' Exclusivity

Section 1121(b) of the Bankruptcy Code provides for an initial period of 120 days after the date of the order for relief during which a debtor has the exclusive right to file a plan.

Section 1121(c) of the Bankruptcy Code provides that if the debtor files a plan within the 120-day exclusive period, it has the balance of 180 days after the date of the order for relief to solicit and obtain acceptances of such plan. Debtors' exclusive period to file a plan was originally set to expire on October 25, 2012, and the attendant solicitation period was set to expire on December 24, 2012. Upon Debtors' motions and over Lender's objections, the Bankruptcy Court extended Debtors' exclusive period within which to file a plan and to obtain acceptances of such plan to January 31, 2013 and April 1, 2013, respectively.

On January 17, 2013, Debtors filed motions for a further extension of their exclusivity periods and Lender again objected to Debtors' requests. The Bankruptcy Court granted Debtors a further extension of the time within which to file a plan to March 12, 2013 and Debtors agreed that they would seek no further extensions. Accordingly, Debtors' exclusive period within which to file a plan expired on March 12, 2013.

G. Lender's Motions For Relief From The Automatic Stay

On April 8, 2013, Lender filed motions for relief from the automatic stay in the Chapter 11 Cases. Lender argues that Debtors have no equity in their Hotels and they cannot reorganize within a reasonable time. Thus, Lender believes it should be permitted to pursue foreclosure against the Hotels in the state courts of New Jersey, Texas, Massachusetts and Florida, thereby thwarting Debtors' reorganization efforts. Debtors will oppose Lender's motions because, as set forth in this Disclosure Statement and the Plan, they believe they can successfully reorganize for the benefit of all of their Creditors. As of the date of this Disclosure Statement, the Court has not yet ruled upon Lender's motions.

H. Affiliated Debtors' Procurement Of New Equity

The Fund retained The Plasencia Group, Inc. ("TPG") to assist it with formulating a reorganization strategy for Debtors. TPG is a national hospitality investment consulting and

advisory firm that, among other services, provides debt and equity placement to owners of hotels, resorts and golf courses throughout the United States, Canada and the Caribbean. TPG sought debt and/or equity for Debtors to permit them to successfully emerge from chapter 11. In connection with TPG's efforts, approximately 25 parties executed confidentiality agreements to permit them access to confidential due diligence materials. Moreover, TPG procured several written expressions of interest and/or letters of intent from third parties willing to pursue a transaction with Debtors. After carefully considering all written expressions of interest and vetting them with the entities that submitted them to TPG, the Fund and Debtors negotiated the terms of a transaction with HCK2 Capital Ventures, LLC ("Equity Investor"), which is described in more detail below and which forms the basis of the Plan. Equity Investor is not affiliated with Debtors, the Fund, Hostmark or any of their principals, insiders or affiliates.

Equity Investor is a joint venture between K2 Capital Partners, LLC ("K2") and Hotel Capital Partners ("Hotel Capital"). Based in San Marcos, California, K2 is a San Diego based private real estate investment and asset management firm specializing in the hotel and office asset classes. K2 was founded by industry veteran Jason Clouet as a vehicle to provide investors superior risk adjusted returns by implementing creative value added techniques coupled with an intensive asset management approach. The firm focuses on 100-500 room premium branded hotel properties and 100,000-300,000 SF office buildings in top 40 MSA markets. The firm's investor base includes high net worth, family office, institutional and trust fund investors.

Based in Indianapolis, Indiana, Hotel Capital is a private equity real estate investment firm that provides debt and equity capital throughout the hospitality industry. Hotel Equity's principals, including its President, Michael A. Collier, have completed over \$1 billion of hotel transactions, including investment sales, acquisitions, direct equity investments, preferred equity

investments, joint ventures, conventional financing, bridge financing, and mezzanine financing relating to most of the major hotel brands. Hotel Capital is the lead investment vehicle for all direct debt and equity investments, and serves as asset manager for public trust funds, family offices, and high net worth individuals. Hotel Capital is also a direct lender and commercial mortgage servicer for its portfolio of bridge loans, mezzanine loans and note purchases.

V. SUMMARY OF THE PLAN

Debtors are the proponents of a single joint Plan; however, their Estates will not be substantively consolidated and their respective Estates and Creditors will be addressed separately in the Plan. Nevertheless, Holders of Allowed Claims against and Allowed Interests in all Debtors shall receive substantially the same treatment under the Plan as described in more detail below. Moreover, the Plan must be confirmed with respect to all Debtors.

A. Classification and Treatment of Claims and Interests

The following is a summary of the provisions of the Plan as they relate to the classification and treatment of Claims and Interests thereunder. This summary is not the Plan. All parties in interest are referred to the Plan for full and complete information as to its provisions. To the extent there are any inconsistencies, the Plan will control.

The Venture's Equity Commitment will form the basis of Debtors' Plan. On the Effective Date, the Venture will pay the Equity Contribution to Debtors. The Equity Contribution will be used to: (a) satisfy all Allowed Administrative Claims in full; (b) satisfy all Priority Tax Claims in full; (c) satisfy all Miscellaneous Secured Claims in full (if Debtors choose to pay such Claims in full rather than Reinstate the Claims or return the collateral securing such Claims); (d) satisfy all Miscellaneous Priority Claims in full; (e) make Cash Distributions to Holders of Allowed General Unsecured Claims, in an amount equal to 25% of such Allowed General Unsecured Claims; (f) make Cash Distributions on the Lender Deficiency

Claims in an amount equal to 10% of such Lender Deficiency Claims, if applicable; (g) make a Cash Distribution to Lender in an amount equal to five percent (5%) of the Lender Secured Claims, which payment shall be based upon the amount of Lender's Secured Claims if it does not make a section 1111(b) election, as described below; (h) satisfy all Franchisors' Claims relating to the Venture's procurement of new franchise agreements for the Hotels' brands; (i) satisfy up to \$2,000,000 of renovations and capital improvements to the Hotels that may be required by the Franchisors; (j) satisfy all monetary cure Claims arising from Debtors' assumption of any executory contracts or unexpired leases and the assignment of such contracts and leases to the Venture; and (k) provide the Hotels with sufficient Cash to fund their post-Effective Date operations. In addition, on the Effective Date, Debtors shall pay to Lender all of their Effective Date Cash, which shall consist of all Debtors' Cash on hand as of the Effective Date, but excluding the Equity Contribution and sufficient Cash to permit Debtors to satisfy all of their operating expenses (other than Professional Fee Claims) that have accrued prior to the Effective Date. The foregoing Distributions shall be made on or as soon as reasonably practicable after the later of (x) the Effective Date or (y) the date that such Claims become Allowed. All Holders of Intercompany Claims and all Holders of Interests shall not receive any Distributions under the Plan and all Interests shall be deemed extinguished as of the Effective Date.

Lender is the largest secured and unsecured creditor in the Chapter 11 Cases. Generally, section 506(b) of the Bankruptcy Code provides that a secured creditor's secured claim is limited to the value of its collateral, while the balance of its claim is treated as unsecured, *i.e.*, the Lender Deficiency Claims. However, the Bankruptcy Code provides that a secured creditor whose collateral is worth less than its total claim may elect to have its entire claim treated as a

recourse/secured claim subject to certain exceptions which are not applicable here. Lender's right to make this election in the Chapter 11 Cases will not have an effect on any other Claims against Debtors, which will receive the same treatment regardless of Lender's decision. As set forth in more detail below, the treatment of Lender's Secured Claims will depend upon whether Lender makes a section 1111(b) election.

If Lender does not make a section 1111(b) election, the Bankruptcy Court will determine the amount of Lender's Secured Claims and Lender will retain all security interests and Liens in those amounts in and against Debtors' Property. On the Effective Date or as soon thereafter as is reasonably practicable, the Venture will make a Cash payment to Lender in an amount equal to five percent (5%) of each of Lender's Secured Claims against Debtors. The balance of the Lender Secured Claims will be paid by the Venture over the course of seven years from the Effective Date pursuant to modified loan terms described below.

If Lender does make a section 1111(b) election, its Secured Claims will be Allowed against each Debtor in an amount equal to the amount owed under such Debtor's Loan Documents as of the Petition Date plus one-fourth of the balance of the Palm Desert Loan as of the Petition Date, to be determined by the Bankruptcy Court, but excluding all penalties and other fees, costs and interest, and minus (a) such Debtor's Effective Date Cash, (b) such Debtor's FF&E Reserves and (c) one-fourth of the S-H Palm Desert Hotel's value as determined by the Bankruptcy Court. Lender shall retain its security interests and Liens in these amounts in and against Debtors' Property. On the Effective Date or as soon thereafter as is reasonably practicable, the Venture shall make a Cash payment to Lender in an amount equal to five percent (5%) of Lender's Secured Claims against each Debtor as if Lender had not made a section 1111(b) election. The balance of the Lender Secured Claims will be paid by the Venture over

the course of seven years from the Effective Date pursuant to modified loan terms described below.

There are six Classes of Claims and one class of Interests pertaining to each Debtor under the Plan. All Claims against and Interests in each Debtor shall receive substantially the same treatment under the Plan. Administrative Claims and Priority Tax Claims against all Debtors are not subject to classification pursuant to 11 U.S.C. § 1123(a)(1) and thus are not entitled to vote on the Plan. Class 1 and Class 2 Claims against all Debtors are Unimpaired and thus are presumed to have accepted the Plan pursuant to 11 U.S.C. § 1123(f). Claims in Class 6 and Interests in Class 7 pertaining to all Debtors will receive nothing under the Plan and thus are presumed to have rejected the Plan pursuant to 11 U.S.C. § 1126(g). Only Claims in Classes 3, 4, and 5 against all Debtors are Impaired and thus entitled to vote on the Plan.

The Plan contemplates Distributions to Holders of Allowed Claims in the following Classes in the order provided below. The treatment described below pertains to all Debtors' Creditors and Interest Holders; thus, such treatment is only described once to avoid duplication.

1. Unimpaired Claims

a. Unclassified Claims

Unclassified Claims consist of Administrative Claims, which are obligations of Debtors incurred after the Petition Date pursuant to 11 U.S.C. §§ 507(a)(1) and 503(b) that have remained unpaid (primarily Professional Fee Claims), and Priority Tax Claims entitled to priority pursuant to 11 U.S.C. § 507(a)(2).

During the pendency of the Chapter 11 Cases, the Bankruptcy Court authorized Debtors to employ Perkins Coie as Debtors' bankruptcy counsel. Prior to the Petition Date, Debtors and S-H Palm Desert paid retainers to Perkins Coie in the aggregate amount of \$510,232. Perkins Coie was paid from the retainers prior to the Petition Date for certain pre-petition fees and

expenses it incurred, thereby reducing the balance of the retainers to the following amounts as of the Petition Date: (i) S-H Princeton (\$96,781); (ii) S-H Texas (\$96,517); (iii) S-H Andover (\$102,337); (iv) S-H Tampa (\$97,395); and (v) S-H Palm Desert (\$96,651).

The compensation of professionals employed by debtors is subject to Bankruptcy Court approval. All such professionals are required to file a written application setting forth their compensation requested. All creditors must be provided with notice of the fee application and an opportunity to be heard. Perkins Coie has filed one interim application in Debtors' and S-H Palm Desert's cases, in which it sought compensation from June 27, 2012 through and including November 30, 2012. In connection with the applications, the Bankruptcy Court approved Perkins Coie's fees and expenses against Debtors and S-H Palm Desert as follows: (i) S-H Princeton (\$73,453.92); (ii) S-H Texas (\$81,177.61); (iii) S-H Andover (\$70,361.89); (iv) S-H Tampa (\$71,916.99); and (v) S-H Palm Desert (\$116,816.71). Perkins Coie was paid all of its fees and expenses from the balance of the retainers except \$20,165.79 (the "Palm Desert Fee Balance"), which represents the amount by which Perkins Coie's fees and expenses relating to S-H Palm Desert exceeded the balance of the retainer paid by S-H Palm Desert.

On March 11, 2013, the Fund paid Perkins Coie \$200,000 (the "Fund Retainer") to (a) serve as a retainer to secure the payment of Perkins Coie's fees and expenses incurred representing Debtors in their reorganization cases and/or (b) at Perkins' discretion, pay the Palm Desert Fee Balance. Perkins is not obligated to, and has not, allocated the Fund Retainer among Debtors, but rather Perkins has the discretion to allocate the Fund Retainer among Debtors in its sole and absolute discretion. Perkins Coie did, however, apply the Fund Retainer against the Palm Desert Fee Balance. On March 21, 2013, David M. Neff, a partner at Perkins Coie, disclosed the payment of the Fund Retainer in supplemental affidavits in support of Debtors' and

S-H Palm Desert's retention of Perkins Coie as their bankruptcy counsel. On April 9, 2013, Lender filed a motion to "void retainer agreement, require further disclosures and consider disinterestedness status" of Perkins Coie. Perkins Coie expects that as of the Plan's Confirmation, it will be owed an estimated additional \$100,000 from each of Debtors' Estates above its pre-petition retainers.

Administrative Claims also include claims payable under 28 U.S.C. § 1930, commonly called U.S. Trustee fees, which Debtors have paid on a quarterly basis during the pendency of the Chapter 11 Cases. Debtors shall pay any remaining unpaid U.S. Trustee fees on or before the Effective Date or as soon thereafter as is reasonably practicable.

Debtors do not believe they have any Priority Tax Claims entitled to priority under 11 U.S.C. § 507(a)(8). To the extent there are any Allowed Priority Tax Claims, Debtors shall pay all such Claims in full and in Cash on or as soon as reasonably practicable after the later of (a) the Effective Date or (b) the date that such Priority Tax Claim becomes Allowed.

b. Class 1 Claims (Miscellaneous Secured Claims)

Class 1 Claims consist of Miscellaneous Secured Claims, which are any Secured Claims other than Lender Secured Claims. Debtors are not aware of any Class 1 Claims. To the extent that there are any Class 1 Claims, each Holder of an Allowed Class 1 Miscellaneous Secured Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (i) Cash equal to the amount of such Allowed Miscellaneous Secured Claim; (ii) Reinstatement of such Allowed Miscellaneous Secured Claim; or (iii) the Property securing such Miscellaneous Secured Claim. Distributions to each Holder of Class 1 Miscellaneous Secured Claims shall be made on or as soon as reasonably practicable after the later of (a) the Effective Date or (b) the date that such Miscellaneous Secured Claim becomes Allowed.

c. Class 2 Claims (Miscellaneous Priority Claims)

Class 2 Claims consist of Miscellaneous Priority Claims, which are Claims entitled to Priority pursuant to 11 U.S.C. § 507(a), other than the Administrative Claims and Priority Tax Claims. The Bankruptcy Court entered orders permitting Debtors to satisfy all prepetition employee obligations, including the payment of prepetition trust fund taxes, which Debtors have done. Accordingly, Debtors are not aware of any Class 2 Claims. To the extent there are any Class 2 Claims, each Holder of an Allowed Class 2 Miscellaneous Priority Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim: (i) Cash equal to the amount of such Allowed Miscellaneous Priority Claim or (ii) such other treatment on such other terms and conditions that may be agreed upon in writing by the Holder of such Claim and Debtors. Distributions to each Holder of Class 2 Miscellaneous Secured Claims shall be made on or as soon as reasonably practicable after the later of (a) the Effective Date or (b) the date that such Miscellaneous Priority Claim becomes Allowed.

2. Impaired Claims

a. Class 3 Claim (Lender Secured Claims)

i. No Section 1111(b) Election

If Lender does not make a section 1111(b) election, Lender shall be Allowed a separate Secured Claim against each Debtor in amounts to be determined by the Bankruptcy Court and Lender shall retain its Liens upon Debtors' respective Property in those amounts. Debtors have obtained appraisals performed by Pinnacle Advisory Group that ascribed a current fair market value of the Hotels in the following amounts:

Palm Desert Embassy Suites	\$15,100,000
San Antonio Crowne Plaza	9,600,000
Princeton DoubleTree	10,500,000

Tampa DoubleTree	25,400,000
Andover Wyndham	15,600,000

The Allowed Lender Secured Claims shall not be discharged upon Confirmation of the Plan and shall be assumed by the Venture as of the Effective Date in their entirety. On the Effective Date or as soon as reasonably practicable thereafter, the Venture shall make a payment to Lender on account of the Lender Secured Claims against each Debtor totaling five percent (5%) of such Claims, thereby reducing Lender's Secured Claim against each Debtor by 5%.

ii. Section 1111(b) Election

If Lender makes a section 1111(b) election, Lender shall be Allowed a separate Secured Claim against each Debtor in amounts equal to the amounts owed under Debtors' respective Loan Documents as of the Petition Date plus, for each Debtor, one-fourth of the balance of the Palm Desert Loan as of the Petition Date, to be determined by the Bankruptcy Court, but excluding all penalties and other fees, costs and interest, and minus, for each Debtor (a) that Debtor's Effective Date Cash, (b) that Debtor's FF&E Reserves and (c) one-fourth of the S-H Palm Desert Hotel's value as determined by the Bankruptcy Court. The Allowed Lender Secured Claims shall not be discharged upon Confirmation of the Plan and shall be assumed by the Venture as of the Effective Date in their entirety. On the Effective Date or as soon as reasonably practicable thereafter, the Venture shall make a payment to Lender on account of Lender Secured Claims against each Debtor totaling five percent (5%) of such Claims as if Lender had not made a section 1111(b) election.

iii. Modified Loan Documents

Regardless of whether Lender makes a section 1111(b) election, Lender will retain a separate Secured Claim against each Debtor, which Claims will continue to be cross-guaranteed,

cross-defaulted and cross-collateralized by each Debtor. Moreover, regardless of whether Lender makes a section 1111(b) election, all Loan Documents shall be modified and restated consistent with, but not limited to, the following:

- a) the new borrower under the Loan Documents shall be the Venture;
- b) the principal amount of the loans shall be as determined by the Bankruptcy Court;
- c) the new maturity date of the loans shall be seven years from the Effective Date;
- d) interest on the new loans shall be fixed at 4.25%;
- e) principal shall be amortized on a 25-year basis;
- f) the loans may be prepaid at any time without any fees or penalties and no repayment fees or charges shall apply upon repayment, whether such repayment occurs on or before the maturity date;
- g) Lender shall release its Lien on the Property of a Debtor if Lender receives payment of 100% of the then outstanding amount due to Lender under the applicable Debtor's Loan Documents;
- h) the Venture shall not be deemed to have restated all of Debtors' representations and warranties regarding Debtors' actions or any other obligations that may have arisen prior to the Effective Date;
- i) the closing date and the date of any initial advance described in the Loan Documents shall be the Effective Date;
- j) the Venture shall not be obligated to fund any escrows on the Effective Date, but will comply with all other monthly escrow requirements under the Loan Documents beginning on the first day of the month following the Effective Date;
- k) the Venture shall not be obligated to make any deliveries or payments or undertake any other acts on the Effective Date, including, without limitation, all such deliveries, payments or acts contained in any representations or warranties in the Loan Documents, and all deliveries, acts or payments that were required to be made by Debtors under the Loan Documents prior to the Effective Date shall be deemed satisfied by the Venture or waived by Lender;

- l) the Venture's organizational structure shall replace that of Debtors for all purposes under the Loan Documents, including, without limitation, any transfer and control limitations contained in the Loan Documents;
- m) the definition of Property Manager in the Loan Documents shall be changed to reflect the Hotels' new management company as of the Effective Date;
- n) the Hotels shall be permitted to transfer cash amongst one another in the form of loans as necessary and appropriate to ensure that all Hotels can satisfy their liabilities as they come due;
- o) the Venture shall not be required to cause any one or more of the Franchisors to execute a comfort letter for the benefit of Lender, *provided, however*, that Debtors shall undertake commercially reasonable efforts to assist Lender with procuring comfort letters from each of the Franchisors;
- p) there shall be no personal liability imposed upon the Venture or its members relating to the Venture's procurement of franchise agreements for the Hotels or renovations to the Hotels that may be or may have been required under the Loan Documents;
- q) on the Effective Date, Debtors and the Venture shall be deemed to have cured, or Lender shall be deemed to have waived, any and all of the following defaults under the Loan Documents: (i) payment defaults; (ii) covenant defaults relating to loan to value, debt service coverage, tangible net worth or liquidity; and (iii) defaults arising *ipso facto* as a result of the Chapter 11 Cases;
- r) the Venture shall have no right to extend the loans beyond the maturity date;
- s) no "performance conditions" or other requirements or tests shall be applicable in any way to limit or restrict the Venture's right to distribute cash from any one or more of the Hotels' operating accounts in the Venture's sole discretion; and
- t) the Fund shall no longer be a guarantor of the loans.

Debtors, the Venture and Lender shall, in good faith, prepare and execute all such documents as may be necessary and appropriate to restate and/or modify the Loan Documents consistent with the provisions of the Plan.

b. Class 4 Claims (General Unsecured Claims)

Each Holder of an Allowed Class 4 General Unsecured Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim Cash equal to 25% of such Allowed General Unsecured Claim. Distributions to each Holder of Class 4 General Unsecured Claims shall be made on or as soon as reasonably practicable after the later of (i) the Effective Date or (ii) the date that such General Unsecured Claim becomes Allowed.

c. Class 5 Claim (Lender Deficiency Claims)

If Lender does not make a section 1111(b) election, each Holder of an Allowed Lender Deficiency Claim shall receive in full satisfaction, settlement, release, extinguishment and discharge of such Claim Cash equal to 10% of such Allowed Lender Deficiency Claim. Distributions to each Holder of an Allowed Lender Deficiency Claim shall be made on or as soon as reasonably practicable after the later of (i) the Effective Date or (ii) the date that such Class 5 Lender Deficiency Claim becomes Allowed. If Lender makes a section 1111(b) election there will be no Class 5 Lender Deficiency Claims.

d. Class 6 Claims (Intercompany Claims)

Holders of Class 6 Intercompany Claims shall not receive any Distribution under the Plan on account of their Class 6 Intercompany Claims.

e. Class 7 (Interests)

Holders of Class 7 Interests shall not receive a Distribution or receive or retain any Property under the Plan on account of such Interests. All Interests shall be deemed to be extinguished as of the Effective Date.

B. Reservation of Rights Regarding Claims

Except as otherwise explicitly provided in the Plan, nothing will affect Debtors' rights and defenses, both legal and equitable, with respect to any Claims, including, but not limited to,

all rights with respect to legal and equitable defenses to alleged rights of setoff or recoupment. Debtors specifically reserve all rights, remedies, claims, defenses and Causes of Action.

C. Allowed Claims, Distribution Rights and Objections to Claims

1. Allowance Requirement

Only Holders of Allowed Claims are entitled to receive Distributions under the Plan. An Allowed Administrative Claim is a Claim or any portion thereof that has been Allowed, or adjudicated in favor of the Holder by estimation or liquidation, by a Final Order, that was incurred by Debtors in the ordinary course of business during the Chapter 11 Cases and as to which there is no dispute as to Debtors' liability, or that has become Allowed by failure to object pursuant to Section 2.04 of the Plan. An Allowed Claim is such Claim or any portion thereof (other than an Administrative Claim) of (a) any Claim against Debtors that has been listed by Debtors in their Schedules, as such Schedules may have been amended by Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent, and with respect to which no contrary proof of claim has been filed, (b) any Claim specifically allowed under the Plan, (c) any Claim the amount or existence of which has been determined or allowed by a Final Order, or (d) any Claim as to which a proof of claim has been timely filed before the Bar Date, provided that at the time of the Effective Date Debtors have not identified such Claim as being objectionable in part or in whole and no objection to the allowance thereof has been filed by the Claims Objection Deadline; *provided, however*, that the term Allowed, with reference to any Claim, shall not include (x) any unliquidated claim or (y) interest or attorneys' fees on or related to any Claim unless otherwise expressly provided for in the Plan.

2. Date of Distributions

All Distributions to Holders of Allowed Claims as of the Effective Date will be made as and when provided in the Plan.

3. Making of Distributions

Distributions to Holders of Allowed Claims will be made by Debtors (a) to the last known addresses of such Holders, or (b) to the addresses set forth in any written notices of address changes delivered to Debtors. If any Holder's Distribution is returned as undeliverable, no further Distributions to such Holder shall be made unless and until the applicable Debtor is notified of such Holder's then current address, at which time all missed Distributions shall be made to such Holder without interest. Amounts in respect of undeliverable Distributions made by Debtors will be returned to Debtors until such Distributions are claimed.

All Property Distributed on account of Claims must be claimed prior to the date on which the Bankruptcy Court enters the Final Decrees, or, in the case of a Distribution made in the form of a check, must be negotiated or a request for reissuance be made as provided for in Section 6.05 of the Plan. All Unclaimed Property shall be delivered to and shall vest in the Venture. All full or partial payments made by Debtors and received by the Holder of a Claim prior to the Effective Date will be deemed to be payments under the Plan for purposes of satisfying the obligations of Debtors pursuant to the Plan. Nothing contained in the Plan shall require Debtors to attempt to locate any Holder of an Allowed Claim other than by reviewing Debtors' records and any Claims filed in the Chapter 11 Cases. Pursuant to section 1143 of the Bankruptcy Code, all Claims in respect of Unclaimed Property shall be deemed Disallowed under Section 6.06 of the Plan and the Holder of any Claim Disallowed under Section 6.06 of the Plan will be forever barred, expunged, estopped and enjoined from asserting such Claim(s) in any manner against Debtors, the Venture, Equity Investor or the Fund.

4. Objection Procedures

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, under the Plan, Debtors shall have the exclusive right, on and after the Effective Date, to File Objections to Claims (other than Claims specifically Allowed in the Plan) and shall serve a copy of each such Objection upon the Holder of the Claim to which the Objection is made as soon as practicable, but in no event later than the latest of (a) 30 Days after the Effective Date or (b) 30 Days after the Day on which any Claim is Filed. The foregoing deadlines may be extended by order of the Bankruptcy Court. An Objection to any Claim shall be deemed properly served on the Holder thereof if Debtors effect service in any of the following manners: (x) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Federal Rule of Bankruptcy Procedure 7004; (y) by first class mail, postage prepaid, on the signatory on the proof of claim or interest or other representative identified in the proof of claim or interest or any attachment thereto; or (z) by first class mail, postage prepaid, on any counsel who has appeared on the Holder's behalf in the Chapter 11 Cases.

D. Disposition of Executory Contracts and Unexpired Leases

1. Contracts and Leases Deemed Rejected

The Plan provides that all Debtors' executory contracts and unexpired leases shall be deemed rejected by Debtors as of the Effective Date, except for any executory contract or unexpired lease that (a) has previously been assumed, assumed and assigned, or rejected pursuant to an order of the Bankruptcy Court on or prior to the Confirmation Date or (b) is the subject of a pending motion to assume, assume and assign, or reject as of the Confirmation Date, *provided, however*, that Debtors shall have the right, at any time prior to the Confirmation Date, to amend or withdraw any pending motion to assume, assume and assign, or reject any executory

contract or unexpired lease. For the avoidance of any doubt, the Tri-Party Agreements and the Hotel Management Agreements shall be deemed rejected by Debtors as of the Effective Date.

2. Cure of Defaults for Assumed Contracts and Leases

The cure of all defaults under executory contracts and unexpired leases to be assumed by Debtors and assigned to the Venture, including the resolution of all Objections to the adequacy of assurance of future performance under such contracts and leases and as to the adequacy of amounts proposed to cure defaults under such contracts and leases, shall be adjudicated by the Bankruptcy Court at the Confirmation Hearing. All cure costs required to be paid in connection with Debtors' assumption and assignment of any executory contract or unexpired lease shall be paid from the Equity Contribution.

3. Debtors' Franchise Agreements and the Hotels' Capital Improvements

The Venture shall endeavor to enter into new agreements with the Franchisors to permit the Hotels to retain their respective franchise affiliations following the Effective Date. It is contemplated that the Venture will enter into such agreements as of the Effective Date. All Franchisors' expenses, costs, fees and/or other charges associated with the Venture's procurement of such new agreements shall be funded from the Equity Contribution, including the cure of all monetary defaults under the Franchise Agreements.

Moreover, Debtors anticipate that Franchisors will insist upon a new product improvement plan, or "PIP", for each of the Hotels. A PIP generally consists of specific renovations and capital improvements that a hotel owner must undertake to obtain or retain its franchise affiliation. Although Debtors believe that their Hotels have been well-maintained and they have continued to make capital improvements to their Hotels during the Chapter 11 Cases, they estimate that compliance with a new PIP for all four of the Hotels will total approximately

\$4,000,000. Of that amount, up to \$2,000,000 will be funded from the Equity Contribution and the remaining \$2,000,000 will be funded from the Hotels' ongoing cash flows.

4. Rejection Damages

Claims arising out of the rejection of any executory contract or unexpired lease pursuant to Article VII of the Plan must be filed with the Bankruptcy Court no later than the later of (a) twenty (20) Days after the Effective Date or (b) thirty (30) Days after the entry of an order rejecting such executory contract or unexpired lease. Any Claim not filed within such time period shall be forever barred. Debtors shall have the right to object to any Claim arising out of the rejection of an executory contract or unexpired lease pursuant to the terms of Section 9.05 of the Plan. The Bankruptcy Court shall determine any Objections Filed in accordance with Sections 7.03 and 9.05 of the Plan at a hearing to be held on a date to be determined by the Bankruptcy Court. Subject to any statutory limitation, including, but not limited to the limitations contained in sections 502(b)(6) and 502(b)(7) of the Bankruptcy Code, any Claims arising out of the rejection of executory contracts and unexpired leases shall, pursuant to section 502(g) of the Bankruptcy Code, be Impaired and treated as General Unsecured Claims against the applicable Debtors.

E. Post-Confirmation Management and Control

As set forth above, the Venture will consist of the Equity Investor and the Fund. The Equity Investor has committed \$12,000,000 to the Venture and the Fund has committed \$250,000 to the Venture, all of which forms the basis of the Plan and provides the means to make Distributions required under the Plan. Moreover, the Equity Investor shall have a 98% membership interest in the Venture and the Fund shall have a 2% membership interest in the Venture. As part of the Plan, the Venture shall acquire title to all Debtors' Interests and all Debtors' Property, such that the Fund shall become the new owner of the Hotels.

The Joint Venture Agreement shall provide, among other things, that the Equity Investor shall: (a) be the administrative member with authorization to conduct the ordinary and usual business of the Venture; (b) have control over all of the Venture's major decisions; (c) have sole discretion to select the management company for the Hotels and negotiate new management agreements; and (d) receive an asset management fee in an amount equal to one percent (1%) of the Hotels' combined aggregate gross revenues. Although the Equity Investor expects to select Expotel Hospitality Services ("Expotel") as the Hotels' new management company, it will consider proposals from Hostmark for the continued management of the Hotels.

Based in Metairie, Louisiana and formed in 2001, Expotel is a full service hotel management company that serves many of the major hotel brands and independent hotels. Expotel has managed more than 50 hotels throughout the United States and currently manages approximately 15 hotels in six different states totaling more than 2,700 rooms. Although Expotel has and may continue to manage hotels in which K2 is a direct or indirect investor, Expotel has no prior or current affiliation with Debtors, the Fund or any of their respective principals or affiliates. More information about Expotel can be found at www.expotel-usa.com.

VI. CONFIRMATION AND/OR CONSUMMATION

Described below are certain important considerations under the Bankruptcy Code in connection with the Plan's Confirmation. In addition to the information provided herein, all parties in interest are encouraged to review the relevant provisions of the Bankruptcy Code and consult their own attorneys.

A. Requirements for Confirmation of the Plan

In order for the Plan to be Confirmed, the Bankruptcy Code requires the Bankruptcy Court to determine that the Plan complies with the requirements of chapter 11 of the Bankruptcy

Code. In addition, the Bankruptcy Court must determine that the Plan has been proposed in good faith and not by any means forbidden by law.

Some specific requirements under the Bankruptcy Code for Confirmation of the Plan are:

(a) the Plan must be accepted by the requisite votes of Creditors and Interest holders, except to the extent that Confirmation despite dissent is available under section 1129(b) of the Bankruptcy Code; and (b) the Plan must be in the “best interests” of all of Debtors’ Creditors (*i.e.*, Creditors will receive at least as much pursuant to the Plan as they would receive in liquidation under chapter 7 of the Bankruptcy Code (*see* Article VII of this Disclosure Statement)).

To confirm the Plan, the Bankruptcy Court must find that all of the above conditions are met, unless the applicable provisions of section 1129(b) of the Bankruptcy Code are employed. Thus, even if all of the Classes accept the Plan by the requisite number of votes, the Bankruptcy Court must make independent findings concerning whether the Plan conforms to the requirements of the Bankruptcy Code and whether the Plan is in the best interests of Debtors’ Creditors before it may confirm the Plan.

Debtors believe that, upon receipt of the votes required to confirm the Plan, the Plan will satisfy all the statutory requirements of chapter 11 of the Bankruptcy Code, that Debtors have complied or will have complied with all of the requirements of chapter 11 and that the Plan has been proposed and submitted to the Bankruptcy Court in good faith.

Even if all of the foregoing are satisfied, if any Class of Claims is Impaired and votes to reject the Plan, Debtors must satisfy the applicable “cramdown” standard with respect to that Class. Section 1129(b) of the Bankruptcy Code requires that the plan “not discriminate unfairly” and be “fair and equitable” with respect to such dissenting Class of Claims. In the event any

Class of Claims votes to reject the Plan, Debtors believe they will satisfy the cramdown standards in section 1129(b) with respect to any such rejecting Class.

The Plan specifies conditions precedent that must be satisfied on or prior to the Effective Date, which is the first Business Day following the date on which all conditions to consummation set forth in Article X of the Plan have been satisfied or waived (if capable of being duly and expressly waived), provided that no stay of the Confirmation Order is then in effect. The conditions precedent to the Effective Date include:

- a) the Bankruptcy Court shall have approved the information contained in this Disclosure Statement as adequate;
- b) the Confirmation Order shall have been entered and become a Final Order and shall not be stayed by order of a court of competent jurisdiction;
- c) the Joint Venture Agreement shall have been executed by the Fund and the Equity Investor;
- d) the Venture shall have paid the Equity Contribution to Debtors in Cash pursuant to the terms and conditions of the Plan, subject to the Venture's right to make Distributions provided for in the Plan to Lender and the Franchisors;
- e) Debtors' Interests and Property shall have been transferred to the Venture pursuant to the terms and conditions of the Plan;
- f) the Venture, Debtors and Lender, as applicable, shall have executed documents necessary and appropriate to amend or restate the Loan Documents pursuant to the terms and conditions of the Plan;
- g) the Venture shall have executed new franchise agreements with the Franchisors;
- h) the Bankruptcy Court shall have entered an order (contemplated to be pursuant to the Confirmation Order), which shall have become a Final Order, authorizing and directing Debtors to take all actions necessary or appropriate to enter into, implement, and consummate the documents created, amended, supplemented, modified or adopted in connection with the Plan;

- i) all authorizations, consents and regulatory approvals required, if any, in connection with the Plan's effectiveness shall have been obtained;
- j) no order of any court shall have been entered and shall remain in effect restraining Debtors from consummating the Plan; and
- k) each of the foregoing conditions shall have occurred (or been waived) on or before July 31, 2013.

B. Effects of Confirmation

1. Discharge

To the fullest extent permitted by applicable law (including, without limitation, section 105 of the Bankruptcy Code), and except as otherwise provided in the Plan or in the Confirmation Order, all consideration Distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims of any nature whatsoever against Debtors or any of their assets or Property, regardless of whether any Property shall have been Distributed or retained pursuant to the Plan on account of such Claims. Upon the Effective Date, and except as expressly contemplated in the Plan, Debtors shall be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, debts (as such term is defined in section 101(12) of the Bankruptcy Code), Liens, security interests, and encumbrances of and against all Property of the respective Estates or Debtors that arose prior to the Effective Date, including without limitation, all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (a) such Claim has been Allowed pursuant to section 502 of the Bankruptcy Code, or (b) the Holder of such Claim has voted to accept the Plan. Further, as of the Effective Date, all entities, including, without limitation, all Holders of Claims or Interests, shall be barred and enjoined from asserting against Debtors, the Fund, the Equity Investor and the Venture, their property or their successors or

assigns any other or further Claims, debts, rights, Causes of Action, liabilities or Interests relating to Debtors based upon any act, omission, transaction or other activity of any nature that occurred prior to the Effective Date, except for those obligations expressly created by, or reserved in, the Plan. In accordance with the foregoing, except as provided in the Plan or the Confirmation Order, the Confirmation Order shall be a judicial determination of discharge of all such Claims and other debts and liabilities against Debtors and termination of all Interests pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge and termination shall void any judgment obtained against Debtors at any time, to the extent that such judgment relates to a discharged Claim or terminated Interest.

2. Injunction

a. Discharged Claims and Terminated Interests

Except as otherwise expressly provided for in the Plan or the Confirmation Order and to the fullest extent authorized or provided by the Bankruptcy Code, including sections 524 and 1141 thereof, the entry of the Confirmation Order shall, provided that the Effective Date occurs, permanently enjoin all Persons that have held, currently hold or may hold a Claim or other debt or liability that is Impaired or discharged or an Interest or other right of an equity security holder that is Impaired or terminated pursuant to the terms of the Plan from taking any of the following actions against Debtors, the Fund, the Equity Investor, the Venture, or the Property of any of the foregoing on account of any such discharged Claims, debts or liabilities or such terminated Interests or rights: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or enforcing in any manner, directly or indirectly, any Lien or encumbrance of any kind; (iv) asserting any setoff, offset, right

of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to Debtors; and (v) proceeding in any manner in any place whatsoever, including employing any process, that does not conform to or comply with or is inconsistent with the provisions of the Plan.

b. Released Claims

As of the Effective Date, the Confirmation Order shall constitute an injunction permanently enjoining any Person that has held, currently holds or may hold a Claim, demand, debt, right, Cause of Action or liability that is released pursuant to Section 11.04 of the Plan from enforcing or attempting to enforce any such Claim, demand, debt, right, Cause of Action or liability against (i) Debtors, (ii) any Releasee, or (iii) any Exculpated Person, or any of their respective Property, based on, arising from or relating to, in whole or in part, any act, omission, or other occurrence taking place on or prior to the Effective Date with respect to or in any way relating to the Chapter 11 Cases, all of which claims, demands, debts, rights, Causes of Action or liabilities shall be deemed released on and as of the Effective Date; *provided, however*, that with respect to the former directors, officers and employees of Debtors, this injunction shall apply only to the enforcement of Claims, demands, debts, rights, Causes of Action or liabilities with respect to which such former directors, officers and employees would be entitled to indemnification from Debtors under contract or law; and, *provided further, however*, that this injunction shall not apply to (a) any claims Creditors may assert under the Plan to enforce their rights thereunder to the extent permitted by the Bankruptcy Code or (b) any claims Creditors or other third parties may have against each other, which claims are not related to Debtors, it being understood, however, that any defenses, offsets or counterclaims of any kind or nature

whatsoever which Debtors may have or assert in respect of any of the Claims of the type described in (a) or (b) of this Section VI(B)(2)(b) shall be fully preserved.

3. Exculpation

None of Debtors, the Venture or any Exculpated Person shall have or incur any liability to any Person, including, without limitation, any Holder of a Claim or Interest or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or affiliates or any of their successors or assigns, for any act taken or omission made in connection with, relating to, or arising out of, the Chapter 11 Cases, Filing, negotiating, prosecuting, administering, formulating, implementing, Confirming or consummating this Plan, or the Property to be Distributed under this Plan, including all activities leading to the promulgation and confirmation of the Plan, the Disclosure Statement (including any information provided or statement made in the Disclosure Statement or omitted therefrom), or any contract, instrument, release or other agreement or document created in connection with or related to the Plan or the administration of Debtors or these Chapter 11 Cases, *provided, however*, that the foregoing exculpation shall not apply to any act that is determined by a Final Order to constitute gross negligence or willful misconduct.

4. Releases

a. Releases by Debtors

Effective as of the Effective Date, and except as otherwise provided in the Plan or the Confirmation Order, for good and valuable consideration, the adequacy of which is hereby confirmed, Debtors, in their individual capacities and as debtors in possession, will be deemed to have forever released, waived and discharged the Releasees from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of Debtors to enforce the Plan and the contracts, instruments, releases, indentures and

other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by Debtors, taking place on or prior to the Effective Date in any way relating to Debtors, the Chapter 11 Cases or the Plan; *provided, however*, that the releases provided in this Section VI(B)(4)(a) shall not be applicable to any Holder of a Claim that timely votes to reject the Plan with respect to any Debtor.

b. Releases by Holders of Claims and Interests

Effective as of the Effective Date, and except as otherwise provided in the Plan or the Confirmation Order, to the fullest extent permitted under applicable law, in consideration for the obligations of the Persons set forth below under the Plan and, if applicable, the Cash, securities, contracts, releases and other agreements or documents to be delivered in connection with the Plan, each Holder of a Claim that votes in favor of the Plan, and any Affiliate of any such Holder (as well as any trustee or agent on behalf of each such Holder) shall be deemed to have forever waived, released and discharged (i) Debtors, (ii) the Venture and (iii) the Releasees from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities (other than the rights of Debtors to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder), whether for tort, contract, violations of federal or state securities laws, or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole

or part on any act, omission, transaction, event or other occurrence, including actions in connection with indebtedness for money borrowed by Debtors, taking place on or prior to the Effective Date in any way relating to Debtors, the Chapter 11 Cases or the Plan.

5. Other Documents and Actions

Debtors are authorized to execute such documents and take such other action as is necessary or appropriate to effectuate the transactions provided for or contemplated by or in the Plan.

6. Term of Injunctions or Stays

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

7. Preservation of Insurance

Except as necessary to be consistent with the Plan, the Plan and the discharge provided herein shall not diminish or impair (a) the enforceability of insurance policies that may cover Claims against Debtors or any other Person or Entity or (b) the continuation of any workers' compensation programs in effect, including self-insurance programs.

8. Subordination Rights

Any Distributions under the Plan shall be received and retained free of and from any obligations to hold or transfer the same to any other Creditor, and shall not be subject to levy, garnishment, attachment or other legal process by any Holder by reason of claimed contractual subordination rights, which rights shall be waived and the Confirmation Order shall constitute an injunction enjoining any Person from enforcing or attempting to enforce any contractual, legal or

equitable subordination rights to Property Distributed under the Plan, in each case other than as provided in the Plan.

9. No Successor Liability

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

C. Preservation of Rights of Action

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

All Causes of Action, including Avoidance Actions, other than those expressly released or compromised as part of or pursuant to the Plan, shall remain Property of Debtors' Estates.

D. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain after the Effective Date exclusive jurisdiction of all

matters arising out of, arising in or related to the Chapter 11 Cases to the fullest extent permitted by applicable law, including, without limitation, jurisdiction to:

- 1) classify or establish the priority or secured or unsecured status of any Claim (whether Filed before or after the Effective Date and whether or not contingent, Disputed or unliquidated) or resolve any dispute as to the treatment of any Claim pursuant to the Plan;
- 2) grant or deny any applications for allowance of compensation or reimbursement of expenses pursuant to sections 330, 331 or 503(b) of the Bankruptcy Code or otherwise provided for in the Plan, for periods ending on or before the Effective Date;
- 3) determine and resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;
- 4) ensure that all payments due under the Plan and performance of the provisions of the Plan are accomplished as provided herein and resolve any issues relating to Distributions to Holders of Allowed Claims pursuant to the provisions of the Plan;
- 5) construe, take any action and issue such orders, prior to and following the Confirmation Date and consistent with section 1142 of the Bankruptcy Code, as may be necessary for the enforcement, implementation, execution and consummation of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan, including, without limitation, the Disclosure Statement and the Confirmation Order, for the maintenance of the integrity of the Plan in accordance with sections 524 and 1141 of the Bankruptcy Code following consummation;
- 6) determine and resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, implementation or enforcement of the Plan (and all Exhibits to the Plan, if any) or the Confirmation Order, including any indemnification and injunction provisions set forth in and contemplated by the Plan or the Confirmation Order, or any Person's rights arising under or obligations incurred in connection therewith;
- 7) hear any application of Debtors to modify the Plan after the Effective Date pursuant to section 1127 of the Bankruptcy Code and Section 13.04 of the Plan or modify the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document

created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code and the Plan;

- 8) issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;
- 9) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
- 10) determine any other matters that may arise in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, except as otherwise provided in the Plan;
- 11) determine such other matters and for such other purposes as may be provided in the Confirmation Order;
- 12) hear and determine any other matters related to the Plan and not inconsistent with chapter 11 of the Bankruptcy Code;
- 13) hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;
- 14) enter one or more Final Decrees closing each of the Chapter 11 Cases;
- 15) allow, disallow, determine, liquidate or estimate any Claim, including the compromise, settlement and resolution of any request for payment of any Claim, the resolution of any Objections to the allowance of Claims and to hear and determine any other issue presented by the Plan or arising under the Plan, including during the pendency of any appeal relating to any Objection to such Claim (to the extent permitted under applicable law);
- 16) permit Debtors to recover all assets of Debtors and Property of their respective Estates, wherever located;
- 17) hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to Debtors or Debtors' respective Estates arising prior to the

Effective Date or relating to the period of administration of the Chapter 11 Cases, including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

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

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to Debtors, including with respect to the matters set forth above, nothing in the Plan shall prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

E. Amendment, Alteration and Revocation of Plan

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

Debtors reserve the right, at any time prior to the Confirmation of the Plan to withdraw the Plan. If the Plan is withdrawn or if the Confirmation Date does not occur, the Plan shall be null and void and have no force and effect. In such event, nothing contained herein or in the Plan shall be deemed to constitute a waiver or release of any claims by or against Debtors or any other Person or to prejudice in any manner the rights of Debtors or any Person in any further proceedings involving Debtors.

VII. FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

A. Feasibility of the Plan

In connection with Confirmation of the Plan, Debtors must demonstrate and the Bankruptcy Court must find that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code, which means that the Confirmation of the Plan is not likely to be followed by the liquidation or the need for a further financial reorganization of Debtors.

Debtors and the Venture believe that they will be able to satisfy all obligations under the Plan that must be satisfied on the Effective Date or as reasonably as is practicable thereafter from the Equity Contribution. In support of these contentions, Debtors have attached as Exhibit B to this Disclosure Statement their proposed Sources and Uses of Cash.

Debtors further believe that they will be able to make their respective debt service payments to Lender during the seven years following the Effective Date and either pay off their loans in full or refinance them at the end of the seven-year period. Debtors' assumptions apply regardless of whether Lender makes a section 1111(b) election. Indeed, Debtors believe that the Hotels will be worth substantially more at the end of seven years following the Effective Date than Lender is owed on account of its Secured Claims. Debtors have attached as Exhibit C-1 through Exhibit C-4 to this Disclosure Statement Pinnacle Advisor Group's financial projections

for each of the Hotels for the seven years following the Effective Date, which projections are contained in each of Pinnacle Advisory Group's appraisals.

Debtors have made a variety of assumptions regarding the Hotels' future performance, including that: (a) by making renovations and capital improvements to the Hotels, the Hotels will remain competitive with other hotel properties in their respective markets; (b) the hospitality industry in general will continue to improve during the seven years following the Effective Date; and (c) the Hotels will not be affected by any catastrophic events. Debtors' historical operations and cash flows support Debtors' financial projections. Based upon such projections, Debtors believe that the Plan satisfies the feasibility requirements of the Bankruptcy Code.

B. Acceptance of the Plan

As a condition to Confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances. Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds ($\frac{2}{3}$) in dollar amount and more than one-half ($\frac{1}{2}$) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, Holders of Claims in each of Classes 3, 4 and 5 will have voted to accept the Plan only if two-thirds ($\frac{2}{3}$) in amount and a majority in number of the Claims actually voting in each Class cast their Ballots in favor of the Plan's acceptance. Holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan. However, if all Holders of Claims in a Class entitled to vote on the Plan fail to cast their votes, the Plan shall be deemed accepted by such Class of Claims.

C. Best Interests Test

Even if the Plan is accepted by each Class of Claims and Interests entitled to vote on the Plan, the Plan must still be in the best interests of all Holders of Claims or Interests that are

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

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

The amount of liquidation value available to unsecured creditors in a chapter 7 liquidation would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 case and the chapter 11 case. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as attorneys and other professionals retained by the trustee, asset disposition expenses, all unpaid administrative expenses incurred by the debtor in its chapter 11 case that are allowed in the chapter 7 case, litigation costs and claims arising from the operations of the debtor during the pendency of the chapter 11 case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay

general unsecured claims or to make any distribution in respect of equity security interests. The liquidation would also prompt the rejection of a large number of executory contracts and unexpired leases and thereby significantly enlarge the total pool of unsecured claims by reason of resulting rejection damages claims.

Once the bankruptcy court ascertains the anticipated recoveries of secured creditors and priority claimants in a liquidation, it must then determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under the plan, then the plan is not in the best interests of creditors and equity security holders.

D. Liquidation Analysis

For purposes of the best interests test, to determine the amount of liquidation value available to Creditors, Debtors prepared a liquidation analysis, which analysis is attached to this Disclosure Statement as Exhibit D (the “Liquidation Analysis”). The Liquidation Analysis concludes that, in the event of a forced liquidation of Debtors’ Property under chapter 7, the aggregate value to be realized by Debtors’ Estates would be less than that contemplated under the Plan. Indeed, Distributions to Lender under a chapter 7 liquidation would be substantially less than those contemplated by the Plan and Holders of General Unsecured Claims against all Debtors would not receive a Distribution in a forced chapter 7 liquidation. Accordingly, Debtors believe that the “best interests” test of section 1129 of the Bankruptcy Code is satisfied.

E. Confirmation Without Acceptance of All Impaired Classes: The “Cramdown” Alternative

In the event any Class of Impaired Claims rejects the Plan, Debtors may seek confirmation of the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code.

Section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes if the Bankruptcy Court determines that the plan “does not discriminate unfairly” and is “fair and equitable” as to each impaired class that has not accepted the plan. Debtors believe the Plan does not discriminate unfairly with respect to the Claims in Classes 4 and 5. Although the Plan does treat Class 4 creditors differently than Class 5 creditors, those differences are well supported by the facts of this case and applicable case law. Among other reasons, Lender was a long-term lender that had the benefits of cross-collateralization lacked by general unsecured creditors and, through its affiliate, is one of the largest single limited partners of the Fund. Moreover, applicable law requires separate classification of Lender's deficiency claim from the claims of general unsecured creditors. *See In re Woodbrook Assocs.*, 19 F.3d 312 (7th Cir. 1994).

A plan is fair and equitable as to a class of secured claims that rejects a plan if the plan provides: (a) that the holders of secured claims retain the liens securing such claims and that each holder of a secured claim receives on account of such claim deferred cash payments totaling at least the allowed amount of such claim; (b) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the secured claims with such liens to attach to the proceeds of such sale; or (c) for the realization by such holders of the indubitable equivalent of the secured claims. *See* 11 U.S.C. § 1129(b)(2)(A)(i), (ii) and (iii).

A plan is “fair and equitable” as to holders of unsecured claims that reject the plan if the plan provides either that: (a) each holder of a claim of such class receives or retains on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) the holder of any claim or interest that is junior to the claims of

such class will not receive or retain under the plan on account of such junior claim or interest any property. See 11 U.S.C. § 1129(b)(2)(B)(i) and (ii).

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides: (a) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest; or (b) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property at all. See 11 U.S.C. § 1129(b)(2)(C)(i) and (ii).

Here, Debtors believe the Plan provides appropriate loan terms to Lender that satisfy the requirements of section 1129(b)(2)(A)(i). Based on the new money being infused into Debtors under the Plan and because Debtors' exclusive period to file a plan has terminated, Debtors believe they satisfy the requirements of section 1129(b)(2)(A)(ii). *See In re 203 N. LaSalle St. P'ship*, 526 U.S. 434 (1999). Lastly, because no equity interest holder is receiving any distribution on its equity interest, Debtors believe they satisfy the requirements of section 1129(b)(2)(C).

VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

Debtors believe that the Plan affords Holders of Claims in Classes 3, 4 and 5 the potential for the greatest recovery from Debtors' Estates, therefore, is in the best interests of such Holders. If, however, the requisite acceptances are not received, or the Plan is not Confirmed and consummated, the theoretical alternatives include (a) formulation of an alternative plan or plans of reorganization, or (b) liquidation of Debtors under chapter 7 of the Bankruptcy Code.

A. Alternative Plan(s) of Reorganization

Because Debtors' exclusive period to file a plan has terminated, any other party in interest could attempt to formulate and propose a different plan or plans of reorganization. Such a plan or plans might involve either a reorganization and continuation of Debtors' businesses or an orderly liquidation of Debtors' Property. Debtors believe that the Plan enables Creditors to realize the greatest possible value under the circumstances and has the greatest chance to be Confirmed and consummated.

B. Liquidation Under Chapter 7

If no plan is confirmed, Debtors' case may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate Debtors' Property for distribution in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict with certainty how the proceeds of the liquidation would be distributed to the respective Holders of Claims against or Interests in Debtors. It is, however, possible to predict that Lender would assert that it holds liens upon and security interests in substantially all assets to be liquidated, likely resulting in nothing to distribute to any other Class of Claims or Interests.

Debtors believe that a liquidation under chapter 7 would cause a substantial diminution in Debtors' Estates given the substantial premium in the enterprise value of their businesses over the liquidation value of their assets, and the additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees. The assets available for distribution to Creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, arising by reason of the liquidation and from the rejection of leases and other executory contracts in

connection with the cessation of operations and the failure to realize the greater going concern value of Debtors' assets.

Rather than try to sell Debtors' assets, a chapter 7 trustee could abandon Debtors' Hotels or consent to relief from the automatic stay to permit Lender to foreclose on the Hotels. In such instance, only Lender, certain administrative priority claimants and other secured and priority creditors would realize any distribution from the disposition of Debtors' assets; general unsecured creditors would receive nothing.

IX. THE SOLICITATION; VOTING PROCEDURES

A. Parties in Interest Entitled to Vote

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

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

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

deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan.

B. Classes Entitled to Vote to Accept or Reject the Plan

Holders of Claims in Classes 3, 4 and 5 with respect to all Debtors are entitled to vote to accept or reject the Plan. By operation of law, each Unimpaired Class of Claims is deemed to have accepted the Plan and each Impaired Class of Claims or Interests that will receive nothing under the Plan is deemed to have rejected the Plan and, therefore, the Holders of Claims or Interests in such Classes are not entitled to vote to accept or reject the Plan. Consequently, Classes 1 and 2 with respect to all Debtors are deemed to have accepted the Plan and Classes 6 and 7 with respect to all Debtors are deemed to have rejected the Plan and, therefore, none of the Holders of Claims or Interests in such Classes are entitled to vote to accept or reject the Plan.

C. Solicitation Order

Upon approval of this Disclosure Statement, the Bankruptcy Court entered an order that, among other things, determines the dates, procedures and forms applicable to the process of soliciting votes on the Plan and establishes certain procedures with respect to the tabulation of such votes (the "Solicitation Order"). Parties in interest may obtain a copy of the Solicitation Order through the Bankruptcy Court's electronic case filing system or by making written request upon Debtors' counsel.

D. Waivers of Defects, Irregularities, Etc.

All questions with respect to the validity, form, eligibility (including time of receipt), acceptance and revocation or withdrawal of Ballots will be determined by the Bankruptcy Court. Any withdrawal of a Ballot must be delivered to the Clerk of the Bankruptcy Court prior to the Voting Deadline. Debtors reserve the absolute right to contest the validity of any such withdrawal. Debtors also reserve the right to seek rejection of any and all Ballots not in proper

form. Debtors further reserve the right to seek waiver of any defects or irregularities or conditions of delivery as to any particular Ballot. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) may be invalidated by the Bankruptcy Court.

E. Voting Rights of Disputed Claimants

Holders of Disputed Claims in Classes 3, 4 and 5 with respect to all Debtors whose Claims are asserted as wholly unliquidated or wholly contingent in Proofs of Claim filed prior to the Voting Deadline (collectively, the “Disputed Claimants”) are not permitted to vote on the Plan except as provided in the Solicitation Order. Pursuant to the procedures outlined in the Solicitation Order, Disputed Claimants may obtain a Ballot for voting on the Plan only by filing a motion under Bankruptcy Rule 3018(a) seeking to have their Claims temporarily Allowed for voting purposes (a “Rule 3018 Motion”). Any such Rule 3018 Motion must be Filed and served upon Debtors’ counsel and the Clerk of the Bankruptcy Court no later than 5:00 p.m. (Central time) on the fourteenth (14th) Day after the date of service of an Objection, if any, to such claim. The Ballot of any Creditor Filing such a motion will not be counted unless temporarily allowed by the Bankruptcy Court for voting purposes, after notice and a hearing. Any party timely Filing and serving a Rule 3018 Motion will be provided a Ballot and be permitted to cast a provisional vote to accept or reject the Plan. If and to the extent that Debtors and such party are unable to resolve the issues raised by the Rule 3018 Motion prior to the Voting Deadline established by the Bankruptcy Court, then at the Confirmation Hearing the Bankruptcy Court will determine whether the provisional Ballot should be counted as a vote on the Plan. Nothing herein affects Debtors’ rights to Object to any Proof of Claim after the Voting Deadline.

F. Further Information; Additional Copies

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

Brian A. Audette
Perkins Coie LLP
131 South Dearborn Street, Suite 1700
Chicago, IL 60603-5559
Telephone: (312) 324-8400
Facsimile: (312) 324-9400
Baudette@perkinscoie.com

X. SOLICITATION OF ACCEPTANCES

For all of the reasons set forth in this Disclosure Statement, Debtors believe that Confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, Debtors urge all Holders of Claims in Classes 3, 4 and 5 with respect to all Debtors to vote to ACCEPT the Plan, and to complete and return their Ballots so that they will be RECEIVED on or before _____, 2013, at 5:00 p.m. prevailing Central time.

(signature page follows)

Dated: April 12, 2013

**SHAMROCK-HOSTMARK PRINCETON
HOTEL, LLC**

By: 
Authorized Agent and Representative

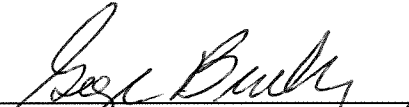
**SHAMROCK-HOSTMARK TEXAS
HOTELS, L.P.**

By: 
Authorized Agent and Representative

**SHAMROCK-HOSTMARK ANDOVER
HOTELS, LLC**

By: 
Authorized Agent and Representative

**SHAMROCK-HOSTMARK TAMPA
WESTSHORES HOTEL, LLC**

By: 
Authorized Agent and Representative