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10 Attorneys for Debtors and Debtors in Possession

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

14 In re:) Lead Case No.: 2:13-bk-21601-VZ
 15 SHILO INN, TWIN FALLS, LLC,) Jointly administered with case nos.:
 16 Debtor and Debtor in Possession.)

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

17) Chapter 11 Cases
 18 In re:)
 19 SHILO INN, BOISE AIRPORT, LLC,) **REDLINE COMPARING:**
 20 SHILO INN, NAMPA BLVD, LLC,) **FIRST AMENDED JOINT**
 21 SHILO INN, NEWBERG, LLC,) **DISCLOSURE STATEMENT AND**
 22 SHILO INN, SEASIDE EAST, LLC,) **FIRST AMENDED JOINT PLAN OF**
 23 SHILO INN, MOSES LAKE, INC.,) **REORGANIZATION FOR DEBTORS**
 24 SHILO INN, ROSE GARDEN, LLC,) **SHILO INN, NAMPA BLVD, LLC AND**
 25 Debtors and Debtors in Possession.) **SHILO INN, NEWBERG, LLC, DATED**
 26) **JULY 2, 2014**
 27) **AGAINST:**
 28) **SECOND AMENDED JOINT**

29) **DISCLOSURE STATEMENT AND**
 30 Affects All Debtors) **SECOND AMENDED JOINT PLAN OF**
 31 Affects SHILO INN, TWIN FALLS, LLC) **REORGANIZATION FOR DEBTORS**
 32 Affects SHILO INN, BOISE AIRPORT, LLC) **SHILO INN, NAMPA BLVD, LLC AND**
 33 Affects SHILO INN, NAMPA BLVD, LLC) **SHILO INN, NEWBERG, LLC, DATED**
 34 Affects SHILO INN, NEWBERG, LLC) **AUGUST 28, 2014**

35 Affects SHILO INN, SEASIDE EAST, LLC) Disclosure Statement Hearing:
 36 Affects SHILO INN, MOSES LAKE, INC.) Date: September 18, 2014
 37 Affects SHILO INN, ROSE GARDEN, LLC) Time: 1:30 p.m.
 38 Debtors and Debtors in Possession) Ctrm: 255 East Temple Street
 39) Courtroom 1368
 40) Los Angeles, CA 90012

41 Plan Confirmation Hearing: [To Be Set]

1 **PLEASE TAKE NOTICE** that Shilo Inn, Nampa Blvd, LLC, and Shilo Inn, Newberg,
2 LLC, hereby file the redline showing the changes between (A) First Amended Joint Disclosure
3 Statement and First Amended Joint Plan of Reorganization for Debtors Shilo Inn, Nampa Blvd,
4 LLC and Shilo Inn, Newberg, LLC, Dated July 2, 2014 and (B) Second Amended Joint
5 Disclosure Statement and Second Amended Joint Plan of Reorganization for Debtors Shilo Inn,
6 Nampa Blvd, LLC and Shilo Inn, Newberg, LLC, Dated August 28, 2014.

7 Exhibits are omitted from the redline due to the formatting difficulties of running
8 redlines against such documents. However, for ease of reference, the below table summarizes
9 which exhibits remain the same, have been updated, or are new to the disclosure statement dated
10 August 28, 2014:
11

Exhibit	Brief Description of Exhibit	Status
A-1	Non-insider creditors – Shilo Nampa Blvd.	Same
A-2	Non-insider creditors – Shilo Newberg	
B-1	Insider creditors – Shilo Nampa Blvd.	Same
B-2	Insider creditors – Shilo Newberg	
C	Plan monthly cash flow projections	Updated
D-1	Debtor’s historical financial documents – Shilo Nampa Blvd.	Updated
D-2	Debtor’s historical financial documents – Shilo Newberg	
E-1	Appraisal valuation report – Shilo Nampa Blvd.	Same
E-2	Appraisal valuation report – Shilo Newberg	
F-1	List of executory contracts with cure amounts – Shilo Nampa Blvd.	Same
F-2	List of executory contracts with cure amounts – Shilo Newberg	
G	Declaration of Mark S. Hemstreet re: history of sales	Updated
H	PKF report	New
I-1	Smith Travel Research (“STAR”) Reports – Shilo Nampa Blvd.	New
I-2	Smith Travel Research (“STAR”) Reports – Shilo Newberg	
J	Consumer price index (“CPI”) report with table	New

1	K	Alternative feasibility analysis for plan	New
2	L-1	Potential avoidance claims – Shilo Nampa Blvd.	New
3	L-2	Potential avoidance claims – Shilo Newberg	

4
5 Exhibit “C” is updated to show plan projections with monthly cash flow for the life of
6 the Plan, as ordered by the Court.

7 Exhibits “D-1” and “D-2” are updated to add cash flow statements for the two years
8 prior to the bankruptcy filing, as ordered by the Court. Exhibits “D-1” and “D-2” are also
9 updated to include the latest filed monthly operating reports.

10 Exhibit “G” is updated to discuss the latest developments in the potential sales of two
11 Shilo Inn properties as evidence of Mark S. Hemstreet’s and the Debtors’ ability to achieve
12 sales with much higher values than the appraised values set by banks and certified professional
13 appraisers.

14
15 Dated: August 28, 2014

SHILO INN, NAMPA BLVD, LLC;
SHILO INN, NEWBERG, LLC

16
17 By: /s/ John-Patrick M. Fritz
18 DAVID B. GOLUBCHIK
19 KURT RAMLO
20 J.P. FRITZ
21 LEVENE, NEALE, BENDER, YOO
& BRILL L.L.P.
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Debtors in Possession

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6 Attorneys for Debtors and Debtors in Possession
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8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
LOS ANGELES DIVISION

10 In re:) Lead Case No.: 2:13-bk-21601-VZ
11 SHILO INN, TWIN FALLS, LLC,) Jointly administered with:
12 Debtor and Debtor in Possession.) Case No. 2:13-bk-21603-VZ
13) Case No. 2:13-bk-21604-VZ
14) Case No. 2:13-bk-21605-VZ
15) Case No. 2:13-bk-21606-VZ
16 In re:) Case No. 2:13-bk-21607-VZ
17 SHILO INN, BOISE AIRPORT, LLC,) Case No. 2:13-bk-21608-VZ
18 SHILO INN, NAMPA BLVD, LLC,)
19 SHILO INN, NEWBERG, LLC,) Chapter 11 Cases
20 SHILO INN, SEASIDE EAST, LLC,) **FIRSTSECOND** AMENDED JOINT
21 SHILO INN, MOSES LAKE, INC.,) **DISCLOSURE STATEMENT AND**
22 SHILO INN, ROSE GARDEN, LLC,) **FIRSTSECOND** AMENDED JOINT
23 Debtors and Debtors in Possession.) **PLAN OF REORGANIZATION FOR**
24) **DEBTORS SHILO INN, NAMPA BLVD,**
25) **LLC AND SHILO INN, NEWBERG,**
26) **LLC; DATED ~~JULY 2,~~ AUGUST 28, 2014**
27 Affects All Debtors)
28 Affects SHILO INN, TWIN FALLS, LLC)
 Affects SHILO INN, BOISE AIRPORT, LLC) Disclosure Statement Hearing:
 Affects SHILO INN, NAMPA BLVD, LLC) Date: ~~August 7,~~ September 18, 2014
 Affects SHILO INN, NEWBERG, LLC) Time: 1:30 p.m.
 Affects SHILO INN, SEASIDE EAST, LLC) Ctrm: 255 East Temple Street
 Affects SHILO INN, MOSES LAKE, INC.) Courtroom 1368
 Affects SHILO INN, ROSE GARDEN, LLC) Los Angeles, CA 90012
Debtors and Debtors in Possession) Plan Confirmation Hearing:
[To Be Set]

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I. INTRODUCTION

On May 1, 2013 (the "Petition Date"), Shilo Inn, Nampa Blvd, LLC ("Shilo Nampa Blvd" or a "Proponent" or "Debtor") and Shilo Inn, Newberg, LLC ("Shilo Newberg" or a "Proponent" or "Debtor" and with Shilo Nampa Blvd, collectively, the "Proponents" or "Debtors"), and Shilo Inn, Twin Falls, LLC ("Shilo Twin Falls"), Shilo Inn, Boise Airport, LLC ("Shilo Boise Airport"), 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") (all seven, collectively, the "Seven 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 Shilo Nampa Blvd and Shilo Newberg and not the other Debtors, and only Shilo Nampa Blvd and Shilo Newberg are the Proponents of this Plan. The Debtors have proposed the Plan to treat the claims of the Debtors' creditors and, if applicable, the interests of shareholders or partners and to reorganize the Debtors' 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 for each Debtor, for a total of \$100,000. 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

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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 PROPONENTS' BEST KNOWLEDGE.

NO REPRESENTATIONS CONCERNING THE DEBTORS 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 Proponents have reserved a hearing date for a hearing to determine whether the Court will confirm the Plan. Please refer to Section I above for the specific hearing date. If, after receiving the ballots, it appears that the Proponents have the requisite number of votes required by the Code, the Proponents 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 Proponents and the Office of the United States Trustee no later than

1 eleven days prior to the hearing date. Failure to oppose the confirmation of the Plan may be
2 deemed consent to the Plan's confirmation.

3 **III. WHO MAY OBJECT TO CONFIRMATION OF THE PLAN**

4 Any party in interest may object to confirmation of the Plan, but, as explained below, not
5 everyone is entitled to vote to accept or reject the Plan.
6

7 **IV. WHO MAY VOTE TO ACCEPT OR REJECT THE PLAN**

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

11 In order to vote a creditor or interest-holder must first have an allowed claim or interest.
12 With the exceptions explained below, a claim is allowed if proof of the claim or interest is properly
13 filed before any bar date and no party in interest has objected, or if the court has entered an order
14 allowing the claim or interest. Please refer to Section VI below for specific information regarding
15 bar date in this case.
16

17 Under certain circumstances a creditor may have an allowed claim even if a proof of claim
18 was not filed and the bar date for filing a proof of claim has passed. A claim is deemed allowed if
19 the claim is listed on the Debtors' schedules and is not scheduled as disputed, contingent, or
20 unliquidated. **Exhibit "A"** contains a list of claims that are not scheduled as disputed, contingent,
21 or unliquidated. **Exhibit "A-1"** concerns only the debts of Shilo Nampa Blvd. **Exhibit "A-2"**
22 concerns only the debts of Shilo Newberg.
23

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

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

27 Impaired creditors include those whose legal, equitable, and contractual rights are altered
28

1 by the Plan, even if the alteration is beneficial to the creditor. A contract provision that entitles a
2 creditor to accelerated payment upon default does not, however, necessarily render the claimant
3 impaired, even if the Debtor defaulted and the Plan does not provide the creditor with accelerated
4 payment. The creditor is deemed unimpaired so long as the Plan cures the default, reinstates the
5 maturity of such claim as it existed before default, compensates for any damages incurred as a
6 result of reasonable reliance upon the acceleration clause, and (except for a default arising from
7 failure to operate a nonresidential lease subject to 11 U.S.C. § 365(b)(1)(A)) compensates for any
8 actual pecuniary loss incurred as a result of any failure to perform a non-monetary obligation.
9

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

12 There are also some types of claims that the Code requires be treated a certain way. For
13 that reason they are considered unimpaired and therefore holders of these claims cannot vote.
14

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

17 If a creditor or interest-holder has an allowed and impaired claim or interest, then he or she
18 may vote either to accept or reject the Plan (unimpaired claimants or interest-holders are deemed to
19 have accepted the Plan). Impaired claims or interests are placed in classes and it is the class that
20 must accept the Plan. Members of unimpaired classes do not vote, although as stated above, they
21 may object to confirmation of the Plan. Even if all classes do not vote in favor of the Plan, the Plan
22 may nonetheless be confirmed if the dissenting classes are treated in a manner prescribed by the
23 Code. Please refer to Section VI below for information regarding impaired and unimpaired classes
24 in this case.
25

26 Section IX sets forth which claims are in which class. Secured claims are placed in
27 separate classes from unsecured claims. Fed. R. Bankr. P. 3018(d) provides: "A creditor whose
28

1 claim has been allowed in part as a secured claim and in part as an unsecured claim shall be entitled
2 to accept or reject a plan in both capacities."

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

4 The Court may confirm the Plan if at least one non-insider impaired class of claims has
5 accepted and certain statutory requirements are met as to both nonconsenting members within a
6 consenting class and as to dissenting classes. A class of claims has accepted the Plan when more
7 than one-half in number and at least two-thirds in amount of the allowed claims actually voting,
8 vote in favor of the Plan. A class of interests has accepted the Plan when at least two-thirds in
9 amount of the allowed interests of such class actually voting have accepted it. It is important to
10 remember that even if the requisite number of votes to confirm the Plan are obtained, the Plan will
11 not bind the parties unless and until the Court makes an independent determination that
12 confirmation is appropriate, which is the subject of any upcoming confirmation hearing.
13
14

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

16 The bar date for filing a proof of claim in these cases was August 20, 2013.

17 The bar date for hearing objections to claims was January 14, 2014¹.

18 In these cases, and based on the descriptions provided above, the Proponents believe that
19 all of the classes 1 through 56 (including sub-classes therein) are impaired and therefore entitled to
20 vote. Class 67 is impaired but receives nothing under the Plan on account of its equity interests,
21 and is deemed to have voted against the Plan.- A party that disputes the ~~Proponent's~~Proponents'
22 characterization of its claim or interest as unimpaired may request a finding of impairment from
23 the Court in order to obtain the right to vote.
24

25
26 _____
27 ¹ The Debtors intend to assert an objection to the claims of CBT with respect to, among other things, asserted default
28 interest, late fees and excessive attorneys' fees, particularly post-petition interest, fees, and costs, which were not
disclosed in CBT's ~~the~~ proofs of claim.

1 Ballots must be received by the ~~Proponent~~Proponents, addressed to Levene, Neale,
2 Bender, Yoo & Brill L.L.P., 10250 Constellation Blvd., Suite 1700, Los Angeles, CA 90067,
3 Attention: J.P. Fritz, by _____, 2014.

4 **VII. DESCRIPTION OF DEBTORS' PAST AND FUTURE BUSINESS AND EVENTS**
5 **PRECIPITATING BANKRUPTCY FILINGS**

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

9
10 **A. The Seven Hotels**

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

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

24 Shilo Boise Airport operates a 126-room (inclusive of 88 suites), four-story,
25 limited-service hotel in Boise, Idaho (the "Boise Airport Hotel"), on fee title land, operated
26 pursuant to a franchise agreement with SFI and managed by SMC. The Shilo Inn Boise Airport
27 property has an outdoor pool, spa, sauna, and steam room, fitness and business center and meeting
28

1 room. The Boise Airport Hotel has 15 employees. Based on the appraisal report of Herald
2 Haskell, MAI, the fair market value of the Boise Airport Hotel is \$7,100,000. During the
3 Debtors' bankruptcy cases, for purposes of plan confirmation and the Disclosure Statement, the
4 Debtors' stipulated to use a neutral appraiser's valuation of the Boise Airport Hotel at \$2,125,000.
5 However, the Debtors maintain that the real value of the Boise Airport Hotel is much higher.

6 Shilo Nampa Blvd operates a 61-room, two-story, limited-service hotel in Nampa, Idaho
7 (the "Nampa Blvd Hotel"), on fee title land, operated pursuant to a franchise agreement with SFI
8 and managed by SMC. The Shilo Inn, Nampa Blvd property has an outdoor pool, spa, and steam
9 and sauna room. The Nampa Blvd Hotel has 10 employees. Based on the appraisal report of
10 Herald Haskell, MAI, the fair market value of the Nampa Blvd Hotel is \$3,000,000. 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 Nampa Blvd Hotel at \$1,150,000.
13 However, the Debtors maintain that the real value of the Nampa Blvd Hotel is much higher.

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

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

1 market value of the Seaside East Hotel is \$3,540,000. During the Debtors' bankruptcy cases, for
2 purposes of plan confirmation and the Disclosure Statement, the Debtors' stipulated to use a
3 neutral appraiser's valuation of the Seaside East Hotel at \$2,250,000. However, the Debtors
4 maintain that the real value of the Seaside East Hotel is much higher.

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

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

25 The Twin Falls Hotel, Boise Airport Hotel, Nampa Blvd Hotel, Newberg Hotel, Seaside
26 East Hotel, Moses Lake Hotel, and Rose Garden Hotel are collectively referred to herein as the
27 "Hotels." In the aggregate, the Hotels employ 95 employees.
28

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

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

8 In April 2005, (i) Shilo Twin Falls, (ii) Shilo Boise Airport, (iii) Shilo Nampa Blvd, (iv)
9 Shilo Newberg, and (v) Shilo Moses Lake entered into loan agreements with Vineyard Bank, a
10 California Bank ("Vineyard"). Thereafter, in April 2006 and August 2006, respectively, Shilo
11 Seaside East and Shilo Rose Garden also entered into loan agreements with Vineyard
12 (collectively, the "7 Shilo Loans"). Mark S. Hemstreet, founder of Shilo Inns, was a guarantor of
13 the 7 Shilo Loans. Some, but not all, of the 7 Shilo Loans were cross-collateralized. In April 2005,
14 Vineyard issued an additional unsecured \$5 million revolving operating credit line loan to Mark
15 Hemstreet, individually (the "Hemstreet Loan"). The Debtors and Mr. Hemstreet made timely
16 payments on the 7 Shilo Loans and Hemstreet Loan until the historic recession that began in late
17 2008.

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

21
22 In July 2009, like many other banks, Vineyard went into FDIC receivership, and California
23 Bank and Trust, a California Bank ("CBT") acquired the 7 Shilo Loans. Shortly thereafter, in
24 November 2010, the Debtors entered into a loan modification agreement (the "First
25 Modification") on the 7 Shilo Loans. As the recession continued, faced with foreclosure in July
26 2011, Shilo agreed to enter into a second loan modification (the "Second Modification") with
27 CBT.
28

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

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

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

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

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

1 CBT then issued a new NOD against the Debtors, purporting to accelerate the loans for alleged
2 non-monetary defaults and monetary default of the Hemstreet Loan (despite being ordered by the
3 federal district courts to provide full reinstatement amounts previously) and began a new round of
4 foreclosure³.

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

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

21 Conditional commitment letters were provided to the Debtors by Cabot in January 2013.
22 The only remaining condition was an approval rating from Moody's in order to designate the
23 pass-through certificates a "rated" designation. All parties, through the settlement agreement
24 between the Debtors and CBT, believed that such rating would be received since all other
25

26 ³ The Debtors are consulting with counsel to pursue lender liability claims against CBT with respect to CBT's
27 wrongful declaration of default, through the NOD, only two (2) weeks after the cure and reinstatement by the
28 Debtors through the payment to CBT of over \$1.4 million. Debtors reserve all rights to commence and prosecute
such claims against CBT.

1 requirements have been satisfied and initial drafts of the transaction documents (e.g., ground
2 leases) were prepared. Unfortunately, in the first week of April 2013 and to the surprise of the
3 Debtors, Cabot advised the Debtors that it did not receive the requisite Moody's rating and, based
4 on the foregoing, the proposed transaction was terminated⁴. The foregoing was a terrible result for
5 the Debtors, as well as for CBT, since everyone believed that the proposed transaction had
6 proceeded far enough where consummation would be achieved and Debtors' obligations to CBT
7 would be satisfied in fully.

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

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

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

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26
27 ⁴ The Shilo entities paid tens of thousands of dollars in connection with due diligence investigation and reporting, as
28 well as countless man-hours and resources of the companies.

1 As discussed above, the Debtors operate their Hotels pursuant to a franchise agreement with
2 SFI. The Debtors intend to continue in these business under the “Shilo Inn” flag, which is well
3 known in the Northwest.

4 The Debtors have taken multiple steps from mid-2012 to date to improve overall
5 performance for the Hotel, such as: (1) benefiting from a substantial 2012 investment in Genares
6 Worldwide Reservation Services, Ltd, which has opened up and dramatically improved online
7 portals of revenue like with Expedia, Travelocity, Orbitz and other global distribution sites; (2) new,
8 fresh sales teams have been implemented and an aggressive, but achievable 2014 sales incentive
9 plan has been introduced to improve RevPar numbers, along with increasing revenue numbers over
10 the previous year; (3) the Debtors’ hotel managers’ job performance is compared to benchmark
11 criteria to ensure the properties continue to have the best possible onsite leadership; (4) investments
12 in online marketing, advertisement and customer experience increased dramatically in 2012 by
13 investing in new mobile applications, the Debtors’ website for booking and internet search
14 improvements to give the Debtors more online visibility; (5) feasible maintenance and capital
15 improvement budgets have been created as part of this plan to help keep the Debtors’ Hotels
16 competitive and increase overall revenues; (6) new budget and labor tools have been implemented in
17 order to better manage labor, utilities and supplies; (7) a concerted effort has been made to
18 reintroduce bus tour groups to the Hotels to improve overall occupancy and revenue; and (8)
19 opening up a new relationship with Booking.com which has proved beneficial to the Debtors’
20 Hotels.
21
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24 Year to date, due to systematic changes in operations for the Debtors’ Hotels, the Debtors
25 have seen increases in revenue. Shilo Newberg is up \$41,501 YTD through June 30, 2014.
26 Although room revenue for Shilo Nampa was down in the month of June 2014, compared to June of
27 2013, YTD through May 31, 2014 revenues were essentially flat for the year; thus, the temporary
28

1 decline seen in June is an isolated issue. Shilo Nampa's YTD room revenues for 2014 compared to
2 previous years' results are up considerably showing an impressive overall trend of increased
3 revenues. Shilo Nampa's room revenues YTD through June 2014 are 18.9% higher than YTD
4 through June 2012 (an increase of \$35,654), 34.6% higher than the same period in 2011 (an increase
5 of \$57,631) and 11.9% higher than YTD room revenues in 2010 (an increase of \$23,749).
6 Combined, the two Debtors' room revenues are \$23,776 higher (5%) YTD through June 30 of 2014
7 compared to the same period last year.
8

9 Market conditions are greatly improving for Newberg, with George Fox University, a major
10 demand generator for the Debtor, seeing enrollments at all-time highs and a new football program
11 added in 2014, which will provide additional group and transient business. Additional growth in the
12 local tourist market is driven by a favorable image of Newberg's wine country and improving
13 economic conditions. Nampa's local industry is fueled by the city's and Idaho's aggressive
14 pro-business environment, which has encouraged many national retailers to open outlets in Nampa⁵.
15 This recent growth and positive business environment will enable the Debtor to increase revenues by
16 positioning itself in the profitable moderate-priced hotel segment. Since inception of this case, the
17 Debtors have accumulated, in the aggregate, in excess of \$136,784 in cash, net of all expenses and
18 adequate protection payments to CBT. In other words, the Debtors have a viable business model and
19 their strong performance during the pendency of these cases supports the Debtors' reorganization
20 efforts.
21
22

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

24 During the bankruptcy cases, the Seven Debtors negotiated consensual use of CBT's cash
25 collateral for May 2013 through December 2013, allowing the Seven Debtors to continue operating
26

27 ⁵ Per City-Data.com *Dashboard Best Practices*.
28

1 the Hotels and preserve the value of the estates for all creditors. In exchange for consensual use of
2 cash collateral, the Seven Debtors provided CBT monthly payments totaling approximately
3 \$75,948.08 per month for all seven Debtors, which was calculated on 5% per annum interest rate on
4 the outstanding principal balance of each Seven Debtors' secured loan to CBT:
5

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

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- Throughout the bankruptcy cases, the Seven Debtors requested that CBT enter mediation with the Seven 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 the Seven Debtors' first disclosure statement on August 29, 2013. 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 Seven Debtors agreed to adequate protection payments and financial reporting, both of which Seven Debtors agreed to in good faith. Without any cooperation from CBT on a resolution, on August 29, 2013, the Seven 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

1 no. 139]. The hearing on the adequacy of the Disclosure Statement was set to occur on October 17,
2 2013. Objections to the Disclosure Statement were due to be filed by no later than October 3, 2013.

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

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

14 The Seven Debtors and CBT stipulated, pursuant to orders of this Court, to continue the
15 hearings on the Disclosure Statement and First Round RFS Motions on several occasions while in
16 mediation. The Seven Debtors and CBT engaged in meaningful and productive mediation with the
17 Honorable Mitchell Goldberg, United States Bankruptcy Judge (retired) on or about October 9,
18 2013. At the conclusion of the mediation, the parties had a framework for a resolution of the
19 pending disputes. In fact, for several weeks after the conclusion of the in-person mediation, the
20 parties worked with Judge Goldberg to address concerns in connection with effectuating the
21 resolution. The Seven Debtors continued to cooperate and act in good faith with CBT to attempt to
22 reach a meaningful resolution. Without any rational explanation or basis, CBT suddenly decided
23 that it no longer wished to discuss settlement and would instead focus on expensive and protracted
24 litigation to either force the Seven Debtors into submission or crush them. To this day, a rational
25 explanation for CBT's unilateral termination of settlement discussions has not been provided. At
26 the same time, CBT's relief from stay motions indicate that CBT has incurred over \$2.2 million in
27 attorneys' fees to eviscerate equity in the Seven Debtors' properties, which is intended to be
28

1 preserved for the benefit of hundreds of employees, vendors and other persons and entities who do
2 business with the Seven Debtors' hotels on a regular basis.

3 After mediation efforts collapsed, the Seven Debtors and CBT stipulated to hire a
4 court-appointed neutral appraiser to value four of the Hotels for which the Debtors and CBT
5 disputed their valuations: Shilo Inn, Boise Airport, LLC; Shilo Inn, Nampa Blvd, LLC; Shilo Inn,
6 Seaside East, LLC; and Shilo Inn, Rose Garden, LLC. The neutral appraiser published his
7 valuation reports on these four hotels to the Seven Debtors and CBT on or about March 21, 2014.
8 The hearings on the Disclosure Statement and First Round RFS Motions were continued to May 8,
9 2014.

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

13 The Court held a hearing on the Seven Debtors' joint disclosure statement and all of the RFS
14 Motions on May 8, 2014. The Court denied approval of the first, joint disclosure statement and
15 granted relief from stay on the RFS Motion for CBT to conduct foreclosures of the Seven Debtors'
16 Hotels on November 7, 2014, unless the Debtors had confirmed chapter 11 plans by November 6,
17 2014.

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

22 The complaint alleged that on November 4, 2010, the Debtors entered into a loan
23 modification agreement (the "Modification") on the 7 Shilo Loans. The Modification caused the
24 Plaintiffs to pledge the Hotels as collateral for the \$5 million Hemstreet Loan, thereby causing
25 each Plaintiff to incur the \$5 million liability for Hemstreet's personal line of credit. The
26 Modification also lowered the interest rate on the 7 Shilo Loans from 6.44% per annum to 5.0%
27
28

1 per annum and accelerated the maturity date of the 7 Shilo Loans from September 1, 2015 to
2 December 31, 2013.

3 The small reduction in interest rate payments was paltry consideration compared to the \$5
4 million of liability incurred by each of the Plaintiffs, and the Plaintiffs did not receive reasonably
5 equivalent value in exchange for incurring the additional liability. Furthermore, the accelerated
6 maturity date for the 7 Shilo Loans made it impossible for Plaintiffs to be able to pay the loans in
7 time, and the Plaintiffs reasonably should have believed that the Modification resulted in debts
8 beyond their ability to pay as they became due. The obligation incurred by each of the Plaintiffs
9 in the Modification were fraudulent and should be avoided.

10 11 **VIII. CRITICAL PLAN PROVISIONS**

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

- 13 a. Debtors' cash on hand as of the Effective Date of the Plan;
14 b. Future earnings from continued operations of the Debtors; and
15 c. New value contribution from Mark Hemstreet and Shannon Hemstreet of

16 ~~\$50,000~~
17 50,000 for each Debtor, for a total of \$100,000.

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

20 Shilo Nampa Blvd.

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

23 ~~15,072~~
24 \$8,116;

25 b. The Reorganized Debtor will make two (2) additional payments, each in the
26 amount of ~~\$15,072~~\$8,116 in months two and three following the Effective Date, for a total payout
27 to non-insider general unsecured creditors in the amount of ~~\$45,215~~24,348, which the ~~Debtors~~

1 ~~believe~~Debtor believes constitutes 100% payment, excluding interest. Non-insider general
2 unsecured creditors can expect to receive their pro rata share of each payment made by the
3 Reorganized ~~Debtors~~Debtor, until such time as 100% of allowed general unsecured non-insider
4 claims are paid in full.

5 Shilo Newberg

6 a. The first payment will be made on the Effective Date of the Plan, which is
7 anticipated to be on January 5, 2015 (the first Monday of the new year), in the aggregate amount of
8 \$6,956;

9 b. The Reorganized Debtor will make two (2) additional payments, each in the
10 amount of \$6,956 in months two and three following the Effective Date, for a total payout to
11 non-insider general unsecured creditors in the amount of \$20,867, which the Debtor believes
12 constitutes 100% payment, excluding interest. Non-insider general unsecured creditors can expect
13 to receive their pro rata share of each payment made by the Reorganized Debtor, until such time as
14 100% of allowed general unsecured non-insider claims are paid in full.

15 CBT's Unsecured Claim

16 The unsecured deficiency claim for CBT ~~in-class~~on account of its first deed of trust in
17 Class 3 is separately classified from the non-insider general unsecured claims. Class 4 is the
18 general unsecured deficiency claim to CBT on account of the Hemstreet line of credit.⁶ CBT's
19 unsecured claims in Class 3 ~~is~~and 4 are different from the other general unsecured claims in Class
20 5 because CBT's claim is guaranteed by the personal guaranty of Mark Hemstreet, who has a
21 substantial financial portfolio to which CBT can look for payment. ~~Other general unsecured~~
22 ~~creditors~~Class 5 cannot rely on a personal guaranty from Mark Hemstreet for payment. The
23

24
25
26
27 ⁶ The entire Class 4 claim will be eliminated if the Plaintiffs prevail in their adversary proceeding
28 lawsuit against CBT.

1 ~~Debtor~~Debtors will seek to submit Mr. Hemstreet's financial portfolio under seal to the Court and
2 CBT in support of the separate classification of ~~CBT's deficiency claim~~the Class 3 and 4 claims.
3 ~~and it will receive interest only payments at 5% per annum for two years and then interest and~~
4 ~~principal payments in months 25 through sixty with a balloon payment at the end of the five years.~~
5 The full legal justification for the separate classification and treatment of the Class 3 ~~claim~~and 4
6 claims will be set forth in the ~~Debtor's~~Debtors' plan confirmation brief.

8 IX. DESCRIPTION AND TREATMENT OF CLAIMS

9 a. Overview of Plan Payments

10 Below is a summary of who gets paid what and when and from what source. The identity
11 of members within a particular class is explained beginning on the next page. The second column
12 lists two amounts. First, the amount of each payment, or if only one is to be made, then that
13 amount; second, the total amount that will be paid. The Proponents are usually not required by law
14 to pay an unsecured creditor or interest holder everything it would otherwise be entitled to, had a
15 bankruptcy case not commenced. The "Payment Due Date" column states the frequency with
16 which payments will be made and the starting and ending dates. Look at the starting date to figure
17 out who will be paid before and after you and in what amount. The "Source of Payment" column
18 describes the expected source of payment. Further details regarding the source of payment are
19 found in sections X and XI.
20

21 The timing of payments to many creditors is determined by the "Effective Date."
22 Administrative claims, unless otherwise stated, must be paid by the Effective Date. The timing of
23 payments to impaired creditors is measured from the Effective Date. In this case, the Effective
24 Date of the Plan (the "Effective Date") will be January 5, 2015 (the first Monday of the new year),
25 assuming that the Bankruptcy Court has entered an order confirming the Plan (the "Plan
26 Confirmation Order") by at least November 6, 2014, and there is no stay in effect, in which case
27
28

1 the Effective Date shall be the first business day after the stay is no longer in effect with respect to
2 the Plan Confirmation Order. The Debtors, following the Effective Date, will be referred to herein
3 as the “Reorganized Debtors.”
4

<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>
<p>7 <u>Office of the United States Trustee</u></p> <p>8 For:</p> <p>9 <u>Shilo Nampa Blvd</u></p>	<p>8 \$0</p> <p>9 (Third quarter fees for 2014 will have been paid in full by October 31, 2014, before the Plan Effective Date.)</p>	<p>7 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>12 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>	<p>7 Reorganized Debtor’s cash on hand available on Effective Date</p>
<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>
<p>21 <u>Office of the United States Trustee</u></p> <p>22 For:</p> <p>23 <u>Shilo Newberg</u></p>	<p>21 \$0</p> <p>22 (Third quarter fees for 2014 will have been paid in full by October 31, 2014, before the Plan Effective Date.)</p>	<p>21 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>25 The Debtor anticipates paying quarterly fees post-confirmation after the Effective Date and before January 31, 2015, and every quarter thereafter until</p>	<p>21 Reorganized Debtor’s cash on hand available on Effective Date</p>

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		<u>the case is closed. These payments are reflected in Exhibit "C" in the "Administration & General" line item.</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> <u>For:</u> <u>Shilo Nampa Blvd</u>	<u>\$0</u>	<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>
<u>Clerk of the Court</u> <u>For:</u> <u>Shilo Newberg</u>	<u>\$0</u>	<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, Bender, Yoo & Brill L.L.P. (bankruptcy counsel to the Debtors)	Total amount of approximately \$33,300* to be paid in one (1) payment *estimated unpaid fees and expenses in excess of any retainer payments received	Payment shall be made 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	Reorganized Debtors' 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 1.1 – Allowed Secured Claim of Canyon County Tax Collector (property taxes) For Shilo Nampa Blvd <u>Total claim as of the Effective Date at \$15,461, calculated as the claim as of the</u>	Total amount of \$13,443.90 <u>15,461</u> plus interest from the Effective Date at 9% per annum, calculated as \$15,461 <u>15,577</u> Three (3) payments 100% to be paid.	Month 1: \$5,154 Month 2: \$5,154 Month 3: \$5,153 <u>5,269</u>	Post-confirmation income of Reorganized Debtor, Shilo Nampa Blvd

1	Petition Date in the amount of \$13,443.90, with interest at 9% per annum up to the Effective Date.			
2				
3				
4	Oversecured			
5	IMPAIRED			
6	<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>
7				
8	Class 1.2 – Allowed Secured Claim of Yamhill County Tax Collector (property taxes)	Total amount of \$7,136.81 <u>\$8,207</u> plus interest from the Effective Date at 9% per annum, calculated as \$8,207 <u>\$8,269</u>	Month 1: \$2,736 Month 2: \$2,736 Month 3: \$2,736 <u>\$2,797</u>	Post-confirmation income of Reorganized Debtor, Shilo Newberg
9	For Shilo Newberg	Three (3) payments		
10	Total claim as of the Effective Date at \$8,207 calculated as the claim as of the Petition Date in the amount of \$7,136.81, with interest at 9% per annum up to the Effective Date.	100% to be paid.		
11				
12				
13				
14				
15				
16	Oversecured			
17	IMPAIRED			
18				

19 ~~The following Class 2 claim of CBT is subject to adjudication of CBT's secured claims~~
 20 ~~and, specifically, the Debtor's objection to the CBT Disputed Claim, particularly as to prepetition~~
 21 ~~default interest, which was addressed by the district court prepetition, and all post petition fees,~~
 22 ~~costs, and interest, which has not been asserted in CBT's filed proof of claim.~~ Because [the first](#)
 23 [deeds of trust on](#) Shilo Nampa Blvd and Shilo Newberg are cross-collateralized and
 24 cross-defaulted ~~the, those~~ debts to CBT, ~~they~~ are combined into one class.

26	<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>
27	<u>Class 2.1— Allowed</u>	<u>Total amount of</u>	<u>Interest-only payments</u>	<u>Post-confirmation</u>

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<p>Secured Claim of California Bank & Trust</p> <p>Shilo Nampa Blvd</p> <p>Oversecured</p> <p>IMPAIRED</p>	<p>\$73,464 per month for first 24 payments</p>	<p>for first two (2) years, paid monthly, in the amount of \$ per month.</p> <p>At end of 24 month plan the Debtor will do one of the following: (i) Surrender the Nampa Blvd Hotel to CBT; (ii) sell the Nampa Blvd Hotel; or (iii) refinance and make a balloon payment to CBT in the amount of the unpaid Class 2.1 secured claim</p> <p>Payments due on the 20th day of the month, with a 10 day grace period</p> <p>Market interest rate to be proven at plan confirmation, but which the Debtors believe to be a fixed rate at 5% per annum for the life of the loan.</p> <p><u>Payment Frequency:</u> Monthly</p> <p><u>Start Date:</u> Effective Date</p> <p><u>End Date:</u> 24 months following Effective Date</p> <p><u>Payments for months 1-24:</u> \$</p> <p>Until such time as the obligation is repaid as set forth hereinabove, credit shall retain its lien(s) with the same extent, validity and priority as on the Petition Date.</p> <p>The foregoing treatment shall be in full and complete satisfaction of all claims in this class.</p>	<p>income of Reorganized Debtor</p>
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3 To the extent that CBT asserts additional sums for any of its claims in Classes 2, 3, or 4 by
 4 way of post-petition fees, costs, penalties, and/or interests, the Debtors intend to object and vet
 5 those post-petition amounts because they were not specified in CBT's filed proofs of claim, which
 6 only reflected the amount of claims as of the Petition Date. However, the Debtors will not object
 7 to the amounts set forth in the proofs of claim as of the Petition Date.

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<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>
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<p>9</p> <p>10 Class 2-22 – Allowed Secured Claim of California Bank & Trust</p> <p>11 <u>Shilo Nampa Blvd and</u></p> <p>12 For Shilo Newberg</p> <p>13 <u>Class 2 claim amount of \$3,576,332 calculated as total value of both Hotels minus senior secured tax claims of \$15,461 and \$8,207 in Classes 1.1 and 1.2</u></p> <p>14 <u>Claim amount subject to revision</u></p> <p>15 <u>Undersecured</u></p> <p>16 secured</p> <p>17 IMPAIRED</p>	<p>10 Total amount of \$105,353 <u>14,901</u> per month for first 24 payments</p> <p>11 \$147,110 <u>Total amount of \$12,318 per month for payments #months 25- through 120 of the plan.</u></p> <p>12 <u>(Total monthly payments over 10-year life of Plan equal \$1,540,152</u></p> <p>13 <u>Balloon payment on account of the Shilo Nampa Blvd first deed of trust, if necessary, of up to \$1,469,277 at end of the first 24 months of the 10-year plan.</u></p> <p>14 Total payment of \$1,393,183 plus remaining balloon payment-</p> <p>15 <u>Balloon payment on account of the Shilo Newberg first deed of trust and any remaining claim on account of Shilo Nampa Blvd first deed of trust, if necessary, in an amount</u></p>	<p>10 Interest only payments for first two (2) years, paid monthly, in the amount of \$ <u>14,901</u> per month.</p> <p>11 <u>At end of first 24 months of the Plan, the Shilo Nampa Blvd Debtor will do one of the following:</u></p> <p>12 <u>(i) Surrender the Nampa Blvd Hotel to CBT; (ii) sell the Nampa Blvd Hotel; or (iii) refinance and make a balloon payment to CBT for the secured claim on the first deed of trust on Shilo Nampa Blvd</u></p> <p>13 After first two (2) years, loan converts to amortizing loan based on a 25-year amortization, with principal* and interest payments in the amount of \$ <u>12,318</u> per month, with a final payment in month 120 after the Effective Date plus a balloon payment, <u>if necessary, as described herein</u></p> <p>14 <u>* for payments in months 25-120,</u></p>	<p>10 Post-confirmation income of Reorganized Debtor <u>Debtors</u></p>
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	<p><u>between \$1,690,462 and \$3,159,738 at end of the 10-year plan (the lower range balloon-payment figure assumes that the Shilo Nampa Blvd balloon payment was made in full, and the higher range balloon-payment figure assumes that none of the Shilo Nampa Blvd balloon payment was made)</u></p>	<p><u>principal calculated on the portion of Class 2 claim attributable to the first deed of trust on the Shilo Newberg Hotel, in the amount of \$2,107,056</u></p> <p>Payments due on the first business <u>20th</u> day of the month, with a 10-day grace period</p> <p>Market interest rate to be proven at plan confirmation, but which the Debtors believe to be a fixed rate at 5% per annum for the life of the loan.</p> <p><u>Payment Frequency:</u> Monthly</p> <p><u>Start Date:</u> Effective Date</p> <p><u>End Date:</u> 120 months following Effective Date</p> <p><u>Payments for months 1-24: \$14,901</u></p> <p><u>Payments for months 25-120: \$12,318</u></p> <p><u>Balloon Payment</u> on month 120: <u>see column to the left</u></p> <p>Until such time as the obligation is repaid as set forth hereinabove, credit shall retain its lien(s) with the same extent, validity and priority as on the Petition Date.</p> <p>The foregoing treatment shall be in full and complete satisfaction of all claims in this class.</p>	
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The Class 3 claim of CBT is a general unsecured deficiency claim is comprised of (i) CBT’s claim for the first deed of trust secured by the Nampa Blvd Hotel and (ii) ~~the \$5 million line of credit to Hemstreet. The Debtors filed a cause of action against CBT with respect to the Debtors’ liability on the line of credit for avoidance of fraudulent transfer to the detriment of the Debtors’ estates.~~ CBT’s claim for the first deed of trust secured by the Newberg Hotel.

<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>Class 3 – Allowed General Unsecured Deficiency Claim of California Bank & Trust for first deeds of trust on both Debtors</u> <u>Shilo Nampa Blvd and Shilo Newberg</u> <u>Total claim amount of \$119,774 (calculated as CBT’s filed proofs of claim against both Debtors minus the amount of the Class 2 claim)</u> <u>Unsecured</u> <u>IMPAIRED</u> <u>Claim amount subject to revision</u>	<u>Total amount of \$1,000 per month for 120 months</u> <u>Total payment of \$120,000</u>	<u>Payments due on the 20th day of the month, with a 10-day grace period</u> <u>Payment Frequency: Monthly</u> <u>Start Date: Effective Date</u> <u>End Date: 120 months following Effective Date</u> <u>The foregoing treatment shall be in full and complete satisfaction of all claims in this class.</u>	<u>Post-confirmation income of Reorganized Debtor Shilo Newberg</u> <u>Additionally, CBT will retain all of its rights to pursue Mark Hemstreet on his personal guaranty for payment.</u>

The Class 4 claim of CBT is a general unsecured deficiency claim comprised of the \$5 million line of credit to Hemstreet. The Plaintiffs filed a cause of action against CBT with respect to the Plaintiffs’ liability on the line of credit for avoidance of fraudulent transfer to the detriment of the Plaintiffs’ estates, which may eliminate the Debtors’ 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>
<p>Class 34 – Allowed General Unsecured Deficiency Claim of California Bank & Trust <u>related to Hemstreet Line</u></p> <p><u>For</u> Shilo Nampa Blvd and Shilo Newberg</p> <p>Unsecured</p> <p><u>Claim amount of \$5,832,786.35, calculated as CBT’s total claim for the Hemstreet Line of credit as of the petition date</u></p> <p>IMPAIRED</p> <p>Subject to avoidance action<u>adversary proceeding for incurring fraudulent obligation</u></p>	<p>Total amount of \$1,000 per month for 120 months</p> <p>Total payment of \$120,000</p>	<p>Payments due on the 20th<u>first business</u> day of the month, with a 10-day grace period</p> <p><u>Payment Frequency:</u> Monthly</p> <p><u>Start Date:</u> Effective Date</p> <p><u>End Date:</u> 120 months following Effective Date</p> <p><u>Payments for months 1-120: \$1,000</u></p> <p><u>The foregoing treatment shall be in full and complete satisfaction of all claims in this class.</u></p>	<p>Post-confirmation income of Reorganized Debtors</p>

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<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 5.1 – Allowed Unsecured Claims, excluding Insiders For Shilo Nampa Blvd IMPAIRED	Total amount of \$24,348.24 100% to be paid (excluding interest)	Effective Date: \$8,116 plus \$8,116 each month for two (2) additional months following the Effective Date Payments due on the first business day of the month with a 10 day grace period	Post-confirmation income of Reorganized Debtors, Shilo Nampa Blvd

<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 5.2 – Allowed Unsecured Claims, excluding Insiders For Shilo Newberg IMPAIRED	Total amount of \$20,866.93 100% to be paid (excluding interest)	Effective Date: \$6,956 plus \$6,956 each month for two (2) additional months following the Effective Date Payments due on the first business day of the month with a 10 day grace period	Post-confirmation income of Reorganized Debtors, Shilo Newberg

Class 5.3 Classes 6.1 and 6.2 claims are composed of the general unsecured claims of insiders. These claims will not be paid until such time as all Class 5.13, 4, and 5.25 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 Debtors.

Class 6.1 and 6.27 – Equity interests. On the Effective Date, existing equity interests in the Debtors will be extinguished. In exchange for the “new value” contribution, of \$50,000 for each Debtor, totaling \$100,000, 100% equity interest in the Reorganized Debtors 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 6-17.1 <u>6-27.2</u> – Interest Holders, Mark S. Hemstreet and Shannon Hemstreet Shilo Nampa Blvd UNIMPAIRED <u>IMPAIRED</u>	No Payments	No Payments	No Payments

<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 6-27.2 <u>6-27.2</u> – Interest Holders, Mark S. Hemstreet and Shannon Hemstreet Shilo Newberg UNIMPAIRED <u>IMPAIRED</u>	No Payments	No Payments	No Payments

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

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

a. Administrative Expenses

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- i. These include the "actual, necessary costs and expenses of preserving the estate" as determined by the Court after notice to creditors of a request for payment and after a hearing thereon. These also include the fees and expenses incurred by professionals employed in this case at the expense of the estate which have been approved by the Court on a final basis.
- ii. The Code requires that allowed administrative expenses be paid on the effective date unless the party holding the administrative expense agrees otherwise. The claimants have not agreed otherwise.

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

Administrative Expense #1.

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

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

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 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

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present value is calculated as of the Effective Date.

- Shilo Nampa Blvd – \$0.00 for the Idaho State Tax Commission
- Shilo Newberg – None

TOTAL UNSECURED TAX CLAIMS: \$0

c. **CLASS 1.1**

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

Total amount of allowed claim:	\$13,443.90 <u>15,461</u>
Total amount of payments (over time) to satisfy the secured claim:	\$15,460.90 <u>15,577</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:	\$5,154; \$5,154; \$5,153 <u>5,269</u>
Frequency of payments:	Monthly
Total yearly payments:	\$15,461 <u>15,577</u>
Final payment date:	March 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 Nampa Blvd Hotel
Additional Comments:	The Debtor shall have the right to prepay this claim prior to maturity without penalty or fee.

a. **CLASS 1.2**

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

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Total amount of allowed claim:	\$7,136.81 <u>8,207</u>
Total amount of payments (over time) to satisfy the secured claim:	\$8,206.81 <u>8,269</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:	\$2,736; \$2,736; \$2,735 <u>2,797</u>
Frequency of payments:	Monthly
Total yearly payments:	\$8,206.81 <u>8,269</u>
Final payment date:	March 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 Newberg Hotel
Additional Comments:	The Debtor shall have the right to prepay this claim prior to maturity without penalty or fee.

a. **CLASS ~~2.12~~**

b. Secured Claim of CALIFORNIA BANK & TRUST Against Shilo Nampa Blvd and Shilo Newberg

Total amount of allowed claim:	\$1,150,000 <u>3,576,332.29</u>
Total amount of payments (over time) to satisfy the secured claim:	\$1,540,111 <u>1,540,152</u> <u>Plus balloon payment of \$1,469,276 for Shilo Nampa Blvd first deed of trust</u> <u>Plus balloon payment of \$1,690,462 for Shilo Newberg first deed of trust</u>
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 <u>5.0</u> % per annum for the life of the Plan.

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Impaired	Yes
First payment date:	Effective Date
Amount of each installment:	Interest only payments for first two (2) years, in the amount of \$6,122 per month, with a balloon payment due immediately thereafter. <u>314,901 per month; then principal and interest payments for months 25-120 of the plan in the amount of \$12,320 per month, with principal calculated on the portion of Class 2 claim attributable to the first deed of trust on the Shilo Newberg Hotel, in the amount of \$2,107,056</u>
Frequency of payments:	Monthly All payments due on the 20 th of the month, with 10 day grace period
Total yearly payments:	\$73,464 <u>178,817</u> in years <u>year</u> 1 and 2 <u>\$147,810 in year 3-10</u>
Final payment date:	December 2016 <u>2024</u>

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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, Nampa Blvd, LLC and Shilo Inn, Newberg, LLC
Additional Comments:	<p>The DebtorDebtors 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>At the end of the first 24 months of the 10-year Plan, Shilo Nampa Blvd will (i) sell the Nampa Blvd Hotel, (ii) surrender the Nampa Blvd Hotel to CBT with a deed in lieu, or (iii) make a balloon payment on account of the Shilo Nampa Blvd first deed of trust, if necessary, of up to \$1,469,277</p> <p>At the end of the 10-year Plan, Shilo Newberg will (i) sell the Newberg Hotel, (ii) surrender the Newberg Hotel to CBT with a deed in lieu, or (iii) make a balloon payment on account of the first deed of trust against Shilo Newberg and any remaining amount on the first deed of trust against Shilo Nampa Blvd in an amount between \$1,690,462 and \$3,159,738 (the lower range balloon-payment figure assumes that the Shilo Nampa Blvd balloon payment was made in full, and the higher range balloon-payment figure assumes that none of the Shilo Nampa Blvd balloon payment was made)</p> <p>Existing personal guaranty of Mark S. Hemstreet shall remain unaffected. 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.</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</p>

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	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 2.1 claim by end of life of the Plan.
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a. **CLASS ~~2.2~~3**

b. ~~Secured~~Unsecured Claim of CALIFORNIA BANK & TRUST Against ~~Shilo~~First
Deeds of Trust secured by Shilo Inn, Nampa Blvd, LLC and Shilo Inn, Newberg, LLC

Total amount of allowed claim:	\$2,450,000 <u>119,774</u>
Total amount of payments (over time) to satisfy the secured claim:	\$1,393,183 plus balloon at maturity <u>120,000</u>
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% 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 \$8,779 per month. After first two (2) years, loan converts to an amortizing loan based on a 25 year amortization, with principal and interest payments in the amount of \$12,320 per month, plus a balloon payment at the end of the ten year for the remaining loan balance. <u>\$1,000</u>
Frequency of payments:	Monthly All payments due on the 20 th of the month, with 10 day grace period
Total yearly payments:	\$105,353 in years 1 and 2 <u>12,000</u> \$147,110 in years 3 through 10
Final payment date:	December 2024

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<p>Lien is not modified in any way by the Plan</p>	<p>No lien modification as to lien rights. Terms related to payment of obligation being modified as set forth herein.</p>
<p>Description of Collateral:</p>	<p>All real and personal property upon which CBT held a valid prepetition lien for Shilo Inn, Newberg, LLC</p>
<p>Additional Comments:</p>	<p>The Debtor<u>Debtors</u> shall have the right to prepay this claim prior to maturity without penalty or fee.</p> <p><u>Claim amount subject to revision</u></p> <p>Debtor shall open a segregated tax impound account and shall make necessary deposits to insure timely property tax payments.<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> <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 2.2 claim by end of life of the Plan.</p>

a. **CLASS 34**

General Unsecured Deficiency Claim of CALIFORNIA BANK & TRUST for Hemstreet Line of Credit Against Shilo Inn, Nampa Blvd, LLC and Shilo Inn, Newberg, LLC

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Total amount of allowed claim:	\$ 6,588,246.54 <u>5,832,786.35</u>
Total amount of payments (over time) to satisfy the secured claim:	\$120,000
Interest rate	5%None
Impaired	Yes
First payment date:	10 years after Effective Date
Amount of each installment:	\$1,000 per month for a period of 120
Frequency of payments:	Monthly All payments due on the 20 th of the month, with 10 day grace period
Total yearly payments:	\$12,000
Final payment date:	December 2024

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<u>Additional Comments:</u>	<p><u>The Debtor shall have the right to prepay this claim prior to maturity without penalty or fee.</u></p> <p><u>Existing obligation of Mark S. Hemstreet shall remain unaffected. 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><u>The Debtors filed a cause of action against CBT for avoidance of fraudulent obligation incurred, which was to the detriment of the Debtors' estates. 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 5.1**

All General Unsecured Claims, Excluding Insiders for Shilo Nampa Blvd.

See **Exhibit A-1** for list of claimants and amount owed each:

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Total amount of allowed claims:	\$24,348.24
Total amount of payments (over time) to satisfy the claims:	\$24,348.24 (100% of allowed claims)
Interest rate:	None
Impaired	Yes
First payment date:	Effective Date
Amount of each installment:	\$8,116
Frequency of payments:	Three (3) monthly payments, commencing on effective Date and two (2) additional months thereafter.
Total yearly payments:	\$24,348.24
Final payment date:	March 1, 2015
Additional Comments:	Such treatment shall be in full and complete satisfaction of all Class 5.1 claims

a. **CLASS 5.2**

All General Unsecured Claims, Excluding Insiders for Shilo Newberg

See **Exhibit A-2** for list of claimants and amount owed each:

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Total amount of allowed claims:	\$20,866.93
Total amount of payments (over time) to satisfy the claims:	\$20,866.93 (100% of allowed claims)
Interest rate:	None
Impaired	Yes
First payment date:	Effective Date
Amount of each installment:	\$6,956
Frequency of payments:	Three (3) monthly payments, commencing on effective Date and two (2) additional months thereafter.
Total yearly payments:	\$20,866.93
Final payment date:	March 1, 2015
Additional Comments:	Such treatment shall be in full and complete satisfaction of all Class 5.2 claims

a. **CLASS ~~5.3~~6.1**

Unsecured Claims Of Insiders for Shilo Nampa Blvd.

See **Exhibit B-1** lists the claimants and amount owed each for general unsecured insiders. These claims will not be paid until such time as all Class ~~3.13~~4, and ~~4.15~~1 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.

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Total amount of allowed claims:	TBD <u>\$162,083.09</u>
Total amount of payments (over time) to satisfy the claims:	Unknown at this time based on <u>\$162,083.09 if and only if</u> cash flow and payments to other classes <u>allows and Classes 3, 4, and 5.1 are paid in full</u>
Interest rate:	None
Impaired	Yes
First payment date:	After class 3.13, 4, and 4.15.1 claims have been paid in full, and as cash flow permits
Amount of each installment:	Varies as cash flow permits
Frequency of payments:	Monthly
<u>Total yearly payments:</u>	<u>Variable</u>
<u>Final payment date:</u>	<u>Variable</u>

a. **CLASS ~~5.46.2~~**

Unsecured Claims Of Insiders for Shilo Newberg

See **Exhibit B-2** lists the claimants and amount owed each for general unsecured insiders. These claims will not be paid until such time as all Class ~~3.23, 4~~ and ~~4.25.2~~ 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.

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Total amount of allowed claims:	TBD <u>\$19,381.16</u>
Total amount of payments (over time) to satisfy the claims:	Unknown at this time—based on \$19,381.16 if and only if cash flow and payments to other classes allows and Classes 3, 4, and 5.2 are paid in full
Interest rate:	None
Impaired	Yes
First payment date:	After class 3.23, 4, and 4.25.2 claims have been paid in full, and as cash flow permits
Amount of each installment:	Varies as cash flow permits
<u>Frequency of payments:</u>	<u>Monthly</u>
<u>Total yearly payments:</u>	<u>Variable</u>
<u>Final payment date:</u>	<u>Variable</u>

~~a.~~ **CLASS 6.17.1**

Equity Interests of Shilo Nampa Blvd:

~~All existing equity interests in the Debtor shall be extinguished and Class 6.1 equity holders shall receive no distribution under the Plan. 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.~~

<u>All Equity Interests in Shilo Nampa Blvd</u>	<u>All existing equity interests in the Debtor shall be extinguished and Class 7.1 equity holders shall receive no distribution under the Plan.</u> <u>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.</u>
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~~a. CLASS 6.2~~ **7.2**

Equity Interests of Shilo Newberg

~~All existing equity interests in the Debtor shall be extinguished and Class 6.2 equity holders shall receive no distribution under the Plan. 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.~~

<u>All Equity Interests in Shilo Newberg</u>	<u>All existing equity interests in the Debtor shall be extinguished and Class 7.2 equity holders shall receive no distribution under the Plan.</u> <u>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.</u>
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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 Proponents have timely submitted evidence establishing that the Debtors 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

1 projected beginning cash balance, net cash change from operations including payments to be made
2 under the Plan, and ending cash balance. The cash-flow portion of Exhibit "C" focuses on
3 projected cash receipts (In-Flow) and cash disbursements (Out-Flow). All non-cash items such as
4 depreciation, amortization, gains and losses are omitted. A positive number reflects ~~a source of net~~
5 cash In-Flow; a (negative number) reflects ~~a use of cash. A more detailed statement of net cash~~
6 Out-Flow. Exhibit "C" cash flow projections are for each month of the Plan and for the duration
7 of ~~Plan payments is attached as Exhibit "C"~~ the Plan.

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

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

11 Shilo Inn, Nampa Blvd & Shilo Inn, Newberg

12	Administrative and executory claims -	\$ 33,300
13	Class 1 -	\$ 7,890
14	Class 2 -	\$ 14,901
15	Class 3 -	\$ 1,000
16	Class 4 -	\$ 1,000
17	<u>Class 5.1</u> -	<u>\$ 8,116</u>
18	Class 5.2 -	\$15,072 <u>6,956</u>
19	TOTAL	\$ 73,163
20	Funds Available on Effective Date -	\$ 235,881

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

26 The new value contribution of \$100,000 will be deposited in the client trust account at
27 counsel for the Debtor, Levene, Neale, Bender, Yoo & Brill L.L.P., by no later than September 11,
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1 2014, and proof of funds will be shown in a declaration filed with the Court no later than
2 September 11, 2014.

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

6 As discussed above, cash flow projections for the Plan repayment period are attached
7 hereto as part of Exhibit "C". Balance sheets, income and expense statements and financial
8 information for the two years prior to the Petition Date are attached as **Exhibit "D"** hereto. All
9 such financials have been prepared by SMC, as the managing company overseeing the Debtors'
10 operations, with input from managers and staff of the Hotels.

11 **XII. ASSETS AND LIABILITIES OF THE ESTATE**

12 a. Assets

13 The Debtors and CBT stipulated, as affirmed by order of this Court, that the value of the
14 Nampa Blvd Hotel would be as determined by neutral appraiser. The neutral appraiser valued the
15 Nampa Blvd. Hotel at \$1,150,000. A true and correct copy of the appraisal for the stipulated value
16 is attached as Exhibit "E-1" to the Disclosure Statement. However, the Debtor believes that the
17 value of the Hotel is significantly higher. The Debtor's principal, Mark Hemstreet, has a
18 substantial track record of selling hotels for far above their appraised values, as shown in Exhibit
19 "G" to the Disclosure Statement.

20 The Debtors and CBT stipulated, as affirmed by order of this Court, that the value of the Newberg
21 Hotel would be the value asserted by CBT in its pleadings, which was \$2,450,000. A true and
22 correct copy of the appraisal is attached as Exhibit "E-2" to the Disclosure Statement. However,
23 the Debtor believes that the value of the Hotel is significantly higher. The Debtor's principal,
24 Mark Hemstreet, has a substantial track record of selling hotels for far above their appraised
25 values, as shown in Exhibit "G" to the Disclosure Statement.

1 Whether the Plan proposes to sell any of these assets is discussed in section XVI. The Plan
2 contemplates the marketing and sale of the Nampa Blvd Hotel within two years of the Effective
3 Date.

4 b. Liabilities

5 **Exhibits A-1, A-2, B-1, and B-2** show all general unsecured claims asserted against the
6 estate, claims whose treatment is explained in detail by section IX.

7 c. Summary

8 Total assets equal \$3.6 million and total liabilities, including the Hemstreet Loan, total
9 \$9,597,777.92, resulting in a net deficiency of \$5,997,775.92. This net deficiency includes the full
10 amount of the Hemstreet Loan of \$5,832,786.35, which the Debtors are challenging in an
11 adversarial proceeding pending before the Court. Part, or all, of the Hemstreet Loan may also be
12 paid pursuant to other plans in this jointly administered proceeding or by Mr. Hemstreet directly.

13 **XIII. TREATMENT OF NONCONSENTING CLASSES**

14 As stated above, even if all classes do not consent to the proposed treatment of their claims
15 under the Plan, the Plan may nonetheless be confirmed if the dissenting classes are treated in a
16 manner prescribed by the Code. The process by which dissenting classes are forced to abide by the
17 terms of a plan is commonly referred to as "cramdown." The Code allows dissenting classes to be
18 crammed down if the Plan does not "discriminate unfairly" and is "fair and equitable." The Code
19 does not define discrimination, but it does provide a minimum definition of "fair and equitable."
20 The term can mean that secured claimants retain their liens and receive cash payments whose
21 present value equals the value of their security interest. For example, if a creditor lends the Debtor
22 \$100,000 and obtains a security interest in property that is worth only \$80,000, the "fair and
23 equitable" requirement means that the claimant is entitled to cash payments whose present value
24 equals \$80,000 and not \$100,000. The term means that unsecured claimants whose claims are not
25 fully satisfied at least know that no claim or interest that is junior to theirs will receive anything
26 under the Plan, except where the Debtor is an individual, has elected to retain property included in
27 the Estate under 11 U.S.C. § 1115 and has satisfied 11 U.S.C. § 1129(b)(2)(B)(ii). "Fair and
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1 equitable" means that each holder of an interest must receive the value of such interest or else no
2 junior interest is entitled to receive anything.

3 Therefore, if a class of general unsecured claims votes against the Plan, the Plan cannot be
4 confirmed where the Debtor or a class of interest holders (e.g. shareholders or partners) will
5 receive or retain any property under the Plan, unless the Plan provides that the class of general
6 unsecured claims shall be paid in full with interest. If a class of interest holders votes against the
7 Plan, the Plan cannot be confirmed where the Debtor will receive or retain any property under the
8 Plan, unless the Plan provides that the class of interest holders shall be paid in full with interest.
9 These are complex statutory provisions and the preceding paragraphs do not purport to state or
10 explain all of them.

11 **XIV. TREATMENT OF NONCONSENTING MEMBERS OF CONSENTING CLASS**
12 **(CHAPTER 7 LIQUIDATION ANALYSIS)**

13 The Plan must provide that a nonconsenting impaired claimant or interest holder of a
14 consenting class receive at least as much as would be available had the ~~Debtor~~Debtors filed
15 Chapter 7 petitions instead. The following discussion analyzes Shilo Nampa Blvd separately from
16 Shilo Newberg, then combines the two for purposes of addressing CBT's cross-collateralized and
17 cross-defaulted claims against both the Debtors.

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

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

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

16 ~~Third, the current economic market would further depress the value of the Hotels in a~~
17 ~~liquidation. Liquidating the Debtors' assets would trend the business elsewhere for many years to~~
18 ~~come until a new "brand" can establish itself in the local communities.~~

19 ~~If a liquidation was initiated, it would put the Hotels squarely in public eye of the~~
20 ~~community and significantly reduce the value of the assets. In addition, the value of each Debtor's~~
21 ~~asset would be greatly diminished by essentially dumping the Hotels on an open market wherein~~
22 ~~there is a close knit buying community. The Debtors have maintained the Hotels' business~~
23 ~~operations and value during the bankruptcy cases by demonstrating to hotel guests that Hotels are~~
24 ~~operating as usual in the high Shilo standard to which guests are accustomed. The adverse~~
25 ~~publicity surrounding a liquidation scenario would be highly detrimental to the Hotels' reputations~~
26 ~~in the community, their business activities, and subsequent value in a liquidation. Shilo has proven~~
27 ~~to be a very efficient and cost-conscious company in how it operates the Hotels through its affiliate~~
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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 Hotels and their businesses. 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 Debtors believe that such~~
6 ~~disruption would result in an additional discount of 15% to the value of the Hotels in a liquidation.~~

7 ~~Shilo has been an institution in the Pacific Northwest market for over twenty years. Shilo~~
8 ~~has invested heavily into the local communities and maintained a superb reputation with~~
9 ~~customers, vendors and governmental officials. SFI, as the franchisor, has significant value. In~~
10 ~~the event of a liquidation, the Shilo flag would be pulled from the Hotels pursuant to the terms of~~
11 ~~the franchise agreement and would result in an additional approximate 20% diminution in value to~~
12 ~~the Hotels.~~

13 ~~The Debtors believe that the foregoing factors would result in not less than a 35% reduction~~
14 ~~in value of the Hotels in the event of a liquidation. Consequently, not only would CBT not be paid~~
15 ~~in full on its Class 2.1 and 2.2 claims, but there would be nothing remaining to pay down any of~~
16 ~~CBT's Class 3.1 and 3.2 claims, and certainly not anything to pay classes 4.1, 4.2, 5.1 or 5.2. Even~~
17 ~~if there was no reduction in value of the Hotels for a liquidation (which the Debtors dispute, and~~
18 ~~which is only stated *arguendo*), only CBT's Class 2.2 claim would be paid in full, the Class 2.1 and~~
19 ~~Class 3 claim would see only a small recovery, and Classes 4 and 5 would not see any recovery at~~
20 ~~all on their claims.~~

21 **Shilo Nampa Blvd**

22 **A. Valuation**

23 The below comparison of a Chapter 11 Plan versus Chapter 7 liquidation uses the valuation
24 contained in the appraisal report prepared by Integra Realty Resources. The report is attached as
25 Exhibit "E-1" to the Disclosure Statement. The report was prepared on March 13, 2014, and the
26 Debtor and CBT stipulated to use this report to set the valuation for purposes of the Disclosure
27 Statement and Plan. The individual at Integra Realty Resources who prepared the appraisal report
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1 is Brian A. Glanville, MAI, CRE, FRICS, Certified General Real Estate Appraiser. Mr. Glanville
2 has been in the real estate appraisal profession in Oregon since 1976 and earned the MAI
3 designation in 1982. He is certified in both Oregon and Washington and has developed an
4 expertise in the appraisal of hotels, high rise office buildings, and complex valuation assignments.
5 His full qualifications are attached as Addendum "A" to the report.

6 Appraisers usually consider three approaches to estimate the market value of real property:
7 the cost approach, sales comparison approach, and income capitalization approach. The report
8 does not include a cost approach. The report uses a sales comparison approach but gives it limited
9 weight because of a host of enumerated problems with this approach for hotel properties in the
10 current economy. The report relies primarily on the income capitalization approach, which is
11 meant to reflect a relationship between the potential income of a property with the property's
12 market value. The two primary methods of the income capitalization approach are direct
13 capitalization and discounted cash flow. This approach is widely used for income-producing
14 properties, such as the Hotel. A complete discussion of the valuation can be found starting on page
15 57 of the report attached as Exhibit "E-1" to the Disclosure Statement.

16 The report values the Nampa Blvd Hotel at \$1,040,000 on the sales comparison approach.
17 The report also values the Nampa Blvd Hotel at \$1,150,000 under the income capitalization
18 approach. The report's conclusion as to value is \$1,150,000 with an exposure time and marketing
19 period of 12 months.

20 Regarding monthly cash flow, hotels are very seasonal income-producing properties
21 generating various degrees of revenue and profitability through a twelve-month calendar year.
22 Consequently, some months will have negative cash flow, some months break even, and some
23 months have positive cash flow. Accordingly, hotels must be evaluated on a twelve-month
24 calendar year, January through December. Exhibit "C" shows the monthly cash flow projections
25 for the life of the Plan with monthly ending cash at the bottom of the page and total income cash
26 accumulated each month and year, which is the pure cash flow valuation. In addition, the
27 income-capitalization approach is discussed in great detail in Exhibit "E-1" and described here, in
28

1 Section XIV.A, above, for Shilo Nampa Blvd.

2 **B. Chapter 7 Analysis**

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

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

23 Second, in a chapter 7 case, a trustee is appointed and is entitled to compensation from the
24 bankruptcy estate in an amount no more than 25% of the first \$5,000 of all moneys disbursed, 10%
25 on any amounts over \$5,000 and up to \$50,000, 5% on all amounts over \$50,000 and up to
26 \$1,000,000, and such reasonable compensation no more than 3% of moneys over \$1,000,000.
27 Therefore, the distribution to creditors will be diluted further by the trustee's compensation.

1 Third, the current economic market would further depress the value of the Hotel in a
2 liquidation. Liquidating the Debtor's assets would trend the business elsewhere for many years to
3 come until a new "brand" can establish itself in the local communities.

4 If a Chapter 7 liquidation was initiated, it would put the Nampa Blvd Hotel squarely in the
5 public eye of the community and significantly reduce the value of the assets because of the
6 distressed sale and stigma of a chapter 7 liquidation. In addition, the value of the Nampa Blvd
7 Hotel would be greatly diminished by essentially dumping the Nampa Blvd Hotel on an open
8 market wherein there is a close-knit, distressed-asset buying community. Shilo Nampa Blvd has
9 maintained the Nampa Blvd Hotel's business operations and value during the bankruptcy case by
10 demonstrating to hotel guests that the Hotel is operating as usual in the high Shilo standard to
11 which guests are accustomed. The adverse publicity surrounding a liquidation scenario would be
12 highly detrimental to the Nampa Blvd Hotel's reputation in the community, its business activities,
13 and subsequent value in a liquidation. Shilo has proven to be a very efficient and cost-conscious
14 company in how it operates the Hotel through its affiliate management company, SMC. In a
15 liquidation, the reservation service and related amenities provided by the Shilo franchise and SMC
16 terminate. Even a short term disruption in the reservation process would have a dramatic impact
17 on the Nampa Blvd Hotel and its business. Existing reservations would likely be lost, and new
18 reservations would not be able to be made. The adverse public relations associated with such
19 disruption would be drastic. Shilho Nampa Blvd believes that such disruption would result in an
20 additional discount of at least 15% to the value of the Nampa Blvd Hotel in a liquidation.

21 Shilo has been an institution in the Idaho market for over twenty years. Shilo has invested
22 heavily into the local communities and maintained a superb reputation with customers, vendors
23 and governmental officials. SFI, as the franchisor, has significant value. In the event of a
24 liquidation, the Shilo flag would be pulled from the Hotel pursuant to the terms of the franchise
25 agreement and would result in an additional approximate 20% diminution in value to the Nampa
26 Blvd Hotel. Shilo Nampa Blvd believes that the foregoing factors would result in not less than a
27 35% reduction in value of the Nampa Blvd Hotel in the event of a liquidation.

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

The following analysis uses \$1,150,000 for the chapter 11 value because that is the value that the court-appointed neutral appraiser used for the going concern market value as is. The following analysis starts with \$1,150,000 for the chapter 7 liquidation analysis. Although the Debtors believe that a 35% discount is appropriate for a chapter 7 liquidation for the reasons discussed above (particularly because the valuation report is based on a 12-month marketing and exposure period, and the chapter 7 liquidation sale would happen much more quickly), here, the applied discount is only 10%. A cost of sale at 8% is applied. The chapter 7 liquidation also turns over the cash collateral as of the Plan Effective Date (shown as beginning cash on Exhibit “C” to the Disclosure Statement) as payment to CBT. (The “CBT combined” analysis referenced in the table immediately below appears on pages 54-55 below in the Disclosure Statement.

<u>Nampa Blvd Hotel</u>	<u>Chapter 7</u>	<u>Chapter 11</u>
<u>Value of Hotel (See Exhibit “E-1”)</u>	<u>\$1,035,000</u>	<u>\$1,150,000</u>
<u>Cash Collateral on Effective Date</u>	<u>\$22,315</u>	<u>N/A</u>
<u>Cost of Sale at 8%</u>	<u>\$82,800</u>	<u>\$0</u>
<u>Class 1.1 (Tax)</u>	<u>\$15,461</u>	<u>\$15,577</u>
<u>Class 2 (CBT secured claim)</u>	<u>\$959,054</u>	<u>See CBT combined</u>
<u>Class 2 Balloon Payment (CBT)</u>	<u>\$0</u>	<u>See CBT combined</u>
<u>Class 3 (CBT unsecured claim)</u>	<u>\$0</u>	<u>See CBT combined</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>\$0</u>
<u>Class 4 (CBT unsecured claim)</u>	<u>\$0</u>	<u>See CBT combined</u>
<u>Class 5.1 (general unsecured claims)</u>	<u>\$0</u>	<u>\$24,348</u>
<u>Class 6.1 (insider unsecured claims)</u>	<u>\$0</u>	<u>\$0</u>
<u>Equity</u>	<u>\$0</u>	<u>Cancelled</u>
<u>CBT total without balloon payment</u>	<u>\$959,054</u>	<u>See CBT combined</u>
<u>CBT total with balloon payment</u>	<u>\$959,054</u>	<u>See CBT combined</u>

The Class 1.1 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 slightly more than \$100.

1 Classes 2, 3, and 4 are addressed further below in the combined analysis regarding CBT's
2 cross-collateralized and cross-defaulted claims.

3 The Class 5.1 general unsecured creditors will receive \$0 – nothing – in a liquidation, but
4 they will receive \$24,348, payment in full, under the chapter 11 plan. Thus, they will do better
5 under the Plan than under a hypothetical liquidation.

6 The Class 6.1 insider unsecured creditors will receive \$0 in a liquidation, but they will
7 receive anywhere from \$0 up to \$162,083 under the chapter 11 plan, if the claims in Classes 3, 4,
8 and 5.1 are paid in full. Thus, they will do no worse in a hypothetical liquidation than under the
9 Plan, and they will fare better under the Plan if Classes 3, 4, and 5.1 are paid in full.

10 **Shilo Newberg**

11 **A. Valuation**

12 The below comparison of a Chapter 11 Plan versus Chapter 7 liquidation uses the valuation
13 contained in the appraisal report prepared by Kidder Mathews. The report is attached as Exhibit
14 “E-2” to the Disclosure Statement. The report was prepared on June 20, 2013, and the Debtor and
15 CBT stipulated to use this report to set the valuation for purposes of the Disclosure Statement and
16 Plan. The individual and Kidder Mathews who prepared the report is John D. Gordon, MAI,
17 Certified General Real Estate Appraiser. Mr. Gordon has over 20 years of experience in the
18 analysis and appraisal of complex income property. Prior to joining Kidder Mathews' Valuation
19 Advisory Services, Mr. Gordon was Special Properties Manager in the Commercial Appraisal
20 Department of Washington Mutual Bank (now JP Morgan Chase), where he oversaw the valuation
21 of the national portfolio of hotels, senior living facilities, and other special purpose entities. Mr.
22 Gordon is a certified commercial real estate appraiser in Washington, Oregon, and Idaho. Mr.
23 Gordon's full qualifications are set forth in Addendum “A4” to the report.

24 Appraisers usually consider three approaches to estimate the market value of real property:
25 the cost approach, sales comparison approach, and income capitalization approach. The report
26 does not include a cost approach. The report uses a sales comparison approach and an income
27 capitalization approach. The two primary methods of the income capitalization approach are
28

1 direct capitalization and yield capitalization (also known as discounted cash flow). A complete
2 discussion of the valuation can be found starting on page 61 of the report attached as Exhibit “E-2”
3 to the Disclosure Statement.

4 The report values the Newberg Hotel under the sales comparison approach at \$2,620,000.
5 The report also values the Newberg Hotel at \$2,405,000 under the income capitalization approach.
6 The report concludes that the current market value of the Newberg Hotel is \$2,450,000. See
7 Exhibit “E-2” at p.4. The report assumes exposure time and marketing period of 12 months. See
8 Exhibit “E-2” at p.59.

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

18 **B. Chapter 7 Analysis**

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

24 A creditor would recover from the assets of the bankruptcy estate less under Chapter 7 than
25 under Chapter 11 for at least three reasons. First, the recovery by unsecured creditors in a
26 liquidation would be less than the recovery proposed under the Plan because the trustee would in
27 all probability be unable to realize the full value of all of the Debtor’s assets. Upon liquidation, a
28

1 trustee would face the difficulties of processing, marketing and obtaining value for the Debtor's
2 assets on a distressed sale basis. Thus, in a liquidation, the value of the Debtor's assets would, in
3 all likelihood, decrease considerably from the current market values. The value would further be
4 decreased based on the fact that, in a liquidation, the Debtor would lose its "Shilo Inn" flag and any
5 liquidation sale would therefore include a no-name hotel. The "Shilo Inn" is a highly respected
6 and valuable asset, particularly in the Pacific Northwest and inland neighboring states, which
7 would be lost based on the provisions of the franchise agreement with SFI. Additionally, the cost
8 for a buyer to "re-flag" a no-name hotel is extraordinarily high and will result in a decrease of the
9 hotel purchase price because the buyer must devote and commit funds elsewhere to bring the
10 no-name hotel into line with the prospective flag's standards for a property improvement plan
11 (PIP).

12 Second, in a chapter 7 case, a trustee is appointed and is entitled to compensation from the
13 bankruptcy estate in an amount no more than 25% of the first \$5,000 of all moneys disbursed, 10%
14 on any amounts over \$5,000 and up to \$50,000, 5% on all amounts over \$50,000 and up to
15 \$1,000,000, and such reasonable compensation no more than 3% of moneys over \$1,000,000.
16 Therefore, the distribution to creditors will be diluted further by the trustee's compensation.

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

20 If a Chapter 7 liquidation was initiated, it would put the Newberg Hotel squarely in the
21 public eye of the community and significantly reduce the value of the assets because of the
22 distressed sale and stigma of a chapter 7 liquidation. In addition, the value of the Newberg Hotel
23 would be greatly diminished by essentially dumping the Newberg Hotel on an open market
24 wherein there is a close-knit, distressed-asset buying community. Shilo Newberg has maintained
25 the Newberg Hotel's business operations and value during the bankruptcy case by demonstrating
26 to hotel guests that the Hotel is operating as usual in the high Shilo standard to which guests are
27 accustomed. The adverse publicity surrounding a liquidation scenario would be highly
28

1 detrimental to the Newberg Hotel's reputation in the community, its business activities, and
2 subsequent value in a liquidation. Shilo has proven to be a very efficient and cost-conscious
3 company in how it operates the Hotel through its affiliate management company, SMC. In a
4 liquidation, the reservation service and related amenities provided by the Shilo franchise and SMC
5 terminate. Even a short term disruption in the reservation process would have a dramatic impact
6 on the Newberg Hotel and its business. Existing reservations would likely be lost, and new
7 reservations would not be able to be made. The adverse public relations associated with such
8 disruption would be drastic. Shilho Newberg believes that such disruption would result in an
9 additional discount of at least 15% to the value of the Newberg Hotel in a liquidation.

10 Shilo has been an institution in the Washington market for over twenty years. Shilo has
11 invested heavily into the local communities and maintained a superb reputation with customers,
12 vendors and governmental officials. SFI, as the franchisor, has significant value. In the event of a
13 liquidation, the Shilo flag would be pulled from the Hotel pursuant to the terms of the franchise
14 agreement and would result in an additional approximate 20% diminution in value to the Newberg
15 Hotel. Shilo Newberg believes that the foregoing factors would result in not less than a 35%
16 reduction in value of the Newberg Hotel in the event of a liquidation.

17 **C. The Comparison of Chapter 7 Liquidation to Chapter 11 Plan**

18 The following analysis uses \$2,450,000 for the chapter 11 value because that is the value
19 that the court-appointed neutral appraiser used for the going concern market value as is. The
20 following analysis starts with \$2,450,000 for the chapter 7 liquidation analysis. Although the
21 Debtors believe that a 35% discount is appropriate for a chapter 7 liquidation for the reasons
22 discussed above (particularly because the valuation report is based on a 12-month marketing and
23 exposure period, and the chapter 7 liquidation sale would happen much more quickly), here, the
24 applied discount is only 10%. A cost of sale at 8% is applied. The chapter 7 liquidation also turns
25 over the cash collateral as of the Plan Effective Date (shown as beginning cash on Exhibit "C" to
26 the Disclosure Statement) as payment to CBT.

1	<u>Newberg Hotel</u>	<u>Chapter 7</u>	<u>Chapter 11</u>
2	<u>Value of Hotel (See Exhibit "E-2")</u>	<u>\$2,205,000</u>	<u>\$2,450,000</u>
3	<u>Cash Collateral on Effective Date</u>	<u>\$213,566</u>	<u>N/A</u>
4	<u>Cost of Sale at 8%</u>	<u>\$176,400</u>	<u>\$0</u>
5	<u>Class 1.2 (Tax)</u>	<u>\$8,207</u>	<u>\$8,269</u>
6	<u>Class 2 (CBT secured claim)</u>	<u>\$2,233,959</u>	<u>See CBT combined</u>
7	<u>Class 2 Balloon Payment (CBT)</u>	<u>\$0</u>	<u>See CBT combined</u>
8	<u>Class 3 (CBT unsecured claim)</u>	<u>\$0</u>	<u>See CBT combined</u>
9	<u>Ch.7 Trustee Admin Costs and Fees</u>	<u>\$0</u>	<u>N/A</u>
10	<u>Ch. 11 Admin Expenses</u>	<u>\$0</u>	<u>\$33,300</u>
11	<u>Class 4 (CBT unsecured claim)</u>	<u>\$0</u>	<u>See CBT combined</u>
12	<u>Class 5.2 (general unsecured claims)</u>	<u>\$0</u>	<u>\$20,867</u>
13	<u>Class 6.2 (insider unsecured claims)</u>	<u>\$0</u>	<u>\$0</u>
14	<u>Equity</u>	<u>\$0</u>	<u>Cancelled</u>
15	<u>CBT total without balloon payment</u>	<u>\$2,233,959</u>	<u>See CBT combined</u>
16	<u>CBT total with balloon payment</u>	<u>\$2,233,959</u>	<u>See CBT combined</u>

12
13 The Class 1.2 secured real property tax claim would do just as well in a hypothetical
14 chapter 7 liquidation as in the chapter 11 plan, the only difference in its recovery being on account
15 of post-confirmation interest totaling less than \$100.

16 Classes 2, 3, and 4 are addressed further below in the combined analysis regarding CBT's
17 cross-collateralized and cross-defaulted claims.

18 The Class 5.2 general unsecured creditors will receive \$0 – nothing – in a liquidation, but
19 they will receive \$20,867, payment in full, under the chapter 11 plan. Thus, they will do better
20 under the Plan than under a hypothetical liquidation.

21 The Class 6.2 insider unsecured creditors will receive \$0 – nothing – in a liquidation, but
22 they may receive anywhere from \$0 up to \$19,381 under the Plan if the claims in Classes 3, 4, and
23 5.2 are paid in full. Thus, they will do no worse in a hypothetical liquidation than under the Plan,
24 and they will fare better under the Plan if Classes 3, 4, and 5.2 are paid in full.

25 **Combined Comparison Analysis for CBT Claims**

26 The following table shows the combined liquidation analysis for both Debtors, which is
27 relevant for the treatment of CBT's cross-collateralized and cross-defaulted claims. The
28

1 comparison of a hypothetical chapter 7 liquidation versus the chapter 11 Plan for the non-CBT
 2 classes is addressed separately above. The combined analysis below for non-CBT claims (Classes
 3 1, 5, 6, administrative creditors, chapter 7 trustee, and equity) is for information only and does not
 4 control; the below analysis does not indicate substantial consolidation of claims, only that CBT's
 5 claims in Classes 2, 3, and 4 have been cross-collateralized and cross-defaulted for many years
 6 before the Petition Date and, thus, must be addressed in a combined fashion as set forth below.

<u>Combined Nampa & Newberg</u>	<u>Chapter 7</u>	<u>Chapter 11</u>
<u>Value of Hotel (See Exhibits "E")</u>	<u>\$3,240,000</u>	<u>\$3,600,000</u>
<u>Cash Collateral on Effective Date</u>	<u>\$235,881</u>	<u>N/A</u>
<u>Cost of Sale at 8%</u>	<u>\$259,200</u>	<u>\$0</u>
<u>Class 1 (Tax)</u>	<u>\$23,668</u>	<u>\$23,846</u>
<u>Class 2 (CBT secured claim)</u>	<u>\$3,193,013</u>	<u>\$1,540,152</u>
<u>Class 2 Balloon Payment (CBT)</u>	<u>\$0</u>	<u>\$3,159,738</u>
<u>Class 3 (CBT unsecured claim)</u>	<u>\$0</u>	<u>\$120,000</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>\$33,300</u>
<u>Class 4 (CBT unsecured claim)</u>	<u>\$0</u>	<u>\$120,000</u>
<u>Class 5 (general unsecured claims)</u>	<u>\$0</u>	<u>\$45,215</u>
<u>Class 6 (insider unsecured claims)</u>	<u>\$0</u>	<u>\$0</u>
<u>Equity</u>	<u>\$0</u>	<u>Cancelled</u>
<u>CBT total without balloon payment</u>	<u>\$3,193,013</u>	<u>\$1,780,152</u>
<u>CBT total with balloon payment</u>	<u>\$3,193,013</u>	<u>\$4,939,890</u>

19
 20 The Class 2 secured claim of CBT would immediately receive more in a hypothetical
 21 chapter 7 liquidation than in the chapter 11 Plan, but CBT would receive nothing on account of its
 22 Class 3 and 4 claims. By comparison, in the chapter 11 plan CBT will receive \$1,780,152 on
 23 account of its Class 2, 3, and 4 claims, and it will receive balloon payments totaling \$3,159,738 for
 24 total payments of \$4,939,890. Shilo Management Corporation and Mark Hemstreet have proven
 25 an ability to sell hotel properties for much larger percentages above MAI and bank appraised
 26 values. See Exhibit "G". Greater value and monetary return will be preserved for future sale under
 27 the chapter 11 Plan than under the distressed sale in liquidation. If the Debtors are unable to make

1 a balloon payment by sale or refinancing of the Hotels, then CBT will receive a deed in lieu of
2 foreclosure and the value of the properties, which are valued at an amount greater than the balloon
3 payment that would be derived from a future sale or refinance of the properties. Thus, in the
4 chapter 11 plan, CBT receives more than it would in a hypothetical chapter 7 liquidation.

5
6 **XV. FUTURE DEBTORS**

7 a. Management of ~~Debtor~~Debtors

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

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

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

7
8 iv. **Affiliation of persons to Debtors**: Mark S. Hemstreet is the sole member of
9 the Shilo Newberg. Mark S. Hemstreet and Shannon M. Hemstreet are the members of ~~the~~
10 ~~Debtors.~~Shilo Nampa Blvd. Shannon M. Hemstreet is the wife of Mark S. Hemstreet. SMC is the
11 management company of the ~~Debtors~~Debtor. SMC also manages all other "Shilo Inn" hotels. Mr.
12 Hemstreet is the Trustee of the Mark S. Hemstreet Family Trust, which is the sole shareholder of
13 SMC. Mr. Hemstreet is the sole member of SFI, which franchises the Shilo brand to the Debtor.

14 v. **Job description**: SMC will continue to oversee the general operations of the
15 Debtors' ~~businesses~~business on a day-to-day basis and take all steps and actions necessary to
16 ensure and maintain the smooth and successful operation of the business. SFI will continue to
17 franchise the Shilo brand to the Debtors, allowing them to operate as Shilo Inns.

18 b. Disbursing Agent

19 SMC, as the management of the Reorganized Debtors, is responsible for collecting money
20 intended for distribution to claimants and transmitting it to them. The disbursing agent's address
21 and telephone number are: Shilo Management Corporation, 11600 SW Shilo Lane, Portland, OR
22 97225-5995, Tel: (503) 641-6565.

23 i. **Proposed compensation to person listed above**: With the exception of its
24 4% management fee and reimbursable costs in connection with operations, SMC shall serve as the
25 disbursing agent under the Plan without compensation or bond.

26 ii. **Qualifications**: Given that the primary source of the payments required to
27 be made under ~~this Plan~~these Plans is the Debtors' cash on hand as of the Effective Date and the
28

1 Debtors' post-confirmation income, the Debtors believe that SMC, as ~~management~~manager of the
2 Debtors, is ~~the~~ best qualified to serve as the disbursing agent. ~~James~~-Earl J. Duckworth, the CFO
3 of SMC, will oversee, supervise and ensure that SMC competently performs the tasks of a
4 disbursing agent. SMC, the Reorganized Debtors, and Mr. Duckworth are familiar with the claims
5 in ~~these cases~~this case and the terms of the ~~Plan~~Plans; thus, they are qualified to implement the
6 ~~Plan's~~Plans' provisions and make the necessary disbursements.

7 iii. **Affiliation of person to Debtors:** SMC manages all of the Debtors'
8 operations and financial matters. Mr. Duckworth is the CFO of SMC and intimately familiar with
9 the Debtors' operations and the provisions of the ~~Plan~~Plans. Mark S. Hemstreet, Trustee of the
10 Mark S. Hemstreet Family Trust, is the sole shareholder of SMC. Mark S. Hemstreet is the sole
11 member of the Shilo Newberg. Mark S. Hemstreet and Shannon M. Hemstreet are the members of
12 Shilo Nampa Blvd. Shannon M. Hemstreet is the wife of Mark S. Hemstreet.

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

17 c. **The Debtors' Charters**

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

22 d. **Future Financial Outlook**

23 The Proponents believe that the Debtors' economic health will improve from their
24 pre-bankruptcy state. Some of the reasons for the improvement, as discussed above, are as
25 follows:

26 ~~Section X~~Exhibits "C" provides a summary of the projected cash flow of the Debtors for
27 the duration of the Plan. The assumptions that underlie the projections are set forth in ~~Exhibit "C"~~

28

1 ~~attached hereto~~ this subsection of the Disclosure Statement. As previously stated, Plan payments
2 will primarily come from the continued operation of the Debtors' businesses.

3 The underlying assumptions for revenue forecasts in the budgets are based on general
4 macro-economic influences; local competitive market factors--such as recurring tour and group
5 bookings, annual special events and other demand generators; and the overall hotel outlook as
6 projected by knowledgeable and established industry resources. According to PKF Hospitality
7 Research LLC ("PKF"), a highly-respected industry pundit, recent occupancy levels are forecasted
8 to continue increasing in 2015, a limited supply-growth persists, and annual profit increases
9 greater than 10% are expected to continue through at least 2015 (from: PKF Hospitality Research,
10 LLC – Hotel Horizons® Preliminary Update May 6, 2014, STR, Inc.). A copy of the PKF Report
11 is attached as **Exhibit "H"** to the Disclosure Statement. In the Debtors' local competitive markets,
12 the June 30, 2014 Monthly STAR Reports show, *at existing demand levels*, Debtor Shilo Inn,
13 Nampa, LLC could increase occupancy approximately 8,600 sold room-nights and the Average
14 Daily Rate (ADR) approximately \$1.70 per room night sold, which if achieved, combined would
15 result in a total revenue increase of nearly 116% in the 12-month period ending June 30, 2014. A
16 copy of the STAR Reports are attached as **Exhibits "I-1"** and **"I-2"** to the Disclosure Statement.
17 Likewise, Debtor Shilo Inn, Newberg, LLC could increase occupancy approximately 2,800 sold
18 room-nights and the Average Daily Rate (ADR) approximately \$12.50 per room night sold, which
19 if achieved, combined would result in a total revenue increase of over 48% in the 12-month period
20 ending June 30, 2014. Given the forecasts promulgated by PKF, the Debtor believes the modest
21 increases shown in the Confirmation Plan Budget are not only conservative, but they are also
22 realistically achievable. The Debtor further believes the negative image associated with these
23 bankruptcy proceedings has contributed to its inability to achieve a "fair share" of the local market
24 demand and its ability to seek alternative financing to pay off the secured creditor.
25 Post-bankruptcy marketing efforts are designed to quickly re-establish faith in the strength of the
26 Debtor's business and the overall image of the Shilo brand, which will enable the Debtor to
27 achieve, and potentially exceed, the budgets as presented.
28

1 The Debtors used a complex and sophisticated model to prepare its plan projections,
2 including conservative revenue and expense factors. The Debtors generally assumed a 3%-5%
3 increase in occupancy for 2014, which results in higher occupancy than that for 2012 and 2013
4 year-to-date, but which is still lower than the peak occupancies achieved in prior years and
5 indicates yet more room for improvement as the Debtors increase performance by focusing on
6 improving operations and serving guest versus litigation. Year-to-date as of June 30, 2014, the
7 Debtors' collective occupancy is up 0.8%, Average Daily Rate ("ADR") is up 2.8%, and total
8 room revenues are up 5%. The Debtors increased their ADR in the projections approximately
9 3.4% by year-end for 2014 over the 2013 yearend actual ADRs achieved, and this increase is
10 supported by figures for 2014, which have been rising in recent months. For 2015, the Debtors
11 expect considerable revenue improvements as the litigation related to these cases winds down and
12 the Debtors can focus all efforts on sales and marketing activities resulting in combined revenue
13 increases of 13.5%. Revenue is increased conservatively by approximately 3.8% - 5.4% annually
14 from 2016 through 2023.

15 At the same time, expenses are increased on an average of 2-3% each year to account for
16 inflation; additional expenditures in sales, marketing & property improvements; increases in the
17 cost of living; and competitive wages. The underlying assumptions for budgeted expenses are
18 based on the actual historical experience of the Debtor for each line item, with increases or
19 decreases based on changes in occupancy, plans for specific expenditures, and an expected general
20 increase in vendor prices at levels slightly higher than recent inflationary rates. The Debtor
21 assumed expense increases ranging from approximately 2 to 6%; whereas the average inflationary
22 rate in the United States was 1.5% in 2013 (Crawford and Church. "Table A. Percent changes in
23 CPI for All Urban Consumers (CPI-U): U.S. city average" *CPI Detailed Report Data for*
24 *December 2013* on the United States Department of Labor, Bureau of Labor Statistics website
25 (bls.gov/cpi/tables.htm) at p.3). A copy of the CPI Table is attached as **Exhibit "J"** to the
26 Disclosure Statement. Furthermore, the Debtor's primary expenses, excluding labor and energy,
27 are commodities easily sourced from either local or national vendors; therefore, the Debtor is not
28

1 dependent on a single vendor or limited sources holding a disproportionate pricing power over the
2 Debtor, which helps prevent unexpected changes in the expense side of the budgets.

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

9 In addition to the Debtors preparing a feasibility analysis, which is attached as Exhibit "C"
10 to the Plan, a separate and alternative feasibility analysis was performed utilizing the financial data
11 that was included in the appraisals of the two properties as performed by (i) the independent
12 appraiser, Integra Realty Resources, for the Nampa Blvd Hotel and (ii) CBT's appraiser, Kidder
13 Mathews, for the Newberg Hotel. The alternate feasibility analysis is attached as Exhibit "K" to
14 the Disclosure Statement and explained immediately below.

15 According to the Integra appraisal for Shilo Nampa Blvd, Net Operating Income (which is
16 net of all operating expenses and Reserves for Replacements before debt service) was forecasted to
17 be \$115,487 for 2014, which the Debtors believe to be conservative. See Exhibit "E-1" at p.79.
18 For purposes of this alternative feasibility analysis, the Net Operating Income was assumed to
19 increase by only 3% per year for 2015 and 2016 which the Debtors believe to be conservative. Per
20 the June 2014 STAR report for Shilo Nampa Blvd, RevPAR for the trailing 12 months increased
21 9.5% over the prior year, and their competitive set has increased 9.3% as well.

22 As part of the Kidder Mathews appraisal for the Newberg Hotel, a set of financial
23 projections were created for the 11-year period of 2014 through 2024. See Exhibit "E-2" at p.88.
24 For purposes of this alternative feasibility analysis, the Net Operating Income for Shilo Newberg
25 (which is net of all operating expenses and Reserves for Replacements before debt service) as
26 prepared by Kidder Mathews was utilized.

27 Payments to creditors as proposed in the Debtors' Plan for administrative as well as for
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1 Classes 1 through 5 were then deducted from the Net Operating Income. As part of the Plan, the
2 Debtors' principal will contribute \$50,000 of new value per Debtor, or \$100,000. In addition, it
3 was assumed that the Debtors would have in excess of \$160,000 of cash on hand as of the Effective
4 Date. Per the Debtors' June 2014 Monthly Operating Reports, they already have approximately
5 \$160,000 in cash. Utilizing the above assumptions, which the Debtors believe to be conservative,
6 the Debtors will have sufficient funds to make all of the proposed Plan payments.

7 At the end of year two, Shilo Nampa Blvd intends to sell its property and use the proceeds
8 to pay down the Class 2 secured claim. If the Nampa Blvd Hotel is assumed to have a current
9 value of \$1,150,000 per the Integra appraisal and does not appreciate at all over 2 years (which is a
10 conservative assumption), the sales proceeds would then be used to reduce the Class 2 secured
11 claim. At the end of year 10, Shilo Newberg intends to either sell or refinance the property and use
12 the proceeds to make the balloon payment on the Class 2 claim. If the Newberg Hotel is assumed
13 to have a current value of \$2,450,000 per the Kidder Mathews appraisal, and it appreciates only
14 3% per year (which is meant to be an approximation for inflation), the property would have a value
15 of approximately \$3,305,916 by the end of year 10. The principal balance of the Class 2 claim
16 would be \$2,166,318 which would result in a loan to value ratio of 65.5%, and, thus, there would
17 be more than sufficient equity in the property upon a sale or refinance to pay the Class 2 claim. In
18 addition, according to the above assumptions, the Debtors are forecasting to have over \$1.2 million
19 of cash.

20 The Reorganized Debtors may pursue the sale of their assets to the extent necessary for the
21 Reorganized ~~Debtor~~Debtors to meet its payment obligations under the Plan.

22 e. Avoidance Actions

23 Attached as Exhibit "L-1" is a list of the transfers made by Shilo Nampa Blvd to
24 non-insiders in the 90 days prior to the Petition Date and transfers made by Shilo Nampa Blvd to
25 insiders in the one-year period prior to the Petition Date. Shilo Nampa Blvd is not aware of any
26 information that suggests that the payments to non-insiders would be clearly avoidable as
27 preference payments. Shilo Nampa Blvd believes that all such payments would be subject to some
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1 form of ordinary course, contemporaneous exchange, or new value defense. There were no
2 irregular payments to these non-insider creditors and vendors in the 90 days before the Petition
3 Date.

4 Shilo Nampa Blvd is not aware of any information that suggests the payments to insiders in
5 the one-year period prior to the Petition Date would be clearly avoidable as preference payments.
6 Shilo Nampa Blvd believes that all such payments would be subject to some form of ordinary
7 course, contemporaneous exchange, or new value defense. Payments to Shilo Franchise
8 International LLC on the “Schedule 3b” and Schedule 3c” portions of **Exhibit “L-1”** were for
9 franchise fees in the ordinary course of business. Shilo Nampa Blvd’s business is a seasonal
10 business and the amounts of payment, method of payment, and timing of payment are in the
11 ordinary course and are consistent with Shilo Nampa Blvd’s payment history and business practice
12 with SFI for past years. Payments to Shilo Management Corp. on the “Schedule 3b” and Schedule
13 3c” portions of **Exhibit “L-1”** were for management fees under the management contract, payroll,
14 cross-charges, regional charges, prorated portion of insurance, and FedEx and UPS through the
15 master SMC accounts. Shilo Nampa Blvd’s business is a seasonal business and the amounts of
16 payment, method of payment, and timing of payment are in the ordinary course and are consistent
17 with Shilo Nampa Blvd’s payment history and business practice with SMC for past years.

18 Attached as **Exhibit “L-2”** is a list of the transfers made by Shilo Newberg to non-insiders
19 in the 90 days prior to the Petition Date and transfers made by Shilo Newberg to insiders in the
20 one-year period prior to the Petition Date. Shilo Newberg is not aware of any information that
21 suggests that the payments to non-insiders would be clearly avoidable as preference payments.
22 Shilo Newberg believes that all such payments would be subject to some form of ordinary course,
23 contemporaneous exchange, or new value defense. There were no irregular payments to these
24 non-insider creditors and vendors in the 90 days before the Petition Date.

25 Shilo Newberg is not aware of any information that suggests the payments to insiders in the
26 one-year period prior to the Petition Date would be clearly avoidable as preference payments.
27 Shilo Newberg believes that all such payments would be subject to some form of ordinary course,
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1 contemporaneous exchange, or new value defense. Payments to Shilo Franchise International
2 LLC on the “Schedule 3b” and Schedule 3c” portions of Exhibit “L-2” were for franchise fees in
3 the ordinary course of business. Shilo Newberg’s business is a seasonal business and the amounts
4 of payment, method of payment, and timing of payment are in the ordinary course and are
5 consistent with Shilo Newberg’s payment history and business practice with SFI for past years.
6 Payments to Shilo Management Corp. on the “Schedule 3b” and Schedule 3c” portions of Exhibit
7 “L-2” were for management fees under the management contract, payroll, cross-charges, regional
8 charges, prorated portion of insurance, and FedEx and UPS through the master SMC accounts.
9 Shilo Newberg’s business is a seasonal business and the amounts of payment, method of payment,
10 and timing of payment are in the ordinary course and are consistent with Shilo Newberg’s payment
11 history and business practice with SMC for past years.

12 The Debtors are not aware of any fraudulent conveyances which have occurred and which
13 need to be avoided with respect to insiders or non-insiders except for the lawsuit currently pending
14 against CBT.

15 On the Plan Effective Date, the rights of the estates with respect to any preferences or
16 fraudulent conveyances to insiders of the Debtors will be deemed assigned to the Reorganized
17 Debtors as the representatives of the Debtors’ estates under section 1123(b) of the Bankruptcy
18 Code. However, any professional fees and expenses incurred in the pursuit of avoidance causes of
19 action may be paid solely from the recovery from the pursuit of such avoidance causes of action.
20 All claims, causes of action and avoidance actions of the Debtors and their estates with regard to
21 insider transactions are preserved by the Plan, and the Reorganized Debtors shall have full power
22 and authority to settle, adjust, retain, enforce or abandon any claim, cause of action or avoidance
23 actions as the representative of the Debtors’ estates under section 1123(b) of the Bankruptcy Code
24 or otherwise, regardless of whether such claims, causes of action or avoidance actions were
25 commenced prior or subsequent to the Plan Effective Date.

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

The Plan provides for the following:

The Plan does not provide for the sale or transfer of any property of Shilo Newberg. The Plan contemplates the sale of the Nampa Blvd Hotel by Shilo Nampa Blvd. ~~The Debtor~~ Shilo Nampa Blvd and SMC will use best efforts to sell and or refinance the Nampa Blvd Hotel or surrender the property to CBT with a deed in lieu of foreclosure by the end of the ~~life of the~~ first 24 months of the Plan. Shilo Newberg and SMC will use best efforts to sell and or refinance the Newberg Hotel or surrender the property to CBT with a deed in lieu of foreclosure by the end of the life of the 10-year Plan.

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

In connection with confirmation of the Plan, the Debtors ~~intends~~ intend to assume the unexpired leases and executory contracts listed on Exhibit "F" hereto. Cure amounts for each of the respective contracts and leases appear on Exhibit "F." Such assumptions include the Debtors' executory contracts with SMC for management services and with SFI for franchising services, but cure payments to SFI and SMC will be made only when cash flow permits, and such cure

1 payments are not reflected in the plan projections attached as Exhibit "C" to the Disclosure
2 Statement

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

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

11 12 **XVII. BANKRUPTCY PROCEEDINGS**

13 Following the Petition Date, the Court has authorized the employment of the following
14 professionals:

- 15 1. ~~1.~~ Levene, Neale, Bender, Yoo & Brill L.L.P. as
16 bankruptcy counsel to the Debtors (order entered on August 9,
17 2013).
18 2. [Greene & Markley, P.C. as special litigation counsel to the Debtors](#)
19 (order entered on July 23, 2014).

20 Additionally, the following orders have been entered by the Court in the lead case of Shilo
21 Inn, Twin Falls, LLC:

22	23 Filing Date	24 Docket #	25 Docket Text
26	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)
27	05/06/2013	11	ORDER Granting, without Hearing, Debtor's Motion

1 for Entry of an Order for Joint Administration of Cases
2 (BNC-PDF) Signed on 5/6/2013. (Queen, Sandra)
3 (Entered: 05/06/2013)

4 36 Order: (1) Setting Conference on Status of
5 Reorganization Case; (2) Requiring
6 Debtors-In-Possession to Appear at Status Conference
7 and File Report on Status of Reorganization Case, or
8 Face Possible (A) Conversion of Case to Chapter 7; (B)
9 Dismissal of Case; or (C) Appointment of Trustee; (3)
10 Requiring Compliance with Standards Re Employment
11 and Fee Applications; (4) Giving Notice of Probable
12 Use of Court-Appointed Expert for Contested
13 Valuation Requests; (5) Mandating Use of LBR Forms
14 By Individual Debtors; and (6) Establishing Procedures
15 for (A) Motion for Order Approving Adequacy of
16 Disclosure Statement; and (B) Motion for Order
17 Confirming Plan (Related Doc # [1](#)) Signed on
18 05/10/2013 (Le, James) (Entered: 05/10/2013)

19 42 Amended Order: (1) Setting Conference on Status of
20 Reorganization Case; (2) Requiring
21 Debtors-In-Possession to Appear at Status Conference
22 and File Report on Status of Reorganization Case, or
23 Face Possible (A) Conversion of Case to Chapter 7; (B)
24 Dismissal of Case; or (C) Appointment of Trustee; (3)
25 Requiring Compliance with Standards Re Employment
26 and Fee Applications; (4) Giving Notice of Probable
27 Use of Court-Appointed Expert for Contested
28 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
05/15/2013 (Le, James) (Entered: 05/15/2013)

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
05/16/2013. (Le, James) (Entered: 05/16/2013)

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)

52 Order (1) Granting on an Interim Basis Debtors'
Emergency Motion for Authority to (A) Pay Prepetition
Priority Wages, Commissions and Bonuses; and (B)

1		Honor Accrued Vacation and Leave Benefits in the
2		Ordinary Course of Business; and (2) Setting A Final
3		Hearing (Related Doc # 15) Signed on 5/30/2013 (Le, James) (Entered: 05/30/2013)
4	53	Order Granting Debtors' Emergency Motion for
5		Authority to Provide Adequate Assurance of Future
6	05/30/2013	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)
7	55	Order (1) Granting on an Interim Basis Debtors'
8		Emergency Motion Authorizing Debtors to use Cash
9	05/30/2013	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)
10	66	Order Approving Stipulation Between Debtors and the
11		United States Trustee on Permanently Extending
12	06/19/2013	Deadline to File Monthly Operating Reports (Related Doc # 61) Signed on 6/19/2013 (Le, James) (Entered: 06/19/2013)
13	119	Order Approving Stipulation Authorizing Use of Cash
14		Collateral Through December 31, 2013 (Related Doc # 102) Signed on 7/29/2013 (Le, James) (Entered: 07/29/2013)
15	07/29/2013	
16	123	Order After Initial Status Conference in Chapter 11
17		Case: (1) Setting Bar Date for Filing Proofs of Claim or
18		Interest and Requiring Compliance with LBR 3001-1;
19	08/06/2013	(2) Setting Deadline For Holding Hearing On
20		Objections to Claims or Interests; (3) Setting Date for
21		Hearing on Motion for Order Approving Adequacy of
22		Disclosure Statement (Related Doc # 36) Signed on 8/6/2013 (Le, James) (Entered: 08/06/2013)
23	127	Order Granting Application of Debtors and Debtors in
24		Possession to Employ Levene, Neale, Bender Yoo &
25	08/09/2013	Brill LLP as General Bankruptcy Counsel (BNC-PDF) (Related Doc # 67) Signed on 8/9/2013. (Le, James) (Entered: 08/09/2013)
26	149	Order Granting Motion to Extend Time to Assume or
27		Reject Non-Residential Real Property Leases
28	08/30/2013	(BNC-PDF) (Related Doc # 124) Signed on 8/30/2013 (Le, James) (Entered: 08/30/2013)
	175	Order Approving Stipulation Between Debtors and
	10/15/2013	California Bank & Trust to Continue Hearings and
		Deadlines on: (1) Debtors' Disclosure Statement and

1			(2) California Bank & Trust's Motion for Relief from
2			Stay (Related Doc # 173) Signed on 10/15/2013 (Le,
3			James) (Entered: 10/15/2013)
4		187	Order Approving Stipulation Between Debtors and
5			California Bank & Trust to Continue Hearings and
6	11/05/2013		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)
7		207	Order Granting Debtor's Omnibus Motion For
8	11/27/2013		Authority To Assume Non-Residential Real Property
9			Leases (BNC-PDF) (Related Doc # 189) Signed on
			11/27/2013 (Le, James) (Entered: 11/27/2013)
10		216	Order Approving Stipulation Between Debtors And
11			California Bank & Trust To Continue Hearings And
12	12/05/2013		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)
13		217	Order Approving Stipulation Between Debtors and
14			California Bank & Trust To Continue and Toll
15			Deadline For Hearing On Claim Objections with
16	12/05/2013		Respect To California Bank & Trust's Claims (Related
			Doc # 214) Signed on 12/5/2013 (Le, James) (Entered:
			12/05/2013)
17		224	Order Granting First Interim Application Of Levene,
18			Neale, Bender, Yoo & Brill L.L.P. For Approval Of
19	12/16/2013		Fees And Reimbursement Of Expenses (BNC-PDF)
20			(Related Doc 193) for Levene, Neale, Bender Yoo &
			Brill LLP, fees awarded: \$172941.00 Signed on
			12/16/2013. (Le, James) (Entered: 12/16/2013)
21		226	Order Granting Amended Motion And Motion For
22	12/19/2013		Entry Of An Order Authorizing Debtors To Use Cash
23			Collateral On A Final Basis (BNC-PDF) (Related Doc
			# 205) Signed on 12/19/2013 (Le, James) (Entered:
			12/19/2013)
24		230	Order Approving Stipulation Between Debtors and
25			California Bank & Trust to Continue Hearings and
26	01/09/2014		Deadlines on: (1) Debtors' Disclosure Statement and
			(2) California Bank & Trust's Motion For Relief From
			Stay (Related Doc # 228) Signed on 1/9/2014 (Le,
			James) (Entered: 01/09/2014)
27	02/25/2014	250	Order Approving Stipulation To Appoint Neutral
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1			Appraiser (Related Doc # 248) Signed on 2/25/2014 (Le, James) (Entered: 02/25/2014)
2			
3		320	Order Denying Motion to Approve Debtor's Disclosure Statement Describing Joint Chapter 11 Plan (Related Doc # 159) Signed on 5/20/2014 (Carranza, Shemainee) (Entered: 05/20/2014)
4	5/20/2014		
5			
6		321	Order Granting Motion for relief from the automatic stay REAL PROPERTY (BNC-PDF) (Related Doc # 267) Signed on 5/21/2014 (Walter, Earnestine) (Entered: 05/21/2014)
7	05/21/2014		
8			
9		322	Order Granting Motion for relief from the automatic stay REAL PROPERTY (BNC-PDF) (Related Doc # 161) Signed on 5/21/2014 (Walter, Earnestine) (Entered: 05/21/2014)
10	05/21/2014		
11			
12		323	Order Granting Motion for relief from the automatic stay REAL PROPERTY (BNC-PDF) (Related Doc # 163) Signed on 5/21/2014 (Walter, Earnestine) (Entered: 05/21/2014)
13	05/21/2014		
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15		324	Order Granting Motion for relief from the automatic stay REAL PROPERTY (BNC-PDF) (Related Doc # 269) Signed on 5/21/2014 (Walter, Earnestine) (Entered: 05/21/2014)
16	05/21/2014		
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18		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)
19	05/21/2014		
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21		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)
22	05/21/2014		
23			
24		368	Order Authorizing Continued Use Cash Collateral (BNC-PDF) (Related Doc # 338) Signed on 7/9/2014 (Walter, Earnestine) (Entered: 07/09/2014)
25	07/09/2014		
26	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)
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		<u>(Related Doc # 370) (Carranza, Shemainee) (Entered: 08/11/2014)</u>
<u>8/13/2014</u>	<u>405</u>	<u>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)</u>
<u>8/13/2014</u>	<u>406</u>	<u>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)</u>

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

XVIII. TAX CONSEQUENCES OF PLAN

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

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

20 **XIX. EFFECT OF CONFIRMATION OF PLAN**

21 a. General comments

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

25 The confirmation of the Plan vests all property of the estate in the Reorganized
26 Debtors.

27 The automatic stay is lifted upon confirmation as to property of the estates.
28

1 However, the stay continues to prohibit collection or enforcement of pre-petition claims against
2 the Debtors or the Debtors' property until the date the Debtors receive a discharge, if any. If the
3 Debtors do not seek a discharge, the discharge is deemed denied, and the stay as to the Debtors and
4 the Debtors' property terminates upon entry of the order confirming the Plan.

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

6 Unless the Debtors are not entitled to receive a discharge pursuant to 11 U.S.C.
7 1141(d)(3), the debtor may obtain a discharge only upon specific order of the Court. The
8 confirmation of the Plan does not discharge the Debtors from any debt of a kind specified in
9 Sections 523(a)(2)(A)-(B) of the Bankruptcy Code (West 2004 & Supp 2006) that is owed to a
10 domestic governmental unit, or owed to a person as the result of an action filed under subchapter
11 III of chapter 37 or title 31 or any similar State statute or for a tax or customs duty with respect to
12 which the debtor made a fraudulent tax return or willfully attempted in any manner to evade or to
13 defeat such tax or such customs duty.

14 c. Modification of the Plan

15 The Proponents may modify the Plan pursuant to 11 U.S.C. § 1127.

16 d. Post-Confirmation Causes of Action

17 The Reorganized Debtors are designated as a representative of the estate under 11 U.S.C. §
18 1123(b)(3) and shall have the right to assert any or all of the estates' causes of action
19 post-confirmation in accordance with applicable law.

20 e. Final Decree

21 Once the Plan has been consummated, a final decree may be entered upon motion of the
22 Proponents. The effect of the final decree is to close the bankruptcy cases. After such closure, a
23 party seeking any type of relief relating to a Plan provision can seek such relief in a state court of
24 general jurisdiction.

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

SHILO INN, NAMPA BLVD, LLC;
SHILO INN, NEWBERG, LLC

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~~/s/ Earl J. Duckworth~~

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

1 **XX. DECLARATION IN SUPPORT OF DISCLOSURE STATEMENT AND PLAN**

2 Declaration of Earl J. Duckworth

3
4 I, Earl J. Duckworth, hereby declare as follows:

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

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

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

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

25 5. I make this declaration in support of the Debtors’ Plan and Disclosure Statement to
26 which it is attached.

27 6. David B. Golubchik and J.P. Fritz of Levene, Neale, Bender, Yoo & Brill L.L.P.
28 (“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 Debtors' books and records, which are
4 maintained in the ordinary course of business of the Debtors. The Debtors' 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 Debtors' 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 */s/ Earl J. Duckworth*

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EARL J. DUCKWORTH
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Description	Plan Nampa & Newberg Plan v2_FINAL
Document 2 ID	file://\FILES\Inbr\CASES\S-U\S\SHILO INN - CBT (5448)\Pleadings\Plan & DS\Plan Nampa & Newberg 2nd Amended v1.docx
Description	Plan Nampa & Newberg 2nd Amended v1
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Statistics:	
	Count
Insertions	569
Deletions	230
Moved from	5
Moved to	5
Style change	0
Format changed	0

Total changes	809
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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 JOINT DISCLOSURE STATEMENT AND FIRST AMENDED JOINT PLAN OF REORGANIZATION FOR DEBTORS SHILO INN, NAMPA BLVD, LLC AND SHILO INN, NEWBERG, LLC, DATED JULY 2, 2014**

AGAINST:

SECOND AMENDED JOINT DISCLOSURE STATEMENT AND SECOND AMENDED JOINT PLAN OF REORGANIZATION FOR DEBTORS SHILO INN, NAMPA BLVD, LLC AND SHILO INN, NEWBERG, 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

Jason Klassi

/s/ Jason Klassi

Date

Printed Name

Signature

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

Natalie B. Dagbandan on behalf of Creditor California Bank & Trust
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John-Patrick M Fritz on behalf of Plaintiff Shilo Inn, Newberg, LLC
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