

1 Carolyn J. Johnsen (#011894)  
2 [cjohnsen@dickinsonwright.com](mailto:cjohnsen@dickinsonwright.com)  
3 William L. Novotny (#004239)  
4 [wnovotny@dickinsonwright.com](mailto:wnovotny@dickinsonwright.com)  
5 **DICKINSON WRIGHT PLLC**  
6 1850 N. Central Ave., Ste. 1400  
Phoenix, Arizona 85004  
Phone: (602) 285-5000  
Fax: (602) 285-5100  
*Attorneys for Prescott Valley Events Center, LLC*

7 Jeffrey A. McKee  
8 **DAVIS MCKEE P.L.L.C.**  
9 1650 N First Ave.  
Phoenix, Arizona 85003-1124  
Phone: (602) 266-7667  
Fax : (602) 277-9839  
[jmckee@dmflaw.com](mailto:jmckee@dmflaw.com)  
10 *Attorneys for JA Flats, Inc. and JA Flats II, Inc.*

11 **IN THE UNITED STATES BANKRUPTCY COURT**  
12 **FOR THE DISTRICT OF ARIZONA**

13 In re:  
14 PRESCOTT VALLEY EVENTS  
15 CENTER, LLC,  
16 Debtor.

Chapter 11 Proceedings  
No. 3:15-bk-10356-MCW  
Jointly Administered With:  
3:15-bk-15233  
3:15-bk-15235

17 In re:  
18 J A FLATS, INC., an Arizona  
19 corporation,  
20 Debtor.

**DISCLOSURE STATEMENT IN  
SUPPORT OF DEBTORS' CHAPTER 11  
PLAN OF REORGANIZATION DATED  
JUNE 2, 2017**

21 In re:  
22 J A FLATS II, INC., an Arizona  
23 corporation,  
24 Debtor.

24 This filing applies to:

- 25  All Parties  
26  Specified Parties

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**ARTICLE I**  
**INTRODUCTION**

**1.1. Plan Proponents**

This *Disclosure Statement in Support of Debtors' Chapter 11 Plan of Reorganization* ("Disclosure Statement" and "Plan") is submitted by Prescott Valley Events Center, LLC ("PVEC"), J A Flats, Inc. ("Flats") and J A Flats II, Inc. ("Flats II"), collectively the "Debtors" in these Chapter 11 proceedings. The Debtors are the Proponents of the Plan, a copy of which is attached to this Disclosure Statement as **Exhibit A**. The Plan sets forth the means by which the Debtors will be reorganized under Title 11 of the United States Code ("Bankruptcy Code").

**1.2. Purpose of the Plan and Disclosure Statement**

A Chapter 11 bankruptcy case such as this one culminates with the Bankruptcy Court's approval of a plan of reorganization. This is the document that sets forth how the Debtors will restructure, pay its Creditors, and treat Interests in the Debtors. The Plan in this case sets forth the means for payments and other distributions and describes the structure and management of the so-called Reorganized Debtors when they emerge from bankruptcy. Readers are specifically directed to Article VII of this Disclosure Statement that describes how the Plan will be implemented. Creditors are classified according to, among other things, the nature of their Claims (*i.e.*, whether they are secured or unsecured) and Interest Holders are classified according to their treatment under the Plan. The Plan will be sent to Creditors and Interest Holders. Plan approval by the Bankruptcy Court, called Confirmation, creates a binding contract between the Debtors and their Creditors and Interest Holders on the Effective Date of the Plan. The Plan is the controlling document.

The Debtors as Plan Proponents must provide Creditors and Interest Holders with a Disclosure Statement approved by the Bankruptcy Court. This is a document which

1 describes the Plan in detail in order to provide meaningful information as required by the  
2 Bankruptcy Code. The Disclosure Statement contains a history of the Debtors, the factors  
3 leading to bankruptcy, the major events in the bankruptcy proceedings, a description of the  
4 Creditors and the amount of the Claims they are asserting, a description of the Interest  
5 Holders and their Interests in the Debtors, and other information to support the proposed  
6 restructure and the treatment of Creditors and Interest Holders contemplated by the Plan.  
7 A hearing has been held by the Bankruptcy Court to determine whether the Disclosure  
8 Statement contains sufficient information to allow Creditors and Interest Holders to vote on  
9 the Plan. The Court signed its Order approving the Disclosure Statement on \_\_\_, 2017.

10 **1.3 Classes Entitled to Vote: Deadline**

11 Classes of Creditors and Interests that are impaired (i.e., altered in any way) under  
12 the Plan are entitled to vote to accept or reject the Plan. In this case Classes 4, 5, 6, 8, 9,  
13 and 11 are impaired and will be solicited for their vote on the Plan. Classes 1, 2, 3, and 10  
14 are unimpaired, are deemed to have accepted the Plan, and, along with Class 7 holders, will  
15 not be solicited for their vote on the Plan. Classes 12, 13, and 14 are deemed to have  
16 rejected the Plan and will not be solicited for their vote on the Plan.

17 The deadline for voting on the Plan has been established as 5:00 p.m. \_\_\_\_\_  
18 \_\_\_, 2017. The procedures for voting are set forth in the *Order Approving (A) Debtors'*  
19 *Disclosure Statement in Support of Debtors' Chapter 11 Plan of Reorganization Dated*  
20 *June 2, 2017; (B) Solicitation Procedures and Ballots for Debtors' Plan of Reorganization*  
21 *dated June 2, 2017; and (C) Plan Confirmation Deadlines and Notices* enclosed with this  
22 Disclosure Statement.

1 **1.4 Definitions**

2 The capitalized and defined terms used herein, and not otherwise defined in this  
3 Disclosure Statement, have the same meanings as those defined in the Plan at Pages 2-14.

4 **1.5 Representations Limited**

5 The Debtors do not make any representations concerning the Debtors or the  
6 Reorganized Debtors particularly regarding future business operations or the value of any  
7 assets or equity interests. The information in this Disclosure Statement is derived from the  
8 Debtors' books and records and from certain information provided by the Town and the  
9 District and is accurate to the best of the Debtors' belief and knowledge. You should not  
10 rely on any other representations or inducements proffered to you to secure your  
11 acceptance in arriving at your decision in voting on the Plan. Any Person making  
12 representations or inducements concerning acceptance or rejection of the Plan should be  
13 reported to counsel for the Debtors and to the United States Trustee. The United States  
14 Trustee may be reached at (602) 682-2600. Further, the information contained in the  
15 Disclosure Statement includes projections of future performance under the Plan based on  
16 the timely receipt of payments from the Town and the District and anticipates uncertain  
17 business operations or projected property values. The Debtors do not undertake to certify  
18 or warrant the accuracy of the projections and other information contained in this  
19 Disclosure Statement and actual results could differ materially from those projections.

20 The Bankruptcy Court has not verified the accuracy of the information contained  
21 herein. The Bankruptcy Court's approval of the Disclosure Statement does not imply that  
22 the Bankruptcy Court endorses or approves the Plan, but only that the Disclosure Statement  
23 contains adequate information for creditors and interest holders to make an informed  
24 decision to approve or reject the Plan.

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**ARTICLE II**  
**STRUCTURE OF THE DEBTORS, ASSETS, AND LIABILITIES**

**2.1 The History of the Debtors and Their Operations**

PVEC is an Arizona limited liability company formed in 2005 to construct and operate a multi-purpose sports and entertainment arena known as the Prescott Valley Events Center (the “Center”) in Prescott Valley, Arizona. The Center opened in 2006 and plays host to concerts, community events, trades shows, and sporting events, including several high school championships. The Center’s seating capacity is 6,200 for concerts, 4,810 for hockey, and 5,100 for basketball.

The original members of the PVEC were PVSE and Global Entertainment Corporation (“Global”), which each owned 50 percent of the membership interests in the PVEC. Global acted as the managing member of the PVEC. Global was also the manager of the Center pursuant to the Management Agreement between PVEC and Global.

In 2014, Global filed a Chapter 7 bankruptcy case. Subsequently, the Chapter 7 Trustee in that case transferred Global’s membership interests in PVEC and its interests under the Current Management Agreement to Flats effective as of January 26, 2015.

Thereafter, the membership interests in PVEC were reconstituted, with Flats acting as the manager of PVEC and holding a 1% membership interest therein and with Flats II holding 99% of the membership interests in PVEC.

Flats and Flats II each are 100 percent owned by Flats Holdings, Inc. Flats is the manager of PVEC. Sean B. Fain is the President and sole director of Flats and Flats II. Flats is the manager of PVEC and is the manager of the Center pursuant to the Current Management Agreement.

1 **2.2 Principal Leases and Agreements**

2 The Center is located on property owned by the District, which leases the Center to  
3 the Debtor under the Center Lease. The rental for the Center consists of \$1 per year, plus  
4 payment of all obligations due the IDA, as the issuer of the Current Bonds in the aggregate  
5 principal amount of \$35,000,000. Upon termination of the Center Lease, fee title to the  
6 Center is to revert to PVEC pursuant to the Reverter. PVEC is in default under the Center  
7 Lease because required payments have not been made to the Current Bondholders.

8 The principal parking location for the Center is located on adjoining property that is  
9 currently owned by Four Seasons, the successor in interest to PVSE. The Center uses the  
10 parking area pursuant to the Parking Access Agreement between PVEC and PVSE, with all  
11 of rights, interests, and claims of PVSE now held by Four Seasons. The Parking Access  
12 Agreement is in default because PVEC failed to make pre-petition payments totaling not  
13 less than \$975,447 and has failed to make post-petition payments of not less than \$309,276  
14 through May 2017.<sup>1</sup>

15 **2.3 PVEC's Other Assets**

16 PVEC's tangible assets consist of machinery, equipment, furniture, furnishing, and  
17 other personal property believed to have a value of approximately \$167,000. Current  
18 accounts receivable due to PVEC are approximately \$55,106.

19 In addition, PVEC has current contracts for approximately 15 future events at the  
20 Center, including college hockey games, wrestling tournaments, high school sport  
21 championships, a home and garden show, graduation ceremonies, a music festival, fairs,  
22 and exhibitions.

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24 \_\_\_\_\_  
25 <sup>1</sup> Monthly payments will continue to accrue and be due under the Parking Access Agreement in the  
26 amount of \$16,310.05.

1 Finally, PVEC has a License Agreement with NAZB, LLC, an affiliate of the  
2 Phoenix Suns basketball team, to host basketball games and practice played by the Suns  
3 minor league team. The License Agreement provides revenues to PVEC from rental fees  
4 and the sale of signage, concessions, and merchandise.

5 **2.4 Current Bond Debt**

6 The real property where the Center is located was contributed to PVEC by PVSE  
7 and then was conveyed to the District. The construction of the Center was financed by the  
8 issuance of the Current Bonds by the IDA. The IDA in turn loaned the bond funds to  
9 PVEC pursuant to a loan agreement and evidenced by a promissory note. The Current  
10 Bond Obligations owed under the Current Bonds consist of \$35 million in principal and  
11 significant amounts of accrued and unpaid interest. The Current Bonds mature in October  
12 2031. The Current Bond Trustee, Wells Fargo Bank, acts as the Trustee under the  
13 Indenture of Trust relating to the Current Bonds. IDA assigned all of its rights and claims  
14 against PVEC to the Current Bond Trustee for the benefit of the Current Bondholders.

15 The Current Bonds are secured by a pledge by PVEC of the Net Cash Flow from the  
16 operations of the Center. The Center has generated Net Cash Flow only at the early stages  
17 of the operation of the Center, and therefore, PVEC made only small direct payments under  
18 the Current Bonds prior to in 2009. No payments have been made by PVEC to the Current  
19 Bondholders since that time.

20 The Current Bonds are also secured by an assignment by PVEC of certain rights  
21 under the Development Agreement. Those rights include the right to receive a portion of  
22 the TPT Revenues. The TPT Revenues are not pledged, but are paid, to the Current  
23 Bondholders by the Town and are not property of PVEC.

24 The Debtors believe that there are more than 300 Current Bondholders.  
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1 PVEC's other assets, e.g. contracts, leases, accounts receivable, furniture, fixtures,  
2 and equipment, are unencumbered.

3 In September 2009, Allstate Life Insurance Company ("Allstate"), the then-holder  
4 of the majority of the outstanding principal amount of the Current Bonds, filed suit in the  
5 United States District Court for the District of Arizona against PVEC, its members, and  
6 certain professionals involved in the issuance and sale of the Bonds. The Current Bond  
7 Trustee filed a complaint in Superior Court for the State of the Arizona on behalf of the  
8 holders other than Allstate to pursue state law claims against the same defendants, seeking  
9 damages and reformation of various bond documents to correct defects in payment  
10 mechanics and the security that it alleged was intended to have been provided to the  
11 holders of the Current Bonds. Said lawsuits brought by Allstate and the Current Bond  
12 Trustee on behalf of the other holders were substantively consolidated in the Bond  
13 Litigation.

14 Prior to the initiation and over the course of the Bond Litigation, the Center  
15 consistently lost money. The anchor tenant of the Center, the Central Hockey League  
16 Arizona Sundogs, terminated its operations prior to the 2014-15 season. The Center also  
17 lost significant sponsorship revenue when its naming rights sponsor declined to renew its  
18 naming rights agreement.

19 Closure of the Center could have had negative ramifications for the Current  
20 Bondholders and other creditors of PVEC. Potential negative ramifications of the closure  
21 of the Center included the fact that the Town had reserved its rights to cease making  
22 payments of TPT Revenues and had stated a belief that it had remedies under the  
23 Development Agreement that would allow the Town to cease making payments of TPT  
24 Revenues if the Center ceased operations. While the Town's contractual right to cease  
25 making such payments if the Center ceased operations was disputed, continued litigation  
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1 and continued legal delays after a five-year legal fight on the Bond Litigation was not  
2 viewed as cost effective among the various litigants.

3 PVEC, certain of its members, the Town, Allstate, the Current  
4 Bond Trustee, and certain of the other parties to the Bond Litigation entered into the  
5 Settlement Agreement, which was structured with the intent of assisting the Center to stay  
6 open so that it could potentially generate positive net operating income at some point in the  
7 future. The Settlement Agreement, included, among other provisions, a contractual  
8 commitment from the Town to continue paying a limited portion of the TPT Revenues  
9 throughout the remaining term of the Current Bonds (through 2031), regardless of whether  
10 the Center remained open. The Settlement Agreement was approved by the court in the  
11 Bond Litigation. The TPT Revenues paid by the Town have been the sole source of  
12 payment of the Current Bonds over the past two and one-half years and are anticipated and  
13 believed to be the sole source of the future payment of the Current Bonds.

14 **2.5 Other Pre-Petition PVEC Debt**

15 PVEC has approximately \$30,000 in undisputed, non-insider unsecured debt and  
16 approximately \$11 million in disputed debt claimed by the Underwriters for the Current  
17 Bonds. Related-party pre-petition debt consists of approximately \$975,447 owed to Four  
18 Seasons for unpaid parking rent and maintenance pursuant to the Parking Access  
19 Agreement and approximately \$501,105 owed to FSG for loans and advances made to  
20 PVEC for operations prior to the Petition Date.

21 **2.6 Flats and Flats II Assets and Liabilities**

22 Flats' assets consist of its one percent (1%) interest in PVEC, a liquor license used  
23 in the operations of the Center, and the Current Management Agreement with PVEC. The  
24 sole unsecured creditor of Flats is FSG in the amount of \$58,966.10.  
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1 Flats II's sole asset is its ninety-nine percent (99%) interest in PVEC. The sole  
2 unsecured creditor of Flats II is FSG for the amount of \$38,789.48.

3 The Internal Revenue Service has filed priority proofs of claim for \$100 in each of  
4 the Flats and Flats II cases.

5 **2.7 Income and Expenses**

6 Income for the Center is generated from a number of sources, including rent, ticket  
7 sales, parking, and concessions from events; advertising; and suite leases and premium  
8 seating. Since the filing of PVEC's bankruptcy case and through April 30, 2017, gross  
9 revenues for the Center have been approximately \$2,400,000 and expenses have been  
10 approximately \$2,800,000. Flats and Flats II do not generate any income.

11 In addition, pursuant to the assignment by PVEC of certain of PVEC's rights under  
12 the Development Agreement, the periodic payments made by the Town under the  
13 Development Agreement from various TPT Revenues collected by the Town are paid to  
14 the Current Bond Trustee and used for payments under the Indenture. Pursuant to the  
15 Settlement Agreement, the Town also pays approximately \$100,000 annually (plus annual  
16 increases) to PVEC, for facility time for use by the general public, which is used to defray  
17 a portion of the operating expenses of the Center.

18 **ARTICLE III**  
19 **FACTORS LEADING TO DEBTORS' BANKRUPTCIES AND OTHER**  
20 **PRE-PETITION EVENTS**

21 The Center provides an extremely important function in hosting sports and  
22 entertainment events not only for the Prescott Valley community, but for the entire  
23 Northern Arizona area. Due to the downturn in the national and local economies, and to the  
24 burden of now-resolved Bond Litigation, PVEC has struggled since its inception to cover  
25 its operating expenses and, in particular, to provide payments toward debt service on the  
26 Current Bonds.

1           The bankruptcy filing and the need for reorganization were precipitated by the  
2 Chapter 7 bankruptcy case of Global, which had acted as the PVEC's managing member  
3 and as the manager of the Center. After the acquisition in January 2015 from the Chapter 7  
4 Trustee of Global's rights and interests, the current management of PVEC determined that  
5 PVEC could not continue to operate the Center without obtaining relief under Chapter 11  
6 of the Bankruptcy Code.

7           In addition to the above, the obligations under the Current Bonds are and have been  
8 in default. PVEC believed that the Current Bondholders and/or Current Bond Trustee  
9 might initiate available remedies, thus depriving the Debtor of its ability to maintain its  
10 going concern value for the benefit of creditors (including the Current Bondholders) and  
11 the bankruptcy estate.

12           When Flats assumed management of the Center and of PVEC in late January 2015,  
13 it immediately focused on increasing operational efficiency and obtaining new event  
14 contracts in order to increase revenues. However, management recognized that the Center's  
15 and PVEC's deficits could not be rectified immediately and without reorganization and  
16 restructuring. Ultimately, PVEC concluded that the respite provided by a Chapter 11  
17 proceeding would give it the ability to address operational issues and restructure its  
18 overwhelming debt in order to preserve the Center as a going concern for the benefit of  
19 creditors and the community. Consequently, PVEC filed its Chapter 11 case on August 14,  
20 2015.

21           After PVEC's filing, its management began negotiating the possible terms of a plan  
22 of reorganization with the major constituencies in the case. It soon became apparent that  
23 Flats and Flats II would have to be a part of any resolution. Therefore, Flats and Flats II  
24 filed their respective Chapter 11 cases on November 30, 2015.

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**ARTICLE IV**  
**SIGNIFICANT BANKRUPTCY EVENTS**

**4.1 Bankruptcy Filings**

PVEC filed a voluntary petition under Chapter 11 of the Bankruptcy Code on August 14, 2015. Flats and Flats II each filed a voluntary Chapter 11 petition on November 30, 2015. The cases have been jointly administered pursuant to the Bankruptcy Court's Order dated January 4, 2016 [Dkt. #119].

**4.2 Employment of Professionals**

On August 20, 2015, the Bankruptcy Court approved on an interim basis the employment of Dickinson Wright PLLC as attorneys for PVEC [Dkt. #30]. A final approval order was entered on September 29, 2015 [Dkt. #64].

On January 4, 2016, the Bankruptcy Court approved on an interim basis the employment of Dickinson Wright PLLC as attorneys for Flats and Flats II [Dkt. #118]. The law firm of Davis McKee P.L.L.C. substituted in as counsel for Flats and Flats II pursuant to Bankruptcy Order dated February 9, 2016 [Dkt. #127].

**4.3 Debtors' First-Day Motions**

On August 14, 2015, PVEC filed motions providing for immediate operational needs (the "First-Day Motions"). The First-Day Motions included: (1) *Emergency Motion for Entry of Interim and Final Orders Under 11 U.S.C. §§ 105, 345 and 363 Authorizing Maintenance and Use of Debtor's Existing Bank Accounts, Cash Management System, and Business Forms* [Dkt. #6] (granted on an interim basis, Dkt. #30 and on a final basis Dkt. #60); (2) *Emergency Motion for Interim and Final Orders Under 11 U.S.C. § 366 Determining Adequate Assurance of Payment for Future Utility Services and Establishing Determination and Objection Procedures* [Dkt. #5] (granted on an interim basis, Dkt. #32 and on a final basis Dkt. #66); (3) *Emergency Motion for Order Authorizing Post-petition*

1 *Financing and Granting Administrative Expense Priority* [Dkt. #4] (granted on an interim  
2 basis Dkt. #31 and on a final basis Dkt. #63); and (4) *Emergency Motion for Order*  
3 *Establishing Official Service list for Limiting Notice and for Allowing Hearings to be*  
4 *Conducted in Phoenix* [Dkt. #7] (granted on a final basis Dkt. #62).

5 **4.4 Suns License Agreement**

6 In April 2016, PVEC entered into a License Agreement with NAZB, LLC, an  
7 affiliate of the Phoenix Suns, to conduct basketball games and practices played by its minor  
8 league team. The transaction was approved by the Bankruptcy Court by Order dated  
9 March 21, 2016 [Dkt. #143], and documentation was completed and filed with the Court on  
10 April 8, 2016 [Dkt. #152]. The term of the License Agreement commenced on July 1,  
11 2016.

12 **4.5 Consulting Agreement**

13 On February 27, 2017, PVEC filed an *Expedited Motion to Approve Consulting*  
14 *Agreement* [Dkt. #228] requesting the Bankruptcy Court to authorized the Debtor to enter  
15 into a Consulting Agreement with Spectra. The Motion was approved by Order dated  
16 March 8, 2017 [Dkt. #234]. The Consulting Agreement contemplates that PVEC and  
17 Spectra will enter into the Spectra Management Agreement that will be effective as of the  
18 Effective Date and will be assigned to the District.

19 **4.6 Debtor-in-Possession Financing (the “DIP Loans”)**

20 Beginning in January 2015 and prior to PVEC’s bankruptcy filing, FSG loaned and  
21 advanced approximately \$501,105 to PVEC on an unsecured basis for operational needs.  
22 After PVEC’s case was filed, it became clear that additional advances were necessary to  
23 sustain operations at the Center and for the continuation of the Chapter 11 case. As  
24 indicated above, PVEC requested as part of its First Day Motions post-petition financing  
25 totaling \$300,000. An initial advance of \$55,000 secured by a super priority administrative  
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1 claim was approved and the remaining \$255,000 secured by a pari passu administrative  
2 claim was approved subsequently.

3 On July 7, 2016, PVEC filed a second motion for post-petition financing requesting  
4 an additional loan in the amount of \$455,000 secured by an administrative claim [Dkt.  
5 #174]. The second motion was approved by the Bankruptcy Court by order dated August 3,  
6 2016 [Dkt. #191].

7 The DIP Loans in the aggregate amount of \$755,000 will have been fully drawn by  
8 July 1, 2017. Interest on the principal balances of the DIP Loans has accrued and continues  
9 to accrue at eight percent (8%) per annum. PVEC anticipates that in order to reach the  
10 anticipated Effective Date, it will need an additional DIP Loan in the approximate amount  
11 of up to \$385,000.

#### 12 **4.7 Deadline to Assume or Reject Real Property Leases**

13 On December 4, 2015, PVEC filed an *Emergency Motion to Extend Deadline to*  
14 *Assume or Reject Unexpired Non-Residential Real Property Leases Pursuant to*  
15 *Bankruptcy Code 365(d)(4)* [Dkt. #96] requesting a 90-day extension of the initial deadline  
16 to assume or reject the Center Lease and the Parking Access Agreement. The District and  
17 Four Seasons agreed to the requested 90-day extension. Pursuant to the Order entered by  
18 this Court on January 4, 2016, the initial deadline to assume or reject the Leases was  
19 extended to March 11, 2016 [Dkt. #120].

20 On March 4, 2016, PVEC filed its *Second Motion to Extend Deadline to Assume or*  
21 *Reject Unexpired Non-Residential Real Property Leases Pursuant to Bankruptcy Code*  
22 *365(d)(4)* [Dkt. #131] ("Second Motion") requesting an extension of the deadline to  
23 assume or reject the Center Lease and the Parking Access Agreement until September 30,  
24 2016. Four Seasons and the District consented to the extension. There were no objections  
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1 to the Second Motion. The Second Motion was granted by Order dated March 29, 2016  
2 [Dkt. #147].

3 On September 28, 2016, PVEC filed its *Third Motion to Extend Deadline to Assume*  
4 *or Reject Unexpired Non-Residential Real Property Leases Pursuant to Bankruptcy Code*  
5 *365(d)(4)* [Dkt. #203] (“Third Motion”) requesting an extension of the deadline to assume  
6 or reject the Center Lease and the Parking Access Agreement until March 1, 2017. Four  
7 Seasons and the District consented to the extension. There were no objections to the Third  
8 Motion. The Third Motion was granted by Order dated October 19, 2016 [Dkt. #209].

9 On February 24, 2017, PVEC filed its *Fourth Motion to Extend Deadline to Assume*  
10 *or Reject Unexpired Non-Residential Real Property Leases Pursuant to Bankruptcy Code*  
11 *365(d)(4)* [Dkt. #203] (“Fourth Motion”) requesting an extension of the deadline to assume  
12 or reject the Center Lease and the Parking Access Agreement until July 5, 2017. Four  
13 Seasons and the District consented to the extension. There were no objections to the Fourth  
14 Motion. The Fourth Motion was granted by Order dated March 20, 2017 [Dkt. #237].

#### 15 **4.8 Rejected Contracts**

16 On June 27, 2016, PVEC filed a *Motion to Reject Executory Contract with Flash*  
17 *Seats Vertical Alliance, LLC dba Ventix* requesting the Bankruptcy Court to authorize the  
18 rejection, effective as of July 1, 2016, of the Licensed User Agreement dated June 26, 2006  
19 as amended August 15, 2014 by and between PVEC and Flash Seats Vertical Alliance,  
20 LLC, dba Ventix (“Ventix”). The Ventix agreement provided for the sales of tickets made  
21 available to the public. PVEC determined that the services provided by Ventix were no  
22 longer necessary, were a burdensome expense for the estate, and that PVEC could enter  
23 into replacement ticketing that would be more beneficial to the estate. The Bankruptcy  
24 Court authorized the rejection of the Ventix agreement by order dated September 12, 2016  
25 [Dkt. #202]. Ventix failed to file any claims arising from the Ventix agreement.  
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1 **4.9 Final Date to File Proof of Claims**

2 By Order dated October 5, 2015, the Bankruptcy Court set November 19, 2015 as  
3 the final date to file proofs of claim in the PVEC case [Dkt. #68].

4  
5 **ARTICLE V**  
**SUMMARY OF THE PLAN**

6 The Plan provides for the issuance of new bonds by the District in the original  
7 principal amount of \$16,000,000 (the “New Bonds”), with such other terms, redemption  
8 provisions, and other features as set forth in the Plan of Finance, which is attached to the  
9 Plan as Exhibit 1 to the Plan and which will be attached to and made part of the  
10 Confirmation Order confirming the Plan. The New Bonds shall be issued in denominations  
11 of \$1,000 and integral multiples thereof, as “book-entry-only” securities and will be  
12 registered with DTC. Each holder of a Claim or Interest is urged to carefully review the  
13 Plan of Finance.

14 The District will transfer the New Bonds to PVEC as consideration for the  
15 acquisition by the District of all of the Acquired Assets. Consideration will be provided to  
16 the Current Bondholders in the form of a combination of New Bonds and cash as described  
17 below (collectively “Current Bond Discharge Consideration”), in consideration for (a) the  
18 Current Bondholders causing all of the outstanding principal amount of the Current Bonds  
19 to be surrendered to the Current Bond Trustee for immediate cancellation and discharge,  
20 and (b) the Current Bondholders irrevocably directing the Current Bond Trustee to release,  
21 reconvey, or terminate, as appropriate, all rights, title, and security interests of the Current  
22 Bond Trustee under the Indenture in any and all collateral securing the Current Bonds and  
23 the Current Bond Obligations, including, without limitation, the TPT Revenues, Net Cash  
24 Flow from the operation of the Center, and any payment obligations of the Town to the  
25 Current Bond Trustee under the Settlement Agreement.



1 The Current Bond Discharge Consideration provided to the Current Bondholders  
2 will be effectuated as follows:

- 3 1. Current Bondholders shall receive, as full satisfaction of and discharge for the  
4 Current Bonds and Current Bond Obligations, consideration at a ratio of  
5 \$457.14285714 (the "Conversion Factor") for each \$1,000 in principal amount of  
6 the Current Bonds.
- 7 2. The Conversion Factor shall be applied against the total principal amount of the  
8 Current Bonds held by each Current Bondholder, resulting in a converted payment  
9 amount ("Converted Payment Amount").
- 10 3. The Converted Payment Amount will be distributed to the Current Bondholder in  
11 two forms: (a) principal of the New Bonds in authorized denominations of \$1,000  
12 (and integral multiples thereof) rounded down to the nearest \$1,000, and (b) any  
13 remaining fractional amount less than \$1,000 will be paid in cash ("Cash  
14 Consideration").
- 15 4. By way of example, the calculation of the consideration distributed to a Current  
16 Bondholder with \$5,000 in principal amount of the Current Bonds would be as  
17 follows:

18

Principal Amount of Current Bonds		Conversion Factor		Converted Payment Amount
\$5,000	x	.45714285	=	\$2,285.71

19  
20  
21 *The Current Bondholder in this example will receive \$2,000 in principal  
22 of New Bonds (\$1,000 x 2) and \$285.71 in cash.*

- 23 5. The calculation of the Conversion Factor and the Cash Consideration shall be  
24 made by an independent agent engaged by the Current Bond Trustee.

25 The arrangement for the purchase of the fractional interest below \$1,000 of each  
26 converted payment amount (the "Fractional Amount") is for the sole purpose of facilitating

1 the authorized denominations of the New Bonds required by the District. The cash  
2 necessary to provide the Cash Consideration for the Fractional Amounts are subject and  
3 conditioned upon one or more of the institutional holders of the Current Bonds  
4 (collectively, the “Accommodation Party”) providing the cash necessary to provide the  
5 necessary Cash Consideration. The payment of the Fractional Amount portion of each  
6 converted payment amount will result in the Accommodation Party purchasing partial New  
7 Bonds, at par, for eventual aggregation into authorized denominations. The  
8 Accommodation Party, the Current Bond Trustee, and PVEC will make arrangements with  
9 a third party, who will be identified in the Confirmation Order, to hold and disburse the  
10 Cash Consideration for the Fractional Amounts (“Disbursing Agent”), with the fees and  
11 costs of the Disbursing Agent to be borne solely by the Current Bond Trustee.

12 Transfers of the New Bonds from the District to PVEC and, in turn, payment of the  
13 Current Bond Discharge Consideration by PVEC to beneficial owners of the Current  
14 Bonds will be effected through DTC Participants in accordance with DTC’s book-entry-  
15 only procedures, as described more fully in the Plan of Finance. The transfer to Current  
16 Bondholders in full satisfaction of the Current Bonds and Current Bond Obligations will be  
17 at a ratio of \$457.14285714 in the principal amount of New Bonds for each \$1,000 in  
18 principal of the Current Bonds. The Town, the District, the Debtors, and the Current Bond  
19 Trustee make no assurance that DTC, any DTC Participant or other nominees of the  
20 beneficial owners of the Current Bonds will act in accordance with the rules, policies, and  
21 procedures of DTC on a timely basis.

22 The Debtors and its Affiliates make no representations, warranties, or covenants  
23 regarding the issuance, payment, and performance by the District or the Town regarding  
24 the New Bonds and no parties, including the New Bondholders shall have any claims  
25 against the Debtors or their affiliates relating in any way to the New Bonds. The Current  
26

1 Bond Trustee is not issuing the New Bonds and likewise makes no such representations,  
2 warranties, or covenants.

3 As consideration for the New Bonds: (a) the Center Lease with District for the  
4 Center will be rejected and terminated, (b) the Reverter will be terminated, (c) all Acquired  
5 Assets (more fully described below is Section 7.4) will be transferred to the District; and  
6 (d) the rights and interests of PVEC under the Parking Access Agreement will be assumed,  
7 as modified, and then assigned to the District.

8 All claims of the Town and the District as to PVEC and the other Debtors shall be  
9 waived and extinguished and deemed to be disallowed. As of the Effective Date, PVEC  
10 and the other Debtors will have no further obligations with respect to the Center Lease, the  
11 Parking Access Agreement, the Current Bonds, or the New Bonds or to the Town, IDA, the  
12 District, the Current Bond Trustee, and the Current Bondholders.

13 As additional consideration for the foregoing and for the cancellation of the  
14 obligations and duties between the Town and PVEC under the Development Agreement  
15 (including under the related prior Development Agreement dated February 24, 2000  
16 (together the "Development Agreements"), the Town will pay to the Reorganized PVEC  
17 the Plan Payment Obligations, by the payment of \$3,000,000 paid over a period of 20 years  
18 in semi-annual installments, with the first installment being paid on the Effective Date.

19 The Town and the District shall enter into an Amendment to IGA, pursuant to which  
20 (i) the District will agree to issue the Bonds to acquire the Acquired Assets and provide for  
21 their operation, (ii) the Town will agree to pay amounts equal to the debt service on the  
22 New Bonds to the District and for the expenses of operation of the Center and the Acquired  
23 Assets, and (iii) the Town will confirm its obligations to support the District and to  
24 provide all funds that may be necessary or appropriate for the Town to timely and fully  
25 make the Plan Payment Obligations. Additionally, authorized counsel for the Town and the  
26

1 District shall consent to and approve the Confirmation Order, thereby confirming the  
2 Town's and the District's obligations under the New Bonds and the Plan, including as to  
3 the Plan Payment Obligations.

4 The Net Distributable Cash derived from the Plan Payment Obligations, along with  
5 the Debtors' Retained Cash and Accounts Receivable, will be used to fund the Plan and  
6 pay Allowed Administrative Claims in full and the Allowed Claims of Unsecured Creditors  
7 on a pro rata basis.

8 **NOTE:** Any description of the Plan in this Disclosure Statement is for informational  
9 purposes only and does not purport to change or supersede any of the language of the Plan.  
10 Each holder of a Claim or Interest is urged to read the Plan and the Plan of Finance  
11 carefully with respect to the proposed treatment of their respective Claim or Interest, and,  
12 is encouraged to consult with such person's legal counsel. If the Plan is confirmed, it will  
13 be binding upon the Debtors, its Creditors, and Interest Holders. **IN THE EVENT OF**  
14 **ANY INCONSISTENCY BETWEEN THE PLAN AND THIS DISCLOSURE**  
15 **STATEMENT, THE PLAN WILL CONTROL.**

16  
17 **ARTICLE VI**  
**CLASSIFICATION OF CLAIMS AND INTERESTS**

18 Creditors and Interest Holders are grouped in Classes depending on the type of  
19 Claim or Interest they have. The following section describes how they will be treated in  
20 the Plan

21 **6.1 No Classification of Administrative Claims and Priority Tax Claims**

22 As provided in Section 1123(a)(1) of the Bankruptcy Code, Administrative Claims  
23 and Priority Tax Claims shall not be classified for purposes of voting on or receiving  
24 distributions under the Plan. All those Claims shall be treated separately as unclassified  
25 Claims on the terms set forth herein.

1 **6.2 Administrative Expenses of PVEC**

2 The Allowed Non-Ordinary Course Administrative Claims will be paid on a pro-rata  
3 basis first from the PVEC Retained Assets after Ordinary Course Administrative Claimants  
4 are paid in full and then from the Plan Payment Obligations. Ninety-five percent (95%) of  
5 the Net Distributable Cash shall be paid first to any unpaid fees and costs due professionals  
6 employed by the Debtors and thereafter pro-rata to Non-Ordinary Course Administrative  
7 Claimants and the Class 7 Claimant until paid in full.

8 As of May 31, 2017, Non-Ordinary Course Administrative Claims consist of  
9 professional fees in the approximate amount \$120,000.00, principal owed on the DIP  
10 Loans in the amount of \$685,000,<sup>2</sup> and approximately \$1,268,723 owed to Four Seasons as  
11 the Cure for fees due under the Parking Access Agreement, for both the pre-petition period  
12 and the post-petition period.<sup>3</sup> PVEC will likely require additional amounts for DIP Loans  
13 prior to the Effective Date, which would be included in the Non-Ordinary Course  
14 Administrative Claims.

15 Ordinary Course Administrative Claimants shall be paid in full on the Effective  
16 Date from the PVEC Retained Assets and the initial installment of the Plan Payment  
17 Obligations.

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24 <sup>2</sup> An additional DIP Loan of up to \$385,000 will likely be sought by PVEC to fund operations through October 2017.

25 <sup>3</sup> The fees under the Parking Access Agreement will continue to accrue at the rate of \$16,310.05 per  
26 month after May 31, 2017.

1 **6.3 Administrative Expenses of JA Flats, Inc.**

2 The Allowed Administrative Claims of Flats shall be paid in full as soon as  
3 approved by the Court from the Flats Retained Assets. These claims consist of attorneys'  
4 fees and costs owed to Davis McKee PLLC in the approximate amount of \$2,000.

5 **6.4 Administrative Expenses of JA Flats II, Inc.**

6 The Allowed Administrative Claims of Flats II shall be paid in full as soon as  
7 approved by the Court from the Flats II Retained Assets. These claims consist of attorneys'  
8 fees and costs owed to Davis McKee PLLC in the approximate amount of \$2,000.

9 **6.5 Priority Tax Claims -- PVEC**

10 Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less  
11 favorable treatment or treatment is ordered by the Bankruptcy Court, in full and final  
12 satisfaction, each holder shall be treated in accordance with the terms set forth in  
13 Bankruptcy Code section 1129(a)(9)(C). The Debtors do not believe there are any Claims  
14 in this Class.

15 **6.6 Priority Tax Claims -- JA Flats, Inc.**

16 The Allowed Claim of the Internal Revenue Service in the amount of \$100 will be  
17 paid on the Effective Date from the Flats Retained Assets.

18 **6.7 Priority Tax Claims -- JA Flats II, Inc.**

19 The Allowed Claim of the Internal Revenue Service in the amount of \$100 will be  
20 paid on the Effective Date from the Flats II Retained Assets.

21 **6.8 Classification and Treatment of Claims and Interests That Are Classified**

22 For purposes of voting, distributions, and all confirmation matters, except as  
23 otherwise provided herein all Allowed Claims and Interests shall be classified and treated  
24 as follows:  
25  
26

1                   **6.8.1            Class 1 – Other Priority Claims – PVEC**

2                   To the extent there are any Allowed Other Priority Claims as to PVEC, they will be  
3 paid in full on the Effective Date or such other time as the Claimant agrees. The Debtors  
4 do not believe there are any Claims in this class. To extent there are such Claims, Class 1  
5 is unimpaired, is not entitled to vote on the Plan and will not be solicited for voting.

6                   **6.8.2            Class 2 – Other Priority Claims – JA Flats, Inc.**

7                   To the extent there are any Allowed Other Priority Claims as to Flats, they will be  
8 paid in full on the Effective Date or such other time as the claimant agrees. The Debtors  
9 do not believe there are any Claims in this class. To extent there are such Claims, Class 2  
10 is unimpaired, is not entitled to vote on the Plan and will not be solicited for voting.

11                   **6.8.3            Class 3 – Other Priority Claims – JA Flats II, Inc.**

12                   To the extent there are any Allowed Other Priority Claims as to Flats II, they will be  
13 paid in full on the Effective Date or such other time as the claimant agrees. The Debtors  
14 do not believe there are any Claims in this class. To extent there are such Claims, Class 3  
15 is unimpaired, is not entitled to vote on the Plan and will not be solicited for voting.

16                   **6.8.4            Class 4 – The Bondholders**       Class 4 consists of the Current

17 Bondholders under the Current Bond Obligations. As of the Effective Date, the District  
18 shall have issued the New Bonds in favor of PVEC that shall be immediately, as soon as  
19 commercially reasonable, transferred and assigned to DTC as agent for the Current  
20 Bondholders in full satisfaction of the Current Bonds and Current Bond Obligations at a  
21 ratio of \$457.14285714 in the principal amount of New Bonds for each \$1,000 in principal  
22 of the Current Bonds. The Current Bond Discharge Consideration will be distributed to the  
23 Current Bondholder in two forms: (a) principal of the New Bonds in authorized  
24 denominations of \$1,000 (and integral multiples thereof) rounded down to the nearest  
25 \$1,000, and (b) the Cash Consideration (any remaining Fractional Amount less than  
26

1 \$1,000) will be paid in cash to be provided by the Accommodation Party and disbursed by  
2 the Disbursing Agent. The Current Bond Obligations, including any and all obligations of  
3 PVEC and its Affiliates relating in any way thereto, shall be deemed discharged, satisfied,  
4 and paid in full as of the Effective Date, and PVEC and its Affiliates shall have no  
5 obligations of any kind in regard to the New Bonds or to the holders of the New Bonds.  
6 PVEC shall have and shall claim no right, interest, duty, or power relating to the New  
7 Bonds.

8 PVEC makes no representations, warranties, or covenants of any kind with respect  
9 to the New Bonds or to their transfer and assignment to the Current Bondholders, as PVEC  
10 will be immediately transferring the New Bonds to the Current Bondholders. Similarly,  
11 PVEC shall have no duties or obligations with respect to the allocation of New Bonds to  
12 the Current Bondholders.

13 The holders of the New Bonds will have all rights and remedies accorded by the  
14 Plan of Finance.

15 On the Effective Date, any funds in the CC Account shall be paid to the Current  
16 Bond Trustee for the benefit of the Current Bondholders as more fully described below.  
17 The Current Bond Trustee shall take any actions necessary to wind up and discharge the  
18 Current Bond Obligations.

19 On and after the Effective Date, PVEC, the IDA, the Town, and the District shall  
20 have no obligations of any kind to the holders of Current Bond Obligations or to Current  
21 Bond Trustee.

22 On the Effective Date, the holders of the Current Bond Obligations and the Current  
23 Bond Trustee shall have no claims of any kind against PVEC, the Town, and the District  
24 (including any deficiency or unsecured claims), its assets, and the bankruptcy estate,  
25 including any administrative expense claims or unsecured or deficiency claims of any kind  
26



1 or nature. The holders of the Current Bonds shall have no deficiency claims of any kind  
2 and no right, if any exists, to make an election under Section 1111(b) of the Bankruptcy  
3 Code.

4 All liens, claims, and interests of the holders of the Current Bond Obligations and  
5 the Current Bond Trustee as to any assets or interests of PVEC or relating to the Center  
6 shall be relinquished, released, and terminated as of the Effective Date.

7 All liens, claims, and interests of the holders of the Current Bond Obligations and  
8 the Current Bond Trustee as to any assets or interests of the IDA, the Town, and the  
9 District, including, without limitation, any TPT Revenues and other obligations under the  
10 Development Agreements, shall be relinquished, released, and terminated as of the  
11 Effective Date. The holders of the New Bonds shall have all the rights and claims as set  
12 forth in the Plan of Finance.

13 Class 4 is impaired and is entitled to vote on the Plan.

14 **6.8.5 Class 5 – Administrative Convenience Creditors of PVEC**

15 Class 5 consists of the Claims of Unsecured Creditors with Allowed Claims against  
16 PVEC of \$1,000 or less. Debtors believe the amount of claims in this Class is \$1,835. Each  
17 holder of an Allowed Unsecured Claim in this Class will be paid 100 percent (100%) of its  
18 Claim from the PVEC Retained Assets within sixty (60) days after the Effective Date. This  
19 Class is impaired and is entitled to vote on the Plan.

20 **6.8.6 Class 6 - General Unsecured Creditors of PVEC**

21 Class 6 consists of the Allowed PVEC Unsecured Claims of general unsecured  
22 creditors not otherwise classified. Debtors believe the amount of claims in this Class is  
23 approximately \$529,000. Each holder of an Allowed Unsecured Claim in this class will be  
24 paid a pro-rata share along with the holders of Allowed Claims in Class 8 of five percent  
25 (5%) of the Net Distributable Cash commencing after the Effective Date and until the Plan  
26

1 Payment Obligations have been fully paid. After the Non-Ordinary Course Administrative  
2 Claims and Class 7 holders are paid in full, the holders in this Class and Class 8 will  
3 receive 100 percent (100%) of the remaining Net Distributable Cash until the Plan  
4 Payment Obligations have been full paid. This Class is impaired and is entitled to vote on  
5 the Plan. No interest will accrue or be paid for any Claim in this Class.

6 **6.8.7 Class 7 –PVSE/Four Seasons Cure Claim** Class 7 consists of the  
7 Allowed Claim of PVSE/Four Seasons for Cure related to the assumption and assignment  
8 of the Parking Access Agreement to the District. This Class will be paid pro-rata with the  
9 Non-Ordinary Course Administrative Claims as set forth in Section 6.2 above. The  
10 approximate amount of this Claim as of May 31, 2017, is \$1,284,724.04 comprised of the  
11 pre-petition amount of \$975,447.86 and the post- petition amount of \$309,276.18. The  
12 post-petition amount will continue to accrue at a rate of \$16,310.05 per month until the  
13 Effective Date. The holder of Claims in Class 7 has been separately classified solely for  
14 convenience; because the Claims in this Class are Allowed Administrative Claims, the  
15 holders of the Claims in this Class are not entitled to vote on the Plan.

16 **6.8.8 Class 8 - The Underwriters**  
17 Class 8 consists of the Allowed Unsecured Claims of Robert W. Baird & Co. and  
18 Hilltop Securities, Inc. Each holder of an Allowed Unsecured Claim in this Class will be  
19 paid a pro-rata share, along with holders of Allowed Claims in Class 6, of tfive percent  
20 (5%) of the Net Distributable Cash commencing after the Effective Date and until the Plan  
21 Payment Obligations have been fully paid. After the Non-Ordinary Course Administrative  
22 Claims and Class 7 have been paid in full, the holders in this Class and in Class 6 will  
23 receive 100 percent (100%) of the remaining Net Distributable Cash until the Plan  
24 Payment Obligations have been fully paid. This Class is impaired and is entitled to vote on  
25 the Plan. No interest will accrue or be paid for any Claim in this Class.  
26

1           **6.8.9           Class 9 - General Unsecured Claims of the Town and District.**

2 Class 9 consists of the claims of the Town and the District. The Class 9 holders shall  
3 receive no distributions of any kind under the Plan, and their Claims will be deemed  
4 waived, relinquished, and disallowed as of the Effective Date. This Class is impaired and  
5 will be entitled to vote on the Plan..

6           **6.8.10           Class 10 - General Unsecured Creditors of JA Flats, Inc.**

7 Class 10 consists of the Allowed Flats Unsecured Claims of general unsecured  
8 creditors not otherwise classified. Each holder of an Allowed Unsecured Claim in this  
9 class will be paid in full on the Effective Date from the remaining Flats Retained Assets  
10 after payment of administrative and priority claims. The Debtors believe the amount of  
11 claims in this class is \$58,966. This Class is unimpaired and will not be solicited to vote on  
12 the Plan. No interest will accrue or be paid for any Claim.

13           **6.8.11           Class 11 - General Unsecured Creditors of JA Flats II, Inc.**

14 Class 11 consists of the Allowed Flats II Unsecured Claims of general unsecured  
15 creditors not otherwise classified. Each holder of an Allowed Unsecured Claim in this  
16 class will be paid on the Effective Date from the remaining Flats II Retained Assets after  
17 payment of administrative and priority claims. The Debtors believe the amount of claims  
18 in this class is \$38,789.48. This Class is impaired and is entitled to vote on the Plan. No  
19 interest will accrue or be paid for any Claim.

20           **6.8.12           Class 12 – Equity Interests of PVEC**

21 Class 12 consists of the Equity Interests of Flats and Flats II in PVEC. Flats and  
22 Flats II shall retain their interests in PVEC, but shall receive no distributions under the  
23 Plan. This Class is deemed to have rejected the Plan and will not be solicited for voting.  
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**6.8.13            Class 13 - Equity Interests of JA Flats, Inc.**

Class 13 consists of the Equity Interests of Flats Holdings, Inc. in Flats Holdings, Inc. shall retain its interests in Flats but shall receive no distributions under the Plan. This Class is deemed to have rejected the Plan and will not be solicited for voting.

**6.8.14            Class 14- Equity Interests of JA Flats II, Inc.**

Class 14 consists of the Equity Interests of Flats Holdings, Inc. in JA Flats II, Inc. Flats Holdings, Inc. shall retain its interests in Flats II but shall receive no distributions under the Plan. This Class is deemed to have rejected the Plan and will not be solicited for voting.

**ARTICLE VII  
MEANS FOR IMPLEMENTATION OF THE PLAN**

**7.1    Issuance of New Bonds.**

As of the Effective Date, and as described in the Plan of Finance, the District will have issued to PVEC the New Bonds, which shall be immediately transferred and assigned by PVEC to DTC for distribution to the Current Bondholders at a ratio of \$457.14285714 for each \$1,000 in principal in the Current Bonds payable to the Current Bondholder in two forms: (a) principal of the New Bonds in authorized denominations of \$1,000 (and integral multiples thereof) rounded down to the nearest \$1,000, and (b) the Cash Consideration (any remaining Fractional Amount less than \$1,000) will be paid in cash to be provided by the Accommodation Party and disbursed by the Disbursing Agent. Simultaneously with the transfer and assignment, the Current Bonds and Current Bond Obligations shall be deemed fully satisfied, cancelled, and discharged. PVEC shall have and shall claim no right, interest, duty, or power relating to the New Bonds.

PVEC makes no representations, warranties, or covenants with respect to the transfer and assignment of the New Bonds, as PVEC will be immediately transferring and

1 assigning the New Bonds to the Current Bondholders. Similarly, PVEC shall have no  
2 duties or obligations with respect to the allocation of New Bonds to the Current  
3 Bondholders, all of which shall be handled by DTC and the Current Bond Trustee. The fees  
4 and costs of DTC relating to the Current Bonds and the transfer of the New Bonds shall be  
5 paid by the Current Bond Trustee.

6  
7 The holders of the New Bonds will have all rights and remedies accorded by the  
8 Plan of Finance and applicable law. PVEC will have no power, duty, or obligations to  
9 enforce the New Bonds.

10 **7.2 Rejection of the Center Lease and Current Management Agreement;**  
11 **Relinquishment of Reverter; Development Agreements.**

12 On the Effective Date, (a) the Center Lease shall be rejected and terminated; (b)  
13 PVEC shall waive and relinquish the Reverter; (b) the Current Management Agreement  
14 shall be rejected and terminated; (c) the obligations and duties between the Town and  
15 PVEC under the Development Agreements shall be deemed cancelled; and (d) Section J of  
16 the Settlement Agreement shall be deemed to be cancelled and of no further force or effect.  
17 However, it is expressly understood that nothing in the Plan shall affect the continued  
18 application of that certain May 24, 2005 Additional Infrastructure Development  
19 Agreement, Fain Retail Property (as amended December 8, 2011) between the Town and  
20 FSG. As of the Effective Date, FSG, PVSE, the Town, the Current Bond Trustee and the  
21 Current Bondholders shall be deemed to have satisfied and complied with all of their  
22 respective obligations to one another under the Settlement Agreement.

23 **7.3 Withdrawal of Claims.**

24 The District and the Town shall withdraw and shall relinquish and waive any claims  
25 of any kind or nature against the Debtors and these bankruptcy estates, including, without  
26

1 limitation, any and all proofs of claim filed in the bankruptcy cases and for any claims  
2 arising under the Center Lease for rejection or other damages.

3 As of the Effective Date, the District and the Town shall no longer be creditors of  
4 PVEC and shall not be deemed, regarding PVEC and for purposes the Bankruptcy Case,  
5 interested persons or a “party in interest” as those terms are used or defined in the  
6 Bankruptcy Code, the Bankruptcy Rules, or the Federal Courts.

7 **7.4 Transfer of Assets and Assignment of Leases and Contracts.**

8 On the Effective Date, any funds remaining in the funds and accounts held by the  
9 Current Trustee shall be applied as required by the Indenture for the Current Bonds,  
10 including payment of the fees and expenses of the Current Bond Trustee and the cost of  
11 discharging the Current Bond Obligations. In no event shall PVEC be responsible for any  
12 fees or costs of DTC or the Current Bond Trustee.

13 The Acquired Assets shall be transferred to the District. Acquired Assets include:

14 (a) NAZB License Agreement -- subject to the consent of NAZB, the NAZB  
15 License Agreement will be assigned by PVEC to the District and the obligations of PVEC  
16 under that Agreement will be assumed by the District. PVEC shall have no further liability  
17 or obligations of any kind to NAZB under the NAZB License Agreement.

18 (b) all event contracts, ticketing agreements, food, and beverage agreements,  
19 services agreements, and other agreements relating to the use and operation of the Center  
20 (along with the equipment used in conjunction therewith) -- shall be assumed and assigned  
21 to the District. Thereupon, the District shall assume the obligations of PVEC under those  
22 agreements and contracts. PVEC shall have no further liability or obligations of any kind to  
23 the counter-party under those agreements and contracts.

24 (c) the Spectra Management Agreement -- PVEC will entered into the Spectra  
25 Management Agreement with Spectra prior to or in conjunction with the Confirmation (as  
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1 contemplated by the Consulting Agreement). The Spectra Management Agreement will be  
2 filed with the Court prior to the Confirmation Hearing. PVEC will assign the Spectra  
3 Management Agreement to the District as of the Effective Date.

4 The District shall acquire the Acquired Assets on an “as is-where is” basis without  
5 any representations or warranties by PVEC of any kind or nature. Nothing herein shall  
6 affect any on-going rights and interests the District may have with regard to representations  
7 or warranties by other Center suppliers, service providers, equipment providers, or  
8 contractors.

9 As of the Effective Date, Flats shall transfer the liquor license used for the Events  
10 Center to the District for the payment by the District of \$75,000 to Flats.

#### 11 **7.5 Retained Assets**

12 The Reorganized PVEC shall retain all Cash, Accounts Receivable, and Causes of  
13 Action relating to events and activities held at the Center prior to the Effective Date. As of  
14 the Effective Date, the Reorganized PVEC and the Town will reconcile the income,  
15 deposits and expenses for events and activities scheduled to occur after the Effective Date.  
16 The PVEC Retained Assets shall be used first to satisfy Ordinary Course Administrative  
17 Claims and Administrative Convenience Creditors, with any remainder to be paid to Non-  
18 Ordinary Course Administrative Claims and Class 7 holders on a pro rata basis. On the  
19 Effective Date, PVEC believes it will have minimal Cash and approximately \$55,000 in  
20 Accounts Receivable.

21 The Reorganized Flats shall retain all Cash and the proceeds from the sale of its  
22 liquor license to the District. Flats believes the total amount will be approximately \$77,000  
23 which will be sufficient to pay all of Flats’ Administrative Claims and Unsecured Creditors  
24 in full.

1           The Reorganized Flats II shall retain all Cash, which will be approximately \$3,000.  
2 and which will be used first to pay in full Flats II Administrative Claims with the  
3 remainder to be paid to its Unsecured Creditors on a pro rata basis.

4       **7.6   Funding for Plan Payments and Estimated Recovery**

5           The Plan Payment Obligations shall be used to pay Administrative Claims, Cure  
6 Claims and Unsecured Creditors as set forth in the Plan. The Plan Payment Obligations are  
7 payable over a period of 20 years (or the term of the New Bond Obligations, whichever is  
8 greater) from the Effective Date in semi-annual installments, with the first installment to be  
9 paid on the Effective Date. The Town shall acknowledge its obligation to fund the Plan  
10 Payment Obligations by the execution by its authorized counsel of the Confirmation Order.

11           The Debtors estimate the following recoveries for Creditors other than the  
12 Bondholders: (a) all PVEC Administrative Claims (including the DIP Loans) and Cure  
13 claims anticipated to be approximately \$2,606,274 in the aggregate (as of October 31,  
14 2017) will be paid in full in year 2037, (b) all PVEC convenience class unsecured creditors  
15 will be paid in full immediately after the Effective Date; (c) PVEC Unsecured Creditors  
16 (Classes 6 and 8) will be paid approximately one and 1/2 percent (1.5%) of their claims  
17 based on pro rata distributions of the Plan Payment Obligations available for the PVEC  
18 Unsecured Creditors; (d) Flats administrative and Unsecured Creditors will be paid in full  
19 on the Effective Date; and (e) Flats II administrative creditors will be paid in full on the  
20 Effective Date.

21       **7.7   Assumption, Assignment of Parking Access Agreement.**

22           As of the Effective Date, the existing Parking Access Agreement shall be assumed  
23 and assigned to the District, subject to the modifications agreed to by the District and Four  
24 Seasons as described in Article VIII below.  
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1 Four Seasons shall retain all of its claims against PVEC under the existing Parking  
2 Access Agreement and the Bankruptcy Code, including, without limitation, pre-petition  
3 claims, administrative expense claims, and Cure, all of which shall be paid in accordance  
4 with the Plan.

5 **7.8 Return of Deposit**

6 As of the Effective Date, the deposit of \$20,000 paid to Arizona Public Service by  
7 FSG shall be returned to FSG pursuant to the Bankruptcy Court's Order dated October 1,  
8 2015 [Dkt. #66].

9 **7.9 Continued Corporate Existence**

10 After the Effective Date, PVEC, Flats, and Flats II shall retain their corporate  
11 existence and structure as the Reorganized Debtors to the extent necessary and for the  
12 purpose of receiving payments and making all required distributions to Creditors required  
13 under the Plan.

14 **7.10 Plan Agent; Management and Compensation**

15 After the Effective Date, Sean B. Fain, the President of Flats (manager of PVEC),  
16 will serve as the initial Plan Agent to administer the Plan and will be compensated \$5,000  
17 per year for carrying out his duties as enumerated in the Plan and payable from the Plan  
18 Payment Obligations. In his sole discretion, at any time, and without Court approval, the  
19 Plan Agent may substitute in his stead the law firm of Dickinson Wright PLLC ("DW") to  
20 serve as Plan Agent. In the event of Mr. Fain's death or disability, DW shall automatically  
21 be substituted as Plan Agent.

22 The Plan Agent will be vested with standing and all the rights, powers, and duties  
23 necessary, appropriate, prudent, or advisable to effectuate the provisions of the Plan  
24 including, but not limited to, objecting to claims and making distributions to Creditors and  
25 Interest Holders in accordance with the Plan. The Plan Agent shall not be required to  
26

1 obtain any approvals from the Court, any court or governmental body and/or provide any  
2 notices under any applicable laws to implement the terms of the Plan in accordance with  
3 the Plan. The Plan Agent may employ, without order of the Court such counsel (which  
4 may be the same counsel employed by the Debtors), advisors, and other professionals  
5 selected by the Plan Agent that are reasonably required to perform the Plan Agent's  
6 responsibilities under the Plan. The Plan Agent's professionals shall be compensated at  
7 their respective standard hourly rates as agreed to by the Plan Agent, without further  
8 motion, application notice, or other order of the Court. The fees and expenses of the Plan  
9 Agent's professionals shall be satisfied from the Plan Payment Obligations before any  
10 distribution to Creditors.

11 **7.11 Effectuating Documents; Further Transactions**

12 Upon Confirmation, the Debtors are authorized to execute, deliver, file, or record  
13 such contracts, instruments, releases, indentures, and other agreements or documents and  
14 take such actions as may be necessary or appropriate to effectuate and further evidence the  
15 terms and conditions of the Plan.

16 **7.12 Exemption from Transfer Taxes**

17 Pursuant to Section 1146(a) of the Bankruptcy Code, the creation or transfer of any  
18 mortgage, deed of trust or other security interest, the making or assignment of any lease or  
19 sublease, or the making or delivery of any deed or other instrument of transfer under, in  
20 furtherance of or in connection with the Plan, and executed in connection with the  
21 liquidation of assets shall not be subject to any stamp tax, real estate tax or similar tax.

22 **7.13 Exemption from Securities Laws**

23 The issuance and assignment of the New Bonds, and all other instruments,  
24 certificates, and other documents to be issued or distributed pursuant to the Plan, (a) shall  
25 be authorized under Bankruptcy Code § 1145 as of the Effective Date without further act or  
26

1 action, and (b) shall be exempt pursuant to Bankruptcy Code § 1145 from registration  
2 under the Securities Act of 1933, as amended (and all rules and regulations promulgated  
3 thereunder), and under any state or local law (and all rules and regulations promulgated  
4 thereunder) requiring registration for offer or sale of a security or registration or licensing  
5 of an issuer of, underwriter of, or broker or dealer in, a security.

6  
7 **ARTICLE VIII**  
8 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

9 **8.1 Center Lease and Current Management Agreement**

10 On the Effective Date, the Center Lease and the Current Management Agreement  
11 shall be deemed rejected. The District and JA Flats shall have no Claims under those  
12 agreements, including for rejection damages.

13 **8.2 Parking Access Agreement**

14 On the Effective Date, PVEC will assume the Parking Access Agreement and assign  
15 it to the District on the following conditions:

16 **8.2.1** The Cure related to the assumption will be an Allowed Claim in the amount  
17 of \$1,284,724.04, plus accrued rent for \$16,310.05 per calendar month from and including  
18 June 2017, prorated through the Effective Date. The Cure will be paid to Four Seasons on  
19 a pro-rata basis, from the Plan Payment Obligations, along with other Non-Ordinary  
20 Administrative Claims in accordance with Section 6.2 above, until paid in full.

21 **8.2.2** The Parking Access Agreement will be modified as follows (the “Modified  
22 Parking Access Agreement”):

23 a. The Modified Parking Access Agreement shall initially cover only the  
24 four main Events Center Parking Areas (Lots 9, 12, 13 and 14 as shown in the existing  
25 Parking Access Agreement), with a total of 1,391 initial parking spaces (the “Initial  
26 Parking Areas”). Four Seasons shall be required to provide not more than 1,000 Equivalent

1 Parking Spaces (using the definitions in the Parking Access Agreement) in the Initial  
2 Parking Areas. The balance of the required parking for the Center will be provided by (i)  
3 parking in what was formerly described as Lot 15 in the existing Parking Access  
4 Agreement (now parking along Main Street) and (ii) parking within the Civic Center  
5 parking lots.

6           b. Four Seasons will grant the District a non-exclusive license to use the  
7 Initial Parking Area as parking for the Event Center on Event dates (with a limited number  
8 designated as employee parking for the Event Center and available on all dates) in the same  
9 manner as under the terms of the existing Parking Access Agreement.

10           c. The District shall pay Four Seasons a license fee (payable quarterly)  
11 equal to the greater of (i) \$70,000 per year or (i) \$2.10 per ticket sold within the Center  
12 each year; in regard to both subparts (i) and (ii) of this subsection, the amounts shall be  
13 adjusted annually at the rate of 3%, and shall include an amount equal to all Taxes payable  
14 with respect to the Initial Parking Areas (or Substitute Parking Areas, as applicable) for  
15 such year. For purposes of this provision, Taxes payable with respect to the Initial Parking  
16 Areas (or Substitute Parking Areas, as applicable) shall mean real property taxes,  
17 possessory interest taxes, or any other governmental tax or fee payable with respect to the  
18 Modified Parking Access Agreement or the license fees payable with respect thereto,  
19 except that income taxes payable with respect to Four Seasons' income from the Modified  
20 Parking Access Agreement shall not be considered Taxes for this purpose.

21           d. For non-ticketed events at the Center (i.e. events for which tickets are  
22 not sold through the Center box office or ticketing agencies even if tickets are otherwise  
23 sold for such an event), the District shall pay to Four Seasons a license fee for parking of  
24 \$500 per event day, which shall also be paid quarterly. Non-ticketed events shall include,  
25 by way of examples, gun shows and home & garden shows; provided, however, no license  
26

1 fee for parking shall be paid for civic events, such as the use of the Center for voting and  
2 public meetings, or for Town-sponsored events, such as parks and recreation events like  
3 public skating.

4 e. The District shall pay all insurance, maintenance, and repair relating to  
5 the Initial Parking Areas or the Substitute Parking Areas (as defined below) while owned  
6 by the District.

7 f. Four Seasons shall contribute title to the Initial Parking Areas to the  
8 District for no consideration, subject to the license to the District and to the reversionary  
9 rights described below, in effort to eliminate ad valorem taxes. The Initial Parking Areas  
10 shall be transferred to the District on an “as is-where as” basis. Four Seasons may require  
11 that title to the Initial Parking Areas be reconveyed to Four Seasons (or any affiliate or  
12 related entity) at any time, subject to the Modified Parking Access Agreement and title  
13 shall in any event be reconveyed upon the first to occur of (i) any termination of the  
14 Modified Parking Access Agreement or (ii) the date which is twenty (20) years after the  
15 Effective Date.

16 g. The District shall lease the Initial Parking Areas back to Four Seasons  
17 for a period of 20 years at the annual rental of \$1, subject to (i) the Event Center’s license  
18 to use the parking on Event Days and (ii) the reversionary rights of PVEC. Four Seasons  
19 shall have the right to use the Initial Parking Areas as parking for other uses in the manner  
20 set forth in the existing Parking Access Agreement (subject to ensuring that a minimum of  
21 1,000 Equivalent Parking Spaces are provided within the Initial Parking Areas). Prior to the  
22 expiration of the 20-year term, the parties shall meet and confer regarding a new agreement  
23 regarding continued parking for the Event Center at the then fair market rates.

24 h. Four Seasons may substitute different parking areas for one or more of  
25 the Initial Parking Areas in accordance with the provisions of the existing Parking Access  
26

1 Agreement, provided that any substitute Parking Areas shall be in locations as are  
2 permitted by Section 3(b) of the existing Parking Access Agreement (“Substitute Parking  
3 Areas”). Title to any Substitute Parking Areas will be transferred to the District (subject to  
4 Four Seasons’ rights of reversion and to require reconveyance) and added to the Sublease  
5 and the Modified Parking Access Agreement, and any replaced parking areas shall be  
6 deeded back to Four Seasons and removed from the Sublease and the Modified Parking  
7 Access Agreement.

8 i. Four Seasons may assign its rights and obligations under the Modified  
9 Parking Access Agreement to successors and assigns (new owners of portions of the  
10 Parking Areas) in the same manner as permitted under the terms of the existing Parking  
11 Access Agreement.

12 j. During the term of the Modified Parking Access Agreement, and as  
13 additional consideration for the benefits provided to the District under the Modified Parking  
14 Access Agreement, Four Seasons, its successor, and any and all of the affiliates thereof shall  
15 be entitled to use and shall have access, to (i) the entire Center for a total of 50 hours,  
16 excluding time for “load in” and “load out”, for charitable events and private events at no  
17 charge, and (ii) approximately 300 sq. ft. of lounge and seating area in the Center currently  
18 described as No. 318 in the Center for a fixed annual fee of \$5,000.

19 k. If the District or the Town fails to pay rent as required, or fails to  
20 maintain the Initial Parking Areas or otherwise defaults under the Modified Parking Access  
21 Agreement and such default is not cured within an agreed cure period, then Four Seasons  
22 shall have the right to exercise the enumerated remedies, which shall include the collection  
23 from the Town and/or the District of any fees, costs, and expenses of Four Seasons and all  
24 unpaid license fees, the termination of the Modified Parking Access Agreement, and/or the  
25 exercise of Four Seasons’ reversion rights.  
26

1           1.       If the Center is operated or managed by any third party, the District  
2 shall cause such operator or manager to comply with the terms of the Modified Parking  
3 Access Agreement.

4           m.       If the Events Center is closed for a period longer than six (6) months  
5 at any time, Four Seasons (or its successors and assigns) may terminate the Modified  
6 Parking Access Agreement by written notice to the Town and the District.

7 **8.3    Other Executory Contracts and Leases**

8           As part of the Acquired Assets, the Debtors will assume and assign to the District as  
9 of the Effective Date the agreements, contracts and unexpired leases identified on **Exhibit**  
10 **B** hereto (the "Assumed Contracts"). Exhibit B identifies the Cure associated with each  
11 Assumed Contract (other than the Cure due Four Seasons under the Parking Access  
12 Agreement). All other executory contracts and leases not listed on Exhibit B shall be  
13 deemed rejected on Effective Date (the "Rejected Contracts") unless earlier rejected by  
14 Bankruptcy Court order. The Debtors reserve the right to amend Exhibit B at any time  
15 prior to the Effective Date (a) to delete any executory contract or unexpired lease and  
16 provide for its rejection, or (b) to add any executory contract or unexpired lease and  
17 provide for its assumption under the Plan. The Debtors will provide notice of any  
18 amendment to Exhibit B to the counter party or parties to those agreements affected by the  
19 amendment. Each counter party to an Assumed or Rejected Contract (other than Four  
20 Seasons) shall have fourteen days (14) from the date of the notice of this Disclosure  
21 Statement to file with the Bankruptcy Court a written objection to its treatment and its Cure  
22 if applicable. Failure to timely object will be deemed consent to the treatment and Cure. If  
23 a timely written objection is filed, the Debtors will request a hearing for the resolution of  
24 the counter party's objection.  
25  
26

1 Unless it has done so previously, each counter party to a rejected lease or contract  
2 (other than Four Seasons) shall file on or before fourteen days after the Effective Date a  
3 proof of claim for any rejection damages. Failure to timely file such proof of claim will  
4 result in the establishment of the claim at zero dollars (-0-). The Plan Agent reserves all  
5 rights to object to any proofs of claim.

6 **ARTICLE IX**  
7 **CLAIMS, DISTRIBUTIONS, AND CLAIMS OBJECTIONS**

8 **9.1 Deadline for Applications for Administrative Expenses**

9 Applications for Administrative Claims shall be filed no later than 30 days after the  
10 Effective Date. Administrative Claims are not required to be filed by Four Seasons relating  
11 to the Parking Agreement or FSG relating to the DIP Loans. If Administrative Claims are  
12 not timely filed in accordance with the Plan, they will be forever barred and may not be  
13 asserted in any manner; provided, however, that no request for payment shall be required  
14 with respect to Administrative Claims that have been paid previously or with respect to  
15 Administrative Claims for expenses incurred in the ordinary course of business, unless a  
16 dispute exists as to those expenses, or unless the provisions of the Bankruptcy Code require  
17 approval or allowance by the Bankruptcy Court as a precondition to payments being made  
18 on that expense.

19 **9.2 Filing of Objections**

20 The Plan Agent shall have the exclusive right to file objections to Claims and the  
21 exclusive right to settle or withdraw those objections with respect to those claims. The  
22 holder of a Claim to which an objection has been filed will be required to file with the  
23 Bankruptcy Court a response setting forth its Claim with specificity. The Plan Agent will  
24 request a hearing on any timely filed responses. Claims objections must be filed within  
25 ninety (90) days after the Effective Date.



1 **9.3 Plan Distributions and Disbursing Agent**

2 Distributions to Creditors will be made in accordance with the Plan. No  
3 distributions will be made to any claimant unless that claimant has an Allowed Claim. No  
4 interest shall accrue or be paid for any amounts reserved and ultimately paid. The Plan  
5 Agent will serve as the disbursing agent for all Allowed Claims.

6 **9.4 Amendment of Claims**

7 A Claim may be amended prior to the Effective Date only as agreed upon by the  
8 Plan Agent and the holder of the Claim or as otherwise permitted by the Bankruptcy Court  
9 and Bankruptcy Rules. After the Effective Date, a Claim may be amended to decrease, but  
10 not to increase, the amount thereof.

11 **9.5 Full and Final Satisfaction**

12 All payments and distributions under the Plan shall be in full and final satisfaction,  
13 settlement, release, and discharge of all Claims and Interests.

14 **ARTICLE X**  
15 **CONDITIONS TO THE EFFECTIVE DATE**

16 The following are conditions precedent to the Effective Date:

- 17 1. The Confirmation Date has occurred;
  - 18 2. No request for revocation of the Confirmation Order under Section 1144 of  
19 the Bankruptcy Code has been made, or, if made, remains pending;
  - 20 3. The Confirmation Order has been entered and is a Final Order, except that  
21 the Debtors reserve the right to cause the Effective Date to occur notwithstanding the  
22 pendency of an appeal of the Confirmation Order, under circumstances that would moot  
23 such appeal;
  - 24 4. The District shall have issued to the PVEC the New Bonds as set forth in the  
25 Plan of Finance.
- 26

1           5.      The Accommodation Party shall have provided to the Disbursing Agent the  
2 cash that is necessary to provide the Cash Consideration for the Fractional Amounts.

3           6.      All material consents, authorizations, orders and approvals of (or filings or  
4 registrations with) any Government Entity or other party required in connection with the  
5 execution, delivery and performance of the Plan shall have been obtained or made by the  
6 Debtors, the Reorganized Debtors, when so required, except for any documents required  
7 to be filed, or consents, authorizations, orders or approvals required to be issued, after the  
8 Effective Date.

9  
10   **ARTICLE XI**  
  **RETENTION OF JURISDICTION**

11           On and after the Effective Date, the Bankruptcy Court shall retain exclusive  
12 jurisdiction, to the fullest extent permissible under law, over all matters arising out of and  
13 related to the Chapter 11 Case for, among other things, the following purposes:

14           (a)      To hear and determine all matters with respect to the assumption or rejection  
15 of executory contracts or unexpired leases and the allowance of Cure amounts and Claims  
16 resulting therefrom;

17           (b)      To hear and determine any motion, adversary proceeding, application,  
18 contested matter, or other litigated matter pending on or commenced after the Confirmation  
19 Date;

20           (c)      To hear and determine all matters with respect to the allowance,  
21 disallowance, liquidation, classification, priority or estimation of any Claim;

22           (d)      To ensure that distributions to holders of Allowed Claims or Allowed  
23 Interests are accomplished as provided in the Plan;

24           (e)      To hear and determine all applications for compensation and reimbursement  
25 of Professional Fee Claims;  
26

1 (f) To hear and determine any application to modify the Plan in accordance with  
2 Section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any  
3 inconsistency in the Plan, this Disclosure Statement or any order of the Bankruptcy Court,  
4 including the Confirmation Order, in such a manner as may be necessary to carry out the  
5 purposes and effects thereof;

6 (g) To hear and determine disputes arising in connection with the interpretation,  
7 implementation or enforcement of the Plan, the Confirmation Order, any transactions or  
8 payments contemplated by the Plan or any agreement, instrument or other document  
9 governing or relating to any of the foregoing;

10 (h) To issue injunctions, enter and implement other orders and take such other  
11 actions as may be necessary or appropriate to restrain interference by any Person with the  
12 consummation, implementation or enforcement of the Plan, the Confirmation Order or any  
13 other order of the Bankruptcy Court;

14 (i) To issue orders as may be necessary to construe, enforce, implement,  
15 execute, and consummate the Plan;

16 (j) To enter, implement, or enforce orders as may be appropriate in the event the  
17 Confirmation Order is for any reason stayed, reversed, revoked, modified or vacated;

18 (k) To hear and determine matters concerning state, local and federal taxes in  
19 accordance with Sections 346, 505 and 1146 of the Bankruptcy Code (including the  
20 expedited determination of tax under Section 505(b) of the Bankruptcy Code);

21 (l) To hear and determine any other matters related to the Plan and not  
22 inconsistent with the Bankruptcy Code;

23 (m) To determine any other matters that may arise in connection with or are  
24 related to the Plan, this Disclosure Statement, the Confirmation Order, any of the  
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1 documents or any other contract, instrument, release or other agreement or document  
2 related to the Plan or this Disclosure Statement.

3 (n) To recover all Property of the Debtors' Estates, wherever located;

4 (o) To hear and determine all disputes involving the existence, nature or scope of  
5 the Debtors' discharge, including any dispute relating to any liability arising out of the  
6 termination of employment or the termination of any employee or retiree benefit program,  
7 regardless of whether such termination occurred prior to or after the Effective Date;

8 (p) To hear and determine any rights, Claims or Causes of Action held by or  
9 accruing to the Debtors or the Reorganized Debtors pursuant to the Bankruptcy Code or  
10 pursuant to any federal or state statute or legal theory;

11 (q) To enforce all orders, judgments, injunctions, releases, exculpations,  
12 indemnifications and rulings entered in connection with the Debtors' Chapter 11 Cases  
13 with respect to any Person;

14 (r) To hear and determine any disputes arising in connection with the  
15 interpretation, implementation or enforcement of any post-petition agreements;

16 (s) To hear any other matter not inconsistent with the Bankruptcy Code; and

17 (t) To enter a final decree closing the Chapter 11 Cases.  
18

19 **ARTICLE XII**  
**CONFIRMATION OF PLAN**

20 Once the Disclosure Statement is approved and any required ballots are sent to  
21 holders of Allowed Claims and Interests that may be entitled to vote on the Plan, the  
22 Bankruptcy Court will hold a Confirmation Hearing to determine whether the Plan may be  
23 confirmed. Any party in interest may object to Confirmation of the Plan.

24 The Bankruptcy Court has scheduled the Confirmation Hearing for \_\_\_\_\_, 2017 at  
25 \_\_\_\_\_.m. Phoenix time before the Honorable Madeleine Wanslee, United States Bankruptcy  
26

1 Judge, in the United States Bankruptcy Court for the District of Arizona, Courtroom 702,  
2 located at 230 N. First Ave, Phoenix, AZ 85003. The Confirmation Hearing may be  
3 adjourned from time to time by the Bankruptcy Court without further notice except for an  
4 announcement made at the Confirmation Hearing or any adjourned hearing.

5 **12.1 Overview of Confirmation Standards**

6 At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan  
7 meets the requirements of Section 1129 of the Bankruptcy Code. The Debtors believes the  
8 Plan meets these requirements because:

- 9 1. The Plan complies with the applicable provisions of the Bankruptcy Code;
- 10 2. The Debtors have complied with the applicable provisions of the Bankruptcy  
11 Code;
- 12 3. The Plan has been proposed in good faith and not by any means forbidden by  
13 law;
- 14 4. Any payment made or promised under the Plan for services or for costs and  
15 expenses in, or in connection with, this Chapter 11 Case, or in connection with the Plan and  
16 incident to this Chapter 11 Case, has been approved by, or is subject to the approval of the  
17 Bankruptcy Court;
- 18 5. The Debtors have or will disclose the identity and affiliations of any  
19 individuals proposed to serve, after confirmation of the Plan, as a director or officer along  
20 with his or her compensation; that the appointment to, or continuance in, such office of  
21 such individual is consistent with the interests of Creditors and equity holders and with  
22 public policy;
- 23 6. With respect to each Class of Impaired Claims or Interests, each holder of a  
24 Claim or Interest in that Class has accepted the Plan or will receive as of the Effective Date  
25 an amount that is not less than the holder would receive or retain if the Debtors were  
26

1 liquidated on that date under Chapter 7 of the Bankruptcy Code. (See the “Best Interests  
2 Test”);

3 7. Each Class of Claims or Interests has either accepted the Plan or is not  
4 Impaired under the Plan, or the Plan can be confirmed without the approval of that Class;

5 8. Except to the extent that the holder of a particular Claim has agreed or will  
6 agree to a different treatment of his or her Claim, the Plan provides that allowed  
7 Administrative Claims and Priority Claims will be paid in full on the Effective Date or  
8 within 30 days or as soon as reasonably practical and that Priority Tax Claims will be  
9 either paid in full on the Effective Date or will receive deferred Cash payments, over a  
10 period not exceeding six years after the date of assessment of those Claims, of a value, as  
11 of the Effective Date, equal to the allowed amount of those Claims;

12 9. If a Class of Claims is Impaired under the Plan, at least one Class of Impaired  
13 Claims has accepted the Plan, determined without including any acceptance of the Plan by  
14 any insider holding a Claim in that Class;

15 10. Confirmation of the Plan is not likely to be followed by the liquidation or the  
16 need for further financial reorganization.

17 **12.2 Acceptance of the Plan**

18 The Bankruptcy Code generally requires that each Impaired Class accept the Plan.  
19 A Class of Claims or Interests that is Unimpaired under the Plan is deemed to have  
20 accepted the Plan and, therefore, solicitation of acceptances from unimpaired Classes is not  
21 required.

22 A Class is Impaired unless the plan: (a) leaves unaltered the legal, equitable, and  
23 contractual rights to which the Claim or equity interest entitles the holder of the Claim or  
24 equity interest; (b) cures any default and reinstates the original terms of the obligation; or  
25 (c) provides that, on the consummation date, the holder of the Claim or equity interest  
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1 receives Cash equal to the allowed amount of that Claim, or with respect to any equity  
2 interest, any fixed liquidation preference to which the holder of the equity interest is  
3 entitled to any fixed price at which the Debtors may redeem the security.

4 Bankruptcy Code § 1126(d) provides that a Class of Creditors has accepted a  
5 chapter 11 plan if the plan has been accepted by holders of Claims, other than an entity  
6 designated under Bankruptcy Code § 1126(e), that hold at least two-thirds in amount of the  
7 Allowed Claims of such Class, other than any entity designated under Bankruptcy Code  
8 § 1126(e), that have accepted or rejected such chapter 11 plan.

9 **12.3 Objections to Confirmation**

10 Any objection to the Plan must:

- 11 • Be made in writing;
- 12 • Conform to the Bankruptcy Rules and the Local Rules;
- 13 • Set forth the name of the objector; the nature and amount of the Claims or  
14 Interests the objector holds against the Debtors; and the specific basis for the  
15 objection;
- 16 • Be electronically filed with the Bankruptcy Court; and
- 17 • Be served upon the following parties:

18 Carolyn J. Johnsen  
19 Dickinson Wright PLLC  
1850 N. Central Avenue, Suite 1400  
20 Phoenix, Arizona 85004

21 All objections to the Plan must be actually received no later than **5:00 p.m. Phoenix**  
22 **time on \_\_\_\_\_, 2017.** All objections to the Plan are governed by Bankruptcy Rule  
23 9014. **THE BANKRUPTCY COURT WILL NOT CONSIDER A PLAN**  
24 **OBJECTION UNLESS IT IS TIMELY FILED AND SERVED IN COMPLIANCE**  
25 **WITH THIS DISCLOSURE STATEMENT.**  
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**ARTICLE XIII**  
**EFFECT OF CONFIRMATION**

**13.1 Vesting of Assets**

Upon the Effective Date, pursuant to Sections 1141(b) and (c) of the Bankruptcy Code, all of the Retained Assets for each Debtor shall vest in each of the Reorganized Debtors free and clear of all Claims, Liens, encumbrances, charges, and other interests except as otherwise expressly provided in the Plan. All Liens, Claims, encumbrances, charges, and other interests in the Retained Assets shall be deemed fully released and discharged as of the Effective Date, except as otherwise provided in the Plan.

Upon the Effective Date, the Acquired Assets shall vest in the District in accordance with the Plan free and clear of all Claims, Liens, encumbrances, charges, and other interests, except as otherwise expressly provided in the Plan. All Liens, Claims, encumbrances, charges, and other interests in the Acquired Assets shall be deemed fully released and discharged as of the Effective Date.

**13.2 Preservation of Causes of Action**

Nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any rights or Causes of Action that the Debtors or the Reorganized Debtors may have or choose to assert under any provision of the Bankruptcy Code or any applicable non-bankruptcy law, and including without limitation any crossclaim, counterclaim, and/or claim for setoff that seeks affirmative relief against the Debtors or the Reorganized Debtors, or their officers, directors or representatives. All Causes of Action shall vest on the Effective Date in the Reorganized Debtors and the Plan Agent shall be granted standing to pursue all such Causes of Action.

**13.3 Exculpation and Release**

**Pursuant to the Plan, the Debtors, the Reorganized Debtors, and all of their respective present and former partners, members, officers, directors, employees,**



1 advisors, attorneys and agents (collectively, the “Released Parties”) shall not have or  
2 incur any liability to any holder of a Claim or an Interest, or any other party in  
3 interest, or any of their respective agents, employees, representatives, financial  
4 advisors, attorneys or affiliates, or any of their successors or assigns for any act or  
5 omission in connection with, relating to or arising out of this Chapter 11 Case, any  
6 settlement related to this Chapter 11 Case, the negotiation and execution of a  
7 proposed Plan, the solicitation of acceptances of the Plan, the pursuit of confirmation  
8 of the Plan, the consummation of the Plan, or the administration of the Estates or of  
9 the Plan, issuance and distribution of any securities issued or to be issued pursuant to  
10 the Plan, or the Property to be distributed under the Plan, except only to the extent  
11 that liability is based on willful misconduct, gross negligence or breach of fiduciary  
12 duty. The Released Parties shall be entitled to reasonably rely on the advice of  
13 counsel with respect to their duties and responsibilities under the Plan, or in the  
14 context of the Chapter 11 Case.

#### 15 **13.4 Discharge and Injunction**

16 Except as otherwise specifically provided in the Plan or in the Confirmation  
17 Order, the rights afforded in the Plan and the payments and distributions to be made  
18 under the Plan shall discharge all existing debts and Claims, and shall terminate all  
19 interests of any kind, nature, or description whatsoever against or in the Reorganized  
20 Debtors or any of their assets or properties to the fullest extent permitted by Section  
21 1141 of the Bankruptcy Code. Except as otherwise specifically provided in the Plan  
22 or in the Confirmation Order, upon the Effective Date, all existing Claims against the  
23 Debtors and interests in the Debtors shall be, and shall be deemed to be, discharged  
24 and terminated, and all holders of Claims and Interests (and all representatives,  
25 trustees, or agents on behalf of each holder) shall be precluded and enjoined from  
26

1 asserting against the Debtors or the Reorganized Debtors, their respective successors  
2 or assignees, or any of their assets or properties, any other or further Claim or  
3 Interest based on any act or omission, transaction, or other activity of any kind or  
4 nature that occurred before the Effective Date, whether or not the holder has filed a  
5 Proof of Claim and whether or not the facts or legal bases therefor were known or  
6 existed before the Effective Date. The Confirmation Order shall be a judicial  
7 determination of the discharge of all Claims against, liabilities of, and Interests in the  
8 Debtors, subject to the occurrence of the Effective Date.

9  
10 Upon the Effective Date and in consideration of the distributions to be made  
11 under the Plan, except as otherwise provided in the Plan, each holder (as well as any  
12 representatives, trustees, or agents on behalf of each holder) of a Claim or Interest  
13 and any Affiliate of the holder shall be deemed to have forever waived, released, and  
14 discharged the Debtors, to the fullest extent permitted by Section 1141 of the  
15 Bankruptcy Code, of and from any and all Claims, Interests, rights, and liabilities  
16 that arose before the Effective Date. Upon the Effective Date, all those Persons shall  
17 be forever precluded and enjoined, pursuant to Section 524 of the Bankruptcy Code,  
18 from prosecuting or asserting any discharged Claim against or terminated Interest in  
19 the Debtors.

20 Except as otherwise expressly provided in the Plan, all persons or entities who  
21 have held, hold, or may hold Claims or Interests and all other parties in interest,  
22 along with their respective present or former employees, agents, officers, directors,  
23 principals, representatives, and Affiliates, are permanently enjoined, from and after  
24 the Effective Date, from: (i) commencing or continuing in any manner any action or  
25 other proceeding of any kind with respect to any such Claim or Interest; (ii) the  
26 enforcement, attachment, collection, or recovery by any manner or means of any

1 judgment, award, decree, or order against the Debtors or the Reorganized Debtors or  
2 Property of the Debtors; (iii) creating, perfecting, or enforcing any Lien or  
3 encumbrance of any kind against the Debtors or the Reorganized Debtors, the Plan  
4 Agent, or against the Property or interests in Property of the Debtors; or (iv)  
5 asserting any right of setoff, subrogation, or recoupment of any kind against any  
6 obligation due from the Debtors or the Reorganized Debtors, the Plan Agent, or  
7 against the Property or interests in Property of the Debtors, with respect to any such  
8 Claim or Interest. This injunction shall extend to any successors or assignees of the  
9 Debtors, the Reorganized Debtors, the Plan Agent, and their respective Properties  
10 and interests in Properties.

### 11 **13.7 Corporate Authority.**

12 The Confirmation Order shall constitute full and complete corporate authority for  
13 the Debtors, the Reorganized Debtors, and the Plan Agent to take all other actions that may  
14 be necessary, useful or appropriate to consummate the Plan without any further corporate  
15 or judicial authority.

### 16 **13.8 Setoff and Recoupment**

17 The Plan Agent may, but shall not be required to, set off or recoup against any  
18 Claim and any distribution to be made on account of that Claim, any and all claims, rights,  
19 and Causes of Action of any nature that the Plan Agent may have against the holder of that  
20 Claim pursuant to the Bankruptcy Code or applicable non-bankruptcy law; provided,  
21 however, that neither the failure to effect a set off or recoupment nor the allowance of any  
22 Claim under the Plan shall constitute a waiver, abandonment, or release by the Plan Agent  
23 of any of those claims, rights, and Causes of Action that the Plan Agent may have against  
24 the holder of the Claim. To the extent the Plan Agent fails to setoff or recoup against a  
25 holder and seek to collect a claim from that holder after a distribution to the holder  
26

1 pursuant to the Plan, the Plan Agent shall be entitled to full recovery on its claim against  
2 that holder of a Claim.

3 **13.9 Liquidation Analysis and Best Interest of Creditors Test.** One of the  
4 factors the Bankruptcy Court must consider before confirming a proposed plan of  
5 reorganization is whether the Plan is in the “best interests” of all Classes of Impaired  
6 Claims and equity Interests. The Bankruptcy Court will find the “best interests” test  
7 satisfied if either the holder of a Claim or Interest in a Class accepts the Plan or the Plan  
8 will provide a holder that has not accepted the Plan with a recovery of at least equal in  
9 value to the recovery the holder would receive if the Debtors were liquidated under Chapter 7  
10 of the Bankruptcy Code.

11 In this case, upon liquidation, unsecured creditors of PVEC would only recover pro  
12 rata from the unencumbered assets, namely equipment and furniture valued at  
13 approximately \$167,000 and Accounts Receivable valued at approximately \$55,000.  
14 Administrative expense claims alone for post-petition fees under the Parking Access  
15 Agreement and for the DIP Loans will total over \$2.5 million. Under the Plan, all of the  
16 Debtors’ respective administrative claims and the Flats Unsecured Claims are all paid in  
17 full and PVEC’s Unsecured Creditors (other than the Town and the District) are receiving  
18 significant pro rata distributions. Thus, the Debtors have satisfied the best interests test.

19 **ARTICLE XIV**  
20 **FEASIBILITY**

21 The Bankruptcy Code requires that to confirm the Plan, the Bankruptcy Court must  
22 find that confirmation of the Plan is not likely to be followed by a further liquidation or  
23 need for further financial reorganization of the Debtors (the “Feasibility Test”). For the  
24 Plan to meet the Feasibility Test, the Bankruptcy Court must find that the Reorganized  
25 Debtors will likely be able to make Plan payments. The Debtors believes that the structure  
26 set forth in the Plan is a feasible framework for the recovery for Creditors.

1 To begin, the Plan will not be effective unless and until the New Bonds are issued.  
2 The payments required by the New Bonds and the Plan Payment Obligations are not based  
3 on the operations of the Center but rather are a direct obligation of the District and Town.  
4 Attached as **Exhibit C** is a chart of estimated payments to creditors of the Debtors' estates  
5 based on the Plan Payment Obligations. The Debtors believe that the District and the  
6 Town will fulfill their obligations under the New Bonds and for the Plan Payment  
7 Obligations.

8 **ARTICLE XV**  
9 **ALTERNATIVES AND RISK FACTORS**

10 There are certain risk factors to take into consideration. One risk is that the  
11 Bankruptcy Court will conclude that the Debtors have not satisfied the Bankruptcy Code  
12 requirements for Confirmation as described above. Another risk is that the District will fail  
13 to make payments under the New Bonds or that the Town will fail to make the Plan  
14 Payment Obligations. In the event the Plan fails, there are a number of alternatives or  
15 results. These could include (1) seeking an investor or purchaser to fund the Plan; (2)  
16 seeking to resume operations by the Debtors; (3) the appointment of a trustee to determine  
17 whether to continue operations; or (4) a conversion to a Chapter 7 in which case a trustee  
18 would be appointed to immediately liquidate all assets of the Debtors. As with litigation,  
19 the Debtors have no ability to predict or guarantee any outcome. However, in the Debtors'  
20 reasoned business judgment, the Plan provides the best alternative for creditors.

21 **ARTICLE XVI**  
22 **TAX CONSEQUENCES**

23 The tax consequences of the Plan are described in **Exhibit D** hereto.  
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**ARTICLE XVII**  
**MISCELLANEOUS PROVISIONS**

**17.1 Binding Effect of Plan**

The provisions of this Plan shall bind the Debtors, Creditors, and Interest Holders, and shall bind any Person asserting a Claim against the Debtors or an Interest in the Debtors, whether or not the Claim or Interest arose before or after the Petition Date or the Effective Date, whether or not the Claim or Interest is impaired, and whether or not the Person has accepted the Plan.

**17.2 Appeals**

In the event of an appeal of the Confirmation Order or any other kind of review or challenge to the Confirmation Order, and provided that no stay of the effectiveness of the Confirmation Order has been entered, the Bankruptcy Court will retain jurisdiction to implement and enforce the Confirmation Order and the Plan according to their terms, including, but not limited to, jurisdiction to enter such orders regarding the Plan or the performance thereof to implement the Plan.

**17.3 Modification and Amendment of Exhibits, Schedules, and Appendices**

The Debtors may modify or amend the terms of any document or agreement that is an Exhibit, schedule or appendix to the Plan without the need for re-solicitation of votes with respect to the Plan; provided, however, that the modification or amendment does not materially adversely affect the rights of any Person provided in the Plan, and provided further however, that prior notice of the modification or amendment shall be served in accordance with the Bankruptcy rules or any order of the Bankruptcy Court.

**17.4 Governing Law**

Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be governed by and construed and enforced in accordance with the laws of the State of Arizona.

1 **17.5 Headings**

2 The headings of the Articles, Sections and Subsections of the Plan are inserted for  
3 convenience only and shall not limit the interpretation of the Plan.

4 **17.6 Amendment and Modification of the Plan**

5 The Debtors may propose amendments to or modifications of the Plan at any time  
6 prior to confirmation of the Plan without the leave of the Bankruptcy Court or as permitted  
7 by the Bankruptcy Code or Bankruptcy Rules. After confirmation of the Plan, the Debtors  
8 may amend or modify the Plan, with the approval of the Bankruptcy Court, so long as it  
9 does not materially or adversely affect the interests of Creditors or other parties in interest  
10 as set forth herein, to remedy any defect or omission or to reconcile any inconsistencies in  
11 the Plan or in the Confirmation Order, in a manner as may be necessary to carry out the  
12 purposes and intent of the Plan.

13 **17.7 Withdrawal of Plan**

14 The Plan may be withdrawn or revoked prior to the entry of the Confirmation Order  
15 at the sole discretion of the Debtors.

16 **17.8 Effect of Confirmation Order**

17 The Confirmation Order will include a provision that the Confirmation Order shall  
18 be immediately effective and enforceable upon its entry and shall not be subject to any stay  
19 under Bankruptcy Rule 3020(e) or otherwise.

20 **17.9 Quarterly Fees**

21 The quarterly fees required by 28 U.S.C. § 1930(a)(6) will be paid by the Plan  
22 Agent to, and reports will be filed with, the Office of the United States Trustee until  
23 application is made for entry of a final decree. Application for a final decree can be made  
24 when the Plan has been fully administered, which for purposes of the Plan shall mean when  
25  
26

1 the Plan has been substantially consummated, as that term is defined in § 1101(2) of the  
2 Bankruptcy Code.

3 **CONCLUSION**

4 THE DEBTORS STRONGLY URGE SUPPORT FOR THE PLAN OF  
5 REORGANIZATION.

6 DATED: June 2, 2017.

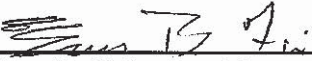
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DATED this 2<sup>nd</sup> day of June, 2017

PRESCOTT VALLEY EVENTS CENTER, LLC

BY: J A FLATS, INC., an Arizona corporation, Manager

By:   
Sean B. Fain, President

J A FLATS, INC., an Arizona corporation,

By:   
Sean B. Fain, President

J A FLATS II, INC., an Arizona corporation,

By:   
Sean B. Fain, President