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SHASTA LAKE RESORTS, LP

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

In re: SHASTA LAKE RESORTS, LP, Debtor.	Case No. 11-37221 Chapter 11 **DEBTOR'S DISCLOSURE STATEMENT TO PLAN OF REORGANIZATION DATED OCTOBER 28, 2011**

I.

INTRODUCTION

On July 13, 2011 ("Petition Date"), Shasta Lake Resorts, LP ("SLR" or "Debtor") filed a voluntary petition for reorganization under chapter 11 of the United States Bankruptcy Code ("Code") in the United States Bankruptcy Court, Eastern District of California, Sacramento Division (the "Bankruptcy Court" or "Court").

On October 28, 2011, the Debtor filed its Plan (the "Plan") to enable it to restructure its financial obligations in the face of the worst economic downturn in several generations. This Disclosure Statement provides information about the history of the Debtor and the Plan terms. The Plan will enable all creditors to receive payment, in full over time, in respect of their claims and provides for continuation of business operations.

A. Purpose of this Disclosure Statement

Chapter 11 of the Code requires that the Debtor, as the Plan proponent, submit to creditors and holders of interests a copy of the Plan or a summary thereof, and a written disclosure statement which, after noticed hearing, the Bankruptcy Court has approved as containing adequate information. Section 1125(a) of the Code defines "adequate information."

This Disclosure Statement contains information about the Debtor and describes the Plan. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

The proposed distributions under the Plan are discussed at pages 10* through 16* of this Disclosure Statement.

This Disclosure Statement describes:

- The Debtor, its business, and the significant events leading to the necessity of filing this bankruptcy;
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the Plan is confirmed);
- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court ("the Court") will consider when deciding whether to confirm the Plan;
- Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that, if confirmed, will establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan this Disclosure Statement describes. This section describes the procedures involved in Plan confirmation.

1. *Time and Place of the Hearing to Confirm the Plan*

The hearing at which the Court will determine whether to confirm the Plan will take place on _____, 2011, at _____ a.m., in Department 35, at the United States Bankruptcy Court, 501 I Street, 6th Floor, Sacramento, CA, 95814.

2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the Plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to:

Mailing address:	Telecopier (fax) no.:
Susan Heaton Downey Brand LLP 621 Capitol Mall, 18th Floor Sacramento, CA 95814 sheaton@downeybrand.com	(916) 444-2100

Your ballot must be received by _____, 2011, or it will not be counted.

3. *Deadline For Objecting to the Confirmation of the Plan*

Objections to the confirmation of the Plan must be filed with the Court and served upon the parties listed below by _____, 2011.

Mailing address:	Telecopier (fax) no.:
Jamie Dreher Kelly Pope Downey Brand LLP 621 Capitol Mall, 18th Floor Sacramento, CA 95814	(916) 444-2100
Office of the U.S. Trustee Robert T. Matsui U.S. Courthouse 501 I Street, Room 7-500 Sacramento, CA 95814	

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4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact:

Mailing address: Phone no.:

Jamie Dreher (916) 444-1000
Kelly Pope
Downey Brand LLP
621 Capitol Mall, 18th Floor
Sacramento, CA 95814
jdreher@downeybrand.com

C. Disclaimer

The Court has approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.

II.

BACKGROUND

A. Background of the Debtor and its Finances.

SLR is a leading supplier of luxury houseboat rentals in Northern California, as of the Petition Date operating a fleet of approximately 65 houseboats primarily out of its Jones Valley Resort on Shasta Lake and its New Melones Lake Marina. SLR offers a full service dock at both Jones Valley Resort and New Melones Lake Marina, with overnight and year round moorage and small boat and accessory rentals. SLR also operates floating stores which sell everything its customers may want to complete their houseboating experience, including grocery items, bait and tackle, water sports and marine items, unique gifts and apparel. SLR offers slip rentals at Sugarloaf Resort on Shasta Lake. Collectively, Jones Valley Resort, New Melones Lake Marina and Sugarloaf Resort are hereinafter referred to as the "Resorts."

SLR is headquartered in Lodi, California, and operates under the tradename "Houseboats.com." On the Petition Date SLR had approximately 42 full-time employees and 34 seasonal/part-time employees. SLR's general partner, Water Resorts, Inc. ("WRI") was formed in 1983, and SLR was later formed in 1989, for the purpose of forming a houseboat rental business on Shasta Lake. The Debtor is a privately held entity that is owned by a small

group of limited partners and shareholders. WRI is a California corporation and SLR is a California limited partnership.

As discussed in more detail below, various factors combined to cause the Debtor to seek relief under chapter 11 of the Bankruptcy Code, with the ultimate goal of preserving the value of the estate's assets and successfully reorganizing. Among other things, challenges in the vacation industry, due in large part to the current financial and economic crisis reduced the Debtor's revenues and cash flow from operations. These pressures were exacerbated when the Debtor's pre-petition secured lender, Bank of America ("BofA"), who at all relevant times prior to the commencement of this Chapter 11 case was the Debtor's secured lender, refused to extend or otherwise modify the terms of its approximate $4.1 million term loan in an acceptable manner that would have allowed the Debtor to continue to drastically reduce its debt (which it has done successfully for the last two years) by selling excess houseboat inventory, stabilizing operations and surviving through this recession.

As of the Petition Date, the Debtor's total secured long term liabilities were approximately $4.5 million. Of this, approximately $4 million was owing to BofA. The Debtor's aggregate trade debt as of the Petition Date was approximately $1.9 million, though as discussed below this amount includes notes payable to insiders which will not be paid back until third party and trade creditors are paid in full. Throughout this Chapter 11 process, the Debtor has demonstrated that BofA is oversecured by $3.5 million to $5.5 million. Further, at all relevant times prior to this case and in large part since, BofA received a direct, dollar for dollar principal reduction to its outstanding loan balance from the sale of the Debtor's used houseboat inventory.

The other significant creditor in this case is the California Department of Boating & Waterways ("DBAW"). DBAW made four loans to SLR for the construction of docks and other floating structures at Jones Valley Resort, New Melones Lake Marina and Sugarloaf Resort. DBAW claims a security interest in the docks and floating structures at these marinas as either fixtures or leasehold improvements. As of the Petition Date, SLR owed DBAW approximately $518,000.

As noted above, SLR was a borrower under that certain Loan and Consolidation Agreement dated as of September 30, 2009 between it and BofA (the "Loan Agreement") by and between SLR and BofA. The Loan Agreement consolidated a prior loan agreement with BofA for term and revolving debt. SLR's obligations under the Loan Agreement are secured by substantially all of its assets, with the SLR's general partner, WRI, guarantying SLR's obligations thereunder. The loan was originally scheduled to mature on December 31, 2010 (which in itself was a consolidation of previous financing arrangements, and which also required a $500,000 principal payment reduction). SLR was unable to pay or refinance the loan by that date, and instead negotiated to extend the term of the loan until June 30, 2011. One of the terms of the extension through June 30, 2011 was that BofA would impose a $50,000 fee in the event that the loan was not repaid in full by the new date.

It is important to note that in the last two years, SLR has reduced the amount of the original indebtedness first from approximately $6 million to the balance as of the Petition Date of approximately $4 million, and, since the pendency of this case and while operating in chapter 11, the Debtor has further successfully reduced the principal balance owed to approximately $3.6 million. These principal reductions were accomplished through selling surplus houseboats, business operations, and cash contributions from SLR's partners. Specifically, the loan balance as of January 1, 2011, was $4,669,397.16, and as of October 15, 2011, was $3,640,387.16. Due to the decrease in reservations over the past few years and the status of its fleet, the Debtor has additional used houseboat inventory it will continue to sell in the ordinary course of its business, to further reduce the loan balance and support operations. As further discussed below, the Debtor has been able to obtain sales prices for its used houseboat inventory largely in excess of book value, due to the fact that those boats are being sold by an operating business run by individuals with the background and reputation trusted by potential customers that have enabled the Debtor to obtain sales at prices much higher than it would have or will be able to if either the business were not operating, or if the market were suddenly flooded with an influx of used houseboats if the Debtor did not continue to operate, or if the Debtor's management had not stayed in place.

Unfortunately, the Debtor has not been immune from the credit crisis. Although it searched for alternate financing sources, including talking to many other traditional lenders, the Debtor was unable to repay or refinance the BofA loan on or before the June 30, 2011 maturity date. This constituted an event of default under the terms of the Loan Agreement, and BofA imposed the $50,000 penalty on SLR. On July 1, 2011, BofA, without permission from SLR, unilaterally debited SLR's bank account at BofA in the approximate amount of $24,900, in partial satisfaction of the penalty. BofA also indicated that it would be imposing a default rate of interest.

BofA has collateral valued at more than twice the outstanding indebtedness, and it has enjoyed an aggressive amount of principal repayment over the last 2 years. Nonetheless, it had been unwilling to further extend the loan's maturity date, reduce the interest rate charged on the loan (currently at 5% over the Prime Rate, or 8.25%, and an even higher default rate of 14.25%) or otherwise relax these covenants for any meaningful period of time, except for on terms that the Debtor's management did not believe the Debtor could comply with.

The revenues collected from operations are sufficient to service the Bank's loan both in bankruptcy and upon emergence from Chapter 11. However, due to the failure to satisfy certain financial covenants in the loan documents and reaching the loan maturity date, the Debtor has not been able to fully satisfy the obligations under the BofA Note.

The Debtor reached out to the Bank to garner some patience and understanding, in the form of a forbearance, to provide the Debtor with additional time to sell excess houseboats and repay the loan. Over the next several months, the Debtor made multiple proposals to the Bank to modify the terms of the loan, including extensions, potential buyouts, interest only payments and various proposals to pay a reduced amount of interest and principal. The Bank had made earlier concessions for extensions of the loan's maturity date, but not on a long term basis or on terms that the Debtor believed it could successfully restructure its obligations, pay its creditors, and continue to operate in the manner necessary to satisfy all creditors, including the Bank.

Despite the Debtor's expression of willingness to negotiate with BofA, the Bank's

final response to its multiple proposals was the demand that the BofA Note be a full recourse obligation to the partners of the Debtor, and even then, on terms that the Debtor did not believe it could agree to in good faith. Without being able to reach an acceptable agreement with the Bank, SLR was forced to file a petition under Chapter 11 on July 13, 2011 (the "Petition Date").

The Debtor believes that two provisions of the Bankruptcy Code, working together, will enable the Debtor to exit bankruptcy with viable operations. First, the provisions of chapter 11 should enable the Debtor to restructure the Bank debt by both reducing the monthly payments and by extending the terms of the Bank notes. Second, the Debtor will continue the orderly sale of excess houseboat inventory which the Debtor anticipates will raise additional substantial funds to be used toward repayment of the BofA Note, which, as discussed above, it has demonstrated its ability to successfully do.

B. The Chapter 11 Case and Current Activity

As soon as this chapter 11 case was filed, the Debtor sought, and obtained, approval of the Bankruptcy Court to (a) pay prepetition wages and to honor employee obligations, (b) pay prepetition tax and priority claims, (c) honor customer deposit returns, refunds, and customer programs, (d) use cash collateral, and to (e) maintain utility service.

Since that time, the Debtor has also come to agreement with the Bank on the use of its cash collateral, embodied by a court approved stipulation providing for an approved budget through November 30, 2011 ("Cash Collateral Stipulation"), has obtained authority to employ various professionals, and has obtained court approval to sell its used houseboat inventory in the ordinary course of business without further court approval. The Debtor anticipates seeking further court approval for the use of cash collateral through plan confirmation, if necessary.

Additionally, the Debtor has been in negotiations with the former lessor/permitor of its operations at Lake McClure, to whom operations of that marina were turned over on June 24, 2011, in anticipation of an imminent agreement on amounts due both parties for unpaid use fees accruing during the time the parties attempted to negotiate a new use permit, for

recompense for some of the personal property remaining on those premises, the sale of a used houseboat to the lessor/permitor, and other matters. The parties have been in discussions since that time regarding the issues, and the Debtor is hopeful that the parties will be able to seek court approval of the terms of any such settlement. The Debtor believes that any settlement will result in a net cash inflow to the Debtor, which will enable it to meet its winter 2011-2012 cash flow needs. Alternatively, if the parties are unable to come to agreement, the parties will have claims against each other that are addressed in the Plan. The Debtor believes the risk or downside to not coming to agreement is the fees and costs associated with litigating the respective claims, otherwise these negotiations and claims should not affect the Plan or Plan Confirmation.

The Debtor has also consistently and throughout 2011 marketed and sold used houseboats, which has resulted in a significant reduction in the amount of its secured debt.

The remainder of the Debtor's chapter 11 case should include the Plan Confirmation process and the claims administration process.

III.

SUMMARY OF THE PLAN

The Plan proposes to pay the Bank's secured claims in full from the Debtor's future operating revenues and from sale of excess houseboat inventory. The Plan also provides for payment in full at the Plan Effective Date to those unclassified claims and classes of claims which the Bankruptcy Code requires to be paid on the Effective Date, except to those classes of claims which agree otherwise, and payment in full over time to those classes of claims which the Bankruptcy Code requires or allows to be paid in full over time. The Plan provides for two classes of secured claims; five classes of non-priority unsecured claims; one class of unclassified priority claims; and one class of equity interests.

At the present time, the Debtor does not contemplate bringing any avoidance actions pursuant to Bankruptcy Code section 544, *et seq.*, but reserves the right to do so. The Debtor also reserves the right to object to claims. The Debtor believes that the pursuit of preferences will not benefit the estate since the Plan contemplates a reorganized entity and ongoing

operations, and the Debtor needs the assistance of its vendors and partners to insure operations and relationships are maintained on a going forward basis.

All creditors and equity security holders should refer to Articles III through VI of the Plan for information regarding the precise treatment of their claims. If you do not have an attorney, you may wish to consult one.

All capitalized terms in this Disclosure Statement shall have the meanings assigned in Article II of the Plan. Any term used in the Plan or this Disclosure Statement that is not defined in the Plan but that is defined in the Code or the Bankruptcy Rules shall have the meaning assigned by the Code or the Bankruptcy Rules.

A. Treatment Of Administrative Expense Claims, U.S. Trustees Fees, And Priority Tax Claims

1. *Unclassified Claims*. Pursuant to section 1123(a)(1) of the Code, the Plan does not classify Administrative Claims or priority Tax Claims.

2. *Administrative Claims*. Each holder of an Allowed Administrative Claim will be paid in full on the Effective Date of this Plan, in cash, or upon such other terms as may be agreed upon by the holder of the Claim and the Debtor. Any Administrative Claim which has not been approved by the Court as of the Effective Date will be paid as soon as the Court approves such Claim. As demonstrated by the most recent Monthly Operating Report on file with the Bankruptcy Court (for the month ending September 30, 2011), the Debtor is substantially current on postpetition debt and other administrative claims, other than professional fees, which fees are reserved for in part by an existing retainer.

3. *Tax Claims*. Each holder of a priority Tax Claim will receive payments on account of such Claim, in accordance with section 1129(a)(9)(C) of the Code, in monthly installments over a period not exceeding five years after the Petition Date with interest accruing at the Prime Rate. The Debtor estimates that it has no such claims or that they will be paid in full by or on the Effective Date. As a result of the First Day Motions filed in the case, discussed above, the Debtor obtained court approval to pay tax claims accrued prepetition, which it has done, and has kept them current on a postpetition basis.

4. *United States Trustee Fees.* All fees required to be paid by 28 U.S.C. section 1930(a)(6) (U.S. Trustee Fees) will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees owed on or before the Effective Date of this Plan will be paid on the Effective Date. Payment of the U.S. Trustee Fees is now current.

B. Classification and Description Of Claims And Interests

Class 1. Class 1 consists of all Priority Claims (except Administrative Claims under § 507(a)(2), and priority Tax Claims under § 507(a)(8)). The Debtor is not aware of any Priority Claims in this Chapter 11 Case, having obtained court approval to pay prepetition wages and tax claims from the Bankruptcy Court, which it has done and which payments remain current.

Class 2. Class 2 consists of the Secured Claim of BofA secured by substantially all of the Debtor's personal property. As of September 30, 2011, the principal amount of the Secured Claim of BofA was $3,640,387.16, and interest payments to the Bank are current and being paid on a monthly basis with Bankruptcy Court approval of the Cash Collateral Stipulation entered into between the Debtor and the Bank.

Class 3. Class 3 consists of the Secured Claims of the California Department of Boating and Waterways secured by various dock facilities and leases in the approximate amount of $484,650 (including principal and interest). Post-petition payments to DBAW are current.

Class 4. Class 4 consists of all Unsecured Claims, or total of Unsecured Claims, held by one person in the amount of $1,000 or less, or which the holder of the claim(s) agrees to reduce to $1,000.

Class 5. Class 5 consists of the unsecured, deficiency Claim, if any, of BofA under the BofA Note. The Debtor believes that BofA is secured, so believes this class claim to be zero ($0.00).

Class 6. Class 6 consists of all Unsecured Claims which are not Administrative Claims or Priority Claims or otherwise separately classified. The Debtor believes that the

claims in this class totals approximately $200,000.

Class 7.

a) Class 7(a) consists of a promissory note issued to buy out a former partner's interest in the Debtor ("Buyout Note"). The Buyout Note was sold to a group consisting of certain holders of Equity Interests of the Debtor, and others. This claim totals approximately $838,000.

b) Class 7(b) consists of promissory notes to certain holders of Equity Interests of the Debtor ("Insider Notes"). This claim totals approximately $646,000.

Class 8. Class 8 consists of Equity Interests of the Debtor.

Class 9. Class 9 consists of the claim of Merced Irrigation District, Twin Lakes Management Company, Inc., or any entity or individual claiming a right through or by them ("MID/TLMC"), or any claim associated with the operation of the Lake McClure marina and associated facilities or operations on or after June 24, 2011. The Debtor believes that, taking into account the Debtor's claims against MID/TLMC, the value of this claim is ($0.00).

C. Identification of Impaired Claims And Interests and Treatment Under the Plan

All classes of claims and interests are impaired under the Plan. The Plan treats Claims and Interests as follows:

Class 1. The Allowed Class 1 Priority Claims, if any, are impaired by this Plan, and each holder of a Class 1 Priority Claim will be paid in full, in cash, in 2 equal payments commencing on the first day of the first calendar quarter subsequent to the Effective Date. Each quarterly payment shall be for one-half (1/2) of the principal amount of the Class 1 Claim. The amount of this Class is estimated by the Debtor to be zero. At its option, the Debtor may pay any Allowed Class 1 Priority Claim in full at an earlier date, without penalty.

Class 2. Class 2 is impaired by this Plan. The Class 2 Secured Claim of BofA will be paid in full pursuant to the following terms.

The Class 2 Claim will remain a first priority lien on the Debtor's assets and will accrue interest commencing on the Effective Date at the Prime Rate plus 1.5%, adjusted

annually on the anniversary of the Effective Date of the confirmation of the Debtor's Plan.[1] At its option, BofA may elect for its claim to accrue interest at a fixed rate of 5.25%, as opposed to the adjustable rate option of Prime plus 1.5%, adjusted annually.[2]

The Class 2 Claim will mature 120 months following the Effective Date.

Monthly interest payments, at the rate set forth above and accruing on the then principal balance, will be made beginning with the first interest payment due on the first day of the first calendar quarter subsequent to the Effective Date. To the extent that interest payments are not made pursuant to further order of the Bankruptcy Court following the expiration of the term of the Cash Collateral Stipulation between the Debtor and the Bank (which provided for an approved budget through November 30, 2011), or with approval of the Bank, interest will continue to accrue at the rate provided in the Cash Collateral Stipulation until the Effective Date, and if not paid separately, will be added to the principal balance of the Class 2 Claim as of the Effective Date.

The Debtor will make one (1) annual principal payment of $300,000 on the Class 2 Claim, which shall be due and payable on August 1, 2012, and annually thereafter on August 1 of each year until maturity.[3] At its option and without penalty, the Debtor may make additional principal payments, which, so long as interest payments are current, shall, at the Debtor's direction, be applied by the Bank to reduce the then principal amount owed on the Class 2 Claim. Any principal amounts due and outstanding on the maturity date will then be immediately paid in full.

The Debtor will continue to market and sell used houseboat inventory consistent with past practice and consistent with the current form of agreement on the turnover of used houseboat sale proceeds embodied in the current form of the Cash Collateral Stipulation between the Debtor and the Bank.

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[1] As of October 15, 2011, the Prime Rate was 3.25%.

[2] This option will be required to be made by virtue of the form of ballot provided BofA, which will require BofA to "check the box" of which interest rate it prefers.

[3] At its option and without penalty, the Debtor may choose to pay all or part of its $300,000 annual payment earlier than August 1 in any given year.

Class 3. Class 3 is impaired by this Plan. The Class 3 Secured Claim of the California Department of Boating and Waterways will be paid in full pursuant to the following terms. The Class 3 Claim will accrue interest commencing on the Effective Date at the Prime Rate plus 1.0%. The Class 3 Claim will be amortized over five (5) years with equal monthly payments commencing on the first day of the first calendar quarter subsequent to the Effective Date ("First Payment Date"). The Class 3 Claim will mature sixty (60) months after the First Payment Date. At its option and without penalty, the Debtor may make additional principal payments, which, so long as interest payments are current, shall, at the Debtor's direction, be applied to reduce the then principal amount owed on the Class 3 Claim.

Class 4. Class 4 is unimpaired by this Plan. The Class 4 Claims will be paid in full, in cash, on the Effective Date.

Class 5. Class 5 is impaired by this Plan. The Class 5 Unsecured Claim of BofA, if any, shall be treated the same as BofA's Class 2 Secured Claim.

Class 6. The Class 6 Claims are impaired. The Class 6 General Unsecured Claims will be paid in full, in cash, in two (2) equal payments commencing on the first day of the first calendar quarter subsequent to the Effective Date ("First Payment"), with the second payment due on the first day of the second calendar quarter subsequent to the Effective Date ("Second Payment"). Each payment shall be for one-half (1/2) of the principal amount of the Class 6 Claim. At its option and without penalty, the Debtor may make additional or greater principal payments, which shall be applied to reduce the then principal amount owed on the Class 6 Claim. At its option, and without penalty and without further Court approval or notification, the Debtor may also pay all or any portion of the Class 6 Claims at any time prior to the dates due for the either the First Payment or the Second Payment.

Class 7.

a) The Class 7(a) Claims are impaired. The Class 7(a) Claims will be paid in full, in cash, in two (2) equal annual payments commencing on the first August 1 following payment in full of the Class 2 Claim ("Buyout Note Repayment Date"), with the second payment due on August 1 of the next calendar year subsequent to the

Buyout Note Repayment Date. Interest shall begin accruing at the Prime Rate plus 1.5% on the unpaid amount of Class 7(a) Claims on the Effective Date, and beginning on the Buyout Note Repayment Date, shall accrue interest thereafter at the current contractual rate. Each annual payment shall be for one-half (1/2) of the principal amount of the Class 7(a) Claim plus interest accrued to the date of the payment. Class 7(a) Claims will not be paid until the Class 2 Claim is paid in full, and are hereby subordinated to repayment of the Class 2 Claim. At its option, and without penalty and without further Court approval or notification, the Debtor may pay all or any portion of the Class 7(a) Claims at any time after payment in full of the Class 2 Claim, and prior to the dates due for either of the annual payments.

b) The Class 7(b) Claims are impaired. The Class 7(b) Claims will be paid in full, in cash, in two (2) equal annual payments commencing on the first August 1 following payment in full of the Class 7(a) Claim ("Insider Note Repayment Date"), with the second payment due August 1 of the next calendar year subsequent to the Insider Note Repayment Date. Interest shall begin accruing at the Prime Rate plus 1.5% on the unpaid amount of Class 7(b) Claims on the Effective Date, and beginning on the Insider Note Repayment Date, shall accrue interest thereafter at the current contractual rate. Each annual payment shall be for one-half (1/2) of the principal amount of the Class 7(b) Claim plus interest accrued to the date of the payment. Class 7(b) Claims will not be paid until the Class 2 Claim is paid in full, and are hereby subordinated to repayment of the Class 2 Claim. At its option, and without penalty and without further Court approval or notification, the Debtor may pay all or any portion of the Class 7(b) Claims at any time after payment in full of the Class 7(a) Claims, and prior to the dates due for either of the annual payments.

Class 8. Class 8 Equity Interests are unimpaired under this Plan. The holders of Equity Interests shall retain their respective limited and general partnership interests in the Debtor.

Class 9. The Class 9 Claim is impaired. The holder of the Class 9 Claim shall not

receive any distribution on account of its claim. The Debtor retains all rights of recoupment, setoff, or any affirmative or defensive legal or equitable claims against the holder of the Class 9 Claim.

Cramdown. In the event that any Impaired Class entitled to vote on the Plan does not accept the Plan in accordance with section 1129(a) of the Code, the Debtor will request that the Court confirm the Plan in accordance with section 1129(b) of the Code.

IV.

MEANS OF IMPLEMENTING THE PLAN.

A. Management of the Debtor.

The Debtor contemplates that the Reorganized Debtor will be managed by WRI, and President David Smith following the Effective Date.

B. Raising Additional Cash from the Sale of Excess Houseboat Inventory.

The Debtor has during this Chapter 11 Case and, the Reorganized Debtor will continue upon confirmation to offer for sale excess houseboat inventory as a means of raising cash and paying down the Class 2 Claim of BofA.

C. Funding the Plan.

1. Sale of Surplus Houseboats/Houseboat Inventory Replenishment. The Debtor will continue to market and offer to sell its used houseboat inventory to pay down the Class 2 Claim. To the extent new houseboats are needed to refresh the Debtor's stock of houseboats for rent, it will finance that need through leasing, by which individuals will purchase and place new houseboat inventory with the Debtor in exchange for a percentage of rental income, which is a financing mechanism the Debtor has successfully implemented and has the ability to do so in the future. Thus, it is not anticipated that, other than for replenishing new houseboat inventory for rentals as discussed herein, additional financing is required to fund the Plan.

2. Operation of the Business. The Debtor's financial picture, accounting for actual year to date (through September 2011) revenues and expenses, plus projections for the year remaining, show operations during 2011 at a book loss, but ending slightly cash flow

positive. As the Debtor's operations and revenues are highly and entirely seasonal, cash flow during the winter months (typically December through March) is low, yet it is still necessary to operate at a certain level to winterize boats and marinas, and to prepare the rental stock and facilities for the upcoming season. The Debtor anticipates meeting its winter 2011-2012 cash flow needs through regular operations. Additionally, the Debtor maintains claims for past due receivables, an insurance claim for former employee dishonesty, and certain claims against the entity(ies) that took over its operations at Lake McClure earlier this year. The Debtor is currently negotiating a settlement of those claims, and anticipates that sufficient funds will be obtained from that settlement to assisting in meeting winter cash flow needs. To the extent BofA claims an interest in any such funds or proceeds, the Debtor anticipates that BofA will either allow it to use those funds to meet cash flow needs, or the Debtor may otherwise come to agreement on the use of those funds. However, those funds may not be critical to meet winter 2011-2012 obligations, but may be necessary to assist in managing low season cash flow. In other words and as more fully set forth in the attached projections, it appears that the Debtor should be able to meet its cash flow needs during the upcoming low season without these settlement funds, but it is very close, so the use of those funds would only insure continued viability and ability to meet ongoing obligations. Projections for upcoming years show annual net profit, the assumptions for which include pay down of the Class 2 Claim, the closing or turnover of the Debtor's operations at Lake McClure this year, and reduced operating costs, and are further based on relatively flat rental income streams to be conservative. One additional factor is that the Debtor's agreement with the Bureau of Reclamation for the use and occupancy of its facilities at the New Melones reservoir expires at the end of 2012, and unless the actual or projected financials improve from what is a break even point, or if the Debtor is unable to negotiate a more favorable term of occupancy for that marina that will enable it to operate more profitably, that marina may be closed, and the associated assets sold or folded into the Debtor's operations at Lake Shasta, which will also act to improve the Debtor's financial picture. A copy of the projections prepared by the Debtor is attached hereto as Exhibit B.

3. Real Property. The Debtor currently owns several pieces of unencumbered real property, some of which are potentially developable. If the economic climate improves or if the Debtor identifies opportunities to increase revenue through the development or sale of any of its real property, it will do so. Any net proceeds from the sale or development of the Debtor's real property will be held by the Reorganized Debtor to fund operations.

4. Modification of Loans. If applicable, and pursuant to Code section 1123(a)(5)(H), the BofA Note shall be modified as described in Article V of the Plan. Notwithstanding, the Debtor does not believe the terms of the BofA Note to be applicable on confirmation of the Plan, and instead, the provisions set forth in Article V of the Plan shall govern the repayment of the Class 2 Claim.

5. Distributions. The Debtor shall make all Distributions in accordance with the Plan.

6. Reserve for Disputed Claims.

On and after the Effective Date, the Distributions reserved for the holders of Disputed Claims shall not be distributed but shall be held by the Debtor in a segregated account (the "Disputed Claims Reserve") for the benefit of the holders of the Disputed Claims entitled thereto under the Plan. Except to the extent that the Court shall have estimated under section 502(c) of the Code or otherwise determined that a good and sufficient reserve for Disputed Claims is less than the full amount thereof, there will be deposited into the Disputed Claims Reserve an amount of cash which would have been distributed on account of all Disputed Claims in accordance with the terms of the proposed treatment of any such claims described in Article V of the Plan. Such deposit shall be made on the date of distribution(s) to holders of Claims in the Class(es) of the Disputed Claim(s) for which such reserve is made.

At such time as a Disputed Claim becomes an Allowed Claim, or within no less than thirty days thereafter, the Distribution which would have been disbursed had the Disputed Claim been an Allowed Claim on the Effective Date shall be made by the Debtor to the holder of such Allowed Claim.

7. Execution and Delivery of Documents. The Debtor is authorized and ordered

to execute and deliver documents and instruments as are necessary or appropriate to promote and implement the Plan or to carry out the purposes of the Plan.

8. Objections to Claims and Estimation of Claims. The Debtor shall retain authority on and after the date of Confirmation to file objections to allowance of any Claim in the Case, and the Court shall retain jurisdiction on and after the date of Confirmation to hear all such objections. In addition, the Debtor shall retain authority on and after the date of Confirmation to file a motion for an order estimating the Allowed Amount of any Claim in the case, for the purpose of determining the amount to be held in the Disputed Claims Reserve under section 8.05 of the Plan, and further to determine claims by creditors and claims against creditors arising out of the case, Plan, or the Debtor's operations.

9. Retention and Enforcement of Claims. Pursuant to section 1123(b)(3) of the Code, the Debtor may on and after the Confirmation Date maintain and enforce any Claims of the Estate.

D. Risk Factors

The Debtor believes that ordinary course business operations, reduction in debt service payments and the infusion of capital from the sale of houseboats to reduce debt payments, will provide sufficient capital which in addition to operating revenue will insure the success of the Reorganized Debtor. Consequently, the risk of any Plan default by the Debtor is greatly diminished. However, another or further downturn in the economy could damage the Debtor's profitability. Reduced vacation rentals are always a risk.

Under the Debtor's ownership, the business had been able to meet its monthly (payment) obligations until the maturity of the BofA Note, coinciding with the economic downturn and associated reduction in houseboat rental income. The Debtor's revenue trend is positive and the Debtor's financial projections predict slightly profitable operations next year. See Exhibit B for the Debtor's projections.

E. Executory Contracts and Unexpired Leases

The Plan lists all executory contracts and unexpired leases that the Debtor will reject under the Plan. Rejection means that the Debtor has elected to terminate its obligations under

such contracts and unexpired leases. For the remaining contracts, the Debtor intends to assume under the Plan all executory contracts and unexpired leases not specifically rejected.

F. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

The Debtor's obligations, to the extent the Plan does not provide for payment thereof, will be discharged on Plan Confirmation, subject to the occurrence of the Effective Date. Creditors should consult with their accountant or other tax advisors concerning the consequences of any discharge of debt or delay in payment of claims.

The Debtor does not believe that confirmation of the Plan will have substantial tax consequences to itself, other than sales and transfer taxes for the sale or transfer of the personal property to be sold pursuant to the terms of the Plan. With respect to the tax consequences of the confirmation of the Plan on equity holders, creditors, and other parties in interest, such individuals and entities should consult their own tax advisors to determine any such consequences.

G. Valuation of the Debtor's Property

Valuing the personal property Collateral of the Debtor is difficult, but recent houseboat inventory sales demonstrate that, with respect to the houseboat inventory, the book value of that collateral appears to be consistent with the values obtained by the Debtor through used houseboat sales in the ordinary course of business. As of the Petition Date, the Debtor's Schedule B, Item No. 26 [Boats, motors, and accessories] valued that portion of the collateral at approximately $7.3 million.

V.

CONFIRMATION REQUIREMENTS AND PROCEDURES

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if that party believes that the requirements for confirmation are not met.

A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed, or allowed for voting purposes and (2) impaired.

In this case, the Debtor, as Plan Proponent, believes that all classes of claims and interests are impaired and that holders of allowed claims or interests in each of these classes are therefore entitled to vote to accept or reject the Plan.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in section 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is **Not** Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.

- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to sections 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value (which are deemed to reject the Plan)
- holders of administrative expense claims.

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise holds claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

B. Votes Necessary to Confirm the Plan

Where, as here, the Plan impairs some classes, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan, without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by a cramdown on non-accepting classes, as discussed later in Section B.2, below.

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless

confirm the Plan if the nonaccepting classes are treated in the manner prescribed by section 1129(b) of the Code. A plan that is confirmed over the voting rejection by, and binds, nonaccepting classes is commonly referred to as a cramdown plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of section 1129(a)(8) of the Code, does not discriminate unfairly, and is fair and equitable toward each impaired class that has not voted to accept the Plan. A plan is fair and equitable so long as the Plan provides payment in full to each class of claims which voted to reject the Plan before any distribution to any class that is lower down than the rejecting class in the Bankruptcy Code's order of distribution; and the Plan does not provide payment in excess of the amount of a claim. A plan does not discriminate unfairly so long as the Plan's differential treatment among different classes of claims of the same priority, whether in percentage payment or in risk to recovery, has a reasonable basis and is proposed in good faith.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as they would receive in a chapter 7 liquidation. Under the terms of the Debtor's Plan, creditors will be paid in full over time, so the Debtor believes that the Liquidation Analysis is inapplicable, since creditors will be repaid.

Notwithstanding, the Debtor believes that in a liquidation in chapter 7 the Collateral would not be sold for more than is owed on the Bank obligations encumbering such Collateral. The reason is that the demonstrated value of the Collateral relies on the existence and maintenance of the Debtor as an operating business. During 2011, the Debtor was able to market and sell used houseboat inventory to pay down its main secured creditor's claim by over $1,000,000.00. The Debtor believes this result was obtainable because it was able to market that inventory through its operating business, its employees and managers are sophisticated and knowledgeable in their industry, and customers are willing to pay full price for a used houseboat from a company and operation that has been around for over twenty (20)

years and which they expect to be around in the future. Alternatively (and as demonstrated by the Debtor's prior attempt to simply auction a group of used houseboats to the highest bidder instead of marketing them and supporting their sales through the operation business), the Debtor believes that the forced liquidation value of the Collateral is a mere percentage of its value if the Debtor remains operating.

A further issue for both BofA and other creditors relates to the status of the Debtor's facilities as either fixtures or movable personal property, and whether such personal property is subject to the claims of the permitors or subject to the claims of DBAW.

The result of a liquidation, the Debtor believes, would be, after deducting the chapter 7 trustee's fees and expenses, minimal payment if any on administrative, priority, and unsecured claims, and less than full payment on its secured claims. A copy of the Liquidation Analysis prepared by the Debtor is attached hereto as Exhibit C.

D. Feasibility Analysis

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan. As described in Article IV hereof, the restructuring of the BofA Note along with the sale of excess houseboat inventory will provide sufficient cash working capital to insure payment on administrative, priority, paydown of the BofA Note and payment of unsecured claims. Houseboat rental revenues and retail and sales revenues, as shown in Exhibit B hereto, will be sufficient to make payments on the obligation to the Bank secured thereby as well as paying the Reorganized Debtor's other operating expenses and providing funds for payment on prepetition debt as provided in the Plan. The business already generates income to meet its obligations under the Plan and will provide funds for payment on prepetition debt as provided in the Plan.

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VI.

EFFECT OF CONFIRMATION OF PLAN

A. Discharge Of Debtor

Discharge. On the Confirmation Date of the Plan, subject to the occurrence of the Effective Date, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, to the extent specified in section 1141(d)(1)(A) of the Code. However, the Debtor shall not be discharged from any debt imposed by the Plan. After the Effective Date of the Plan your claims against the Debtor will be limited to the debts imposed by the Plan.

B. Modification of Plan

The Debtor may modify the Plan at any time before confirmation of the Plan. However, in the event of a modification the Court may require a new disclosure statement and/or revoting on the Plan. The Debtor may also seek to modify the Plan at any time after confirmation, but only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or other party designated by the Court in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

VII.

OTHER PLAN PROVISIONS

A. Discharge Injunction.

Pursuant to section 524 of the Code, the Debtor's discharge pursuant to the Plan under section 1141 of the Code operates as an injunction against the commencement or a continuation of any action, the employment of process, or an act to collect, recover, or offset any discharged Debt as a liability of the Debtor, whether or not discharge of such Debt is waived.

B. Revesting.

Upon the Effective Date, all property of the Debtor shall be vested in the Debtor free and clear of all claims, liens and interests except as provided for in this Plan.

C. Retention of Jurisdiction.

Following Confirmation of the Plan, the Court shall retain and have all authority and jurisdiction as allowed under the Code and other applicable law to enforce the provisions, purposes and intent of this Plan, including without limitation matters or proceedings that relate to:

1. Allowance, disallowance, reconsideration, estimation, compromise, settlement, adjustment, classification, treatment or liquidation of Claims or interests and objections thereto;

2. The assumption, assignment or rejection of any executory contract or unexpired lease, or any agreement, lease, contract, sale, purchase, assignment or other action taken with regard to property of the Debtor or the Estate;

3. The right, title, or interest of the Debtor or the Estate in any property;

4. Any right, power, action or duty of the Debtor under this Plan;

5. Any determination or estimation necessary or appropriate under section 505 of the Bankruptcy Code or other determination or estimation relating to tax returns filed or to be filed by the Debtor;

6. Requests for payment of Claims entitled to priority under section 507(a) of the Code, including compensation and reimbursement of expenses for professionals, or to borrow funds, to the extent Court approval is required under this Plan or the Confirmation Order;

7. Resolution of controversies and disputes, including the correction of any mistake, defect or omission regarding interpretation or enforcement of this Plan, the Confirmation Order, and the agreements referred to herein or executed in contemplation of or to implement this Plan;

8. Implementation of the provisions of this Plan and entry of orders in aid of Confirmation of this Plan including, without limitation, borrowing orders and appropriate

orders pursuant to section 105 of the Bankruptcy Code to protect the Estate from Creditor action;

9. Modification of this Plan pursuant to section 1127 of the Code;

10. Adjudication of any causes of action including, without limitation, avoidance actions brought by the Debtor, or other affirmative or defensive claims of the Debtor, all of which are retained under its Plan;

11. Such other matters as may be provided under the Code, this Plan, the Order of Confirmation or other applicable law; and

12. Entry of a final decree closing this Chapter 11 case, including provisions for injunctive relief as may be equitable and consistent with Bankruptcy Rule 3022.

DATED: October 28, 2011

SHASTA LAKE RESORTS, L.P.

By: Water Resorts, Inc., its General Partner

By: _____
David Smith, President

DATED: October 31, 2011

DOWNEY BRAND LLP

By: _____
JAMIE DREHER
Attorney for Debtor
Shasta Lake Resorts, L.P.

Exhibit “A”

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Attorneys for Debtor
SHASTA LAKE RESORTS, LP

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

In re: SHASTA LAKE RESORTS, LP, Debtor.	Case No. 11-37221 Chapter Number: 11 **DEBTOR'S PLAN OF REORGANIZATION DATED OCTOBER 28, 2011**

ARTICLE I

SUMMARY

This Plan of Reorganization under chapter 11 of the Bankruptcy Code proposes to pay creditors of the Debtor from future revenue, and to the extent necessary, from the sale of certain assets of the Debtor. This Plan provides for 2 classes of secured claims; 5 classes of unsecured claims; and 1 class of equity security holders. Unsecured creditors holding allowed claims will receive distributions, valued at 100 percent of Allowed Claims. This Plan also provides for the payment of administrative and priority claims.

All creditors and equity security holders should refer to Articles III through VI of this Plan for information regarding the precise treatment of their claim. A disclosure statement that provides more detailed information regarding this Plan and the rights of creditors and equity security holders has been circulated with this Plan. Your rights may be affected. You should

read these papers carefully and discuss them with your attorney, if you have one. If you do not have an attorney, you may wish to consult one.

ARTICLE II

DEFINITIONS

For the purposes of the Plan, the following terms shall have the meanings specified below. Any term used in the Plan that is not defined herein, but that is defined in the Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Code or the Bankruptcy Rules.

2.01 "Administrative Claim" means any Claim entitled to treatment as a Priority Claim under section 507(a)(2) of the Code.

2.02 "Allowed Administrative Claim" means all or any portion of an Administrative Claim that has either been (i) allowed by a Final Order or (ii) has not been objected to within the time period established by the Plan or by an order of the Bankruptcy Court.

2.03 "Allowed Claim" means a Claim, other than an Administrative Claim, as to which:

(a) A proof of the claim or interest was timely filed, or is deemed filed under applicable law or by reason of an order of the Bankruptcy Court; and

(b) Such Claim is not a Disputed Claim, or, if a Disputed Claim, such Claim has been allowed in whole or in part by a Final Order, provided that any such Claim shall be an Allowed Claim only to the extent stated in any such Final Order. Unless otherwise provided in the Plan or ordered by the Bankruptcy Court, no distributions shall be made under the Plan in respect of the disputed portion of any Disputed Claim until there is a Final Order specifying the allowed amount of such Claim. No disputed portion of any Claim shall be considered as an Allowed Claim if an objection to the allowance of such Claim is made by the Debtor or another party in interest within the time set by the Plan or the Bankruptcy Court, and such objection to Claim has not been denied by a Final Order of the Bankruptcy Court.

2.04 "Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure and any amendments thereof.

2.05 "Bar Date" means the last day for filing proofs of claim against the Debtor as

provided by the Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors, & Deadlines, filed in the Case. The Bar Date is currently November 21, 2011.

2.06 "BofA" means Bank of America, N.A., it subsidiaries, parents, affiliates, or assignees.

2.07 "BofA Note" means the promissory note dated September 30, 2009 in the original principal amount of $6,241,815.89, identified on BofA's records as Loan No. 1000217355. As of September 30, 2011, the principal amount of the BofA Note was $3,640,387.16. The BofA Note is secured by substantially all of the personal property assets of the Debtor.

2.08 "Buyout Note" means that certain promissory note issued to buy out Bud Klein's interests in the Debtor. The Buyout Note was sold to a group consisting of certain holders of Equity Interests of the Debtor, and others.

2.09 "Case" means the Chapter 11 bankruptcy reorganization case of the Debtor, designated as Case No. 11-37221 pending before the Court.

2.10 "Claim" means any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, as defined in § 101(5) of the Code.

2.11 "Claimant" or "claimant" means the holder of a Claim against the Debtor or its Estate.

2.12 "Class" means a grouping of substantially similar Claims or Interests as designated in Article IV of this Plan.

2.13 "Code" means the Bankruptcy Code, 11 U.S.C. § 101 *et seq.*, and any amendments thereof.

2.14 "Confirmation" means the entry of an order by the Court confirming the Plan at or after a hearing pursuant to § 1129 of the Code.

2.15 "Confirmation Date" means the date upon which Confirmation occurs.

2.16 "Court" means the United States Bankruptcy Court for the Eastern District of California, Sacramento Division, before which the Case is pending or, in the event such court ceases to exercise jurisdiction over the Case, such court or adjunct or unit thereof that exercises

jurisdiction over the Case in lieu of the United States Bankruptcy Court for the Eastern District of California, Sacramento Division.

2.17 "Creditors" means all persons and entities with Claims against the Debtor or its Estate.

2.18 "Debtor" means SLR, its fictitious business names, and d/b/a's.

2.19 "Distribution(s)" means the property (including payments) required by the Plan to be provided to the holders of Allowed Claims.

2.20 "Effective Date" shall be a certain calendar date designated by the Debtor, but in no event shall be later than thirty (30) days following the date of entry of the Order of Confirmation. But if a stay of the Order of Confirmation is in effect on that date, the Effective Date will be the first business day after that date on which no stay of the Order of Confirmation is in effect, provided that the Order of Confirmation has not been vacated.

2.21 "Estate" means the bankruptcy estate created upon commencement of the Case pursuant to section 541(a) of the Code.

2.22 "Final Order" means an order of the Court that has been entered and either:

(a) The time for appeal from such entered order has expired with no appeal having been filed timely; or

(b) If any appeal is timely filed, that there is no stay pending appeal in place that would stay the effectiveness of such order.

2.23 "Order of Confirmation" means the order of the Court confirming the Plan pursuant to section 1129 of the Code.

2.24 "Partners" means WRI, David Smith, Maynard S. Woodard, Michael Crete, Michael Han, Richard Stevens, and Don Carl, in their capacity as the Debtor's general or limited partners.

2.25 "Petition Date" means the date on which the Debtor filed its chapter 11 petition with the Clerk of the Court, July 13, 2011.

2.26 "Plan" or "Plan of Reorganization" means this Plan of Reorganization in its present form, as it may be amended, modified, or supplemented.

2.27 "Prime," "Prime Rate" or "Prime Interest Rate" means the U.S. Prime Interest Rate as published in the Wall Street Journal as of the Confirmation Date. By way of illustration only, as of October 27, 2011 the Prime interest rate is 3.25%.

2.28 "Priority Claim" means any claim entitled to priority treatment pursuant to section 507 of the Code, except for Administrative Claims and Tax Claims.

2.29 "Property of the Estate" has the meaning provided by section 541 of the Code.

2.30 "Reorganized Debtor" means the Debtor as reorganized and existing subsequent to the Effective Date.

2.31 "Secured Claim" means a Claim that is secured by a lien on Property of the Debtor's Estate.

2.32 "SLR" means Shasta Lake Resorts, L.P.

2.33 "Tax Claim" means a Claim entitled to priority treatment pursuant to section 507(a)(8) of the Code.

2.34 "Unsecured Claim" means a Claim that is not secured by any Lien on Property of the Debtor or Property of the Estate.

2.35 "WRI" means Water Resorts, Inc., a California corporation.

ARTICLE III

TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS, U.S. TRUSTEES FEES, AND PRIORITY TAX CLAIMS

3.01 Unclassified Claims. Pursuant to section §1123(a)(1) of the Code, Administrative Claims and Tax Claims are not classified under the Plan.

3.02 Administrative Claims. Each holder of an Allowed Administrative Claim will be paid in full on the Effective Date of this Plan, in cash, or upon such other terms as may be agreed upon by the holder of the Claim and the Debtor. If an Administrative Claim has not been approved by the Court as of the Effective Date, the Claim shall be paid as soon as the Court approves such Claim.

3.03 Tax Claims. Each holder of a priority Tax Claim will be paid on account of such Claims, in accordance with section 1129(a)(9)(C) of the Code, in monthly installments over a

period not exceeding five years after the Petition Date with interest accruing at the Prime Rate.

3.04 United States Trustee Fees. All fees required to be paid by 28 U.S.C. §1930(a)(6) (U.S. Trustee Fees) will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees owed on or before the Effective Date of this Plan will be paid on the Effective Date.

ARTICLE IV

CLASSIFICATION OF CLAIMS AND INTERESTS

4.01 Class 1. All Priority Claims (except Administrative Claims under § 507(a)(2), and priority Tax Claims under § 507(a)(8)).

4.02 Class 2. The Secured Claim of BofA secured by substantially all of the Debtor's personal property.

4.03 Class 3. The Secured Claim of the California Department of Boating and Waterways.

4.04 Class 4. All Unsecured Claims for which each claim is $1,000.00 or less.

4.05 Class 5. The unsecured, deficiency Claim, if any, of BofA under the BofA Note.

4.06 Class 6. All Unsecured Claims of Creditors which are not Administrative Claims, Tax Claims or are not otherwise separately classified.

4.07 Class 7.

(a) Class 7(a). The Buyout Note.

(b) Class 7(b). Promissory notes to certain holders of Equity Interests of the Debtor.

4.08 Class 8. Equity interests of the Debtor.

4.09 Class 9. The claim of Merced Irrigation District, Twin Lakes Management Company, Inc., or any entity or individual claiming a right through or by them ("MID/TLMC"), or any claim associated with the operation of the Lake McClure marina and associated facilities or operations on or after June 24, 2011.

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ARTICLE V

TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

Claims and interests shall be treated as follows under this Plan:

5.01 Class 1. The Allowed Class 1 Priority Claims, if any, are impaired by this Plan, and each holder of a Class 1 Priority Claim will be paid in full, in cash, in 2 equal payments commencing on the first day of the first calendar quarter subsequent to the Effective Date. Each quarterly payment shall be for one-half (1/2) of the principal amount of the Class 1 Claim. The amount of this Class is estimated by the Debtor to be zero. At its option, the Debtor may pay any Allowed Class 1 Priority Claim in full or at an earlier date, without penalty.

5.02 Class 2. Class 2 is impaired by this Plan. The Class 2 Secured Claim of BofA will be paid in full pursuant to the following terms.

The Class 2 Claim will remain a first priority lien on the Debtor's assets and will accrue interest commencing on the Effective Date at the Prime Rate plus 1.5%, adjusted annually on the anniversary of the Effective Date of the confirmation of the Debtor's Plan. At its option, BofA may elect for its claim to accrue interest at a fixed rate of 5.25%, as opposed to the adjustable rate option of Prime plus 1.5%, adjusted annually.

The Class 2 Claim will mature 120 months following the Effective Date.

Monthly interest payments, at the rate set forth above and accruing on the then principal balance, will be made beginning with the first interest payment due on the first day of the first calendar quarter subsequent to the Effective Date. To the extent that interest payments are not made pursuant to further order of the Bankruptcy Court following the expiration of the term of the Cash Collateral Stipulation between the Debtor and the Bank, or with approval of the Bank, interest will continue to accrue at the rate provided in the Cash Collateral Stipulation until the Effective Date, and if not paid separately, will be added to the principal balance of the Class 2 Claim as of the Effective Date.

The Debtor will make one (1) annual principal payment of $300,000 on the Class 2 Claim, which shall be due and payable on August 1, 2012, and annually thereafter on August 1 of each year until maturity. At its option and without penalty, the Debtor may make additional principal

payments, which, so long as interest payments are current, shall, at the Debtor's direction, be applied by the Bank to reduce the then principal amount owed on the Class 2 Claim. Any principal amounts due and outstanding on the maturity date will then be immediately paid in full. The annual principal payment due hereunder may be paid earlier than the August 1 due date and will, at the time of payment, be applied to reduce principal.

5.03 Class 3. Class 3 is impaired by this Plan. The Class 3 Secured Claim of the California Department of Boating and Waterways will be paid in full pursuant to the following terms. The Class 3 Claim will remain a first priority lien on the collateral that secured its claim as of the Petition Date and will accrue interest commencing on the Effective Date at the Prime Rate plus 1.0%. The Class 3 Claim will be amortized over five (5) years with equal monthly payments commencing on the first day of the first calendar quarter subsequent to the Effective Date ("First Payment Date"). The Class 3 Claim will mature sixty (60) months after the First Payment Date. At its option and without penalty, the Debtor may make additional principal payments, which, so long as interest payments are current, shall, at the Debtor's direction, be applied to reduce the then principal amount owed on the Class 3 Claim.

5.04 Class 4. Class 4 is unimpaired by this Plan. The Class 4 Claims will be paid in full, in cash, on the Effective Date.

5.05 Class 5. Class 5 is impaired by this Plan. The Class 5 Unsecured Claim of BofA shall be treated the same as BofA's Class 2 Secured Claim.

5.06 Class 6. The Class 6 Claims are impaired. The Class 6 General Unsecured Claims will be paid in full, in cash, in two (2) equal payments commencing on the first day of the first calendar quarter subsequent to the Effective Date ("First Payment"), with the second payment due on the first day of the second calendar quarter subsequent to the Effective Date ("Second Payment"). Each payment shall be for one-half (1/2) of the principal amount of the Class 6 Claim. At its option and without penalty, the Debtor may make additional or greater principal payments, which shall be applied to reduce the then principal amount owed on the Class 6 Claim. At its option, and without penalty and without further Court approval or notification, the Debtor may also pay all or any portion of the Class 6 Claims at any time prior to the dates due for the

either the First Payment or the Second Payment.

5.07 Class 7.

(a) Class 7(a). The Class 7(a) Claims are impaired. The Class 7(a) Claims will be paid in full, in cash, in two (2) equal annual payments commencing on the first August 1 following payment in full of the Class 2 Claim ("Buyout Note Repayment Date"), with the second payment due on August 1 of the next calendar year subsequent to the Buyout Note Repayment Date. Interest shall begin accruing at the Prime Rate plus 1.5% on the unpaid amount of Class 7(a) Claims on the Effective Date, and beginning on the Buyout Note Repayment Date, shall accrue interest thereafter at the current contractual rate. Each annual payment shall be for one-half (1/2) of the principal amount of the Class 7(a) Claim plus interest accrued to the date of the payment. Class 7(a) Claims will not be paid until the Class 2 Claim is paid in full, and are hereby subordinated to repayment of the Class 2 Claim. At its option, and without penalty and without further Court approval or notification, the Debtor may pay all or any portion of the Class 7(a) Claims at any time after payment in full of the Class 2 Claim, and prior to the dates due for either of the annual payments.

(b) Class 7(b). The Class 7(b) Claims are impaired. The Class 7(b) Claims will be paid in full, in cash, in two (2) equal annual payments commencing on the first August 1 following payment in full of the Class 7(a) Claim ("Insider Note Repayment Date"), with the second payment due August 1 of the next calendar year subsequent to the Insider Note Repayment Date. Interest shall begin accruing at the Prime Rate plus 1.5% on the unpaid amount of Class 7(b) Claims on the Effective Date, and beginning on the Insider Note Repayment Date, shall accrue interest thereafter at the current contractual rate. Each annual payment shall be for one-half (1/2) of the principal amount of the Class 7(b) Claim plus interest accrued to the date of the payment. Class 7(b) Claims will not be paid until the Class 2 Claim is paid in full, and are hereby subordinated to repayment of the Class 2 Claim. At its option, and without penalty and without further Court approval or notification, the Debtor may pay all or any portion of the Class 7(b) Claims at any time after payment in full of the Class 7(a) Claims, and prior to the dates due for either of the annual payments.

5.08 Class 8. Class 8 is unimpaired under this Plan. The Partners shall retain their respective limited and general partnership interests in the Debtor.

5.09 Class 9. Class 9 is impaired. The holder of the Class 9 Claim shall not receive any distribution on account of its claim. The Debtor retains all rights of recoupment, setoff, or any affirmative or defensive legal or equitable claims against the holder of the Class 9 Claim.

5.10 Cramdown. In the event that any Impaired Class entitled to vote on the Plan does not accept the Plan in accordance with section 1129(a) of the Code, the Debtor shall request that the Court confirm the Plan in accordance with section 1129(b) of the Code.

ARTICLE VI

ALLOWANCE AND DISALLOWANCE OF CLAIMS

6.01 Disputed Claim. A Disputed Claim is a Claim that has not been allowed or disallowed by a Final Order, and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such Claim as disputed, contingent, or unliquidated.

6.02 Delay of Distribution on a Disputed Claim. No distribution will be made on account of a Disputed Claim unless such Claim is allowed by a Final Order.

6.03 Settlement of Disputed Claims. The Debtor will have the power and authority to settle and compromise a Disputed Claim with court approval and compliance with Rule 9019 of the Bankruptcy Rules prior to the Effective Date, and after the Effective Date, in its sole discretion.

ARTICLE VII

PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES

7.01 Assumed Executory Contracts and Unexpired Leases. Except as set forth in section 7.03 below, the Debtor assumes each of its executory contracts and/or unexpired leases effective upon the Effective Date, including its pre-petition agreement with MID/TLMC for the turnover of the Debtor's assets at the Lake McClure marina in exchange for adequate consideration.

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7.02 The Debtor will be conclusively deemed to have assumed all executory contracts and/or unexpired leases unless expressly rejected under section 7.03 below, or before the date of the Order of Confirmation, upon the Effective Date. A proof of claim arising from the rejection of an executory contract or unexpired lease under this section must be filed no later than 30 days after the Effective Date.

7.03 The Debtor believes that its lease/use agreement with MID/TLMC expired prepetition pursuant to its terms. To the extent that such lease/use agreement did not expire prepetition, the Debtor expressly rejects such lease/use agreement. The Debtor believes that its lease with Pitney Bowes expired, and to the extent it did not, Debtor expressly rejects such lease.

ARTICLE VIII

MEANS FOR IMPLEMENTATION OF THE PLAN

8.01 Management of the Debtor. The Debtor will continue to be managed by its current managing and general partner, WRI, and managed by David Smith, its president. Pursuant to Code § 1123(a)(5)(A), the Debtor shall retain ownership and control over all Property of its Estate.

8.02 Funding the Plan. The funds necessary for the implementation of this Plan will be derived from the revenues generated by the operation of the Property of the Estate, including rental income generated from all current and future business operations.

The Debtor may also, in its sole discretion and without further court approval, borrow, sell, develop or transfer unencumbered assets to generate revenue.

8.03 Modification of Loans. Pursuant to Code § 1123(a)(5)(H), the BofA Note shall be modified as described in Article V of this Plan.

8.04 Distributions. The Debtor shall make all Distributions in accordance with the Plan.

8.05 Reserve for Disputed Claims.

(a) On and after the Effective Date, the Distributions reserved for the holders of Disputed Claims shall not be distributed but shall be held by the Debtor in a segregated account (the "Disputed Claims Reserve") for the benefit of the holders of the Disputed Claims

entitled thereto under the Plan. Except to the extent that the Court shall have estimated under section 502(c) of the Code or otherwise determined that a good and sufficient reserve for Disputed Claims is less than the full amount thereof, there will be deposited into the Disputed Claims Reserve an amount of cash which would have been distributed on account of all Disputed Claims in accordance with the terms of the proposed treatment of any such claims described in Article V.

(b) At such time as a Disputed Claim becomes an Allowed Claim, the Distribution which would have been disbursed had the Disputed Claim been an Allowed Claim on the Effective Date shall be made by the Debtor to the holder of such Allowed Claim within thirty days.

8.06 Execution and Delivery of Documents. The Debtor is authorized and ordered to execute and deliver documents and instruments as are necessary or appropriate to promote and implement the Plan or to carry out the purposes of the Plan.

8.07 Objections to Claims and Estimation of Claims. The Debtor shall retain authority on and after the date of Confirmation to file objections to allowance of any Claim in the Case, and the Court shall retain jurisdiction on and after the date of Confirmation to hear all such objections. In addition, the Debtor shall retain authority on and after the date of Confirmation to file a motion for an order estimating the Allowed Amount of any Claim in the case, for the purpose of determining the amount to be held in the Disputed Claims Reserve under section 8.05 of this Plan, and further to determine claims by creditors and claims against creditors arising out of the case, plan, or the Debtor's operations.

8.08 Claim Bar Dates. The last day for filing proofs of claim in the Case shall be the Bar Date fixed by the Court before Confirmation of the Plan, except for Administrative Claims. The deadline for filing and serving Administrative Claims shall be the date sixty days after the Effective Date, except that Administrative Claims for compensation and reimbursement of professional persons employed pursuant to Court order in the Case may be brought at any time before the closing of the Case.

8.09 Retention and Enforcement of Claims. Pursuant to section 1123(b)(3) of the Code,

the Debtor may on and after the date of Confirmation maintain and enforce any Claims of the Estate.

8.10 General Partner Liability. WRI, as general partner of the Debtor, will remain liable as general partner for all debts of the Debtor as adjusted or provided for under the terms of this Plan. WRI's liability to creditors and BofA shall be coextensive with the Reorganized Debtor's liability under the terms of this Plan. WRI shall only be liable for the amounts owed, and on the terms of which those amounts are owed, as described in this Plan. So long as the Debtor is current on its obligations under the terms of this Plan, WRI shall have no additional or greater liability to any of the Debtor's creditors, including BofA.

ARTICLE IX

DISCHARGE, DISCHARGE INJUNCTION AND REVESTING

9.01 Discharge. On the Confirmation Date of this Plan, the Debtor will be discharged from any debt that arose before Confirmation of this Plan, subject to the occurrence of the Effective Date, to the extent specified in § 1141(d)(1)(A) of the Code. The Debtor will not be discharged from any debt imposed by this Plan.

9.02 Discharge Injunction. Pursuant to section 524 of the Code, the Debtor's discharge pursuant to the Plan under section 1141 of the Code operates as an injunction against the commencement or a continuation of an action, the employment of process, or an act, to collect, recover, or offset any discharged Debt as a liability of the Debtor, whether or not discharge of such Debt is waived.

9.03 Revesting. Upon the Effective Date, all property of the Debtor shall be revested in the Reorganized Debtor free and clear of all claims, liens and interests except as provided for in this Plan.

ARTICLE X

GENERAL PROVISIONS

10.01 Severability. If any provision in this Plan is determined to be unenforceable, the determination will in no way limit or affect the enforceability and operative effect of any other provision of this Plan.

10.02 Binding Effect. The rights and obligations of any entity named or referred to in this Plan will be binding upon, and will inure to the benefit of the successors or assigns of such entity.

10.03 Captions. The headings contained in this Plan are for convenience of reference only and do not affect the meaning or interpretation of this Plan.

10.04 Controlling Effect. Unless a rule of law or procedure is supplied by federal law (including the Code or the Bankruptcy Rules), the laws of the State of California govern this Plan and any agreements, documents, and instruments executed in connection with this Plan, except as otherwise provided in this Plan.

10.05 Interpretation. To the extent that the terms of the Plan are inconsistent with the terms of any agreement or instrument concerning any Claim or Interest, or any other matter, the terms of the Plan shall control.

10.06 Amendments. The Plan may be modified by the Debtor as provided for by Code § 1127. Additionally, at any time before thirty days after the Effective Date, the Debtor may seek Court authorization to remedy any defect or omission, reconcile any inconsistencies in the Plan or in the Order of Confirmation, or effect such other changes, modifications, or amendments as may be necessary to carry out the purposes and intent of the Plan.

10.07 Retention of Jurisdiction. Following Confirmation of the Plan, the Court shall retain and have all authority and jurisdiction as is allowed under the Code and other applicable law to enforce the provisions, purposes and intent of this Plan, including, without limitation, matters or proceedings that relate to:

(a) Allowance, disallowance, reconsideration, estimation, compromise, settlement, adjustment, classification, treatment or liquidation of Claims or interests and objections thereto;

(b) The assumption, assignment or rejection of any executory contract or unexpired lease, or any agreement, lease, contract, sale, purchase, assignment or other action taken with regard to property of the Debtor or the Estate;

(c) The right, title, or interest of the Debtor or the Estate in any property;

(d) Any right, power, action or duty of the Debtor under this Plan;

(e) Any determination or estimation necessary or appropriate under section 505 of the Bankruptcy Code or other determination or estimation relating to tax returns filed or to be filed by the Debtor;

(f) Requests for payment of Claims entitled to priority under section 507(a) of the Code, or to borrow funds, including compensation and reimbursement of expenses for professionals, to the extent Court approval is required under this Plan or the Confirmation Order;

(g) Resolution of controversies and disputes, including the correction of any mistake, defect or omission regarding interpretation or enforcement of this Plan, the Confirmation Order, and the agreements referred to herein or executed in contemplation of or to implement this Plan;

(h) Implementation of the provisions of this Plan and entry of orders in aid of Confirmation of this Plan including, without limitation, borrowing orders and appropriate orders to protect the Estate from Creditor action pursuant to section 105 of the Bankruptcy Code;

(i) Modification of this Plan pursuant to § 1127 of the Code;

(j) Adjudication of any causes of action including, without limitation, avoidance actions brought by the Debtor;

(k) Such other matters as may be provided under the Code, this Plan, the Order of Confirmation or other applicable law; and

(l) Entry of a final decree closing this Chapter 11 case, including provisions for injunctive relief as may be equitable and consistent with Bankruptcy Rule 3022.

DATED: 10-28, 2011 SHASTA LAKE RESORTS, L.P.

By: Water Resorts, Inc., its General Partner

By: _____
David Smith, President

Exhibit "B"

Shasta Lake Resorts CONSOLIDATED
Consolidated Projection for 2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Houseboat Rents	0	4,528	2,296	44,543	234,840	528,355	1,283,080	1,237,306	530,234	62,955	0	0	3,928,137
Other Rents	660	252	155	5,783	26,382	80,112	227,996	166,167	70,674	7,097	103	240	585,621
Berth Rents	41,700	41,607	42,588	52,518	54,322	71,302	71,143	65,862	65,726	64,415	55,200	54,553	680,936
Total Rental Income	42,360	46,386	45,039	102,844	315,543	679,769	1,582,219	1,469,335	666,635	134,467	55,303	54,793	5,194,694
Retail Sales													
Sales - Taxable	134	361	163	2,979	13,678	37,063	81,118	59,738	31,753	3,522	669	321	231,501
Cost of Sales	75	202	91	1,668	7,659	20,755	45,426	33,453	17,782	1,972	375	180	129,640
Gross Profit	59	159	72	1,311	6,018	16,308	35,692	26,285	13,972	1,550	295	141	101,860
Sales - Restaurant	0	0	0	0	0	0	0	0	0	0	0	0	0
Cost of Sales	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Profit	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales - Non Taxable	68	84	91	1,129	6,974	16,092	34,699	26,754	11,698	1,853	265	80	99,788
Cost of Sales	44	55	57	721	4,404	10,121	21,700	16,657	7,347	1,176	168	53	62,502
Gross Profit	25	29	34	408	2,570	5,971	13,000	10,097	4,351	678	97	27	37,286
Sales-Apparel	88	43	150	415	4,667	9,537	19,550	15,593	6,995	1,125	47	0	58,209
Cost of Sales	49	24	81	226	2,537	5,175	10,611	8,463	3,803	611	25	0	31,605
Gross Profit	40	19	69	189	2,130	4,362	8,939	7,129	3,192	514	21	0	26,604
Sales-Gas	337	393	813	7,061	46,463	99,708	256,237	220,741	105,912	14,880	2,440	306	755,289
Cost of Sales	236	275	569	4,942	32,524	69,795	179,366	154,519	74,139	10,416	1,708	214	528,703
Gross Profit	101	118	244	2,118	13,939	29,912	76,871	66,222	31,774	4,464	732	92	226,587
Sales-Boatyard	0	0	0	0	0	0	0	0	0	0	0	0	0
Cost of Sales	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Profit	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales-Parts (non-BY)	3,881	2,600	567	7,766	8,215	35,565	26,693	36,579	14,176	6,187	5,632	1,891	149,753
Cost of Sales	3,179	2,106	464	6,229	6,616	27,161	21,333	28,217	11,080	4,934	4,518	1,523	117,360
Gross Profit	702	494	103	1,536	1,598	8,404	5,360	8,362	3,097	1,253	1,114	368	32,393
Mechanical Revenue	2,416	2,351	1,073	8,013	9,157	15,305	22,353	10,308	10,033	11,992	6,797	1,140	100,937
Total Retail Sales	6,925	5,832	2,858	27,363	89,153	213,270	440,649	369,712	180,568	39,559	15,849	3,739	1,395,476
Total Retail Cost of Sal	3,582	2,662	1,263	13,787	53,741	133,008	278,435	241,309	114,150	19,108	6,793	1,970	869,810
Gross Profit-Retail Sale	3,343	3,170	1,594	13,576	35,412	80,262	162,214	128,403	66,418	20,451	9,056	1,769	525,666
Total Sales	49,285	52,218	47,896	130,207	404,696	893,040	2,022,868	1,839,048	847,203	174,026	71,152	58,531	6,590,170
Total Cost of Sales	3,582	2,662	1,263	13,787	53,741	133,008	278,435	241,309	114,150	19,108	6,793	1,970	869,810
Total Gross Profit	45,703	49,556	46,633	116,420	350,955	760,031	1,744,433	1,597,739	733,053	154,918	64,358	56,561	5,720,360

Shasta Lake Resorts CONSOLIDATED
Consolidated Projection for 2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Operating Expenses													
Advertising	19,850	20,451	20,854	33,928	51,351	54,799	39,860	21,468	20,102	20,607	18,272	20,373	341,914
Aircraft	0	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debts	0	0	0	0	0	0	0	0	100	0	0	0	100
Bank Charges	310	306	199	300	354	55	201	1,038	680	708	381	439	4,971
Cash Over/Short	18	16	0	-9	-47	-343	-527	-180	12	-5	-1	22	-1,044
Data Processing	63	58	44	40	79	0	0	0	0	0	0	0	284
Credit Card Discounts	3,519	4,046	5,501	12,873	29,011	23,535	18,538	21,605	3,399	1,807	814	681	125,330
Dues & Subscriptions	1,046	190	90	0	-510	0	1,856	0	-99	289	0	1,487	4,349
Depreciation	83,958	83,958	83,958	83,958	83,958	83,958	83,958	83,958	83,958	83,958	83,958	83,958	1,007,496
Amortization	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	24,996
Gas & Oil	3,028	4,622	5,608	5,943	12,503	13,645	18,459	23,658	11,722	5,353	3,669	3,300	111,510
Management Fee-WRI	2,957	3,133	2,874	7,812	24,282	53,582	121,372	110,343	50,832	10,442	4,269	3,512	395,410
Recruiting Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	492,000
Education Expense	0	0	0	0	0	222	0	220	104	0	0	2,165	2,711
Interest	26,073	25,563	25,109	24,598	24,087	24,046	21,819	21,777	21,409	21,041	20,999	20,956	277,478
Labor	97,922	94,315	105,842	106,573	141,438	146,344	178,026	169,467	139,343	116,580	95,780	111,211	1,502,841
Payroll Taxes	8,676	8,378	9,443	9,453	12,525	13,118	16,052	15,342	12,574	10,464	8,538	9,802	134,364
Comp Insurance	5,907	5,713	6,477	6,452	8,510	9,069	11,184	10,698	8,770	7,227	5,845	6,756	92,608
Empl Benefits/Prft Shr	320	320	320	320	320	320	320	320	320	376	376	-309	3,322
Empl Benefits/Medical	9,080	5,669	5,426	5,979	4,914	4,612	7,025	5,945	5,971	8,610	4,965	11,858	80,053
Legal & Accounting	13,825	12,313	12,351	12,189	12,441	12,573	12,453	16,805	16,522	10,548	10,545	10,818	153,383
Miscellaneous	125	125	125	125	125	125	125	125	125	125	125	125	1,500
Office Supplies	819	1,130	4,533	2,003	3,441	944	3,578	2,109	1,350	904	818	727	22,355
Professional Services	14,910	16,144	22,705	16,213	3,652	8,174	2,292	1,530	4,074	3,808	1,536	3,970	99,007
Taxes/Licenses-Other	6,119	6,158	6,443	6,984	6,675	6,043	7,208	7,003	5,467	5,979	12,687	10,561	87,326
Repairs/Maintenance	28,224	14,966	20,229	29,500	45,533	38,343	27,944	44,960	19,197	15,947	10,110	17,917	312,872
Refuse	360	594	1,039	281	2,654	1,142	1,583	1,619	1,407	1,670	647	134	13,130
Rent-Govt	1,711	1,843	1,683	4,026	10,945	24,196	53,719	48,768	23,127	5,375	2,341	1,971	179,704
Rent-Other	1,026	1,025	1,031	1,248	2,890	4,881	7,524	1,039	9,424	8,288	871	872	40,118
Security	3	184	32	39	206	124	311	-203	174	627	480	0	1,977
Sewer Haul Out	0	0	0	175	0	0	0	0	0	200	0	0	375
Supplies	655	1,903	3,688	5,834	10,246	9,786	7,860	10,369	6,333	1,476	1,746	1,267	61,163
Spoilage/Rework	0	0	190	-163	292	531	1,239	575	523	264	30	176	3,657
Telephone	3,752	2,621	3,307	3,877	3,289	709	4,100	3,701	4,812	3,457	2,652	3,819	40,096
Travel	1,147	883	820	1,054	1,784	1,181	1,820	1,079	716	1,578	1,650	988	14,700
Uniforms	-481	-82	0	246	698	214	504	596	256	24	1,127	1,228	4,330
Utilities	3,420	3,498	3,936	3,718	4,489	5,925	7,310	7,069	7,572	5,332	4,600	4,542	61,410
Total Operating Expens	381,424	363,126	396,940	428,651	545,217	584,936	700,794	675,884	503,360	396,142	342,911	378,411	5,697,796
Net Operating Profit	-335,721	-313,570	-350,307	-312,231	-194,261	175,095	1,043,639	921,854	229,693	-241,225	-278,553	-321,850	22,564
Other Income/Expense	0	5,516	6,118	14,871	14,871	0	0	0	9,211	9,211	0	0	59,798
Net Profit	-335,721	-308,054	-344,189	-297,360	-179,390	175,095	1,043,639	921,854	238,904	-232,014	-278,553	-321,850	82,362

Shasta Lake Resorts LP Projection

2012 Balance Sheet

	January	February	March	April	May	June	July	August	September	October	November	December
Current Assets												
Cash on Hand & in Banks	200,751	96,627	126,875	279,581	908,592	1,433,276	1,433,372	1,310,458	1,118,304	857,913	519,386	285,931
Accounts/Notes Receivable	206,612	199,023	192,500	198,801	184,144	222,922	192,096	199,866	180,480	176,884	197,981	168,951
Merchandise Inventory	656,484	654,845	711,256	792,262	776,329	733,975	682,347	663,606	613,286	611,286	621,286	631,286
Prepaid Expenses / Deposits	357,869	317,948	286,374	251,982	203,862	144,207	159,561	120,493	80,768	9,923	442,915	419,189
Total Current Assets	1,421,717	1,268,443	1,317,005	1,522,626	2,072,927	2,534,381	2,467,376	2,294,424	1,992,839	1,656,007	1,781,568	1,505,357
Capital Improvement Projects	235,959	245,379	275,379	372,828	446,301	511,192	531,192	539,125	545,162	550,162	555,162	600,401
Property & Equipment												
Total Property & Equipment	21,368,820	21,192,446	20,980,715	20,805,706	20,630,697	20,630,697	20,630,697	20,630,697	20,488,177	20,345,657	20,345,657	20,345,657
Less: Accumulated Depreciation	-11,820,775	-11,820,843	-11,772,952	-11,765,030	-11,757,108	-11,841,066	-11,925,024	-12,008,982	-12,009,209	-12,009,436	-12,093,394	-12,177,352
Net Property & Equipment	9,784,004	9,616,982	9,483,142	9,413,504	9,319,890	9,300,823	9,236,865	9,160,840	9,024,130	8,886,383	8,807,425	8,768,706
Other Assets												
Liquor License	13,410	13,410	13,410	13,410	13,410	13,410	13,410	13,410	13,410	13,410	13,410	13,410
Deposits	15,752	15,752	15,752	15,752	15,752	15,752	22,733	25,524	30,604	30,604	30,604	30,604
Start-up Costs, Net	54,170	52,087	50,004	47,921	45,838	43,755	41,672	39,589	37,506	35,423	33,340	31,257
Loan Fees, Net	0	0	0	0	0	0	0	0	0	0	0	0
Suspense - see AR	(5,859)	(5,859)	(5,859)	(5,859)	(8,499)	(28,005)	(9,563)	(6,962)	(7,991)	(6,945)	(6,465)	(12,370)
Total Other Assets	77,473	75,390	73,307	71,224	66,501	44,912	68,252	71,561	73,529	72,492	70,889	62,901
Total Assets	**11,283,193**	**10,960,815**	**10,873,454**	**11,007,354**	**11,459,318**	**11,880,115**	**11,772,493**	**11,526,824**	**11,090,497**	**10,614,881**	**10,659,882**	**10,336,964**
Liabilities & Capital												
Liabilities												
Current Liabilities												
Accounts Payable	437,551	446,401	463,345	267,448	245,459	178,980	219,690	233,402	151,086	170,967	170,199	172,166
Note Payable - Partners	30,280	38,284	45,996	7,420	(35,254)	30,677	149,646	27,768	96,278	61,474	46,907	30,354
Note Payable - Credit Line	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Expenses	660,545	628,787	667,681	540,002	500,736	474,697	658,642	551,432	511,115	414,512	754,512	704,741
Customer Deposits/Deferred Income	588,889	690,107	972,042	1,866,130	2,699,018	2,973,403	1,936,570	986,557	435,602	374,316	376,014	442,131
Total Current Liabilities	1,717,265	1,803,579	2,149,064	2,681,000	3,409,959	3,657,757	2,964,548	1,799,159	1,194,081	1,021,269	1,347,632	1,349,392
Long-Term Liabilities												
Notes, Contracts, & Lease Payable	5,089,529	4,988,891	4,900,233	4,799,558	4,701,953	4,699,857	4,241,805	4,239,671	4,169,518	4,098,728	4,095,918	4,093,089
Less: Current Portion												
Total Long-Term Liabilities	5,089,529	4,988,891	4,900,233	4,799,558	4,701,953	4,699,857	4,241,805	4,239,671	4,169,518	4,098,728	4,095,918	4,093,089
Total Liabilities	6,806,794	6,792,470	7,049,297	7,480,558	8,111,912	8,357,614	7,206,353	6,038,830	5,363,599	5,119,997	5,443,550	5,442,481
Capital												
Partners Capital	4,812,120	4,812,120	4,812,120	4,812,120	4,812,120	4,812,120	4,812,120	4,812,120	4,812,120	4,812,120	4,812,120	4,812,120
Net Income (Loss) Year to Date	(335,721)	(643,775)	(987,964)	(1,285,324)	(1,464,714)	(1,289,619)	(245,980)	675,874	914,778	682,764	404,211	82,362
Total Capital	4,476,400	4,168,345	3,824,156	3,526,796	3,347,406	3,522,501	4,566,140	5,487,995	5,726,898	5,494,885	5,216,332	4,894,482
Total Liabilities & Capital	**11,283,193**	**10,960,815**	**10,873,454**	**11,007,354**	**11,459,318**	**11,880,115**	**11,772,493**	**11,526,824**	**11,090,497**	**10,614,881**	**10,659,882**	**10,336,964**

Exhibit "C"

Liquidation Analysis- Shasta Lake Resorts, LP

Values As of 9/30/11	Book Value	Immediate
Assets		
Current Assets		
Cash	977,159	**977,159**
Accounts Receivable	212,008	**106,004**
Inventory	639,966	**95,995**
Prepaids (primarily insurance)	86,630	-
Total Current Assets	1,915,763	**1,179,158**
Property/Equipment		
Land	250,761	**250,761**
SH Marinas - Net Book	1,570,375	**362,411**
NM Marina - Net Book	435,472	**89,997**
LM Marina - Net Book	184,162	**372,415**
LM - Op Equip & Boats	99,599	**in above**
Operating Equip - Net Book	329,616	**65,923**
Boats - Net Book	7,610,563	**2,054,852**
Net PP & E	10,480,548	**3,196,359**
Other Assets		
Liquor Licenses (SH 1-#21, 2-#20, LM 1-#41, 4-#20)	13,410	**13,410**
Deposits	11,176	**11,176**
Total Other Assets	24,586	**24,586**
Total Assets	12,420,897	**4,400,103**
Liabilities		
Current Liabilities		
Accounts Payable	502,352	**251,176**
Accrued Expenses (Ins, Int, PR & related, SlsTx)	513,815	**427,185**
Deposits, Deferred Hsbt Rents	235,075	**235,075**
Deposits, Deferred Slip Rents	207,429	**207,429**
Total Current Liabilities	1,458,671	**1,120,865**
Long Term Liabilities		
HB HB/OH Note Pay/Bud Klein+interest	838,337	**838,337**
HB HB/OH Note Pay/BofA Houseboat	3,822,824	**3,822,824**
Partner Notes + interest	646,017	**646,017**
SH JV Note Pay/DBW #2	0	-
SH SG Note Pay/DBW #1	362,411	**362,411**
NM NM Note Pay/DBW #206	50,401	**50,401**
NM NM Note Pay/DBW #160	39,596	**39,596**
Total Notes, Contracts, Lease payables	**5,759,586**	**5,759,586**
Total Long Term Liabilities	5,759,586	**5,759,586**
Total Liabilities	7,218,257	**6,880,451**
Liquidation Value	5,202,640	**(2,480,348)**
Expenses of Liquidation		**855,736**
Net Liquidation Value		**(3,336,084)**