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6
7 IN THE UNITED STATES BANKRUPTCY COURT
8 FOR THE DISTRICT OF ARIZONA

9 In re:)
10 LANDMARK HOSPITALITY, LLC,) No. 4:16-bk-02826-BMW
11) (Chapter 11)
12 Debtor.)
13) NOTICE OF SUBMISSION OF
14) DEBTOR'S SECOND AMENDED
15) DISCLOSURE STATEMENT
16) DATED January 27, 2017
FOR ITS SECOND AMENDED
PLAN OF REORGANIZATION
DATED January 27, 2017

17 Landmark Hospitality, LLC,(hereinafter "the Debtor"), by and through its counsel
18 undersigned, submits this proposed Second Amended Disclosure Statement attached hereto and by
19 reference incorporated herein (hereinafter "the Disclosure Statement") in connection with the
20 "Debtor's Second Amended Plan of Reorganization" attached as Exhibit "A" hereto dated January
21 27, 2017 (hereinafter "the Plan"). The Disclosure Statement is submitted in compliance with 11
22 U.S.C. Section 1125 and Bankruptcy Rule 3017. It has not been approved by the Bankruptcy Court
23 and is filed solely to enable the Court and parties in interest to evaluate the adequacy of the
24 information contained herein as required of the Bankruptcy Code. Moreover, the Disclosure
25 Statement refers to information contained herein as required by the Bankruptcy Code. The
26 Disclosure Statement refers to information and facts that the Debtor anticipates will be accurate or
27 will occur on or prior to the date of the hearing to consider the Disclosure Statement. Therefore,
28 certain information and facts contained in the Disclosure Statement may not be completely accurate

1 as of the date hereof.

2
3 The Debtor believes that a form of Disclosure Statement in substantially the form as that
4 which is attached hereto contains information of a kind, and in sufficient detail, as far as is
5 reasonably practical in light of the nature and history of the Debtor, that would enable a reasonable
6 investor, typical of the holders of claims and interests in each class of claims and interest in the Plan,
7 to make an informed judgment about the Plan. Nevertheless, all readers are cautioned that the
8 Debtor may file further modifications of the Plan and of the Disclosure Statement prior to the hearing
9 to consider the Disclosure Statement.

10
11 *THE FILING AND ANY DISSEMINATION OF THE DISCLOSURE STATEMENT*
12 *IS NOT A SOLICITATION OF VOTES ACCEPTING OR REJECTING*
13 *THE PLAN DESCRIBED THEREIN.*

14 DATED: January 27, 2017

15 LAW OFFICES OF
16 *ERIC SLOCUM SPARKS, P.C.*

17 /s/ Sparks #11726
18 Eric Slocum Sparks
19 Attorney for Debtor
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January 27, 2017

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EXHIBIT A	Second Amended Plan of Reorganization Dated January 27, 2017 filed as a separate document
EXHIBIT B	Ballot
EXHIBIT C	Liquidation Analysis
EXHIBIT D	Anticipated Income and Expense

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:)
LANDMARK HOSPITALITY, LLC,) No. 4:16-bk-02826-BMW
Debtor.) (Chapter 11)
DEBTOR'S SECOND AMENDED
DISCLOSURE STATEMENT
DATED January 27, 2017
FOR ITS SECOND AMENDED PLAN OF
REORGANIZATION
DATED January 27, 2017

Landmark Hospitality, LLC, (hereinafter "the Debtor"), through its undersigned attorney, hereby submits its First Amended Disclosure Statement dated July 21, 2016 for its First Amended Plan of Reorganization dated July 21, 2016.

SECTION I

Introduction

1.1. Purpose of this Disclosure Statement: the Debtor commenced reorganization proceedings with the filing of a Voluntary Petition under Chapter 11 of the United States Bankruptcy Code, as amended (the "Bankruptcy Code").

A DISCLOSURE STATEMENT FOR THE PLAN OF REORGANIZATION FOR THE DEBTOR WAS FILED BY THE DEBTOR, WHICH DESCRIBES THE TERMS AND PROVISIONS OF THE PLAN OF REORGANIZATION OF THE DEBTOR DATED June 17, 2016.

[After notice and hearing, the Disclosure Statement was approved by the Bankruptcy Court as

1 containing adequate information and sufficient detail to enable the holders of claims against or interest
2 in the debtor to make an informed judgment about the merits of approving the Plan.]

3 The purpose of this Disclosure Statement is to provide holders of claims against or interest in
4 the Debtor with sufficient information about the Debtor and the Plan to enable holders of claims
5 against or interest in the Debtor to make an informed judgment on the merits of the Plan and a decision
6 whether to approve or reject the Plan.

7 Certain materials contained in this Disclosure Statement are taken directly from other readily
8 accessible instruments or are digests of other instruments. While the Debtor has made every effort to
9 retain the meaning of such other instruments or the portions transposed, you are urged that any reliance
10 on the contents of such other instruments should be predicated on a thorough review of the instruments
11 themselves.

12 THE PLAN ACCOMPANIES THIS DISCLOSURE STATEMENT AS "EXHIBIT A". THE
13 DEFINITIONS CONTAINED IN THE PLAN APPLY TO THIS DISCLOSURE STATEMENT AND
14 EACH RECIPIENT THEREOF IS URGED TO REVIEW THE PROVISIONS OF THE PLAN
15 FULLY PRIOR TO REVIEWING THIS STATEMENT.

16 The Debtor believes the contents of this Disclosure Statement satisfies the requirements
17 adopted by this Court *In re A.C. Williams Co.*, 25 B.R. 173 (Bankr N.D. Ohio, 1982), *In re Cardinal*
18 *Congregate I*, 121 B.R. 760 (Bankr S.D. Ohio, 1982). Those elements are as follows:

- 19 1. The circumstances that gave rise to the filing of the bankruptcy petition;
- 20 2. A complete description of the available assets and their value;
- 21 3. The anticipated future of the Debtor;
- 22 4. The source of the information provided in the Disclosure Statement;
- 23 5. A disclaimer, which typically indicates that no statements or information concerning
24 the debtor or its assets or securities are authorized, other than those set for the in the disclosure
25 statement;
- 26 6. The condition and performance of the debtor while in Chapter 11;
- 27 7. Information regarding claims against the estate;

1 The Bankruptcy Court may confirm only one plan in this case. The plan confirmed in the
2 Bankruptcy Court must meet the requirements contained in the Bankruptcy Code.

3 Unless authorized by the Court, only the Debtor or the Debtor's representatives may solicit
4 your vote. The cost of any solicitation by the Debtor will be borne by the Debtor. No other additional
5 compensation shall be received by any party for any solicitation other than as disclosed to the
6 Bankruptcy Court. CREDITORS ARE URGED TO CAST A BALLOT FOR OR AGAINST
7 DEBTOR'S PLAN OF REORGANIZATION.

8 1.3 Voting. If you are in one of the classes of creditors or investors whose interests
9 are affected by the Plan (see "Summary of the Plan" below), it is important that you vote. If you fail
10 to do so, your rights may be jeopardized.

11 To vote to accept or reject the Plan, creditors and investors of the Reorganized Debtor in any
12 of the impaired classes (see the "Summary of the Plan" contained herein and the copy of the Plan
13 attached hereto) should indicated their acceptance or rejection on the appropriate Ballot. A sample
14 ballot is attached as Exhibit B. Any creditors or investors holding claims in more than on impaired
15 class must file one Ballot for each such class. Additional Ballots may be obtained by proper written
16 request to:

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19 3505 N. Campbell #501
20 Tucson, Arizona 85719
(520) 623-8330
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email: eric@ericslocumsparkspc.com

21 attorney for the Debtor.

22 You are, therefore, urged to fill in, date, sign and promptly mail the enclosed Ballot furnished
23 to you. PLEASE BE SURE TO PROPERLY COMPLETE THE FORM AND LEGIBLY IDENTIFY
24 THE NAME OF THE CLAIMANT OR INTEREST HOLDER.

25 EXECUTED BALLOTS MUST BE RECEIVED ON OR BEFORE THE RETURN DATE
26 SET FORTH IN THE BALLOT.

27 SINCE MAIL DELAYS MAY OCCUR, IT IS IMPORTANT THAT THE BALLOT OR
28 BALLOTS BE MAILED OR DELIVERED WELL IN ADVANCE OF THE DATE SPECIFIED.

1 ANY BALLOTS RECEIVED AFTER THAT DATE MAY NOT BE INCLUDED IN ANY
2 CALCULATION TO DETERMINE WHETHER THE CREDITORS AND INTEREST HOLDERS
3 HAVE VOTED TO ACCEPT OR REJECT THE PLAN.

4 THIS IS A SOLICITATION BY THE DEBTOR ONLY AND IS NOT A SOLICITATION BY
5 THE ATTORNEYS OR ACCOUNTANTS FOR THE DEBTOR, AND THE REPRESENTATIONS
6 MADE HEREIN ARE THOSE OF THE DEBTOR AND NOT OF SUCH ATTORNEYS OR
7 ACCOUNTANTS, EXCEPT AS MAY BE OTHERWISE INDICATED.

8 VOTES ARE IMPORTANT

9 As a claimant or interest holder, your vote is important. The Bankruptcy Court cannot consider
10 Confirmation of the Plan until acceptance thereof has been obtained pursuant to the affirmative vote
11 if impaired claimants by classes who hold at least two-thirds (2/3) in dollar amount and more than one-
12 half (1/2) in number of the allowed claims by class voting on the Plan. If an impaired claimant or
13 interest holder who is entitled to vote does not, such failure to vote will bear upon the outcome.

14 Whether a creditor or interest holder votes on the Plan or not, or whether the creditor or interest
15 holder votes at all, such party will be bound by the terms and treatment set forth in the Plan if the Plan
16 is accepted by the requisite majorities of creditors and interest holders and is confirmed by the
17 Bankruptcy Court. Allowance of a claim or interest for voting purposes does not necessarily mean that
18 all or a portion of the claim or interest will be allowed or disallowed for distribution purposes.

19 The Debtor may, in some circumstances, separately classify the deficiency claims of some
20 secure creditors from the unsecured trade creditors and other creditors, and treats such claims in a
21 different manner. Debtor is of the opinion that case and current bankruptcy law allows, in some cases,
22 such separate classification and different treatment of these and other claims. Debtor believes that
23 such separate classification and different treatment of such claims is proper. See In re Mason Dixon
24 Lines, Inc., 63 B.R. 176 (Bankr. M.D.N.C. 1986); In re Ag Consultant Grant Division, Inc., 77 B.R.
25 665 (1987); In re ZRM-Oklahoma Partnership, 156 B.R. 67 (Bankr W.D. Okla. 1993); In re Wolff, 22
26 B.R. 510 (9th Cir. BAP, 1982); In re Johnston, 140 B.R. 526 (9th Cir. BAP. 1992). Current decision
27 make the inclusion of such deficiency claims with other unsecured creditors impermissible. In re D
28 & W Realty Corporation, 156 B.R. 140 (Bankr. S.D. Fla.) Debtor contends that the different treatment

1 is justified due to a number of factors. In some cases, unsecured claims and deficiency claims are not
2 placed in the same class and the Bankruptcy Code may not require equal treatment of different classes.
3 In re Red Machine Company, Lexis, 1304, *48 (Bankr. 2011) Some of these considerations are listed
4 below.

- 5 1. The obligation may be non-recourse obligation and is treated as recourse only as a
6 result of the Bankruptcy Code and has the opportunity to make an election under
7 Section 1111(b) while unsecured creditors do not;
- 8 2. Secured creditors may have contracted for a long term obligation as opposed to the
9 obligation contracted for by unsecured trade creditors which is usually of a shorter
10 duration;
- 11 3. Debtor believes that a treatment different than that proposed under the plan would
12 result in higher operating costs for the Debtor by not continuing the use of existing
13 vendors which may affect the debtor's ability to reorganize; and
- 14 4. Because the nature of the secured claim, secured creditors may have a conflict of
15 interest with the remaining unsecured creditors. See In re James E. Johnson, 140 B.R.
16 526 (9th Cir. BAP); In re Triple R. Holdings, L.P., 134 B.R. 382 (Bankr. N.D. Cal
17 1991); In re Bjolmes Realty Trust, 134 B.R. 1000 (Bankr. D.Mass 1991); In re
18 Creekside Landing, Ltd., 140 B.R. 713 (Bankr. M.D. Tenn. 1992); In re U.S. Truck
19 Co., Inc., 800 F.2d 581 (6th Cir. 1986); In the Matter of Jersey City Medical Center, 817
20 F.2d 1055 (3rd Cir. 1987); Toibb v. Radloff, __ U.S. __, 111 S. Ct. 2197, __ L.Ed.2d.
21 __ (1991); Hanson v. First Bank of South Dakota, 828 F.2d 1310 (1987). See In re
22 Thirtieth Place, Inc., 30, B.R. 503 (Bankr. App. 1983; In re Victory Construction Co.,
23 Inc., 37 B.R. 222, 228 (9th Cir. B.A.P. 1984); In re Arnold, 806 F.2d 937 (9th Cir.
24 1986); In the Matter of Jersey City Medical Center, 817 F.2d 1055 (3rd Cir 1987); In
25 re Foundary of Barrington Partnership, 129 B.R. 550 (1991); In Re Fowler, 903 F.2d
26 694 (9th Cir. 1990); In Re Oaks Partners Ltd., 135 B.R. 440 (Bankr. N.D. Ga. 1991);
27 and In Re Victory Const. Co., Inc., 42 B.R. 145 (Bankr. 1984).

28 Following acceptance, the Bankruptcy Court will hold a hearing on the confirmation of the Plan

1 and will enter an Order of Confirmation with respect to the Plan if it finds that, among other things,
2 all payments to be made by the Debtor in connection with the case or Plan have been disclosed to the
3 Bankruptcy Court, the identity and affiliation of post-confirmation management of the Reorganized
4 Debtor has been fully disclosed, each class of claimants and interest holders has accepted the Plan or
5 is not impaired by the provisions thereof, and that confirmation is not likely to be followed by the
6 liquidation or need for further financial reorganization of the Reorganized Debtor.

7 In the event that the requisite acceptance of impaired classes of claims and interests are not
8 obtained, pursuant to Section 1129 (b)(1) of the Bankruptcy Code, the Bankruptcy Court may
9 nevertheless confirm the Plan upon the request of the proponent of the Plan if the Bankruptcy Court
10 finds that the Plan does not discriminate unfairly and accords fair and equitable treatment to the class
11 rejecting it.

12 At the hearing on confirmation of the Plan, the Bankruptcy Court will hear any timely filed
13 objections from a claimant or interest holder to confirmation of the Plan.

14 VALUE OF ASSETS AND ACCOUNTING

15 THE ONLY REPRESENTATIONS THAT ARE AUTHORIZED OR WHICH MAY BE
16 MADE CONCERNING THE DEBTOR, THE VALUE OF ITS ASSETS, OR THE REORGANIZED
17 DEBTOR ARE THE REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT.
18 EXCEPT AS NOTED, THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE
19 STATEMENT HAS NOT BEEN SUBJECTED TO AN AUDIT BY AN INDEPENDENT
20 CERTIFIED PUBLIC ACCOUNTANT. ALL FINANCIAL RECORDS OF THE DEBTOR ARE
21 MAINTAINED ON A CASH BASIS. ALL EXPENSES AND INCOME ARE ON A CASH BASIS.
22 SOME OF THE ACCOUNTING/FINANCIAL WORK FOR THE DEBTOR IS PERFORMED BY
23 AN OUTSIDE ACCOUNTANT RETAINED BY THE DEBTOR. FOR THAT REASON, THE
24 DEBTOR IS NOT ABLE TO WARRANT OR REPRESENT THAT THE INFORMATION
25 CONTAINED IN THIS DISCLOSURE STATEMENT IS WITHOUT INACCURACY. HOWEVER,
26 GREAT EFFORT HAS BEEN MADE TO ENSURE THAT ALL SUCH INFORMATION IS
27 FAIRLY PRESENTED. NO REPRESENTATIONS OR ASSURANCES CONCERNING THE
28 DEBTOR (INCLUDING, WITHOUT LIMITATION, ITS FUTURE BUSINESS OPERATIONS) OR

1 THE PLAN ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS
2 DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY
3 PERSON TO SECURE YOUR VOTE WHICH ARE OTHER THAN HEREIN CONTAINED
4 SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH
5 ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO
6 COUNSEL FOR THE DEBTOR, WHO, IN TURN, SHALL DELIVER SUCH INFORMATION TO
7 THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

8 THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS
9 OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED HEREIN. NEITHER
10 DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE
11 IN CONNECTION WITH THIS DISCLOSURE STATEMENT SHALL, UNDER ANY CIRCUM-
12 STANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE
13 FACTS SET FORTH HEREIN SINCE THE DATE THIS DISCLOSURE STATEMENT AND THE
14 MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE
15 COMPILED. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY
16 PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING
17 CONTAINED IN IT SHALL CONSTITUTE, OR BE DEEMED CONCLUSIVE ADVICE ON, THE
18 TAX OR OTHER LEGAL EFFECTS OF ANY REORGANIZATION ON HOLDERS OF CLAIMS
19 OR INTERESTS IN CONNECTION WITH SUCH REORGANIZATION.

20 THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY ORDER OF THE
21 BANKRUPTCY COURT, DATED _____ AS CONTAINING INFORMATION OF A KIND AND
22 IN SUFFICIENT DETAIL TO ENABLE A REASONABLE, HYPOTHETICAL INVESTOR TO
23 MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN. THE BANKRUPTCY
24 COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT, HOWEVER, DOES NOT
25 CONSTITUTE A RECOMMENDATION BY THE BANKRUPTCY
26 COURT EITHER FOR OR AGAINST THE PLAN.

27 IN ORDER TO BE CONSIDERED FOR PURPOSES OF SATISFYING THE BANK-
28 RUPTCY CODE REQUIREMENTS, YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS

1 INDICATED ON THE BALLOT NO LATER THAN 5:00 P.M. ON THE _____ or within 5
2 days of any continued hearing on Confirmation of the Plan.

3 A BALLOT ACCOMPANIES THIS DISCLOSURE STATEMENT FOR USE IN VOTING
4 OF THE PLAN.

5 ***SECTION II***

6 *History of Debtor and Factors Leading 7 to the Filing of the Chapter 11*

8 2.1 Background of Debtor. Landmark Hospitality, LLC was formed on July 27th, 2004.

9 Landmark Hospitality, LLC is a privately held hospitality investment and development firm based in
10 Sierra Vista, Arizona. Our primary focus is on the acquisition and repositioning of existing hotel
11 assets, the development of new limited service hotels and the management of all operations for
12 portfolio hotels. Our mission is to provide our guests with an exceptional level of service at value
13 oriented pricing, while maintaining a suitable return for our principals. Our strategy is based on
14 identifying significant opportunities derived from market and property inefficiencies from which we
15 can capture untapped value through property repositioning, redevelopment, releasing, proactive
16 management and creative problem solving. The Debtor owns and operates a Hotel known as Hampton
17 Inn located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635 (the “Hotel”), and its assets. Members
18 of the LLC include Ramesh Patel, Jyotindra Patel, Ghanshyam Patel, Anand Patel, and Ameesh Patel
19 who are responsible for the management of Landmark Hospitality LLC’s financial obligations and
20 ongoing asset management issues, and the securitization of real estate investments.

21 Events Leading to the Filing of the Chapter 11

22 In August of 2012 the United States Government approved and implemented the Privatized
23 Army Lodging Program (“PAL”) at Fort Huachuca, Arizona. The PAL program is a partnership
24 between the Army and private industry to improve the condition of on-post lodging facilities and
25 provide for long-term sustainment. In Sierra Vista, this specifically entailed InterContinental Hotels
26 Group (“IHG”) managing what had formerly been the transient lodging facility on Ft Huachuca,
27 formerly run through the Army Morale, Welfare, and Recreation (“MWR”)service. While the initial
28 steps in this process only involved IHG taking over the management of that facility, plans were put in
place to build a Holiday Inn Express and Candlewood Suites on the fort. These new facilities are

1 projected to add up to 250 rooms to the hotel market causing further financial turmoil in Sierra Vista.
2 Although that sizable addition to an already saturated market was certainly not welcome by other hotel
3 owners, the next part of the implementation of this program was far more distressing. Prior to this
4 agreement being in place between IHG and the Army, those persons who needed lodging in the Sierra
5 Vista area for training and service at Ft. Huachuca were free to select a hotel from those available in
6 the city. Additionally, it was not a requirement that personnel stay on the fort if they wished to stay
7 in town they were free to do so. Now, they are required to stay at the IHG facility if room is available.
8 If not, they may stay in Sierra Vista, however if room becomes available on the fort, they must then
9 move back into that lodging facility. Not only did this greatly effect the general consumption of per
10 diem room nights at hotels in the city, it eroded the 'long term' per diem stays which had formed a base
11 of occupancy over previous years. The hotel suffered declining revenues due to this program and the
12 property substantially declined in value, as did most hotels in Sierra Vista, Arizona. Ft. Huachuca is
13 also in the process of losing five percent of its active duty personnel, the loss of the work force has also
14 impacted revenues at the Hotel. Zions Bank ("Zions") increased the interest rate on the loan from
15 6.4515% to the default interest rate of 18.0% on or around April of 2015, even though the debtor
16 continued to make payments. Zions increased payments due to the cash flow coverage covenant.
17 Essentially Zions defaulted the debtor due to decreased revenues which showed that the debtor's
18 available cash flow could not service the annual aggregate debt amount owed to Zions. Debtor's
19 continued ownership and operation of the Hotel is critical to its success as a major Sierra Vista hotel.

20 2.2 Manager of Debtor. The Debtor is currently managed by the managing member
21 Jyotindra Patel.

22 2.3 Location of Debtor's Major Assets. Hotel known as Hampton Inn located at 4100 E.
23 Snyder Blvd., Sierra Vista, AZ, 85635 (the "Hotel"), and its assets. The Hotel has a total of 58 rooms
24 and has 20 employees.

25 Debtor's Assets

26 The subject hotel is a high quality, independently owned and operated facility with a Hampton
27 Inn franchise identity (by Hilton Hotels) located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635.

1 The Hampton Inn Sierra Vista Hotel is a 58 room hotel with a fitness room, meeting room, business
2 center and an indoor swimming pool. The gross building area is over 30,495 square feet.

3 The subject hotel was built and opened for business in December, 2007.

4 2.4 Properties of the Debtor/Assets of the Estate.

Property Address:	Estimated Value:
4100 E. Snyder Blvd., Sierra Vista, AZ, 85635	\$2,025,000.00

7 2.5 Significant Events Prior to the Commencement of the Debtor's Reorganization.

8 Revenues started to decline around 2013 due to the Privatized Army Lodging Program ("PAL")
9 instituted at Fort Huachuca, Arizona. The program allowed hotels to be built inside Army bases with
10 instructions to soldiers, families and friends to utilize hotels on base only. Debtor has suffered a large
11 decline in demand for rooms and services, as a result causing a decline in revenues which has reduced
12 its cash required to operate the business and meet its obligations. Debtor has made good-faith attempts
13 to reduce and compromise its liabilities with secured creditors prior to filing of its Chapter 11.

14 2.6 Valuation Hearings. A valuation hearing is necessary in order to determine the value
15 of the real property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635.

16 The attempts at settlement were rejected by Debtor's largest secured creditors.

17 2.7 The Accounting and Valuation Methods Used to Produce the Financial Information
18 in the Disclosure Statement. The accounting process is conducted using generally accepted accounting
19 principles using the values that have been assessed from past appraisals and selling prices for similar
20 commercial properties.

21 2.8 Causes of Action. Debtor does not believe it has any causes of action.

22 2.9 Plan of Reorganization. The Debtor has filed a Plan which will allow it to retain the
23 property and pay creditors more money than creditors would receive from a liquidation of the property.
24 See liquidation analysis attached hereto as **Exhibit "C"**.

25 2.10 Obligations as of Date of Filing. The following is an estimate by the Debtor
26 of the outstanding secured obligations owed by the Debtor as of the date of the Petition.

Secured Creditor	Type of Encumbrance	Amount Due at Filing	Property
Zions First National Bank	First Mortgage and UCC Financing Statement	\$2,148,886.85	4100 E. Snyder Blvd., Sierra Vista, AZ
Business Development Finance Corporation	Second Mortgage and UCC Financing Statement	\$955,685.00	4100 E. Snyder Blvd., Sierra Vista, AZ
The Bank of Las Vegas	UCC Financing Statement	Unknown	All inventory, machinery, equipment, furniture and fixtures, account receivables, and general intangibles
Direct, LLC	UCC Financing Statement	Unknown	DTV receiving equipment
American Express Bank	UCC Financing Statement	\$15,000.00	All assets
K&R Holdings, Inc.	UCC Financing Statement	\$15,049.89	Property analysis, recommendation and install of signs
Sprinkle Family Trust	UCC Financing Statement	\$14,000.00	New Signage
Holiday Inn Express	UCC Financing Statement	\$124,000.00	Fitness Center Equipment & Upgrade of Center
Western Contract Furnishings, Inc.	UCC Financing Statement	\$12,500.00	Design Fees
Lodging Enterprises, Inc.	UCC Financing Statement	\$8,602.00	Mirrors

1 personnel employed by the Debtor.

2 ***SECTION IV***

3 *Summary of Plan of Reorganization*

4 THE FOLLOWING IS A BRIEF SUMMARY OF CERTAIN PROVISIONS OF THE PLAN
5 AND SHOULD NOT BE RELIED ON FOR VOTING PURPOSES. THE SUMMARY DOES NOT
6 PURPORT TO BE COMPLETE. CREDITORS AND INTEREST HOLDERS ARE URGED TO
7 READ THE PLAN ATTACHED HERETO AS EXHIBIT "A". CREDITORS AND INTEREST
8 HOLDERS ARE FURTHER URGED TO CONSULT WITH COUNSEL, OR WITH EACH OTHER,
9 IN ORDER TO UNDERSTAND THE PLAN MORE FULLY.

10 4.1 Summary of Plan: The Plan contemplates that all creditors will not be paid the full
11 amount of their allowed claims. The existing members of the limited liability company will infuse
12 monies into the reorganized Debtor through capital contributions in order for them to retain their
13 interest in the debtor. New monies will be used to make repairs, perform deferred maintenance, and
14 make capital improvements to the hotel in order to allow the Debtor to become more profitable. Any
15 new monies not used for repairs, maintenance and renovations will also be used as operating reserves
16 to cover any operating shortfalls, even though none are anticipated, which the Debtor may encounter.

17 4.2 Segregation of Classes: The Plan further proposes to segregate the creditors and interest
18 holders of the Debtor into separate classes. Of these classes, allowed administrative and priority
19 claimants including priority tax claimants, but exclusive of those referenced in 11 U.S.C. Section
20 507(a)(8) will receive payments of 100% of their respective claims, in cash over time, with a market
21 rate of interest, as set forth in the Plan.

22 Generally, all Administrative Claims will be paid in full in cash as stated in the Plan, on the
23 Effective Date or such date as fees and costs are approved by the Court, if required. The Debtor shall
24 retain the property and the creditors shall be paid in accordance with modifications of their applicable
25 loan and security documents as set forth herein and in the Plan of Reorganization.

26 4.3 Value of Secured Claims: Under the Plan, the Debtor proposes to allow the secured
27 creditors to retain their liens in the amount equal to the lesser of the value of the property securing that
28 lien or the full amount of their claim on the Petition Date. The Debtor believes that the property

1 securing the claim of Zions National Bank and other claims is not fully secured. A substantial portion
2 of their claim is unsecured due to conditions disclosed herein.

3 The Debtor shall commence payments to all creditors as set forth in the Plan 30 days after the
4 Effective Date, or earlier if the Debtor and creditors have so provided in a stipulation approved by the
5 Court.

6 ANY STIPULATION ENTERED INTO BETWEEN THE SECURED CREDITOR AND THE
7 DEBTOR SHALL SUPERSEDE ANY TREATMENT OF CREDITORS THAT MAY BE SET
8 FORTH IN THE DEBTOR'S PLAN.

9 4.4 Cash Collateral Litigation: Debtor has entered into a stipulated cash collateral agreement
10 with Zions National Bank, Business Development Finance Corporation, and HLT Existing Franchise
11 Holding, LLC.

12 4.5 Description of Assets - Values: The only assets of the debtor with any real value are the
13 hotel and personal property at the hotel. The debtor estimates the value of the real property is
14 estimated at \$2,025,000.00 substantially less than current obligations. Debtor has obtained an appraisal
15 to determine current market value of the hotel.

16 4.6 Anticipated Future of Debtor: Debtor believes that the reamortization of its debt will allow
17 its annualized revenue to fund all required plan payments.

18 4.7 Source of Information: The source of information for this disclosure statement is the debtor
19 and principals of the debtor.

20 4.8 Condition and Performance of the Debtor in Chapter 11: The Debtor maintains the assets
21 necessary to continue to operate.

22 4.9 Franchise License Agreement: Debtor entered into a licensing agreement with HLT
23 Existing Franchise Holding LLC ("HLT"), on November 19, 2004, as amended by that Amendment
24 to Franchise Agreement Assignment by Franchisor dated October 24, 2007, as may have been further
25 amended. The License Agreement with Hilton is extremely important to the prosperity of the hotel and
26 success of the debtor. According to the Agreement, the rights and duties thereunder are personal to
27 the Debtor, and the License Agreement is based upon the skill, financial capacity and the personal
28 character of the members of the Debtor. The Debtor will file a motion with this court to assume the

1 existing license agreement with HLT. The Debtor is continuing to move forward in order to resolve
2 all non-monetary deficiencies with HLT. The Debtor recently received approval from Zions to use cash
3 collateral funds in order for the Debtor to pay for the design of the Hotel Lobby. Once the design is
4 completed it will be submitted to HLT for approval.

5 4.10 Information Regarding Claims Against Estate: Debtor believe there are currently no
6 claims against the estate not set forth herein. Debtor also does not anticipate any claims against the
7 estate post filing.

8 4.11 Liquidation Analysis: A liquidation analysis valuing assets of the debtor in a Chapter
9 7 is attached as **Exhibit "C"**. This liquidation analysis will include any uncollected accounts
10 receivable, which debtor believes are negligible.

11 4.12 Future Management of the Property: The debtor's principals will remain as the existing
12 members due to the monies contributed to the debtor at confirmation. Each existing member will retain
13 their twenty percent interest in the debtor. The debtor's principals have been primarily involved in the
14 hotel business for over twenty years. Managing member Jyotindra Patel will be employed by the debtor
15 as the Operational Manager receiving compensation of \$3,000.00 per month.

16 4.13 Non-Bankruptcy Litigation: Debtor anticipates no non-bankruptcy litigation will occur
17 after confirmation of the Plan of Reorganization.

18 4.14 Avoidable Transfers: Debtor is unaware of any transfers of property of this estate which
19 would allow an avoidable transfer actions.

20 4.15 Accounts Receivable: The only account receivable that the hotel has involves the
21 direct bill account utilized for processing Hilton Honors redemption reservations. The collectability
22 of these funds is simply a function of Hilton's processing of the transaction amounts on the monthly
23 Hilton Honors invoicing.

24 4.16 Presence of Affiliates: There are no affiliates of the debtor.

25 4.17 New Capital Contribution: Monies are to be contributed by existing members of the
26 limited liability company to retain there interest in the debtor. The members collectively at
27 confirmation will contribute \$200,000.00 to the Debtor.

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SECTION V

Classification and Treatment of Claims and Interests

1. *Claim Amounts:* Because certain claims against the Debtor may be unknown or of undetermined amounts, the amounts of claims specified in this Disclosure Statement reflect only the Debtor's best estimate at this time of the amount due. In addition, the amounts of the claims specified in this Disclosure Statement do not include, for example, claims arising from the rejection of certain executory contracts and other contingent or unliquidated claims arising against the debtor. Disputed, contingent and/or unliquidated claims may become unsecured claims if such claims are allowed by the Court. If you disagree with Debtor's designation of your claim or the amount of your claim, you are encouraged to file a Proof of Claim by the date set for filing of claims, or Debtor's Plan will determine the type of your claim, its validity and the amount of your claim.

2. *Effective Date of the Plan:* The "Effective Date" of the Plan is important in determining when performance of many of the Debtor's obligations under the Plan is due. The Effective Date is defined in the Plan as the later of (a) the first business day following the **30th** day after entry of the Court of an order confirming this Plan, or (b) the first business day after such order has become final and unappealable; provided however, no appeal of said order is pending; provided further.

3. *11 U.S.C. §1111(b)(2) Election:* The Bankruptcy code provides that a secured creditor may elect to have its entire claim treated as a recourse claim subject to certain exceptions which are not applicable. If a creditor elects to exercise its right to make an election to have its entire claim treated as recourse pursuant to 11 U.S.C. § 1111(b)(2) it will not be entitled to vote its unsecured claim and will not be entitled to any interest payments on the unsecured portion of its entire claim.

Other unsecured creditors will not have their unsecured claim affected by an election and will continue to have the full amount of their unsecured claim paid according to the Plan of Reorganization.

4. *Classification:* The Plan divides claims against the Debtor into multiple separate classes that the Debtor asserts are in accordance with the Bankruptcy Code. Unless otherwise expressly stated in the Plan, distributions to holders of allowed claims are in full satisfaction of their allowed claims. All claims against the Debtor arising prior to confirmation will be discharged by performance of the Plan on the Effective Date to the extent that such claims are dischargeable under

1 the Bankruptcy Code Section 1141(d). For the purposes of the Plan, claims are classified and treated
2 as follows:

3 5.1 Class One - Administrative Claims.

4 A. Classification: Class 1 consists of all claims for the cost of administration of the
5 Debtor's bankruptcy estate. Included in this class are all claims for administrative expenses entitled
6 to priority under Bankruptcy Code §507(A)(1), such as professional fees and costs, as approved by the
7 Bankruptcy Court, of the attorneys, accountants, and other professional persons employed by the
8 Debtor, and all actual and necessary expenses of operating the Debtor's business pursuant to
9 Bankruptcy Code §503(b), including without limitation, all fees charged against the Debtor's business
10 pursuant to Chapter 123 of Title 28, United States Code. Debtor estimates administrative claims may
11 exceed \$40,000.00. All Trustee fees are currently being paid by the debtor.

12 B. Impairment: Not impaired.

13 C. Treatment: The Plan provides for the payment in cash, in full, of all Allowed
14 Administrative Claims on the later of the Effective Date or the date upon which such Claims become
15 Allowed Claims, or as otherwise ordered by the Bankruptcy Court. Class 1 claims will be paid from
16 assets of the estate or other sources. The Debtor currently estimates that the Class 1 claims will total
17 approximately \$40,000.00 and may include some post-petition administrative expenses. Such
18 payments will reduce the amount of administrative expenses due on the Effective Date of the Plan
19 unless otherwise provided for.

20 5.2 Class Two - Claims of Governmental Units

21 A. Classification: Class 2 claims consists of all allowed claims of the United States
22 Internal Revenue Service("IRS") and/or State of Arizona, Department of Revenue ("AZDOR") and/or
23 the Department of Economic Security("DES), City of Tucson, Pima County or other government
24 agency which are entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code except ad
25 valorem taxes. Debtor is aware of a Proof of Claim filed by the Internal Revenue Service in the
26 amount of \$2,692.68 and the Arizona Department of Revenue in the amount of \$35,270.55.

27 B. Impairment: Class 2 is impaired.

28 C. Treatment: In the event there are determined to be allowed Class 2 claims, each

1 holder of a Class 2 allowed claim shall retain its claim, in accordance with Section 1129 of the
2 Bankruptcy Code. The claim shall bear simple interest at a fixed rate equal to that rate which would
3 be required to be paid as of the Effective Date under Section 6621 and/or 6622 of the Internal Revenue
4 Code, or such other interest rate as the Bankruptcy Court determines is sufficient to confer upon the
5 tax note a value as of the Effective Date equal to the principal amount of such claim. The allowed
6 claim shall be payable in equal monthly installments of principal, along with accrued interest, in
7 deferred cash payments over a period not to exceed five years from the date of petition. The first
8 payment shall commence on the first day of the month immediately following the month of the
9 Effective Date. The claim is subject to prepayment at any time without penalty or premium and shall
10 have such other terms as are required by law. In the event the Debtor defaults on any payment due as
11 required under the confirmed plan, and in the event the Debtor fails to cure said default within thirty
12 days after written notice of the default is mailed to the Debtor and the Debtor's attorney, the entire
13 imposed liability together with any unpaid current liabilities, shall become due and payable
14 immediately unless amended by the Court. The governmental unit may collect unpaid liabilities that
15 become due as a result of the default through the administrative collection provisions or the judicial
16 remedies. The governmental unit shall not be required to seek a modification from the automatic stay
17 to collect any tax liabilities that were not discharged by the confirmation of the plan and from property
18 that has reverted with the Debtor.

19 5.3 Class Three - Secured Ad Valorem Real Property Tax Claims

20 A. Classification: Class 3 shall consist of pre-petition allowed Ad Valorem Real
21 Property Tax Claims which are secured by liens on real property. The Debtor is unaware of any claims
22 in this class.

23 B. Impairment: Class 3 is impaired.

24 C. Treatment: Each holder of a Class 3 allowed claim shall retain its lien having
25 an aggregate principal amount sufficient to satisfy, in accordance with Section 1129 of the Bankruptcy
26 Code, the allowed claim. Such claim shall bear simple interest at a statutory rate required to be paid
27 as of the Effective Date, or such other interest rate as the Bankruptcy Court determines is sufficient
28 to confer upon the tax claim a value as of the Effective Date equal to the principal amount of such

1 claim charged by the County or the statutory rate of interest. Payments shall be made in equal monthly
2 installments of principal, along with accrued interest, in deferred cash payments over a period not to
3 exceed five years from date of petition.

4 5.4 Class Four - Secured Ad Valorem Personal Property Tax Claims

5 A. Classification: Class 4 shall consist of pre-petition allowed Ad Valorem
6 Personal Property Tax Claims which are secured by liens on personal property. Debtor estimates
7 claims in this class in the amount of \$10,510.35 for the 2014 and 2015 tax years.

8 B. Impairment: Class 4 is impaired.

9 C. Treatment: Each holder of a Class 4 allowed claim shall retain its lien having
10 an aggregate principal amount sufficient to satisfy, in accordance with Section 1129 of the Bankruptcy
11 Code, the allowed claim. Such claim shall bear simple interest at a statutory rate required to be paid
12 as of the Effective Date, or such other interest rate as the Bankruptcy Court determines is sufficient
13 to confer upon the tax claim a value as of the Effective Date equal to the principal amount of such
14 claim charged by the County or the statutory rate of interest. Payments shall be made in equal monthly
15 installments of principal, along with accrued interest, in deferred cash payments over a period not to
16 exceed five years from date of petition.

17 5.5 Class Five - Secured Lien Claim of Zions First National Bank ("Zions")

18 A. Classification: Class 5 consists of the allowed secured claim of Zions to the
19 extent of the value of the secured creditor's interest in the Debtor's interest in real and personal
20 property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced by a
21 Promissory Note, Deed of Trust, and UCC Financing Statement. Zions has filed a claim in the amount
22 of \$2,148,886.85.

23 B. Impairment: Class 5 is impaired.

24 C. Treatment: IN THE EVENT THE DEBTOR IS ABLE TO REACH A
25 STIPULATION WITH ZIONS AS TO ITS TREATMENT, THE TERMS AND CONDITIONS
26 THEREIN WILL SUPERCEDE THE TREATMENT SET FORTH HEREIN. Under §506 of the
27 Bankruptcy Code, a secured creditor has a secured claim to the extent of the creditor's interest in the
28 Debtor's interest in the collateral and an unsecured claim for the balance, if any, unless the creditor

1 makes an 1111(b) election and, if eligible, elects to have its claim treated as fully secured. The
2 allowed amount of the Creditor's secured claim will be the lesser of value of the creditor's interest in
3 the debtor's interest in the property as determined under § 506, or the allowed amount of the creditor's
4 claim. The debtor has obtained an appraisal and believes the current market value of the property to
5 be \$2,025,000.00. The debtor proposes to limit the Class 5 creditor's secured claim to \$2,025,000.00
6 and to treat and pay any deficiency claim as a Class 20 unsecured creditor. If the debtor and the Class
7 5 creditor cannot agree as to the amount of the Class 5 creditor's allowed secured claim, the Court will
8 be called upon to make that determination.

9 The allowed secured claim of the Class 5 creditor shall be paid, assuming no 1111(b) election
10 is made by creditor, and secured by the non-recourse promissory note and deed of trust, modified as
11 follows:

12 1. The allowed secured claim shall accrue interest from the Effective Date of the
13 Plan at the current rate of its obligation which is five percent (5.0%) per annum. The Class 5 creditor
14 is not entitled to interest on its allowed secured claim from the Petition date to the Confirmation Date
15 as the current market value of the hotel property is less than the amount of Zion's claim.

16 2. The note shall be payable in equal monthly installment payments amortized
17 over thirty (30) years. The first monthly installment shall be due thirty (30) days after the Effective
18 Date of the Plan and subsequent monthly installments shall be due on the same day of each subsequent
19 month. On the twentieth anniversary of the Effective Date of the Plan the outstanding principal balance
20 of the note and all accrued and unpaid interest thereon shall be due and payable in full. The final
21 payment shall be made either from proceeds of the sale or refinancing of the property or contributions
22 of the owners of the property at the time the final payment is due.

23 3. The note of the Class 5 creditor shall continue to be secured by the first position
24 deed of trust on the property but the note and any obligation due the Class 5 creditor, which is secured
25 by the above deed of trust shall continue to be recourse to Debtor only. Any security for payment of
26 the allowed claim which Zions had at the petition date other than the modifications set forth herein
27 shall be retained post-confirmation unless modified elsewhere.

28 4. The Debtor and the Class 5 creditor shall agree to execute such modifications

1 to the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
2 treatment for this secured creditor.

3 5. Any difference between current market value and obligation due lender shall
4 be treated as a Class 20 unsecured claim.

5 5.6 Class Six - Second Lien Claim of Business Development Finance Corporation
6 ("BDFC")

7 A. Classification: Class 6 consists of the allowed second lien claim of BDFC to
8 the extent of the value of the secured creditor's interest in the Debtor's interest in the real property
9 located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced by a Promissory
10 Note, Deed of Trust, and UCC Financing Statement. BDFC has filed a claim in the amount of
11 \$955,685.00. Debtor believes this claim may be wholly unsecured.

12 B. Impairment: Class 6 is impaired.

13 C. Treatment: The Class 6 creditor has made a Section 1111(b)(2) Election. Debtor
14 believes at this time treatment of the 1111(b)(2) Election can not be determined until the valuation
15 hearing has been concluded. Debtor believes that the Class 6 creditors claim may be of inconsequential
16 value with the respect to the claim and therefore an 1111(b)(2) Election can not be made. *See in re*
17 *Wandler, 77 B.R. 728 (Bankr. D.N.D. 1987)*. IN THE EVENT THE DEBTOR IS ABLE TO REACH
18 A STIPULATION WITH BDFC AS TO ITS TREATMENT, THE TERMS AND CONDITIONS
19 THEREIN WILL SUPERCEDE THE TREATMENT SET FORTH HEREIN. The Class 6 claimant,
20 which holds a second mortgage on the real property, is believed to be wholly unsecured. The Class 6
21 creditor shall have its lien released upon confirmation of the Plan of Reorganization and its allowed
22 claim shall be treated as a Class 20 unsecured claim and paid on a pro-rata basis with other unsecured
23 creditors.

24 5.7 Class Seven - Secured Claim of The Bank of Las Vegas ("Bank of LV").

25 A. Classification: Class 7 consists of the third lien claim of Bank of LV on the
26 personal property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced
27 by a UCC-1 Filing. Debtor is unaware of the amount of this claim. Debtor believes this entire claim
28 is unsecured.

1 B. Impairment: Class 7 is impaired.

2 C. Treatment: The Class 7 claimant, which holds a third position on the personal
3 property, is believed to be wholly unsecured. The Class 7 creditor shall have its lien released upon
4 confirmation of the Plan of Reorganization and its allowed claim shall be treated as a Class 20
5 unsecured claim and paid on a pro-rata basis with other unsecured creditors.

6 5.8 Class Eight - Secured Claim of Direct, LLC (“Direct”).

7 A. Classification: Class 8 consists of the fourth lien claim of Direct on the
8 personal property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced
9 by a UCC-1 Filing. Debtor is unaware of the amount of this claim. Debtor believes this entire claim
10 is unsecured.

11 B. Impairment: Class 8 is impaired.

12 C. Treatment: The Class 8 claimant, which holds a fourth position on the personal
13 property, is believed to be wholly unsecured. The Class 8 creditor shall have its lien released upon
14 confirmation of the Plan of Reorganization and its allowed claim shall be treated as a Class 20
15 unsecured claim and paid on a pro-rata basis with other unsecured creditors.

16 5.9 Class Nine - Secured Claim of American Express Bank, FSB (“American Express”).

17 A. Classification: Class 9 consists of the fifth lien claim of American Express on
18 the personal property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is
19 evidenced by a UCC-1 Filing. Debtor estimates this claim at \$15,000.00. Debtor believes this entire
20 claim is unsecured.

21 B. Impairment: Class 9 is impaired.

22 C. Treatment: The Class 9 claimant, which holds a fifth position on the personal
23 property, is believed to be wholly unsecured. The Class 9 creditor shall have its lien released upon
24 confirmation of the Plan of Reorganization and its allowed claim shall be treated as a Class 20
25 unsecured claim and paid on a pro-rata basis with other unsecured creditors.

26 5.10 Class Ten - Secured Claim of K&R Holdings, Inc. (“K&R”).

27 A. Classification: Class 10 consists of the sixth lien claim of K&R on the personal
28 property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced by a UCC-

1 1 Filing. Debtor estimates this claim at \$15,049.89. Debtor believes this entire claim is unsecured.

2 B. Impairment: Class 10 is impaired.

3 C. Treatment: The Class 10 claimant, which holds a sixth position on the personal
4 property, is believed to be wholly unsecured. The Class 10 creditor shall have its lien released upon
5 confirmation of the Plan of Reorganization and its allowed claim shall be treated as a Class 20
6 unsecured claim and paid on a pro-rata basis with other unsecured creditors.

7 5.11 Class Eleven - Secured Claim of Sprinkle Family Trust (“Sprinkle”).

8 A. Classification: Class 11 consists of the seventh lien claim of Sprinkle on the
9 personal property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced
10 by a UCC-1 Filing. Debtor estimates this claim at \$14,000.00. Debtor believes this entire claim is
11 unsecured.

12 B. Impairment: Class 11 is impaired.

13 C. Treatment: The Class 11 claimant, which holds a seventh position on the
14 personal property, is believed to be wholly unsecured. The Class 11 creditor shall have its lien released
15 upon confirmation of the Plan of Reorganization and its allowed claim shall be treated as a Class 20
16 unsecured claim and paid on a pro-rata basis with other unsecured creditors.

17 5.12 Class Twelve - Secured Claim of Holiday Inn Express (“Holiday Inn”).

18 A. Classification: Class 12 consists of the eighth lien claim of Holiday Inn on the
19 personal property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced
20 by a UCC-1 Filing. Debtor estimates this claim at \$124,000.00. Debtor believes this entire claim is
21 unsecured.

22 B. Impairment: Class 12 is impaired.

23 C. Treatment: The Class 12 claimant, which holds a eighth position on the personal
24 property, is believed to be wholly unsecured. The Class 12 creditor shall have its lien released upon
25 confirmation of the Plan of Reorganization and its allowed claim shall be treated as a Class 20
26 unsecured claim and paid on a pro-rata basis with other unsecured creditors.

27 5.13 Class Thirteen - Secured Claim of Western Contract Furnishings, Inc. (“WCF”).

28 A. Classification: Class 13 consists of the ninth lien claim of WCF on the personal

1 property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced by a UCC-
2 1 Filing. Debtor estimates this claim at \$12,500.00. Debtor believes this entire claim is unsecured.

3 B. Impairment: Class 13 is impaired.

4 C. Treatment: The Class 13 claimant, which holds a ninth position on the personal
5 property, is believed to be wholly unsecured. The Class 13 creditor shall have its lien released upon
6 confirmation of the Plan of Reorganization and its allowed claim shall be treated as a Class 20
7 unsecured claim and paid on a pro-rata basis with other unsecured creditors.

8 5.14 Class Fourteen - Secured Claim of Lodging Enterprises, Inc. (“Lodging”).

9 A. Classification: Class 14 consists of the tenth lien claim of Lodging on the
10 personal property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced
11 by a UCC-1 Filing. Debtor estimates this claim at \$8,602.00. Debtor believes this entire claim is
12 unsecured.

13 B. Impairment: Class 14 is impaired.

14 C. Treatment: The Class 14 claimant, which holds a tenth position on the personal
15 property, is believed to be wholly unsecured. The Class 14 creditor shall have its lien released upon
16 confirmation of the Plan of Reorganization and its allowed claim shall be treated as a Class 20
17 unsecured claim and paid on a pro-rata basis with other unsecured creditors.

18 5.15 Class Fifteen - Secured Claim of MMM, Div. (“MMM”).

19 A. Classification: Class 15 consists of the eleventh lien claim of MMM on the
20 personal property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced
21 by a UCC-1 Filing. Debtor estimates this claim at \$4,111.56. Debtor believes this entire claim is
22 unsecured.

23 B. Impairment: Class 15 is impaired.

24 C. Treatment: The Class 15 claimant, which holds a eleventh position on the
25 personal property, is believed to be wholly unsecured. The Class 15 creditor shall have its lien released
26 upon confirmation of the Plan of Reorganization and its allowed claim shall be treated as a Class 20
27 unsecured claim and paid on a pro-rata basis with other unsecured creditors.

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1 5.16 Class Sixteen - Secured Claim of Shree Yogiji, Inc. (“SYI”).

2 A. Classification: Class 16 consists of the twelfth lien claim of SYI on the
3 personal property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced
4 by a UCC-1 Filing. Debtor estimates this claim at \$50,000.00. Debtor believes this entire claim is
5 unsecured.

6 B. Impairment: Class 16 is impaired.

7 C. Treatment: The Class 16 claimant, which holds a twelfth position on the
8 personal property, is believed to be wholly unsecured. The Class 16 creditor shall have its lien released
9 upon confirmation of the Plan of Reorganization and its allowed claim shall be treated as a Class 20
10 unsecured claim and paid on a pro-rata basis with other unsecured creditors.

11 5.17 Class Seventeen - Secured Claim of Rue Cinque (“Rue”).

12 A. Classification: Class 17 consists of the thirteenth lien claim of Rue on the
13 personal property located at 4100 E. Snyder Blvd., Sierra Vista, AZ, 85635. This claim is evidenced
14 by a UCC-1 Filing. Debtor estimates this claim at \$3,666.18. Debtor believes this entire claim is
15 unsecured.

16 B. Impairment: Class 17 is impaired.

17 C. Treatment: The Class 17 claimant, which holds a thirteenth position on the
18 personal property, is believed to be wholly unsecured. The Class 17 creditor shall have its lien released
19 upon confirmation of the Plan of Reorganization and its allowed claim shall be treated as a Class 20
20 unsecured claim and paid on a pro-rata basis with other unsecured creditors.

21 5.18 Class Eighteen - Secured Claim of U.S. Bank (“U.S. Bank”).

22 A. Classification: Class 18 consists of the allowed secured claim of U.S. Bank to
23 the extent of the value of the secured creditor’s interest in the Debtor’s interest in the personal property
24 identified as a 2009 Chrysler Town & Country Van. This claim is evidenced by a title lien on the
25 personal property. Debtor estimates this claim at \$19,000.00. Debtor believes the value of the vehicle
26 is \$11,724.00. Debtor believes this claim is not fully secured.

27 B. Impairment: Class 18 is impaired.

28 C. Treatment: The Class 18 creditor will be paid the current market value of its

1 allowed secured claim in 60 equal monthly installments at 4.5% interest beginning 30 days after the
2 Effective Date. Any deficiency claim of the Class 18 creditor shall be treated as a Class 20 unsecured
3 claim and paid on a pro-rata basis.

4 5.19 Class Nineteen - Claim of HLT Existing Franchise Holding, LLC (“HLT”).

5 A. Classification: Class 19 consists of the claim of HLT to the extent of the
6 Franchise License Agreement. HLT has filed a claim in the amount of \$31,058.26.

7 B. Impairment: Class 19 is impaired.

8 C. Treatment: The Class 19 creditor will be paid the amount of its allowed claim
9 30 days after the Effective Date.

10 5.20 Class Twenty - Unsecured Deficiency Claims and Unsecured Claims.

11 A. Classification: Class 20 consists of all unsecured deficiency claims and
12 unsecured claims against the debtor including trade creditors, lease rejection claims and other
13 unsecured claims. Debtor estimates claims in this class in the amount of \$153,498.54 and
14 \$1,333,777.49 for deficiency amounts for secured creditors.

15 B. Impairment: Class 20 is impaired.

16 C. Treatment: The Plan provides that each and every holder of a Class 20 Allowed
17 Claim shall be paid 15% of the allowed amount of their claims at 2.5% interest on the unpaid balance
18 in equal monthly installments in seventy-two (72) equal monthly installments with the first payment
19 due 30 days from the Effective Date. Any liens held by the Class 20 creditors shall be null and void
20 and removed as of the Effective Date.

21 5.21 Class Twenty one - Contingent, Unliquidated and Disputed Claims.

22 A. Classification: Class 21 consists of the claims of all contingent, unliquidated
23 and disputed claims.

24 B. Impairment: Class 21 is impaired.

25 C. Treatment: Class 21 creditors shall receive no distribution under the Plan.

26 5.22 Class Twenty two - Claims of Participating Investors.

27 A. Classification: Class 22 consists of the claims of participating investors.

28 B. Impairment: Class 22 is not impaired.

1 C. Treatment: Unless participating investors contribute substantial capital required
2 to fund this Plan and/or make capital improvements to the subject property they will receive no
3 percentage of the equity interest of the debtor and no distribution under the Plan.

4 5.23 Class Twenty three - Interest of Equity Holders.

5 A. Classification: Class 23 consists of the interest of the debtor.

6 B. Impairment: Class 23 is impaired.

7 C. Treatment: The debtor shall be allowed to retain its current percentage of
8 interest or a percentage thereof unless participating investors are required to contribute substantial
9 capital required to fund this Plan and/or make capital improvements to the subject property.

10
11 ***SECTION VI***

12 *Post-Confirmation Management*

13 The principles of the Debtor will manage post confirmation.

14
15 ***SECTION VII***

16 *Income Tax Consequences of Reorganization*

17 The Debtor has been advised by Eric Slocum Sparks, Esq. to obtain independent tax advice to
18 determine the consequences of going forward under the Plan and retaining the Property hereunder.
19 The Debtor has advised Eric Slocum Sparks, Esq. that outside tax counsel has been/or will be retained
20 and/or consulted to assist in drafting, amending or revising the Plan as proposed. The debtor and Eric
21 Slocum Sparks, P.C. have been advised that the debtor can retain the property without significant
22 adverse tax consequences.

23 7.1 Disclaimer: *The income tax consequences of the reorganization of the Debtor pursuant*
24 *to this Plan will be different and will depend upon the Debtor's tax situation. Eric Slocum Sparks, P.C.*
25 *is not advising the Debtor regarding the tax consequences of the reorganization of the Debtor and the*
26 *Debtor will consult with its own tax advisor regarding the tax consequences of the reorganization of*
27 *the Debtor according to the Plan.*

28 ***ANY POTENTIAL PARTICIPATING INVESTORS ARE URGED TO CONSULT THEIR OWN***

1 *ADVISORS AS TO THE OVERALL TAX IMPLICATIONS OF PARTICIPATION OR NON-*
2 *PARTICIPATION UNDER THE PLAN.*

3 7.2 Consummation: For purposes of Local Bankruptcy Rule 2015, and consistent with
4 Bankruptcy Code Section 1001(2), consummation of the Plan shall occur upon the ① funding of the
5 contributions due from participating investors hereunder if required; and ② commencement of
6 disbursements to Impaired creditors as provided in the Plan.

7 ***SECTION VIII***

8 *Feasibility*

9
10 As a condition to confirmation of a plan of reorganization, Section 1129(a)(11) of the
11 Bankruptcy Code requires that the confirmation is not likely to be followed by a liquidation or the need
12 for further financial reorganization, except as proposed in such plan.

13 The debtor sets out as **Exhibit D** its Anticipated Income and Expense and the Schedule of
14 Sources and Uses of Cash.

15 THE FINANCIAL PROJECTIONS SET FORTH IN THIS DISCLOSURE STATEMENT
16 REPRESENT A PREDICTION OF FUTURE EVENTS BASED ON CERTAIN ASSUMPTIONS OF
17 THE DEBTOR. ANTICIPATED FUTURE EVENTS MAY OR MAY NOT OCCUR AND THE
18 PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF
19 THE ACTUAL RESULTS WHICH WILL OCCUR. BECAUSE OF THE UNCERTAINTIES
20 INHERENT IN PREDICTIONS OF FUTURE EVENTS, THE ACTUAL RESULTS OF OPERA-
21 TIONS MAY WELL BE DIFFERENT FROM THOSE PREDICTED AND SUCH DIFFERENCES
22 MAY BE MATERIAL AND ADVERSE.

23 THE FINANCIAL PROJECTIONS ARE INTENDED TO ASSESS THE FUTURE ASSETS,
24 LIABILITIES, INCOME AND CASH FLOW AVAILABLE FOR DEBT SERVICING AND ARE
25 NOT DESIGNED OR INTENDED TO BE USED FOR PURPOSES OF PROJECTING THE
26 FUTURE VALUE OF THE DEBTOR'S INTERESTS OR DEBENTURES ISSUED BY OR ON
27 BEHALF OF THE REORGANIZED DEBTOR.

28 The Debtor has made a variety of assumptions which have been the basis of its Plan of

1 Reorganization. Those assumptions include (1) that by making renovations and capital improvements
2 to the hotel it will become compliant with the franchise agreement; (2) that by reamortizing existing
3 obligations the debtor can maintain its obligations; and (3) reamortization of its debts will allow its
4 revenues to pay all obligations of the debtor. These assumptions will be available to make debt service
5 payments as proposed under the Plan. Actual operations of the property confirm these assumptions.
6 Based on the cash flow projections prepared by the debtor, the debtor believes that the Plan satisfies
7 the feasibility requirements of the Bankruptcy Code.

8 9 **SECTION IX**

10 *Liquidation Analysis*

11 The primary assets and only significant income-producing asset of the Debtor's estate is the
12 The Hampton Inn Sierra Vista Hotel . This property is subject to and encumbered by the asserted liens
13 and security interest held by the major secured creditors of the property set forth herein.

14 In the event this case were converted to a case under Chapter 7 and the assets of the estate
15 liquidated, these creditors would proceed to foreclose upon their interest in the property. A foreclosure
16 of the property would eliminate any prospect of any payment to remaining unsecured and priority
17 creditors. As a result, it is the debtor's opinion that all claimants are best served through implementa-
18 tion and effectuation of the Plan which provides for a significant, albeit limited, dividend on its
19 claims. If the Plan of Reorganization is consummated, the unsecured trade creditors and unsecured
20 deficiency claims will be paid a substantial sum of monies, on a pro rata basis as set forth in the Plan.
21 Creditors and other interested parties are urged to review the debtor's schedules and statement of
22 affairs as filed with the United States Bankruptcy Clerk's Office (and as amended from time to time)
23 for purposes of confirming the debtor's conclusions contained in this liquidations analysis, attached
24 hereto as **Exhibit D**.

25 **SECTION X**

26 *Acceptance and Confirmation*

27 10.1 What is Necessary for Court Approval of a Plan: Chapter 11 of the Bankruptcy Code
28 permits the readjustment of secured debt, unsecured debt and equity interests. A Chapter 11 plan may

1 provide less than full satisfaction of senior indebtedness and payment of junior indebtedness, and may
2 even provide some return to equity owners absent full satisfaction of indebtedness, so long as no
3 impaired class votes against the plan (except as provided below).

4 Even if an impaired class votes against the plan, implementation of the plan is still possible so
5 long as the plan is fair and equitable and that class is afforded certain treatment defined by the Code.
6 That certain treatment may be very broadly defined as giving a claimant the full value of his claim or
7 interest. Such value is determined by the Court and balanced against the treatment afforded the
8 dissenting class of creditors. If the latter is equal to or greater than the former, the Plan may be
9 confirmed over the dissent of that class, depending upon the treatment of junior claims and interests.
10 In particular, senior claims must be satisfied in full prior to payment of junior claims or interests,
11 unless the holders of senior claims agree to different treatment. This principle, commonly known as
12 the "absolute priority rule", applies only in cases when a class of unsecured claims or equity interests
13 is impaired and does not accept the plan. In that event, the absolute priority rule does not apply to all
14 classes of unsecured claims and equity interests, but only to the dissenting class and classes junior to
15 the dissenting class.

16 The exception to the absolute priority rule is that an existing Debtor can contribute money (or
17 properties) which is (1) new (fresh); (2) substantial; (3) necessary for the reorganization, and (4) not
18 readily available from other sources.

19 In the event a class is unimpaired, it is automatically deemed to have accepted the plan. In this
20 proposed Plan, Classes 2 through 23 will be impaired, as defined in §1124 of the Code, as the result
21 of the Plan. All other classes will be unimpaired.

22 The Code states that if there is no dissenting class, the test for approval by the Court of a
23 Chapter 11 plan (i.e., confirmation) is whether the plan is feasible and in the best interests of
24 creditors and interest holders. In simple terms, a plan is in the best interests of creditors and interest
25 holders if the plan will provide a better recovery to the creditors and interest holders than they would
26 obtain if the Debtor were liquidated and the proceeds distributed in accordance with bankruptcy
27 liquidation priorities. The Court, in considering this factor, need not consider any other alternative to
28 the plan but liquidation.

1 In considering "feasibility", as mentioned earlier, the Bankruptcy Court is only required to
2 determine whether the plan has a reasonable prospect of being accomplished. This entails determining
3 the availability of cash for payments required at the effective date, and any other factor which might
4 make it impossible for the reorganized Debtor to accomplish that which it proposes to accomplish in
5 he plan.

6 In addition, in order to confirm a plan, the Court must find that the plan was proposed in good
7 faith and that the plan and the Debtor are in compliance with the applicable provisions of Chapter 11.
8 Finally, similar to the requirement that the Court find the plan to be feasible, the Court must find that
9 liquidation or further reorganization of the reorganized Debtor is not likely to occur after implementa-
10 tion of the plan.

11 The determination by the Court that a plan is fair, equitable and feasible occurs at the
12 confirmation hearing after a plan has been accepted. The Court's judgment on these matters does not
13 constitute an expression of the Court's opinion as to whether the plan is a good one, nor does it
14 constitute an opinion by the Court regarding any debt or equity interest or securities issued to creditors
15 under the plan.

16 10.2 Alternatives to the Plan: Although this Disclosure Statement is intended to provide
17 information to assist in the formation of a judgment as to whether to vote for or against this proposed
18 Plan, and although creditors are not being offered through that vote an opportunity to express an
19 opinion concerning alternatives to the Plan, a brief reminder of the alternative to the Plan is in order.
20 This alternative includes the probable liquidation of the Debtor through conversion of the case to one
21 under Chapter 7. The Debtor believes the Plan to be in the best interests of the creditors and the
22 interest holders. In arriving at this conclusion, the Debtor emphasizes that the debtor has liabilities
23 in excess of the fair market value of its assets (refer to debtor's schedules). Moreover, the principal
24 assets of the debtor are fully encumbered and the debts which are secured by the debtor's assets exceed
25 the value of those assets. Consequently, the unsecured creditors of the debtor would likely receive
26 smaller distributions under a Chapter 7 liquidation. THE DEBTOR HAS ATTEMPTED TO SET
27 FORTH THE LIKELY LIQUIDATION ALTERNATIVE TO ITS PROPOSED PLAN. THE
28 DEBTOR MUST CAUTION CREDITORS HOWEVER, THAT A VOTE MUST BE FOR OR

1 AGAINST THE PLAN. THE VOTE ON THE PLAN DOES NOT INCLUDE A VOTE ON THE
2 LIKELY LIQUIDATION ALTERNATIVE TO THE PLAN. THERE IS NO ASSURANCE THAT
3 THE LIKELY LIQUIDATION ALTERNATIVE WILL, IN FACT, FOLLOW IF THE PLAN FAILS
4 ACCEPTANCE. IF YOU BELIEVE THE LIQUIDATION ALTERNATIVE IS PREFERABLE TO
5 THE PLAN AND YOU WISH TO URGE IT UPON THE COURT, YOU SHOULD CONSULT
6 COUNSEL.

7 10.3 Specific Consideration in Voting: All of the foregoing gives rise to the following
8 implications and risks concerning the Plan.

9 While the Plan provides for certain payments, such payments will apply only to allowed claims
10 and certain interests. Under the Bankruptcy Code, a claim may not be paid until it is "allowed". A
11 claim will be allowed in the absence of an objection. A claim to which an objection has been filed will
12 be heard by the Court at a regular evidentiary hearing and will be allowed in full, in part, or disallowed.
13 While the Debtor will bear the principal responsibility for claim objections, any interested party may
14 file claim objections. Accordingly, payment on all claims may be delayed until objections to such
15 claims are ultimately settled.

16 10.4 Risk Factors. For classes of claims which do not receive cash on the Effective Date, there
17 are certain risks inherent in accepting the Plan, including the absence of absolute certainty of ultimate
18 payment.

19 10.5 Disclosure Required by the Code: The Code requires disclosure of certain facts as
20 follows:

21 1) there are no payments or promises made of the kind specified in Section
22 1129(a)(4)(A) of the Code which have not previously been disclosed to the Court;

23 2) the ownership of the Reorganized Debtor will not be affected by the Plan.
24 Management of the Reorganized Debtor will remain with Debtor's principals upon confirmation of
25 the Plan.

26 ***SECTION XI***

27 *Other Provisions of the Plan*

28 11.1 Retention of Jurisdiction: The Bankruptcy Court shall retain exclusive jurisdiction

1 over this case to supervise the Plan, to hear, if applicable law provides, and to determine, among other
2 things, the following matters:

3 1) any and all objections to the allowance of claims or interests except as provided
4 in the Plan;

5 2) any and all applications for payment for fees from the Debtor made by attorneys
6 and other professional pursuant to Sections 330 or 503 of the Bankruptcy Code, or for payment of any
7 other fees or expenses authorized to be paid by the Debtor under Section 327 of the Bankruptcy Code,
8 and any objections thereto;

9 3) any and all pending applications for rejection, the assumption, or assignment
10 as the case may be of unexpired leases and executory contracts;

11 4) any and all motions, applications, adversary proceedings and contested or
12 litigated matters properly before the Bankruptcy Court;

13 5) modifications of this Plan;

14 6) all matters relating to the implementation or consummation of this Plan;

15 7) any and all suits or actions brought for collection or recoupment of debts or
16 other obligations owed by defaulted partners to the Debtor.

17 11.2 Retention of Causes of Action: The Debtor shall retain all claims or causes of action
18 which it has as of the Confirmation Date, the powers of the debtor-in-possession for purposes of
19 prosecuting claims and causes of action arising under the Bankruptcy Code, and full authority to
20 pursue, compromise, and resolve all such claims and causes of action unless the Court has granted any
21 such right to a creditor of this estate.

22 11.3 Retention or Rejection of Executory Contracts and Leases: The Plan provides that
23 pursuant to Section 365 of the Bankruptcy Code, the Debtor assumes all executory contracts and
24 unexpired leases to which they are a party, including leases with tenants and any specifically provided
25 prior to the hearing on the Disclosure Statement.

26 11.4 Amendments to Plan: The Plan may be altered, amended, or modified by the
27 proponents before the Confirmation Date, in the manner provided for by Section 1127 of the
28 Bankruptcy Code or otherwise provided for by law. The Plan may also be altered, amended, or

1 modified by the proponents after the Effective Date in accordance with the Bankruptcy Code and
2 applicable law. A holder of a claim or interest that has accepted or rejected the Plan shall be deemed
3 to have accepted or rejected as the case may be the Plan as modified unless the modification
4 detrimentally effects the holder of such claim or interest without the prior consent thereof.

5 11.5 Offer, Issuance and Resale of Plan Securities: The offer and issuance of Plan Securities
6 by any Debtor which constitutes securities under the Securities Act of 1933, as amended (the "1933
7 Act") or applicable state securities laws have not been registered under the 1933 Act or such state
8 securities laws, pursuant to the exemption therefrom provided by Section 1145 of the Bankruptcy
9 Code.

10 The Plan Securities will bear the following legend:

11 "The offer and sale of this Plan Security has not been registered under
12 the Securities Act of 1933, as amended, or qualified under applicable
13 state securities laws, and this Plan Security may not be offered, sold or
14 transferred in the absence of such registration or an exemption
15 therefrom under such laws."

16 Resale or other transfer of a Plan Security by a creditor who has acquired it pursuant to the
17 Plan, may or may not be exempt from the registration requirements of Section 5 of the Securities Act
18 of 1933 and any applicable state securities laws or Blue Sky Laws.

19 BY ITS RECEIPT OF A PLAN SECURITY, EACH RECIPIENT SHALL BE DEEMED TO
20 ACKNOWLEDGE THAT IT IS RESPONSIBLE FOR ITS COMPLIANCE WITH ALL APPLICABLE
21 SECURITIES LAWS. EACH CREDITOR SHOULD CONSULT HIS OR HER OWN
22 ATTORNEY AS TO WHETHER ANY RESALE OF A PLAN SECURITY REQUIRES
23 REGISTRATION OF SUCH SECURITY UNDER THE SECURITIES ACT OF 1933 OR AN
24 APPLICABLE STATE SECURITIES LAW.

25 11.6 Provision for Filing Reports and Payments of Fees to the Office of the United States
26 Trustee: The Debtor shall timely file all quarterly reports and post-confirmation reports and shall pay
27 all fees to the United States Trustee as required by law and will incorporate such language into the
28 order confirming the Debtor's Plan of Reorganization.

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9
10 /s/ A. Court-Sanchez

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