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6 Attorneys for Debtors and Debtors in Possession

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

11 In re:) Lead Case No.: 2:13-bk-21601-VZ
12 SHILO INN, TWIN FALLS, LLC,) Jointly administered with case nos.:
13 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

14 In re:) Chapter 11 Cases
15 SHILO INN, BOISE AIRPORT, LLC,) **REDLINE COMPARING:**
16 SHILO INN, NAMPA BLVD, LLC,) **FIRST AMENDED DISCLOSURE**
17 SHILO INN, NEWBERG, LLC,) **STATEMENT AND FIRST AMENDED**
18 SHILO INN, SEASIDE EAST, LLC,) **PLAN OF REORGANIZATION FOR**
SHILO INN, MOSES LAKE, INC.,) **DEBTOR SHILO INN, ROSE GARDEN,**
SHILO INN, ROSE GARDEN, LLC,) **LLC, DATED JULY 2, 2014**

19 Debtors and Debtors in Possession.) **AGAINST:**
20) **SECOND AMENDED DISCLOSURE**
21) **STATEMENT AND SECOND**
22) **AMENDED PLAN OF**
23) **REORGANIZATION FOR DEBTOR**
24) **SHILO INN, ROSE GARDEN, LLC,**
25) **DATED AUGUST 28, 2014**

26 Affects All Debtors) Disclosure Statement Hearing:
27 Affects SHILO INN, TWIN FALLS, LLC) Date: September 18, 2014
28 Affects SHILO INN, BOISE AIRPORT, LLC) Time: 1:30 p.m.
 Affects SHILO INN, NAMPA BLVD, LLC) Ctrm: 255 East Temple Street
 Affects SHILO INN, NEWBERG, LLC) Courtroom 1368
 Affects SHILO INN, SEASIDE EAST, LLC) Los Angeles, CA 90012
 Affects SHILO INN, MOSES LAKE, INC.)
 Affects SHILO INN, ROSE GARDEN, LLC)

29 Debtors and Debtors in Possession) Plan Confirmation Hearing:
30) [To Be Set]

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

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

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

24
25 Exhibit "C" is updated to show plan projections with monthly cash flow for the life of
26 the Plan, as ordered by the Court.

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

1 monthly operating report.

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

6 Dated: August 28, 2014

SHILO INN, ROSE GARDEN, LLC

7

8

By: /s/ John-Patrick M. Fritz

9

DAVID B. GOLUBCHIK

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KURT RAMLO

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& BRILL L.L.P.

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Attorneys for Debtors and

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Debtors in Possession

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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
21 SHILO INN, MOSES LAKE, INC.,) **DISCLOSURE STATEMENT AND**
22 SHILO INN, ROSE GARDEN, LLC,) **FIRSTSECOND** AMENDED PLAN OF
23 Debtors and Debtors in Possession.) **REORGANIZATION FOR DEBTOR**
24) **SHILO INN, ROSE GARDEN, LLC;**
25) **DATED ~~JULY 2,~~ SEPTEMBER 18, 2014**
26)
27 Affects All Debtors)
28) Disclosure Statement Hearing:
29) Date: ~~August 7,~~ September 18, 2014
30) Time: 1:30 p.m.
31) Ctrm: 255 East Temple Street
32) Courtroom 1368
33) Los Angeles, CA 90012
34) Plan Confirmation Hearing:
35) [To Be Set]

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I. INTRODUCTION

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

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

Any interested party desiring further information should contact:

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

II. GENERAL DISCLAIMER AND VOTING PROCEDURE

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

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

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

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

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

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

27 **III. WHO MAY OBJECT TO CONFIRMATION OF THE PLAN**
28

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

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

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

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

13 Under certain circumstances a creditor may have an allowed claim even if a proof of claim
14 was not filed and the bar date for filing a proof of claim has passed. A claim is deemed allowed if
15 the claim is listed on the Debtor's schedules and is not scheduled as disputed, contingent, or
16 unliquidated. **Exhibit "A"** contains a list of claims that are not scheduled as disputed, contingent,
17 or unliquidated. **Exhibit "A"** concerns only the debts of the Debtor, Shilo Rose Garden; it does
18 not concern the debts of the other six Debtors.
19

20 Similarly, an interest is deemed allowed if it is shown on the list of equity security holders
21 filed by the Debtor with the court and is not scheduled as disputed.
22

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

24 Impaired creditors include those whose legal, equitable, and contractual rights are altered
25 by the Plan, even if the alteration is beneficial to the creditor. A contract provision that entitles a
26 creditor to accelerated payment upon default does not, however, necessarily render the claimant
27 impaired, even if the Debtor defaulted and the Plan does not provide the creditor with accelerated
28

1 payment. The creditor is deemed unimpaired so long as the Plan cures the default, reinstates the
2 maturity of such claim as it existed before default, compensates for any damages incurred as a
3 result of reasonable reliance upon the acceleration clause, and (except for a default arising from
4 failure to operate a nonresidential lease subject to 11 U.S.C. § 365(b)(1)(A)) compensates for any
5 actual pecuniary loss incurred as a result of any failure to perform a non-monetary obligation.
6

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

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

11 To summarize, there are two prerequisites to voting: a claim or interest must be both
12 allowed and impaired under the Plan.
13

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

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

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

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

11 VI. INFORMATION REGARDING VOTING IN THESE CASES

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

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

14 In this case, and based on the descriptions provided above, the Proponent believes that all
15 of the classes 1 ~~through 5 (including sub-classes therein)~~2, 3, and 5 are impaired and therefore
16 entitled to vote. Class ~~6~~4 is an empty class without claims, as explained in greater detail below.
17 Class 7 is impaired but receives nothing under the Plan on account of its equity interests, and is
18 deemed to have voted against the Plan.⁻ A party that disputes the Proponent's characterization of
19 its claim or interest as unimpaired may request a finding of impairment from the Court in order to
20 obtain the right to vote.

21 Ballots must be received by the Proponent, addressed to Levene, Neale, Bender, Yoo &
22 Brill L.L.P., 10250 Constellation Blvd., Suite 1700, Los Angeles, CA 90067, Attention: J.P. Fritz,

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

1 by _____, 2014.

2 **VII. DESCRIPTION OF DEBTORS' PAST AND FUTURE BUSINESS AND EVENTS**
3 **PRECIPITATING BANKRUPTCY FILINGS**

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

8 **A. The Seven Hotels**

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

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

22 Shilo Boise Airport operates a 126-room (inclusive of 88 suites), four-story,
23 limited-service hotel in Boise, Idaho (the "Boise Airport Hotel"), on fee title land, operated
24 pursuant to a franchise agreement with SFI and managed by SMC. The Shilo Inn Boise Airport
25 property has an outdoor pool, spa, sauna, and steam room, fitness and business center and meeting
26 room. The Boise Airport Hotel has 15 employees. Based on the appraisal report of Herald
27 Haskell, MAI, the fair market value of the Boise Airport Hotel is \$7,100,000. During the
28

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

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

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

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

1 neutral appraiser's valuation of the Seaside East Hotel at \$2,250,000. However, the Debtors
2 maintain that the real value of the Seaside East Hotel is much higher.

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

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

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

26 The Hotels have enjoyed historical success as stand-alone businesses leading up to the
27 severe economic downturn in the later part of 2008 and have continued to struggle since that time
28

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

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

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

16
17 What follows is a brief summary of the dates and circumstances that led Debtors to file
18 bankruptcy.

19
20 In July 2009, like many other banks, Vineyard went into FDIC receivership, and California
21 Bank and Trust, a California Bank ("CBT") acquired the 7 Shilo Loans. Shortly thereafter, in
22 November 2010, the Debtors entered into a loan modification agreement (the "First
23 Modification") on the 7 Shilo Loans. As the recession continued, faced with foreclosure in July
24 2011, Shilo agreed to enter into a second loan modification (the "Second Modification") with
25 CBT.

26 The Second Modification was based on terms required by CBT, which included extremely
27 aggressive obligations to market and sell some of the properties within very short time periods.

28

1 On November 10, 2011, while in the midst of finalizing second amended trust deeds for Shilo
2 Moses Lake and Shilo Rose Garden as part of the Second Modification, CBT issued a notice of
3 default (“NOD”) on the 7 Shilo Loans and Hemstreet Loan, claiming monetary and nonmonetary
4 defaults.

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

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

18 The Debtors challenged the \$470,181.00 in default interest, \$47,109.71 in late fees, and
19 \$374,820.12 of disputed attorneys’ fees (the “CBT Disputed Charges”) (the Debtors paid
20 \$21,701.25 of undisputed attorneys’ fees to CBT). The federal district court in Oregon ruled in the
21 Debtors’ favor, which decision was followed by the federal district courts in both Idaho and
22 Washington, ruling that CBT’s default interest was unreasonable but deferred its decision on the
23 disputed attorneys’ fees². Less than two weeks after payment and receipt of the \$1,410,548.12,
24 CBT then issued a new NOD against the Debtors, purporting to accelerate the loans for alleged
25 non-monetary defaults and monetary default of the Hemstreet Loan (despite being ordered by the
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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 federal district courts to provide full reinstatement amounts previously) and began a new round of
2 foreclosure³¹.

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

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

19 Conditional commitment letters were provided to the Debtors by Cabot in January 2013.
20 The only remaining condition was an approval rating from Moody’s in order to designate the
21 pass-through certificates a “rated” designation. All parties, through the settlement agreement
22 between the Debtors and CBT, believed that such rating would be received since all other
23 requirements have been satisfied and initial drafts of the transaction documents (e.g., ground
24 leases) were prepared. Unfortunately, in the first week of April 2013 and to the surprise of the
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26 ³¹ 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 Debtors, Cabot advised the Debtors that it did not receive the requisite Moody's rating and, based
2 on the foregoing, the proposed transaction was terminated⁴². The foregoing was a terrible result
3 for the Debtors, as well as for CBT, since everyone believed that the proposed transaction had
4 proceeded far enough where consummation would be achieved and Debtors' obligations to CBT
5 would be satisfied in fully.

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

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

19
20 What follows is a **brief** description of the Debtor's business and future business plans. Further
21 details relating to the Debtor's financial condition and post-confirmation operation of the Debtors
22 are found in sections X, XI, XII, XVI, and XV.
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27 ⁴² The Shilo entities paid tens of thousands of dollars in connection with due diligence investigation and reporting,
28 as well as countless man-hours and resources of the companies.

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

4 The Debtor has taken multiple steps from mid-2012 to date to improve overall performance
5 for the Hotel, such as: (1) benefiting from a substantial 2012 investment in Genares Worldwide
6 Reservation Services, Ltd, which has opened up and dramatically improved online portals of
7 revenue like with Expedia, Travelocity, Orbitz and other global distribution sites; (2) new, fresh
8 sales teams have been implemented and an aggressive, but achievable 2014 sales incentive plan has
9 been introduced to improve RevPar numbers, along with increasing revenue numbers by 7% over
10 the previous year; (3) the Debtor's hotel manager's 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 Debtor's website for booking and internet search
14 improvements to give the Debtor more online visibility; (5) feasible maintenance and capital
15 improvement budgets have been created as part of this plan to help keep the Debtor's Hotel
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 Hotel to improve overall occupancy and revenue; and (8) opening
19 up a new relationship with Booking.com which has proved beneficial to the Debtor's Hotel.
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24 Year to date, due to systematic changes in operations for the Debtor's Hotel, the Debtor has seen
25 increases in revenue. Shilo Rose Garden is up \$53,042 YTD. The Debtor's management staff
26 remains in frequent contact with pivotal personnel at the Portland Moda Center (formerly known as
27 the Rose Garden), a multipurpose indoor arena and home of the Portland Trailblazer basketball
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1 team. In addition to basketball games, the Moda Center hosts a wide range of other events including
2 Portland Winterhawks' hockey games, rodeos, circuses, and concerts by many of the world's
3 best-known performers, all of which provide additional demand for the Debtor throughout the year.
4 Along with the Moda Center, the Debtor's management continues to strengthen working
5 relationships with staff at the Portland Veterans Memorial Coliseum, located adjacent to the Moda
6 Center, the Ambridge Event Center, and the Oregon Convention Center, all of which are established
7 venues for events that create significant demand in Debtor's local competitive market. The
8 relationships cultivated by the Debtor's management with these important demand-generating
9 facilities have enabled the Debtor to improve revenue inflows, which have been trending up
10 favorably each year since 2011. Since inception of this case, the Debtor has accumulated, in the
11 aggregate, in excess of \$147,453 in cash, net of all expenses and adequate protection payments to
12 CBT. In other words, the Debtor has a viable business model and its strong performance during the
13 pendency of this case supports the Debtor's reorganization efforts.

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

17 During the bankruptcy cases, the Debtors negotiated consensual use of CBT's cash collateral
18 for May 2013 through June 2014, allowing the Debtors to continue operating the Hotels and
19 preserve the value of the estates for all creditors. In exchange for consensual use of cash collateral,
20 the Debtors provided CBT monthly payments totaling approximately \$75,948.08 per month for all
21 seven Debtors, which was calculated on 5% per annum interest rate on the outstanding principal
22 balance of each Debtors' secured loan to CBT:
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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

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Shilo Inn, Newberg, LLC	\$6,569.81
Shilo Inn, Rose Garden, LLC	\$5,975.11
Shilo Inn, Seaside East, LLC	\$7,729.12
Shilo Inn, Twin Falls, LLC	\$23,187.62
Total	\$75,948.08

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

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

The Debtors had been requesting that CBT enter into negotiations and mediation with the Debtors on a plan of reorganization or other exit strategy since the Petition Date. The Debtors offered cash collateral payments, in part, expecting that CBT would engage in that mediation

1 process based on statements made by CBT at the cash collateral hearings in May 2013. After filing
2 the First Round RFS Motions on September 30, 2013, and before having to file an objection to the
3 Disclosure Statement on October 3, 2013, CBT acquiesced to the Debtors' request for mediation.

4 The Debtors and CBT stipulated, pursuant to orders of this Court, to continue the hearings
5 on the Disclosure Statement and First Round RFS Motions on several occasions while in
6 mediation. The Debtors and CBT engaged in meaningful and productive mediation with the
7 Honorable Mitchell Goldberg, United States Bankruptcy Judge (retired) on or about October 9,
8 2013. At the conclusion of the mediation, the parties had a framework for a resolution of the
9 pending disputes. In fact, for several weeks after the conclusion of the in-person mediation, the
10 parties worked with Judge Goldberg to address concerns in connection with effectuating the
11 resolution. The Debtors continued to cooperate and act in good faith with CBT to attempt to reach
12 a meaningful resolution. Without any rational explanation or basis, CBT suddenly decided that it
13 no longer wished to discuss settlement and would instead focus on expensive and protracted
14 litigation to either force the Debtors into submission or crush them. To this day, a rational
15 explanation for CBT's unilateral termination of settlement discussions has not been provided. At
16 the same time, CBT's relief from stay motions indicate that CBT has incurred over \$2.2 million in
17 attorneys' fees to eviscerate equity in the Debtors' properties, which is intended to be preserved for
18 the benefit of hundreds of employees, vendors and other persons and entities who do business with
19 the Debtors' hotels on a regular basis.

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

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

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

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

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

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

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27 **VIII. CRITICAL PLAN PROVISIONS**
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1 Listed below are the sources of money earmarked to pay creditors and interest-holders.

2 a. Debtor's cash on hand as of the Effective Date of the Plan;

3 b. Future earnings from continued operations of the Debtor; and

4 c. New value contribution from Mark Hemstreet and Shannon Hemstreet of \$50,000.

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

7 a. The first payment will be made on the Effective Date of the Plan, which is
8 anticipated to be on January 5, 2015 (the first Monday of the new year), in the aggregate amount of
9 \$7,341;

10 b. The Reorganized Debtor will make two (2) additional payments, each in the
11 amount of \$7,341 in months two and three following the Effective Date, for a total payout to
12 non-insider general unsecured creditors in the amount of ~~\$20,022.66~~, 22,023, which the Debtor
13 believes constitutes 100% payment, excluding interest. Non-insider general unsecured creditors
14 can expect to receive their pro rata share of each payment made by the Reorganized Debtor, until
15 such time as 100% of allowed general unsecured non-insider (non- CBT) claims are paid in full.

16 The unsecured deficiency claim for CBT in Class 3 is separately classified from the
17 non-insider general unsecured claims. CBT's unsecured ~~claims~~claim in Class 3 ~~are~~is different
18 from the other general unsecured claims because CBT's claim is guaranteed by the personal
19 guaranty of Mark Hemstreet, who has a substantial financial portfolio to which CBT can look for
20 payment. Other general unsecured creditors cannot rely on a personal guaranty from Mark
21 Hemstreet for payment. The Debtor will seek to submit Mr. Hemstreet's financial portfolio under
22 seal to the Court and CBT in support of the separate classification of claims. The full legal
23 justification for the separate classification and treatment of the Class 3 claim will be set forth in the
24 Debtor's plan confirmation brief.
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IX. DESCRIPTION AND TREATMENT OF CLAIMS

a. Overview of Plan Payments

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

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

<u>Payment Recipient</u>	<u>Amount of each Payment and Total Amount to be paid</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
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1	<u>Office of the United States Trustee</u>	<u>\$0</u> <u>(Third quarter fees for 2014 will have been paid in full by October 31, 2014, before the Plan Effective Date.)</u>	<u>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.</u> <u>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.</u>	<u>Reorganized Debtor's cash on hand available on Effective Date</u>
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13	<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>
14	<u>Clerk of the Court</u>	<u>\$0</u>	<u>Effective Date</u>	<u>Reorganized Debtor's cash on hand available on Effective Date</u>
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17	<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>
18	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
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24	<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>
25	Class 1 – Allowed Secured Claim of Multnomah County Tax Collector (property taxes)	Total amount of \$8,343.30 <u>9,595.30</u> plus interest from the Effective Date at 9% per annum, calculated	Month 1: \$3,198 Month 2: \$3,198 Month 3: \$3,198 <u>3,272</u>	Post-confirmation income of Reorganized Debtor, Shilo Rose Garden
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For Shilo Rose Garden <u>Total claim as of the Effective Date at \$9,595.30, calculated as the claim as of the Petition Date in the amount of \$8,343.30, with interest at 9% per annum up to the Effective Date.</u> Oversecured IMPAIRED	as \$9,595.30 <u>2,668.</u> Three (3) payments 100% to be paid.		
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1 ~~The following Class 2 claim of CBT is subject to adjudication of CBT's secured claims~~
 2 ~~and, specifically, the Debtor's objection to the CBT Disputed Claim, particularly as to prepetition~~
 3 ~~default interest, which was addressed by the district court prepetition, and all post-petition fees,~~
 4 ~~costs, and interest, which has not been asserted in CBT's filed proof of claim.~~ To the extent that
 5 CBT asserts additional sums for any of its claims in Classes 2 or 3 by way of post-petition fees,
 6 costs, penalties, and/or interests, the Debtor intends to object and vet those post-petition amounts
 7 because they were not specified in CBT's filed proofs of claim, which only reflected the amount of
 8 claims as of the Petition Date. However, the Debtor will not object to the amounts of claims set
 9 forth in the proofs of claim as of the Petition 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 2 – Allowed Secured Claim of California Bank & Trust Secured <u>Claim amount of \$915,404.70, calculated as the appraised value of the property at \$925,000, minus the senior secured tax claim of \$9,595.30</u> <u>Claim amount subject to revision</u> IMPAIRED	Total amount of \$5,350,351 per month, plus \$250,000 <u>225,000</u> each October, for total annual payments of \$314,200 <u>289,200</u> . Total payment of \$1,156,876	Principal and interest payments, in the amount of \$5,350,351 per month. Annual balloon payments in each October in the amount of \$225,000 Payments due on the 20th day of the month, with a 10-day grace period 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. <u>Payment Frequency:</u> Monthly <u>Start Date:</u> Effective Date <u>End Date:</u> October 1,	Post-confirmation income of Reorganized Debtor

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		<p>2018</p> <p><u>Payments over life of plan</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 comprised of ~~(+)~~ CBT's claim for the first deed of trust secured by the Rose Garden Hotel.

[The reason for the separate classification of Class 3 and Class 5 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 3 – Allowed General Unsecured Deficiency Claim of California Bank & Trust</p> <p>Unsecured</p> <p><u>Claim amount of \$968,436</u></p> <p><u>Claim amount subject to revision</u></p> <p>IMPAIRED</p> <p>Subject to avoidance action</p>	<p>Total amount of \$10,500 per month</p> <p>Total payment of \$504,000</p>	<p>Payments in the amount of \$10,500 per month, for 48 months</p> <p>Payments due on the 20th 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> 48 months thereafter</p> <p><u>Payments over life of the plan:</u> \$504,000</p>	<p>Post-confirmation income of Reorganized Debtors</p> <p><u>Additionally, CBT will retain all of its rights to pursue Mark Hemstreet on his personal guaranty for payment.</u></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>
Class 4—Allowed Unsecured Claims, excluding Insiders IMPAIRED	Total amount of \$22,023. 100% to be paid (excluding interest)	Effective Date: \$7,341 plus \$7,341 each month for two (2) additional months following the Effective Date Payments due on the first business day of the month	Post confirmation income of Reorganized Debtor, Shilo Rose Garden

Class 4 is an empty class with no creditors or claims. The class numbering system in this Plan follows the same numbering system as is used in the four separate plans of the Debtor's affiliates: (i) Shilo Twin Falls, (ii) Shilo Boise Airport, (iii) Shilo Nampa Blvd and Shilo Newberg, and (iv) Shilo Seaside East and Shilo Moses Lake. In those other four plans, Class 4 is comprised of CBT's general unsecured claim on account of the Hemstreet Loan. However, Debtor Shilo Rose Garden is not liable for the Hemstreet Loan, and so, here, Class 4 is an empty class with no claims in this Plan and is used only to keep the numbering of the remaining classes consistent with the class numbering system in the four other plans, i.e., Class 5 for general unsecured, non-insider creditors, Class 6 for general unsecured, insider creditors, and Class 7 for equity interest holders.

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

~~Class 6 Equity Interests— On the Effective Date, existing equity interests in the Debtor will be extinguished. In exchange for the “new value” contribution, 100% equity interest in the Reorganized Debtor shall be transferred to Mark Hemstreet and Shannon Hemstreet or their designee(s).~~

<u>Payment Recipient</u>	<u>Amount of each</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
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	<u>Payment and Total Amount to be paid</u>		
<p><u>Class 5 – Allowed Unsecured Claims, excluding Insiders</u></p> <p><u>IMPAIRED</u></p>	<p><u>Total amount of \$22,023.</u></p> <p><u>100% to be paid (excluding interest)</u></p>	<p><u>Effective Date: \$7,341 plus \$7,341 each month for two (2) additional months following the Effective Date</u></p> <p><u>Payments due on the first business day of the month</u></p>	<p><u>Post-confirmation income of Reorganized Debtor, Shilo Rose Garden</u></p>

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

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

<u>Payment Recipient</u>	<u>Amount of each Payment and Total Amount to be paid</u>	<u>Payment Due Date</u>	<u>Source of Payment</u>
<p>Class 67 – Interest Holders, Mark S. Hemstreet and Shannon Hemstreet</p> <p><u>UNIMPAIRED IMPAIRED</u></p>	<p>No Payments</p>	<p>No Payments</p>	<p>No Payments</p>

All claims listed in **Exhibit A** attached hereto are undisputed. 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

1 be paid on the disputed portion of any claim. Cash together with interest accruing thereon will be
2 held in trust for the benefit of holders of disputed claims. No claimant or interest holder is an
3 affiliate of the Debtor, with the exception of those unsecured creditors listed on **Exhibit B** attached
4 hereto.

5
6 Below is a detailed description and treatment of administrative expenses, claims and interests

7 a. Administrative Expenses

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

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

16 iii. [The Debtor will not have any fees owing to the United States Trustee or the](#)
17 [Clerk of the Court as of the Effective Date.](#)

18 Administrative Expense #1.

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

- 21 • \$33,300 (estimated unpaid fees and expenses in excess of retainer payments
22 received), subject to court approval.

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

24 b. Unsecured Tax Claims

25 i. These include certain types of property, sales, income, and other taxes.

26 ii. The Code requires that the holders of such claims receive on account of
27 such claim regular installment payments in cash (i) of a total value, as of the
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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 present value is calculated as of the Effective Date.

- Shilo Rose Garden – None.

TOTAL UNSECURED TAX CLAIMS: \$0

c. **CLASS 1**

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

Total amount of allowed claim:	\$9,595.30
Total amount of payments (over time) to satisfy the secured claim:	\$3,198 <u>9,668</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:	\$3,198; \$3,198; \$3,199 <u>3,272</u>
Frequency of payments:	Monthly
Total yearly payments:	\$9,595.30 <u>9,668</u>
Final payment date:	March 1, 2014 <u>2015</u>
Lien is not modified in any way by the Plan	No lien modification
Description of Collateral:	Statutory first priority lien on Debtor's real

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	property, Shilo Rose Garden Hotel
Additional Comments:	The Debtor shall have the right to prepay this claim prior to maturity without penalty or fee.

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a. **CLASS 2**

Secured Claim of CALIFORNIA BANK & TRUST

Total amount of allowed claim:	\$925,000 <u>915,404.70</u>
Total amount of payments (over time) to satisfy the secured claim:	\$1,156,876
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:	Monthly payments of \$5,350 <u>5,351</u> plus \$250,000 <u>225,000</u> each October of the year.
Frequency of payments:	Monthly All payments due on the 20 th of the month, with 10 day grace period
Total yearly payments:	\$314,200 <u>289,200</u>
Final payment date:	October 1, 2018

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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, Rose Garden, LLC
Additional Comments:	<p>The Debtor shall have the right to prepay this claim prior to maturity without penalty or fee.</p> <p>The Plan calls for full payment of Class 2 by October 1, 2018, approximately 60 days before the termination of the ground lease on November 30, 2018.</p> <p>Debtor shall open a segregated tax impound account and shall make necessary deposits to insure timely property tax payments.</p> <p><u>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.</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 claim by end of life of the Plan.</p>

a. **CLASS 3**

General Unsecured Deficiency Claim of CALIFORNIA BANK & TRUST

Total amount of allowed claim:	\$1,074,104.16 <u>968,436.42</u>
Total amount of payments (over time) to satisfy the secured claim:	\$504,000 Such treatment shall be in full and complete

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	satisfaction of all Class 4 claims
Interest rate (to compensate creditor because claim is paid over time):	None
Impaired	Yes
First payment date:	Effective Date
Amount of each installment:	\$10,500
Frequency of payments:	Monthly All payments due on the 20 th of the month, with 10 day grace period
Total yearly payments:	\$126,000
Final payment date:	October 1, 2018
<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>Claim amount subject to revision</u></p> <p><u>In addition to the payments made by the Debtor under this Plan, CBT may receive further payment from Mark Hemstreet on account of his personal guaranty of this debt.</u></p> <p><u>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.</u></p>

Class 4 is an empty class with no creditors or claims. The class numbering system in this Plan follows the same numbering system as is used in the four separate plans of the Debtor's affiliates: (i) Shilo Twin Falls, (ii) Shilo Boise Airport, (iii) Shilo Nampa Blvd and Shilo Newberg, and (iv) Shilo Seaside East and Shilo Moses Lake. In those other four plans, Class 4 is comprised

1 of CBT's general unsecured claim on account of the Hemstreet Loan. However, Debtor Shilo Rose
 2 Garden is not liable for the Hemstreet Loan, and so, here, Class 4 is an empty class with no claims
 3 in this Plan and is used only to keep the numbering of the remaining classes consistent with the
 4 class numbering system in the four other plans, i.e., Class 5 for general unsecured, non-insider
 5 creditors, Class 6 for general unsecured, insider creditors, and Class 7 for equity interest holders.

7 a. **CLASS 45**

8 All General Unsecured Claims, Excluding Insiders

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

Total amount of allowed claims:	\$22,023
Total amount of payments (over time) to satisfy the claims:	\$22,023 (100% of allowed claims)
Interest rate:	None
Impaired	Yes
First payment date:	Effective Date
Amount of each installment:	\$7,341
Frequency of payments:	Three (3) monthly payments, commencing on effective Date and two (2) additional months thereafter.
Total yearly payments:	\$22,023
Final payment date:	March 1, 2015
Additional Comments:	Such treatment shall be in full and complete satisfaction of all Class <u>45</u> claims

23 a. **CLASS 56**

24 Unsecured Claims Of Insiders

25 See **Exhibit B** lists the claimants and amount owed each for general unsecured
 26 insiders. These claims will not be paid until such time as all Class 3 and 45 claims are paid in full,
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1 and as cash flow permits. Payments will be due on the first business day of the month. The source
2 of payment will be the post-confirmation income of the applicable Reorganized Debtor.

3	Total amount of allowed claims:	\$36,344.00
4	Total amount of payments (over 5 time) to satisfy the claims:	\$36,344.00
6	Interest rate:	None
7	Impaired	Yes
8	First payment date:	After class 3 and <u>45</u> claims have been paid in full, and as cash flow permits
9	Amount of each installment:	Varies as cash flow permits
10	Frequency of payments:	Monthly
11	Total yearly payments:	Variable
12	Final payment date:	Variable
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15 a. **CLASS ~~SIX~~7**

16 Equity Interests

17	<u>All Equity Interests in Debtor</u>	<u>All existing equity interests in the Debtor shall be extinguished and Class 7 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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24 ~~Under the Plan, all existing equity interests in the Debtor shall be extinguished and Class 6~~
25 ~~equity holders shall receive no distribution under the Plan. Instead, Mark Hemstreet and Shannon~~
26 ~~Hemstreet, or their designee(s), shall receive 100% of the membership interest in the Reorganized~~
27 ~~Debtor in exchange for the New Value Contribution to be funded on the Effective Date.~~

X. SOURCE OF MONEY TO PAY CLAIMS AND INTEREST-HOLDERS

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

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

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

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

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

Shilo Inn, Rose Garden

Administrative and executory claims -	\$ 33,300
Class 1 -	\$ 3,198
Class 2 -	\$ 5,351
Class 3 -	\$ 10,500
<u>Class 4 -</u>	<u>-</u>
Class 5 -	\$ 7,341
TOTAL	\$ 59,690
Funds Available on Effective Date -	\$ 282,864

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

6 [The new value contribution of \\$50,000 will be deposited in the client trust account at](#)
7 [counsel for the Debtor, Levene, Neale, Bender, Yoo & Brill L.L.P., by no later than September 11,](#)
8 [2014, and proof of funds will be shown in a declaration filed with the Court no later than](#)
9 [September 11, 2014.](#)

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

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

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

19 a. Assets

20 The Debtor and CBT, stipulated to appoint a neutral appraiser to value the Rose Garden
21 Hotel. The neutral appraiser valued the Hotel at \$925,000. [A true and correct copy of the](#)
22 [appraisal is attached as Exhibit “E” to the Disclosure Statement. However, the Debtor believes](#)
23 [that the value of the Hotel is significantly higher. The Debtor’s principal, Mark Hemstreet, has a](#)
24 [substantial track record of selling hotels for far above their appraised values, as shown in Exhibit](#)
25 [“G” to the Disclosure Statement.](#)
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1 Whether the Plan proposes to sell any of these assets is discussed in section XVI. The
2 Debtor intends to market the Rose Garden Hotel for sale and sell the Hotel or refinance the secured
3 debt by October 2018.

4 b. Liabilities

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

7 c. Summary

8 Total assets equal \$925,000 and total liabilities ~~total \$1,883,841.12,~~ are approximately
9 \$1,913,841.12, resulting in a net deficiency of ~~\$958,841.12~~ 998,841.12

10 **XIII. TREATMENT OF NONCONSENTING CLASSES**

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

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

8 **XIV. TREATMENT OF NONCONSENTING MEMBERS OF CONSENTING CLASS**
9 **(CHAPTER 7 LIQUIDATION ANALYSIS)**

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

13 **A. Valuation**

14 The below comparison of a Chapter 11 Plan versus Chapter 7 liquidation uses the valuation
15 contained in the appraisal report prepared by Integra Realty Resources. The report is attached as
16 Exhibit “E” to the Disclosure Statement. The report was prepared on March 6, 2014, and the
17 Debtor and CBT stipulated to use this report to set the valuation for purposes of the Disclosure
18 Statement and Plan. The individual at Integra Realty Resources who prepared the appraisal report
19 is Brian A. Glanville, MAI, CRE, FRICS, Certified General Real Estate Appraiser. Mr. Glanville
20 has been in the real estate appraisal profession in Oregon since 1976 and earned the MAI
21 designation in 1982. He is certified in both Oregon and Washington and has developed an
22 expertise in the appraisal of hotels, high rise office buildings, and complex valuation assignments.
23 His full qualifications are attached as Addendum “A” to the report.

24 The purpose of the attached appraisal is to estimate the market value, not investment value
25 or value in use. See Exhibit “E” p.63. The appraisal appraises the Hotel as a leasehold interest that
26 terminates on November 30, 2018, unless renewed pursuant to an option to renew, resulting in a
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1 present-worth analysis of the net operating income for the remaining term of the lease plus
2 estimated salvage of the fixture, furniture, and equipment. See Exhibit "E" cover letter p.2.

3 Appraisers usually consider three approaches to estimate the market value of real property:
4 the cost approach, sales comparison approach, and income capitalization approach. The report
5 does not include a cost approach. The report discards the sales comparison approach because of the
6 short term remaining on the current lease, to terminate by November 30, 2018, with the
7 assumption that it will not be renewed because of an expected substantial increase in rent that
8 would render the Hotel unprofitable. The report relies on the income capitalization approach,
9 which is meant to reflect a relationship between the potential income of a property with the
10 property's market value. The two primary methods of the income capitalization approach are
11 direct capitalization and discounted cash flow. This approach is widely used for
12 income-producing properties, such as the Hotel. This report uses the discounted cash flow method
13 and values the Hotel at \$925,000. A complete discussion of the valuation can be found starting on
14 page 67 of the report attached as Exhibit "E" to the Disclosure Statement.

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

24 **B. Chapter 7 Analysis**

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

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

18 Second, in a chapter 7 case, a trustee is appointed and is entitled to compensation from the
19 bankruptcy estate in an amount no more than 25% of the first \$5,000 of all moneys disbursed, 10%
20 on any amounts over \$5,000 and up to \$50,000, 5% on all amounts over \$50,000 and up to
21 \$1,000,000, and such reasonable compensation no more than 3% of moneys over \$1,000,000.
22 Therefore, the distribution to creditors will be diluted further by the trustee's compensation.

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

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

16 Shilo has been an institution in the ~~Idaho~~Oregon market for over twenty years. Shilo has
17 invested heavily into the local communities and maintained a superb reputation with customers,
18 vendors and governmental officials. SFI, as the franchisor, has significant value. In the event of a
19 liquidation, the Shilo flag would be pulled from the Hotel pursuant to the terms of the franchise
20 agreement and would result in an additional approximate 20% diminution in value to the Hotel.
21 The Debtor believes that the foregoing factors would result in not less than a 35% reduction in
22 value of the Hotel in the event of a liquidation. ~~Consequently, not only would CBT not be paid in~~
23 ~~full on its Class 2 claim, but there would be nothing remaining to pay down any of CBT's Class 3~~
24 ~~claim, and certainly not anything to pay classes 4 or 5. Even if there was no reduction in value of~~
25 ~~the Hotel for a liquidation (which the Debtor disputes, and which is only stated *arguendo*), CBT~~
26 ~~would realize a recovery on its Class 2 claim, and there would be no recovery for claims in classes~~
27 ~~3, 4, or 5.~~

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

The following analysis uses \$925,000 for the chapter 11 value because that is the value that the court-appointed neutral appraiser used based upon the discount cash flow method adjusted for present value. The following analysis starts with \$925,000 for the chapter 7 liquidation analysis, then discounts it by 10%. Although the Debtor believes that a 35% discount is appropriate for a chapter 7 liquidation for the reasons discussed above, here, the applied discount is only 10%. A cost of sale of 8% is applied. This liquidation value discount is especially appropriate because the neutral appraiser valuation is based on continued operation of the Hotel to generate net operating revenue, and disruption of operation, loss of the franchise and management, existing reservations, and income during the transition to a no-name or new brand hotel with PIP expenses would eviscerate net operating income for the interim. 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.

<u>Rose Garden Hotel</u>	<u>Chapter 7</u>	<u>Chapter 11</u>
<u>Value of Hotel (See Exhibit "E")</u>	<u>\$832,500</u>	<u>\$925,000</u>
<u>Cash Collateral on Effective Date</u>	<u>\$282,684</u>	<u>N/A</u>
<u>Cost of Sale at 8%</u>	<u>\$66,600</u>	<u>\$0</u>
<u>Class 1 (Tax)</u>	<u>\$9,595</u>	<u>\$9,668</u>
<u>Class 2 (CBT secured claim)</u>	<u>\$1,038,989</u>	<u>\$1,156,876</u>
<u>Class 2 Balloon Payment (CBT)</u>	<u>N/A</u>	<u>\$0</u>
<u>Class 3 (CBT unsecured claim)</u>	<u>\$0</u>	<u>\$504,000</u>
<u>Ch.7 Trustee Admin Costs and Fees</u>	<u>\$0</u>	<u>N/A</u>
<u>Ch. 11 Admin Costs and Fees</u>	<u>\$0</u>	<u>\$33,300</u>
<u>Class 4 (N/A for this Debtor)</u>	<u>N/A</u>	<u>N/A</u>
<u>Class 5 (general unsecured claims)</u>	<u>\$0</u>	<u>\$22,023</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>\$1,038,989</u>	<u>\$1,660,876</u>
<u>CBT total with balloon payment</u>	<u>N/A</u>	<u>N/A</u>

1 managed the Debtor prior to the filing of the bankruptcy petition. The Debtor operated the hotel
2 pre-petition pursuant to a franchise agreement with SFI. The pre-petition management of the
3 Debtor will remain and continue to manage the ~~Debtors'~~Debtor's business affairs following
4 confirmation of the Plan. SMC will continue to act as the ~~Debtors'~~Debtor's management
5 company, and the Debtor will continue to operate the hotel under the Shilo brand pursuant to a
6 franchise arrangement with SFI. Mark S. Hemstreet ~~and Shannon Hemstreet will continue to~~ is the
7 sole member of the Debtor, and he will be the ~~members of the Debtor~~sole member of the
8 Reorganized Debtor. Mark S. Hemstreet, Trustee of The Mark S. Hemstreet Family Trust, is the
9 sole shareholder of SMC. Mark S. Hemstreet is the sole owner of SFI.

10 ii. **Proposed compensation to persons listed above:** The Debtor does not
11 directly employ management personnel and, therefore, does not compensate such persons.
12 Instead, the Debtor is managed by SMC and pays to SMC a management fee equal to four percent
13 (4%) per month of adjusted gross revenue from the hotel plus costs reimbursement. After
14 confirmation of the Plan, the management fees will remain unchanged. The Debtor also pays four
15 percent (4%) per month of adjusted gross revenue from the hotel as a franchise fee. After
16 confirmation of the Plan, the franchise fees will remain unchanged.

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

23 iv. **Affiliation of persons to Debtors/Debtor:** Mark S. Hemstreet ~~and Shannon~~
24 ~~Hemstreet are~~is the ~~members~~member of the Debtor. SMC is the management company of the
25 Debtor. SMC also manages all other "Shilo Inn" hotels. Mr. Hemstreet is the Trustee of the Mark
26 S. Hemstreet Family Trust, which is the sole shareholder of SMC. Mr. Hemstreet is the sole
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1 [member of SFI, which franchises the Shilo brand to the Debtor.](#)

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

6 b. **Disbursing Agent**

7 SMC, as the management of the Reorganized Debtor, is responsible for collecting money
8 intended for distribution to claimants and transmitting it to them. The disbursing agent's address
9 and telephone number are: Shilo Management Corporation, 11600 SW Shilo Lane, Portland, OR
10 97225-5995, Tel: (503) 641-6565.

11 i. **Proposed compensation to person listed above:** With the exception of its
12 4% management fee and reimbursable costs in connection with operations, SMC shall serve as the
13 disbursing agent under the Plan without compensation or bond.

14 ii. **Qualifications:** Given that the primary source of the payments required to
15 be made under this Plan is the Debtor's cash on hand as of the Effective Date and the Debtor's
16 post-confirmation income, the Debtor believes that SMC, as ~~management~~[manager](#) of the Debtor,
17 is ~~the~~ best qualified to serve as the disbursing agent. ~~James~~-Earl [J. Duckworth](#), the CFO of SMC,
18 will oversee, supervise and ensure that SMC competently performs the tasks of a disbursing agent.
19 SMC, the Reorganized Debtor, and Mr. Duckworth are familiar with the claims in this case and the
20 terms of the Plan; thus, they are qualified to implement the Plan's provisions and make the
21 necessary disbursements.

22 iii. **Affiliation of person to ~~Debtors~~Debtor:** SMC manages all of the Debtor's
23 operations and financial matters. Mr. Duckworth is the CFO of SMC and intimately familiar with
24 the Debtor's operations and the provisions of the Plan. [Mark S. Hemstreet, Trustee of the Mark S.](#)
25 [Hemstreet Family Trust, is the sole shareholder of SMC. Mr. Hemstreet is the sole member of](#)
26 [Debtor.](#)

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

4 c. The Debtor's Charter

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

9 d. Future Financial Outlook

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

13 ~~Section X~~Exhibit "C" provides a summary of the projected cash flow of the Debtor for the
14 duration of the Plan. The assumptions that underlie the projections are set forth in ~~Exhibit "C"~~
15 ~~attached hereto~~this subsection of the Disclosure Statement. As previously stated, Plan payments
16 will primarily come from the continued operation of the Debtor's business.

17 The underlying assumptions for revenue forecasts in the budgets are based on general
18 macro-economic influences; local competitive market factors--such as recurring tour and group
19 bookings, annual special events and other demand generators; and the overall hotel industry
20 outlook as projected by knowledgeable and established resources. According to PKF Hospitality
21 Research LLC ("PKF"), a highly-respected industry pundit, recent occupancy levels are forecasted
22 to continue increasing in 2015, a limited supply-growth persists, and annual profit increases
23 greater than 10% are expected to continue through at least 2015 (from: PKF Hospitality Research,
24 LLC – Hotel Horizons® Preliminary Update May 6, 2014, STR, Inc.). A copy of the PKF Report
25 is attached as Exhibit "H" to the Disclosure Statement. In the Debtor's local competitive market,
26 the June 30, 2014 Monthly STAR Report shows the Debtor is achieving greater than their "fair
27 share" in the local hotel market, even with the negative image associated with the bankruptcy
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1 proceedings. A copy of the STAR Report is attached as Exhibit "T" to the Disclosure Statement.
2 Year-to-date through July 31, 2014, the Debtor continues to improve, with an occupancy increase
3 of 2.7% and an Average Daily Rate (ADR) increase of 8.3%, resulting in a combined increase of
4 room revenue of 11.2% above the same period in 2013. Thus, the Debtor believes it has shown the
5 underlying assumptions for the modest revenue increases presented in the Confirmation Plan
6 Budget are not only conservative, but they are also realistically achievable.

7 The Debtor used a complex and sophisticated model to prepare its plan projections,
8 including conservative revenue and expense factors. The Debtor generally assumed a 3%-5%
9 increase in occupancy for 2014, which results in higher occupancy than that for 2012 and 2013
10 year-to-date, but which is still lower than the peak occupancies achieved in prior years and
11 indicates yet more room for improvement as the Debtors increase performance by focusing on
12 improving operations and serving guest versus litigation. Year-to-date as of June 30, 2014, the
13 Debtor's occupancy is up 5.2%, Average Daily Rate ("ADR") is up 7.9%, and total room revenues
14 are up 13.4%. The Debtors increased their ADR in the projections approximately 5.1% by
15 year-end for 2014 over the 2013 yearend actual ADR achieved, and this increase is supported by
16 figures for 2014, which continues to rise. Revenue is increased conservatively by approximately
17 4.7% - 8.1% annually from 2015 through 2023.

18 At the same time, expenses are increased on an average of 2-3% each year to account for
19 inflation; additional expenditures in sales, marketing & property improvements; increases in the
20 cost of living; and competitive wages. The underlying assumptions for budgeted expenses are
21 based on the actual historical experience of the Debtor for each line item, with increases or
22 decreases based on changes in occupancy, plans for specific expenditures, and an expected general
23 increase in vendor prices at levels slightly higher than recent inflationary rates. The Debtor
24 assumed expense increases ranging from approximately 2 to 6%; whereas the average inflationary
25 rate in the United States was 1.5% in 2013 (Crawford and Church. "Table A. Percent changes in
26 CPI for All Urban Consumers (CPI-U): U.S. city average" *CPI Detailed Report Data for*
27 *December 2013* on the United States Department of Labor, Bureau of Labor Statistics website
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1 (bls.gov/cpi/tables.htm) at p.3). A copy of the CPI Table is attached as **Exhibit “J”** to the

2 Disclosure Statement. Furthermore, the Debtor’s primary expenses, excluding labor and energy,

3 are commodities easily sourced from either local or national vendors; therefore, the Debtor is not

4 dependent on a single vendor or limited sources holding a disproportionate pricing power over the

5 Debtor, which helps prevent unexpected changes in the expense side of the budgets.

6 The Debtor’s projections are more than generalized expectations of an improving

7 economic environment. Rather, they are supported by conservative financial information and

8 conservative financial adjustments. These projections are extremely conservative and err on the

9 side of caution at every turn. However, if the Court sets an interest rate on the payment of CBT’s

10 claim that is materially higher than what is set forth in the Plan, then the Plan will become

11 infeasible if that rate exceeds 8.5%.

12 In addition to the Debtor preparing a feasibility analysis, which is attached as Exhibit “C”

13 to the Plan, a separate and alternative feasibility analysis was performed utilizing the financial data

14 that was included in the appraisal of the property as performed by the independent appraiser,

15 Integra Realty Resources. The alternative feasibility analysis is attached as **Exhibit “K”** to the

16 Disclosure Statement.

17 According to the Integra appraisal, total revenue for 2014 was forecasted to be \$928,378,

18 which the Debtor believes to be grossly underestimated. See Exhibit “E” at p.82. As of July 31,

19 2014, the Debtor already had year to date total revenue of \$555,650.74. Historically the Debtor

20 has received 57% of its annual revenue through July therefore the annualized Total Revenue for

21 2014 is forecasted to be approximately \$975,000. For purposes of this alternative feasibility

22 analysis, the Net Operating Income for 2014 was estimated to be \$975,000 and was increased only

23 5% per year for 2015 through 2018. Per the Debtor’s June 2014 STAR report, trailing 12 months

24 RevPAR is up 8.8% over the prior year, and per the July 31, 2014 Daily Report, the YTD RevPAR

25 has increased 11.2% over the prior year. In addition, Integra used a 5% growth rate for net income,

26 which the Debtor considers conservative. According to the Integra appraisal, the Debtor’s actual

27 total expenses for 2013 was 68.53% of total revenue. See Exhibit “E” at p.74. The total expense

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1 ratio of 68.53% was also utilized in this alternative analysis.

2 Payments to creditors as proposed in the Debtor's Plan for administrative as well as for
3 Classes 1 through 5 were then deducted from the Net Operating Income. As part of the Plan, the
4 Debtor's principal will contribute \$50,000 of new value. In addition, the Debtor anticipates that it
5 will have approximately \$282,000 of cash on hand as of the Effective Date. Per the Debtor's June
6 2014 Monthly Operating Report, it already had approximately \$162,000 in cash. Utilizing the
7 above assumptions, which the Debtor believes to be conservative, the Debtor will have sufficient
8 funds to make all of the proposed Plan payments.

9 At the end of year four, the Debtor's current lease on the property will expire. For purposes
10 of this analysis, no renewal or extension was assumed, however, the Debtor believes that it will be
11 successful in obtaining a new lease for the property. By the expiration of the current lease in year
12 four, the entire balance of the Class 2 secured claim will be paid in full.

13 The Reorganized Debtor may pursue the sale of its assets to the extent necessary for the
14 Reorganized Debtor to meet its payment obligations under the Plan.

15 e. Avoidance Actions

16 Attached as Exhibit "L" is a list of the transfers made by the Debtor to non-insiders in the
17 90 days prior to the Petition Date and transfers made by the Debtor to insiders in the one-year
18 period prior to the Petition Date. The Debtor is not aware of any information that suggests that the
19 payments to non-insiders would be clearly avoidable as preference payments. The Debtor believes
20 that all such payments would be subject to some form of ordinary course, contemporaneous
21 exchange, or new value defense. There were no irregular payments to these non-insider creditors
22 and vendors in the 90 days before the Petition Date.

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

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

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

24
25 **XVI. SALE OR TRANSFER OF PROPERTY; ASSUMPTION OF CONTRACTS AND**
26 **LEASES; OTHER PROVISIONS**

27 The Debtor will market the Rose Garden Hotel for sale. The Debtor and SMC will
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1 use best efforts to sell and or refinance the Hotel or surrender the property to CBT with a deed in
2 lieu of foreclosure by the end of the life of the Plan.

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

15 In connection with confirmation of the Plan, the Debtor intends to assume the unexpired
16 leases and executory contracts listed on Exhibit "F" hereto. Cure amounts for each of the
17 respective contracts and leases appear on Exhibit "F." Such assumptions include the Debtor's
18 executory contract with SMC for management services and with SFI for franchising services, but
19 cure payments to SFI and SMC will be made only when cash flow permits, and such cure
20 payments are not reflected in the plan projections attached as Exhibit "C" to the Disclosure
21 Statement.

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

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

3 **XVII. BANKRUPTCY PROCEEDINGS**

4 Following the Petition Date, the Court has authorized the employment of the following
5 professionals:

6 1. ~~1.~~ Levene, Neale, Bender, Yoo & Brill L.L.P. as
7 bankruptcy counsel to the Debtors (order entered on August 9,
8 2013).

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

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

Filing Date	Docket #	Docket Text
05/06/2013	10	Order Granting, Without a Hearing, Debtor's Motion for Entry of an Order for Joint Administration of Cases (BNC-PDF) on Case 2:13-bk-21601 (Related Doc # <u>3</u>) Signed on 5/6/2013. (Le, James) (Entered: 05/06/2013)
05/06/2013	11	ORDER Granting, without Hearing, Debtor's Motion for Entry of an Order for Joint Administration of Cases (BNC-PDF) Signed on 5/6/2013. (Queen, Sandra) (Entered: 05/06/2013)
05/10/2013	36	Order: (1) Setting Conference on Status of Reorganization Case; (2) Requiring Debtors-In-Possession to Appear at Status Conference and File Report on Status of Reorganization Case, or Face Possible (A) Conversion of Case to Chapter 7; (B) Dismissal of Case; or (C) Appointment of Trustee; (3) Requiring Compliance with Standards Re Employment and Fee Applications; (4) Giving Notice of Probable Use of Court-Appointed Expert for Contested Valuation Requests; (5) Mandating Use of LBR Forms By Individual Debtors; and (6) Establishing Procedures for (A) Motion for Order Approving Adequacy of Disclosure Statement; and (B) Motion for Order Confirming Plan (Related Doc # <u>1</u>) Signed on

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5/10/2013 (Le, James) (Entered: 05/10/2013)

42 Amended Order: (1) Setting Conference on Status of Reorganization Case; (2) Requiring Debtors-In-Possession to Appear at Status Conference and File Report on Status of Reorganization Case, or Face Possible (A) Conversion of Case to Chapter 7; (B) Dismissal of Case; or (C) Appointment of Trustee; (3) Requiring Compliance with Standards Re Employment and Fee Applications; (4) Giving Notice of Probable Use of Court-Appointed Expert for Contested Valuation Requests; (5) Mandating Use of LBR Forms By Individual Debtors; and (6) Establishing Procedure for (A) Motion for Order Approving Adequacy of Disclosure Statement; and (B) Motion for Order Confirming Plan (Related Doc # [36](#)) Signed on 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) Honor Accrued Vacation and Leave Benefits in the Ordinary Course of Business; and (2) Setting A Final Hearing (Related Doc # [15](#)) Signed on 5/30/2013 (Le, James) (Entered: 05/30/2013)

53 Order Granting Debtors' Emergency Motion for Authority to Provide Adequate Assurance of Future Payment to Utility Companies Pursuant to Section 366(C) of the Bankruptcy Code (Related Doc # [18](#)) Signed on 5/30/2013 (Le, James) (Entered: 05/30/2013)

55 Order (1) Granting on an Interim Basis Debtors' Emergency Motion Authorizing Debtors to use Cash Collateral Pending A Final Hearing; and (2) Setting A Final Hearing (Related Doc # [13](#)) Signed on 5/30/2013 (Le, James) (Entered: 05/30/2013)

06/19/2013 66 Order Approving Stipulation Between Debtors and the

1		United States Trustee on Permanently Extending
2		Deadline to File Monthly Operating Reports (Related
3		Doc # 61) Signed on 6/19/2013 (Le, James) (Entered:
4		06/19/2013)
4	119	Order Approving Stipulation Authorizing Use of Cash
5		Collateral Through December 31, 2013 (Related Doc #
6	07/29/2013	102) Signed on 7/29/2013 (Le, James) (Entered:
7		07/29/2013)
7	123	Order After Initial Status Conference in Chapter 11
8		Case: (1) Setting Bar Date for Filing Proofs of Claim or
9		Interest and Requiring Compliance with LBR 3001-1;
10	08/06/2013	(2) Setting Deadline For Holding Hearing On
11		Objections to Claims or Interests; (3) Setting Date for
12		Hearing on Motion for Order Approving Adequacy of
13		Disclosure Statement (Related Doc # 36) Signed on
14		8/6/2013 (Le, James) (Entered: 08/06/2013)
11	127	Order Granting Application of Debtors and Debtors in
12		Possession to Employ Levene, Neale, Bender Yoo &
13	08/09/2013	Brill LLP as General Bankruptcy Counsel (BNC-PDF)
14		(Related Doc # 67) Signed on 8/9/2013. (Le, James)
15		(Entered: 08/09/2013)
14	149	Order Granting Motion to Extend Time to Assume or
15		Reject Non-Residential Real Property Leases
16	08/30/2013	(BNC-PDF) (Related Doc # 124) Signed on 8/30/2013
17		(Le, James) (Entered: 08/30/2013)
17	175	Order Approving Stipulation Between Debtors and
18		California Bank & Trust to Continue Hearings and
19		Deadlines on: (1) Debtors' Disclosure Statement and
20	10/15/2013	(2) California Bank & Trust's Motion for Relief from
21		Stay (Related Doc # 173) Signed on 10/15/2013 (Le,
22		James) (Entered: 10/15/2013)
21	187	Order Approving Stipulation Between Debtors and
22		California Bank & Trust to Continue Hearings and
23		Deadlines on: (1) Debtor's Disclosure Statement and
24	11/05/2013	(2) California Bank & Trust's Motion for Relief from
25		Stay (Related Doc # 185) Signed on 11/5/2013 (Le,
26		James) (Entered: 11/05/2013)
24	207	Order Granting Debtor's Omnibus Motion For
25		Authority To Assume Non-Residential Real Property
26	11/27/2013	Leases (BNC-PDF) (Related Doc # 189) Signed on
27		11/27/2013 (Le, James) (Entered: 11/27/2013)
27	216	Order Approving Stipulation Between Debtors And
28	12/05/2013	California Bank & Trust To Continue Hearings And

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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)

217
Order Approving Stipulation Between Debtors and
California Bank & Trust To Continue and Toll
Deadline For Hearing On Claim Objections with
Respect To California Bank & Trust's Claims (Related
Doc # [214](#)) Signed on 12/5/2013 (Le, James) (Entered:
12/05/2013)

224
Order Granting First Interim Application Of Levene,
Neale, Bender, Yoo & Brill L.L.P. For Approval Of
Fees And Reimbursement Of Expenses (BNC-PDF)
(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)

226
Order Granting Amended Motion And Motion For
Entry Of An Order Authorizing Debtors To Use Cash
Collateral On A Final Basis (BNC-PDF) (Related Doc
[205](#)) Signed on 12/19/2013 (Le, James) (Entered:
12/19/2013)

230
Order Approving Stipulation Between Debtors and
California Bank & Trust to Continue Hearings and
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)

250
Order Approving Stipulation To Appoint Neutral
Appraiser (Related Doc # [248](#)) Signed on 2/25/2014
(Le, James) (Entered: 02/25/2014)

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)

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)

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)

1		323	Order Granting Motion for relief from the automatic stay REAL PROPERTY (BNC-PDF) (Related Doc #
2			163) Signed on 5/21/2014 (Walter, Earnestine)
3	05/21/2014		(Entered: 05/21/2014)
4		324	Order Granting Motion for relief from the automatic stay REAL PROPERTY (BNC-PDF) (Related Doc #
5			269) Signed on 5/21/2014 (Walter, Earnestine)
6	05/21/2014		(Entered: 05/21/2014)
7		325	Order Granting Motion for relief from the automatic stay REAL PROPERTY (BNC-PDF) (Related Doc #
8			164) Signed on 5/21/2014 (Walter, Earnestine)
9	05/21/2014		(Entered: 05/21/2014)
10		326	Order Granting Motion for relief from the automatic stay REAL PROPERTY (BNC-PDF) (Related Doc #
11			165) Signed on 5/21/2014 (Walter, Earnestine)
12	05/21/2014		(Entered: 05/21/2014)
13		327	Order Granting Motion for relief from the automatic stay REAL PROPERTY (BNC-PDF) (Related Doc #
14			166) Signed on 5/21/2014 (Walter, Earnestine)
15	07/09/2014	368	Order Authorizing Continued Use Cash Collateral (BNC-PDF) (Related Doc # 338) Signed on 7/9/2014 (Walter, Earnestine) (Entered: 07/09/2014)
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17	8/11/2014	404	Order Granting Second Interim Application of Levene, Neale, Bender, Yoo & Brill L.L.P. For Approval of Fees And Reimbursement of Expenses (BNC-PDF) (Related Doc # 370) (Carranza, Shemainee) (Entered: 08/11/2014)
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20	8/13/2014	405	Order (1) Denying approval of Disclosure Statements and Plans of Reorganization for Shilo Inn, Boise Airport, LLC; Shilo Inn, Nampa Blvd LLC; Shilo Inn, Newberg, LLC; Shilo Inn, Seaside East, LLC; Shilo Inn, Moses Lake, Inc.; Shilo Inn, Rose Garden, LLC; (2) To Show Cause Why Chapter 11 Case Should Not Be Converted or Dismissed; (Related Doc # 362) Signed on 8/13/2014 (Walter, Earnestine) (Entered: 08/13/2014)
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25	8/13/2014	406	Order/Findings of Fact and Conclusions of Law in support of Order; (1) Denying approval of Disclosure Statements and Plans of Reorganization for Shilo Inn, Boise Airport, LLC; Shilo Inn, Nampa Blvd LLC; Shilo Inn, Newberg, LLC; Shilo Inn, Seaside East, LLC; Shilo Inn, Moses Lake, Inc.; Shilo Inn, Rose
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Garden, LLC; (2) To Show Cause Why Chapter 11 Case Should Not Be Converted or Dismissed (Related Doc # 362) Signed on 8/13/2014 (Walter, Earnestine) (Entered: 08/13/2014)

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

<u>Filing Date</u>	<u>Docket #</u>	<u>Docket Text</u>
<u>6/24/2014</u>	<u>19</u>	<u>Order Approving Stipulation to Continue Hearing on California Bank & Trust's Motion to Dismiss Complaint; Hearing on July 24, 2014 at 11:00 AM; (Related Doc # 17) Signed on 6/24/2014 (Walter, Earnestine) (Entered: 06/24/2014)</u>
<u>8/6/2014</u>	<u>27</u>	<u>Order Denying California Bank & Trust's Motion to Dismiss Complaint; (BNC-PDF) related entry 10 Signed on 8/6/2014. (Walter, Earnestine) (Entered: 08/06/2014)</u>

XVIII. TAX CONSEQUENCES OF PLAN

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

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

10 **XIX. EFFECT OF CONFIRMATION OF PLAN**

11 a. General comments

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

15 The confirmation of the Plan vests all property of the estate in the Reorganized
16 Debtor.

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

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

23 Unless the Debtor is not entitled to receive a discharge pursuant to 11 U.S.C.
24 1141(d)(3), the debtor may obtain a discharge only upon specific order of the Court. The
25 confirmation of the Plan does not discharge the Debtor from any debt of a kind specified in
26 Sections 523(a)(2)(A)-(B) of the Bankruptcy Code (West 2004 & Supp 2006) that is owed to a
27 domestic governmental unit, or owed to a person as the result of an action filed under subchapter
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1 III of chapter 37 or title 31 or any similar State statute or for a tax or customs duty with respect to
2 which the debtor made a fraudulent tax return or willfully attempted in any manner to evade or to
3 defeat such tax or such customs duty.

4 c. Modification of the Plan

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

6 d. Post-Confirmation Causes of Action

7 The Reorganized Debtor is designated as a representative of the estate under 11 U.S.C. §
8 1123(b)(3) and shall have the right to assert any or all of the estate's causes of action
9 post-confirmation in accordance with applicable law.

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e. Final Decree

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

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

SHILO INN, ROSE GARDEN, LLC

By: ~~/s/ Jeffrey Hill~~
Its: JEFFREY HILL EARL J. DUCKWORTH
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 Debtor’s 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 Debtor's books and records, which are
4 maintained in the ordinary course of business of the Debtors. The Debtor's projections were
5 prepared by SMC, as the management company of the Debtor, and supervised by me as the CFO of
6 SMC. In order to ensure complete and accurate information, I solicited information and input from
7 managers and other staff of SMC. I believe, to the best of my knowledge, all projections and
8 financial information attached hereto are accurate.

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

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

~~Duckworth~~ _____ ~~/S/~~ _____ ~~Earl~~ _____ ~~J.~~
EARL J. DUCKWORTH

Document comparison by Workshare Compare on Thursday, August 28, 2014
7:19:24 PM

Input:	
Document 1 ID	file://\FILES\Inbr\CASES\S-U\S\SHILO INN - CBT (5448)\Pleadings\Plan & DS\Plan Rose Garden Plan v2_FINAL.docx
Description	Plan Rose Garden Plan v2_FINAL
Document 2 ID	file://\FILES\Inbr\CASES\S-U\S\SHILO INN - CBT (5448)\Pleadings\Plan & DS\Plan Rose Garden Plan 2nd Amended v3.docx
Description	Plan Rose Garden Plan 2nd Amended v3
Rendering set	Standard

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

Statistics:	
	Count
Insertions	289
Deletions	131
Moved from	4
Moved to	4
Style change	0
Format changed	0

Total changes	428
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PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90017.

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

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

will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)**: Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **August 28, 2014**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page

2. **SERVED BY UNITED STATES MAIL**: On **August 28, 2014**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. **SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **August 28, 2014**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

VIA ATTORNEY SERVICE

The Hon. Vicente Zurzolo
United States Bankruptcy Court
255 E. Temple St., #1360
Los Angeles, CA 90012

Service information continued on attached page

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

August 28, 2014

Date

Jason Klassi

Printed Name

/s/ Jason Klassi

Signature

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

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

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John-Patrick M Fritz on behalf of Plaintiff Shilo Inn, Nampa Blvd, LLC
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John-Patrick M Fritz on behalf of Plaintiff Shilo Inn, Newberg, LLC
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John-Patrick M Fritz on behalf of Plaintiff Shilo Inn, Seaside East, LLC
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John-Patrick M Fritz on behalf of Plaintiff Shilo Inn, Twin Falls, LLC
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United States Trustee (LA)
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