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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re: SHILO INN, TWIN FALLS, LLC, Debtor and Debtor-in-Possession.	Lead Case No.: 2:13-bk-21601-VZ Chapter 11 Jointly administered with: Case No. 2:13-bk-21603-VZ Case No. 2:13-bk-21604-VZ Case No. 2:13-bk-21605-VZ Case No. 2:13-bk-21606-VZ Case No. 2:13-bk-21607-VZ Case No. 2:13-bk-21608-VZ
Affects: ☒ All Debtors ☐ SHILO INN, TWIN FALLS, LLC ☐ SHILO INN, BOISE AIRPORT, LLC ☐ SHILO INN, NAMPA BLVD, LLC ☐ SHILO INN, NEWBERG, LLC ☐ SHILO INN, SEASIDE EAST, LLC ☐ SHILO INN, MOSES LAKE, INC. ☐ SHILO INN, ROSE GARDEN, LLC Debtors and Debtors-in-Possession.	**CALIFORNIA BANK & TRUST'S AMENDED OBJECTION TO DEBTORS' DISCLOSURE STATEMENT DESCRIBING JOINT CHAPTER 11 PLAN** **<u>HEARING DATE:</u>** Date: May 8, 2014 Time: 1:30 p.m. Place: Courtroom 1368 255 E. Temple St Los Angeles, CA 90012

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TO THE HONORABLE VINCENT ZURZOLO, UNITED STATES BANKRUPTCY JUDGE, THE DEBTORS, DEBTORS' COUNSEL, THE UNITED STATES TRUSTEE, AND ALL OTHER INTERESTED PARTIES:

California Bank & Trust ("CB&T") hereby objects as follows to approval of the disclosure statement filed jointly by the Debtors as part of the *Disclosure Statement and Joint Plan of Reorganization For Debtors: Shilo Inn, Twin Falls, LLC; Shilo Inn, Boise Airport, LLC; Shilo Inn, Nampa Blvd, LLC; Shilo Inn, Newberg, LLC; Shilo Inn, Seaside East, LLC; Shilo Inn, Moses Lake, Inc.; and Shilo Inn, Rose Garden, LLC; Dated August 29, 2013* [ECF No. 139] (the "Disclosure Statement" and "Plan").

I. INTRODUCTION

The Debtors' Disclosure Statement fails to meet the requirement of providing adequate information to creditors. The Debtors have not constructed a plan that is feasible or that will result in a successful reorganization of the business. Despite having initially filed the Disclosure Statement and Plan in August 2013 and despite several developments in the case since that date, the Debtors have failed to supplement the Disclosure Statement or make any substantive changes, rendering the Disclosure Statement fatally inadequate. The Debtors have not provided any current financial projections to support their ability to make payments under the joint Plan, and have ultimately presented a Plan that is, on its face, not confirmable because it does not, and cannot, meet the requirements of Section 1123 or Sections 1129(a) and (b).

Moreover, the Debtors have no ability to confirm this plan regardless of the adequacy of their disclosures. Through the proposed Plan, the Debtors attempt to modify the loans and pay the debt owed to CB&T over a ten year period with large balloon payments at the end of the term. However, the Debtors' properties are significantly over encumbered, and the Debtors have not shown that they will have sufficient cash on hand or future cash flow to service these debts and continue operating the Hotels. The Debtors' own financial reports do not support the Debtors' (now outdated) projected budgets, and there is no evidence that the Debtors will be able to refinance or sell the Hotels in ten years at a price sufficient to make the required balloon payments. The Debtors' claims of feasibility appear to be dependent upon avoidance of CB&T's

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junior liens against the Hotels. However, it is highly unlikely that the fraudulent transfer action will be successful for the reasons set forth herein. The failure to file a new Disclosure Statement and Plan with updated financial information and projections only emphasizes that the Debtors have no hope of proposing a successful plan and are merely trying to delay the foreclosures. Without a realistic plan to pay creditors in full, the Debtors will almost certainly default again. Allowing the Debtors to proceed to confirmation would be futile and would add unnecessary costs for all parties. Therefore, approval of the Disclosure Statement should be denied.

II. BACKGROUND

Over the past several years, CB&T has made extraordinary efforts to work with these seven Debtors (which operate seven hotels in Oregon, Idaho and Washington operating under the "Shilo Inn" flag) and their principal, Mark Hemstreet, to resolve their continuing defaults on their obligations owed to CB&T, which now total almost $29,479,000. Indeed, CB&T has entered into three separate work out and forbearance agreements, none of which have been fully performed by the Debtors. The history of this lengthy and extensive pre-bankruptcy workout process is detailed in the various pleadings filed with the Bankruptcy Court, including both the Supplemental Opposition to Debtors' Motion for Order Authorizing Use of Cash Collateral (the "Opposition")[ECF No. 97], each Memorandum of Points & Authorities in Support of Motion for Relief from the Automatic Stay filed for the seven Shilo hotels (the "Stay Motions")[ECF Nos. 161-167, 268, 270], and the supplement thereto [ECF No. 272] being heard concurrently with the Debtors' motion to approve the Disclosure Statement. Now, more than three and a half years since the first loan modification and a year since the filing of the petitions, for the reasons set forth below, the Debtors are no closer to being able to satisfy their obligations to CB&T.

III. ARGUMENT

A. DEBTORS' DISCLOSURE STATEMENT FAILS TO SET FORTH ADEQUATE DISCLOSURES

1. <u>The Standard for Approval of the Disclosure Statement</u>.

The Bankruptcy Code requires that the Disclosure Statement provide "adequate information" defined as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor of the relevant class to make an informed judgment about the plan..." 11 U.S.C. § 1125. What constitutes adequate information is determined on a case-by-case basis. *In re Diversified Investors Fund XVII*, 91 B.R. 559, 560 (Bankr. C.D. Cal. 1988).

Courts have set forth some factors to be considered which include 1) a description of the debtor's assets and their value; 2) the anticipated future of the company; 3) the scheduled claims; 4) the estimated return to creditors under chapter 7 liquidation; 5) accounting methods utilized to produce financial information; 6) future management of the debtor; 7) estimated administrative expenses; 8) financial information, data, valuations or projections relevant to the creditors' decision to accept or reject the plan; 9) information relevant to the risks posed to creditors under the plan; 10) tax attributes of the debtor; and 11) the debtor's relationships with affiliates. *In re Metrocraft Pub. Services, Inc.*, 39 B.R. 567, 568 (Bankr. N.D. Ga. 1984); *see also In re KM Allied of Nampa*, No. 10-03056, 2011 Bankr. LEXIS 1674, at *23 (Bankr. D. Idaho April 14, 2011); *see also In re Pacific Shores Dev., Inc.*, No. 10-11351, 2011 Bankr. LEXIS 785, at *11-12 (Bankr. S.D. Cal. Feb. 25, 2011).

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2. <u>The Debtors Admit Their Disclosure Statement Cannot be Approved</u>.

On April 22, the Debtors submitted their opposition to CB&T's various motions for relief from the automatic stay (the "Opposition"). In the Opposition, the Debtors specifically state that amendments to the Disclosure Statement are required, such as updating the plan projections and incorporating factual changes such as "how to address CBT's claim based on proofs of claim, recent valuation appraisals, the complaint to avoid CBT's claim on account of the Hemstreet Loan, and claim objections that the Debtors will assert against CBT." Opposition, p. 29, ll. 6-13. However, the Debtors have unreasonably delayed presenting an amended disclosure statement. Indeed, CB&T's claims were filed in August 2013; CB&T attempted to gain Debtors' cooperation in appointing a neutral appraiser as early as October 2013; the Debtors have waited almost a year to file their baseless fraudulent transfer complaint; the deadline to object to claims has passed; and plan projections could have been updated well in advance of the hearing. Despite having at least

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several months to file any amendment or supplement to the Disclosure Statement, the Debtors have failed to do so.

3. The Disclosure Statement Lacks Pertinent Financial Information.

The Disclosure Statement fails to address key points which are necessary for a creditor to make an informed judgment about the Plan. Information on the cash flow and operation of a debtor's business is necessary for a creditor to make an informed decision. As is information sufficient to determine a debtor's current financial situation, its anticipated financial future, any potential tax issues, and its ability to properly manage the business and solve the issues which pushed it into bankruptcy. A disclosure statement should include past and present income and expense data, future income and expense projections, and the basis (and, critically, the underlying assumptions) for the projections. At the very least, the debtor must provide financial information demonstrating its ability to make the payments required under the plan, and in this case, particularly the payments required to Classes 1, 2, and 3. However, as set forth below, the financial information provided by the Debtors in the Disclosure Statement is significantly outdated and conclusory and does not allow creditors to determine the feasibility of the Plan.

The Debtors' Plan would purportedly be funded solely from cash collateral on hand at confirmation and cash flow from future operations, but the Debtors have not provided any updated financial information that accounts for the fact that the Effective Date, originally projected to occur in January 2014, is unlikely to occur earlier than July 2014. Creditors need to be given new projections for each Debtor for the amount of cash on hand as of the new Effective Date as well as projections for cash flow during the first year of the Plan, as the Debtors' businesses are admittedly seasonal and cash is critical in the first few months of the Plan. In addition, the Disclosure Statement needs to be updated as to the current amount of cash collateral. The Disclosure Statement states that the Debtors were holding $1,400,000 in cash as of the end of August 2013 (Plan, p. 13), and expected to be holding approximately $1,400,000 during month one of the Plan. Plan, Ex. C. However, the cumulative amount of cash on hand had decreased, as of February 28, 2014, by more than $752,000[1]. *See* Ex. 1. It is unclear how much cash the

[1] The Debtors' August MORs reflect a cumulative ending cash collateral balance of $1,458,818. *See also* Plan, p. 13.

Debtors now expect to have on hand at the new Effective Date.

As for the Debtors' overall post-petition and anticipated future performance, when the Debtors filed the Disclosure Statement in late August 2013, they projected a "conservative" annual revenue growth for 2013 of 7%. Plan, p. 12. Yet, the Debtors' actual revenue growth rate for 2013 was 4.4%, meaning the Debtors missed their growth target by more than 37%.[2] *See* Ex. 2. The Plan Budget Summaries reflect that the Debtors anticipated having at least $1,381,506 to make the first month's Plan payments (assumed to be January 2014). Plan, Ex. C, p. 11 (Doc. 139, p. 102 of 156) attached hereto as Exhibit 5. The Debtors now admit that they fell short of this target for January 1, 2014 by $273,398, a shortfall of 20%. Opposition, p. 13. As of the end of February, the Debtors, cumulatively, held only $706,000 – almost $700,000 less than the amount projected for the end of February in the Plan Budget Summaries. *See* Ex. 3. The Debtors have not provided any evidence that would support a significant change from their pre-petition and post-petition financial performance or justify the higher growth rates included in their plan projections.

While a debtor's projections are "inherently subject to uncertainty and variation depending upon evolving events," they must be "supported by sound business assumptions that are tied to the debtor's postpetition performance and to its prior and projected history." *In re St. Bernard*, Case No. 09-73909-WSD, 2010 WL 4922215, at *2 (Bankr. E.D. Mich. Aug. 31, 2010); *accord In re Niover Bagels, Inc.*, 214 B.R. 291, 293 (Bankr. E.D.N.Y. 1997). The Debtors' cash flow and plan budget projections are presumably supported by numerous assumptions. While p. 53 of the Disclosure Statement states, "[s]ection XV (c) states the assumptions and details surrounding the statement of projected cash flow", no such assumptions or details appear in the referenced section (which, instead, discusses "The Debtors' Charters"). The Disclosure Statement fails to specify what methods were used in arriving at the projections or what assumptions were made, and sets forth no bases supporting those unknown or generalized assumptions. For example, there is no comparison of historical versus projected performance and no explanation of why the projected

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As of February 28, 2014, the Debtors' MORs reflect a cash balance of approximately $706,000.

[2] The Debtors' Opposition states they achieved an increase in <u>room</u> revenue of 6%. Even if room revenue were the same as total revenue, a 6% increase still falls short of the goal by 14%, not 1%. Opposition, p. 27.

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revenue increases are heavily weighted to the first few years of the Plan. There is no explanation for why the Debtors have, admittedly, failed to budget sufficient amounts for capital expenditures ("unbudgeted expense items had to be paid, totaling $216,798.37, between August 1, 2013 and March 31, 2014…").[3] In response to CB&T's inquiries regarding such assumptions, the Debtors' stated "Our assumptions are basically that in general the properties will continue to show improvement as the overall economy continues to improve." The projections appear to be mere hopes and desires for the future state of the Debtors' affairs, with no sound business basis or reasoning.

The financial information provided with the Disclosure Statement in August 2013 is now well outdated and does not satisfy the adequate disclosure requirement. Despite assertions that they are able to confirm a Plan, and despite having had several months to do so, the Debtors have failed to file an amendment or supplement to the Disclosure Statement setting forth the updated figures which are critical to determining feasibility. Given that the Debtors have not been able to accurately project future cash flow to date, even in the short term, and their current projections do not show sufficient cash to make the payments that will be required during the first three months of the proposed Plan (see Section B.3., below), current and detailed financial information, as well as details regarding the support for their projections with underlying assumptions, is particularly relevant to determining feasibility of the Plan. Unless this information is provided, the Disclosure Statement cannot be approved.

4. <u>The Disclosure Statement Lacks Any Discussion of the Reserve Account</u>

The Debtors' Cumulative 2014 Plan Budget Summary reflects a payment in the first month of the Plan of $500,000 for "Initial Reserve Account Funding". *See* Ex. 5 (Plan, Ex. C., p. 102 of 156). The Debtors give no further information about these funds except to say "Reserve Account Funds Usage Limited to Property Tax, Debt Service, &/or Capital Improvements as Needed," effectively giving the Debtors broad discretion over the use of the funds. *Id.* Despite the significance of the payment, there is no other mention of this transfer of funds or of a "Reserve

[3] It appears the Debtors may have used CB&T's cash collateral for expenses outside the approved cash collateral budgets. Averaging these expenses over the eight month period, the expenses exceed the allowed variance of 5%.

Account" anywhere in the Disclosure Statement and Plan, and unless one scrutinizes the Debtors' budget summaries extremely carefully, one might miss the Debtors' proposed use of these funds altogether. Without additional explanation of this reserve and additional guidance on how such funds will be used, the Debtors' disclosures cannot be considered adequate.

5. The Disclosure Statement Lacks Accurate Information Regarding Debtors' Assets.

In addition, the Disclosure Statement fails to provide an accurate current value for each Hotel – the sole asset for each Debtor – and the obligations secured thereby. First, the values asserted by the Debtor in the Plan are significantly different from the values which will likely be set by the Court. As to four of the Hotels, the neutral appraiser appointed by the Debtors and CB&T has estimated the value of each of the Hotels to be significantly less than the Debtors' original asserted values. *See* Declaration of Brian Glanville [ECF No. 273]. As to the remaining three Hotels, the Debtors have abandoned their own asserted values of these Hotels and stipulated to the value set forth in the appraisal obtained by CB&T in June 2013. *See* Stipulation Appointing Neutral Appraisal [ECF No. 248]. Second, the value of the Hotels will have a significant impact on the Debtors' Plan given CB&T's deficiency claims and their potential inclusion in the general unsecured creditor class, and is, therefore, critical to providing sufficient information to creditors and hypothetical investors to make an informed decision regarding the Plan. Third, an accurate disclosure of the value of assets affects the liquidation analysis required by Section 1129(a)(7), which is necessary to establish that, in the event CB&T, or any other creditor, does not accept the Plan, it will receive or retain property of a value that is not less than the amount it would receive in a liquidation under chapter 7. Notably, the Debtors did not provide a liquidation analysis. Finally, the Disclosure Statement lists inaccurate claim amounts which are substantially less than the amounts set forth in CB&T's proofs of claims. The Debtors have not objected to these claims and the deadline to do so has now passed.

The chart below compares the neutral or undisputed values with the amount of debt owed and secured against each Hotel as of April 1, 2014 (*accounting for the cross-collateralization of the Newberg/Nampa Hotels). The analysis assumes all secured property taxes will be paid through the Plan and will not affect the secured value of CB&T's claims:

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Debtor	Neutral Appraisal	CB&T Appraisal	Debt – First Deed of Trust (DOT)	Additional Secured Claim	First DOT Deficiency	CB&T Total Unsecured Claims
TF	-	$7,600,000	$6,692,994	$907,006	-	$5,461,229
Boise	$2,125,000		$4,557,871	-	$2,432,871	$7,894,100
Nampa	$1,150,000		$1,712,996	-	$220,052*	$5,681,240
Newberg	-	$2,450,000	$2,107,056	$342,944*	-	$5,461,229
Seaside	$2,250,000		$2,486,024	-	$236,024	$5,697,253
ML	-	$3,400,000	$3,554,570	-	$154,570	$154,570
RG	$925,000		$1,999,104	-	$1,074,104	$1,074,104

In addition, the chart sets forth the total and unsecured amounts of CB&T's claim against the Debtors, including the unsecured portion, on account of the amount owed under the Hemstreet Line of Credit, which is not only secured by a lien against five of the Hotels, but is also included in cross-default provisions against each of the Debtors such that any default on the Line of Credit constitutes a default by the Debtors under each of their loans from CB&T. *See also* Ex. 6.

6. The Disclosure Statement Lacks Clarity as to Classification of Claims and Voting

The Disclosure Statement and Plan are unclear as to whether the Debtors intend the Plan to operate as a separate plan for each Debtor or whether the Plan is intended to impermissibly consolidate some or all of the Debtors. At times, the Disclosure Statement refers to seven reorganized Debtors rather than one consolidated reorganized debtor (e.g., "Reorganized Debtors, Shilo Nampa Blvd and Shilo Newberg [sic]" at page 28); yet, the Plan also provides for consolidated classes of certain claims against two or more Debtors (e.g., Classes 2.3, 2.4, 2.6, 3.3, and 3.4). It is unclear how consolidating claims against two debtors into one class will affect how these claims are paid and how the funds of each Reorganized Debtor will be allocated. Nor does the Disclosure Statement clarify how the votes of the claimants in these consolidated classes will be counted toward confirmation of separate plans.

Furthermore, as set forth in more detail in Section B.6. below, such claims classification is contrary to Section 1122(a)(5), which provides that claims may be placed in the same class only if they are "substantially similar." 11 U.S.C. Section 1122(a).

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7. The Disclosure Statement Lacks Sufficient Information for Creditors to Determine the Treatment of Their Claims and Payments Under the Plan.

The Disclosure Statement also fails to provide adequate information to unsecured creditors or give an accurate estimate of the unsecured creditors' potential recovery. The Debtors' Plan states that Allowed Class 3 General Unsecured Claims will be paid in full, but without interest, in three equal installments. The payments are to be made over a three month period, beginning shortly after the Effective Date. However, the Debtors' Plan fails to take into account the fact that CB&T will have significant general unsecured deficiency claims not only on the loans secured by the first deeds of trust, but also on the line of credit, which is secured by five of the Hotels and cross-defaulted with all seven Loans. CB&T's deficiency claims are likely to exceed $9,579,000, and would need to be paid over three months along with the other unsecured creditor claims. The estimated amounts of CB&T's deficiency claims on the first deeds of trust and the Hemstreet Line of Credit, as of April 1, 2014, are set forth above and in Exhibit 6, and the necessary Plan payments on said claims are set forth in the chart attached hereto and incorporated as Exhibit 7. Taking into account these deficiency claims and the estimated values of the Hotels set forth above, the Debtors will not have sufficient Cash to make all payments pursuant to the Plan.

While the Disclosure Statement also provides that administrative claims will be paid in full, it does not provide a complete discussion or accurate estimate of those claims, including pre- and post-confirmation attorneys' fees, Section 503 claims, and fees owed to the U.S. Trustee. The amount of administrative claims included only attorneys' fees estimated, more than eight months ago, at $150,000, and likely does not take into account the anticipated litigation over stay relief, confirmation, and the newly filed avoidance action. CB&T has been advised that Debtors' counsel has already incurred an additional $100,000 through March 2013, and it is likely attorneys' fees alone will exceed another $50,000 through the confirmation process. The Disclosure Statement does not address or account for post-petition liabilities incurred by the Debtors that are entitled to be paid as administrative claims under Section 503, including ordinary course expenses or potentially significant post-petition secured tax claims. *In re Mark Anthony Construction Inc.*, 886 F.3d 1101 (9th Cir. 1989). The Debtors' February MORs list these

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liabilities as more than $798,000. The Debtors claim this is not the actual amount owed, but have provided no further information or accurate estimate of what will need to be paid on the Effective Date. Opposition, p. 28.

As for the source of payment, the Disclosure Statement specifies that all administrative claims will be paid out of cash collateral, but there is no information provided that demonstrates the Debtors will have sufficient cash on the Effective Date, or thereafter, to make payments on the administrative claims in addition to the other significant payments required under the Plan, as demonstrated in Exhibit 7. This information is essential to permit creditors to make an informed decision regarding the Plan.

8. <u>The Disclosure Statement Lacks a Discussion of Section 1111(b)</u>

The Disclosure Statement also lacks a discussion of Section 1111(b), which would entitle CB&T to elect to have any undersecured claim treated as a fully secured claim. The Disclosure Statement fails to inform the Debtors' creditors and other interested parties that some or all of CB&T's claims are eligible for an election under Section 1111(b) or address the treatment of the claim, including the asserted amount of the claim or the appropriate interest rate, should CB&T make such an election on one or more of its claims. This is due in part to the Debtors' failure to account for the value of the Hotels as estimated either by the neutral appraiser or by CB&T as of June 2013. As such, the information provided by the Debtors is insufficient for CB&T to assess whether to exercise its rights under Section 1111(b) or determine whether it would receive property of a value, as of the effective date of the Plan, that is not less than the value of its interest in the Properties as required by Section 1129(a)(7)(B). The information is also insufficient for CB&T, other creditors, and hypothetical investors to assess the potential consequences to the Plan and make an informed judgment as to whether the Debtors' reorganization would be feasible in the event an election is made. This material omission precludes approval of the Disclosure Statement. *See, e.g.*, Fed. R. Bankr. P. 3014, Advisory Committee Note ("[t]he secured creditor class must know the prospects of its treatment under the plan before it can intelligently determine its rights under § 1111(b).").

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9. The Disclosure Statement Lacks a Sufficient Discussion of Management

The Disclosure Statement also does not adequately address the future management of the Debtor. A disclosure statement must provide information regarding a debtor's present and future management. *See, e.g., In re Stokes*, Case No. 09-60265-11, 2009 WL 3062314, at *11 (Bankr. D. Mont. Sept. 21, 2009). A disclosure statement that does not set forth in sufficient detail the management of the reorganized debtor, or adequately address compensation of executives and other key personnel, is lacking in "meaningful, necessary and critical information to inform reasonable hypothetical investors or creditors as required by 11 U.S.C.A. § 1125." *In re Microwave Prods. of Am., Inc.*, 100 B.R. 376, 379 (Bankr. W.D. Tenn. 1989). Furthermore, failing to explain "fully, completely and in detail all transactions with insiders" is a fatal flaw of a disclosure statement. *In re Malek*, 35 B.R. 443, 444 (Bankr. E.D. Mich. 1983); *accord In re First Magnus Fin. Corp.*, Case No. 4:07-BK-01578-JMM, 2007 WL 4531678, at *1 (Bankr. D. Ariz. Dec. 14, 2007) (". . . insider[s] need to be specified in the body of the disclosure statement. A chart approach . . . would be clear and organized."). Information regarding the Debtors' future management and insider connections is vital for creditors considering whether to vote in favor of the Plan which contemplates the Debtors emerging from bankruptcy as operating entities. This information is also required before confirmation of the Plan under Section 1129(a)(5).

The Debtors intend to retain Shilo Management Corporation ("Manager") as the manager of the Debtors, but the Debtors have failed to disclose the corporate makeup of the Manager (or the franchisor, Shilo Franchise International ("Franchisor")), Mark and Shannon Hemstreet's relationship to those entities, and the Hemstreets' anticipated role going forward. The Debtors classify both the Manager and Franchisor as insiders, but it is unclear whether the Hemstreets are also members, whether it be the sole members, majority members or otherwise, of the Franchisor or Manager. The Debtors cannot be permitted to "soft-pedal" the disclosure of Mark Hemstreet's various and conflicting roles, warranting the Court's refusal to approve the Disclosure Statement unless and until the Debtors provide clear information to creditors, detailing the Hemstreets' deep and varied connection with the Debtors, the estate, Manager, Franchisor, and other affiliates of the Debtors, as well as their role in the Reorganized Debtors. Considering the facts of this case, the

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Debtors' history, and the Debtors' assertion that their pledge of collateral for Hemstreet's Line of Credit was a fraudulent transfer, this information must also be considered necessary to provide creditors with adequate information to vote on the Plan.

While the Debtors specify that they intend to assert a fraudulent transfer claim against CB&T, their Disclosure Statement fails to include a full discussion of potential avoidance claims, including any potential actions against various affiliates and Mr. Hemstreet for preferential or fraudulent transfers. The Debtors' Statements of Financial Affairs list several pre-petition transfers to insiders, listed only as "Various Affiliate Co.," but there is no discussion about whether the Debtors intend to pursue actions to recover these potential preferences from an unspecified company or companies. The Debtors appear to have no intention of seeking to recover these amounts for the benefit of the estates, potentially a result of various conflicts of interest.

B. THE DISCLOSURE STATEMENT MAY NOT BE APPROVED BECAUSE THE DEBTORS' CHAPTER 11 PLAN IS PATENTLY NOT CONFIRMABLE ON ITS FACE.

1. <u>It is appropriate for the Court to consider issues generally reserved for confirmation when the Disclosure Statement describes a plan that is, on its face, not confirmable.</u>

Ordinarily, confirmation issues are reserved for the confirmation hearing. However, the Court may consider such issues when they render the Plan patently or inherently defective such that it cannot be confirmed. *See In re 3DFX Interactive, Inc.*, No. 02-55795, 2006 Bankr. LEXIS 1498, *19 (Bankr. N.D. Cal. June 29, 2006); *In re Silberkraus*, 253 B.R. 890, 899 (Bankr. C.D. Cal. 2000); *In re Main St. AC, Inc.*, 234 B.R. 771, 775 (Bankr. N.D. Cal. 1999). Allowing a disclosure statement to be approved, the Debtors to solicit votes, and a contested confirmation hearing to proceed when there is no possibility that the Plan can pass muster under Section 1129 would cause undue expense and delay to all parties involved.

The Debtors, each of whom has a single asset, has filed this Disclosure Statement and Plan that has several fatal defects and has no possibility of being confirmed within a reasonable time. It is the Debtors' burden to show that i) the Plan is not patently unconfirmable and ii) that it has a reasonable likelihood of complying with the elements of Section 1129(a) and 1129(b) as to each

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Debtor, as a dissenting vote from CB&T is a certainty. *First S. Nat'l Bank v. Sunnyslope Hous. Ltd. P'ship (In re Sunnyslope Hous. Ltd. P'ship)*, 2012 Bankr. LEXIS 687, at *15 (B.A.P. 9th Cir. Feb. 1, 2012). In order to satisfy its burden, the Debtors must "do more than manifest unsubstantiated hopes for a successful reorganization." *In re Sun Valley Newspapers, Inc.*, 171 B.R. 71, 75 (B.A.P. 9th 1994). As we are now in the later stages of the cases, and the exclusivity period has long since expired, the Debtors' burden is fairly high – it must offer "sufficient evidence to indicate that a successful reorganization is 'assured'." *Id.* (citations omitted); *see also In re Ryerson*, 2014 Bankr. LEXIS 648, at *22-27 (Bankr. D. Id. Feb. 18, 2014); *In re R.K. Best, Inc.*, 2013 Bankr. LEXIS 3247, at *14-18 (Bankr. E.D. Cal. Aug. 6, 2013); *In re Souza*, 2012 Bankr. LEXIS 6169, at *8-13 (Bankr. E.D. Cal. Nov. 26, 2012); *In re Riverfront Ventures, LLC,* 2010 Bankr. LEXIS 3449, at *4-5 (Bankr. C.D. Cal. July 1, 2010). If the Debtors cannot meet this burden, relief from stay should be granted to the creditor.

The Debtors' Plan is not confirmable for the following reasons, set forth in detail below:

- The Plan is purely speculative.
- It is not feasible and is likely to be followed by liquidation.
- It cannot satisfy the requirements for cramdown of CB&T's claims.
- It lacks an adequate liquidation analysis.
- It is not proposed in good faith.
- It improperly classifies claims.

2. <u>The Debtors' Financial Projections, and Its Plan, are Purely Speculative.</u>

One can only conclude that the Debtors' Plan is wholly speculative and is not sufficient to meet the requirements of Section 1129. As discussed below, the Debtors do not have sufficient cash flow to make the payments that will be required under the Plan. The Debtors have not provided specific assumptions for how they arrived at their projections for future cash flow set forth in the Plan Summary Budgets and have provided no support for their assumptions that the Debtors' performance will increase significantly, especially through the first few years of the Plan. As discussed herein, the Debtors have already failed to meet their plan and cash collateral budget projections. There is no evidence that there is a reasonable likelihood that each Debtor can possibly meet its payment obligations under the Plan even if its performance were to improve and the Debtors were to actually meet their projections for 2014, as they cannot make the additional payments required on account of CB&T's unsecured claims. There are too many contingencies to the feasibility of the Plan for it to be anything but speculative, and it is not confirmable on its face. *In re Smitty Inv. Group, LLC*, 2008 Bankr. LEXIS 1542 (Bankr. D. Id. May 16, 2008) (denying confirmation where cash flow projections were unsupported and speculative); *In re Sula Store, LLC*, 2005 Bankr. LEXIS 3129, at *54-55 (Bankr. D. Mont. July 28, 2005); *see also In re Saddlebrook Subdivision, LLC*, No. 08-04296, 2008 Bankr. LEXIS 3298 (Bankr. E.D.N.C. Dec. 8, 2008) (granting stay relief under Section 362(d)(3) because the debtor failed to show sources of funding construction contemplated under the proposed plan and unrealistically relied on hopes of an improved market to justify the feasibility of the plan).

3. <u>The Plan is Not Feasible and Lacks Adequate Means of Implementation</u>

Section 1129(a)(11) requires that the Debtors establish, by a preponderance of the evidence, that the Plan is feasible and is not likely to be followed by liquidation or the need for further financial reorganization. *Everett v. Perez (In re Perez)*, 30 F.3d 1209 (9th Cir. 1994). The Debtors have presented nothing more than a bald, conclusory statement that the Plan is feasible, and that they have adequate funds for Plan payments. As set forth above, the Debtors have provided no financial information to support each Debtor's ability to successfully reorganize and meet the requirements of the proposed Plan. Here, the Debtors have no guaranteed source of income, and intend to make Plan payments based solely on operating income. Although the Debtors' Disclosure Statement asserts their accumulating cash as of August 2013 is evidence of feasibility, the Debtors' cumulative cash collateral has since decreased by more than $752,000 (as of February 28, 2014), and the amount of cash collateral held at the end of February was almost $700,000 less than the amount projected in the Plan Budget Summary attached to the Disclosure Statement (assumed to be January 2014). *See* Exs. 1, 3. The Debtors have also not demonstrated they will have enough money to cover post-petition liabilities, which are not discussed anywhere in the Disclosure Statement and can only be speculated based on the Debtors' MORs.[4]

[4] As of February 28, 2014, the Debtors' February MORs reflect cumulative cash collateral in the amount of

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The Plan proposes significantly larger payments than the Debtors are able to make, and provides no reasonable explanation of how the Debtors can or will increase profit in order to make these payments. Under the current Plan, for the first two years, the Debtors propose to make monthly payments on the Debtors' Loans in the amount of $68,354, with an additional payment of $18,750 on the Hemstreet Line of Credit, for a total monthly payment of $87,104. After two years, the Debtors propose to increase payments on the Debtors' Loans to $102,437, with an additional $28,100 per month for the Hemstreet Line of Credit, bringing the total payment up to $130,987 per month. The Disclosure Statement provides no detail on where the funds for the LOC payment will come from, whether it be $225,000 or $337,195 annually, as such payments are not provided for in any of the individual Debtor budget summaries. In addition, a $500,000 reserve payment in month one of the Plan is also not accounted for on any of the individual budgets, and based on Debtors' individual projections, such cash will not be available. It is not shown how the Debtors intend to fund this payment.

The payment amounts set forth in the Plan are based on the assumption that the Debtors' Loans are fully secured and that the Hemstreet Line of Credit will be paid as a Class 2 claim. However, as stated above, the Debtors' Disclosure Statement and Plan sets forth overvalues each of the Hotels and the amount of the secured claims as well as the monthly payments thereon will differ. There will also be significant payments to be made on CB&T's unsecured claims. Even assuming the Debtors' proposed interest rate is appropriate, the initial amount of monthly payments required under the Plan, as shown in the attached Exhibit 7[5], are well in excess of what the Debtors could possibly manage based on existing cash and cash flow alone. For example, the Boise Debtor must make payments of approximately $881,500 each month for the first three months; yet, the Boise Debtor was only projected to have $232,308 as of June 2014 per the plan

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$706,697 (restricted and unrestricted cash), while outstanding post-petition liabilities are listed at least $798,417. The total post-petition liabilities do not appear to include outstanding attorneys' fees and costs which exceed $100,000. The Disclosure Statement includes no discussion of post-petition administrative claims.

[5] The individual Debtor calculations (pgs 2-6 of Ex. 7) do not include any payments for the Line of Credit unsecured claim amount. The class 3 payments to CB&T are on account of the deficiency claim on each individual Debtor's loan. As shown in the cumulative analysis (pg. 1 of Ex. 7), the ending cash balances are not sufficient to make the requisite payments on CB&T's unsecured claim based on the Line of Credit.

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projections, or $173,000 per the latest cash collateral budgets (and is already behind its projections through February by $126,000 or $135,000, respectively). *See* Exs. 3-5, 7.

Even when considering the Debtors' performance and projections cumulatively (notwithstanding the separate nature of the Plans), the Debtors' Plan is not feasible. The amount of payments to be made under the Plan by the Debtors, cumulatively, totals more than $3,707,500. *See* Ex. 7. This amount actually increases to $4,207,500 when considering the proposed $500,000 reserve payment. *Id*. Assuming an Effective Date in July 2014 (as the Debtors' Opposition suggests) and assuming that the Debtors will have the amount of cash they originally anticipated having on the Effective Date to make the plan payments, collectively $1,381,500 (*See* Ex. 5), the Debtors will not have sufficient cash on hand to make these payments on the Effective Date. The Debtors' cash collateral budgets actually project the Debtors will have less cash at the end of June 2014, only $1,343,318 collectively. Neither of these amounts account for the fact that the Debtors' are already behind their current 2014 cash collateral and plan projections for cash on hand.

The Debtors' inability to project their 2013 year-end revenue performance well into the third quarter, and at the end of their high season, demonstrates that the Debtors' future projections for 2014 and for the remaining life of the Plan (which include revenues and expenses) are inherently unreliable. Moreover, even if they meet their projections for the months prior to the Effective Date, the Debtors will not have sufficient cash to make payments under the Plan. Assuming, *arguendo*, plan payments could begin in July 2014, based on the Debtors' current plan projections, the Debtors would have only $1,269,000 available on July 1 to make the first month's Plan payments – far less than the amount necessary as demonstrated above. *See* Ex. 3. The Debtors fall even further short on available cash when considering their cash collateral budget projections – taking into account their current shortfall, they would have only $915,000 available. *See* Ex. 4. Even if the Debtors could improve performance over the next few years, it is irrelevant, as the Debtors have shown no ability to get past the first few months of the Plan.

In addition to monthly payments to secured claimants, the Plan calls for balloon payments on each of the eight loans at the end of ten years. The Debtors presumably hope to refinance or

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sell the Hotels in order to obtain sufficient cash to make the payment. However, the Debtors have provided no information establishing their ability to do so. "If a final payment, in the form of a balloon payment, is proposed to come from new financing to be acquired by the Debtor…then proof of feasibility is necessary. Whether that balloon payment can likely be made, and new financing acquired, requires credible evidence proving that obtaining that future financing is a reasonable likelihood." *In re Grogan*, 2013 Bankr. LEXIS 1739, at *30 (Bankr. D. Ore. Apr. 26, 2013) (citing *In re Seasons Partners, LLC*, 439 B.R. 505, 515 (Bankr. D. Ariz. 2010)); *see also 2010-1 CRE Venture, LLC v. VDG Chicken, LLC (In re VDG Chicken, LLC)*, 2011 Bankr. LEXIS 1795, at *15-16 (B.A.P. 9th Cir. Apr. 11, 2011).

There is no evidence that the Debtors, who have been attempting to sell these properties for an extended period, will somehow be able to sell these properties in ten years for close to what they are currently worth or the amount outstanding. This is especially difficult to imagine given two factors: a) the Rose Garden property will likely no longer be operating given the expiration of the lease in 2018 and the fact that the renewal option is not justifiable or financially feasible; and b) the hotel values will have significantly depreciated in ten years' time and the Debtors' budgets do not set aside sufficient funds to replace the furnishings, fixtures, etc.

This Plan, which is not feasible and ultimately shifts all the risk to CB&T, is not confirmable. *In re Casas Archos Investors, LLC*, No. 09-22448, 2010 Bankr. LEXIS 511 (Bankr. D. Ariz. Feb. 16, 2010) (concluding that the proposed plan is not confirmable, and therefore not "effective" for purposes of Section 362(d)(2) and (3) because, among other reasons, no impaired consenting class exists, the multi-year plan duration is speculative, the cash flows are inadequate to support the proposed plan which unfairly shifts the risk to creditors, and the secured creditors face current and continued losses).

4. <u>The Debtors' Plan Fails Because its Fraudulent Transfer Claims Are Barred</u>

The Debtors essentially assert the Plan will become feasible if they successfully avoid CB&T's junior lien against five of the Hotels. Opposition, p. 29. The junior liens were put in place as part of the First Amendments and securitize the Hemstreet Line of Credit against the five Hotels. However, the Debtors' Disclosure Statement, Opposition, and Complaint all ignore the

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fact that each of the Debtors and Hemstreet have executed several valid releases. In addition to a Section 1542 waiver, each of the First and Second Amendments includes a release provision which provides for a waiver of all claims, known or unknown, which were related to, among other things, the Debtors' Loans, the Hemstreet Loan, or any of the amendments or modifications thereto that had occurred to date, which would include a waiver of claims based on the First Amendment that initially provided for the junior liens. *See, e.g.,* CB&T's Twin Falls Proof of Claim No. 8, Ex. G; *see also* Twin Falls Motion for Relief, Ex. 7 [ECF No. 267]. In addition, the Debtors each executed the Settlement Agreement, dated as of January 28, 2013, which included a broad, general release of any and all claims against CB&T, known or unknown, and specifically waived the protections of California Civil Code Section 1542.[6] *See, e.g.,* CB&T's Twin Falls Proof of Claim No. 9, Ex. F, p. 9; *see also* Supp. Decl. of Eric Ventura, Ex. 14 [ECF No. 167]. The Debtors' avoidance action is based solely on state law and on events which occurred at the time of or prior to the execution of the releases, are encompassed by the releases, and are barred.

Regardless, the Debtors' claim that the granting of each junior lien was a constructively fraudulent transfer has no merit. The Debtors' Complaint and Opposition misstate or fail to acknowledge pertinent facts. First, the Debtors assert that an interest rate reduction was the only benefit the Debtors received as a result of the First Amendment, and that such benefit was not reasonably equivalent to the value of the transfer to CB&T. However, the Debtors were in default under each of the Loans at the time the First Amendment was made. As part of the First Amendment, CB&T agreed to forbear from exercising its rights under the loan documents, despite the significant defaults by each of the Debtors, and rather than foreclose on the Hotels and pursue Hemstreet individually, CB&T agreed to defer payment of the accrued interest and fees until maturity and waive all late charges. This forbearance from foreclosure of the Hotels or pursuit of Hemstreet was of significant value to each Debtor. Second, given the identity of interests amongst the Debtors and Hemstreet (for example, the Debtors SOFAs assert that Hemstreet made significant advances to the Debtors after the forbearance agreements were made), they each shared

[6] The Settlement Agreement release reserved only the right of the Debtors to dispute the reasonableness of CB&T's attorneys' fees. However, the deadline to object to the amounts asserted in CB&T's claims has now passed.

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in the benefit to the others.

Third, the Debtors did not become obligors or guarantors on the Line of Credit despite the Debtors' assertion that each transfer resulted in the Debtor "effectively incurring non-recourse liability" and that "$5 million of non-recourse debt was added to its liabilities." Finally, the Debtors' assertion that CB&T received value of $5,000,000 from each Debtor is improper. Each Debtor pledged only its collateral, and CB&T could only have received the amount of "value" that existed in that collateral at the time the lien was incurred, i.e. the amount of equity that existed in each property in excess of priority liens. Given the facts, and the previous waiver and release of all claims by the Debtors, it is highly unlikely that the Debtors' fraudulent transfer action will be successful. As the Debtors cannot avoid the junior liens, the Plan is not feasible.

5. <u>The Absolute Priority Rule is Violated Unless CB&T's Claims Are Paid in Full</u>

It is imperative that the Debtors' show feasibility to pay CB&T's unsecured claims in full (in the event CB&T does not make 1111(b) elections), as well as any insider or intercompany claims in full, as the Debtors are proposing that the equity holders will retain their interests in the Debtor without contributing any new value. Section 1129(b)(2)(B)(ii), otherwise known as the absolute priority rule, requires that "the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property..."

Currently, the Debtors' financial projections and operating reports do not support the Debtors' ability to make the payments required to CB&T under the current Plan. In addition, the Debtors' plan projections do not account for payments to insider claimants, which may or may not include other Debtors,[7] and instead notes: "The unpaid portion of affiliated company executory contract obligations & payments for insider unsecured claims will be made after non-insider general unsecured creditors are paid in full and as cash flow permits." Ex. 5. Unless CB&T, other unsecured creditors, and insiders claimants (some of which may be the other Debtors) receive the

[7] It is impossible to determine whether any Debtor has a claim against any other Debtor given that the Debtors' Statement of Financial Affairs lists "Various Affiliate Co." rather than the specific entity to which or from which transfers were made.

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full value of their claims, the provision providing that the Hemstreets retain their equity is a violation of the absolute priority rule.

6. The Plan Fails Because its Classification of Claims is Impermissible.

Section 1122(a) of the Code provides that "a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class." As set forth above, the Debtors' classification of claims does not meet this standard. The Debtors' Plan, which appears to be operating as seven separate plans as there is no substantive consolidation of the Debtors, combines claims which are not substantially similar into the same class. Specifically, the Debtors have combined claims against different Debtors into the same class with no explanation of how these claims against different entities are "substantially similar." While CB&T's secured claims against Nampa are cross-collateralized by Newberg and vice versa, such cross-collateralization would only have an impact on the amount of CB&T's secured claim and the amount of the remaining unsecured deficiency claim against each Debtor. Such cross-collateralization does not justify consolidating the classes, treating the claims as "substantially similar," or joining such claims for voting purposes when the Plan does not provide for substantive consolidation of the two sets of Debtors. The same analysis applies to the classification of the claims against the Seaside and Moses Lake Debtors.

Moreover, the unsecured claims in Classes 3.3 and 3.4 against Nampa, Newberg, Moses Lake and Seaside should be separately classified. The Plan states that the claims are combined "because Shilo Seaside East and Shilo Moses Lake are cross-collateralized and cross-defaulted on the debtors to CBT…". However, such cross-collateralization and cross-defaults as to CB&T's secured claims does not have any impact on the unsecured claims, especially considering the Debtors' Plan assumes that CB&T's unsecured claim to be paid in each of those classes is zero. There is no evidence that all other unsecured creditors with a claim against the Nampa Debtor can also assert the same claim against the Newberg Debtor, or that the Moses Lake claimants can assert their same claims against the Seaside Debtor, and vice versa. Because these claims are combined into one class for purposes of separate plans, rather than a consolidated plan, and because the claimants in each of these classes do not have a right to payment from the same entity, the claims cannot be considered substantially similar, and must be separately classified. As the Disclosure Statement describes a Plan that cannot be confirmed under 1129(a) for failure to comply with Section 1122(a), approval of the Disclosure Statement must be denied.

IV. CONCLUSION

Where, as here, the Debtors have made no showing of feasibility and present a purely speculative plan that is not confirmable, the Debtors should not be permitted to proceed past the disclosure statement phase. Beside the fact that the Disclosure Statement woefully lacks adequate information, it would be futile to give the Debtors even more time to amend the Disclosure Statement. The Plan is not feasible on its face, nor is it fair and equitable, as it shifts all the risk to the creditor. Rather than approve a disclosure statement for a plan that is patently not confirmable, the Court should grant relief from stay to allow CB&T to pursue its rights under non-bankruptcy law.

Dated: May 5, 2014

BRYAN CAVE LLP

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EXHIBIT 1

Shilo Inns

Monthly and Cumulative Cash Burn 6 Months Ending Feb-2014

September 2013 - February 2014

	Sep - 2013		Oct - 2013		Nov - 2013		Dec - 2013		Jan - 2014		Feb - 2014		Cash Burn Sep13 - Feb14	
Debtor	End Cash	Mo. Change	End Cash	Mo. Change	End Cash	Mo. Change	End Cash	Mo. Change	End Cash	Mo. Change	End Cash	Mo. Change	Total	Mo. Avg.
Twin Falls, LLC	$369,963	$24,445	$341,668	($28,295)	$300,233	($41,435)	$234,936	($65,297)	$208,332	($26,604)	$191,739	($16,593)	($153,779)	($25,630)
Boise Airport, LLC	164,703	14,636	119,351	(45,352)	84,779	(34,572)	44,889	(39,890)	21,793	(23,096)	13,097	(8,696)	(136,970)	(22,828)
Nampa Blvd, LLC	94,780	5,955	74,911	(19,869)	58,940	(15,971)	25,611	(33,329)	4,396	(21,215)	11,624	7,228	(77,201)	(12,867)
Newberg, LLC	170,523	36,932	158,019	(12,504)	160,223	2,204	147,698	(12,525)	115,005	(32,693)	103,770	(11,235)	(29,821)	(4,970)
Seaside East, LLC	334,009	70,356	268,325	(65,684)	217,495	(50,830)	184,435	(33,060)	138,374	(46,061)	115,597	(22,777)	(148,056)	(24,676)
Moses Lake, Inc.	314,143	25,577	276,707	(37,436)	260,977	(15,730)	220,859	(40,118)	180,111	(40,748)	164,776	(15,335)	(123,790)	(20,632)
Rose Garden, LLC	231,037	42,439	238,809	7,772	220,352	(18,457)	195,618	(24,734)	132,935	(62,683)	106,094	(26,841)	(82,504)	(13,751)
Consolidated	$1,679,158	$220,340	$1,477,790	($201,368)	$1,302,999	($174,791)	$1,054,046	($248,953)	$800,946	($253,100)	$706,697	($94,249)	($752,121)	($125,354)
Round	**$1,679,000**	**$220,000**	**$1,478,000**	($201,000)	**$1,303,000**	($175,000)	**$1,054,000**	($249,000)	**$801,000**	($253,000)	**$707,000**	($94,000)	($752,000)	($125,000)

Note: "Mo. Change" reflects the difference in ending cash from the prior month.

EXHIBIT 2

Shilo Inns

Debtors' Disclosure Statement
"...7% Revenue Growth in 2013"

Projected vs Actual Performance

CY 2012 - 2013

		2013 Revenue - - Projected vs Actual			
Debtor	2012 Revenue	Projected[1]	Actual	Variance	%
Twin Falls, LLC	$1,853,684	$1,983,442	$1,688,057	($295,385)	-14.9%
Boise Airport, LLC	989,052	1,058,286	1,042,013	(16,273)	-1.5%
Nampa Blvd, LLC	386,646	413,711	488,525	74,814	18.1%
Newberg, LLC	680,258	727,876	751,810	23,934	3.3%
Seaside East, LLC	798,563	854,462	840,230	(14,232)	-1.7%
Moses Lake, Inc.	972,544	1,040,622	1,074,197	33,575	3.2%
Rose Garden, LLC	795,978	851,696	878,333	26,637	3.1%
Consolidated	$6,476,725	$6,930,096	$6,763,165	($166,931)	
Round	**$6,477,000**	**$6,930,000**	**$6,763,000**	**($167,000)**	
Growth Rate		7.0%	$\boxed{4.4\%}$		

1. Page 12 of Debtors' Disclosure Statement states that due to "market steps" taken in 2012 to improve overall performance of the hotels, an "achievable 2013...plan has been introduced...increasing revenue numbers by <u>7% over the previous year"</u>. Debtors' actual revenue growth (4.4%) was 37% *less* than the 7% projected.

EXHIBIT 3

Shilo Inns

Comparison of Debtors' Plan Budget vs MOR Actuals

Prospective June Ending Cash Based on YTD Feb-2014 Variance

January, February & June, 2014

	Beginning Cash, January 2014				Ending Cash, February 2014						Prospective Ending Cash, June 2014				
Debtor	Plan Budget	MOR	Variance[1]	%	Plan Budget	Projected Plan Payments	Adjusted Plan Budget	MOR	Variance	%	Plan Budget	Projected Plan Payments	Adjusted Plan Budget	Feb Variance	Prospective[2]
Twin Falls, LLC	$405,920	$234,936	($170,984)	-42%	$293,949	$150,527	$444,476	$191,739	($252,737)	-57%	$445,972	$267,801	$713,773	($252,737)	$461,036
Boise Airport, LLC	125,269	44,889	(80,380)	-64%	25,394	113,882	139,276	13,097	(126,179)	-91%	39,445	192,863	232,308	(126,179)	106,129
Nampa Blvd, LLC[3]															-
Newberg, LLC	201,178	173,309	(27,869)	-14%	118,310	68,431	186,741	115,394	(71,347)	-38%	90,036	132,744	222,780	(71,347)	151,433
Seaside East, LLC[3]		184,435						115,597							-
Moses Lake, Inc.	433,932	220,859	(213,073)	-49%	138,886	255,796	394,682	164,776	(229,906)	-58%	159,015	351,282	510,297	(229,906)	280,391
Rose Garden, LLC	215,206	195,618	(19,588)	-9%	121,051	103,301	224,352	106,094	(118,258)	-53%	137,929	134,914	272,843	(118,258)	154,585
Consolidated	$1,381,505	$1,054,046	($327,459)	-24%	$697,590	$691,937	$1,389,527	$706,697	($682,830)	-49%	$872,397	$1,079,604	$1,952,001	($682,830)	$1,269,171
Other Plan Payments[4]					$537,500	$537,500					$612,500	$612,500			
Adjusted Consolidated	$1,381,505	$1,054,046	($327,459)	-24%	$160,090	$1,229,437	$1,389,527	$706,697	($682,830)	-49%	$259,897	$1,692,104	$1,952,001	($682,830)	$1,269,171
Round	**$1,382,000**	**$1,054,000**	**($327,000)**		**$160,000**	**$1,229,000**	**$1,390,000**	**$707,000**	**($683,000)**		**$260,000**	**$1,692,000**	**$1,952,000**	**($683,000)**	**$1,269,000**

1. The Debtors' Disclosure Statement and Plan (and accompanying budget) was filed on August 29, 2013. The Debtors' inability to project beginning January 2014 cash (just over four months later) with a reasonable degree of accuracy speaks volumes about their ability to accurately forecast operating performance of the Hotels and the resulting cash available for Plan payments.

2. Prospective June ending cash equals the Debtors' original Plan projections less: a) projected Plan payments for January-June, 2014, and b) the variance in February ending cash. The prospective result assumes that March-June operating performance equals the forecast in the Plan projections, an assumption highly favorable to the Debtors.

3. The Plan budget combines Nampa Blvd with Newberg and combines Seaside East with Moses lake as they are cross collateralized.

4. Other Plan Payments include the funding of the initial reserve account and payments on account of the CB&T line of credit.

EXHIBIT 4

Shilo Inns

Comparison of Debtors' Cash Collateral Budget vs MOR Actuals

Prospective June Ending Cash Based on YTD Feb-2014 Variance

January, February & June, 2014

	Beginning Cash, January 2014				Ending Cash, February 2014				Prospective Ending Cash, June 2014		
Debtor	CC Budget	MOR	Variance[1]	%	CC Budget	MOR	Variance	%	CC Budget	Feb Variance	Prospective[2]
Twin Falls, LLC	$435,220	$234,936	($200,284)	-46%	$438,035	$191,739	($246,296)	-56%	$596,344	($246,296)	$350,048
Boise Airport, LLC	160,379	44,889	(115,490)	-72%	148,542	13,097	(135,445)	-91%	173,089	(135,445)	37,644
Nampa Blvd, LLC	37,508	25,611	(11,897)	-32%	22,054	11,624	(10,430)	-47%	19,645	(10,430)	9,215
Newberg, LLC	123,237	147,698	24,461	20%	93,677	103,770	10,093	11%	75,418	10,093	85,511
Seaside East, LLC	236,333	184,435	(51,898)	-22%	186,935	115,597	(71,338)	-38%	200,348	(71,338)	129,010
Moses Lake, Inc.	184,485	220,859	36,374	20%	121,043	164,776	43,733	36%	140,840	43,733	184,573
Rose Garden, LLC	182,515	195,618	13,103	7%	125,160	106,094	(19,066)	-15%	137,634	(19,066)	118,568
Consolidated	$1,359,677	$1,054,046	($305,631)	-22%	$1,135,446	$706,697	($428,749)	-38%	$1,343,318	($428,749)	$914,569
Round	**$1,360,000**	**$1,054,000**	**($306,000)**		**$1,135,000**	**$707,000**	**($429,000)**		**$1,343,000**	**($429,000)**	**$915,000**

1. The Debtors' Amended Cash Collateral Motion (and accompanying budget) was filed on November 27, 2013. The Debtors' inability to project beginning January 2014 cash (just over one month later) with a reasonable degree of accuracy speaks volumes about their ability to accurately forecast operating performance of the Hotels and the resulting cash available for Plan payments.

2. Prospective June ending cash equals the Debtors' amended Cash Collateral Budget less the February variance. The prospective result assumes that March-June operating performance equals the forecast in the amended Cash Collateral Budget, an assumption highly favorable to the Debtors.

EXHIBIT 5

SHILO INN - 7 SHILO INN PROPERTIES COMBINED
2014 CONFIRMATION PLAN BUDGET SUMMARY

REVENUE	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL	%
ROOMS	323,639	342,111	478,760	505,217	622,102	838,492	937,516	1,050,751	749,853	590,871	416,545	333,740	7,189,597	97.8%
OTHER INCOME	8,843	8,814	11,639	11,923	16,845	17,151	21,953	19,461	15,652	13,261	10,162	8,642	164,346	2.2%
TOTAL REVENUE	332,482	350,925	490,399	517,140	638,947	855,643	959,469	1,070,212	765,505	604,132	426,707	342,382	7,353,943	100.0%
DEPARTMENTAL PROFIT														
ROOMS	204,257	219,757	323,637	347,545	400,007	600,546	681,213	804,110	545,085	418,317	276,116	209,406	5,029,996	70.0%
TELEPHONE-LINE CHARGES	(8,191)	(8,191)	(8,191)	(8,191)	(8,191)	(8,191)	(8,191)	(8,191)	(8,191)	(8,191)	(8,191)	(8,191)	(98,292)	
OTHER	5,236	5,155	6,667	6,859	12,087	11,947	15,305	10,665	8,762	7,563	5,984	5,191	101,421	61.7%
TOTAL DEPARTMENTAL PROFIT	201,302	216,721	322,113	346,213	403,903	604,302	688,327	806,584	545,656	417,689	273,909	206,406	5,033,125	68.4%
SALES & MARKETING	20,883	20,887	22,311	20,915	45,605	35,688	40,790	14,805	15,601	14,812	14,805	14,827	281,926	3.8%
REPAIRS & MAINTENANCE	27,341	28,597	37,173	38,621	77,967	81,287	96,688	60,055	48,012	39,211	30,973	26,958	592,883	8.1%
ADMINISTRATION & GENERAL	54,221	54,382	60,645	62,709	64,938	71,006	89,257	73,519	68,681	69,893	58,637	57,886	785,774	10.7%
ENERGY	21,034	21,506	29,724	30,182	24,264	44,277	44,577	36,167	41,572	32,421	24,895	20,117	370,736	5.0%
TOTAL OVERHEAD EXPENSE	123,479	125,372	149,853	152,427	212,774	232,258	271,312	184,546	173,866	156,337	129,310	119,788	2,031,319	27.6%
GROSS OPERATING PROFIT	77,823	91,349	172,260	193,786	191,129	372,044	417,015	622,038	371,790	261,352	144,599	86,618	3,001,806	40.8%
OTHER FIXED EXPENSES														
INSURANCE, TAXES, & RENT	42,896	42,896	42,896	42,896	42,896	42,896	42,896	42,896	42,896	42,896	42,896	42,896	514,752	7.0%
INTEREST	0	0	0	0	0	0	0	0	0	0	0	0	4	0.0%
FRANCHISE FEE (ROYALTY, RESERV., MKTG)	12,941	13,672	19,128	20,185	24,859	33,498	37,437	41,943	29,951	23,619	16,656	13,342	287,232	3.9%
MANAGEMENT FEE	24,373	24,373	24,373	24,373	24,373	24,373	24,373	24,373	24,373	24,373	24,373	24,373	292,476	4.0%
TOTAL OTHER FIXED EXPENSES	80,211	80,941	86,398	87,455	92,129	100,767	104,707	109,213	97,220	90,888	83,925	80,611	1,094,464	14.9%
PLAN PAYMENTS														
CLASS 1 - PROPERTY TAX	50,031	50,781	49,655	0	0	0	0	0	0	0	0	0	150,467	2.0%
CLASS 2 - SECURED LENDER	68,353	68,353	68,353	68,353	68,353	68,353	68,353	68,353	68,353	68,353	68,353	68,353	820,239	11.2%
CLASS 2 - SECURED LENDER-$5 Million LOC	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	225,000	3.1%
CLASS 3 - GENERAL UNSECURED CREDITORS	64,596	64,596	64,596	0	0	0	0	0	0	0	0	0	193,787	2.6%
CLASS 4 - INSIDER CREDITOR CLAIMS	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
CLASS 5 - MEMBERSHIP INTERESTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
ADMINISTRATIVE & EXECUTORY [3]	325,227	0	0	0	0	0	0	0	0	0	0	0	325,227	4.4%
INITIAL RESERVE ACCOUNTS FUNDING [4]	500,000	0	0	0	0	0	0	0	0	0	0	0	500,000	6.8%
TOTAL PLAN PAYMENTS	1,026,957	202,480	201,354	87,103	87,103	87,103	87,103	87,103	87,103	87,103	87,103	87,103	2,214,721	30.1%
TOTAL INCOME AFTER PLAN PAYMENTS	(1,029,344)	(192,072)	(115,492)	19,228	11,897	184,174	225,205	425,722	187,466	83,361	(26,429)	(81,096)	(307,379)	-4.2%
CASH BEGINNING OF PERIOD	1,381,506	352,162	160,089	44,598	63,826	75,723	259,897	485,102	910,825	1,098,291	1,181,652	1,155,223	1,381,506	
CHANGE IN CASH DURING PERIOD	(1,029,344)	(192,072)	(115,492)	19,228	11,897	184,174	225,205	425,722	187,466	83,361	(26,429)	(81,096)	(307,379)	-4.2%
CASH ENDING OF PERIOD	352,162	160,089	44,598	63,826	75,723	259,897	485,102	910,825	1,098,291	1,181,652	1,155,223	1,074,127	1,074,127	

NOTES:

1) LOAN PAYMENTS PREDICATED ON INTEREST-ONLY FOR FIRST TWO YEARS OF TEN-YEAR TERM, WITH A BALLOON DUE DECEMBER 31, 2023.
2) BUDGET PREDICATED ON EXITING CHAPTER 11 ON JANUARY 1, 2014, WITH ALL NON-INSIDER UNSECURED CREDITORS PAID IN FULL. THE UNPAID PORTION OF AFFILIATED COMPANY EXECUTORY CONTRACT OBLIGATIONS & PAYMENTS FOR INSIDER UNSECURED CLAIMS WILL BE MADE AFTER NON-INSIDER GENERAL UNSECURED CREDITORS ARE PAID IN FULL AND AS CASH FLOW PERMITS.
3) EXECUTORY CONTRACT ASSUMPTION INCLUDES CURE OF PRE-PETITION PAYMENTS OF APPROXIMATELY $400,000 AND OF WHICH APPROXIMATELY $222,500 IN PAYMENTS DUE AFFILIATED COMPANIES WILL BE DEFERRED UNTIL CASH FLOW PERMITS PAYMENT.
4) RESERVE ACCOUNT FUNDS USAGE LIMITED TO PROPERTY TAX, DEBT SERVICE, &/OR CAPITAL IMPROVEMENTS AS NEEDED.

CONFIDENTIAL

EXHIBIT 6

Shilo Inns

Estimated CB&T Deficiency to be Added to General Unsecured Creditor Claims

Based on Lender's Asserted Claim Amounts as of April 1, 2014

Hotel	Debtor	Lender's As-Is Value[1]	Allowed Claim[2]	Estimated Deficiency
Twin Falls	Twin Falls, LLC	$7,600,000	$6,692,994	$0
Boise Airport	Boise Airport, LLC	2,125,000	4,557,871	(2,432,871)
Nampa Boulevard	Nampa Blvd, LLC	1,150,000	1,712,996	(562,996)
Newberg	Newberg, LLC	2,450,000	2,107,056	0
Subtotal Nampa and Newberg[3]		3,600,000	3,820,052	(220,052)
Seaside East	Seaside East, LLC	2,250,000	2,486,024	(236,024)
Moses Lake	Moses Lake, Inc.	3,400,000	3,554,570	(154,570)
Subtotal Seaside East and Moses Lake[4]		5,650,000	6,040,594	(390,594)
Rose Garden	Rose Garden, LLC	925,000	1,999,104	(1,074,104)
California Bank and Trust ("CBT") Line of Credit[5, 6]	See Note 5	0	6,368,235	(5,461,229)
Total		**$19,900,000**	**$29,478,850**	**($9,578,850)**

1. Value per Integra Realty Resources appraisals as of March 2014 and Gordon appraisals (Twin Falls, Newberg & Moses Lake) as of June 2013.
2. Per CB&T's payoff calculations as of April 1, 2014.
3. The Nampa Boulevard and Newberg loans are cross-collateralized.
4. The Seaside East and Moses Lake loans are cross-collateralized.
5. The CBT Line of Credit is collateralized by the Twin Falls, Boise Airport, Nampa Boulevard, Newberg, and Seaside East Hotels.
6. CBT Estimated Deficiency Calculation is calculated as the total Allowed Claim amount less any remaining equity in the properties serving as collateral for such claim.

EXHIBIT 7

Shilo Inns

Estimated Ending Cash - - Consolidated

(First 3 Plan Months, Assuming July 1 Effective Date)

Based on Debtors' July-September 2014 Plan Revenue and Expense Projections and
Estimated Effective Date (January) Cash

	Jul-14	Aug-14	Sep-14
Total Revenue	**$959,500**	**$1,070,200**	**$765,500**
Less: Departmental Expenses	271,200	263,600	219,800
Less: Total Overhead Expense	271,300	184,500	173,900
Less: Total Other Fixed Expenses	104,700	109,200	97,200
Total Expenses Before Plan Payments	**647,200**	**557,300**	**490,900**
Net Income Before Plan Payments [1]	**$312,300**	**$512,900**	**$274,600**
Beginning Cash [2]	$1,381,500	($2,513,700)	($5,383,600)
Less: Plan Payments			
Administrative & Executory	(325,200)		
Initial Reserve Accounts Funding	(500,000)		
Class 1 - Property Tax	(50,100)	(50,600)	(49,800)
Class 2 - CB&T Secured Claims (Interest at 4.5%) [3]	(71,300)	(71,300)	(71,300)
Class 2 - CB&T LOC Secured Claim (Interest at 4.5%) [4]	(3,400)	(3,400)	(3,400)
Class 3 - General Unsecured Creditor (GUC) Claims	(64,500)	(64,500)	(64,500)
Class 3 - Additional GUC Payments on Account of CB&T Unsecured Claim [5]	(3,193,000)	(3,193,000)	(3,193,000)
	(4,207,500)	(3,382,800)	(3,382,000)
Subtotal	($2,826,000)	($5,896,500)	($8,765,600)
Add: Income Before Plan Payments	312,300	512,900	274,600
Ending Cash	($2,513,700)	($5,383,600)	($8,491,000)
Ending Cash (Adding Back Reserve)	($2,013,700)	($4,883,600)	($7,991,000)

1. July - September 2014 monthly income and expense per the Debtors' Plan projections.
2. Effective Date (January 2014) cash as shown in Debtors' Plan projections.
3. Calculated based on lesser of: a) CB&T's asserted amounts as of 4/1/12, or b) appraised value if LTV greater than 100%.
4. Calculated based on equity value of properties seucring the CB&T line of credit.
5. Represents CB&T's asserted claims in excess of appraised values, paid in 3 equal installments - - including deficiency portion of CB&T line of credit.

Shilo Inns

Estimated Ending Cash - - Twin Falls

(First 3 Plan Months, Assuming July 1 Effective Date)

Based on Debtors' July-September 2014 Plan Revenue and Expense Projections and Estimated Effective Date (January) Cash

	Jul-14	Aug-14	Sep-14
Total Revenue	**$249,600**	**$237,400**	**$184,800**
Less: Departmental Expenses	52,000	45,700	39,700
Less: Total Overhead Expense	54,300	36,400	34,000
Less: Total Other Fixed Expenses	27,700	27,200	25,100
Total Expenses Before Plan Payments	**134,000**	**109,300**	**98,800**
Income Before Plan Payments [1]	**$115,600**	**$128,100**	**$86,000**
Beginning Cash [2]	$405,900	$418,500	$483,900
Less: Plan Payments			
Administrative & Executory	(40,600)		
Initial Reserve Accounts Funding			
Class 1 - Property Tax	(18,800)	(19,100)	(18,700)
Class 2 - CB&T Secured Claims (Interest at 4.5%) [3]	(25,100)	(25,100)	(25,100)
Class 2 - CB&T LOC Secured Claim (Interest at 4.5%)	(3,400)	(3,400)	(3,400)
Class 3 - General Unsecured Creditor (GUC) Claims	(15,100)	(15,100)	(15,100)
Class 3 - Additional GUC Payments on Account of CB&T Unsecured Claim [4]	-	-	-
	(103,000)	(62,700)	(62,300)
Subtotal	$302,900	$355,800	$421,600
Add: Income Before Plan Payments	115,600	128,100	86,000
Ending Cash	**$418,500**	**$483,900**	**$507,600**

1. July - September 2014 monthly income and expense per the Debtors' Plan projections.
2. Effective Date (January 2014) cash as shown in Debtors' Plan projections.
3. Calculated based on lesser of: a) CB&T's asserted amounts as of 4/1/12, or b) appraised value if LTV greater than 100%.
4. Represents CB&T's asserted claim in excess of appraised value, paid in 3 equal installments.

Shilo Inns

Estimated Ending Cash - - Boise Airport

(First 3 Plan Months, Assuming July 1 Effective Date)

Based on Debtors' July-September 2014 Plan Revenue and Expense Projections and Estimated Effective Date (January) Cash

	Jul-14	Aug-14	Sep-14
Total Revenue	**$149,400**	**$166,800**	**$127,600**
Less: Departmental Expenses	42,400	47,200	36,500
Less: Total Overhead Expense	38,100	38,200	33,300
Less: Total Other Fixed Expenses	17,000	17,700	16,100
Total Expenses Before Plan Payments	**97,500**	**103,100**	**85,900**
Income Before Plan Payments [1]	**$51,900**	**$63,700**	**$41,700**
Beginning Cash [2]	$125,300	($704,300)	($1,483,100)
Less: Plan Payments			
Administrative & Executory	(39,100)		
Initial Reserve Accounts Funding			
Class 1 - Property Tax	(10,800)	(10,900)	(10,700)
Class 2 - CB&T Secured Claims (Interest at 4.5%) [3]	(8,000)	(8,000)	(8,000)
Class 2 - CB&T LOC Secured Claim (Interest at 4.5%)	-	-	-
Class 3 - General Unsecured Creditor (GUC) Claims	(12,600)	(12,600)	(12,600)
Class 3 - Additional GUC Payments on Account of CB&T Unsecured Claim [4]	(811,000)	(811,000)	(811,000)
	(881,500)	(842,500)	(842,300)
Subtotal	($756,200)	($1,546,800)	($2,325,400)
Add: Income Before Plan Payments	51,900	63,700	41,700
Ending Cash	**($704,300)**	**($1,483,100)**	**($2,283,700)**

1. July - September 2014 monthly income and expense per the Debtors' Plan projections.
2. Effective Date (January 2014) cash as shown in Debtors' Plan projections.
3. Calculated based on lesser of: a) CB&T's asserted amounts as of 4/1/12, or b) appraised value if LTV greater than 100%.
4. Represents CB&T's asserted claim in excess of appraised value, paid in 3 equal installments.

Shilo Inns

Estimated Ending Cash - - Nampa + Newberg Combined
(First 3 Plan Months, Assuming July 1 Effective Date)

Based on Debtors' July-September 2014 Plan Revenue and Expense Projections and Estimated Effective Date (January) Cash

	Jul-14	Aug-14	Sep-14
Total Revenue	**$156,400**	**$174,000**	**$140,400**
Less: Departmental Expenses	54,600	47,100	43,000
Less: Total Overhead Expense	61,300	37,300	38,800
Less: Total Other Fixed Expenses	18,500	19,300	18,000
Total Expenses Before Plan Payments	**134,400**	**103,700**	**99,800**
Income Before Plan Payments [1]	**$22,000**	**$70,300**	**$40,600**
Beginning Cash [2]	$201,200	$111,100	$72,500
Less: Plan Payments			
Administrative & Executory	(3,200)		
Initial Reserve Accounts Funding			
Class 1 - Property Tax	(6,900)	(6,900)	(6,900)
Class 2 - CB&T Secured Claims (Interest at 4.5%) [3]	(13,500)	(13,500)	(13,500)
Class 2 - CB&T LOC Secured Claim (Interest at 4.5%)	-	-	-
Class 3 - General Unsecured Creditor (GUC) Claims	(15,100)	(15,100)	(15,100)
Class 3 - Additional GUC Payments on Account of CB&T Unsecured Claim [4]	(73,400)	(73,400)	(73,400)
	(112,100)	(108,900)	(108,900)
Subtotal	$89,100	$2,200	($36,400)
Add: Income Before Plan Payments	22,000	70,300	40,600
Ending Cash	**$111,100**	**$72,500**	**$4,200**

1. Based on ***average*** 2014 monthly income and expense per the Debtors' Plan projections.
2. Effective Date cash projected ending cash per Cash Collateral Budget less actual February variance.
3. Calculated based on lesser of: a) CB&T's asserted amounts as of 4/1/12, or b) appraised value if LTV greater than 100%.
4. Represents CB&T's asserted claim in excess of appraised value, paid in 3 equal installments.

Shilo Inns

Estimated Ending Cash - - Moses Lake + Seaside East Combined
(First 3 Plan Months, Assuming July 1 Effective Date)

Based on Debtors' July-September 2014 Plan Revenue and Expense Projections and Estimated Effective Date (January) Cash

	Jul-14	Aug-14	Sep-14
Total Revenue	**$292,100**	**$366,900**	**$212,800**
Less: Departmental Expenses	80,900	85,700	67,200
Less: Total Overhead Expense	80,500	55,600	48,900
Less: Total Other Fixed Expenses	29,800	32,800	26,700
Total Expenses Before Plan Payments	**191,200**	**174,100**	**142,800**
Income Before Plan Payments [1]	**$100,900**	**$192,800**	**$70,000**
Beginning Cash [2]	$433,900	$188,200	$204,300
Less: Plan Payments			
Administrative & Executory	(170,000)		
Initial Reserve Accounts Funding			
Class 1 - Property Tax	(10,800)	(10,900)	(10,700)
Class 2 - CB&T Secured Claims (Interest at 4.5%) [3]	(21,200)	(21,200)	(21,200)
Class 2 - CB&T LOC Secured Claim (Interest at 4.5%)	-	-	-
Class 3 - General Unsecured Creditor (GUC) Claims	(14,400)	(14,400)	(14,400)
Class 3 - Additional GUC Payments on Account of CB&T Unsecured Claim [4]	(130,200)	(130,200)	(130,200)
	(346,600)	(176,700)	(176,500)
Subtotal	$87,300	$11,500	$27,800
Add: Income Before Plan Payments	100,900	192,800	70,000
Ending Cash	**$188,200**	**$204,300**	**$97,800**

1. Based on ***average*** 2014 monthly income and expense per the Debtors' Plan projections.
2. Effective Date cash projected ending cash per Cash Collateral Budget less actual February variance.
3. Calculated based on lesser of: a) CB&T's asserted amounts as of 4/1/12, or b) appraised value if LTV greater than 100%.
4. Represents CB&T's asserted claim in excess of appraised value, paid in 3 equal installments.

Shilo Inns

Estimated Ending Cash - - Rose Garden
(First 3 Plan Months, Assuming July 1 Effective Date)

Based on Debtors' July-September 2014 Plan Revenue and Expense Projections and Estimated Effective Date (January) Cash

	Jul-14	Aug-14	Sep-14
Total Revenue	**$102,300**	**$116,200**	**$92,900**
Less: Departmental Expenses	31,500	29,100	26,400
Less: Total Overhead Expense	37,200	17,000	18,800
Less: Total Other Fixed Expenses	11,700	12,300	11,400
Total Expenses Before Plan Payments	**80,400**	**58,400**	**56,600**
Income Before Plan Payments [1]	**$21,900**	**$57,800**	**$36,300**
Beginning Cash [2]	$215,200	($206,800)	($520,600)
Less: Plan Payments			
Administrative & Executory	(72,300)		
Initial Reserve Accounts Funding			
Class 1 - Property Tax	(2,800)	(2,800)	(2,800)
Class 2 - CB&T Secured Claims (Interest at 4.5%) [3]	(3,500)	(3,500)	(3,500)
Class 2 - CB&T LOC Secured Claim (Interest at 4.5%)	-	-	-
Class 3 - General Unsecured Creditor (GUC) Claims	(7,300)	(7,300)	(7,300)
Class 3 - Additional GUC Payments on Account of CB&T Unsecured Claim [4]	(358,000)	(358,000)	(358,000)
	(443,900)	(371,600)	(371,600)
Subtotal	($228,700)	($578,400)	($892,200)
Add: Income Before Plan Payments	21,900	57,800	36,300
Ending Cash	**($206,800)**	**($520,600)**	**($855,900)**

1. Based on ***average*** 2014 monthly income and expense per the Debtors' Plan projections.
2. Effective Date cash projected ending cash per Cash Collateral Budget less actual February variance.
3. Calculated based on lesser of: a) CB&T's asserted amounts as of 4/1/12, or b) appraised value if LTV greater than 100%.
4. Represents CB&T's asserted claim in excess of appraised value, paid in 3 equal installments.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
Bryan Cave LLP, 120 Broadway, Suite 300, Santa Monica, CA 90401-2386

A true and correct copy of the foregoing document entitled: **CALIFORNIA BANK & TRUST'S AMENDED OBJECTION TO DEBTORS' DISCLOSURE STATEMENT DESCRIBING JOINT CHAPTER 11 PLAN** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)**: Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On May 5, 2014, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

United States Trustee (LA)
ustpregion16.la.ecf@usdoj.gov

☒ Service information continued on attached page

2. **SERVED BY UNITED STATES MAIL**:
On , I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

3. **SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on May 5, 2014, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

[SERVED BY PERSONAL DELIVERY]
Honorable Vincent P. Zurzolo
United States Bankruptcy Court
Central District of California
255 E. Temple Street, Suite 1360
Los Angeles, CA 90012

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

May 5, 2014	Raul Morales	*/s/ Raul Morales*
Date	*Printed Name*	*Signature*

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):

John-Patrick M Fritz on behalf of Plaintiff Shilo Inn, Boise Airport, LLC
jpf@lnbrb.com

John-Patrick M Fritz on behalf of Plaintiff Shilo Inn, Nampa Blvd, LLC
jpf@lnbrb.com

John-Patrick M Fritz on behalf of Plaintiff Shilo Inn, Newberg, LLC
jpf@lnbrb.com

John-Patrick M Fritz on behalf of Plaintiff Shilo Inn, Seaside East, LLC
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John-Patrick M Fritz on behalf of Plaintiff Shilo Inn, Twin Falls, LLC
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John-patrick M Fritz on behalf of Debtor Shilo Inn, Moses Lake, Inc.
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