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Attorneys for Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION**

In re:

SHILO INN, TWIN FALLS, LLC,

Debtor and Debtor in Possession.

In re:

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.

☐ Affects All Debtors

☐ Affects SHILO INN, TWIN FALLS, LLC

☒ Affects SHILO INN, BOISE AIRPORT, LLC

☐ Affects SHILO INN, NAMPA BLVD, LLC

☐ Affects SHILO INN, NEWBERG, LLC

☐ Affects SHILO INN, SEASIDE EAST, LLC

☐ Affects SHILO INN, MOSES LAKE, INC.

☐ Affects SHILO INN, ROSE GARDEN, LLC

Debtors and Debtors in Possession

) Lead Case No.: 2:13-bk-21601-VZ

) Jointly administered with case nos.:

2:13-bk-21603-VZ	2:13-bk-21604-VZ
2:13-bk-21605-VZ	2:13-bk-21606-VZ
2:13-bk-21607-VZ	2:13-bk-21608-VZ

) Chapter 11 Cases

) **REDLINE COMPARING:**

) **FIRST AMENDED DISCLOSURE
STATEMENT AND FIRST AMENDED
PLAN OF REORGANIZATION FOR
DEBTOR SHILO INN, BOISE
AIRPORT, LLC, DATED JULY 2, 2014**

) **AGAINST:**

) **SECOND AMENDED DISCLOSURE
STATEMENT AND SECOND
AMENDED PLAN OF
REORGANIZATION FOR DEBTOR
SHILO INN, BOISE AIRPORT, LLC,
DATED AUGUST 28, 2014**

) Disclosure Statement Hearing:

) Date: September 18, 2014

) Time: 1:30 p.m.

) Ctrm: 255 East Temple Street
Courtroom 1368
Los Angeles, CA 90012

) Plan Confirmation Hearing:

) [To Be Set]

PLEASE TAKE NOTICE that Shilo Inn, Boise Airport, LLC, hereby files the redline showing the changes between (A) First Amended Disclosure Statement and First Amended Plan of Reorganization for Debtor Shilo Inn, Boise Airport, LLC, Dated July 2, 2014 and (B) Second Amended Disclosure Statement and Second Amended Plan of Reorganization for Debtor Shilo Inn, Boise Airport, LLC, Dated August 28, 2014.

Exhibits are omitted from the redline due to the formatting difficulties of running redlines against such documents. However, for ease of reference, the below table summarizes which exhibits remain the same, have been updated, or are new to the disclosure statement dated August 28, 2014:

Exhibit	Brief Description of Exhibit	Status
A	Non-insider creditors	Same
B	Insider creditors	Same
C	Plan monthly cash flow projections	Updated
D	Debtor's historical financial documents	Updated
E	Appraisal valuation report	Same
F	List of executory contracts with cure amounts	Same
G	Declaration of Mark S. Hemstreet re: history of sales	Updated
H	PKF report	New
I	Smith Travel Research ("STAR") Reports	New
J	Consumer price index ("CPI") report with table	New
K	Alternative feasibility analysis for plan	New
L	Potential avoidance claims	New

Exhibit "C" is updated to show plan projections with monthly cash flow for the life of the Plan, as ordered by the Court.

Exhibit "D" is updated to add cash flow statements for the two years prior to the bankruptcy filing, as ordered by the Court. Exhibit "D" is also updated to include the latest filed

1 monthly operating report.

2 Exhibit "G" is updated to discuss the latest developments in the potential sales of two
3 Shilo Inn properties as evidence of Mark S. Hemstreet's and the Debtors' ability to achieve
4 sales with much higher values than the appraised values set by banks and certified professional
5 appraisers.

6 Dated: August 28, 2014

SHILO INN, BOISE AIRPORT, LLC

7

8

By: /s/ John-Patrick M. Fritz

9

DAVID B. GOLUBCHIK

10

KURT RAMLO

11

J.P. FRITZ

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LEVENE, NEALE, BENDER, YOO

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& BRILL L.L.P.

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Attorneys for Debtors and

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Debtors in Possession

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**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION**

In re:	) Lead Case No.: 2:13-bk-21601-VZ
	) Jointly administered with:
SHILO INN, TWIN FALLS, LLC,	) Case No. 2:13-bk-21603-VZ
	) Case No. 2:13-bk-21604-VZ
Debtor and Debtor in Possession.	) Case No. 2:13-bk-21605-VZ
	) Case No. 2:13-bk-21606-VZ
In re:	) Case No. 2:13-bk-21607-VZ
	) Case No. 2:13-bk-21608-VZ
SHILO INN, BOISE AIRPORT, LLC,)
SHILO INN, NAMPA BLVD, LLC,	) Chapter 11 Cases
SHILO INN, NEWBERG, LLC,)
SHILO INN, SEASIDE EAST, LLC,	) FIRSTSECOND AMENDED
SHILO INN, MOSES LAKE, INC.,	) DISCLOSURE STATEMENT AND
SHILO INN, ROSE GARDEN, LLC,	) FIRSTSECOND AMENDED PLAN OF
	) REORGANIZATION FOR DEBTOR
Debtors and Debtors in Possession.	) SHILO INN, BOISE AIRPORT, LLC;
	) DATED JULY 2, AUGUST 28, 2014
)
<input type="checkbox"/> Affects All Debtors)
	) <u>Disclosure Statement Hearing:</u>
<input type="checkbox"/> Affects SHILO INN, TWIN FALLS, LLC	) Date: August 7, <u>September 18,</u> 2014
<input checked="" type="checkbox"/> Affects SHILO INN, BOISE AIRPORT, LLC	) Time: 1:30 p.m.
<input type="checkbox"/> Affects SHILO INN, NAMPA BLVD, LLC	) Ctrm: 255 East Temple Street
<input type="checkbox"/> Affects SHILO INN, NEWBERG, LLC	) Courtroom 1368
<input type="checkbox"/> Affects SHILO INN, SEASIDE EAST, LLC	) Los Angeles, CA 90012
<input type="checkbox"/> Affects SHILO INN, MOSES LAKE, INC.)
<input type="checkbox"/> Affects SHILO INN, ROSE GARDEN, LLC) <u>Plan Confirmation Hearing:</u>
Debtors and Debtors in Possession) [To Be Set]

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I. INTRODUCTION

On May 1, 2013 (the "Petition Date"), Shilo Inn, Boise Airport, LLC ("Shilo Boise Airport" or the "Debtor" or the "Proponent"), Shilo Inn, Twin Falls, LLC ("Shilo Twin Falls"), Shilo Inn, Nampa Blvd, LLC ("Shilo Nampa Blvd"), Shilo Inn, Newberg, LLC ("Shilo Newberg"), Shilo Inn, Seaside East, LLC ("Shilo Seaside East"), Shilo Inn, Moses Lake, Inc. ("Shilo Moses Lake"), and Shilo Inn, Rose Garden, LLC ("Shilo Rose Garden") (collectively, the "Debtors") the debtors and debtors in possession in the above-captioned, jointly administered chapter 11 bankruptcy cases, each filed a bankruptcy petition under Chapter 11 of the Bankruptcy Code (the "Code"). The document you are reading is both the Plan of Reorganization (the "Plan") and the Disclosure Statement (the "Disclosure Statement"). This Plan and Disclosure Statement applies to only Shilo Boise Airport and not the other Debtors, and only Shilo Boise Airport is the Proponent of this Plan. The Debtor has proposed the Plan to treat the claims of the Debtor's creditors and, if applicable, the interests of shareholders or partners and to reorganize the Debtor's business affairs. This is a new value plan. The principals of the Debtor will provide an infusion of "new value" in an amount of \$50,000. A disclosure statement describes the assumptions that underlie the Plan and how the Plan will be executed. The Bankruptcy Court (the "Court") has approved the form of this document as an adequate disclosure statement, containing enough information to enable parties affected by the Plan to make an informed judgment about the Plan. The Court has not yet confirmed the Plan, which means the terms of the Plan are not now binding on anyone.

The Proponent has reserved _____, 2014 in Courtroom 1368 for a hearing to determine whether the Court will confirm the Plan.

Any interested party desiring further information should contact:

Levene, Neale, Bender, Yoo & Brill L.L.P.
10250 Constellation Blvd., Suite 1700
Los Angeles, CA 90067
Tel: (310) 229-1234
Fax: (310) 229-1244
Attention: David B. Golubchik & J.P. Fritz

II. GENERAL DISCLAIMER AND VOTING PROCEDURE

PLEASE READ THIS DOCUMENT, INCLUDING THE ATTACHED EXHIBITS, CAREFULLY. IT EXPLAINS WHO MAY OBJECT TO CONFIRMATION OF THE PLAN. IT EXPLAINS WHO IS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. IT ALSO TELLS ALL CREDITORS AND ANY SHAREHOLDERS OR PARTNERS WHAT TREATMENT THEY CAN EXPECT TO RECEIVE UNDER THE PLAN, SHOULD THE PLAN BE CONFIRMED BY THE COURT.

THE SOURCES OF FINANCIAL DATA RELIED UPON IN FORMULATING THIS DOCUMENT ARE SET FORTH IN THE DECLARATIONS APPENDED HERETO. ALL REPRESENTATIONS ARE TRUE TO THE PROPONENT'S BEST KNOWLEDGE.

NO REPRESENTATIONS CONCERNING THE DEBTOR THAT ARE INCONSISTENT WITH ANYTHING CONTAINED HEREIN ARE AUTHORIZED EXCEPT TO THE EXTENT, IF AT ALL, THAT THE COURT ORDERS OTHERWISE.

After carefully reviewing this document and the attached exhibits, please vote on the enclosed ballot and return it in the enclosed envelope.

The Proponent has reserved a hearing date for a hearing to determine whether the Court will confirm the Plan. Please refer to Section ~~±0~~0 above for the specific hearing date. If, after receiving the ballots, it appears that the Proponent has the requisite number of votes required by the Code, the Proponent will file a motion for an order confirming the Plan.

The Motion shall at least be served on all impaired creditors and partners or shareholders who reject the Plan and on the Office of the United States Trustee. Any opposition to the Motion shall be filed and served on the Proponent and the Office of the United States Trustee no later than eleven days prior to the hearing date. Failure to oppose the confirmation of the Plan may be

deemed consent to the Plan's confirmation.

III. WHO MAY OBJECT TO CONFIRMATION OF THE PLAN

Any party in interest may object to confirmation of the Plan, but, as explained below, not everyone is entitled to vote to accept or reject the Plan.

IV. WHO MAY VOTE TO ACCEPT OR REJECT THE PLAN

It requires both an allowed and impaired claim or interest in order to vote either to accept or reject the Plan. A claim is defined by the Code to include a right to payment from the Debtor. An interest represents an ownership stake in the Debtor.

In order to vote a creditor or interest-holder must first have an allowed claim or interest. With the exceptions explained below, a claim is allowed if proof of the claim or interest is properly filed before any bar date and no party in interest has objected, or if the court has entered an order allowing the claim or interest. Please refer to Section VI below for specific information regarding bar date in this case.

Under certain circumstances a creditor may have an allowed claim even if a proof of claim was not filed and the bar date for filing a proof of claim has passed. A claim is deemed allowed if the claim is listed on the Debtor's schedules and is not scheduled as disputed, contingent, or unliquidated. **Exhibit "A"** contains a list of claims that are not scheduled as disputed, contingent, or unliquidated. **Exhibit "A"** concerns only the debts of the Debtor, Shilo Boise Airport; it does not concern the debts of the other six Debtors.

Similarly, an interest is deemed allowed if it is shown on the list of equity security holders filed by the Debtor with the court and is not scheduled as disputed.

In order to vote, an allowed claim or interest must also be impaired by the Plan.

Impaired creditors include those whose legal, equitable, and contractual rights are altered by the Plan, even if the alteration is beneficial to the creditor. A contract provision that entitles a

1 creditor to accelerated payment upon default does not, however, necessarily render the claimant
2 impaired, even if the Debtor defaulted and the Plan does not provide the creditor with accelerated
3 payment. The creditor is deemed unimpaired so long as the Plan cures the default, reinstates the
4 maturity of such claim as it existed before default, compensates for any damages incurred as a
5 result of reasonable reliance upon the acceleration clause, and (except for a default arising from
6 failure to operate a nonresidential lease subject to 11 U.S.C. § 365(b)(1)(A)) compensates for any
7 actual pecuniary loss incurred as a result of any failure to perform a non-monetary obligation.
8

9 Impaired interest-holders include those whose legal, equitable, and contractual rights are
10 altered by the Plan, even if the alteration is beneficial to the interest holder.

11 There are also some types of claims that the Code requires be treated a certain way. For
12 that reason they are considered unimpaired and therefore holders of these claims cannot vote.
13

14 To summarize, there are two prerequisites to voting: a claim or interest must be both
15 allowed and impaired under the Plan.

16 If a creditor or interest-holder has an allowed and impaired claim or interest, then he or she
17 may vote either to accept or reject the Plan (unimpaired claimants or interest-holders are deemed to
18 have accepted the Plan). Impaired claims or interests are placed in classes and it is the class that
19 must accept the Plan. Members of unimpaired classes do not vote, although as stated above, they
20 may object to confirmation of the Plan. Even if all classes do not vote in favor of the Plan, the Plan
21 may nonetheless be confirmed if the dissenting classes are treated in a manner prescribed by the
22 Code. Please refer to Section VI below for information regarding impaired and unimpaired classes
23 in this case.
24

25 Section IX sets forth which claims are in which class. Secured claims are placed in
26 separate classes from unsecured claims. Fed. R. Bankr. P. 3018(d) provides: "A creditor whose
27 claim has been allowed in part as a secured claim and in part as an unsecured claim shall be entitled
28

1 to accept or reject a plan in both capacities."

2 **V. VOTES NECESSARY TO CONFIRM THE PLAN**

3 The Court may confirm the Plan if at least one non-insider impaired class of claims has
4 accepted and certain statutory requirements are met as to both nonconsenting members within a
5 consenting class and as to dissenting classes. A class of claims has accepted the Plan when more
6 than one-half in number and at least two-thirds in amount of the allowed claims actually voting,
7 vote in favor of the Plan. A class of interests has accepted the Plan when at least two-thirds in
8 amount of the allowed interests of such class actually voting have accepted it. It is important to
9 remember that even if the requisite number of votes to confirm the Plan are obtained, the Plan will
10 not bind the parties unless and until the Court makes an independent determination that
11 confirmation is appropriate, which is the subject of any upcoming confirmation hearing.
12

13 **VI. INFORMATION REGARDING VOTING IN THESE CASES**

14 The bar date for filing a proof of claim in this case was August 20, 2013.

15 The bar date for hearing objections to claims was January 14, ~~2014~~⁺2014.

16 In this case, and based on the descriptions provided above, the Proponent believes that all
17 of the classes 1 through 6 ~~(including sub-classes therein)~~ are impaired and therefore entitled to
18 vote. Class 7 is impaired but receives nothing under the Plan on account of its equity interests, and
19 is deemed to have voted against the Plan~~;~~, and therefore does not vote. A party that disputes the
20 Proponent's characterization of its claim or interest as unimpaired may request a finding of
21 impairment from the Court in order to obtain the right to vote.
22

23 Ballots must be received by the Proponent, addressed to Levene, Neale, Bender, Yoo &
24

25
26 ⁺ ~~The Debtor intends to assert an objection to the claims of CBT with respect to, among other things, asserted default interest, late fees and excessive attorneys' fees, particularly post petition interest, fees, and costs, which were not disclosed in CBT's the proof of claim.~~
27
28

Brill L.L.P., 10250 Constellation Blvd., Suite 1700, Los Angeles, CA 90067, Attention: J.P. Fritz,
by _____, 2014.

VII. DESCRIPTION OF DEBTORS' PAST AND FUTURE BUSINESS AND EVENTS

PRECIPITATING BANKRUPTCY FILINGS

The Debtors are each limited liability companies formed under the laws of the state of
Oregon, except for Shilo Inn, Moses Lake, Inc., which is a corporation formed under the laws of
Washington state.

A. The Seven Hotels

Mark S. Hemstreet has been the proud owner and president of the Shilo Inn Suites Hotel
chain since 1974. Today, there are 35 company-owned Shilo Inn hotels across nine (9) western
states plus Texas.

Shilo Twin Falls operates a 129-room, all-suites, four-story, limited-service hotel in Twin
Falls, Idaho (the "Twin Falls Hotel"), on fee title land, with additional adjoining vacant land for
future expansion, operated pursuant to a franchise agreement with Shilo Franchise International,
LLC ("SFI") and managed by Shilo Management Corporation ("SMC"). The Shilo Inn Twin
Falls property has an indoor pool, spa, steam and sauna room, fitness and business center, and two
meeting rooms. The Twin Falls Hotel has 18 employees. Based on the appraisal report of Herald
Haskell, MAI, the fair market value of the Twin Falls Hotel is \$10,700,000. During the Debtors'
bankruptcy cases, for purposes of plan confirmation and the Disclosure Statement, the Debtors'
stipulated to use CBT's valuation of the Twin Falls Hotel at \$7,600,000. However, the Debtors
maintain that the real value of the Twin Falls Hotel is much higher.

Shilo Boise Airport operates a 126-room (inclusive of 88 suites), four-story,
limited-service hotel in Boise, Idaho (the "Boise Airport Hotel"), on fee title land, operated
pursuant to a franchise agreement with SFI and managed by SMC. The Shilo Inn Boise Airport
property has an outdoor pool, spa, sauna, and steam room, fitness and business center and meeting
room. The Boise Airport Hotel has 15 employees. Based on the appraisal report of Herald

1 Haskell, MAI, the fair market value of the Boise Airport Hotel is \$7,100,000. During the
2 Debtors' bankruptcy cases, for purposes of plan confirmation and the Disclosure Statement, the
3 Debtors' stipulated to use a neutral appraiser's valuation of the Boise Airport Hotel at \$2,125,000.
4 However, the Debtors maintain that the real value of the Boise Airport Hotel is much higher.

5 Shilo Nampa Blvd operates a 61-room, two-story, limited-service hotel in Nampa, Idaho
6 (the "Nampa Blvd Hotel"), on fee title land, operated pursuant to a franchise agreement with SFI
7 and managed by SMC. The Shilo Inn, Nampa Blvd property has an outdoor pool, spa, and steam
8 and sauna room. The Nampa Blvd Hotel has 10 employees. Based on the appraisal report of
9 Herald Haskell, MAI, the fair market value of the Nampa Blvd Hotel is \$3,000,000. During the
10 Debtors' bankruptcy cases, for purposes of plan confirmation and the Disclosure Statement, the
11 Debtors' stipulated to use a neutral appraiser's valuation of the Nampa Blvd Hotel at \$1,150,000.
12 However, the Debtors maintain that the real value of the Nampa Blvd Hotel is much higher.

13 Shilo Newberg operates a 61-room, all-suites, three-story, limited-service hotel in
14 Newberg, Oregon (the "Newberg Hotel"), on fee title land, operated pursuant to a franchise
15 agreement with SFI and managed by SMC. The Shilo Inn, Newberg property has an outdoor pool,
16 spa, steam and sauna room, fitness and business center, and meeting room. The Newberg Hotel
17 has 14 employees. Based on the appraisal report of Herald Haskell, MAI, the fair market value of
18 the Newberg Hotel is \$3,600,000. During the Debtors' bankruptcy cases, for purposes of plan
19 confirmation and the Disclosure Statement, the Debtors' stipulated to use CBT's valuation of the
20 Newberg Hotel at \$2,450,000. However, the Debtors maintain that the real value of the Newberg
21 Hotel is much higher.

22 Shilo Seaside East operates a 59-room, all-suites, three-story, limited-service hotel in
23 Seaside, Oregon (the "Seaside East Hotel"), on fee title land, operated pursuant to a franchise
24 agreement with SFI and managed by SMC. The Shilo Inn, Seaside East property has an indoor
25 pool, spa, steam and sauna room, fitness and business center, and meeting room. The Seaside
26 East Hotel has 13 employees. Based on the appraisal report of Herald Haskell, MAI, the fair
27 market value of the Seaside East Hotel is \$3,540,000. During the Debtors' bankruptcy cases, for
28

1 purposes of plan confirmation and the Disclosure Statement, the Debtors' stipulated to use a
2 neutral appraiser's valuation of the Seaside East Hotel at \$2,250,000. However, the Debtors
3 maintain that the real value of the Seaside East Hotel is much higher.

4 Shilo Moses Lake operates a 100-room, all-suites, two-story, limited-service hotel in
5 Moses Lake, Washington (the "Moses Lake Hotel"), which is subject to a long-term land lease
6 and is operated pursuant to a franchise agreement with SFI and managed by SMC. The Shilo Inn
7 Moses Lake property has an indoor pool, spa, steam and sauna room, fitness and business center,
8 meeting rooms, and a fuel and deli convenience mart store that is leased out to a third-party tenant
9 on a triple-net basis. The Moses Lake Hotel has 15 employees. Based on the appraisal report of
10 Herald Haskell, MAI, the fair market value of the Moses Lake Hotel is \$6,500,000. During the
11 Debtors' bankruptcy cases, for purposes of plan confirmation and the Disclosure Statement, the
12 Debtors' stipulated to use a neutral appraiser's valuation of the Moses Lake Hotel at \$3,400,000.
13 However, the Debtors maintain that the real value of the Moses Lake Hotel is much higher.

14 Shilo Rose Garden operates a 44-room, two-story, limited-service hotel in Portland,
15 Oregon, within easy walking distance of the Portland Convention Center and Portland Rose
16 Garden (the "Rose Garden Hotel"), subject to a long-term land lease, operated pursuant to a
17 franchise agreement with SFI and managed by SMC. The Shilo Inn, Rose Garden property has a
18 sauna, business center, and guest laundry facility. The Rose Garden Hotel has 10 employees.
19 Based on the appraisal report of Herald Haskell, MAI, the fair market value of the Rose Garden
20 Hotel is \$3,000,000. During the Debtors' bankruptcy cases, for purposes of plan confirmation
21 and the Disclosure Statement, the Debtors' stipulated to use a neutral appraiser's valuation of the
22 Rose Garden Hotel at \$925,000. However, the Debtors maintain that the real value of the Rose
23 Garden Hotel is much higher.

24 The Twin Falls Hotel, Boise Airport Hotel, Nampa Blvd Hotel, Newberg Hotel, Seaside
25 East Hotel, Moses Lake Hotel, and Rose Garden Hotel are collectively referred to herein as the
26 "Hotels." In the aggregate, the Hotels employ 95 employees.

27 The Hotels have enjoyed historical success as stand-alone businesses leading up to the
28

1 severe economic downturn in the later part of 2008 and have continued to struggle since that time
2 due to the decline in corporate and leisure travel, the freeze of credit markets, and the rising costs
3 of products to service customers. Despite this downturn in the economy, the Debtors continued to
4 maintain the properties in a first-class, excellent condition and in compliance with Shilo Inn
5 franchise standards.

6 **B. The Hotels' Secured Loans with California Bank & Trust**

7 In April 2005, (i) Shilo Twin Falls, (ii) Shilo Boise Airport, (iii) Shilo Nampa Blvd, (iv)
8 Shilo Newberg, and (v) Shilo Moses Lake entered into loan agreements with Vineyard Bank, a
9 California Bank ("Vineyard"). Thereafter, in April 2006 and August 2006, respectively, Shilo
10 Seaside East and Shilo Rose Garden also entered into loan agreements with Vineyard
11 (collectively, the "7 Shilo Loans"). Mark S. Hemstreet, founder of Shilo Inns, was a guarantor of
12 the 7 Shilo Loans. Some, but not all, of the 7 Shilo Loans were cross-collateralized. In April 2005,
13 Vineyard issued an additional unsecured \$5 million revolving operating credit line loan to Mark
14 Hemstreet, individually (the "Hemstreet Loan"). The Debtors and Mr. Hemstreet made timely
15 payments on the 7 Shilo Loans and Hemstreet Loan until the historic recession that began in late
16 2008.

17
18 What follows is a brief summary of the dates and circumstances that led Debtors to file
19 bankruptcy.

20
21 In July 2009, like many other banks, Vineyard went into FDIC receivership, and California
22 Bank and Trust, a California Bank ("CBT") acquired the 7 Shilo Loans. Shortly thereafter, in
23 November 2010, the Debtors entered into a loan modification agreement (the "First
24 Modification") on the 7 Shilo Loans. As the recession continued, faced with foreclosure in July
25 2011, Shilo agreed to enter into a second loan modification (the "Second Modification") with
26 CBT.

27 The Second Modification was based on terms required by CBT, which included extremely
28

1 aggressive obligations to market and sell some of the properties within very short time periods.
2 On November 10, 2011, while in the midst of finalizing second amended trust deeds for Shilo
3 Moses Lake and Shilo Rose Garden as part of the Second Modification, CBT issued a notice of
4 default (“NOD”) on the 7 Shilo Loans and Hemstreet Loan, claiming monetary and nonmonetary
5 defaults.

6 In April 2012, CBT filed seven separate federal lawsuits in three different District Courts
7 to foreclose on the seven Hotels in Oregon, Washington, and Idaho on account of the 7 Shilo
8 Loans and Hemstreet Loan. Additionally, CBT filed a separate suit against Mark Hemstreet, the
9 common guarantor, for breach of the guarantees on the 7 Loans. Throughout the litigation, the
10 Debtors continued to actively engage CBT to resolve the disputes, but CBT refused these overtures
11 in favor of litigation.

12 In the initial receivership proceedings, CBT only pursued a financial oversight receiver. In
13 lieu of granting the limited receiver, the federal district court in the District of Oregon ruled that
14 CBT had to provide the Debtors with reinstatement figures for the 7 Shilo Loans. Upon receipt of
15 CBT’s reinstatement figures, the Debtors promptly paid to CBT the total amount of \$1,410,548.12
16 in good faith and under a reservation of rights for what the Debtors believed was to fully reinstate
17 the 7 Shilo Loans, which included \$470,181.08 in disputed default interest, \$47,109.71 in late fees,
18 and \$21,701.25 of undisputed legal fees.

19 The Debtors challenged the \$470,181.00 in default interest, \$47,109.71 in late fees, and
20 \$374,820.12 of disputed attorneys’ fees (the “CBT Disputed Charges”) (the Debtors paid
21 \$21,701.25 of undisputed attorneys’ fees to CBT). The federal district court in Oregon ruled in the
22 Debtors’ favor, which decision was followed by the federal district courts in both Idaho and
23 Washington, ruling that CBT’s default interest was unreasonable but deferred its decision on the
24 disputed attorneys’ fees². Less than two weeks after payment and receipt of the \$1,410,548.12,
25 CBT then issued a new NOD against the Debtors, purporting to accelerate the loans for alleged
26

27 ² ~~Because CBT’s claims in these cases include the foregoing claims again, the Debtors intend to~~
28 ~~assert objections to such claims in the federal district court actions initiated by CBT.~~

1 non-monetary defaults and monetary default of the Hemstreet Loan (despite being ordered by the
2 federal district courts to provide full reinstatement amounts previously) and began a new round of
3 foreclosure³¹.

4 In a good faith effort to keep the relationship positive (despite the NOD and litigation filed
5 by CBT) between June-December 2012, the Debtors continued to make timely, monthly mortgage
6 payments to CBT, which CBT held the checks totaling \$466,355.98 but refused apply them to the
7 Debtors. The Debtors attempted to reason with CBT and recognize the reinstatement of the loans
8 under state foreclosure laws, but CBT continued to pursue litigation. In December 2012, the
9 Debtors entered into an agreement with CBT to forbear all litigation and allow the Debtors until
10 April 30, 2013, to refinance the 7 Shilo Loans and the Hemstreet Loan at a total \$21 million
11 discounted payoff. As part of this agreement, CBT accepted the monthly payments from
12 June-December 2012 in the amount of \$466,355.98.

13 For over a year prior to the foregoing forbearance agreement, the Debtors were working
14 with Cabot Land Holdings, LLC (“Cabot”), as lender/sponsor, to effectuate a financing transaction
15 (revenue pass-through certificates), in the amount of \$59.5 million, which would fund a pool of
16 Shilo Inns hotel properties, including taking out CBT. BB&T Capital Markets was the bonding
17 facilitator for the transaction. The Debtors timely completed all necessary due diligence related to
18 valuation and operations, with CBT being apprised of the developments as such developments
19 occurred.

20 Conditional commitment letters were provided to the Debtors by Cabot in January 2013.
21 The only remaining condition was an approval rating from Moody’s in order to designate the
22 pass-through certificates a “rated” designation. All parties, through the settlement agreement
23 between the Debtors and CBT, believed that such rating would be received since all other
24 requirements have been satisfied and initial drafts of the transaction documents (e.g., ground
25

26 ³¹ The Debtors are consulting with counsel to pursue lender liability claims against CBT with
27 respect to CBT’s wrongful declaration of default, through the NOD, only two (2) weeks after the
28 cure and reinstatement by the Debtors through the payment to CBT of over \$1.4 million.
Debtors reserve all rights to commence and prosecute such claims against CBT.

1 leases) were prepared. Unfortunately, in the first week of April 2013 and to the surprise of the
2 Debtors, Cabot advised the Debtors that it did not receive the requisite Moody's rating and, based
3 on the foregoing, the proposed transaction was terminated⁴². The foregoing was a terrible result
4 for the Debtors, as well as for CBT, since everyone believed that the proposed transaction had
5 proceeded far enough where consummation would be achieved and Debtors' obligations to CBT
6 would be satisfied in fully.

7 Although the Debtors had other qualified investors that wanted to refinance the 7 Shilo
8 Loans, the continuing litigation from CBT proved too great a hurdle, and refinancing could not be
9 achieved in time. The Debtors requested a 90-day extension of the forbearance in good faith and
10 again voluntarily offered up 100% access to the receivables for the Hotels to CBT through a cash
11 management agreement to avoid the disruption that receiverships and bankruptcies would have on
12 finalizing funding, and overall operations to the Hotels, but CBT moved forward with
13 receiverships and aggressive litigation against the Debtors and their Hotels.

14 On May 1, 2013, CBT filed for receiverships in district court, while the Debtors continued
15 to reach out to CBT to settle the matter to preserve the overall Hotel collateral. In order to save the
16 Hotels and the approximately 95 jobs at the Hotels, preserve property of the estates, and for the
17 benefit of all of the Debtors' creditors, employees, and parties in interest, the Debtors determined,
18 exercising their reasonable business judgment, to file for chapter 11 bankruptcy protection and
19 seek to reorganize their financial affairs.

20
21 What follows is a **brief** description of the Debtor's business and future business plans. Further
22 details relating to the Debtor's financial condition and post-confirmation operation of the Debtors
23 are found in sections X, XI, XII, XVI, and XV.

24
25
26
27 ⁴² The Shilo entities paid tens of thousands of dollars in connection with due diligence
28 investigation and reporting, as well as countless man-hours and resources of the companies.

1 As discussed above, the Debtor operates its Hotel, pursuant to a franchise agreement with
2 SFI. The Debtor intends to continue in this business under the “Shilo Inn” flag, which is well known
3 in the Northwest.

4 The Debtor has taken multiple steps from mid-2012 to date to improve overall performance
5 for the Hotel, such as: (1) benefiting from a substantial 2012 investment in Genares Worldwide
6 Reservation Services, Ltd, which has opened up and dramatically improved online portals of
7 revenue like with Expedia, Travelocity, Orbitz and other global distribution sites; (2) new, fresh
8 sales teams have been implemented and an aggressive, but achievable 2014 sales incentive plan has
9 been introduced to improve RevPar numbers, along with increasing revenue numbers over the
10 previous year; (3) after extensive review of performance of the Debtor’s hotel manager’s job
11 performance is compared to benchmark criteria to ensure the properties continue to have the best
12 possible onsite leadership; (4) investments in online marketing, advertisement and customer
13 experience increased dramatically in 2012 by investing in new mobile applications, the Debtor’s
14 website for booking and internet search improvements to give the Debtor more online visibility; (5)
15 feasible maintenance and capital improvement budgets have been created as part of this plan to help
16 keep the Debtor’s Hotel competitive and increase overall revenues; (6) new budget and labor tools
17 have been implemented in order to better manage labor, utilities and supplies; (7) a concerted effort
18 has been made to reintroduce bus tour groups to the Hotel to improve overall occupancy and
19 revenue; and (8) opening up a new relationship with Booking.com which has proved beneficial to
20 the Debtor’s Hotel.

21 Since inception of this case, the Debtor has accumulated, in the aggregate, in excess of
22 \$12,863 in cash, net of all expenses and adequate protection payments to CBT. The Debtor
23 continues to monitor market conditions and makes adjustments to remain competitive in the local
24 marketplace. Using dynamic pricing models (commonly referred to as “Revenue Management” in
25
26
27
28

1 the industry), the Debtor has experienced revenue gain percentages approximately 25% greater than
2 the overall market through May of 2014⁵³. Specific sales and marketing efforts for the Debtor have
3 focused on generating additional bookings and increased revenue from the Boise Airport which has
4 seen routes added by Alaska Airlines and United Airlines, contracting for additional corporate
5 contracts, and gaining additional customers from the various new developments in Boise such as the
6 new \$70,000,000 7.5 acre mixed use JUMP facility, which includes a new park and six story
7 convention center. In recent months, the Debtor has signed agreements with one airline for overnight
8 crew accommodations and multiple corporate accounts, which will add significant new revenue in
9 2015.

11 In addition to the Debtor's direct efforts noted above, the Debtor's franchisor, Shilo
12 Franchise International, and management company, Shilo Management Corporation, are increasing
13 efforts to assist the Debtor in achieving sustainable and long-lasting improvements in market share
14 and top-line revenues. Recent developments include significant expansion and ongoing negotiations
15 with online travel websites such as Booking.com, Trivago, and GetARoom.com, to increase the
16 Debtor's visibility to customers and revenue bookings. In other words, the Debtor has a viable
17 business model and its strong performance during the pendency of this case supports the Debtor's
18 reorganization efforts.

20 The Debtors' Dealings with California Bank & Trust During the Bankruptcy Cases

21
22 During the bankruptcy cases, the Debtors negotiated consensual use of CBT's cash collateral
23 for May 2013 through December 2013, allowing the Debtors to continue operating the Hotels and
24 preserve the value of the estates for all creditors. In exchange for consensual use of cash collateral,
25 the Debtors provided CBT monthly payments totaling approximately \$75,948.08 per month for all
26

27 ⁵³ Per Smith Travel Research Monthly STAR Report for May, 2014 and comparing the trailing
28 12-months ending May 31, 2014 to the trailing 12-months ending May 31, 2013.

seven Debtors, which was calculated on ~~4.55.0~~4.55.0% per annum interest rate on the outstanding principal balance of each Debtors' secured loan to CBT:

Debtor	Monthly Payment Amount
Shilo Inn, Boise Airport, LLC	\$15,458.38
Shilo Inn, Moses Lake Inc.	\$11,810.83
Shilo Inn, Nampa Blvd, LLC	\$5,217.20
Shilo Inn, Newberg, LLC	\$6,569.81
Shilo Inn, Rose Garden, LLC	\$5,975.11
Shilo Inn, Seaside East, LLC	\$7,729.12
Shilo Inn, Twin Falls, LLC	\$23,187.62
Total	\$75,948.08

Throughout the bankruptcy cases, the Debtors requested that CBT enter mediation with the Debtors to resolve the secured debt issues with CBT and permit operations to continue and permit general unsecured creditors, vendors, and employees to receive payments on their claims in full. As of the mailing of this Disclosure Statement and Plan, CBT rejected offers for mediation or otherwise to discuss a resolution of the parties' disputes, despite initially indicating they would consider mediation if the Debtors agreed to adequate protection payments and financial reporting, both of which Debtors agreed to in good faith. Without any cooperation from CBT on a resolution, on August 29, 2013, the Debtors filed their 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 (the "Plan" and "Disclosure Statement") [docket entry no. 139]. The hearing on the adequacy of the Disclosure Statement was set to occur on October 17, 2013. Objections to the Disclosure Statement were due to be filed by no later than October 3, 2013.

1 On September 30, 2013, CBT filed motions for relief from stay against the Hotels held by
2 Shilo Inn, Boise Airport, LLC; Shilo Inn, Nampa Blvd, LLC; Shilo Inn, Seaside East, LLC; Shilo
3 Inn, Moses Lake, Inc.; and Shilo Inn, Rose Garden, LLC (the "First Round RFS Motions") [docket
4 entry nos.161-167]. Hearings on the motions were set for October 22, 2013.

5 The Debtors had been requesting that CBT enter into negotiations and mediation with the
6 Debtors on a plan of reorganization or other exit strategy since the Petition Date. The Debtors
7 offered cash collateral payments, in part, expecting that CBT would engage in that mediation
8 process based on statements made by CBT at the cash collateral hearings in May 2013. After filing
9 the First Round RFS Motions on September 30, 2013, and before having to file an objection to the
10 Disclosure Statement on October 3, 2013, CBT acquiesced to the Debtors' request for mediation.

11 The Debtors and CBT stipulated, pursuant to orders of this Court, to continue the hearings
12 on the Disclosure Statement and First Round RFS Motions on several occasions while in
13 mediation. The Debtors and CBT engaged in meaningful and productive mediation with the
14 Honorable Mitchell Goldberg, United States Bankruptcy Judge (retired) on or about October 9,
15 2013. At the conclusion of the mediation, the parties had a framework for a resolution of the
16 pending disputes. In fact, for several weeks after the conclusion of the in-person mediation, the
17 parties worked with Judge Goldberg to address concerns in connection with effectuating the
18 resolution. The Debtors continued to cooperate and act in good faith with CBT to attempt to reach
19 a meaningful resolution. Without any rational explanation or basis, CBT suddenly decided that it
20 no longer wished to discuss settlement and would instead focus on expensive and protracted
21 litigation to either force the Debtors into submission or crush them. To this day, a rational
22 explanation for CBT's unilateral termination of settlement discussions has not been provided. At
23 the same time, CBT's relief from stay motions indicate that CBT has incurred over \$2.2 million in
24 attorneys' fees to eviscerate equity in the Debtors' properties, which is intended to be preserved for
25 the benefit of hundreds of employees, vendors and other persons and entities who do business with
26 the Debtors' hotels on a regular basis.

1 After mediation efforts collapsed, the Debtors and CBT stipulated to hire a court-appointed
2 neutral appraiser to value four of the Hotels for which the Debtors and CBT disputed their
3 valuations: Shilo Inn, Boise Airport, LLC; Shilo Inn, Nampa Blvd, LLC; Shilo Inn, Seaside East,
4 LLC; and Shilo Inn, Rose Garden, LLC. The neutral appraiser published his valuation reports on
5 these four hotels to the Debtors and CBT on or about March 21, 2014. The hearings on the
6 Disclosure Statement and First Round RFS Motions were continued to May 8, 2014.

7 On April 15, 2014, CBT filed its motions for relief from stay against the hotels held by Shilo
8 Inn, Twin Falls, LLC and Shilo Inn, Newberg, LLC (the "Second Round RFS Motions") [docket
9 entry nos. 267-271], and set them for hearing on May 8, 2014.

10 The Court held a hearing on the Debtors' joint disclosure statement and all of the RFS
11 Motions on May 8, 2014. The Court denied approval of the first, joint disclosure statement and
12 granted relief from stay on the RFS Motion for CBT to conduct foreclosures of the Debtors' Hotels
13 on November 7, 2014, unless the Debtors had confirmed chapter 11 plans by November 6, 2014.

14 On April 17, 2014, five of the Debtors (excluding Shilo Rose Garden and Shilo Moses
15 Lake) (the "Plaintiffs"), filed an adversary proceeding complaint against CBT alleging that the
16 liability against these five Debtors for the \$5 million credit line for the benefit of Mark Hemstreet
17 is a fraudulent obligation that should be avoided.

18 The complaint alleged that on November 4, 2010, the Debtors entered into a loan
19 modification agreement (the "Modification") on the 7 Shilo Loans. The Modification caused the
20 Plaintiffs to pledge the Hotels as collateral for the \$5 million Hemstreet Loan, thereby causing
21 each Plaintiff to incur the \$5 million liability for Hemstreet's personal line of credit. The
22 Modification also lowered the interest rate on the 7 Shilo Loans from 6.44% per annum to 5.0%
23 per annum and accelerated the maturity date of the 7 Shilo Loans from September 1, 2015 to
24 December 31, 2013.

25 The small reduction in interest rate payments was paltry consideration compared to the \$5
26 million of liability incurred by each of the Plaintiffs, and the Plaintiffs did not receive reasonably
27 equivalent value in exchange for incurring the additional liability. Furthermore, the accelerated
28

maturity date for the 7 Shilo Loans made it impossible for Plaintiffs to be able to pay the loans in time, and the Plaintiffs reasonably should have believed that the Modification resulted in debts beyond their ability to pay as they became due. The obligation incurred by each of the Plaintiffs in the Modification were fraudulent and should be avoided.

VIII. CRITICAL PLAN PROVISIONS

Listed below are the sources of money earmarked to pay creditors and interest-holders.

- a. Debtor's cash on hand as of the Effective Date of the Plan; ~~and~~
- b. Future earnings from continued operations of the Debtor; and
- c. New value contribution from Mark Hemstreet and Shannon Hemstreet of \$50,000.

Non-insider general unsecured creditors (Class 5) can expect to have their claims paid in full (100%) as follows:

a. The first payment will be made on the Effective Date of the Plan, which is anticipated to be on January 5, 2015 (the first Monday of the new year), in the aggregate amount of \$6,318;

b. The Reorganized Debtor will make five (5) additional payments, each in the amount of \$6,318 in months two through six following the Effective Date, for a total payout to non-insider general unsecured creditors in the amount of \$37,908, which the Debtor believes constitutes 100% payment, excluding interest. Non-insider general unsecured creditors can expect to receive their pro rata share of each payment made by the Reorganized Debtor, until such time as 100% of Class 5 allowed general unsecured non-insider claims are paid in full.

The unsecured deficiency claim for CBT on account of its first deed of trust in Class 3 is separately classified from the non-insider general unsecured claims. Class 4 is the general

unsecured deficiency claim to CBT on account of the Hemstreet line of credit.⁶⁴ CBT's unsecured claims in Class 3 and 4 are different from the other general unsecured claims in Class 5 because CBT's claim is guaranteed by the personal guaranty of Mark Hemstreet, who has a substantial financial portfolio to which CBT can look for payment. Class 5 cannot rely on a personal guaranty from Mark Hemstreet for payment. The Debtor will seek to submit Mr. Hemstreet's financial portfolio under seal to the Court and CBT in support of the separate classification of the Class 3 and 4 claims. The full legal justification for the separate classification and treatment of the Class 3 and 4 claims will be set forth in the Debtor's plan confirmation brief.

IX. DESCRIPTION AND TREATMENT OF CLAIMS

a. Overview of Plan Payments

Below is a summary of who gets paid what and when and from what source. The identity of members within a particular class is explained beginning on the next page. The second column lists two amounts. First, the amount of each payment, or if only one is to be made, then that amount; second, the total amount that will be paid. The Proponent is usually not required by law to pay an unsecured creditor or interest holder everything it would otherwise be entitled to, had a bankruptcy case not commenced. The "Payment Due Date" column states the frequency with which payments will be made and the starting and ending dates. Look at the starting date to figure out who will be paid before and after you and in what amount. The "Source of Payment" column describes the expected source of payment. Further details regarding the source of payment are found in sections X and XI.

The timing of payments to many creditors is determined by the "Effective Date." Administrative claims, unless otherwise stated, must be paid by the Effective Date. The timing of

⁶⁴ The entire Class 4 claim will be eliminated if the Plaintiffs prevail in their adversary proceeding lawsuit against CBT.

payments to impaired creditors is measured from the Effective Date. In this case, the Effective Date of the Plan (the “Effective Date”) will be January 5, 2015 (the first Monday of the new year), assuming that the Bankruptcy Court has entered an order confirming the Plan (the “Plan Confirmation Order”) by at least November 6, 2014, and there is no stay in effect, in which case the Effective Date shall be the first business day after the stay is no longer in effect with respect to the Plan Confirmation Order. The Debtor, following the Effective Date, will be referred to herein as the “Reorganized Debtor.”

<u>Payment Recipient</u>	<u>Amount of each Payment and Total Amount to be paid</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
<u>Office of the United States Trustee</u>	<p>\$0</p> <p>(Third quarter fees for 2014 will have been paid in full by October 31, 2014, before the Plan Effective Date.)</p>	<p>Third quarter fees for 2014 will have been paid by October 31, 2014. Fourth quarter fees for 2014 will not be due until January 31, 2014.</p> <p>The Debtor anticipates paying quarterly fees post-confirmation after the Effective Date and before January 31, 2015, and every quarter thereafter until the case is closed. These payments are reflected in Exhibit “C” in the “Administration & General” line item.</p>	<u>Reorganized Debtor’s cash on hand available on Effective Date</u>
<u>Payment Recipient</u>	<u>Amount of each Payment and Total Amount to be paid</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
<u>Clerk of the Court</u>	\$0	<u>Effective Date</u>	<u>Reorganized Debtor’s cash on hand available on Effective Date</u>
<u>Payment Recipient</u>	<u>Amount of each Payment and Total Amount to be paid</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
Levene, Neale,	Total amount of	Payment shall be made	Reorganized Debtors’

Bender, Yoo & Brill L.L.P. (bankruptcy counsel to the Debtors)	approximately \$33,300* to be paid in one (1) payment *estimated unpaid fees and expenses in excess of any retainer payments received	upon the later of (1) Effective Date, and (2) 14 days after date of entry of order allowing the final fee application, provided that payments will be funded into LNBYB's trust account on the Effective Date	cash on hand available on Effective Date
<u>Payment Recipient</u>	<u>Amount of each Payment and Total Amount to be paid</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
Class 1 – Allowed Secured Claim of Ada County Tax Collector (property taxes) <u>Total claim as of the Effective Date at \$37,169, calculated as the claim as of the Petition Date in the amount of \$32,321, with interest at 9% per annum up to the Effective Date.</u> Oversecured IMPAIRED	Total amount of \$32,321 <u>\$37,169</u> plus interest from the Effective Date at 9% per annum, calculated as \$37,169 <u>\$37,881</u> Six (6) payments 100% to be paid.	Month 1: \$6,195 Month 2: \$6,195 Month 3: \$6,195 Month 4: \$6,195 Month 5: \$6,195 Month 6: \$6,195 <u>\$6,906</u>	Post-confirmation income of Reorganized Debtor

~~The following Class 2 claim of CBT is subject to adjudication of CBT's secured claims and, specifically, the Debtor's objection to the CBT Disputed Claim, particularly as to prepetition default interest, which was addressed by the district court prepetition, and all post-petition fees, costs, and interest, which has not been asserted in CBT's filed proof of claim.~~

<u>Payment Recipient</u>	<u>Amount of each Payment and Total Amount to be paid</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
Class 2 – Allowed Secured Claim of California Bank & Trust Secured Claim amount of	Total amount of \$8,699 per month for first 24 payments <u>Over the course of the 24-month plan, a total of \$208,780 will be paid.</u>	Interest only payments for first two (2) years, paid monthly, in the amount of \$8,699 per month. At end of 24-month plan the Debtor will do one	Post-confirmation income of Reorganized Debtor

1	\$2,087,831.20,		of the following: (i)	
2	calculated as the		Surrender the Boise	
3	appraised value of the	<u>If a balloon payment</u>	Airport Hotel to CBT	
4	property at \$2,125,000,	<u>occurs at the end of the</u>	with a deed in lieu; (ii)	
5	minus the senior	<u>plan, it will be in the</u>	sell the Boise Airport	
6	secured tax claim of	<u>amount of \$2,087,831</u>	Hotel; or (iii) refinance	
7	\$37,168.80		and make a balloon	
8	Claim amount subject		payment to CBT for the	
9	to revision		outstanding amount of	
10			the Class 2 claim	
11	IMPAIRED			
12			Payments due on the first	
13			business day of the	
14			month, with a 10-day	
15			grace period	
16			Market interest rate to be	
17			proven at plan	
18			confirmation, but which	
19			the Debtors believe to be	
20			a fixed rate at 5.0% per	
21			annum for the life of the	
22			loan.	
23			<u>Payment Frequency:</u>	
24			Monthly	
25			<u>Start Date:</u> Effective	
26			Date	
27			<u>End Date:</u> 24 months	
28			following Effective Date	
			<u>Payments for months</u>	
			<u>1-24:</u> \$8,699	
			<u>Balloon Payment on</u>	
			<u>month 24 (if necessary):</u>	
			<u>\$2,087,831</u>	
			Until such time as the	
			obligation is repaid as set	
			forth hereinabove, CBT	
			shall retain its lien(s) with	
			the same extent, validity	
			and priority as on the	
			Petition Date.	
			The foregoing treatment	
			shall be in full and	
			complete satisfaction of	
			all claims in this class.	

The Class 3 claim of CBT is a general unsecured deficiency claim comprised of CBT's claim for the first deed of trust secured by the Boise Airport Hotel. To the extent that CBT asserts additional sums for any of its claims in Classes 2, 3, or 4 by way of post-petition fees, costs, penalties, and/or interests, the Debtors intend to object and vet those post-petition amounts because they were not specified in CBT's filed proofs of claim, which only reflected the amount of claims as of the Petition Date. However, the Debtors will not object to the amounts of the prepetition claims set forth in the proofs of claim as of the Petition Date.

The Class 4 claim of CBT is a general unsecured deficiency claim comprised of the \$5 million line of credit to Hemstreet. The ~~Debtors~~Plaintiffs filed a cause of action against CBT with respect to the ~~Debtors~~Plaintiffs' liability on the line of credit for avoidance of fraudulent transfer to the detriment of the ~~Debtors~~Plaintiffs' estates, which may eliminate the Debtor's liability for the Class 4 claim altogether.

The reasons for separately classifying Class 3 from Class 4 is to keep track of the Class 4 claim, which may be eliminated completely, and to track the treatment and payment of the Class 4 claim across four separate plans of reorganization for Shilo Inn, Twin Falls, LLC, Shilo Inn, Boise Airport, LLC, Shilo Inn, Nampa Blvd., LLC, Shilo Inn, Newberg, LLC, and Shilo Inn, Seaside East, LLC.

The reason for the separate classification of Classes 3 and 4, on the one hand, from the classification of Class 5, on the other hand, has been explained above.

<u>Payment Recipient</u>	<u>Amount of each Payment and Total Amount to be paid</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
Class 3 – Allowed General Unsecured Deficiency Claim of California Bank & Trust related to first deed of trust Unsecured	Total amount of \$3,500 per month for first 24 payments Total payment of \$84,000	Payments due on the first business day of the month, with a 10-day grace period Payment Frequency:	Post-confirmation income of Reorganized Debtors <u>Additionally, CBT will retain all of its rights to pursue Mark Hemstreet on his personal</u>

1	Claim amount of		Monthly	guaranty for payment.
2	\$2,346,050.91,		<u>Start Date:</u> Effective	
3	calculated as CBT's		Date	
4	total claim as of the		<u>End Date:</u> 24 months	
5	petition date, minus the		following Effective Date	
6	Class 2 claim		<u>Payments for months</u>	
7	IMPAIRED		<u>1-24:</u> \$3,500	
8	Claim amount subject		The foregoing treatment	
9	to revisions		shall be in full and	
10			complete satisfaction of	
11			all claims in this class.	

12	<u>Payment Recipient</u>	<u>Amount of each</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
13		<u>Payment and Total</u>		
14	Class 4 – Allowed	Total amount of \$3,500	Payments due on the first	Post-confirmation
15	General Unsecured	per month for first 24	business day of the	income of Reorganized
16	Deficiency Claim of	payments	month, with a 10-day	Debtors
17	California Bank &		grace period	
18	Trust related to first	Total payment of	<u>Payment Frequency:</u>	
19	deed of trust	\$84,000	Monthly	
20	Unsecured		<u>Start Date:</u> Effective	
21	Claim amount of		Date	
22	\$5,832,786.35,		<u>End Date:</u> 24 months	
23	calculated as CBT's		following Effective Date	
24	total claim for the		<u>Payments for months</u>	
25	Hemstreet Line of		<u>1-24:</u> \$3,500	
26	credit as of the petition		The foregoing treatment	
27	date		shall be in full and	
28	IMPAIRED		complete satisfaction of	
	Subject to adversary		all claims in this class.	
	proceeding for			
	incurring fraudulent			
	obligation			

Class 5 claims are composed of the general unsecured claims of non-insiders.

<u>Payment Recipient</u>	<u>Amount of each Payment and Total Amount to be paid</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
Class 5 – Allowed Unsecured Claims, excluding Insiders IMPAIRED	Total amount of \$37,911. 100% to be paid (excluding interest)	Effective Date: \$6,318 plus \$6,318 each month for two (5) additional months following the Effective Date Payments due on the first business day of the month	Post-confirmation income of Reorganized Debtor

Class 6 claims are composed of the general unsecured claims of insiders. These claims will not be paid until such time as all Class 3, 4 and 5 claims are paid in full, and as cash flow permits. Payments will be due on the first business day of the month. The source of payment will be the post-confirmation income of the applicable Reorganized Debtor.

Class 7 – Equity interests. On the Effective Date, existing equity interests in the Debtor will be extinguished. In exchange for the “new value” contribution, 100% equity interest in the Reorganized Debtor shall be transferred to Mark Hemstreet and Shannon Hemstreet or their designee(s).

<u>Payment Recipient</u>	<u>Amount of each Payment and Total Amount to be paid</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
Class 7 – Interest Holders, Mark S. Hemstreet and Shannon Hemstreet IMPAIRED	No Payments	No Payments	No Payments

1
2 All claims listed in **Exhibit A** attached hereto are undisputed. On the Effective Date (and
3 on the payment dates as the case may be), the Disbursing Agent will deposit into a segregated
4 account (the "Reserve Account") an amount of cash equal to 100% of the estimated distribution to
5 be paid on the disputed portion of any claim. Cash together with interest accruing thereon will be
6 held in trust for the benefit of holders of disputed claims. No claimant or interest holder is an
7 affiliate of the Debtor, with the exception of those unsecured creditors listed on **Exhibit B** attached
8 hereto.

9
10 Below is a detailed description and treatment of administrative expenses, claims and interests

11 a. Administrative Expenses

12 i. These include the "actual, necessary costs and expenses of preserving the
13 estate" as determined by the Court after notice to creditors of a request for
14 payment and after a hearing thereon. These also include the fees and
15 expenses incurred by professionals employed in this case at the expense of
16 the estate which have been approved by the Court on a final basis.

17 ii. The Code requires that allowed administrative expenses be paid on the
18 effective date unless the party holding the administrative expense agrees
19 otherwise. The claimants have not agreed otherwise.

20 iii. The Debtor will not have any fees owing to the United States Trustee or the
21 Clerk of the Court as of the Effective Date.

22 Administrative Expense #1.

23 **Claimant: Levene, Neale, Bender, Yoo & Brill L.L.P.**, bankruptcy counsel to
24 the Debtors

- 25 • \$33,300 (estimated unpaid fees and expenses in excess of retainer payments
26 received), subject to court approval.

27 **TOTAL \$33,300 (estimated)**

b. Unsecured Tax Claims

- i. These include certain types of property, sales, income, and other taxes.
- ii. The Code requires that the holders of such claims receive on account of such claim regular installment payments in cash (i) of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such claim; (ii) over a period ending not later than 5 years after the date of the order for relief under section 301, ~~201~~302 or 303 of the Bankruptcy Code; and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan (other than cash payments made to a class of creditors under section 1122(b) of the Bankruptcy Code). The amount of the allowed claim includes the amount of tax owed plus interest. The present value is calculated as of the Effective Date.

- Shilo Boise Airport - \$0.00 for the Idaho State Tax Commission

TOTAL UNSECURED TAX CLAIMS: \$0

c. **CLASS 1**

Secured Claim of ADA COUNTY TAX COLLECTOR (claim is oversecured)

Total amount of allowed claim:	\$32,320,80 <u>\$37,169</u>
Total amount of payments (over time) to satisfy the secured claim:	\$37,170 <u>\$37,881</u>
Interest rate (to compensate creditor because claim is paid over time):	9% per annum (per 11 U.S.C. § 1129(a)(9)(D))
Impaired	Yes
First payment date:	Effective Date
Amount of each installment:	\$6,195 <u>\$6,195, \$6,195, \$6,195, \$6,195, \$6,195, \$6,195, \$6,906</u>
Frequency of payments:	Monthly
Total yearly payments:	\$37,170 <u>\$37,881</u>

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Final payment date:	June 1, 2015
Lien is not modified in any way by the Plan	No lien modification
Description of Collateral:	Statutory first priority lien on Debtor's real property, Shilo Boise Airport Hotel
Additional Comments:	The Debtor shall have the right to prepay this claim prior to maturity without penalty or fee.

a. **CLASS 2**

Secured Claim of CALIFORNIA BANK & TRUST

Total amount of allowed claim:	\$2,087,831.20
Total amount of payments (over time) to satisfy the secured claim:	\$208,780 Plus a balloon payment of \$2,087,831, if a balloon payment is made.
Interest rate (to compensate creditor because claim is paid over time):	Market interest rate, as may be determined at Plan confirmation hearing, but which the Debtor believes to be fixed 5.0% % per annum for the life of the Plan.
Impaired	Yes
First payment date:	Effective Date
Amount of each installment:	Interest only payments for first two (2) years, in the amount of \$8,699 per month.
Frequency of payments:	Monthly All payments due on the 20 th of the month, with 10 day grace period
Total yearly payments:	\$104,388 in year 1; \$104,392 in year 2
Final payment date:	December 2016

Lien is not modified in any way by the Plan	No lien modification as to lien rights. Terms related to payment of obligation being modified as set forth herein.
Description of Collateral:	All real and personal property upon which CBT held a valid prepetition lien against Shilo Inn, Boise Airport, LLC
Additional Comments:	<p>The Debtor shall have the right to prepay this claim prior to maturity without penalty or fee.</p> <p>Debtor shall open a segregated tax impound account and shall make necessary deposits to insure timely property tax payments.</p> <p>Existing personal guaranty of Mark S. Hemstreet shall remain unaffected. <u>Mark S. Hemstreet will reserve his rights, claims, defenses, and counterclaims against CBT for the amount of the debt asserted against him by CBT, including, but not limited to, principal, interest, default interest, costs, fees, penalties, and attorneys' fees.</u></p> <p>The remainder of the loan documents with CBT will remain unchanged except as explicitly set forth in the Plan.</p> <p>The Debtor and SMC will use best efforts to sell and or refinance the Hotel or surrender the property to CBT with a deed in lieu of foreclosure by the end of the life of the Plan or refinance and make balloon payment for remaining amount of Class 2 claim by end of life of the Plan.</p>

a. **CLASS 3**

General Unsecured Deficiency Claim of CALIFORNIA BANK & TRUST

Total amount of allowed claim:	\$2,346,050.91
Total amount of payments (over time) to satisfy the secured claim:	\$84,000
Impaired	Yes
First payment date:	Effective Date

Amount of each installment:	\$3,500.
Frequency of payments:	Monthly
	All payments due on the 20 th of the month, with 10 day grace period
Total yearly payments:	\$42,000
Final payment date:	December 2016
Additional Comments:	<p>The Debtor shall have the right to prepay this claim prior to maturity without penalty or fee.</p> <p>Claim amount subject to revision</p> <p><u>In addition to the payments made by the Debtor under this Plan, CBT may receive further payment from Mark Hemstreet on account of his personal guaranty of this debt.</u></p> <p>Existing personal guaranty of Mark S. Hemstreet shall remain unaffected. <u>Mark S. Hemstreet will reserve his rights, claims, defenses, and counterclaims against CBT for the amount of the debt asserted against him by CBT, including, but not limited to, principal, interest, default interest, costs, fees, penalties, and attorneys' fees.</u></p>

a. **CLASS 4**

General Unsecured Deficiency Claim of CALIFORNIA BANK & TRUST for

Hemstreet Line of Credit

Total amount of allowed claim:	\$5,832,786.35
Total amount of payments (over time) to satisfy the secured claim:	\$84,000
Impaired	Yes
First payment date:	Effective Date

Amount of each installment:	\$3,500.												
Frequency of payments:	Monthly												
	All payments due on the 20 th of the month, with 10 day grace period												
Total yearly payments:	\$42,000												
Final payment date:	December 2016												
Additional Comments:	<p>The Debtor shall have the right to prepay this claim prior to maturity without penalty or fee.</p> <p>Existing personal guaranty obligation of Mark S. Hemstreet shall remain unaffected. <u>Mark S. Hemstreet will reserve his rights, claims, defenses, and counterclaims against CBT for the amount of the debt asserted against him by CBT, including, but not limited to, principal, interest, default interest, costs, fees, penalties, and attorneys' fees.</u></p> <p><u>The Class 4 claim appears in the Plans of 5 out of the 7 Debtors, and payment from those 5 Debtors over the life of their respective plans are as follows:</u></p> <table> <tr> <td><u>Shilo Twin Falls:</u></td><td><u>\$2,822,132</u></td></tr> <tr> <td><u>Shilo Boise Airport:</u></td><td><u>\$84,000</u></td></tr> <tr> <td><u>Shilo Nampa Blvd:</u></td><td><u>\$0</u></td></tr> <tr> <td><u>Shilo Newberg:</u></td><td><u>\$120,000</u></td></tr> <tr> <td><u>Shilo Seaside East:</u></td><td><u>\$156,000</u></td></tr> <tr> <td><u>Total:</u></td><td><u>\$3,182,132</u></td></tr> </table> <p>The Debtors filed a cause of action against CBT for avoidance of fraudulent obligation incurred, which was to the detriment of the Debtors' estates. <u>If the Debtors succeed on this cause of action, there will be no obligation owed for this claim.</u></p>	<u>Shilo Twin Falls:</u>	<u>\$2,822,132</u>	<u>Shilo Boise Airport:</u>	<u>\$84,000</u>	<u>Shilo Nampa Blvd:</u>	<u>\$0</u>	<u>Shilo Newberg:</u>	<u>\$120,000</u>	<u>Shilo Seaside East:</u>	<u>\$156,000</u>	<u>Total:</u>	<u>\$3,182,132</u>
<u>Shilo Twin Falls:</u>	<u>\$2,822,132</u>												
<u>Shilo Boise Airport:</u>	<u>\$84,000</u>												
<u>Shilo Nampa Blvd:</u>	<u>\$0</u>												
<u>Shilo Newberg:</u>	<u>\$120,000</u>												
<u>Shilo Seaside East:</u>	<u>\$156,000</u>												
<u>Total:</u>	<u>\$3,182,132</u>												

a. **CLASS 5**

All General Unsecured Claims, Excluding Insiders and CBT

See **Exhibit A** for list of claimants and amount owed each:

Total amount of allowed claims:	\$37,908
Total amount of payments (over time) to satisfy the claims:	\$37,908 (100% of allowed claims)
Interest rate:	None
Impaired	Yes
First payment date:	Effective Date
Amount of each installment:	\$6,318
Frequency of payments:	Six (6) monthly payments, commencing on effective Date and five (5) additional months thereafter.
Total yearly payments:	\$37,908
Final payment date:	June 1, 2015
Additional Comments:	Such treatment shall be in full and complete satisfaction of all Class 5 claims

a. **CLASS 6**

Unsecured Claims Of Insiders

See **Exhibit B** lists the claimants and amount owed each for general unsecured insiders. These claims will not be paid until such time as all Class 3, 4 and 5 claims are paid in full, and as cash flow permits. Payments will be due on the first business day of the month. The source of payment will be the post-confirmation income of the applicable Reorganized Debtor.

Total amount of allowed claims:	\$15,187.69
Total amount of payments (over time) to satisfy the claims:	\$15,187.69
Interest rate:	None
Impaired	Yes
First payment date:	After class 3, 4 and 5 claims have been paid in full, and as cash flow permits
Amount of each installment:	Varies as cash flow permits
Frequency of payments:	Monthly
Total yearly payments:	Variable
Final payment date:	Variable

a. CLASS 7

All Equity Interests in Debtor	<p>All existing equity interests in the Debtor shall be extinguished and Class 7 equity holders shall receive no distribution under the Plan.</p> <p>Instead, Mark Hemstreet and Shannon Hemstreet, or their designee(s), shall receive 100% of the membership interest in the Reorganized Debtor in exchange for the New Value Contribution to be funded on the Effective Date.</p>
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X. SOURCE OF MONEY TO PAY CLAIMS AND INTEREST-HOLDERS

The Plan cannot be confirmed unless the Court finds that it is "feasible," which means that the Proponent has timely submitted evidence establishing that the Debtor will have sufficient funds available to satisfy all expenses, including the scheduled creditor payments discussed above.

~~What follows is a statement of projected cash flow for the duration of the Plan. The focus is~~

Exhibit "C" to the Disclosure Statement is an operating budget prepared on an income-tax basis with the cash flow summary projections at the bottom of each page, setting forth the projected beginning cash balance, net cash change from operations including payments to be made under the Plan, and ending cash balance. The cash-flow portion of Exhibit "C" focuses on projected cash receipts (In-Flow) and cash disbursements (Out-Flow). All non-cash items such as depreciation, amortization, gains and losses are omitted. A positive number reflects ~~a source of net~~ cash In-Flow; a (negative number) reflects ~~a use of cash. A more detailed statement of net cash~~ Out-Flow. Exhibit "C" cash flow projections are for each month of the Plan and for the duration of the Plan ~~payments is attached as Exhibit "C"~~.

Section XV(ed) states the assumptions and details surrounding the statement of projected cash flow.

On the Effective Date, the Plan pays the amounts as follows:

Shilo Inn, Boise Airport

Administrative and executory claims -	\$ 33,300
Class 1 -	\$ 6,195
Class 2 -	\$ 8,699
Class 3 -	\$ 3,500
Class 4 -	\$ 3,500
Class 5 -	<u>\$ 6,318</u>
TOTAL	\$61,512
Funds Available on Effective Date -	\$104,515

The Effective Date is projected to occur on January 5, 2015 (the first Monday of the new year). As shown by the operating budget and projected cash flow attached hereto as **Exhibit "C,"** the Reorganized Debtor will have cash on hand in sufficient amount on or about January 5, 2015. Therefore, the Debtor is expected to have sufficient cash on hand on the Effective Date to make the payments required to be made on the Effective Date.

The new value contribution of \$50,000 will be deposited in the client trust account at

counsel for the Debtor, Levene, Neale, Bender, Yoo & Brill L.L.P., by no later than September 11, 2014, and proof of funds will be shown in a declaration filed with the Court no later than September 11, 2014.

**XI. FINANCIAL RECORDS TO ASSIST IN DETERMINING WHETHER
PROPOSED PAYMENT IS FEASIBLE**

As discussed above, cash flow projections for the Plan repayment period are attached hereto as **Exhibit “C”**. ~~Balance~~Cash flow statements, balance sheets, income and expense statements, and financial information for the two years prior to the Petition Date are attached as **Exhibit “D”** hereto. All such financials have been prepared by SMC, as the managing company overseeing the Debtor’s operations, with input from managers and staff of the Hotel.

XII. ASSETS AND LIABILITIES OF THE ESTATE

a. Assets

The Debtor and CBT, stipulated to appoint a neutral appraiser to value the Boise Airport Hotel. The neutral appraiser valued the Hotel at \$2,125,000. A true and correct copy of the appraisal is attached as Exhibit “E” to the Disclosure Statement. However, the Debtor believes that the value of the Hotel is significantly higher. The Debtor’s principal, Mark Hemstreet, has a substantial track record of selling hotels for far above their appraised values, as shown in Exhibit “G” to the Disclosure Statement.

Whether the Plan proposes to sell any of these assets is discussed in section XVI. The Debtor intends to market the Boise Airport Hotel for sale and sell the Hotel or refinance the secured debt within the two-year plan.

b. Liabilities

Exhibit A and **Exhibit B** show all general unsecured claims asserted against the estate, claims whose treatment is explained in detail by section IX.

c. Summary

Total assets equal \$2,125,000 and total liabilities, including the Hemstreet Loan, total \$10,341,747.74, resulting in a net deficiency of \$8,140,926.78. This net deficiency includes the

1 full amount of the Hemstreet Loan of \$5,832,786.35, which the ~~Debtors~~Plaintiffs are challenging
2 in an adversarial proceeding pending before the Court. Part, or all, of the Hemstreet Loan may also
3 be paid pursuant to other plans in this jointly administered proceeding or by Mr. Hemstreet
4 directly.

5 **XIII. TREATMENT OF NONCONSENTING CLASSES**

6 As stated above, even if all classes do not consent to the proposed treatment of their claims
7 under the Plan, the Plan may nonetheless be confirmed if the dissenting classes are treated in a
8 manner prescribed by the Code. The process by which dissenting classes are forced to abide by the
9 terms of a plan is commonly referred to as "cramdown." The Code allows dissenting classes to be
10 crammed down if the Plan does not "discriminate unfairly" and is "fair and equitable." The Code
11 does not define discrimination, but it does provide a minimum definition of "fair and equitable."
12 The term can mean that secured claimants retain their liens and receive cash payments whose
13 present value equals the value of their security interest. For example, if a creditor lends the Debtor
14 \$100,000 and obtains a security interest in property that is worth only \$80,000, the "fair and
15 equitable" requirement means that the claimant is entitled to cash payments whose present value
16 equals \$80,000 and not \$100,000. The term means that unsecured claimants whose claims are not
17 fully satisfied at least know that no claim or interest that is junior to theirs will receive anything
18 under the Plan, except where the Debtor is an individual, has elected to retain property included in
19 the Estate under 11 U.S.C. § 1115 and has satisfied 11 U.S.C. § 1129(b)(2)(B)(ii). "Fair and
20 equitable" means that each holder of an interest must receive the value of such interest or else no
21 junior interest is entitled to receive anything.

22 Therefore, if a class of general unsecured claims votes against the Plan, the Plan cannot be
23 confirmed where the Debtor or a class of interest holders (e.g. shareholders or partners) will
24 receive or retain any property under the Plan, unless the Plan provides that the class of general
25 unsecured claims shall be paid in full with interest. If a class of interest holders votes against the
26 Plan, the Plan cannot be confirmed where the Debtor will receive or retain any property under the
27 Plan, unless the Plan provides that the class of interest holders shall be paid in full with interest.
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1 These are complex statutory provisions and the preceding paragraphs do not purport to state or
2 explain all of them.

3 **XIV. TREATMENT OF NONCONSENTING MEMBERS OF CONSENTING CLASS**
4 **(CHAPTER 7 LIQUIDATION ANALYSIS)**

5 The Plan must provide that a nonconsenting impaired claimant or interest holder of a
6 consenting class receive at least as much as would be available had the Debtor filed Chapter 7
7 petitions instead.

8 **A. Valuation**

9 The below comparison of a Chapter 11 Plan versus Chapter 7 liquidation uses the valuation
10 contained in the appraisal report prepared by Integra Realty Resources. The report is attached as
11 Exhibit "E" to the Disclosure Statement. The report was prepared on March 13, 2014, and the
12 Debtor and CBT stipulated to use this report to set the valuation for purposes of the Disclosure
13 Statement and Plan. The individual at Integra Realty Resources who prepared the appraisal report
14 is Brian A. Glanville, MAI, CRE, FRICS, Certified General Real Estate Appraiser. Mr. Glanville
15 has been in the real estate appraisal profession in Oregon since 1976 and earned the MAI
16 designation in 1982. He is certified in both Oregon and Washington and has developed an
17 expertise in the appraisal of hotels, high rise office buildings, and complex valuation assignments.
18 His full qualifications are attached as Addendum "A" to the report.

19 Appraisers usually consider three approaches to estimate the market value of real property:
20 the cost approach, sales comparison approach, and income capitalization approach. The report
21 does not include a cost approach. The report uses a sales comparison approach but gives it limited
22 weight because of a host of enumerated problems with this approach for hotel properties in the
23 current economy. The report relies primarily on the income capitalization approach, which is
24 meant to reflect a relationship between the potential income of a property with the property's
25 market value. The two primary methods of the income capitalization approach are direct
26 capitalization and discounted cash flow. This approach is widely used for income-producing
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1 properties, such as the Hotel. A complete discussion of the valuation can be found starting on page
2 61 of the report attached as Exhibit "E" to the Disclosure Statement.

3 The report values the Hotel at \$2,250,000 on the sales comparison approach. The report also
4 values the Hotel at \$2,128,892 on direct capitalization method and at \$2,125,000 for a
5 going-concern market value as is. The report's conclusion as to value is \$2,125,000 with an
6 exposure time and marketing period of 9 to 12 months.

7 Regarding monthly cash flow, hotels are very seasonal income-producing properties
8 generating various degrees of revenue and profitability through a twelve-month calendar year.
9 Consequently, some months will have negative cash flow, some months break even, and some
10 months have positive cash flow. Accordingly, hotels must be evaluated on a twelve-month
11 calendar year, January through December. Exhibit "C" shows the monthly cash flow projections
12 for the life of the Plan with monthly ending cash at the bottom of the page and total income cash
13 accumulated each month and year, which is the pure cash flow valuation. In addition, the
14 income-capitalization approach is discussed in great detail in Exhibit "E" and described here, in
15 Section XIV.A, above.

16 **B. Chapter 7 Analysis**

17 In a Chapter 7 case the general rule is that the Debtor's assets are sold by a trustee.
18 Unsecured creditors generally share in the proceeds of sale only after secured creditors and
19 administrative claimants are paid. Certain unsecured creditors get paid before other unsecured
20 creditors do. Unsecured creditors with the same priority share in proportion to the amount of their
21 allowed claim in relationship to the total amount of allowed claims.

22 A creditor would recover from the assets of the bankruptcy estate less under Chapter 7 than
23 under Chapter 11 for at least three reasons. First, the recovery by unsecured creditors in a
24 liquidation would be less than the recovery proposed under the Plan because the trustee would in
25 all probability be unable to realize the full value of all of the Debtor's assets. Upon liquidation, a
26 trustee would face the difficulties of processing, marketing and obtaining value for the Debtor's
27 assets on a distressed sale basis. Thus, in a liquidation, the value of the Debtor's assets would, in
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1 all likelihood, decrease considerably from the current market values. The value would further be
2 decreased based on the fact that, in a liquidation, the Debtor would lose its “Shilo Inn” flag and any
3 liquidation sale would therefore include a no-name hotel. The “Shilo Inn” is a highly respected
4 and valuable asset, particularly in the Pacific Northwest and inland neighboring states, which
5 would be lost based on the provisions of the franchise agreement with SFI. Additionally, the cost
6 for a buyer to “re-flag” a no-name hotel is extraordinarily high and will result in a decrease of the
7 hotel purchase price because the buyer must devote and commit funds elsewhere to bring the
8 no-name hotel into line with the prospective flag’s standards for a property improvement plan
9 (PIP).

10 Second, in a chapter 7 case, a trustee is appointed and is entitled to compensation from the
11 bankruptcy estate in an amount no more than 25% of the first \$5,000 of all moneys disbursed, 10%
12 on any amounts over \$5,000 and up to \$50,000, 5% on all amounts over \$50,000 and up to
13 \$1,000,000, and such reasonable compensation no more than 3% of moneys over \$1,000,000.
14 Therefore, the distribution to creditors will be diluted further by the trustee’s compensation.

15 Third, the current economic market would further depress the value of the Hotel in a
16 liquidation. Liquidating the Debtor’s assets would trend the business elsewhere for many years to
17 come until a new “brand” can establish itself in the local communities.

18 If a [Chapter 7](#) liquidation was initiated, it would put the ~~Hotels~~[Hotel](#) squarely in [the](#) public
19 eye of the community and significantly reduce the value of the assets [because of the distressed sale](#)
20 [and stigma of a chapter 7 liquidation](#). In addition, the value of each Debtor asset would be greatly
21 diminished by essentially dumping the Hotel on an open market wherein there is a close-knit,
22 [distressed-asset](#) buying community. The Debtor has maintained the Hotel’s business operations
23 and value during the bankruptcy case by demonstrating to hotel guests that [the](#) Hotel is operating
24 as usual in the high Shilo standard to which guests are accustomed. The adverse publicity
25 surrounding a liquidation scenario would be highly detrimental to the Hotel’s reputation in the
26 community, its business activities, and subsequent value in a liquidation. Shilo has proven to be a
27 very efficient and cost-conscious company in how it operates the Hotel through its affiliate
28

1 management company, SMC. In a liquidation, the reservation service and related amenities
2 provided by the Shilo franchise and SMC terminate. Even a short term disruption in the
3 reservation process would have a dramatic impact on the Hotel and its business. Existing
4 reservations would likely be lost, and new reservations would not be able to be made. The adverse
5 public relations associated with such disruption would be drastic. The Debtor believes that such
6 disruption would result in an additional discount of at least 15% to the value of the Hotel in a
7 liquidation.

8 Shilo has been an institution in the Idaho market for over twenty years. Shilo has invested
9 heavily into the local communities and maintained a superb reputation with customers, vendors
10 and governmental officials. SFI, as the franchisor, has significant value. In the event of a
11 liquidation, the Shilo flag would be pulled from the Hotel pursuant to the terms of the franchise
12 agreement and would result in an additional approximate 20% diminution in value to the Hotel.
13 The Debtor believes that the foregoing factors would result in not less than a 35% reduction in
14 value of the Hotel in the event of a liquidation. ~~Consequently, not only would CBT not be paid in~~
15 ~~full on its Class 2 claim, but there would be nothing remaining to pay down any of CBT's Class 3~~
16 ~~claim, and certainly not anything to pay classes 4 or 5. Even if there was no reduction in value of~~
17 ~~the Hotel for a liquidation (which the Debtor disputes, and which is only stated *arguendo*), CBT~~
18 ~~would realize only a partial recovery on its Class 2 claim, and Classes 3, 4, and 5 would not see any~~
19 ~~recovery on their claims.~~

20 C. The Comparison of Chapter 7 Liquidation to Chapter 11 Plan

21 The following analysis uses \$2,250,000 for the chapter 11 value because that is the value
22 that the court-appointed neutral appraiser used for the going concern market value as is. The
23 following analysis uses \$2,125,000 for the chapter 7 liquidation analysis because the neutral
24 appraiser report used a sales approach to conclude \$2,125,000 value with a marketing period of 9
25 to 12 months. Although the Debtor believes that a 35% discount is appropriate for a chapter 7
26 liquidation for the reasons discussed above, here, the applied discount is only 10%. A cost of sale
27 of 8% is applied. The chapter 7 liquidation also turns over the cash collateral as of the Plan
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Effective Date (shown as beginning cash on Exhibit “C” to the Disclosure Statement) as payment to CBT.

<u>Boise Airport Hotel</u>	<u>Chapter 7</u>	<u>Chapter 11</u>
<u>Value of Hotel (See Exhibit “E”)</u>	<u>\$1,912,500.00</u>	<u>\$2,250,000</u>
<u>Cash Collateral on Effective Date</u>	<u>\$54,515.00</u>	<u>N/A</u>
<u>Cost of Sale at 8%</u>	<u>\$153,000.00</u>	<u>\$0</u>
<u>Class 1 (Tax)</u>	<u>\$37,169</u>	<u>\$37,881</u>
<u>Class 2 (CBT secured claim)</u>	<u>\$1,776,846</u>	<u>\$208,780</u>
<u>Class 2 Balloon Payment (CBT)</u>	<u>N/A</u>	<u>\$2,087,831</u>
<u>Class 3 (CBT unsecured claim)</u>	<u>\$0</u>	<u>\$84,000</u>
<u>Ch.7 Trustee Admin Costs and Fees</u>	<u>\$0</u>	<u>N/A</u>
<u>Ch. 11 Admin Expenses</u>	<u>\$0</u>	<u>\$33,000</u>
<u>Class 4 (CBT unsecured claim)</u>	<u>\$0</u>	<u>\$84,000</u>
<u>Class 5 (general unsecured claims)</u>	<u>\$0</u>	<u>\$37,908</u>
<u>Class 6 (insider unsecured claims)</u>	<u>\$0</u>	<u>\$15,188</u>
<u>Equity</u>	<u>\$0</u>	<u>Cancelled</u>
<u>CBT total without balloon payment</u>	<u>\$1,776,846</u>	<u>\$376,780</u>
<u>CBT total with balloon payment</u>	<u>\$1,776,846</u>	<u>\$2,464,611</u>

The Class 1 secured real property tax claim would do just as well in a hypothetical chapter 7 liquidation as in the chapter 11 plan, the only difference in its recovery being on account of post-confirmation interest totaling less than \$1,000.

The Class 2 secured claim of CBT would immediately receive more in a hypothetical chapter 7 liquidation than in the chapter 11 plan, but CBT would receive nothing on account of its Class 3 and 4 claims. By comparison, in the chapter 11 plan CBT will receive \$376,780 on account of its Class 2, 3, and 4 claims, and it will receive a balloon payment of \$2,087,831 for total payments of \$2,464,611. Shilo Management Corporation and Mark Hemstreet have proven an ability to sell hotel properties for much larger percentages above MAI and bank appraised values. See Exhibit “G”. Greater value and monetary return will be preserved for future sale under the chapter 11 Plan than under the distressed sale in liquidation. If the Debtor is unable to make a balloon payment by sale or refinancing, then CBT will receive a deed in lieu of foreclosure, and

1 the value of the property at \$2,125,000 is even greater than the amount of the balloon payment that
2 would be derived from a future sale or refinance of the property. Thus, even in the chapter 11 plan,
3 CBT receives more than it would in a hypothetical chapter 7 liquidation.

4 The Class 5 general unsecured creditors will receive \$0 – nothing – in a chapter 7
5 liquidation, but they will receive \$37,908, payment in full, under the chapter 11 plan. Thus, they
6 will do better under the Plan than under a hypothetical liquidation.

7 The Class 6 insider unsecured creditors will receive \$0 in a liquidation, but they will
8 receive anywhere from \$0 up to \$15,188 under the chapter 11 plan, if the claims in Classes 1-5 are
9 paid in full. Thus, they will do no worse in a hypothetical liquidation than under the Plan, and they
10 will fare better under the Plan if the Class 1-5 claims are paid in full.

11 **XV. FUTURE DEBTOR**

12 **a. Management of Debtor**

13 **i. Names of persons who will manage the Debtor's business affairs: SMC**
14 managed the Debtor prior to the filing of the bankruptcy petition. The Debtor operated the hotel
15 pre-petition pursuant to a franchise agreement with SFI. The pre-petition management of the
16 Debtor will remain and continue to manage the ~~Debtors'~~Debtor's business affairs following
17 confirmation of the Plan. SMC will continue to act as the ~~Debtors' management company~~Debtor's
18 management company, and the Debtor will continue to operate the hotel under the Shilo brand
19 pursuant to a franchise arrangement with SFI. Mark S. Hemstreet and Shannon M. Hemstreet are
20 the members of the Debtor. Mark S. Hemstreet and Shannon M. Hemstreet will ~~continue to be the~~
21 ~~members of the Debtor~~ be the members of the Reorganized Debtor. Shannon M. Hemstreet is the
22 wife of Mark S. Hemstreet. Mark S. Hemstreet, Trustee of The Mark S. Hemstreet Family Trust, is
23 the sole shareholder of SMC. Mark S. Hemstreet is the sole owner of SFI.

24 **ii. Proposed compensation to persons listed above:** The Debtor does not
25 directly employ management personnel and, therefore, does not compensate such persons.
26 Instead, the Debtor is managed by SMC and pays to SMC a management fee equal to four percent
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(4%) per month of adjusted gross revenue from the hotel plus costs reimbursement. After confirmation of the Plan, ~~management~~the management fees will remain unchanged. The Debtor also pays four percent (4%) per month of adjusted gross revenue from the hotel as a franchise fee to SFI. After confirmation of the Plan, the franchise fees will remain unchanged.

iii. **Qualifications:** SMC employs all Shilo employees, including those that work at the ~~Hotels~~Debtor's hotel. SMC manages all of the Shilo "flagged" properties in a very efficient and cost effective manner, and has for many years. SMC prides itself on keeping its labor, material and services costs to a minimum, while at the same time providing maximum services for the Debtor's customers and vendors. SMC employees are familiar with the Debtor's hotel, its maintenance requirements and the vendors providing services to the hotel.

iv. **Affiliation of persons to Debtors:** Mark S. Hemstreet and Shannon M. Hemstreet are the members of the Debtor. Shannon M. Hemstreet is the wife of Mark S. Hemstreet. SMC is the management company of the Debtor. SMC also manages all other "Shilo Inn" hotels. Mr. Hemstreet is the Trustee of the Mark S. Hemstreet Family Trust, which is the sole shareholder of SMC. Mr. Hemstreet is the sole member of SFI, which franchises the Shilo brand to the Debtor.

v. **Job description:** SMC will continue to oversee the general operations of the Debtor's business on a day-to-day basis and take all steps and actions necessary to ensure and maintain the smooth and successful operation of the business. SFI will continue to franchise the Shilo brand to the Debtor, allowing it to operate as a Shilo Inn.

b. **Disbursing Agent**

SMC, as the management of the Reorganized Debtor, is responsible for collecting money intended for distribution to claimants and transmitting it to them. The disbursing agent's address and telephone number are: Shilo Management Corporation, 11600 SW Shilo Lane, Portland, OR 97225-5995, Tel: (503) 641-6565.

i. **Proposed compensation to person listed above:** With the exception of its 4% management fee and reimbursable costs in connection with operations, SMC shall serve as the

1 disbursing agent under the Plan without compensation or bond.

2 ii. **Qualifications:** Given that the primary source of the payments required to
3 be made under this Plan is the Debtor's cash on hand as of the Effective Date and the Debtor's
4 post-confirmation income, the Debtor believes that SMC, as management of the Debtor, is the best
5 qualified to serve as the disbursing agent. ~~James~~ Earl J. Duckworth, the CFO of SMC, will
6 oversee, supervise and ensure that SMC competently performs the tasks of a disbursing agent.
7 SMC, the Reorganized Debtor, and Mr. Duckworth are familiar with the claims in this case and the
8 terms of the Plan; thus, they are qualified to implement the Plan's provisions and make the
9 necessary disbursements.

10 iii. **Affiliation of person to Debtors:** SMC manages all of the Debtor's
11 operations and financial matters. Mr. Duckworth is the CFO of SMC and intimately familiar with
12 the Debtor's operations and the provisions of the Plan. Mark S. Hemstreet and Shannon M.
13 Hemstreet are the members of Debtor. Shannon M. Hemstreet is the wife of Mark S. Hemstreet.

14 iv. **Job description:** The disbursing agent shall make all distributions in
15 accordance with the provisions of the Plan. SMC shall be the disbursing agent responsible for
16 collecting all of the money intended for distribution to the Debtor's claimants and transmitting it to
17 them.

18 c. **The Debtor's Charter**

19 To the extent applicable, the Debtor's charter shall be amended to include a provision
20 prohibiting the issuance of nonvoting equity securities. Furthermore, to the extent applicable, the
21 Debtor's charter shall be amended to provide, as to the several classes of securities possessing
22 voting power, an appropriate distribution of such power amount to such classes.

23 d. **Future Financial Outlook**

24 The Proponent believes that the Debtor's economic health will improve from its
25 pre-bankruptcy state. Some of the reasons for the improvement, as discussed above, are as
26 follows:

27 ~~Section X~~ **Exhibit "C"** provides a summary of the projected cash flow of the Debtor for the
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1 duration of the Plan. The assumptions that underlie the projections are set forth in ~~Exhibit “C”~~
2 ~~attached hereto~~ this subsection of the Disclosure Statement. As previously stated, Plan payments
3 will primarily come from the continued operation of the Debtor’s business.

4 The underlying assumptions for revenue forecasts in the budgets are based on general
5 macro-economic influences; local competitive market factors--such as recurring tour and group
6 bookings, annual special events and other demand generators; and the overall hotel industry
7 outlook as projected by knowledgeable and established resources. According to PKF Hospitality
8 Research LLC (“PKF”), a highly-respected industry pundit, recent occupancy levels are forecasted
9 to continue increasing in 2015, a limited supply-growth persists, and annual profit increases
10 greater than 10% are expected to continue through at least 2015 (from: PKF Hospitality Research,
11 LLC – Hotel Horizons® Preliminary Update May 6, 2014, STR, Inc.). A copy of the PKF report is
12 attached as **Exhibit “H”** to the Disclosure Statement. In the Debtor’s local competitive market,
13 the June 30, 2014 Monthly STAR Report shows, *at existing demand levels*, the Debtor could
14 increase occupancy approximately 12,900 sold room-nights and the Average Daily Rate (ADR)
15 approximately \$20.90 per room night sold, which if achieved, combined would result in a total
16 revenue increase of over 140% in the 12-month period ending June 30, 2014. A copy of the STAR
17 Report is attached as **Exhibit “I”** to the Disclosure Statement. Given the forecasts promulgated by
18 PKF, the Debtor believes the modest increases shown in the Confirmation Plan Budget are not
19 only conservative, but they are also realistically achievable. The Debtor further believes the
20 negative image associated with these bankruptcy proceedings has contributed to its inability to
21 achieve a “fair share” of the local market demand and its ability to seek alternative financing to pay
22 off the secured creditor. Post-bankruptcy marketing efforts are designed to quickly re-establish
23 faith in the strength of the Debtor’s business and the overall image of the Shilo brand, which will
24 enable the Debtor to achieve, and potentially exceed, the budgets as presented.

25 The Debtor used a complex and sophisticated model to prepare its plan projections,
26 including conservative revenue and expense factors. The Debtor generally assumed a nominal
27 increase of 0.1% in occupancy for 2014, which results in higher occupancy than that achieved in
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1 2012 and 2013, but which is still lower than the peak occupancies achieved in prior years and
2 indicates yet more room for improvement as the Debtors increase performance by focusing on
3 improving operations and serving guest versus litigation. The Debtor increased its ADR in the
4 projections approximately 5.3% by year-end for 2014 over the 2013 yearend actual ADR
5 achieved, and this increase is supported by the figures for 2014 YTD, which continue to rise.
6 Revenue is increased conservatively by approximately 4.6% - 7% annually from 2016 through
7 2023. For 2015, the Debtor expects considerable revenue improvements as the litigation related to
8 these cases winds down and the Debtors can focus all efforts on sales and marketing activities
9 resulting in revenue increases of 15.8%. At the same time, expenses are increased on an average
10 of 2-3% each year to account for inflation; additional expenditures in sales, marketing & property
11 improvements; increases in the cost of living; and competitive wages.

12 The underlying assumptions for budgeted expenses are based on the actual historical
13 experience of the Debtor for each line item, with increases or decreases based on changes in
14 occupancy, plans for specific expenditures, and an expected general increase in vendor prices at
15 levels slightly higher than recent inflationary rates. The Debtor assumed expense increases
16 ranging from approximately 2 to 6%; whereas the average inflationary rate in the United States
17 was 1.5% in 2013 (Crawford and Church. "Table A. Percent changes in CPI for All Urban
18 Consumers (CPI-U): U.S. city average" *CPI Detailed Report Data for December 2013* on the
19 United States Department of Labor, Bureau of Labor Statistics website (bls.gov/cpi/tables.htm) at
20 p.3). A copy of the CPI Table is attached as **Exhibit "J"** to the Disclosure Statement.
21 Furthermore, the Debtor's primary expenses, excluding labor and energy, are commodities easily
22 sourced from either local or national vendors; therefore, the Debtor is not dependent on a single
23 vendor or limited sources holding a disproportionate pricing power over the Debtor, which helps
24 prevent unexpected changes in the expense side of the budgets.

25 The Debtor's projections are more than generalized expectations of an improving
26 economic environment. Rather, they are supported by conservative financial information and
27 conservative financial adjustments. These projections are extremely conservative and err on the
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1 side of caution at every turn. However, if the Court sets an interest rate on the payment of CBT's
2 claim that is materially higher than what is set forth in the Plan, then the Plan will become
3 infeasible if that rate exceeds 8.5%.

4 In addition to the Debtor preparing a feasibility analysis, which is attached as Exhibit "C"
5 to the Disclosure Statement, a separate and alternative feasibility analysis was performed utilizing
6 the financial data that was included in the appraisal of the property as performed by the
7 independent appraiser, Integra Realty Resources. According to the Integra appraisal, Net
8 Operating Income (which is net of all operating expenses and reserves for replacements before
9 debt service) was forecasted to be \$207,567 for 2014, which the Debtor believes to be
10 conservative. See Exhibit "E" p.83. For purposes of this alternative feasibility analysis, the Net
11 Operating Income was not assumed to increase for 2015 and 2016. Payments to creditors as
12 proposed in the Debtor's Plan for administrative as well as for Classes 1 through 5 were then
13 deducted from the Net Operating Income. As part of the Plan, the Debtor's principal will
14 contribute \$50,000 of new value. In addition, it was assumed that the Debtor will have
15 approximately \$50,000 of cash on hand as of the Effective Date (per the Debtor's May 2014
16 Monthly Operating Report it already had approximately \$36,000 in cash). Utilizing the above
17 assumptions, which the Debtor believes to be conservative, the Debtor will have sufficient funds to
18 make all of the proposed Plan payments. A copy of this alternate feasibility analysis is attached as
19 Exhibit "K" to the Disclosure Statement.

20 At the end of year 2, the Debtor intends to sell or refinance the property and will use the
21 proceeds to pay off the Class 2 secured claim. If the property is assumed to have a current value of
22 \$2,125,000 per the Integra appraisal and appreciates just 3% per year (which is meant to be an
23 approximation for inflation) the property would have a value of approximately \$2,256,000 by the
24 end of year 2. The principal balance of the Class 2 claim would be \$2,087,831 thus there would be
25 more than sufficient equity in the property upon a sale to pay off the Class 2 claim.

26 The Reorganized Debtor may pursue the sale of its assets to the extent necessary for the
27 Reorganized Debtor to meet its payment obligations under the Plan.
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1 e. Avoidance Actions

2 Attached as **Exhibit "L"** is a list of the transfers made by the Debtor to non-insiders in the
3 90 days prior to the Petition Date and transfers made by the Debtor to insiders in the one-year
4 period prior to the Petition Date. The Debtor is not aware of any information that suggests that the
5 payments to non-insiders would be clearly avoidable as preference payments. The Debtor believes
6 that all such payments would be subject to some form of ordinary course, contemporaneous
7 exchange, or new value defense. There were no irregular payments to these non-insider creditors
8 and vendors in the 90 days before the Petition Date.

9 The Debtor is not aware of any information that suggests the payments to insiders in the
10 one-year period prior to the Petition Date would be clearly avoidable as preference payments. The
11 Debtor believes that all such payments would be subject to some form of ordinary course,
12 contemporaneous exchange, or new value defense. Payments to Shilo Franchise International
13 LLC on the "Schedule 3b" and Schedule 3c" portions of **Exhibit "L"** were for franchise fees in the
14 ordinary course of business. The Debtor's business is a seasonal business and the amounts of
15 payment, method of payment, and timing of payment are in the ordinary course and are consistent
16 with the Debtor's payment history and business practice with SFI for past years. Payments to
17 Shilo Management Corp. on the "Schedule 3b" and Schedule 3c" portions of **Exhibit "L"** were for
18 management fees under the management contract, payroll, cross-charges, regional charges,
19 prorated portion of insurance, and FedEx and UPS through the master SMC accounts. The
20 Debtor's business is a seasonal business and the amounts of payment, method of payment, and
21 timing of payment are in the ordinary course and are consistent with the Debtor's payment history
22 and business practice with SMC for past years. The two payments to Shilo Inn Boise Riverside,
23 LLC and Shilo Inn Nampa Suites, LLC are reimbursements for shared labor resources with
24 neighboring Shilo hotels and a guest transfer due to booking error.

25 The Debtor is not aware of any fraudulent conveyances which have occurred and which
26 need to be avoided with respect to insiders or non-insiders except for the lawsuit currently pending
27 against CBT.

1 On the Plan Effective Date, the rights of the estate with respect to any preferences or
2 fraudulent conveyances to insiders of the Debtor will be deemed assigned to the Reorganized
3 Debtor as the representative of the Debtor's estate under section 1123(b) of the Bankruptcy Code.
4 However, any professional fees and expenses incurred in the pursuit of avoidance causes of action
5 may be paid solely from the recovery from the pursuit of such avoidance causes of action. All
6 claims, causes of action and avoidance actions of the Debtor and its estate with regard to insider
7 transactions are preserved by the Plan, and the Reorganized Debtor shall have full power and
8 authority to settle, adjust, retain, enforce or abandon any claim, cause of action or avoidance
9 actions as the representative of the Debtor's estate under section 1123(b) of the Bankruptcy Code
10 or otherwise, regardless of whether such claims, causes of action or avoidance actions were
11 commenced prior or subsequent to the Plan Effective Date.

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13 **XVI. SALE OR TRANSFER OF PROPERTY; ASSUMPTION OF CONTRACTS AND**
14 **LEASES; OTHER PROVISIONS**

15 The Debtor will market the Boise Airport Hotel for sale. The Debtor and SMC will
16 use best efforts to sell and or refinance the Hotel or surrender the property to CBT with a deed in
17 lieu of foreclosure by the end of the life of the Plan.

18 The Plan does not specifically provide for the sale or transfer of any property of the Debtor,
19 but the Debtor's management will pursue opportunities for sales or refinancing when the
20 opportunity presents itself. The Debtors' management, driven primarily by Mark S. Hemstreet,
21 the owner and founder of the Shilo Inn chain, has the experience and the ability to complete a sale
22 of the Hotel on a timely basis. Mr. Hemstreet has over 44 years of experience in acquiring and
23 divesting of hotels, predominately in the Pacific Northwest. In that time, Mr. Hemstreet has
24 developed an extensive network of real estate brokers and hotel investors who are viable
25 candidates to participate in the sale of the Hotel. In 2012 and 2013, Mr. Hemstreet has divested of
26 numerous hotel properties, several of which were involved in proceedings before this Court,
27 exhibiting his ability to source buyers and successfully close transactions. Mr. Hemstreet's ability
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1 to sell commercial hotel properties for amounts much greater than their appraised values is
2 demonstrated in Exhibit "G" to the Disclosure Statement.

3 In connection with confirmation of the Plan, the Debtor intends to assume the unexpired
4 leases and executory contracts listed on Exhibit "F" hereto. Cure amounts for each of the
5 respective contracts and leases appear on Exhibit "F." Such assumptions include the Debtor's
6 executory contract with SMC for management services and with SFI for franchising services with
7 cure amounts to be paid upon the Effective Date, but cure payments to SFI and SMC will be made
8 only when cash flow permits, and such cure payments are not reflected in the plan projections
9 attached as Exhibit "C" to the Disclosure Statement.

10 The Debtor intends to reject all executory contracts and unexpired leases that do not appear
11 on Exhibit "F." The Plan Effective Date shall be the operative date of assumption or rejection of
12 executory contracts and unexpired leases listed (or not listed) on Exhibit "F," as the case may be.

13 The Court must make certain findings of fact before approving the aforementioned
14 provisions as part of the Plan. The Proponents will request that the Court make the appropriate
15 findings at the confirmation hearing, based upon evidence submitted in support of the
16 confirmation motion.

17 18 **XVII. BANKRUPTCY PROCEEDINGS**

19 Following the Petition Date, the Court has authorized the employment of the following
20 professionals:

21 1. ~~1.~~ Levene, Neale, Bender, Yoo & Brill L.L.P. as
22 bankruptcy counsel to the Debtors (order entered on August 9,
23 2013).

24 2. Greene & Markley, P.C. as special litigation counsel to the Debtors
25 (order entered on July 23, 2014).

26 Additionally, the following orders have been entered by the Court in the lead case of Shilo
27 Inn, Twin Falls, LLC:
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Filing Date	Docket #	Docket Text
05/06/2013	10	Order Granting, Without a Hearing, Debtor's Motion for Entry of an Order for Joint Administration of Cases (BNC-PDF) on Case 2:13-bk-21601 (Related Doc # 3) Signed on 5/6/2013. (Le, James) (Entered: 05/06/2013)
05/06/2013	11	ORDER Granting, without Hearing, Debtor's Motion for Entry of an Order for Joint Administration of Cases (BNC-PDF) Signed on 5/6/2013. (Queen, Sandra) (Entered: 05/06/2013)
05/10/2013	36	Order: (1) Setting Conference on Status of Reorganization Case; (2) Requiring Debtors-In-Possession to Appear at Status Conference and File Report on Status of Reorganization Case, or Face Possible (A) Conversion of Case to Chapter 7; (B) Dismissal of Case; or (C) Appointment of Trustee; (3) Requiring Compliance with Standards Re Employment and Fee Applications; (4) Giving Notice of Probable Use of Court-Appointed Expert for Contested Valuation Requests; (5) Mandating Use of LBR Forms By Individual Debtors; and (6) Establishing Procedures for (A) Motion for Order Approving Adequacy of Disclosure Statement; and (B) Motion for Order Confirming Plan (Related Doc # 1) Signed on 5/10/2013 (Le, James) (Entered: 05/10/2013)
05/15/2013	42	Amended Order: (1) Setting Conference on Status of Reorganization Case; (2) Requiring Debtors-In-Possession to Appear at Status Conference and File Report on Status of Reorganization Case, or Face Possible (A) Conversion of Case to Chapter 7; (B) Dismissal of Case; or (C) Appointment of Trustee; (3) Requiring Compliance with Standards Re Employment and Fee Applications; (4) Giving Notice of Probable Use of Court-Appointed Expert for Contested Valuation Requests; (5) Mandating Use of LBR Forms By Individual Debtors; and (6) Establishing Procedure for (A) Motion for Order Approving Adequacy of Disclosure Statement; and (B) Motion for Order Confirming Plan (Related Doc # 36) Signed on 5/15/2013 (Le, James) (Entered: 05/15/2013)
05/16/2013	47	Order Granting Motion To Extend Deadline to File Schedules or Provide Required Information up to May 29, 2013 (BNC-PDF) (Related Doc # 38) Signed on 5/16/2013. (Le, James) (Entered: 05/16/2013)

1	05/30/2013	51	Order (1) Granting on an Interim Basis Debtors' Emergency Motion for Entry of an Order Authorizing the Continued Use of Debtors' Cash Management Systems; and (2) Setting a Final Hearing (Related Doc # 14) Signed on 5/30/2013 (Le, James) (Entered: 05/30/2013)
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5	05/30/2013	52	Order (1) Granting on an Interim Basis Debtors' Emergency Motion for Authority to (A) Pay Prepetition Priority Wages, Commissions and Bonuses; and (B) Honor Accrued Vacation and Leave Benefits in the Ordinary Course of Business; and (2) Setting A Final Hearing (Related Doc # 15) Signed on 5/30/2013 (Le, James) (Entered: 05/30/2013)
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9	05/30/2013	53	Order Granting Debtors' Emergency Motion for Authority to Provide Adequate Assurance of Future Payment to Utility Companies Pursuant to Section 366(C) of the Bankruptcy Code (Related Doc # 18) Signed on 5/30/2013 (Le, James) (Entered: 05/30/2013)
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12	05/30/2013	55	Order (1) Granting on an Interim Basis Debtors' Emergency Motion Authorizing Debtors to use Cash Collateral Pending A Final Hearing; and (2) Setting A Final Hearing (Related Doc # 13) Signed on 5/30/2013 (Le, James) (Entered: 05/30/2013)
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15	06/19/2013	66	Order Approving Stipulation Between Debtors and the United States Trustee on Permanently Extending Deadline to File Monthly Operating Reports (Related Doc # 61) Signed on 6/19/2013 (Le, James) (Entered: 06/19/2013)
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18	07/29/2013	119	Order Approving Stipulation Authorizing Use of Cash Collateral Through December 31, 2013 (Related Doc # 102) Signed on 7/29/2013 (Le, James) (Entered: 07/29/2013)
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21	08/06/2013	123	Order After Initial Status Conference in Chapter 11 Case: (1) Setting Bar Date for Filing Proofs of Claim or Interest and Requiring Compliance with LBR 3001-1; (2) Setting Deadline For Holding Hearing On Objections to Claims or Interests; (3) Setting Date for Hearing on Motion for Order Approving Adequacy of Disclosure Statement (Related Doc # 36) Signed on 8/6/2013 (Le, James) (Entered: 08/06/2013)
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26	08/09/2013	127	Order Granting Application of Debtors and Debtors in Possession to Employ Levene, Neale, Bender Yoo & Brill LLP as General Bankruptcy Counsel (BNC-PDF) (Related Doc # 67) Signed on 8/9/2013. (Le, James)
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1			(Entered: 08/09/2013)
2	08/30/2013	149	Order Granting Motion to Extend Time to Assume or
3			Reject Non-Residential Real Property Leases
4			(BNC-PDF) (Related Doc # 124) Signed on 8/30/2013
			(Le, James) (Entered: 08/30/2013)
5	10/15/2013	175	Order Approving Stipulation Between Debtors and
6			California Bank & Trust to Continue Hearings and
7			Deadlines on: (1) Debtors' Disclosure Statement and
8			(2) California Bank & Trust's Motion for Relief from
			Stay (Related Doc # 173) Signed on 10/15/2013 (Le,
			James) (Entered: 10/15/2013)
9	11/05/2013	187	Order Approving Stipulation Between Debtors and
10			California Bank & Trust to Continue Hearings and
11			Deadlines on: (1) Debtor's Disclosure Statement and
			(2) California Bank & Trust's Motion for Relief from
			Stay (Related Doc # 185) Signed on 11/5/2013 (Le,
			James) (Entered: 11/05/2013)
12	11/27/2013	207	Order Granting Debtor's Omnibus Motion For
13			Authority To Assume Non-Residential Real Property
14			Leases (BNC-PDF) (Related Doc # 189) Signed on
			11/27/2013 (Le, James) (Entered: 11/27/2013)
15	12/05/2013	216	Order Approving Stipulation Between Debtors And
16			California Bank & Trust To Continue Hearings And
17			Deadlines On: (1) Debtors' Disclosure Statement And
			(2) California Bank & Trust's Motion For Relief From
			Stay (Related Doc # 196) Signed on 12/5/2013 (Le,
			James) (Entered: 12/05/2013)
18	12/05/2013	217	Order Approving Stipulation Between Debtors and
19			California Bank & Trust To Continue and Toll
20			Deadline For Hearing On Claim Objections with
21			Respect To California Bank & Trust's Claims (Related
			Doc # 214) Signed on 12/5/2013 (Le, James) (Entered:
			12/05/2013)
22	12/16/2013	224	Order Granting First Interim Application Of Levene,
23			Neale, Bender, Yoo & Brill L.L.P. For Approval Of
24			Fees And Reimbursement Of Expenses (BNC-PDF)
			(Related Doc 193) for Levene, Neale, Bender Yoo &
			Brill LLP, fees awarded: \$172941.00 Signed on
25			12/16/2013. (Le, James) (Entered: 12/16/2013)
26	12/19/2013	226	Order Granting Amended Motion And Motion For
27			Entry Of An Order Authorizing Debtors To Use Cash
			Collateral On A Final Basis (BNC-PDF) (Related Doc
			# 205) Signed on 12/19/2013 (Le, James) (Entered:
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1			12/19/2013)
2	01/09/2014	230	Order Approving Stipulation Between Debtors and
3			California Bank & Trust to Continue Hearings and
4			Deadlines on: (1) Debtors' Disclosure Statement and
5			(2) California Bank & Trust's Motion For Relief From
6	02/25/2014	250	Stay (Related Doc # 228) Signed on 1/9/2014 (Le,
7			James) (Entered: 01/09/2014)
8	5/20/2014	320	Order Approving Stipulation To Appoint Neutral
9			Appraiser (Related Doc # 248) Signed on 2/25/2014
10			(Le, James) (Entered: 02/25/2014)
11	05/20/2014	320	Order Denying Motion to Approve Debtor's Disclosure
12			Statement Describing Joint Chapter 11 Plan (Related
13			Doc # 159) Signed on 5/20/2014 (Carranza,
14			Shemainee) (Entered: 05/20/2014)
15	05/21/2014	321	Order Granting Motion for relief from the automatic
16			stay REAL PROPERTY (BNC-PDF) (Related Doc #
17			267) Signed on 5/21/2014 (Walter, Earnestine)
18			(Entered: 05/21/2014)
19	05/21/2014	322	Order Granting Motion for relief from the automatic
20			stay REAL PROPERTY (BNC-PDF) (Related Doc #
21			161) Signed on 5/21/2014 (Walter, Earnestine)
22			(Entered: 05/21/2014)
23	05/21/2014	323	Order Granting Motion for relief from the automatic
24			stay REAL PROPERTY (BNC-PDF) (Related Doc #
25			163) Signed on 5/21/2014 (Walter, Earnestine)
26			(Entered: 05/21/2014)
27	05/21/2014	324	Order Granting Motion for relief from the automatic
28			stay REAL PROPERTY (BNC-PDF) (Related Doc #
			269) Signed on 5/21/2014 (Walter, Earnestine)
			(Entered: 05/21/2014)
	05/21/2014	325	Order Granting Motion for relief from the automatic
			stay REAL PROPERTY (BNC-PDF) (Related Doc #
			164) Signed on 5/21/2014 (Walter, Earnestine)
			(Entered: 05/21/2014)
	05/21/2014	326	Order Granting Motion for relief from the automatic
			stay REAL PROPERTY (BNC-PDF) (Related Doc #
			165) Signed on 5/21/2014 (Walter, Earnestine)
			(Entered: 05/21/2014)
	05/21/2014	327	Order Granting Motion for relief from the automatic
			stay REAL PROPERTY (BNC-PDF) (Related Doc #

166) Signed on 5/21/2014 (Walter, Earnestine)
(Entered: 05/21/2014)

07/09/2014 368 Order Authorizing Continued Use Cash Collateral (BNC-PDF) (Related Doc # 338) Signed on 7/9/2014 (Walter, Earnestine) (Entered: 07/09/2014)

8/11/2014 404 Order Granting Second Interim Application of Levene, Neale, Bender, Yoo & Brill L.L.P. For Approval of Fees And Reimbursement of Expenses (BNC-PDF) (Related Doc # 370) (Carranza, Shemainee) (Entered: 08/11/2014)

8/13/2014 405 Order (1) Denying approval of Disclosure Statements and Plans of Reorganization for 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; (2) To Show Cause Why Chapter 11 Case Should Not Be Converted or Dismissed; (Related Doc # 362) Signed on 8/13/2014 (Walter, Earnestine) (Entered: 08/13/2014)

8/13/2014 406 Order/Findings of Fact and Conclusions of Law in support of Order; (1) Denying approval of Disclosure Statements and Plans of Reorganization for 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; (2) To Show Cause Why Chapter 11 Case Should Not Be Converted or Dismissed (Related Doc # 362) Signed on 8/13/2014 (Walter, Earnestine) (Entered: 08/13/2014)

Additionally, the following orders have been entered by the Court in the adversary proceeding associated with the Debtors' cases, bearing case number 2:14-ap-01224-VZ:

<u>Filing Date</u>	<u>Docket #</u>	<u>Docket Text</u>
<u>6/24/2014</u>	<u>19</u>	<u>Order Approving Stipulation to Continue Hearing on California Bank & Trust's Motion to Dismiss Complaint; Hearing on July 24, 2014 at 11:00 AM; (Related Doc # 17) Signed on 6/24/2014 (Walter, Earnestine) (Entered: 06/24/2014)</u>
<u>8/6/2014</u>	<u>27</u>	<u>Order Denying California Bank & Trust's Motion to</u>

[Dismiss Complaint; \(BNC-PDF\) related entry 10](#)
[Signed on 8/6/2014. \(Walter, Earnestine\) \(Entered:](#)
[08/06/2014\)](#)

XVIII. TAX CONSEQUENCES OF PLAN

The tax consequences of the Plan are in many cases uncertain and many vary depending on the individual circumstances of the holders of claims and interests. The tax consequences of the Plan to a holder of a claim will depend, in part, on the type of consideration received for the claim, whether the holder is a resident of the United States for tax purposes, and whether the holder reports income on the accrual or cash basis method. Holders of claims likely will recognize gain or loss, as the case may be, equal to the difference between the amount realized under the Plan in respect of their claims and their respective tax basis in their claims. The amount realized for this purpose generally will equal the sum of cash and the fair market value of any other consideration received under the Plan in respect of their claims. Any gain or loss recognized in the exchange will be capital or ordinary depending on the status of the claim in the holder's hands.

PERSONS CONCERNED WITH THE TAX CONSEQUENCES OF THIS PLAN SHOULD CONSULT THEIR OWN ACCOUNTANTS, ATTORNEYS AND/OR ADVISORS. THE PROPONENTS MAKE THE AFOREMENTIONED DISCLOSURE OF POSSIBLE TAX CONSEQUENCES FOR THE SOLE PURPOSE OF ALERTING READERS OF TAX ISSUES THEY MAY WISH TO CONSIDER. THE PROPONENTS CANNOT AND DO NOT REPRESENT THAT THE TAX CONSEQUENCES MENTIONED ABOVE ARE COMPLETELY ACCURATE BECAUSE THE TAX LAW EMBODIES MANY COMPLICATED RULES, WHICH MAKE IT DIFFICULT TO ACCURATELY STATE WHAT THE TAX IMPLICATIONS OF ANY ACTION MIGHT BE.

XIX. EFFECT OF CONFIRMATION OF PLAN

a. General comments

The provisions of a confirmed Plan bind the Debtor, any entity acquiring property under the Plan, and any creditor, interest holder, or general partner of the Debtors, even those who do not vote to accept the Plan.

1 The confirmation of the Plan vests all property of the estate in the Reorganized
2 Debtor.

3 The automatic stay is lifted upon confirmation as to property of the estate.
4 However, the stay continues to prohibit collection or enforcement of pre-petition claims against
5 the Debtor or the Debtor's property until the date the Debtor receives a discharge, if any. If the
6 Debtor does not seek a discharge, the discharge is deemed denied, and the stay as to the Debtor and
7 the Debtor's property terminates upon entry of the order confirming the Plan.

8 b. Discharge of liability for payment of debts; status of liens; equity security holders

9 Unless the Debtor is not entitled to receive a discharge pursuant to 11 U.S.C.
10 1141(d)(3), the debtor may obtain a discharge only upon specific order of the Court. The
11 confirmation of the Plan does not discharge the Debtor from any debt of a kind specified in
12 Sections 523(a)(2)(A)-(B) of the Bankruptcy Code (West 2004 & Supp 2006) that is owed to a
13 domestic governmental unit, or owed to a person as the result of an action filed under subchapter
14 III of chapter 37 or title 31 or any similar State statute or for a tax or customs duty with respect to
15 which the debtor made a fraudulent tax return or willfully attempted in any manner to evade or to
16 defeat such tax or such customs duty.

17 c. Modification of the Plan

18 The Proponent may modify the Plan pursuant to 11 U.S.C. § 1127.

19 d. Post-Confirmation Causes of Action

20 The Reorganized Debtor is designated as a representative of the estate under 11 U.S.C. §
21 1123(b)(3) and shall have the right to assert any or all of the estate's causes of action
22 post-confirmation in accordance with applicable law.

23 e. Final Decree

24 Once the Plan has been consummated, a final decree may be entered upon motion of the
25 Proponent. The effect of the final decree is to close the bankruptcy case. After such closure, a
26 party seeking any type of relief relating to a Plan provision can seek such relief in a state court of
27 general jurisdiction.
28

Dated: ~~July 2~~, August 28, 2014
LLC

SHILO INN, BOISE AIRPORT,

By: EARL J. DUCKWORTH
Its: Authorized Agent

Presented By:
LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.

By: /s/ David B. Golubchik
DAVID B. GOLUBCHIK
KURT RAMLO
JOHN-PATRICK M. FRITZ
LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.
Attorneys for Chapter 11 Debtors and Debtors in Possession

XX. DECLARATION IN SUPPORT OF DISCLOSURE STATEMENT AND PLAN

Declaration of Earl J. Duckworth

I, Earl J. Duckworth, hereby declare as follows:

1. I am over 18 years of age. I have personal knowledge of the facts set forth below and, if called to testify, would and could competently testify thereto.

2. I am currently employed as the Chief Financial Officer of Shilo Management Corporation ("SMC"), the entity that oversees operation and management of Shilo Inn hotels, including Shilo Inn, Twin Falls, LLC ("Shilo Twin Falls"), Shilo Inn, Boise Airport, LLC ("Shilo Boise Airport"), Shilo Inn, Nampa Blvd, LLC ("Shilo Nampa Blvd"), Shilo Inn, Newberg, LLC ("Shilo Newberg"), Shilo Inn, Seaside East, LLC ("Shilo Seaside East"), Shilo Inn, Moses Lake, Inc. ("Shilo Moses Lake"), and Shilo Inn, Rose Garden, LLC ("Shilo Rose Garden") (collectively, the "Debtors") the debtors and debtors in possession herein.

3. I have reviewed and am familiar with and am knowledgeable about the books and records of SMC and the Debtors, which books and records are made in the regular practice of business, kept in the regular course of business, made by a person with knowledge of the events and information related thereto, and made at or near the time of events and information recorded.

4. I began my hospitality career in 1981 and have hands-on experience in hotel & restaurant operations (6 years) and accounting/finance (25 years). My experience includes working for companies that specialized in distressed properties acting as property managers for receivers and/or lenders from take over through disposition of asset. My duties have included the management and oversight of accounting personnel, including Accounts Payable, Accounts Receivable, Payroll, General Ledger, Audit, Treasury, Budgets, Cash Flow, Financial Reporting, Human Resources, and Information Systems.

5. I make this declaration in support of the Debtor's Plan and Disclosure Statement to which it is attached.

6. David B. Golubchik and J.P. Fritz of Levene, Neale, Bender, Yoo & Brill L.L.P. ("LNBYB") are the individuals at LNBYB who prepared this document. Mr. Golubchik and Mr.

1 Fritz are the attorneys at LNBYB who are primarily responsible for representing the Debtors in
2 connection with their chapter 11 bankruptcy cases.

3 7. The source of all financial data is Debtor's books and records, which are
4 maintained in the ordinary course of business of the Debtors. The Debtor's projections were
5 prepared by SMC, as the management company of the Debtor, and supervised by me as the CFO of
6 SMC. In order to ensure complete and accurate information, I solicited information and input from
7 managers and other staff of SMC. I believe, to the best of my knowledge, all projections and
8 financial information attached hereto are accurate.

9 8. The liquidation analysis discussed in the Plan was prepared by me with input from
10 Christopher Campbell, SMC's prior CFO for ten years to December 31, 2012, and other SMC
11 personnel, and the Debtor's bankruptcy counsel. The discounts applied are based on my
12 experience in the hotel industry. While a discount of ~~15~~10% was used for the liquidation analysis,
13 I am confident that, in the event of an actual liquidation, where the "Shilo" flag would be pulled,
14 the applicable discount would be substantially greater.

15 9. All facts and representations in the Plan and Disclosure Statement are true to the
16 best of my knowledge.

17 10. To the best of my knowledge, no fact material to a claimant or equity security
18 holder in voting to accept or reject the proposed Plan has been omitted.

19 11. The names of the person who prepared the cash flow projections and the other
20 financial documents are Earl James Duckworth, in my capacity as current CFO of SMC and
21 Christopher Campbell, the former CFO of SMC.

22 12. The accounting method used to prepare the cash flow projections and the other
23 financial documents is Income Tax-Basis, subject to assumptions as are inherently required in
24 making projections. The Plan projections were prepared to track, as closely as possible, form of
25 financials prepared by the Debtor prior to the bankruptcy. However, based on certain bankruptcy
26 requirements and plan payments, the projections cannot mirror the format previously utilized. The
27 projections, as attached hereto, are clear and descriptive as to the categories and amounts of
28

1 expenses projected to be paid during the Plan period.
2

3 Executed on this ~~2nd~~28th day of ~~July~~August 2014, at Portland, Oregon.
4

5
6 EARL J. DUCKWORTH
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Document comparison by Workshare Compare on Thursday, August 28, 2014
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Input:	
Document 1 ID	file:///FILES\\Inbr\\-CASES\\S-U\\S\\SHILO INN - CBT (5448)\\Pleadings\\Plan & DS\\Plan Boise Airport Plan v2 clean final.docx
Description	Plan Boise Airport Plan v2 clean final
Document 2 ID	file:///FILES\\Inbr\\-CASES\\S-U\\S\\SHILO INN - CBT (5448)\\Pleadings\\Plan & DS\\Plan Boise Airport Plan 2nd Amended v2.docx
Description	Plan Boise Airport Plan 2nd Amended v2
Rendering set	Standard

Legend:	
Insertion	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	251
Deletions	121
Moved from	1
Moved to	1
Style change	0
Format changed	0

Total changes	374
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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: 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90017.

A true and correct copy of the foregoing document entitled (*specify*): **REDLINE COMPARING:
FIRST AMENDED DISCLOSURE STATEMENT AND FIRST AMENDED PLAN OF
REORGANIZATION FOR DEBTOR SHILO INN, BOISE AIRPORT, LLC, DATED JULY 2, 2014**

**AGAINST:
SECOND AMENDED DISCLOSURE STATEMENT AND SECOND AMENDED PLAN OF
REORGANIZATION FOR DEBTOR SHILO INN, BOISE AIRPORT, LLC, DATED AUGUST 28, 2014**

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 **August 28, 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:

☒ Service information continued on attached page

2. **SERVED BY UNITED STATES MAIL**: On **August 28, 2014**, 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 **August 28, 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.

VIA ATTORNEY SERVICE

The Hon. Vicente Zurzolo
United States Bankruptcy Court
255 E. Temple St., #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.

August 28, 2014
Date

Jason Klassi
Printed Name

/s/ Jason Klassi
Signature

2:13-bk-21601-VZ Notice will be electronically mailed to:

Natalie B. Dagbandan on behalf of Creditor California Bank & Trust
natalie.dagbandan@bryancave.com, raul.morales@bryancave.com;theresa.macaulay@bryancave.com

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
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John-Patrick M Fritz on behalf of Plaintiff Shilo Inn, Newberg, LLC
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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, Boise Airport, LLC
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John-patrick M Fritz on behalf of Debtor Shilo Inn, Moses Lake, Inc.
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John-patrick M Fritz on behalf of Debtor Shilo Inn, Twin Falls, LLC
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Hal M Mersel on behalf of Defendant California Bank and Trust, N.A.
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Terence A Pruitt on behalf of Interested Party Washington State Department of Natural Resources
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Kurt Ramlo on behalf of Interested Party Courtesy NEF
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United States Trustee (LA)
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Sharon Z. Weiss on behalf of Creditor California Bank & Trust
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