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15 **IN THE UNITED STATES BANKRUPTCY COURT**  
16  
17 **THE DISTRICT OF ARIZONA**

18 In re:  
19  
20 SCOTTSDALE VENETIAN VILLAGE, LLC  
21  
22 Debtor.

Chapter 11 Proceedings

Case No. 2-13-bk-02150-GBN

**FOURTH AMENDED DISCLOSURE  
STATEMENT RELATING TO  
DEBTOR'S FOURTH AMENDED  
PLAN OF REORGANIZATION DATED  
FEBRUARY 27, 2014**

23 **I. INTRODUCTION**

24 Scottsdale Venetian Village, LLC, debtor and debtor-in-possession in the above captioned  
25 bankruptcy case ("Debtor"), hereby submits to the Court and creditors of the Debtor's estate this  
26 *Fourth Amended Disclosure Statement Relating to Debtor's Fourth Amended Plan of*  
27 *Reorganization Dated February 27, 2014* (the "Disclosure Statement"). This Disclosure Statement  
28 is submitted pursuant to 11 U.S.C. § 1125.

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

The purpose of this Disclosure Statement is to provide creditors and interested parties in this  
bankruptcy proceeding with such information as is sufficient to allow Creditors and interested  
parties to make an informed decision regarding the Debtor's *Fourth Amended Plan of*  
*Reorganization Dated February 27, 2014* (the "Plan").

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

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

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

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

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

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

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

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

## 10 **II. DEFINITIONS**

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

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

### 14 **A. The Debtor**

15 The Debtor is an Arizona limited liability company that was formed on March 30, 2006.  
16 The Debtor is currently managed by Ceasar Perez and owned by Perez Holdings II, LLC (“Perez  
17 Holdings”).

### 18 **B. The Debtor’s Property**

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

26 In addition to the Hotel, the Debtor operates the Papi Chulo’s Mexican Grill & Cantina, a  
27 restaurant located immediately adjacent to the Hotel (the “Restaurant,” and together with the Hotel,  
28

1 the “Property”). The Restaurant is a full service restaurant and bar that offers guests of the Hotel  
2 and the general public Sonoran style Mexican cuisine and cocktails.

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

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

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

17 D. **The Debtor’s Potential Acquisition**

18 Throughout the Debtor’s bankruptcy, it has marketed its interests in the Property to explore  
19 the possibility of a sale as a means by which to generate funds that could be used to pay its  
20 creditors. One of the impediments to sale of the Debtor’s assets is the fact that the Hotel sits on  
21 leased land and is subject to the terms of the Land Lease. Many of the prospective buyers of the  
22 Hotel wanted the real estate as part of the purchase. The owner of the land made it clear on  
23 numerous occasions that the land was not for sale, which significantly narrowed the field of  
24 prospective buyers. Fortunately, it appears as though the Debtor has been able to reach agreement  
25 with a buyer who is willing to purchase the Debtor’s interests in the Property, subject to the Land  
26 Lease.

1 After arms-length negotiations, Glacier Development Companies, LLC (along with its  
2 designee, the “Buyer”) entered into that certain Membership Interest Purchase Agreement (the  
3 “Purchase Agreement”) with the Debtor and Perez Holdings. A copy of the executed Purchase  
4 Agreement is attached hereto as Exhibit “C.” As required by the Purchase Agreement, the Buyer  
5 has already deposited \$200,000 in escrow to serve as an earnest deposit.

6 Pursuant to the Purchase Agreement, the Buyer has a 30-day period in which to conduct its  
7 due diligence. During that time, the Buyer can walk away from the sale for any reason. However,  
8 if the Buyer does not walk away, the sale is due to close within approximately 30 days of the entry  
9 of a Final Order confirming the Debtor’s Plan. The Buyer has a right to approve the terms of the  
10 Plan before Confirmation.

11 If Purchase Agreement is consummated, several integrated transactions will occur. Upon  
12 closing, the Buyer will receive 100% of the equity interests in the Debtor in exchange for a  
13 promissory note in the amount of \$1,500,000 executed in favor of Perez Holdings. The Buyer will  
14 deposit in a joint account in the name of the Buyer and the Debtor, an additional \$300,000, which  
15 when combined with the current earnest deposit, will make \$500,000 available to be used by the  
16 Debtor to deal with claims, such as administrative and priority claims, as well as allowing the  
17 Debtor to offer discounts for cash to those with allowed claims. In addition, the Buyer will deposit  
18 in an account an additional \$1,000,000 as additional financial resources to provide further  
19 assurance of the Debtor’s financial capability to meet its operational and Plan obligations post  
20 confirmation.

21 Pursuant to a promissory note executed at closing, one year after confirmation of the Plan,  
22 the Buyer will pay Perez Holdings \$1,500,000. In the event that the Buyer fails to make the  
23 payment due to Perez Holdings under its promissory note, the Purchase Agreement provides Perez  
24 Holdings the ability to foreclose upon, and regain, the equity interests in the Debtor.

25 Additionally, pursuant to the Purchase Agreement, the Reorganized Debtor will provide  
26 bonuses of \$115,000 and \$30,000, respectively, to Shahram Sodiefi and Sara Stevens for their key  
27 roles in the operation, and subsequent transition, of the Property.

1 The terms described above are only a general overview of the Purchase Agreement, and are  
2 not intended to modify or displace any provisions thereof. All parties wishing to examine the sale  
3 described herein are expressly referred to the attached Purchase Agreement.

4 E. **Operations and Management**

5 Although subject to change upon consummation of the Purchase Agreement, and the  
6 Buyer's attendant acquisition of the Debtor's equity interests, the Debtor presently intends to  
7 complete its transition of the Hotel to the Days Hotel system, and to continue operating the  
8 Restaurant in the current manner. The Debtor intends to continue to use the revenues generated by  
9 the Hotel and the Restaurant to pay the ordinary and necessary operating and maintenance expenses  
10 of the Property. For a budget demonstrating the Debtor's current projected revenues and expenses,  
11 parties can look to the budget attached to the recent cash collateral order for the period of January  
12 15, 2014 through February 28, 2014. For further information regarding the Debtor's cash position  
13 and receivables, parties are directed to the Monthly Operating Reports reflecting the Debtor's  
14 operations on a monthly basis. The Monthly Operating Report for December 2013 is attached  
15 hereto as Exhibit "A," and the Debtor's other Monthly Operating Reports are available from the  
16 Court's docket.

17 The Debtor's current manager is Ceasar Perez. Mr. Perez has been involved in the  
18 operation and management of the Hotel and Restaurant since 2006. Prior to his involvement with  
19 the Hotel, among other things, Mr. Perez had been involved in the operation and remodeling of a  
20 La Quinta Inn in Phoenix that was comprised of approximately 164 rooms. Mr. Perez is also a  
21 mortgage banker and real estate developer that has developed shopping centers, housing,  
22 apartments, and raw land. The Hotel's current general manager and controller is Safia Edwards.  
23 Prior to her employment by the Debtor, Ms. Edwards was a general manager and controller for  
24 Windemere Hotels. In that position, Ms. Edwards was responsible for management oversight,  
25 finance, and accounting for five separate hotels with total annual revenues in excess of \$8.2  
26 million.

1 In the event that the Purchase Agreement is not consummated, and the Buyer does not  
2 acquire all of the equity interests in the Debtor, the Debtor will retain the same management team  
3 and structure that existed pre-petition. The issues that led to the Debtor's bankruptcy filing were a  
4 result of the economy and the credit market, and arguably FNBH's improper actions, not the  
5 Debtor's management. The Debtor's existing management structure is appropriate to meet the  
6 needs of the Debtor, and a change in management, without more, would not be in the best interests  
7 of the Debtor or its creditors.

8 In the event that the Buyer acquires all of the equity interests in the Debtor, it will have the  
9 ability to put in place its own personnel and management. The Buyer's principals are experienced  
10 in the hospitality industry, and have held key management positions with Tharaldson, Hilton and  
11 Hyatt. A summary description of the Buyer, and its principals, is attached hereto as Exhibit "D."

12 F. **Projections of Future Operations**

13 The Debtor has prepared cash flow projections for the Property for the life of the Plan, (the  
14 "Projections"). The Projections are attached hereto as Exhibit "B" and incorporated herein by this  
15 reference. The Projections are based upon the Debtor's best estimates of the future revenue to be  
16 generated by the Hotel and Restaurant, and the future expenses to be incurred in their operation and  
17 maintenance. The Debtor believes that the Projections are conservative and achievable. If, after  
18 completing its due diligence, the Buyer believes that the Projections must be revised, the Debtor  
19 will promptly file amended projections reflecting the Buyer's input.

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

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

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

24 B. **Retention of Professionals**

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

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

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

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

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

14 On June 7, 2013, the Debtor and FNBH agreed to, and the Court authorized by entry of its  
15 *Second Stipulated Order Authorizing the Debtor's Use of Cash Collateral Under 11 U.S.C. § 363*  
16 *on an Interim Basis*, the Debtor's continued use of cash claimed to be the collateral of FNBH  
17 through July 31, 2013. On August 2, 2013, the Debtor, FNBH, and the Arizona Department of  
18 Revenue lodged stipulated orders authorizing the continued use of cash collateral through  
19 September 30, 2013. Those stipulated orders were entered by the Court on August 5, 2013. Since  
20 that time, the Debtor, FNBH, and the ADOR have stipulated to the continued use of cash collateral  
21 through and including February 28, 2014.

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

23 A. **Assets**

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



1           **1. Real Property** – The Debtor does not own the real property upon which the  
2 Hotel and Restaurant are located. Based upon an appraisal performed in 2010, and the opinion of  
3 its management, the Debtor believes that the total value of its interest in the Property may  
4 approximate \$12,000,000. This amount, however, includes the value of certain personal property  
5 owned by the Debtor. In the Debtor’s Schedules it has estimated that the value of just its leasehold  
6 interest in the Property is approximately \$10,856,291. FNBH has obtained an appraisal that opines  
7 that the value of the Debtor’s leasehold interest in the Property, as of March 22, 2012, was  
8 \$7,000,000. The Debtor is informed and believes that FNBH may have obtained a more-recent  
9 appraisal of the Debtor’s interest in the Property, but the Debtor has not been provided a copy of  
10 any such appraisal, and has not been told what, if any, opinions of value might be set forth therein.  
11 Ultimately, the Court will determine the value of the Debtor’s interest in the Property.

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

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

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

24           **5. Personal Property** – The Debtor owns a wide array of furniture, equipment,  
25 and inventory, as is necessary to the operations of the Hotel and Restaurant. This personal property  
26 is more specifically identified in the Debtor’s Schedules and Statements. Although the extent of  
27 these items, and therefore their total value, fluctuates in the ordinary course of operations, in the  
28

1 Schedules, the Debtor estimated that, in aggregate, this personal property has a value of  
2 approximately \$1,175,000.

3 **B. Liabilities**

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

5 **1. Priority Claims**

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

10 **2. Secured Claims**

11 a. First National Bank of Hutchinson

12 First National Bank of Hutchinson ("FNBH"), on behalf of itself and various  
13 participants, has asserted claims against the Debtor, allegedly secured by, among other things, the  
14 Debtor's leasehold interest in the Property, in the aggregate amount of approximately \$7,000,000.  
15 As discussed above, the Debtor believes that it may have certain claims against FNBH that could  
16 result in a substantial reduction in the amount of FNBH's claim against the Debtor.

17 b. Maricopa County

18 The Maricopa County Treasurer holds a claim for unpaid pre-petition real  
19 property taxes, which is secured by a tax lien on the real property upon which the Hotel and  
20 Restaurant are operated. In the Debtor's schedules, the amount of Maricopa County's claim for  
21 property taxes is estimated to be \$217,300. TRC, the owner of the real property upon which the  
22 Hotel and Restaurant are situated, believes that Maricopa County's claim is in the amount of  
23 \$232,912.24. Maricopa County asserts that, because the Debtor does not own the real property  
24 upon which the Hotel and Restaurant are situated, its claim for property taxes is not a claim against  
25 the Debtor that can be treated in the Plan.

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

4 c. Arizona Department of Revenue

5 The Arizona Department of Revenue ("ADOR") has filed a proof of claim  
6 asserting a secured claim against the Debtor in the amount of \$236,770, which is asserted to be  
7 secured by all of the Debtor's assets. This claim relates to pre-petition transaction privilege taxes  
8 that are allegedly owed. The Debtor is still conducting an investigation into the ADOR's asserted  
9 claim, but suspects that all or part of such claim may not be enforceable against the Debtor.

10 d. Horizon Capital Investment Group, LLC

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

13 e. Plexus Technology Solutions, LLC

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

16 f. Small Business Term Loans, Inc.

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

20 **3. Unsecured Claims**

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

25 C. Administrative Expenses

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

## 12 **VI. PLAN SUMMARY**

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

## 23 **VII. CLASSIFICATION OF CLAIMS AND INTERESTS.**

### 24 A. **Class 1: Priority Claims**

- 25 1. Class 1-A consists of Allowed Administrative Claims.
- 26 2. Class 1-B consists of Allowed Priority Tax Claims.

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

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

4                   2.       Class 2-B consists of the Allowed Secured Claim of the Maricopa County  
5 Treasurer (“Maricopa County”).

6                   3.       Class 2-C consists of the Allowed Secured Claim, if any, of the Arizona  
7 Department of Revenue (the “ADOR”).

8                   4.       Class 2-D consists of the Allowed Secured Claim of Horizon Capital  
9 Investment Group, LLC (“Horizon”).

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

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

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

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

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

19                   3.       Class 3-C consists of the Allowed Unsecured Claims resulting from contract  
20 rejections.

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

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

23 **VIII. IMPAIRMENT OF CLASSES.**

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

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1 **IX. TREATMENT OF CLASSES.**

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

3 1. **Class 1-A and 1-B: Administrative Claims**

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

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

10 This Class consists of Allowed Priority Claims under 11 U.S.C. § 507(a)(8) which are not  
11 otherwise treated as secured claims herein. This Class is not impaired. As provided in 11 U.S.C. §  
12 1129(a)(9)(C), unless Claimants holding Claims in this Class agree to an alternative form of  
13 treatment, the Allowed Priority Claims of Class 1-B shall be paid in full, in cash, on or before the  
14 Effective Date, or, at the Debtor's option, holders of such Allowed Claims shall be paid, on  
15 account of such Allowed Claim, quarterly cash payments, commencing 30 days after the Effective  
16 Date and extending to the date that is five years from the Petition Date, of a value, as of the  
17 Effective Date of the Plan, equal to the allowed amount of such Claim. Any Class 1-B Claims not  
18 allowed as of the Effective Date shall be paid as soon thereafter as they are allowed by the Court  
19 according to the terms of this Class.

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

21 1. **Class 2-A – Allowed Secured Claim of First National Bank of  
22 Hutchinson**

23 This Class consists of the Allowed Secured Claim of FNBH. This Class is impaired.  
24 Pursuant to § 506(a) of the Bankruptcy Code, the amount of FNBH's Allowed Secured Claim will  
25 be limited to the value of its collateral, as determined by the Court or agreed upon by the Debtor  
26 and FNBH, and any amount by which FNBH's Allowed Claim exceeds the value of its collateral  
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1 will be deemed to be an unsecured Claim and treated as part of Class 3-B. The Debtor intends to  
2 pay the full amount of FNBH's Allowed Secured Claim, with interest, over a period of 12 years.

3 Specifically, the Debtor will execute and deliver to FNBH a promissory note (the "New  
4 Note") in the amount of FNBH's Allowed Secured Claim. The New Note will mature and become  
5 fully due and payable on the twelfth anniversary of the Effective Date (the "FNBH Maturity  
6 Date"). The New Note shall be secured by the same collateral which existed on the Petition Date,  
7 as evidenced by the pre-petition loan documents, except to the extent the documents are modified  
8 by this Plan and any Order confirming the Plan. For the months of January, February, March, and  
9 April of each year, the Debtor shall make payments of 150% of the monthly principal and interest  
10 payments that would be due if FNBH's Allowed Secured Claim were amortized over thirty years at  
11 the Plan Rate ("Standard Monthly Payment"). For the months of May, June, July, and August of  
12 each year, the Debtor shall make monthly payments of 25% of the Standard Monthly Payment. For  
13 the months of September, October, November and December of each year, the Debtor shall make  
14 monthly payments of 125% of the Standard Monthly Payment. This payment schedule shall remain  
15 in full force and effect until FNBH's Allowed Secured Claim is paid in full or the parties agree to a  
16 different schedule in writing. The first payment will be made on the first business day of the month  
17 immediately following the Effective Date and each payment thereafter will be made on the first  
18 business day of each calendar month during the term of the New Note. Any remaining principal  
19 balance and any interest due under the New Note will be paid to FNBH on the FNBH Maturity  
20 Date.

21 At any time prior to the FNBH Maturity Date, the Debtor may pay the balance of the New  
22 Note without penalty. Immediately upon payment in full of the New Note, FNBH's Allowed  
23 Secured Claim and its liens and security interests in the Debtor's property, will be deemed satisfied,  
24 extinguished, released, and discharged, in full.

25 **2. Class 2-B – Allowed Secured Claims of Maricopa County**

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

3 With respect to the Allowed Secured Claim derived from real property taxes, which is  
4 secured by the real property upon which the Hotel and Restaurant are situated, in connection with  
5 assumption of the Land Lease, the Debtor will pay one half of the outstanding real property taxes  
6 on the Effective Date. The remaining real property taxes will be paid in full, with interest accruing  
7 at the statutory rate, in six equal quarterly installments, commencing on the first day of the first  
8 calendar quarter that begins at least 60 days after the Effective Date.

9 With respect to the Allowed Secured Claim derived from personal property taxes,  
10 commencing on the Effective Date, Maricopa County will be paid the full amount of such Allowed  
11 Secured Claim in equal quarterly payments of principal and interest based upon a twenty year  
12 amortization schedule and interest accruing at the statutory rate. Any remaining principal and  
13 accrued interest due to Maricopa County on account of its Allowed Secured Claim derived from  
14 personal property taxes will be paid, in cash, on or before the fifth anniversary of the Petition Date.

15 Maricopa County will retain its existing secured interests in the Property until its Allowed  
16 Secured Claims have been satisfied in full.

17 If, and only if, Maricopa County votes in favor of this Plan, it will receive a cash payment  
18 of \$5,000 on the Effective Date that will be applied to the outstanding real property taxes. The  
19 remainder of its Allowed Secured Claim will be treated as described above.

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

22 This Class consists of the Allowed Secured Claim, if any, of the Arizona Department of  
23 Revenue ("ADOR"), which is alleged to exist as against the Debtor and be secured by all of the  
24 Debtor's assets. The Debtor is still conducting an investigation in to the ADOR's asserted claim,  
25 but suspects that all or part of such claim may not be enforceable against the Debtor. This class is  
26 impaired.



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

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

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

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

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

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

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

25 The Allowed Secured Claim of Plexus will be paid in full, with interest at the Plan Rate, in  
26 equal quarterly installments commencing on the Effective Date and concluding on the seventh  
27 anniversary of the Effective Date. Plexus shall retain a lien on its collateral, to the same extent and  
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1 with same priority as enjoyed prior to the Petition Date, until its Secured Claim is paid in full.  
2 Upon Plexus' receipt of payment in full of its Allowed Secured Claim, its security interest in its  
3 collateral shall be deemed released and discharged in full.

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

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

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

14 **Class 3: Unsecured Claims**

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

17 This Class consists of the Allowed Unsecured Claim of Days Inn Worldwide, Inc. (“Days  
18 Inn”) arising by virtue of that certain Development Incentive Note (the “Days Inn Note”). This  
19 Class is impaired.

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

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

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

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

5 **3. Class 3-C—Unsecured Claims Resulting From Contract Rejections**

6 This class consists of all Allowed Unsecured Claims resulting from the Debtor's rejection  
7 of executory contracts and unexpired leases pursuant to Section 365 of the Bankruptcy Code. The  
8 Allowed Claims in this class shall be paid in the same manner as the Allowed Claims in class 3-B.

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

10 Class 4 consists of the Allowed Interests in the Debtor. If the Purchase Agreement is not  
11 consummated, the current Interest Holder(s) will retain their equity interests, and constitute the  
12 New Interest Holders in the Reorganized Debtor. If the Purchase Agreement is consummated, the  
13 Buyer will own all of the equity interests in the Reorganized Debtor and constitute the New  
14 Interest Holder.

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

16 A. **Funding**

17 The Plan will be funded primarily by the operations of the Hotel and Restaurant, as  
18 demonstrated in the financial projections attached to this Disclosure Statement as Exhibit "B." To  
19 the extent any infusion of cash is necessary for the Debtor to meet its operational needs or  
20 obligations under the Plan, it will be made by the Debtor's Interest Holder, Perez Holdings.  
21 Alternatively, if the Buyer acquires the equity interests in the Debtor, \$500,000 will be available  
22 for the payment of obligations required to be paid on, or shortly after, confirmation, and an  
23 additional \$1,000,000 will be made available for ongoing operational needs and payments required  
24 under the Plan. Certain of the principals of the proposed Buyer have been involved the hospitality  
25 industry, in varying capacities, for decades and, along with the additional capital being made  
26 available as set forth herein, their expertise will enhance the Debtor's operating capabilities.

1           B.        **Liquidation of Estate Property**

2           If the Buyer does not acquire the equity interests in the Debtor, the Debtor will continue to  
3 market its leasehold interest in the Property for sale. The Debtor does not have, and has never  
4 purported to have, the ability to convey fee title to the real property upon which the Hotel and  
5 Restaurant are situated. The Reorganized Debtor shall be able to sell or assign any of its interests  
6 in the Property so long as such sale or assignment complies with the requirements of Section 363  
7 and/or 365 of the Bankruptcy Code, and shall have the authority to retain such brokers, agents,  
8 counsel, or representatives as it deems necessary.

9           C.        **Management**

10          If the Purchase Agreement is not consummated, the Plan will be implemented through the  
11 retention of the Debtor’s existing management. If the Purchase Agreement is consummated, the  
12 Debtor’s management will be determined by the Buyer. The Debtor’s current management  
13 structure, and the Buyer’s experience and expertise in the hospitality industry, are described in this  
14 Disclosure Statement.

15          D.        **Disbursing Agent**

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

17          E.        **Documentation of Plan Implementation**

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

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1 **XI. EFFECT OF CONFIRMATION**

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

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

16 **XII. POST-CONFIRMATION INJUNCTION**

17 Until all of the payments called for under the Plan have been made, or the Bankruptcy is  
18 dismissed or converted to a liquidation under Chapter 7 of the Bankruptcy Code, and only so long  
19 as no event of default has occurred with respect to any of the New Debt Obligations created by  
20 this Plan, all creditors and parties-in-interest shall be temporarily enjoined from taking any action  
21 against the Interest Holders related to a claim or debt provided for herein. This injunction is  
22 necessary to allow the Interest Holders to make the financial contributions required to successfully  
23 consummate the Plan. Nothing in this section shall be construed as extinguishing or discharging  
24 any debt of the Interest Holders, or relieving their property of any lien.

1 **XIII. OBJECTIONS TO AND ESTIMATIONS OF CLAIMS**

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

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

7 B. **Settlement of Claims**

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

14 C. **Estimation of Claims**

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

23 D. **Unclaimed Funds and Interest**

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

5 **XIV. NON-ALLOWANCE OF PENALTIES AND FINES**

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

11 **XV. CLOSING OF CASE**

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

18 **XVI. MODIFICATION OF THE PLAN**

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

1 **XVII. JURISDICTION OF THE COURT**

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

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

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

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

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

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

25 6. To enforce and interpret the terms and conditions of this Plan.  
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1           7.       To enter any order, including injunctions, necessary to enforce the title, rights and  
2 powers of the Debtor or the Reorganized Debtor, and to impose such limitations, restrictions, terms  
3 and conditions of such title, right and power that this Court may deem necessary.

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

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

7 **XVIII. RETENTION AND ENFORCEMENT OF CLAIMS**

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

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

19 **XIX. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

20           The Debtor currently intends to assume any and all executory contracts listed in Exhibit  
21 "A" to the Plan. Unless otherwise assumed prior to the Confirmation Date, every other executory  
22 contract and/or unexpired lease of the Debtor not expressly assumed by this Plan will be rejected.  
23 Claims under § 502(g) of the Code arising as a result of the rejection of executory contracts or  
24 unexpired leases shall be filed no later than 30 days after the earlier of either (a) the entry of an  
25 order rejecting such contract or lease or (b) the entry of the Final Confirmation Order. Any such  
26 Claims not timely filed and served shall be disallowed.

1 The Debtor intends to assume the Land Lease, under which the Debtor is the lessee and,  
2 upon information and belief, TRC Holdings, LLC is the lessor. In connection with such  
3 assumption, the Debtor shall cure any defaults under the Land Lease by paying one half of the  
4 past-due property taxes relating to the real property upon which the Hotel and Restaurant are  
5 situated on the Effective Date, and the balance of such property taxes within eighteen months of  
6 the Effective Date. Any rent payments due under the Land Lease which are delinquent shall be  
7 paid, in full, in cash, within 180 days of the Effective Date.

8 The Debtor also currently intends to assume its franchise agreement with Days Inn  
9 Worldwide, Inc (the "Franchise Agreement"). Upon assumption, the Debtor will be required to  
10 cure, in a reasonably prompt manner, any monetary defaults that exist under the Franchise  
11 Agreement. If the Franchise Agreement is not ultimately assumed, any unpaid prepetition fees,  
12 along with any damages occurring as a result of the rejection of the Franchise Agreement, will be  
13 treated as unsecured claims, while fees accruing since the Petition Date may be entitled to an  
14 administrative priority under Section 502 of the Bankruptcy Code.

15 **XX. REVESTING**

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

20 **XXI. LIQUIDATION ANALYSIS**

21 Section 1129(a)(7) of the Bankruptcy Code requires that, in order for a plan to be  
22 confirmed, each holder of a claim within an impaired class of claims either accept the plan or  
23 "retain under the plan on account of such claim or interest property of a value, as of the effective  
24 date of the plan, that is not less than the amount that such holder would so receive or retain if the  
25 debtor were liquidated under chapter 7 of [the Bankruptcy Code] on such date." In this case,  
26 because the Plan provides for the repayment of all Allowed Claims in full, with interest at a market  
27 rate, it would not be possible for a creditor to receive any more from the Debtor's estate through a  
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1 Chapter 7 liquidation than it is entitled to receive under the Plan. The very best that any creditor  
2 could hope to receive through a liquidation would be full repayment of its Allowed Claim, and that  
3 is what each creditor is to be paid under the Plan. As such, the Debtor submits that the Plan  
4 necessarily provides all creditors with at least as much as they would receive in the event of a  
5 Chapter 7 liquidation.

6 Notably, in the event of a liquidation, the cash infusions to be made by either Perez  
7 Holdings or the Buyer, which may accumulate to as much as \$1,400,000, would not be employed to  
8 the benefit of the Property or the Debtor's creditors.

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

21 The Debtor submits that the most likely consequences of a conversion of these bankruptcy  
22 proceedings to a Chapter 7 liquidation would be a termination of the Debtor's ongoing business  
23 operations and a subsequent foreclosure upon all of the Debtor's equipment and inventory.  
24 Although, as demonstrated by the Debtor's prior appraisal, the Debtor's interests in the Property,  
25 and its equipment and inventory, have substantial value as a going concern, in the context of a  
26 forced liquidation, their value would be drastically reduced. Specifically, in a forced sale, the  
27 Debtor's inventory and equipment may generate very few, if any, proceeds. In aggregate, it is  
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1 possible that no proceeds in excess of the Debtor's secured claims would be generated and  
2 available to unsecured creditors in the event of a Chapter 7 liquidation. Moreover, even in the  
3 unlikely event that excess proceeds were generated, they would likely be consumed by the  
4 administrative costs of a Chapter 7 trustee and his or her counsel that would necessarily attend a  
5 conversion of the Debtor's bankruptcy to a Chapter 7 liquidation. In sum, in the event of a  
6 liquidation, it is possible that only the Debtor's secured creditors, and potentially certain  
7 administrative claimants, would recover anything, and all other creditors would recover nothing  
8 from the Debtor's Estate.

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

## 13 **XXII. TAX CONSEQUENCES**

### 14 A. **General Tax Issues**

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

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

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

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

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

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

4 **XXIII. DISCLAIMER**

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

9 **XXIV. RISKS**

10 The risk of the Plan lies primarily with the Debtor's ability to successfully operate the Hotel  
11 and Restaurant as necessary to fund the Plan. If the revenues generated by the Hotel and  
12 Restaurant exceed projections, if the Interest Holders are able to infuse cash as necessary to cover  
13 any operating shortfalls, or if the Purchase Agreement is consummated, the risks inherent in the  
14 Plan will be substantially reduced. To some extent, the success of the Debtor also depends on the  
15 recovery of the national economy over the several years following confirmation.

16 **XXV. PROPONENTS RECOMMENDATION/ALTERNATIVES TO THE PLAN**

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

21 Conversion will result in the appointment of a Chapter 7 trustee and, most likely, the hiring  
22 of an attorney by the trustee. Expenses incurred in administering the Chapter 7 case would take  
23 priority in the right to payment over allowed, administrative expenses incurred in the Chapter 11  
24 case. Both Chapter 7 and Chapter 11 administrative expenses take priority over the payment of  
25 unsecured claims without priority. In other words, conversion would likely decrease the net  
26 amount available to pay currently existing creditors. The most likely effect of conversion of the  
27  
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1 case to a Chapter 7 would be a series of foreclosures by secured creditors and, as a result,  
2 Unsecured Creditors would receive nothing.

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

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


8 **SIGNATURES ON NEXT PAGE**

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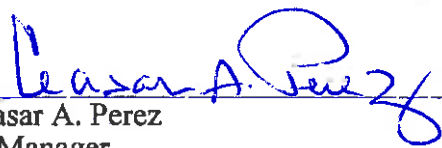
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DATED: February 27, 2014.

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