

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
EL PASO DIVISION

IN RE:	§	Chapter 11
	§	
HARDAGE HOTELS I, L.L.C. ¹	§	CASE NO. 12-30443 (HCM)
	§	
DEBTOR.	§	

**DEBTOR'S DISCLOSURE STATEMENT WITH RESPECT TO THE
DEBTOR'S SECOND AMENDED PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE
(SOLICITATION VERSION)**

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Dated: February 15, 2013

¹ Debtor owns seven hotels doing business as Chase Suite Hotels. The seven hotels are located in Clive, IA; Dublin, OH; El Paso, TX; Lincoln, NE; Kansas City, MO; Newark, CA; and Overland Park, KS.

DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE DEBTOR'S PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE (AS MAY BE AMENDED IN ACCORDANCE WITH THE TERMS THEREOF AND APPLICABLE LAW, THE "PLAN"). THE INFORMATION CONTAINED HEREIN MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THE EXHIBITS ANNEXED TO THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN SHALL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF THE DEBTOR SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR MEMBERSHIP INTERESTS IN THE DEBTOR.

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	(b)	Pursuant to Projections, Cash in OneWest’s Cash Collateral Account after funding Bank Account 1, in accordance with this section shall be distributed at least one business day prior to the Effective Date to the Cash Management Account (as such term is defined in the OWB Restructured Loan Documents). Any balance of Cash in the OneWest Cash Collateral Account after funding Bank Account 1 in accordance with Section 8.03(a)(i) of the Plan and the Initial Tax Reserve Deposit shall be disbursed to the Consolidated Operating Account (as such term is defined in the OWB Restructured Loan Documents) for the OneWest Secured Hotels.	35
	(c)	Pursuant to the Projections, funds from either a portion of the New Value Contribution, the Clive Excess Sales Proceeds or the SBKC cash collateral account shall be distributed at least one day prior to the Effective Date as follows:	36

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I. INTRODUCTION

The debtor in possession in the above-referenced Chapter 11 Case is Hardage Hotels I, L.L.C. or the Debtor.

The Debtor submits this Disclosure Statement for use in the solicitation of votes on the Debtor's Plan. A copy of the Plan is attached hereto as Appendix A. Each capitalized term used in this Disclosure Statement but not otherwise defined herein has the meaning ascribed to such term in the Plan. In addition, all references in this Disclosure Statement to monetary figures refer to United States currency, unless otherwise expressly provided.

The Plan provides for the sale of two hotels (Clive, IA and Dublin, OH) and restructuring the outstanding debt obligations of the Debtor.

The Disclosure Statement sets forth certain information regarding the Debtor's prepetition operating and financial history, the Debtor's reasons for seeking protection and reorganization under chapter 11 and significant events that have occurred during the Chapter 11 Case. This Disclosure Statement also describes certain terms and provisions of the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that Holders of Claims entitled to vote on the Plan must follow for their votes to be counted.

By order entered on or about March 6, 2013, the Bankruptcy Court has approved this Disclosure Statement as containing "adequate information," in accordance with section 1125 of the Bankruptcy Code, to enable a hypothetical, reasonable investor typical of Holders of Claims against the Debtor to make an informed judgment as to whether to accept or reject the Plan, and has authorized its use in connection with the solicitation of votes with respect to the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.** No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, Holders of Claims entitled to vote should not rely on any information relating to the Debtor and its business, other than that contained in this Disclosure Statement, the Plan and all exhibits and appendices hereto and thereto.

Pursuant to the provisions of the Bankruptcy Code, only classes of Claims that are: (a) "impaired" by a plan; and (b) entitled to receive a distribution under such plan are entitled to vote on the plan. Classes 1 through 4 and Classes 6 and 7 are Impaired by, and entitled to receive a distribution under the Plan; and accordingly, are entitled to vote to accept or reject the Plan. Claims in Classes 5 and 8 are Unimpaired by the Plan; accordingly, the Holders thereof are conclusively presumed to have accepted the Plan and, thus, are not entitled to vote on the Plan.

FOR A DESCRIPTION OF THE PLAN AND VARIOUS RISKS AND OTHER FACTORS PERTAINING TO THE PLAN, PLEASE SEE ARTICLE VI OF THIS DISCLOSURE STATEMENT, ENTITLED "SUMMARY OF THE PLAN" AND

ARTICLE VII OF THIS DISCLOSURE STATEMENT, ENTITLED "CERTAIN RISK FACTORS TO BE CONSIDERED."

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATING TO THE PLAN, CERTAIN EVENTS THAT HAVE OCCURRED IN THE CHAPTER 11 CASE AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTOR BELIEVES THAT THE SUMMARIES OF THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE AS OF THE DATE HEREOF, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS AND TO THE EXTENT THEY MAY CHANGE OR BE MODIFIED AS PERMITTED BY THE PLAN AND APPLICABLE LAW. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTOR DOES NOT WARRANT OR REPRESENT, HOWEVER, THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

NOTHING CONTAINED HEREIN SHALL BE DEEMED TO CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS OR INTERESTS. YOU SHOULD CONSULT YOUR PERSONAL COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES OR OTHER LEGAL CONSEQUENCES OF THE PLAN.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS, BY ITS NATURE, FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. ACCORDINGLY, THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCE IMPLY THAT THE INFORMATION HEREIN IS CORRECT OR COMPLETE AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THE DEBTOR BELIEVES THAT THE PLAN WILL ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTOR, ITS CREDITORS, EQUITY HOLDERS, AND ITS ESTATE, AND PROMOTES THE BEST ECONOMIC RECOVERY. THE DEBTOR URGES ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT THE PLAN.

II. OVERVIEW OF THE PLAN

The following is a brief overview of the material provisions of the Plan. The complete text of the Plan should be reviewed and relied upon for any inconsistencies. For a

more detailed description of the terms and provisions of the Plan, see Article VI of this Disclosure Statement entitled “Summary of the Plan.”

The Plan provides for the classification and treatment of Claims against and Interests in the Debtor. The Plan designates 7 Classes of Claims and 1 Class of Interests. These Classes take into account the differing nature and priority under the Bankruptcy Code of the various Claims and Interests.

A. General Structure of the Plan

The Chapter 11 Case was filed to implement a restructuring of the Debtor’s balance sheet, such as the one embodied in the Plan, in an efficient, expedient and economical manner, with minimal disruption to the Debtor’s ongoing business operations. The Plan provides for the means of implementation through a reorganization, which includes, among other things, restructuring certain debt obligations and selling certain of the Debtor’s hotels.

As of March 6, 2012 (the “Petition Date”), the aggregate principal amount of the secured claims of Security Bank of Kansas City, California First National Bank and OneWest Bank FSB, as alleged, totaled approximately \$43,658,895.81 which is broken down as follows²:

Security Bank of Kansas City—\$11,497,974.76 secured by hotels located in Kansas City, MO., Newark, CA and Overland Park, KS;³

California First National Bank—\$2,036,926.65 secured by a hotel located in Clive, IA;⁴

OneWest Bank FSB—\$29,778,990.40 secured by hotels located in Dublin, OH., El Paso, TX, and Lincoln, NE;⁵

Samuel A. Hardage—\$345,000.00.

The aggregate of the Debtor’s unsecured Claims total approximately \$14,895,407.26 which include \$675,418.26 in trade debt, \$150,000.00 in a promissory note to Hardage Hospitality, LLC, and \$14,069,989 in Insider Intercompany Claims.

B. Summary of Treatment of Claims and Interests Under the Plan

The table below summarizes the classification and treatment of the prepetition Claims against and Interests in the Debtor under the Plan. For certain Classes of Claims, estimated percentage recoveries also are set forth below. Estimated percentage recoveries have

² Amounts are provided from Proofs of Claim filed or the Debtor’s Schedules and Statements of Financial Affairs and exclude any real property tax escrows.

³ POC No. 64-1.

⁴ POC No. 59-1.

⁵ POC No. 15-1.

been calculated based upon a number of assumptions regarding the amount of Allowed Claims in each Class. For certain Classes of Claims, the actual amounts of Allowed Claims could materially exceed or could be materially less than the estimated amounts shown in the table that follows:

Claims or Class Description	Treatment	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery of Allowed Claims or Interests
Administrative Expense Claims	<u>Unimpaired.</u> Each Allowed Administrative Expense Claim shall, in full and final satisfaction of such Allowed Administrative Expense Claim, be paid by the Reorganized Debtor, in full, in Cash, in such amounts as are incurred in the ordinary course of business by the Reorganized Debtor, or in such amounts as such Administrative Expense Claim is Allowed by the Bankruptcy Court upon: (a) the later of: (i) the Effective Date; and (ii) if such Claim is Allowed after the Effective Date, the date upon which there is a Final Order allowing such Administrative Expense Claim; (b) such other terms as may exist in the ordinary course of the Debtor’s business and in accordance with the terms and conditions of any agreement governing or document evidencing such Administrative Expense Claim; or (c) such terms and conditions as may be agreed upon between the Holder of such Allowed Administrative Expense Claim and the Debtor. Professional Fee Claims shall be treated in the manner set forth in Section 14.19 of the Plan.	No	\$940,675.00 [estimate]	100%
Priority Tax Claims	<u>Unimpaired.</u> Each Holder of an Allowed Priority Tax Claim shall, in full and final satisfaction of such Holder’s Allowed Priority Tax Claim, be paid: (a) in Cash, in full, on the later of the (i) Effective Date and (ii) date such Priority Tax Claim becomes due and payable in the ordinary course of business; or (b) on such other terms and conditions as may be agreed upon between the Holder of such Allowed Priority Tax Claim and the Reorganized Debtor.	No	\$393,908.00 [estimate]	100%

Claims or Class Description	Treatment	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery of Allowed Claims or Interests
<p>Class 1: SBKC Secured Claim</p>	<p>Impaired. On the Effective Date, the SBKC Secured Claim shall be fully and finally allowed in the amounts set forth in the Proof of Claim No. 64 filed by SBKC and in accordance with the SBKC Loan Modification Agreement and SBKC shall retain its liens on the Kansas City Hotel, Newark Hotel and Overland Park Hotel, under existing loan and security agreements. Pursuant to the SBKC Loan Modification Agreement, the principal balance of the SBKC Secured Claim (other than the Tax Loan) shall be amortized based upon a twenty (20) year amortization utilizing an initial rate of interest of six percent (6%) per annum through and including March 31, 2014, and thereafter while maintaining the same twenty (20) year amortization period) utilizing SBKC’s Base Rate (as defined in the SBKC Loan Modification Agreement) plus two and three quarters percent (2.75%) per annum (provided that the rate of interest shall never be less than six percent (6%) per annum), with such monthly principal and interest payments, being due and payable on the last day of each month until the Maturity Date (as such term is defined in the SBKC Loan Modification Agreement), at which time all principal, interest and other charges shall be due and payable in full. The Tax Loan shall mature on March 31, 2014, and all other terms of the Tax Loan shall remain unchanged from the treatment set forth in the May 2011 Modification (as defined in the SBKC Loan Modification Agreement) except the rate of interest shall be six percent (6%) per annum. SBKC shall enter into a that Senior Intercreditor Agreement with OneWest.</p>	<p>Yes</p>	<p>\$10,837,197.00 [estimate]</p>	<p>100%</p>

Claims or Class Description	Treatment	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery of Allowed Claims or Interests
<p>Class 2: CFNB Secured Claim</p> <p>D-2067216_19</p>	<p>Impaired. CFNB shall, in full and final satisfaction of its Allowed CFNB Secured Claim, retain its Liens on the Clive Hotel. The Reorganized Debtor and CFNB shall execute the Clive Amendment which, and without modifying or amending the terms and provisions of the Clive Amendment, will, <i>inter alia</i>, extend the loan maturity for an additional twelve months. The Clive Amendment shall bear a non-default interest rate of 7.25% through April 1, 2013 and shall increase to a non-default interest rate of 8.25% thereafter. Reorganized Debtor shall pay interest on the first day of each calendar month until the maturity date under The Clive Amendment. Notwithstanding anything to the contrary contained herein, Reorganized Debtor shall pay CFNB the full amount of its indebtedness set forth in the Clive Amendment (which includes the Allowed CFNB Secured Claim plus all other amounts due and owing to CFNB under the Clive Amendment from and after January 31, 2013 until the entire amount due and owing to CFNB is paid in full) on the earlier of (i) the date such sale between the Reorganized Debtor and Buyer pursuant to the Clive Asset Purchase Agreement closes and (ii) the maturity date under the Clive Amendment without further application or order of the Bankruptcy Court.</p> <p>CFNB shall be granted an Allowed CFNB Secured Claim in the unpaid amount of \$2,147,788.94 for all fees, interest, debts and other charges incurred through and including January 31, 2013 and CFNB shall be paid the full amount of the CFNB Allowed Secured Claim plus all other amounts owing under the Clive Amendment which is estimated to be approximately \$2,147,788.94 at closing of the sale of the Clive Hotel. The Allowed CFNB Secured Claim shall not be subject to avoidance, recharacterization, disallowance, subordination, recoupment, setoff, counterclaim or reconsideration under Section 502(j) of the Bankruptcy Code or Bankruptcy Rule 3008. All payments made by Debtor to CFNB subsequent to the Petition Date are hereby approved, allowed and shall be retained by CFNB without any further action by CFNB or order of the Bankruptcy Court and without reducing the Allowed CFNB Secured Claim.</p>	<p>Yes</p>	<p>\$2,147,788.94 [estimate]</p>	<p>100%</p>

Claims or Class Description	Treatment	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery of Allowed Claims or Interests
<p>Class 3: OneWest Secured Claim</p>	<p>Impaired. The OneWest Secured Claim is Impaired. Notwithstanding anything contained in the Plan or the Confirmation Order that could be construed to the contrary, on the Effective Date: (i) the OneWest Secured Claim shall be fully and finally Allowed in the approximate amount of \$21,000,000.00, which Allowance shall not be subject to avoidance, recharacterization, disallowance, subordination, recoupment, setoff, counterclaim, or reconsideration under Bankruptcy Code section 502(j) or Bankruptcy Rule 3008; (ii) the Prepetition OneWest Loan Documents (other than the Hardage Suite Loan Documents and the Woodfin Loan Documents) shall be amended, restated, and consolidated by and as provided for in the OWB Restructured Loan Documents; (iii) OneWest shall receive the treatment provided by the OWB Restructured Loan Documents and shall be vested with, and/or retain, all of the legal, equitable, and contractual rights set forth in the OWB Restructured Loan Documents; (iv) the Reorganized Debtor shall be bound by all covenants, agreements, terms, provisions, and conditions set forth in and under the OWB Restructured Loan Documents and shall make all payments and perform all obligations and duties attributable to the Reorganized Debtor under the OWB Restructured Loan Documents; (v) the Hardage Suite Loan Documents, the Woodfin Loan Documents, and the Original Guaranties (as defined in the OWB Restructured Loan Agreement) shall be cancelled pursuant to the terms of the OWB Restructured Loan Documents; (vi) notwithstanding section 1141(c) or any other provisions of the Bankruptcy Code or the Plan Documents, all Liens held by OneWest prior to the Effective date, as amended, restated, and consolidated by the OWB Restructured Loan Documents, shall survive the Effective Date and confirmation of the Plan and, in accordance with the terms and provisions of the OWB Restructured Loan Documents, shall continue to have the same</p>	<p>Yes</p>	<p>\$21,000,000.00 [estimate]</p>	<p>100%</p>

Claims or Class Description	Treatment	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery of Allowed Claims or Interests
	<p>priority and shall remain in full force and effect as if the Chapter 11 Case had not been commenced; and (vii) notwithstanding section 1141(c) or any other provisions of the Bankruptcy Code or the Plan Documents, OneWest shall be granted (without the necessity of the execution by the Debtor and/or the Reorganized Debtor or the filing, recordation, or execution and delivery of mortgages, deeds of trust, security agreements, control agreements, financing statements, or otherwise) any new Liens provided for in the OWB Restructured Loan Documents. In addition, concurrently with the closing of the sale of the Clive Hotel pursuant to the Clive Asset Purchase Agreement or other Third Party Sale (as such term is defined in the OWB Restructured Loan Agreement) of the Clive Hotel, the Debtor and/or the Reorganized Debtor shall pay to OneWest in immediately available funds through the escrow established for such sale an amount equal to fifty percent (50%) of the Net Proceeds (as such term is defined in the OWB Restructured Loan Agreement) derived from such sale and otherwise in accordance with the terms and conditions set forth in Section 8.03 of the OWB Restructured Loan Agreement. In the event there is any inconsistency between the terms and conditions of this Plan and/or the Plan Documents, on the one hand, and the OWB Restructured Loan Documents, on the other hand, the terms and conditions set forth in the OWB Restructured Loan Documents shall prevail and control.</p>			
<p>Class 4: Samuel A. Hardage Secured Claim</p>	<p><u>Impaired.</u> Samuel A. Hardage shall receive no distributions under the Plan whether on account of the Samuel A. Hardage Notes or otherwise. The Samuel A. Hardage Notes shall be cancelled and deemed paid in full on the Effective Date, and all Liens securing any Claims of Samuel A. Hardage shall be extinguished and reconveyed, including without limitation, the Samuel A. Hardage Deeds of Trust.</p>	<p>Yes</p>	<p>\$345,000.00</p>	<p>0%</p>

Claims or Class Description	Treatment	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery of Allowed Claims or Interests
<p>Class 5: Other Secured Claims</p>	<p>Unimpaired. This Class includes all Secured Claims (other than the OneWest Secured Claim, the SBKC Secured Claim, the CFNB Secured Claim, the Samuel A. Hardage Secured Claim, or any Secured Claim held by an Insider or Affiliate of the Debtor), including the Holders of a Mechanics' Lien Claim. Class 5 Claims are Unimpaired. Each Holder of an Allowed Other Secured Claim shall, in full and final satisfaction of such Allowed Other Secured Claim, be paid in Cash, in full, on the Effective Date. All Liens of any Creditor holding an Other Secured Claim shall be deemed extinguished and reconveyed on the Effective Date.</p>	<p>No</p>	<p>\$22,608.00[estimate]</p>	<p>100%</p>
<p>Class 6: General Unsecured Claims</p>	<p>Impaired. Each Holder of an Allowed General Unsecured Claim shall, in full and final satisfaction of such Allowed General Unsecured Claim, be paid in Cash, in full, on the later of: (i) the Effective Date; and (ii) if such General Unsecured Claim is not Allowed due to an objection, and is Allowed after the Effective Date, the date upon which there is a Final Order allowing such Unsecured Claim.</p>	<p>Yes</p>	<p>\$657,502.00 [estimate]</p>	<p>100%</p>
<p>Class 7: Subordinated Claims</p>	<p>Impaired. This Class includes all Claims (whether secured or unsecured) held by any Insider or Affiliate of the Debtor, including the Hardage Hospitality Unsecured Note and Insider Intercompany Claims, but excluding the Samuel A. Hardage Secured Claim which is treated in Class 4. Creditors in this Class shall receive no distributions under the Plan. The Claims in this Class shall be cancelled, be deemed paid in full on the Effective Date, and all Liens securing any such Claims shall be extinguished.</p>	<p>Yes</p>	<p>\$14,219,989.00</p>	<p>0%</p>

Claims or Class Description	Treatment	Entitlement to Vote	Estimated Aggregate Amount of Allowed Claims	Estimated Percentage Recovery of Allowed Claims or Interests
Class 8: Membership Interests in the Debtor	<u>Unimpaired.</u> HSH I, Inc., a Delaware corporation, and HARDAGE HOTELS, LLC, a Delaware limited liability company shall retain their Membership Interests in the Reorganized Debtor in exchange for the contribution of \$1,191,559.00 in cash to be distributed as set forth in Section 8.04 of the Plan on or before the Effective Date.	No	N/A	100%

THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR HOLDERS OF CLAIMS AND INTERESTS AGAINST THE DEBTOR AND, THUS, STRONGLY RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN.

III. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims and Interests

Approval by the Bankruptcy Court of this Disclosure Statement means that the Bankruptcy Court has found that this Disclosure Statement contains information of a kind and in sufficient and adequate detail to enable Holders of Claims and Interests to make an informed judgment whether to accept or reject the Plan.

THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR THEREIN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

IF THE PLAN IS APPROVED BY THE REQUISITE VOTE OF HOLDERS OF CLAIMS ENTITLED TO VOTE AND IS SUBSEQUENTLY CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTOR, WHETHER OR NOT THEY WERE ENTITLED TO VOTE OR DID VOTE ON THE PLAN, AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS, ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR ENTITLED TO VOTE ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN

CONNECTION WITH THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN.

No solicitation of votes may be made except after distribution of this Disclosure Statement and no person has been authorized to distribute any information concerning the Debtor other than the information contained herein. No such information will be relied upon in making a determination to vote to accept or reject the Plan.

B. Solicitation Materials

In soliciting votes for the Plan pursuant to this Disclosure Statement, the Debtor, through agent Haynes and Boone LLP (the “Voting Agent” or “H & B”), will send to Holders of Impaired Claims copies of: (i) the Disclosure Statement and Plan; (ii) the notice of, among other things: (a) the date, time and place of the hearing to consider confirmation of the Plan and related matters; and (b) the deadline for filing objections to confirmation of the Plan (the “Confirmation Hearing Notice”); (iii) one or more ballots (and return envelopes) to be used in voting to accept or to reject the Plan; and (iv) other materials as authorized by the Bankruptcy Court (collectively the “Solicitation Materials”). Copies of the Solicitation Materials may be provided in electronic format. Non-voting classes not entitled to vote will only receive a notice of their non-voting status.

If you are a Holder of an Impaired Claim that is entitled to vote, but you did not receive a ballot, or if your ballot is damaged or illegible, or if you have any questions concerning voting procedures, you may contact the following:

If by regular mail, overnight mail or hand delivery:

Haynes and Boone, LLP
Attn: Trey Monsour, Esq.
2323 Victory Avenue, Suite 700
Dallas, Texas 75219

If by telephone:

Haynes and Boone, LLP
(214) 651-5137

C. Voting Procedures, Ballots and Voting Deadline

After reviewing the Plan and this Disclosure Statement, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the accompanying ballot. You should complete and sign your original ballot (neither copies nor ballots received via electronic means will be accepted) and return it in the envelope provided.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN

APRIL 22, 2013, AT 5:00 P.M. (PREVAILING CENTRAL TIME) (THE “VOTING DEADLINE”) BY THE FOLLOWING:

If by regular mail, overnight mail or hand delivery:

HAYNES AND BOONE LLP
ATTN: TREY MONSOUR ESQ.
2323 VICTORY AVENUE, SUITE 700
DALLAS, TEXAS 75219

UNLESS OTHERWISE PROVIDED IN THE INSTRUCTIONS ACCOMPANYING THE BALLOTS, FAXED BALLOTS AND BALLOTS RECEIVED BY ELECTRONIC MAIL WILL NOT BE ACCEPTED. BALLOTS THAT ARE RECEIVED BUT NOT SIGNED WILL NOT BE COUNTED. BALLOTS THAT ARE SIGNED BUT DO NOT SPECIFY WHETHER THE HOLDER ACCEPTS OR REJECTS THE PLAN WILL BE NULL AND VOID. DO NOT RETURN ANY STOCK CERTIFICATES, DEBT INSTRUMENTS, OR OTHER EVIDENCE OF YOUR CLAIM WITH YOUR BALLOT.

Copies of this Disclosure Statement, the Plan and any appendices and exhibits to such documents may be viewed and downloaded from the Bankruptcy Court’s electronic case filing system, available at <https://ecf.txwb.uscourts.gov/>, or inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. If you have any questions about: (i) the procedure for voting your Claim; (ii) the Solicitation Materials that you have received; or (iii) the amount of your Claim, or if you wish to obtain, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), an additional copy of the Plan, this Disclosure Statement or any appendices or exhibits to such documents, please contact:

If by regular mail, overnight mail or hand delivery:

Haynes and Boone, LLP
Attn: Trey Monsour, Esq.
2323 Victory Avenue, Suite 700
Dallas, Texas 75219

If by telephone:

Haynes and Boone, LLP
Attn: Trey Monsour, Esq.
(214) 651-5137

For further information and general instruction on voting to accept or reject the Plan, see Article XII of this Disclosure Statement and the instructions accompanying your ballot.

THE DEBTOR URGES ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO EXERCISE THEIR RIGHT BY VOTING IN FAVOR OF THE PLAN AND OTHERWISE COMPLETING THEIR BALLOTS AND RETURNING THEM BY THE VOTING DEADLINE.

D. Confirmation Hearing and Deadline for Objections to Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled a Confirmation Hearing for May 2, 2013, at 10:30 a.m. (prevailing Central time). The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. Objections to confirmation of the Plan or proposed modifications to the Plan, if any, must: (i) be in writing; (ii) conform to the Bankruptcy Rules and the Local Rules of the Bankruptcy Court; (iii) state the name and address of the objecting party and the amount and nature of the claim or interest of such party; (iv) state with particularity the basis and nature of any objection to the Plan; and (v) be filed electronically, together with proof of service, with the United States Bankruptcy Court for the Western District of Texas, 511 East San Antonio Avenue, Room 444, El Paso, Texas 79901, <https://ecf.txwb.uscourts.gov/>, and served on the parties listed in the Confirmation Hearing Notice, in each case so as to be actually received on or before 5:00 p.m. (prevailing Central time) on April 22, 2013. Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014.

IV. GENERAL INFORMATION CONCERNING THE DEBTOR

A. Overview of Business Operations

The Debtor is a Delaware limited liability company formed in 1995. The Debtor's corporate offices are located at 11975 El Camino Real, Suite 104, San Diego, California 92130.

The Debtor owns seven hotels and is headquartered in San Diego, California. The Debtor owns and operates seven hotels in seven states under the brand name of "Chase Suites". The hotels are located in El Paso, Texas; Overland Park, Kansas; Newark, California; Kansas City, Missouri; Clive, Iowa; Lincoln, Nebraska; and Dublin, Ohio. The Hotels are supported by a collective accounting and cash management system, although there are various individual debt instruments regarding each individual hotel.

B. Management and Employees

The Hotels are subject to Franchise Agreements with Hardage Hospitality. In exchange for these services, Hardage Hospitality receives a customary hotel franchise fee. Pursuant to the Franchise Agreements, the Debtor is required to employ a franchisor-approved manager for each of the Hotels.

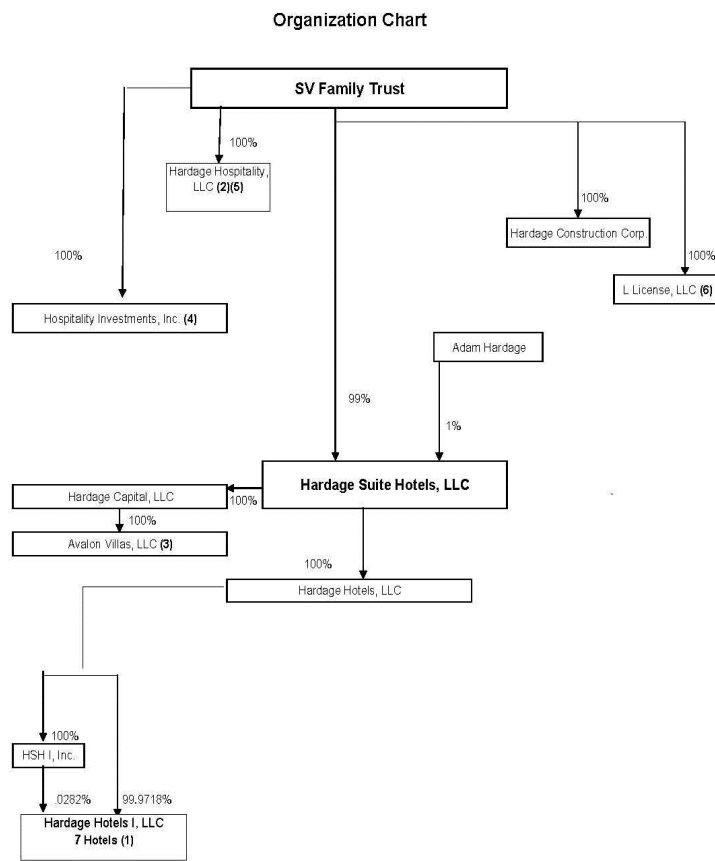
The Debtor has no employees. All persons that work at the Hotels are employed by Hardage Hospitality pursuant to the hotel management agreements entered into between the Debtor and Hardage Hospitality (the "Hotel Management Agreements"). Hardage Hospitality provides hotel management services to the Hotels. In exchange for these services, Hardage Hospitality receives a customary hotel management fee. Additionally, pursuant to the Hotel Management Agreements, the Debtor transfers to Hardage Hospitality funds sufficient to cover the payment of payroll and benefits for those persons employed by Hardage Hospitality to

manage and operate the Hotels as well as reimbursement for other non-labor expenses incurred by Hardage Hospitality on behalf of the Hotels.

On April 4, 2012, the Bankruptcy Court entered its *Final Order Authorizing But Not Directing the Debtor to Continue to Perform the Obligations Set Forth in the Hotel Management Agreements* (the “Management Order”) [Docket No. 70].

C. Organizational Structure

The Organizational Chart showing the names and percentages of the entities and persons holding direct or indirect interests in the Debtor is set forth below:



(1) Owns 7 hotels consisting of Des Moines, Dublin, El Paso, Kansas City, Lincoln, Newark, and Overland Park.
 (2) Hardage Hospitality, LLC is a Franchisor and Hotel Property Manager (formerly known as Haradge Group Management, LLC).
 (3) Developed the Sunnyvale, CA Condominium Conversion Project.
 (4) Formerly known as Hardage Investments, Inc., (a DE Corporation) per Certificate of Amendment filed in DE on 11/19/12
 (5) Merger of LLC's - Woodlin Suite Hotels, LLC (a DE LLC) merged with and into Hardage Hospitality, LLC (a DE LLC) with Hardage Hospitality, LLC (DE) being the surviving entity as of December 17, 2012
 (6) L License, LLC, a Kansas Limited Liability Company, is the owner of the Kansas Liquor License held in Overland Park, KS

As of January 1, 2013

D. Pre-Confirmation Financial Structure of the Company

The Debtor is a borrower under several different secured credit facilities and, as of the Petition Date, has total outstanding secured debt in the aggregate amount of \$43,658,895.81, plus accrued interest thereon. The Debtor has financial arrangements with three lenders: OneWest,⁶ CFNB, and SBKC. The loan agreements are as follows:

- El Paso Loan Agreement. That certain Loan No. 101320719 (the “Texas Loan”) to the Debtor in the original principal amount of \$11,525,000 evidenced by that certain Promissory Note dated as of October 26, 2004, in the original principal amount of \$11,525,000, given by the Debtor to La Jolla Bank, FSB (the “Original Lender”), as amended by that certain Amendment to Promissory Note dated as of October 26, 2004 (as so amended, the “Texas Note”) and secured by, among other things, (a) a Deed of Trust dated October 26, 2004, with attached Leasehold Addendum to Deed of Trust dated October 26, 2004 executed by Debtor in favor of Original Lender and recorded on November 5, 2004, as Instrument No. 20040103889 in the Official Records of El Paso County, Texas, granting to Original Lender, among other things, a first lien on Debtor’s leasehold interest in certain real property located at 6791 Montana Avenue, El Paso, Texas (the “Texas Property”), as assigned to OneWest by Corporate Assignment of Deed of Trust dated August 13, 2010 and recorded on August 26, 2012, as Instrument No. 2010-0059922 in the Official Records of El Paso County, Texas; (b) an Assignment of Rents executed by Debtor in favor of Original Lender dated as of October 26, 2004 and recorded November 5, 2004, as Instrument No. 20040103890 in the Official Records of El Paso County, Texas (the “Original Texas Assignment of Rents”) as assigned to OneWest by an Assignment of Assignment of Leases and Rents dated September 13, 2010 recorded on October 1, 2010, as Instrument No. 20100070311, in the Official Records of El Paso County, Texas; (c) that certain Commercial Security Agreement dated as of October 26, 2004 executed by Debtor in favor of Original Lender (the “Original Texas Security Agreement”). The payment and performance of all Debtor’s obligations under the Texas Loan is guaranteed by Samuel A. Hardage (“Guarantor”), pursuant to the terms of that certain Commercial Guaranty dated as of October 26, 2004 (the “Texas Guaranty”) executed by Guarantor in favor of Original Lender. The Texas Note, the Texas Security Instrument, the Texas Assignment of Rents, the Texas Security Agreement, the Texas Guaranty, together with the other documents and agreements related thereto are collectively referred to as the “Original Texas Loan Documents.”

⁶ On February 19, 2010, Original Lender was closed by the Office of Thrift Supervision and the Federal Deposit Insurance Corporation (“FDIC”) was appointed as receiver of the institution (the “Receiver”). The Receiver sold certain assets of Original Lender to OneWest pursuant to a Purchase and Assumption Agreement dated as of February 19, 2010, including the Texas Loan, the Ohio Loan, the Nebraska Loan, the Borrower Affiliate Loans and all related Original Texas Loan Documents, Original Ohio Loan Documents, Original Nebraska Loan Documents, Original Hardage Suite Loan Documents and Original Woodfin Loan Documents). OneWest is the owner and holder of the Texas Loan, the Nebraska Loan, the Ohio Loan and the Borrower Affiliate Loans and all related Original Texas Loan Documents, Original Ohio Loan Documents, Original Nebraska Loan Documents, Hardage Suite Loan Documents and Woodfin Loan Documents.

- Lincoln Loan Agreement. That certain Loan No. 101320717 (the “Nebraska Loan”) to Debtor in the original principal amount of \$5,304,500.00 evidenced by that certain Promissory Note dated as of July 8, 2004, executed by Debtor in favor of Original Lender, in the original principal amount of \$5,304,500.00, as amended by that certain Amendment to Promissory Note dated as of July 8, 2004 (as so amended, the “Nebraska Note”) and secured by, among other things, (a) a Deed of Trust executed by Debtor in favor of Original Lender dated as of July 8, 2004 and recorded on August 3, 2004, as Instrument No. 2004-051418 in the Official Records of Lancaster County, Nebraska, granting to Original Lender, among other things, a first lien on certain real property located at 200 S. 68th Street Place, Lincoln, Lancaster County, Nebraska (the “Nebraska Property”) as assigned to OneWest by Corporate Assignment of Deed of Trust dated August 6, 2010 recorded on August 23, 2010, as Instrument No. 2010-035921 in the Official Records of Lancaster County, Nebraska; (b) an Assignment of Rents executed by Debtor in favor of Original Lender dated as of July 8, 2004 and recorded August 3, 2004, as Instrument No. 2004-051419 in the Official Records of Lancaster County, Nebraska (the “Original Nebraska Assignment of Rents”) as assigned to OneWest by Assignment of Assignment of Leases and Rents dated August 6, 2010 and recorded on August 23, 2010, as Instrument No. 2010-035922, in the Official Records of Lancaster County, Nebraska; (c) that certain Commercial Security Agreement dated as of July 8, 2004 executed by Debtor in favor of Original Lender (the “Original Nebraska Security Agreement”). The payment and performance of all Debtor’s obligations under the Nebraska Loan is guaranteed by Guarantor pursuant to the terms of that certain Commercial Guaranty dated July 8, 2004 (the “Nebraska Guaranty”) executed by Guarantor in favor of Original Lender. The Nebraska Note, the Nebraska Security Instrument, the Nebraska Assignment of Rents, the Nebraska Security Agreement, the Nebraska Guaranty, together with all other documents and agreements related thereto are collectively referred to as the “Original Nebraska Loan Documents.”
- Dublin Loan Agreement. That certain Loan No. 101320718 (the “Ohio Loan”) to Debtor in the original principal amount of \$5,742,000 evidenced by that certain Promissory Note dated as of July 8, 2004, in the original principal amount of \$5,742,000 given by Debtor to Original Lender, as amended by that certain Amendment to Promissory Note dated as of July 8, 2004 (as so amended, the “Ohio Note”) and secured by, among other things, (a) a Mortgage executed by Debtor in favor of Original Lender dated as of July 8, 2004 and recorded on August 2, 2004, as Instrument No. 200408020178570, in the Real Property Records of Franklin County, Ohio, granting to Original Lender, among other things, a first lien on certain real property located at 4130 Tuller Road, Dublin, Franklin County, Ohio (the “Ohio Property”) as assigned to OneWest by Assignment of Mortgage dated May 9, 2010 recorded on June 14, 2010, as Instrument No. 201006140072939 in the Real Property Records of Franklin County, Ohio; (b) an Assignment of Rents executed by Debtor in favor of Original Lender dated as of July 8, 2004 and recorded on August 2, 2004, as Instrument No. 200408020178571 in the Real Property Records of Franklin County, Ohio (the “Original Ohio Assignment of Rents”) as assigned to OneWest by an Assignment of Assignment of Leases and Rents dated May 9, 2010 and recorded on June 14, 2010, as Instrument No. 201006140072941 in the Real Property Records of Franklin County, Ohio; (c) that certain Commercial Security Agreement dated

as of July 8, 2004 executed by Debtor in favor of Original Lender (the "Original Ohio Security Agreement"). The payment and performance of all Debtor's obligations under the Ohio Loan is guaranteed by Guarantor pursuant to the terms of that certain Commercial Guaranty dated as of July 8, 2004 (the "Ohio Guaranty") executed by Guarantor in favor of Original Lender. The Ohio Note, the Ohio Security Instrument, the Ohio Assignment of Rents, the Ohio Security Agreement, the Ohio Guaranty, together with all other documents and agreements related thereto are collectively referred to as the "Original Ohio Loan Documents".

- Clive Loan Agreement. The Debtor as borrower on that certain promissory note dated July 31, 2007, with lender CFNB in the original principal loan amount of \$2,450,000.00, as amended from time to time, and together with all related loan and security documents.
- Overland Park Loan Agreement. The Debtor as borrower on that certain promissory note dated November 21, 2006, with lender SBKC in the original principal loan amount of \$1,085,584.00, as amended from time to time, and together with all related loan and security documents.
- Kansas City Loan Agreement. The Debtor, as borrower on that certain promissory note dated November 21, 2006, with lender SBKC in the original principal loan amount of \$1,235,000.00, as amended from time to time, and together with all related loan and security documents.
- Newark Loan Agreement. The Debtor as borrower on that certain promissory note dated December 5, 2007, with lender SBKC in the original principal loan amount of \$6,000,000.00, as amended from time to time, and together with all related loan and security documents.
- June 2010 Loan Agreement. The Debtor as borrower on that certain promissory note dated July 30, 2010, with lender SBKC in the original principal loan amount of \$600,000.00, as amended from time to time, and together with all related loan and security documents.
- November 2009 Loan Agreement. The Debtor as borrower on that certain modification and extension agreement dated November 30, 2009, with lender SBKC in the original principal loan amount of \$3,295,040.44, as amended from time to time, and together with all related loan and security documents.

OneWest has also made loans to certain affiliates of the Debtor, which, among other things are secured by deeds of trust encumbering the Texas Property, the Nebraska Property and the Ohio Property.

- Hardage Suite Loan. That certain Loan No. 106300081 to Hardage Suite in the original principal amount of \$3,586,000 evidenced by the Hardage Suite Loan Documents.

- Woodfin Loan. That certain Loan No. 106321474 to Woodfin in the original principal amount of \$1,700,000 evidenced by the Woodfin Loan Documents.

E. Summary of Assets

The Debtor filed Schedules with the Bankruptcy Court that detail the assets owned by the Debtor. Such assets include real property, cash on hand, bank accounts, security deposits, insurance policies, stock interests, accounts receivable, intellectual property, vehicles, office equipment, furnishings and supplies, machinery, fixtures, equipment and supplies used in business, inventory and other items of personal property and a sub-leasehold estate. Unless otherwise indicated therein, the Schedules provide asset values on a net book basis, which may not be reflective of actual values. The Schedules may be reviewed on the Bankruptcy Court electronic case filing system, available at <https://ecf.txwb.uscourts.gov/>, or during business hours in the offices of the Clerk of the Bankruptcy Court.

F. Events Leading to Commencement of the Chapter 11 Case

The recent economic crisis and recession has been a particularly difficult challenge for the hospitality industry. Despite the economic downturn confronting the hospitality industry as a whole, the Hotels have for the most part successfully weathered the economic crisis. The Debtor has seen an uptick in hotel revenues and anticipates that its underperforming hotels will return to creating positive cash flow.

Beginning in 2010, the Debtor began negotiations with OneWest, seeking to restructure the OneWest Secured Claim. Ultimately the negotiations broke down, and on January 13, 2012, OneWest posted a notice of foreclosure sale for the El Paso Hotel. The foreclosure sale was scheduled to take place on March 6, 2012. On March 6, 2012, the Debtor commenced the Bankruptcy Case.

G. California State Court Litigation With OneWest

On March 5, 2012, the Debtor and certain of its affiliates initiated a lawsuit against OneWest in the Superior Court (the "California State Court") of the State of California for the County of Los Angeles, Central District (the "Lawsuit"). The Lawsuit alleges several causes of action against OneWest, including fraud, breach of contract, breach of the covenant of good faith and fair dealing, and promissory estoppel. OneWest disputes these allegations.

On April 11, 2012, OneWest filed a notice of removal of the Lawsuit to the Bankruptcy Court for the Central District of California.

On April 24, 2012, OneWest filed a motion seeking to transfer venue of the Lawsuit to the Bankruptcy Court (the "Motion to Transfer Venue"). On May 1, 2012, the Debtor and its affiliates filed their response to the Motion to Transfer Venue.

On May 11, 2012, the Debtor and its affiliates filed a motion to remand (the "Remand Motion") the Lawsuit to the California State Court. A hearing on the Motion to Transfer Venue and the Remand Motion is currently set for March 19, 2013.

H. The Complaint for Injunctive Relief

On March 6, 2012, the Debtor initiated adversary proceeding No. 12-03005 (the “Adversary Proceeding”) in the Bankruptcy Case by filing the *Complaint For Injunctive Relief* (the “Adversary Complaint”) [Adv. Docket No. 1], seeking to enjoin OneWest from pursuing litigation against Samuel A. Hardage, relating to Samuel A. Hardage’s guaranty of certain of the Debtor’s obligations relating to the Hotels. Concurrently with the filing of the Adversary Complaint, the Debtor filed its *Debtor’s (I) Application for Temporary Restraining Order and (II) Motion for Preliminary Injunction* (the “Preliminary Injunction Motion”) [Adv. Docket No. 3]. OneWest disputed these allegations and opposed entry of a TRO and a preliminary injunction.

On March 8, 2012, the Bankruptcy Court denied the Debtor’s request for the imposition of a temporary restraining order on the basis of representations made by OneWest’s litigation counsel that it would not pursue any actions against Samuel A. Hardage prior to a hearing on the Debtor’s request for a preliminary injunction.

A hearing on the Debtor’s request for a preliminary injunction was held on April 2, 2012. At the hearing, the Court denied the Debtor’s request for a preliminary injunction, without prejudice to the Debtor’s right to seek an injunction pursuant to a plan of reorganization or to seek to enjoin an action to collect on a final judgment.

On August 9, 2012, the Adversary Proceeding was dismissed by agreement without prejudice.

I. The Standstill

On May 24, 2012, the Debtor and OneWest filed their *Joint Motion for Entry of (I) Order Continuing Hearings Set for May 25, 2012 and June 4, 2012 (II) Modified Third Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank FSB* (the “Motion to Continue”) [Docket No. 127]. In the Motion to Continue the Debtor and OneWest informed the Bankruptcy Court that the parties had agreed to a sixty (60) day standstill of all litigation between them so that the parties could focus on negotiations regarding a global settlement and restructuring of the Debtor’s business.

On May 24, 2012, the Bankruptcy court entered an order granting the relief requested in the Motion to Continue [Docket No. 128].

The parties have continued to stay all litigation between them while negotiating a consensual plan treatment.

V. THE CHAPTER 11 CASE

A. Continuation of Business; Stay of Litigation

As mentioned above, on March 6, 2012, the Debtor filed a petition for relief under chapter 11 of the Bankruptcy Code. Since the Petition Date, the Debtor has continued to operate as debtor in possession subject to the supervision of the Bankruptcy Court and in accordance

with the Bankruptcy Code. The Debtor is authorized to operate its business in the ordinary course, with transactions outside of the ordinary course of business requiring Bankruptcy Court approval.

An immediate effect of the filing of the Debtor's bankruptcy petition was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtor and the continuation of litigation against the Debtor. The relief provides the Debtor with the "breathing room" necessary to assess its business and reorganization alternatives.

B. First Day Motions

On the first day of the Chapter 11 Case, the Debtor filed several applications and motions seeking certain relief by virtue of so-called "first day orders." First day motions and orders are intended to facilitate the transition between a debtor's prepetition and postpetition business operations by approving certain regular business practices that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior approval by the Bankruptcy Court. The first day motions filed in the Chapter 11 Case are typical of motions filed in large chapter 11 cases across the country. Such motions sought, among other things, the following relief:

- interim and final use of cash collateral (as further discussed below);
- the maintenance of the Debtor's bank accounts and operation of its cash management systems substantially as such systems existed prior to the Petition Date;
- an extension of the deadline for the Debtors to file their Schedules of Assets and Liabilities and Statement of Financial Affairs;
- an order prohibiting utility companies from altering, refusing or discontinuing services and establishing procedures to provide utilities with adequate assurance of future payment;
- an order granting the Debtor's applications to retain professionals (as further discussed below);
- an order authorizing the Debtor to pay certain prepetition taxes and authorizing and directing banks and other financial institutions to honor checks and electronic payments relating to such taxes;
- an order authorizing the Debtor to pay prepetition insurance policy obligations and to continue administering insurance policies; and
- an order authorizing the Debtor to continue to honor its obligations under its Hotel Management Agreements.

C. Retention of Professionals

The Debtor is represented in the Chapter 11 Case by Haynes and Boone, LLP, as bankruptcy counsel. The Debtor has retained Kemp Smith LLP and Cappello & Noël LLP as special litigation counsel relating to the Lawsuit and other litigation with OneWest. The Debtor has retained Solomon Ward Seidenwurm & Smith LLP as special corporate counsel. The Debtor has retained HREC Investment Advisors, Fred B. Miehe and NAI OH Equities, LLC as Brokers for the Debtor in connection with the sale of the Clive Property and the Ohio Property. The Debtor has retained Transitional Finance Partners (“TFP”) as its financial advisor. The Official Committee of Unsecured Creditors has retained Brinkman Portillo Ronk, PC as its legal counsel.

D. Authorization to Use Cash Collateral of Prepetition Secured Parties

As of the Petition Date, the Debtor held proceeds of assets on which the Prepetition Secured Creditors have first priority liens and security interests. Cash collateral is defined in section 363 of the Bankruptcy Code and includes, but is not limited to, “cash, negotiable instruments, documents of title, securities, deposit accounts, . . . other cash equivalents . . . and . . . proceeds, products, offspring, rents or profits of property subject to a security interest” 11 U.S.C. § 363(a). Under the Bankruptcy Code, the Debtors are prohibited from using, selling or leasing cash collateral unless either: (i) the appropriate creditors consent; or (ii) the Bankruptcy Court, after notice and a hearing, determines that the creditor is adequately protected.

On the Petition Date, the Debtor filed the *Debtor’s Request that its Notice of Intent to Use Cash Be Deemed to Be a Motion to Use Cash Collateral Only as it Relates to OneWest Bank, FSB* [Docket No. 16] (the “Cash Collateral Motion”).

By the Cash Collateral Motion, the Debtors sought authority on an interim basis to use OneWest’s cash collateral in accordance with a proposed budget. The Debtor’s other secured lenders, SBKC and CFNB, have consented to the Debtor’s use of their cash collateral. OneWest objected to the Cash Collateral Motion.

On March 9, 2012, with the consent of OneWest, the Bankruptcy Court entered the *Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 25] (the “First Interim Cash Collateral Order”). By the First Interim Cash Collateral Order, the Bankruptcy Court authorized the Debtor, among other things, to use OneWest’s Cash Collateral in accordance with a proposed budget pending a final hearing.

On April 3, 2012, with the consent of OneWest, the Bankruptcy Court entered the *Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 65] (the “First Extension of Cash Collateral Order”). By the First Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtor, among other things, to use OneWest’s Cash Collateral in accordance with a proposed budget pending a final hearing.

On April 20, 2012, with the consent of OneWest, the Bankruptcy Court entered the *Second Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 97] (the “Second Extension of Cash Collateral Order”). By the Second Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtor, among other

things, to use OneWest's Cash Collateral in accordance with a proposed budget pending a final hearing.

On July 9, 2012, with the consent of OneWest, the Bankruptcy Court entered the *Third Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 157] (the "Third Extension of Cash Collateral Order"). By the Third Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtor, among other things, to use OneWest's Cash Collateral in accordance with a proposed budget pending a final hearing.

On July 30, 2012, with the consent of OneWest, the Bankruptcy Court entered the *Fourth Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 176] (the "Fourth Extension of Cash Collateral Order"). By the Fourth Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtor, among other things, to use OneWest's Cash Collateral in accordance with a proposed budget pending a final hearing.

On October 18, 2012, with the consent of OneWest, the Bankruptcy Court entered the *Fifth Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 235] (the "Fifth Extension of Cash Collateral Order"). By the Fifth Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtor, among other things, to use OneWest's Cash Collateral in accordance with a proposed budget pending a final hearing.

On November 29, 2012, with the consent of OneWest, the Bankruptcy Court entered the *Sixth Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 264] (the "Sixth Extension of Cash Collateral Order"). By the Sixth Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtor, among other things, to use OneWest's Cash Collateral in accordance with a proposed budget pending a final hearing.

On December 17, 2012, with the consent of OneWest, the Bankruptcy Court entered the *Seventh Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 269] (the "Seventh Extension of Cash Collateral Order"). By the Seventh Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtor, among other things, to use OneWest's Cash Collateral in accordance with a proposed budget pending a final hearing.

On February 1, 2013, with the consent of OneWest, the Bankruptcy Court entered the *Eighth Order Extending Interim Order Authorizing the Use of Cash Collateral of OneWest Bank, FSB* [Docket No. 289] (the "Eighth Extension of Cash Collateral Order"). By the Seventh Extension of Cash Collateral Order, the Bankruptcy Court authorized the Debtor, among other things, to use OneWest's Cash Collateral in accordance with a proposed budget pending a final hearing. A final hearing is scheduled for March 28, 2013.

VI. SUMMARY OF THE PLAN

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND IMPLEMENTATION OF THE PLAN AND THE CLASSIFICATION AND TREATMENT OF

CLAIMS AND INTERESTS UNDER THE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR THE DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CLAIMS AGAINST, AND INTERESTS IN, THE DEBTOR UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTOR AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

A. Overall Structure of the Plan

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of its creditors and other stakeholders. Upon the filing of a petition for relief under chapter 11, section 362 of the Bankruptcy Code provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the chapter 11 case.

The consummation of a plan of reorganization is the principal objective of a chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder: (i) is impaired under or has accepted the plan; or (ii) receives or retains any property under the plan. Subject to certain limited exceptions, and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes for such debt the obligations specified under the confirmed plan.

The terms of the Plan are based upon, among other things, the Debtor's assessment of its ability to achieve the goals of its business plan, make the distributions contemplated under the Plan and pay its continuing obligations in the ordinary course of its business. Under the Plan, Claims against and Interests in the Debtor are divided into Classes according to their relative seniority and other criteria.

On the Effective Date and at certain times thereafter, the Disbursing Agent will distribute Cash, in respect of certain Classes of Claims as provided in the Plan. The Classes of Claims against and Interests in the Debtor created under the Plan and the treatment of those Classes under the Plan are described below.

B. Classification and Treatment of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan must classify the Claims and Interests of a debtor's creditors and equity interest holders. In accordance with section 1122 of the Bankruptcy Code, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class. The Debtor is also required, under section 1122 of the Bankruptcy Code, to classify Claims against and Interests in the Debtor into Classes that contain Claims and Interests that are substantially similar to the other Claims and Interests in such Class.

The Debtor believes that the Plan has classified all Claims and Interests in compliance with the provisions of section 1122 of the Bankruptcy Code and applicable case law, but it is possible that a Holder of a Claim or Interest may challenge the Debtor's classification of Claims and Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In that event, the Debtor intends, to the extent permitted by the Bankruptcy Code, to make such reasonable modifications of the classifications under the Plan to permit confirmation and to use the Plan acceptances received for purposes of obtaining the approval of the reconstituted Class or Classes of which each accepting Holder ultimately is deemed to be a member. Any such reclassification could adversely affect the Class in which such Holder initially was a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for the approval of the Plan.

Except as to Claims specifically Allowed in the Plan, the amount of any Impaired Claim that ultimately is Allowed by the Bankruptcy Court may vary from any estimated Allowed amount of such Claim and, accordingly, the total Claims ultimately Allowed by the Bankruptcy Court with respect to the Impaired Class of Claims may also vary from any estimates contained herein with respect to the aggregate Claims in the Impaired Class. Thus, the value of the property that ultimately will be received by a particular Holder of an Allowed Claim under the Plan may be adversely or favorably affected by the aggregate amount of Claims ultimately Allowed in the applicable Class.

The classification of Claims and Interests and the nature of distributions to members of each Class are summarized below. The Debtor believes that the consideration, if any, provided under the Plan to Holders of Claims and Interests reflects an appropriate resolution of their Claims and Interests, taking into account the differing nature and priority (including applicable contractual and statutory subordination) of such Claims and Interests and the fair value of the Debtor's assets.

1. *Treatment of Unclassified Claims under the Plan*

(a) *Administrative Expense Claims*

An Administrative Expense Claim is defined in the Plan as a Claim for: (i) any cost or expense of administration (including, without limitation, the fees and expenses of

Professionals) of the Chapter 11 Case asserted or arising under sections 503, 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, but not limited to: (a) any actual and necessary Postpetition Date cost or expense of preserving the Debtor's Estate or operating the business of the Debtor; (b) any Postpetition Date cost, indebtedness or contractual obligation duly and validly incurred or assumed by the Debtor in the ordinary course of its business; (c) Professional Fee Claims to the extent Allowed by the Bankruptcy Court under sections 330(a) or 331 of the Bankruptcy Code; and (d) all Allowed Claims that are entitled to be treated as Administrative Expense Claims pursuant to a Final Order of the Bankruptcy Court under section 546 of the Bankruptcy Code and (ii) any fees or charges assessed against the Debtor's Estate under section 1930 of title 28 of the United States Code.

Administrative Expense Claims are Unimpaired. Each Allowed Administrative Expense Claim shall, in full and final satisfaction of such Allowed Administrative Expense Claim, be paid by the Reorganized Debtor, in full, in Cash, in such amounts as are incurred in the ordinary course of business by the Reorganized Debtor, or in such amounts as such Administrative Expense Claim is Allowed by the Bankruptcy Court upon: (a) the later of: (i) the Effective Date; and (ii) if such Claim is Allowed after the Effective Date, the date upon which there is a Final Order allowing such Administrative Expense Claim; (b) such other terms as may exist in the ordinary course of the Debtor's business and in accordance with the terms and conditions of any agreement governing or document evidencing such Administrative Expense Claim; or (c) such terms and conditions as may be agreed upon between the Holder of such Allowed Administrative Expense Claim and the Debtor. Professional Fee Claims shall be treated in the manner set forth in Section 14.19 of the Plan.

All fees payable pursuant to section 1930 of Title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, will be paid on or before the Effective Date. All such fees that arise after the Effective Date but before the closing of the Chapter 11 Case will be paid by the Reorganized Debtor.

(b) *Priority Tax Claims*

A Priority Tax Claim is defined in the Plan as any and all Claims accorded priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. Such Priority Tax Claims include Claims of governmental units for taxes owed by the Debtor that are entitled to a certain priority in payment pursuant to section 507(a)(8) of the Bankruptcy Code. The taxes entitled to priority are: (i) taxes on income or gross receipts that meet the requirements set forth in section 507(a)(8)(A) of the Bankruptcy Code; (ii) property taxes meeting the requirements of section 507(a)(8)(B) of the Bankruptcy Code; (iii) taxes that were required to be collected or withheld by the Debtor and for which the Debtor is liable in any capacity as described in section 507(a)(8)(C) of the Bankruptcy Code; (iv) employment taxes on wages, salaries or commissions that are entitled to priority pursuant to section 507(a)(4) of the Bankruptcy Code, to the extent that such taxes also meet the requirements of section 507(a)(8)(D); (v) excise taxes of the kind specified in section 507(a)(8)(E) of the Bankruptcy Code; (vi) customs duties arising out of the importation of merchandise that meet the requirements of section 507(a)(8)(F) of the Bankruptcy Code; and (vii) prepetition penalties relating to any of the foregoing taxes to the extent such penalties are in compensation for actual pecuniary loss as provided in section 507(a)(8)(G) of the Bankruptcy Code.

Priority Tax Claims are Unimpaired. Under the Plan, each Holder of an Allowed Priority Tax Claim shall, in full and final satisfaction of such Holder's Allowed Priority Tax Claim, be paid: (a) in Cash, in full, on the later of the: (i) Effective Date; and (ii) date such Priority Tax Claim becomes due and payable in the ordinary course of business, or (b) on such other terms and conditions as may be agreed upon between the Holder of such Allowed Priority Tax Claim and the Reorganized Debtor.

(c) *Class 1: SBKC Secured Claim*

The SBKC Secured Claim is defined in the Plan as the secured claims of SBKC against the Debtor pursuant to the Overland Park Loan Agreement, the Kansas City Loan Agreement, the Newark Loan Agreement, the June 2010 Loan Agreement, and the November 2009 Loan Agreement.

The SBKC Secured Claim is Impaired. On the Effective Date, the SBKC Secured Claim shall be fully and finally Allowed in the amounts set forth in the Proof of Claim No. 64 filed by SBKC and in accordance with the SBKC Loan Modification Agreement and SBKC shall retain its liens on the Kansas City Hotel, Newark Hotel and Overland Park Hotel, under existing loan and security agreements. Pursuant to the SBKC Loan Modification Agreement, the principal balance of the SBKC Secured Claim (other than the Tax Loan) shall be amortized based upon a twenty (20) year amortization utilizing an initial rate of interest of six percent (6%) per annum through and including March 31, 2014, and thereafter while maintaining the same twenty (20) year amortization period utilizing SBKC's Base Rate (as defined in the SBKC Loan Modification Agreement) plus two and three quarters percent (2.75%) per annum provided that the interest rate shall be reduced from 6.75% to 6% (provided that the rate of interest shall never be less than six percent (6%) per annum), with such monthly principal and interest payments, being due and payable on the last day of each month until the Maturity Date (as such term is defined in the SBKC Loan Modification Agreement), at which time all principal, interest and other charges shall be due and payable in full. The Tax Loan shall mature on March 31, 2014, and all other terms of the Tax Loan shall remain unchanged from the treatment set forth in the May 2011 Modification (as defined in the SBKC Loan Modification Agreement) except the rate of interest shall be six percent (6%) per annum. SBKC shall enter into a that Senior Intercreditor Agreement with OneWest.

(d) *Class 2: CFNB Secured Claim*

The CFNB Secured Claim is defined in the Plan as the secured claims of CFNB against the Debtor pursuant to the Clive Loan Agreement.

CFNB shall, in full and final satisfaction of its Allowed CFNB Secured Claim, retain its Liens on the Clive Hotel. The Reorganized Debtor and CFNB shall execute the Clive Amendment which, and without modifying or amending the terms and provisions of the Clive Amendment, will, *inter alia*, extend the loan maturity for an additional twelve months. The Clive Amendment shall bear a non-default interest rate of 7.25% through April 1, 2013 and shall increase to a non-default interest rate of 8.25% thereafter. Reorganized Debtor shall pay interest on the first day of each calendar month until the maturity date under the Clive Amendment. Notwithstanding anything to the contrary contained herein, Reorganized Debtor shall pay CFNB

the full amount of its indebtedness set forth in the Clive Amendment (which includes the Allowed CFNB Secured Claim plus all other amounts due and owing to CFNB under the Clive Amendment from and after January 31, 2013 until the entire amount due and owing to CFNB is paid in full) on the earlier of (i) the date such sale between the Reorganized Debtor and Buyer pursuant to the Clive Asset Purchase Agreement closes and (ii) the maturity date under the Clive Amendment without further application or order of the Bankruptcy Court.

CFNB shall be granted an Allowed CFNB Secured Claim in the unpaid amount of \$2,147,788.94 for all fees, interest, debts and other charges incurred through and including January 31, 2013 and CFNB shall be paid the full amount of the CFNB Allowed Secured Claim plus all other amounts owing under the Clive Amendment which is estimated to be approximately \$2,147,788.94 at closing of the sale of the Clive Hotel. Debtor has already paid \$24,500 of the other charges included in the total CFNB Secured Claim amount. The Allowed CFNB Secured Claim shall not be subject to avoidance, recharacterization, disallowance, subordination, recoupment, setoff, counterclaim or reconsideration under Section 502(j) of the Bankruptcy Code or Bankruptcy Rule 3008. All payments made by Debtor to CFNB subsequent to the Petition Date are hereby approved, allowed and shall be retained by CFNB without any further action by CFNB or order of the Bankruptcy Court and without reducing the Allowed CFNB Secured Claim.

(e) *Class 3: OneWest Secured Claim*

The OneWest Secured Claim is defined in the Plan as the secured claims of OneWest against the Debtor pursuant to the OWB Prepetition Loan Documents.

The OneWest Secured Claim is Impaired. Notwithstanding anything contained in the Plan or the Confirmation Order that could be construed to the contrary, on the Effective Date: (i) the OneWest Secured Claim shall be fully and finally Allowed in the approximate amount of \$21,000,000, which Allowance shall not be subject to avoidance, recharacterization, disallowance, subordination, recoupment, setoff, counterclaim, or reconsideration under Bankruptcy Code section 502(j) or Bankruptcy Rule 3008; (ii) the Prepetition OneWest Loan Documents (other than the Hardage Suite Loan Documents and the Woodfin Loan Documents) shall be amended, restated, and consolidated by and as provided for in the OWB Restructured Loan Documents; (iii) OneWest shall receive the treatment provided by the OWB Restructured Loan Documents and shall be vested with, and/or retain, all of the legal, equitable, and contractual rights set forth in the OWB Restructured Loan Documents; (iv) the Reorganized Debtor shall be bound by all covenants, agreements, terms, provisions, and conditions set forth in and under the OWB Restructured Loan Documents and shall make all payments and perform all obligations and duties attributable to the Reorganized Debtor under the OWB Restructured Loan Documents; (v) the Hardage Suite Loan Documents, the Woodfin Loan Documents, and the Original Guaranties (as defined in the OWB Restructured Loan Agreement) shall be cancelled pursuant to the terms of the OWB Restructured Loan Documents; (vi) notwithstanding section 1141(c) or any other provisions of the Bankruptcy Code or the Plan Documents, all Liens held by OneWest prior to the Effective Date, as amended, restated, and consolidated by the OWB Restructured Loan Documents, shall survive the Effective Date and confirmation of the Plan and, in accordance with the terms and provisions of the OWB Restructured Loan Documents, shall continue to have the same priority and shall remain in full force and effect as if the Chapter 11

Case had not been commenced; and (vii) notwithstanding section 1141(c) or any other provisions of the Bankruptcy Code or the Plan Documents, OneWest shall be granted (without the necessity of the execution by the Debtor and/or the Reorganized Debtor or the filing, recordation, or execution and delivery of mortgages, deeds of trust, security agreements, control agreements, financing statements, or otherwise) any new Liens provided for in the OWB Restructured Loan Documents. In addition, concurrently with the closing of the sale of the Clive Hotel pursuant to the Clive Asset Purchase Agreement or other Third Party Sale (as such term is defined in the OWB Restructured Loan Agreement) of the Clive Hotel, the Debtor and/or the Reorganized Debtor shall pay to OneWest in immediately available funds through the escrow established for such sale an amount equal to fifty percent (50%) of the Net Proceeds (as such term is defined in the OWB Restructured Loan Agreement) derived from such sale and otherwise in accordance with the terms and conditions set forth in Section 8.03 of the OWB Restructured Loan Agreement. In the event there is any inconsistency between the terms and conditions of this Plan and/or the Plan Documents, on the one hand, and the OWB Restructured Loan Documents, on the other hand, the terms and conditions set forth in the OWB Restructured Loan Documents shall prevail and control.

(f) *Class 4: Samuel A. Hardage Secured Claim*

This class includes the Holder of the Samuel A. Hardage Notes. Samuel A. Hardage shall receive no distributions under the Plan whether on account of the Samuel A. Hardage Notes or otherwise. The Samuel A. Hardage Notes shall be cancelled and deemed paid in full on the Effective Date, and all Liens securing any Claims of Samuel A. Hardage shall be extinguished and reconveyed, including without limitation, the Samuel A. Hardage Deeds of Trust. Class 4 is Impaired.

(g) *Class 5: Other Secured Claims*

This Class includes all Secured Claims (other than the OneWest Secured Claim, the SBKC Secured Claim, the CFNB Secured Claim, the Samuel A. Hardage Secured Claim, or any Secured Claim held by an Insider or Affiliate of the Debtor), including the Holders of a Mechanics' Lien Claim. Class 5 Claims are Unimpaired. Each Holder of an Allowed Other Secured Claim shall, in full and final satisfaction of such Allowed Other Secured Claim, be paid in Cash, in full, on the Effective Date. All Liens of any Creditor holding an Other Secured Claim shall be deemed extinguished and reconveyed on the Effective Date.

(h) *Class 6: General Unsecured Claims*

A General Unsecured Claim is defined in the Plan as all Claims that are not Administrative Expense Claims, Professional Fee Claims, Priority Tax Claims, Priority Non-Tax Claims, the SBKC Secured Claim, the CFNB Secured Claim, the OneWest Secured Claim, Mechanics' Lien Claims, but not Insider Intercompany Claims or the Samuel A. Hardage Notes.

Each Holder of an Allowed General Unsecured Claim shall, in full and final satisfaction of such Allowed General Unsecured Claim, be paid in Cash, in full, on the later of: (i) the Effective Date; and (ii) if such General Unsecured Claim is not Allowed due to an

objection, and is Allowed after the Effective Date, the date upon which there is a Final Order allowing such Unsecured Claim. General Unsecured Claims are Impaired.

(i) *Class 7: Subordinated Claims*

This Class includes all Claims (whether secured or unsecured) held by any Insider or Affiliate of the Debtor, including the Holder of the Hardage Hospitality Unsecured Note and Insider Intercompany Claims, but excluding the Samuel A. Hardage Secured Claim which is treated in Class 4. Creditors in this Class shall receive no distributions under the Plan. The Claims in this Class shall be cancelled, be deemed paid in full on the Effective Date, and all Liens securing any such Claims shall be extinguished. Holders of Class 7 Claims are Impaired.

(j) *Class 8: Membership Interests in the Debtor*

Membership Interests in the Debtor are Unimpaired. HSH I, Inc., a Delaware corporation, and HARDAGE HOTELS, LLC, a Delaware limited liability company shall retain their Membership Interests in the Reorganized Debtor in exchange for the contribution of \$1,191,55974.00 in cash to be distributed as set forth in Section 8.04 of the Plan on or before the Effective Date.

C. Sale of the Chase Suite Hotel Located in Clive, Iowa

The Debtor has entered into the Clive Asset Purchase Agreement between it and Buyer providing for the sale of the Clive Hotel including all rights, title and interest of the Debtor in the furniture, furnishings, equipment, fixtures, machinery, signage, and equipment utilized in the operation of the Clive Hotel; all computers, computer equipment and manuals and computer software, programs and data bases located on the Clive Hotel and used in connection with the operation of the Clive Hotel, and such supplies of consumable inventory and goods as is appropriate in the view of the season, together with all assignable leases, contracts, licenses and other agreements incident to the operation of the Clive Hotel as listed on Schedule 5.5 of the Clive Asset Purchase Agreement. The sale shall close after the Confirmation Order becomes a Final Order but before the Effective Date. Certain of the sales proceeds shall be released by the Clive Escrow Agent at closing. The balance shall remain with the Clive Escrow Agent pending the Effective Date at which time those proceeds shall be distributed pursuant to the provision of the Plan and the OWB Restructured Loan Documents. At closing, the gross sales proceeds of \$3,400,000 shall be deposited with the Clive Escrow Agent. At closing, the gross sales proceeds shall be allocated as follows: (i) \$102,000 shall be paid to the Broker; (ii) \$5,548 shall be used to pay transfer taxes; (iii) \$45,000 shall be used to pay occupancy taxes; (iv) \$2,500 shall be used to pay title fees; (v) \$45,000 shall be used to pay operational prorates; (vi) \$15,000 shall be used to pay legal and other fees to the Clive Escrow Agent; (vii) \$25,000 shall be used for contingencies; (viii) \$265,168 shall be used to pay property taxes; (ix) \$16,212.79 shall be used to pay the remaining balance of CFNB's professional's fees; and (x) an estimated \$2,100,577.44 shall be used to pay the trust deed balance to CFNB (which may be adjusted at closing of the Clive Hotel). The net sales proceeds remaining is estimated to be \$777,994. On the Effective Date, the Clive Escrow Agent shall pay to OneWest 50% of the Net Proceeds (as such term is defined in the OWB Restructured Loan Agreement) estimated to be \$388,997 as set forth under the OWB Loan Restructured Documents plus the Minimum Release Price Deficit for the Ohio

Property in an estimated amount of \$221,240 as more particularly provided in Section 7.02 of the Plan. The balance of \$167,757 shall be paid to the Reorganized Debtor.

D. Sale of the Chase Suite Hotel Located in Dublin, Ohio

The Debtor has entered into the Dublin Asset Purchase Agreement between it and Dublin Buyer providing for the sale of the Ohio Property including all rights, title and interest of the Debtor in the furniture, furnishings, equipment, fixtures, machinery, signage, and equipment utilized in the operation of the Ohio Property; all computers, computer equipment and manuals and computer software, programs and data bases located on the Ohio Property and used in connection with the operation of the Ohio Property, and such supplies of consumable inventory and goods as is appropriate in the view of the season, together with all assignable leases, contracts, licenses and other agreements incident to the operation of the Ohio Property as listed on Schedule 1.2 of the Dublin Asset Purchase Agreement. The sale is contemplated to close on or after the Effective Date. At closing, the gross sales proceeds of \$2,900,000 shall be deposited with the Dublin Escrow Agent. The gross sales proceeds shall be allocated as follows: (i) \$100,000 shall be paid to the Brokers; (ii) \$2,500 shall be used to pay title and other related fees; (iii) \$128,740 shall be used to pay current property taxes; (iv) \$15,000 shall be used to pay legal and other fees to the Dublin Escrow Agent; and (v) \$25,000 shall be used to settle operational pro rates between buyer and seller and to pay miscellaneous expenses. The estimated net sales proceeds remaining will be \$2,628,760. As a condition to closing the sale of the Ohio Property, in accordance with the OWB Restructured Loan Documents, OneWest shall receive the greater of either 100% of the Net Proceeds (as such term is defined in the OWB Restructured Loan Agreement) from the sale of the Ohio Property or the Minimum Release Price (as such term is defined in the OWB Restructured Loan Documents) for the Ohio Property of \$2,850,000. The estimated shortfall of \$221,240 between the net sales proceeds and the Minimum Release Price shall be funded from the proceeds of the sale of the Clive Hotel.

E. Reservation of Rights Regarding Claims

Except to the extent that any Claim is Allowed during the Chapter 11 Case or expressly by the Plan or the Confirmation Order, nothing, including, but not limited to, the failure of the Debtor or the Reorganized Debtor (as applicable) to object to a Claim for any reason during the pendency of the Chapter 11 Case, shall affect, prejudice, diminish or impair the rights and legal and equitable defenses of the Debtor or the Reorganized Debtor (as applicable) with respect to any Claim, including, but not limited to, all rights of the Debtor or the Reorganized Debtor (as applicable) to contest or defend themselves against such Claims in any lawful manner or forum when and if such Claim is sought to be enforced by the Holder thereof.

F. Provisions Governing Distributions Under The Plan

1. *Timing of Distributions*

Except as specifically set forth in the Plan and the OWB Restructured Loan Documents, distributions under the Plan will be made to Holders of Allowed Claims in accordance with Article III of the Plan. If a Claim is not an Allowed Claim as of the time a distribution is to be made pursuant to Article III of the Plan, distributions will be made only if

and when the Claim or Interest is Allowed, and then in accordance with Article III of the Plan and, with respect to the cure of defaults for assumed executory contracts and unexpired leases, Section 6.02 of the Plan, and in each case, subject to Article VIII of the Plan. Distributions to be made on the Effective Date shall be made on the Effective Date or as soon as reasonably practicable thereafter.

2. *Distributions to Holders of Allowed Claims*

Except as otherwise provided herein and in the OWB Restructured Loan Documents, the Disbursing Agent shall make all distributions required under the Plan in a manner consistent with the Plan from assets and funds transferred to or otherwise held by the Disbursing Agent as of and after the Effective Date. If any dispute arises as to the identity of a Holder of an Allowed Claim who is to receive any distribution, the Disbursing Agent, the Debtor or the Reorganized Debtor shall, as appropriate and in lieu of making such distribution to such Holder, delay such distribution until such dispute is resolved by Final Order of the Bankruptcy Court or by written agreement among the interested parties to such dispute.

3. *Delivery of Distributions*

Except for distributions to Holders of the SBKC Secured Claim, the CFNB Secured Claim, the OneWest Secured Claim, and Mechanics' Lien Claims, distributions required by the Plan to Holders of Allowed Claims shall be made by the Disbursing Agent: (a) at the last known addresses of such Holders; or (b) at the addresses set forth in any written notices of address changes delivered to the Reorganized Debtor or the Disbursing Agent. If any Holder's distribution is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Disbursing Agent is notified in writing by such Holder of such Holder's then current address prior to the distribution being returned as undeliverable, at which time all missed distributions shall be made to such Holder without interest. On and after the Effective Date, distributions and payments to OneWest shall be made pursuant to the OWB Restructured Loan Documents.

4. *Method of Cash Distributions*

Any Cash payment to be made pursuant to the Plan may be made by Cash, draft, check, wire transfer or as otherwise required or provided in any relevant agreement or applicable law at the option of the Disbursing Agent.

5. *Limitation on Distribution Rights*

Except as otherwise provided in the OWB Restructured Loan Documents, if a claimant holds more than one Claim in any one Class, all Claims of the claimant in that Class will be aggregated into one Claim and one distribution will be made with respect to the aggregated Claim.

6. *Compliance With Tax Requirements*

In connection with each distribution with respect to which the filing of an information return (such as an Internal Revenue Service Form 1099 or 1042) or withholding is

required, the Debtor or the Reorganized Debtor, as appropriate, shall file such information return with the Internal Revenue Service and provide any required statements in connection therewith to the recipients of such distribution or effect any such withholding and deposit all moneys so withheld as required by law. With respect to any Person from whom a tax identification number, certified tax identification number or other tax information required by law to avoid withholding has not been received by the Debtor or the Reorganized Debtor within thirty (30) days from the date of such request, the Debtor or Reorganized Debtor may, at their or its option, withhold the amount required and distribute the balance to such Person or decline to make such distribution. The Debtor or the Reorganized Debtor, as applicable, shall be entitled in its sole discretion to withhold any distributions to a holder of an Allowed Claim that fails to provide tax identification or social security information upon written request.

7. *De Minimis Distributions*

No Cash payment of less than fifteen (\$15.00) dollars shall be made to any Holder of an Allowed Claim on account of such Allowed Claim.

G. Executory Contracts and Unexpired Leases

1. *Treatment of Executory Contracts and Unexpired Leases*

(a) All executory contracts and unexpired leases of the Debtor shall be deemed to be assumed by the Debtor and assigned to the Reorganized Debtor as of the Effective Date. Notwithstanding, the Debtor shall have the right, at any time prior to the Confirmation Date, to reject any executory contract or unexpired lease provided the Debtor file a Schedule of Rejected Contracts prior to Confirmation and serve the Schedule of Rejected Contracts on the affected counterparties. The ground lease described as that Ground Lease Agreement by and between Lessor and Lessee dated June 8, 1982, covering the property described on Exhibit "A" attached thereto ("Ground Lease Property"), as amended by the First Amendment to Lease Agreement dated November 23, 1982; the Second Amendment to Lease Agreement dated May 8, 1984; the Third Amendment to Lease Agreement dated December 16, 1986; the Fourth Amendment to Lease Agreement dated June 30, 1987; the Fifth Amendment to Lease Agreement dated May 17, 1994; the Sixth Amendment to Lease Agreement dated February 3, 2004; (the "Ground Lease"), a portion of which was subsequently sublet by Lessee pursuant to that certain Sublease Agreement dated November 15, 1982 with El Paso Airport Venture ("Airport") as amended by certain letter amendment dated November 16, 1982, the Amendment to Sublease dated March 14, 1983, Second Amendment to Sublease Agreement dated April 9, 1984, a Third Amendment to Sublease Agreement dated July 15, 1985, and a Third [sic] Amendment to Sublease Agreement dated November 23, 2004 (collectively, the "Texas Sublease"). The Texas Sublease which was assigned by Airport to El Paso Residence Corp. ("Residence") by Assignment dated March 15, 1983, subsequently assigned by Residence to 700 Market Associates I ("700 Market") by Assignment dated April 5, 1983; and further assigned by 700 Market to Sublessee, as sublessee by Assignment dated June 30, 1995, shall be assumed pursuant to that certain Motion for Order Authorizing Assumption of Unexpired Lease of Nonresidential Property Pursuant to 11 U.S.C. § 365(a) and Rule 6006 of the Federal Rules of Bankruptcy Procedure [Docket No. 217]. Any Cure Amount due and owing on the Ground Lease shall be paid in full, in Cash on the Effective Date of the Plan.

(b) The Confirmation Order (except as otherwise provided therein) shall constitute an order of the Bankruptcy Court pursuant to section 365 of the Bankruptcy Code, effective as of the Effective Date, approving the assumptions, assignments and rejections hereunder. Each contract and lease assumed pursuant to Section 6.01 of the Plan shall be assumed only to the extent that any such contract or lease constitutes an executory contract or unexpired lease. Assumption of a contract or lease pursuant to Section 6.01 of the Plan shall not constitute an admission by the Debtor or the Reorganized Debtor (as applicable) that such contract or lease is an executory contract or unexpired lease or that the Debtor or the Reorganized Debtor (as applicable) have any liability thereunder. All executory contracts and unexpired leases that are assumed will be assumed under their present terms or upon such terms as are agreed to in writing between the Debtor and the counterparty to such contract or lease.

2. *Cure with Respect to Assumed Contracts and Leases*

Except as set forth in Section F.1.(a) above with respect to the Ground Lease, the Debtor will identify, with respect to each executory contract and unexpired lease to be assumed and assigned, the relevant Cure Amount for each executory contract or unexpired lease. The Debtor will serve a Schedule of Cure Amounts on the non-Debtor counterparties to each such executory contract or unexpired lease prior to the Confirmation Hearing. Each such counterparty shall have until the later of: (a) the date that is five (5) Business Days prior to the Confirmation Hearing; or (b) thirty (30) days from the date of service of the Schedule of Cure Amounts to file an objection to the cure amount listed on the Schedule of Cure Amounts with respect to their executory contract or unexpired lease (whether the objection relates to the Cure Amount or otherwise). If any objections are Filed and cannot be resolved by agreement, the Bankruptcy Court shall hold a hearing to determine the Cure Amount with respect to such executory contract or unexpired lease or to otherwise resolve the objection. Any party failing to object to the assumption of their executory contract or unexpired lease as set forth above shall be forever barred from asserting, collecting or seeking to collect from the Reorganized Debtor any amounts in excess of the Cure Amount or from otherwise objecting to the assumption or assignment of such executory contract or unexpired lease. Within thirty (30) days of the Effective Date, or as otherwise agreed with the counterparty to each executory contract or unexpired lease, the Reorganized Debtor shall pay the Cure Amounts to the non-Debtor parties to such executory contracts and unexpired leases being assumed.

3. *Bar Date for Claims for Rejection Damages*

Claims arising out of the rejection of any executory contract or unexpired lease pursuant to Article VI of the Plan must be Filed with the Bankruptcy Court no later than thirty (30) days after entry of the Confirmation Order. Any Claim not Filed within such time period shall be forever barred. The Debtor, the Reorganized Debtor, and the Disbursing Agent shall have the right to object to any Claim arising out of the rejection of an executory contract or unexpired lease pursuant to the terms of Section 6.03 of the Plan.

4. *Treatment of Rejection Claims*

The Bankruptcy Court shall determine any objections Filed in accordance with Section 6.02 of the Plan at a hearing to be held on a date to be determined by the Bankruptcy

Court. Subject to any statutory limitation, including, but not limited to the limitations contained in sections 502(b)(6) and 502(b)(7) of the Bankruptcy Code, any Claims arising out of the rejection of executory contracts and unexpired leases shall, pursuant to section 502(g) of the Bankruptcy Code, be Impaired and treated as Class 6 General Unsecured Claims in accordance with Section 3.09 of the Plan.

H. Disbursing Agent

1. Disbursing Agent

On the Effective Date, pursuant to the terms of engagement as set forth the letter agreement with the Debtor attached as Appendix 3 to the Plan, all distributions to Holders of Allowed Mechanics' Lien Claims, General Unsecured Claims, and Professional Fee Claims not yet allowed by the Bankruptcy Court shall be made by the Disbursing Agent. The Disbursing Agent shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court and, in the event that the Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Reorganized Debtor.

2. Rights and Powers of Disbursing Agent

The Disbursing Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan, (b) make all distributions contemplated hereby, and (c) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions thereof. The Reorganized Debtor shall be responsible for the: a) preparation of all distribution checks to claims holders, b) preparation of transmittal letters including envelopes and prepaid postage for all distribution checks, c) delivery of a) and b) to Disbursing Agent, d) obtaining and recording all information required from claim holders prior to distribution, including but not limited to Tax Identification Numbers, e) fulfilling tax reporting requirements as set forth in Section 5.06 of the Plan, and f) responding to any inquiries from claim holders regarding balances and reconciliations of account balances.

3. Expenses of the Disbursing Agent

Except as otherwise ordered by the Bankruptcy Court, all reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date shall be paid in Cash by the Reorganized Debtor. On the Effective Date, the Reorganized Debtor shall deposit \$7,500 with the Disbursing Agent for payment of the fees and expenses of the Disbursing Agent. Any unused amount will be returned to the Debtor upon completion of the Disbursing Agent's services. The Disbursing Agent shall be paid a fixed monthly fee of \$1,000 per month plus any expenses not paid directly by the Reorganized Debtor.

4. Distributions Under the Plan

As set forth in more detail below, certain of the distributions made in accordance with the terms of the Plan shall be made from, among other things, (i) the New Value

Contribution (as defined below), (ii) any Cash on hand as of the Effective Date which is not subject to any Liens, if any, (iii) any Clive Excess Sale Proceeds, (iv) to the extent permitted by the OWB Restructured Loan Documents, Cash in OneWest's Cash Collateral Account (as such term is defined in the OWB Restructured Loan Agreement) as provided in 4(b) below, and (v) the cash collateral accounts of SBKC and CFNB (collectively, the "Available Cash"). No less than two business days prior to the Effective Date: (1) Samuel A. Hardage shall cause SV Family Trust and Adam Hardage (the "New Value Parties") to contribute an estimated \$1,191,559 in readily available funds in their respective ratios of 99% and 1% ("New Value Contribution") into Hardage Suite Hotels, LLC which shall contribute such funds into Hardage Hotels, LLC; (2) Hardage Hotels, LLC shall contribute 99.9718% of the New Value Contribution directly to the Debtor and 0.0282% of the New Value Contribution into HSH I, Inc.; and (3) HSH I, Inc. shall contribute the 0.0282% of New Value Contribution received by Hardage Hotels, LLC into the Debtor. As applicable, the Reorganized Debtor or the Disbursing Agent shall use the New Value Contribution to fund a portion of the distributions under the Plan. The projected use and distribution of Available Cash to implement the Plan is detailed in the Projections attached hereto as Appendix B. The estimated amount of Available Cash to satisfy the Allowed Claims under the Plan and provide initial working capital is projected to be \$2,234,120 and shall be distributed under the Plan and pursuant to the OWB Restructured Loan Documents as summarized below and more fully detailed in the Projections:

- (a) No less than two business days prior to the Effective Date, the Debtor shall pay to the Disbursing Agent from the Available Cash, an estimated total of \$1,083,177, as more fully detailed in the Projections, which shall be deposited into three separate bank accounts to be used for distributions under the Plan as follows:
 - (i) One bank account for the benefit of the Allowed General Unsecured Creditors of the OneWest Secured Hotels in an amount not to exceed \$324,540, which funds will be sourced from OneWest's Cash Collateral Account ("Bank Account 1");
 - (ii) One account for the benefit of the General Unsecured Creditors of the SBKC Hotels, the Clive Property and General Unsecured Creditors not otherwise allocated ("Bank Account 2"), which funds will be sourced from the New Value Contribution and/or SBKC's or CFNB's cash collateral accounts; and
 - (iii) One account as a reserve to pay Allowed Professional Fee Claims not yet approved by the Bankruptcy Court ("Bank Account 3"), which funds will be sourced from the New Value Contribution and/or SBKC's cash collateral accounts.
- (b) Pursuant to Projections, Cash in OneWest's Cash Collateral Account after funding Bank Account 1, in accordance with this section shall be distributed at least one business day prior to the Effective Date to the Cash Management Account (as such term is defined in the OWB Restructured Loan Documents). Any balance of Cash in the OneWest Cash Collateral

Account after funding Bank Account 1 in accordance with Section 8.03(a)(i) of the Plan and the Initial Tax Reserve Deposit shall be disbursed to the Consolidated Operating Account (as such term is defined in the OWB Restructured Loan Documents) for the OneWest Secured Hotels.

- (c) Pursuant to the Projections, funds from either a portion of the New Value Contribution, the Clive Excess Sales Proceeds or the SBKC cash collateral account shall be distributed at least one day prior to the Effective Date as follows:
- (i) The amount of \$150,000 shall be deposited into the Cash Management Account (as such term is defined in the OWB Restructured Loan Documents) at OneWest to fund the Initial Seasonality Reserve Deposit (as such term is defined in the OWB Restructured Loan Documents);
 - (ii) The amount of \$500,000 shall be paid to Haynes and Boone, LLP, which amount shall be held in trust by Haynes and Boone, LLP and applied to its Allowed Professional Fee Claim on the Effective Date. Any Allowed Professional Fee Claim of Haynes and Boone, LLP remaining after credit of the \$500,000 payment shall be paid first from Bank Account 3 and to the extent any remaining unpaid Allowed Professional Fee Claim following payment from Bank Account 3, the Reorganized Debtor shall pay Haynes and Boone, LLP the remaining balance on the sixth month anniversary of the Effective Date with such unpaid balance rolled into a six month note earning 6% interest;
 - (iii) All funds required by First American Title Company to (a) issue the title insurance policies as required under the OWB Restructured Loan Agreement and pay all recording fees and any other title costs; and (b) fund amounts required to remove Mechanics' Lien Claims in order to provide clear title on the Effective Date; and
 - (iv) All funds necessary to pay to fees and costs for the services of the Disbursing Agent pursuant to Section 8.03 of the Plan including the cost of any bond.

The Projections provide a more thorough description of sources and uses of the funds that will be used to satisfy the obligations under the Plan. Certain of the above amounts identified in sections 8.03(a), (b), and (c) of the Plan are subject to change based upon the actual balances in the cash collateral accounts on the Effective Date, the property tax reserve amount required on the Effective Date, the actual title costs and Professional Fees on the Effective Date, and the actual prorates on the sale of the Clive Hotel and the Ohio Property. Amounts not subject to change include the Seasonality Reserve Deposit and the \$500,000 Allowed

Professional Fees of Haynes and Boone, LLP. To the extent the required funds increase or decrease due to increased/decreased transactional costs, changes in the property tax reserve amounts, or higher or lower net sales proceeds on the sales of the Clive Property or the Ohio Property, the New Value Contribution shall be adjusted accordingly to fund all of the required disbursements under the Plan. Should the Effective Date of the Plan not occur within 60 days from the Confirmation Date, all funds distributed from the cash collateral accounts of OneWest Bank, SBKC and CFNB, excess sales proceeds from the sale of the Clive Property and the New Value contribution and all distributions made pursuant to Section 8.04(c) of the Plan shall be returned to the sources from which such funds had been made available as though such funds had not been made available. In said event the Debtor shall be responsible for any fees and costs incurred by the Disbursing Agent including the cost of any bond. In the event there is any inconsistency between this paragraph G and Projections on the one hand, and the OWB Restructured Loan Documents on the other hand, the terms and conditions set forth in the OWB Restructured Loan Documents shall prevail and control.

I. Means for Implementation of the Plan

1. Corporate Action

The entry of the Confirmation Order shall constitute authorization for the Debtor and the Reorganized Debtor to take all actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court.

2. Entry Into New Financing Documents

The entry of the Confirmation Order shall constitute authorization for the Debtor and the Reorganized Debtor to take or to cause to be taken all actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, including, but not limited to, the execution and delivery of the OWB Restructured Loan Documents and the Clive Amendment, and to take all actions necessary to satisfy the conditions set forth in the OWB Restructured Loan Documents, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court.

3. Operations Between Confirmation Date and Effective Date

The Debtor shall continue to operate, subject to the supervision of the Bankruptcy Court, during the period from the Confirmation Date through and until the Effective Date.

4. Revesting of Assets

Except as otherwise expressly provided in the Plan, pursuant to sections 1123(a)(5), 1123(b)(3) and 1141(b) of the Bankruptcy Code, all Property comprising the Estate of the Debtor, including, but not limited to, all Avoidance Actions and all Causes of Action shall automatically be retained and revested in the Reorganized Debtor, free and clear of all Claims, Liens, contractually-imposed restrictions, charges, and encumbrances of Creditors on the Effective Date, except that such revesting shall not be free and clear of (i) any of OneWest's

Claims and Liens relating to the OWB Prepetition Loan Documents or any new Claims and Liens granted under the OWB Restructured Loan Documents, (ii) Claims or Liens relating to or granted in the Clive Loan Agreement and the Clive Amendment or (iii) any SBKC's liens granted under any loan and collateral documents with the Debtor entered into prepetition or under the SBKC Loan Modification Agreement. As of the Effective Date, the Reorganized Debtor may operate its business and use, acquire and dispose of Property and settle and compromise Claims without supervision of the Bankruptcy Court free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and Confirmation Order. Without limiting the foregoing, the Reorganized Debtor may pay the charges it incurs for professional fees, disbursements, expenses or related support services after the Effective Date without any application to the Bankruptcy Court.

5. *Change of Control*

The transactions contemplated under the Plan shall not be deemed or considered a change of control that would result in any acceleration, vesting or similar change of control rights under any agreements or arrangements triggered by the consummation of the Plan shall be waived or otherwise cancelled under the Plan.

6. *Post Effective Date Management*

On the Effective Date, the management, control and operation of the Reorganized Debtor shall be vested in HSH I, Inc., a Delaware Corporation, which has appointed the following officers:

Samuel A. Hardage	President
Keith Hindenlang	Treasurer
Beth Chaney	Secretary

J. Preservation of Causes of Action and Right to Defend and Contest

1. *Preservation of Rights*

Except (i) as otherwise provided in the OWB Restructured Loan Documents; or (ii) to the extent that any Claim is Allowed during the Chapter 11 Case or expressly by the Plan or the Confirmation Order, nothing, including, but not limited to, the failure of the Debtor or the Reorganized Debtor (as applicable) to object to a Claim for any reason during the pendency of the Chapter 11 Case, shall affect, prejudice, diminish or impair the rights and legal and equitable defenses of the Debtor or the Reorganized Debtor (as applicable) with respect to any Claim, including, but not limited to, all rights of the Debtor or the Reorganized Debtor (as applicable) to contest or defend themselves against such Claims in any lawful manner or forum when and if such Claim is sought to be enforced by the Holder thereof.

2. *Setoffs*

Except to the extent that any Claim is Allowed or as otherwise provided in the OWB Restructured Loan Documents, the Debtor, the Disbursing Agent, or the Reorganized Debtor, may, but shall not be required to, set off against any Claims and the payments or distributions to be made pursuant to the Plan in respect of such Claims, any and all debts, liabilities, Causes of Action and claims of every type and nature whatsoever which the Estate, the Debtor, the Disbursing Agent or the Reorganized Debtor may have against such Creditors, but neither the failure to do so nor the allowance of any such Claims, whether pursuant to the Plan or otherwise, shall constitute a waiver or release by the Debtor, the Disbursing Agent or the Reorganized Debtor of any such claims or Causes of Action the Debtor, the Disbursing Agent or the Reorganized Debtor may have against such Creditors.

3. *No Payment or Distribution Pending Allowance*

All references to Claims and amounts of Claims refer to the amount of the Claim Allowed by agreement of the Debtor, the Reorganized Debtor, or the Disbursing Agent and the Holder of such Claim, by operation of law, by Final Order or by the Plan. Notwithstanding any other provision in the Plan (except for the Allowed OneWest Secured Claim), no payment or distribution shall be made on account of or with respect to any Claim to the extent it is a Disputed Claim unless and until the Disputed Claim becomes an Allowed Claim.

4. *Resolution of Disputed Claims*

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Reorganized Debtor shall have the right, on and after the Effective Date, to File objections to Claims (except those specifically Allowed by the Plan) and shall serve a copy of each such objection upon the Holder of the Claim to which the objection is made as soon as practicable, but in no event later than the applicable Claims Objection Deadline. The foregoing deadlines may be extended by order of the Bankruptcy Court. An objection to any Claim shall be deemed properly served on the Holder thereof if the Disbursing Agent or the Reorganized Debtor (as applicable) effects service in any of the following manners: (a) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004; (b) by first class mail, postage prepaid, on the signatory and at the address set forth on the proof of claim or other representative identified in the proof of claim or any attachment thereto; or (c) by first class mail, postage prepaid, on any counsel that has appeared on the Holder's behalf in the Chapter 11 Case. Other than objections to any scheduled claim or Proof of Claim filed prior to the solicitation of the Disclosure Statement, the Debtor is unaware of any further objections and does not intend on filing further objections. The Debtor, however, reserves its rights to file further objections.

K. Conditions to the Effective Date

1. *Conditions to Effective Date*

The Plan shall not be consummated, and the Effective Date shall not occur, unless and until the following conditions have occurred:

- (a) the Bankruptcy Court shall have approved the information contained in the Disclosure Statement as adequate;
- (b) the Confirmation Order shall have been entered and shall not be stayed by order of a court of competent jurisdiction and the Confirmation Order shall have become a Final Order;
- (c) the Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order) authorizing and directing the Debtor to take all actions necessary or appropriate to enter into, implement and consummate the documents created, amended, supplemented, modified or adopted in connection with the Plan;
- (d) no order of a court shall have been entered and shall remain in effect restraining the Debtor from consummating the Plan;
- (e) all conditions precedent identified in the OWB Restructured Loan Agreement shall have been fully satisfied in accordance with Section 5.01 of the OWB Restructured Loan Agreement as confirmed in writing by OneWest;
- (f) the Texas Sublease shall have been assumed by the Debtor in accordance with section 365 of the Bankruptcy Code;
- (g) all conditions precedent identified in the SBKC Loan Modification Agreement shall have been fully satisfied in accordance with the terms thereof and as confirmed in writing by SBKC;
- (h) all conditions precedent identified in the Clive Amendment shall have been fully satisfied in accordance with the terms thereof and as confirmed in writing by CFNB; and
- (j) the New Value Contribution shall have been made and receipt acknowledged by the Disbursing Agent as required under Section 9.02 of the Plan.

2. *Effect of Failure of Conditions Precedent to the Effective Date of the Plan*

In the event that one or more of the conditions specified in Section 11.01 of the Plan have not occurred, upon notification submitted by the Debtor to the Bankruptcy Court: (a) the Confirmation Order, automatically and without further order of the Bankruptcy Court, shall be deemed, vacated, null and void and with no force or legal effect whatsoever; (b) no distributions under the Plan shall be made; (c) all Property of the Estate shall remain in the Debtor's Estate; (d) the Debtor and all Holders of Claims and Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Order had never been entered and Confirmation had not occurred; and (e) the Debtor's obligations with respect to the Claims and Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Interests by

or against the Debtor or any other Person or Entity or to prejudice in any manner the rights of the Debtor or any Person or Entity in any further proceedings involving the Debtor. Notwithstanding the aforementioned, the Confirmation Order shall not be deemed, vacated, null and void and with no force or legal effect whatsoever with respect to the sale of the Clive Property set forth in Section 7.01 of the Plan, including the payment of the amounts owing to CFNB and/or its attorneys pursuant to the Clive Amendment at the closing of the sale of the Clive Hotel.

L. Effects of Confirmation

1. Discharge and Injunction

Except as otherwise provided by the Plan or the Confirmation Order or the Debtor's obligations under the OWB Restructured Loan Documents, the SBKC Loan Modification Agreement, and the Clive Loan Agreement as amended, restated and consolidated by the Clive Amendment and to the fullest extent authorized or provided by the Bankruptcy Code, including Sections 524 and 1141, the Debtor and the Reorganized Debtor shall be entitled to a discharge and injunction and all rights and protections provided under the Bankruptcy Code.

2. Other Documents and Actions

The Debtor, the Reorganized Debtor and the Disbursing Agent shall execute such documents and take such other actions as are necessary and required to effectuate the transactions provided for in the Plan.

3. Term of Stays

Unless otherwise provided herein or in the Confirmation Order, any stays provided for in the Chapter 11 Case under sections 105(a) or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

4. Preservation of Insurance

Except as necessary to be consistent with the Plan, the Plan and the discharge provided herein shall not diminish or impair the enforceability of insurance policies that may cover Claims against the Debtor or any other Person or Entity, including self-insurance programs.

5. Subordination Rights

Except as set forth in the Plan, any distributions under the Plan shall be received and retained free of and from any obligations to hold or transfer the same to any other Creditor, and shall not be subject to levy, garnishment, attachment or other legal process by any Holder by reason of claimed contractual subordination rights, which rights shall be waived and the Confirmation Order shall constitute an injunction enjoining any Person from enforcing or attempting to enforce any contractual, legal or equitable subordination rights to Property distributed under the Plan, in each.

6. *No Successor Liability*

Except as otherwise expressly provided in the Plan, the Confirmation Order, and the OWB Restructured Loan Documents, the Debtor, its Affiliates, the Disbursing Agent, and the Reorganized Debtor do not, pursuant to the Plan or otherwise, assume, agree to perform, pay or indemnify, or otherwise have any responsibilities for any liabilities or obligations of the Debtor or any other party relating to or arising out of the operations of or assets of the Debtor, whether arising prior to, on, or after the Effective Date. The Disbursing Agent and the Reorganized Debtor are not, and shall not be, successors to the Debtor by reason of any theory of law or equity, and none shall have any successor or transferee liability of any kind or character, except that the Disbursing Agent and the Reorganized Debtor shall assume the obligations specified in the Plan and the Confirmation Order.

M. Retention of Jurisdiction

1. *Exclusive Jurisdiction of Bankruptcy Court*

Except as set forth the Plan, including without limitation the OWB Loan Documents, notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain after the Effective Date exclusive jurisdiction of all matters arising out of, arising in or related to the Chapter 11 Case to the fullest extent permitted by applicable law, including, without limitation, jurisdiction to:

- (a) classify or establish the priority or secured or unsecured status of any Claim (whether Filed before or after the Effective Date and whether or not contingent, Disputed or unliquidated) or resolve any dispute as to the treatment of any Claim pursuant to the Plan;
- (b) grant or deny any applications for allowance of compensation or reimbursement of expenses pursuant to sections 330, 331, or 503(b) of the Bankruptcy Code, or otherwise provided for in the Plan, for periods ending on or before the Effective Date;
- (c) determine and resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which the Debtor is a party or with respect to which the Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;
- (d) ensure that all payments due under the Plan and performance of the provisions of the Plan are accomplished as provided herein and resolve any issues relating to distributions to Holders of Allowed Claims pursuant to the provisions of the Plan;
- (e) construe, take any action and issue such orders, prior to and following the Confirmation Date and consistent with section 1142 of the Bankruptcy Code, as may be necessary for the enforcement, implementation, execution and consummation of the Plan and all contracts, instruments,

releases, indentures and other agreements or documents created in connection with the Plan, including, without limitation, the Disclosure Statement and the Confirmation Order, for the maintenance of the integrity of the Plan and protection of the Disbursing Agent in accordance with sections 524 and 1141 of the Bankruptcy Code following consummation;

- (f) determine and resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation, implementation or enforcement of the Plan (and all Exhibits to the Plan) or the Confirmation Order, including the indemnification and injunction provisions set forth in and contemplated by the Plan or the Confirmation Order, or any Entity's rights arising under or obligations incurred in connection therewith;
- (g) hear any application of the Reorganized Debtor to modify the Plan after the Effective Date, pursuant to section 1127 of the Bankruptcy Code and Section 14.03 of the Plan, or modify the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code and the Plan;
- (h) issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;
- (i) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
- (j) determine any other matters that may arise in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, except as otherwise provided in the Plan;
- (k) determine such other matters and for such other purposes as may be provided in the Confirmation Order;

- (l) hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code;
- (m) hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;
- (n) enter a Final Decree closing the Chapter 11 Case;
- (o) determine and resolve any and all controversies relating to the rights and obligations of the Disbursing Agent in connection with the Chapter 11 Case;
- (p) allow, disallow, determine, liquidate or estimate any Claim, including the compromise, settlement and resolution of any request for payment of any Claim, the resolution of any Objections to the allowance of Claims and to hear and determine any other issue presented hereby or arising hereunder, including during the pendency of any appeal relating to any Objection to such Claim (to the extent permitted under applicable law);
- (q) permit the Debtor (and the Reorganized Debtor, to the extent provided for in the Plan) to recover all of the Debtor's assets and Property of the Estate wherever located;
- (r) hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes, tax benefits and similar or related matters with respect to the Debtor or the Estate arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Case, including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
- (s) hear and determine any motions, applications, adversary proceedings, contested matters and other litigated matters pending on, Filed or commenced after the Effective Date that may be commenced by the Reorganized Debtor thereafter, including Avoidance Actions, proceedings with respect to the rights of the Reorganized Debtor to recover Property under sections 542, 543 or 553 of the Bankruptcy Code, or proceedings to otherwise collect to recover on account of any claim or Cause of Action that the Debtor may have had; and
- (t) hear any other matter not inconsistent with the Bankruptcy Code.

Notwithstanding the foregoing, upon the occurrence of the Effective Date and the final execution of the OWB Restructured Loan Documents, OneWest shall have the right to enforce all of its legal, equitable, and contractual rights under or related to the OWB Restructured Loan Documents in state or federal court in accordance with their provisions and applicable law.

2. *Failure of Bankruptcy Court to Exercise Jurisdiction*

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Debtor, including with respect to the matters set forth above in Section 13.01 of the Plan, Article XI of the Plan shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

N. Miscellaneous Provisions

1. *Binding Effect of Plan*

The provisions of the Plan shall be binding upon and inure to the benefit of the Debtor, the Estate, the Disbursing Agent, Reorganized Debtor, the Prepetition Secured Parties, any Holder of any Claim or Interest treated herein or any Person named or referred to in the Plan, and each of their respective heirs, executors, administrators, representatives, predecessors, successors, assigns, agents, officers and directors, and, to the fullest extent permitted under the Bankruptcy Code and other applicable law, each other Person affected by the Plan.

2. *Withdrawal of the Plan*

The Debtor reserves the right, at any time prior to Confirmation of the Plan to withdraw the Plan. If the Plan is withdrawn, the Plan shall be null and void and have no force and effect. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor.

3. *Modification of the Plan*

The Debtor may alter, amend or modify the Plan in accordance with section 1127 of the Bankruptcy Code or as otherwise permitted at any time prior to the Confirmation Date except to the extent any such modification, in any way, modifies or impairs any of the Debtor's treatment of the OneWest Secured Claim or the Debtor's or any other party's obligations under the OWB Restructured Loan Documents, the SBKC Loan Modification Agreement or the Clive Amendment. After the Confirmation Date and prior to the substantial consummation of the Plan, and in accordance with the provisions of section 1127(b) of the Bankruptcy Code and the Bankruptcy Rules, the Debtor may, so long as the treatment of Holders of Claims or Interests under the Plan is not adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, prior notice of such proceedings shall be served in accordance with Bankruptcy Rules 2002 and 9014.

4. *Business Days*

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act

may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

5. *Governing Law*

EXCEPT TO THE EXTENT THAT THE BANKRUPTCY CODE, BANKRUPTCY RULES OR OTHER FEDERAL LAWS ARE APPLICABLE, AND EXCEPT AS OTHERWISE PROVIDED IN THE PROVISIONS OF ANY CONTRACT, INSTRUMENT, RELEASE, INDENTURE OR OTHER AGREEMENT OR DOCUMENT ENTERED INTO IN CONNECTION WITH THE PLAN, THE CONSTRUCTION, IMPLEMENTATION AND ENFORCEMENT OF THE PLAN AND ALL RIGHTS AND OBLIGATIONS ARISING UNDER THE PLAN SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO CONFLICTS-OF-LAW PRINCIPLES THAT WOULD APPLY THE LAW OF A JURISDICTION OTHER THAN THE STATE OF TEXAS.

6. *Dissolution of Committee*

On the Effective Date, any statutory committee that has been established shall be automatically dissolved and all of its members, Professionals and agents shall be deemed released of their duties, responsibilities, and obligations, and shall be without further duties, responsibilities and authority in connection with the Debtor, the Chapter 11 Case, the Plan or its implementation.

7. *Payment of Statutory Fees*

All U.S. Trustee's Fee Claims, as determined, if necessary, by the Bankruptcy Court at the hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid on or before the Effective Date by the Reorganized Debtor.

8. *Post-Confirmation Operating Reports*

The Disbursing Agent shall file quarterly operating reports as required by the United States Trustee until such time as a Final Decree or other order is entered under section 350(a) of the Bankruptcy Code closing the Bankruptcy Case.

9. *Notices*

Any notice required or permitted to be provided under the Plan to the Debtor, or any request for information with respect to the Plan, shall be in writing and served by either: (a) certified mail, return receipt requested, postage prepaid; (b) hand delivery; or (c) reputable overnight delivery service, freight prepaid, to be addressed as follows:

Haynes and Boone, LLP
Attn: Trey Monsour, Esq.
2323 Victory Avenue, Suite 700
Dallas, Texas 75219

10. *Filing of Additional Documents*

On or before substantial consummation of the Plan, the Debtor shall issue, execute, deliver, and File with the Bankruptcy Court or record any agreements and other documents, and take any action as may be necessary or appropriate to effectuate, consummate and further evidence the terms and conditions of the Plan.

11. *Section 1125 of the Bankruptcy Code*

The Debtor has, and upon Confirmation of the Plan shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code. The Debtor (and each of its Affiliates, officers, directors, employees, consultants, agents, advisors, members, attorneys, accountants, financial advisors, other representatives and Professionals) have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer, issuance, sale, solicitation and/or purchase of the securities offered and sold under the Plan, and are not, and on account of such offer, issuance, sale, solicitation and/or purchase will not be liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale, solicitation and/or purchase of the securities offered and sold under the Plan.

12. *Section 1146 Exemption*

To the fullest extent permitted under section 1146(a) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, if any, or the execution, delivery or recording of an instrument of transfer under the Plan, or the revesting, transfer or sale of any real or other Property of or to the Reorganized Debtor or the Disbursing Agent, shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, mortgage recording tax, intangible tax or similar tax.

13. *Time*

Unless otherwise specified herein, in computing any period of time prescribed or allowed by the Plan, the day of the act or event from which the designated period begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day, in which event the period runs until the end of next succeeding day that is a Business Day. Otherwise, the provisions of Bankruptcy Rule 9006 shall apply.

14. *No Attorneys' Fees*

No attorneys' fees will be paid by the Debtor with respect to any Claim or Interest, except as expressly specified herein or by order of the Bankruptcy Court.

15. *No Injunctive Relief*

Except as provided for in the OWB Restructured Loan Documents, no Claim shall under any circumstances be entitled to specific performance or other injunctive, equitable or other prospective relief.

16. *No Admissions or Waivers*

Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed an admission or waiver by the Debtor with respect to any matter set forth herein, including, without limitation, liability on any Claim or Interest or the propriety of any classification of any Claim or Interest.

17. *Entire Agreement*

The Plan (and all Exhibits to the Plan) sets forth the entire agreement and undertakings relating to the subject matter hereof and supersedes all prior discussions and documents. The Debtor shall not be bound by any terms, conditions, definitions, warranties, understandings or representations with respect to the subject matter hereof, other than as expressly provided for herein or as may hereafter be agreed to by the parties in writing.

18. *Bar Date for Professionals*

All Professionals asserting Professional Fee Claims shall file and serve on counsel for the Reorganized Debtor, the Prepetition Secured Parties, the United States Trustee and any other party specifically requesting a copy in writing, an application for its Professional Fee Claim no later than forty-five (45) days after the Effective Date. Any interested party desiring to object to any Professional Fee Claim must file and serve its Objection on the Reorganized Debtor, the Prepetition Secured Parties, the United States Trustee and the Professional to whose application the Objection is addressed no later than sixty (60) days after the Effective Date. In the event that a party files an Objection to all or a portion of a Professional's Professional Fee Claim, and such objecting party and the Professional cannot mutually resolve the Objection(s) with respect to the Disputed portion of such Professional's Professional Fee Claim, the Professional may apply to the Bankruptcy Court for approval of the Professional's Professional Fee Claim upon notice to the objecting party, the Reorganized Debtor, the Prepetition Secured Parties, and the United States Trustee of not less than ten (10) Business Days. Each Allowed Professional Fee Claim shall, in full and final satisfaction of such Allowed Professional Fee Claim, be paid by the Reorganized Debtor in full, in Cash upon: (a) the later of: (i) the Effective Date; and (ii) if such Professional Fee Claim is Allowed after the Effective Date, the date upon which there is a Final Order allowing such Professional Fee Claim; or (b) such terms and conditions as may be agreed upon between the Holder of such Allowed Professional Fee Claim and the Debtor. Notwithstanding the aforementioned, the Allowed Professional Fee Claim of Haynes and Boone, LLP shall be paid pursuant to such terms and conditions agreed to between Haynes and Boone, LLP and the Debtor as provided in Exhibit "G" to the Plan.

VII. CERTAIN RISK FACTORS TO BE CONSIDERED

A. General Considerations

The Plan sets forth the means for satisfying the Claims against and Interests in the Debtor.

Reorganization of the Debtor's business and operations under the proposed Plan avoids the potentially adverse impact of a liquidation on the Debtor's customers, suppliers, employees, communities and other stakeholders.

The financial information contained in this Disclosure Statement has been prepared by the Debtor and its advisors. The Debtor has made a good faith effort to correctly present the financial information and believes that the financial information is true and accurate but cannot represent and warrant that the financial information is without any inaccuracies.

B. Certain Bankruptcy Considerations

Even if Impaired Classes entitled to vote on the Plan vote in favor of the Plan, the Bankruptcy Court may choose not to confirm the Plan. Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtor and that the value of distributions to dissenting Holders of Claims and Interests will not be less than the value such Holders would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtor believes that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

If a liquidation or protracted reorganization were to occur, there is a significant risk that the Debtor's enterprise value would be substantially eroded to the detriment of all stakeholders.

The Debtor's future results are dependent upon the successful confirmation and implementation of a plan of reorganization. Failure to obtain this approval in a timely manner could adversely affect the Debtor's operating results, as the Debtor's relations with its customers and suppliers may be harmed by protracted bankruptcy proceedings. Furthermore, the Debtor cannot predict the ultimate amount of all the Debtor's liabilities that will be subject to a plan of reorganization. Once a plan of reorganization is approved and implemented, the Debtor's operating results may be adversely affected by the possible reluctance of prospective lenders, customers and suppliers to do business with a company that recently emerged from bankruptcy proceedings.

C. Claims Estimations

There can be no assurance that any estimated Claim amounts set forth in this Disclosure Statement are correct. The actual Allowed amount of Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or

should any underlying assumptions prove incorrect, the actual Allowed amount of Claims may vary from those estimated herein.

D. Conditions Precedent to Consummation

The Plan provides for certain conditions that must be satisfied (or waived) prior to confirmation of the Plan and for certain other conditions that must be satisfied (or waived) prior to the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed.

E. Inherent Uncertainty of Financial Projections

The Projections have been prepared by the Debtor and reviewed by its financial advisor and cover the projected operations of the Reorganized Debtor. These Projections are based on numerous assumptions that are an integral part of the Projections, including confirmation and consummation of the Plan in accordance with its terms, realization of the operating strategy of the Debtor, industry performance, no material adverse changes in applicable regulations, or the administration thereof, or regulations, exchange rates or generally accepted accounting principles, general business and economic conditions, competition, retention of key management and other key employees, absence of material contingent or unliquidated litigation, indemnity or other claims, and other matters. The Projections are the sources and uses of cash provided on Appendix B, and the Projections should be read in conjunction with these assumptions.

To the extent that the assumptions inherent in the Projections are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and are based on assumptions considered reasonable by the Debtor, the assumptions and estimates underlying the Projections are subject to business, economic and competitive uncertainties and contingencies. Accordingly, the Projections are only the Debtor's educated, good faith estimates and are necessarily contingent in nature. It can be expected that some or all of the assumptions in the Projections will not be realized and that actual results will vary from the Projections, which variations may be material and may increase over time. The projected financial information contained herein should not be regarded as a guaranty by the Debtor, its respective advisors or any other Person that the Projections can or will be achieved. However, the Debtor believes that the Projections are credible and that there is a reasonable likelihood that the results set forth in the Projections can be achieved. In connection with Confirmation of the Plan, the Debtor anticipates that it will successfully demonstrate that the Plan is feasible and Confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor.

F. Competition

The high degree of competition in the Debtor's business and the potential for new competitors to enter into those business could cause actual results to differ from those expected by the Debtor.

G. Seasonality

There are seasonal trends in the Debtor's industry. There can be no assurance that seasonal market conditions relating to the Debtor's services will not impair the Debtor's future financial performance.

H. Litigation

The Reorganized Debtor may be subject to various claims and legal actions arising in the ordinary course of its business. The Debtor is not able to predict the nature and extent of any such claims and actions and cannot guarantee that the ultimate resolution of such claims and actions will not have a material adverse effect on the Reorganized Debtor.

I. Certain Tax Considerations

There are a number of income tax considerations, risks and uncertainties associated with consummation of the Plan. The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. No assurance can be given that legislative or administrative changes or court decisions will not be forthcoming which would require significant modification of the statements in this section. No ruling has been requested from the IRS or an opinion of counsel with respect to any tax aspects of the Plan. Therefore, no assurance can be given as to the position the IRS will take on the tax consequences of the transactions that are to occur in accordance with the Plan. An interested party should consult counsel or a tax advisor on any questions or concerns regarding certain U.S. federal income tax consequences of the transactions proposed by the Plan and to Holders of Claims who are entitled to vote to accept or reject the Plan.

VIII. FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

A. Feasibility of the Plan

In connection with confirmation of the Plan, the Bankruptcy Court will be required to determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code, which means that the confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor.

To support its belief in the feasibility of the Plan, the Debtor has prepared and relied upon the Projections.

The Plan proposes a reorganization of the Debtor's assets and liabilities. By the Plan, the Debtor will be significantly deleveraged by a significant reduction of its secured obligations. Further, the Debtor believes that the Projections indicate that the Reorganized Debtor should have sufficient cash flow to fund its operations and obligations. Accordingly, the Debtor believes that the Plan complies with the financial feasibility standard of section 1129(a)(11) of the Bankruptcy Code.

The Projections were developed by the Debtor and reviewed by the financial advisor. The Projections are based on the Debtor's and its advisors' knowledge of the Debtor's business and by reference to publicly available projections for industry revenue growth.

The Projections, however, are based upon numerous assumptions that are an integral part of the Projections, including, without limitation, confirmation and consummation of the Plan in accordance with its terms, industry performance, no material adverse changes in applicable legislation or regulations, or the administration thereof, exchange rates or generally accepted accounting principles, general business and economic conditions, competition, absence of material contingent or unliquidated litigation, indemnity or other claims, and other matters. To the extent that the assumptions inherent in the Projections are based upon future business decisions and objectives, they are subject to change. In addition, although they are presented with numerical specificity and the assumptions on which they are based are considered reasonable by the Debtor, the assumptions and estimates underlying the Projections are subject to business, economic and competitive uncertainties and contingencies. Accordingly, the Projections are only an educated, good faith estimate and are necessarily contingent in nature. It can be expected that some or all of the assumptions in the Projections will not be realized and that actual results will vary from the Projections, which variations may be material and may be adverse. The Projections should therefore not be regarded as a guaranty by the Debtor or any other Person that the results set forth in the Projections will be achieved. In light of the foregoing, readers are cautioned not to place undue reliance on the Projections. The projected financial information contained herein and in the Projections should not be regarded as a representation or warranty by the Debtor, its advisors or any other Person that the Projections can or will be achieved. The Projections should be read together with the assumptions set forth in the Projections and information in Article VII of this Disclosure Statement entitled "Certain Risk Factors to be Considered," which sets forth important factors that could cause actual results to differ from those in the Projections. The Debtor, however, believes that the Projections are credible and that there is a reasonable likelihood that the results set forth in the Projections can be achieved.

The Debtor does not intend to update or otherwise revise the Projections, including any revisions to reflect events or circumstances existing or arising after the date of the Projections or to reflect the occurrence of unanticipated events, even if any or all of the underlying assumptions do not come to fruition. Furthermore, the Debtor does not intend to update or revise the Projections to reflect changes in general economic or industry conditions.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: This Disclosure Statement and the financial projections contained herein and in the Projections include "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933, as amended and section 21E of the Exchange Act. All statements other than statements of historical fact included in this Disclosure Statement are forward-looking statements, including, without limitation, financial projections, the statements, and the underlying assumptions, regarding the timing of, completion of and scope of the current restructuring, the Plan, debt and equity market conditions, the cyclicity of the Debtor's industry, current and future industry conditions, the potential effects of such matters on the Debtor's business strategy, results of operations or financial position, and the adequacy of the Reorganizing Debtor's liquidity. The forward-looking statements are based upon current

information and expectations. Estimates, forecasts and other statements contained in or implied by the forward-looking statements speak only as of the date on which they are made, are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to evaluate and predict. Although the Debtor believes that the expectations reflected in the forward-looking statements are reasonable, parties are cautioned that any such forward-looking statements are not guarantees of future performance, and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Certain important factors that could cause actual results to differ materially from the Debtor's expectations or what is expressed, implied or forecasted by or in the forward-looking statements include developments in the Chapter 11 Case, adverse developments in the timing or results of the Debtor's business plan (including the time line to emerge from chapter 11), the timing and extent of changes in economic conditions, industry capacity and operating rates, the supply-demand balance for the Debtor's services, competitive services and pricing pressures, federal and state regulatory developments, the Debtor's financial leverage, motions filed or actions taken in connection with the bankruptcy proceedings, the availability of skilled personnel, the Debtor's ability to attract or retain high quality employees and operating hazards attendant to the industry. Additional factors that could cause actual results to differ materially from the Projections or what is expressed, implied or forecasted by or in the forward-looking statements are stated herein in cautionary statements made in conjunction with the forward-looking statements or are included elsewhere in this Disclosure Statement.

B. Acceptance of the Plan

As a condition to Confirmation, the Bankruptcy Code requires that each Class of Impaired Claims entitled to vote must accept the Plan.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan.

C. Best Interests Test

As noted above even if a plan is accepted by each class of claims and interests, the Bankruptcy Code requires a bankruptcy court to determine that the plan is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to holders of each impaired class of claims and interests if the debtor were liquidated under chapter 7, a bankruptcy court must first determine the aggregate dollar amount that would be generated from the debtor's assets if its

chapter 11 case were converted to a chapter 7 case under the Bankruptcy Code. This “liquidation value” would consist primarily of the proceeds from a forced sale of the debtor’s assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 case and the Chapter 11 Case. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid administrative expenses incurred by the Debtor in the chapter 11 case that are allowed in the chapter 7 case, litigation costs and claims arising from the operations of the debtor during the pendency of the chapter 11 case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity security interests. The liquidation would also prompt the rejection of a large number of executory contracts and unexpired leases and thereby significantly enlarge the total pool of unsecured claims by reason of resulting rejection damages claims.

Once the bankruptcy court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under the plan, then the plan is not in the best interests of creditors and equity security holders.

D. Liquidation Analysis

For purposes of the best interests test, in order to determine the amount of liquidation value available to Creditors, the Debtor, with the assistance of its financial advisor, concludes that, other than the Prepetition Secured Parties, no Holders of prepetition Claims would receive any recovery whatsoever. In the event of an orderly liquidation of the Debtor’s assets in chapter 7, the aggregate deficit to be realized by the Debtor’s Estate would be between \$(14,336.00) and \$(11,686.00). In either event, all such value would be distributed to Holders of Allowed Claims of the Prepetition Secured Creditors, and no other Holder of a Claim or Interest, including unpaid Administrative Expense Claims incurred during the administration of the Chapter 11 Case, would receive a distribution.

The Debtor believes that any liquidation analysis with respect to the Debtor is inherently speculative. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected amounts of Allowed Claims set forth in the Projections. The Debtor believes that the financial disclosures and Projections contained herein imply a greater recovery to Holders of all Claims in all Classes than the recovery available in a chapter 7 liquidation. Accordingly, the Debtor believes that the “best interests” test of section 1129 of the Bankruptcy Code is satisfied

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtor believes that the Plan affords Holders of all Claims in all Classes the potential for the greatest realization on the Debtor's assets and, therefore, is in the best interests of such Holders. If, however, the requisite acceptances are not received, or the Plan is not confirmed and consummated, the alternatives include: (a) formulation of an alternative plan or plans of reorganization; or (b) liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

A. Liquidation Under Chapter 7

If no plan is confirmed, the Debtor's case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict with certainty how the proceeds of the liquidation would be distributed to the respective Holders of Claims against or Interests in the Debtor. However, because the Prepetition Secured Parties have first priority perfected liens on substantially all assets to be liquidated, it is possible that nothing will be distributed to any other Class of Claims or Interests.

The Debtor believes that a liquidation under chapter 7 would cause a substantial diminution in the Debtor's Estate given the substantial premium in the enterprise value of their business over the liquidation value of their assets, and the additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees. The assets available for distribution to Creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, arising by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtor's assets. More importantly, conversion to a chapter 7 liquidation would likely result in the immediate cessation of the Debtor's business, as most chapter 7 trustees are disinclined to continue operations.

X. THE SOLICITATION; VOTING PROCEDURES

A. Parties in Interest Entitled to Vote

In general, a holder of a claim or interest may vote to accept or to reject a plan if: (i) the claim or interest is "allowed," which means generally that no party in interest has objected to such claim or interest; and (ii) the claim or interest is "impaired" by the plan but entitled to receive or retain property under the plan.

Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless: (i) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitles the holder thereof; or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan and, accordingly, holders of such claims and interests do not actually vote on the plan. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan.

B. Solicitation Order

Upon approval of this Disclosure Statement, the Bankruptcy Court will enter an order that, among other things, determines the dates, procedures and forms applicable to the process of soliciting votes on the Plan and establishes certain procedures with respect to the tabulation of such votes (the "Solicitation Order"). Parties in interest may obtain a copy of the Solicitation Order through the Bankruptcy Court's electronic case filing system, available at <https://ecf.txwb.uscourts.gov/>, or by making written request upon the Voting Agent.

C. Waivers of Defects, Irregularities, Etc.

All questions with respect to the validity, form, eligibility (including time of receipt), acceptance and revocation or withdrawal of ballots will be determined by the Bankruptcy Court. As indicated below under "Withdrawal of Ballots; Revocation," effective withdrawals of ballots must be delivered to the Voting Agent prior to the Voting Deadline. The Debtor reserves the absolute right to contest the validity of any such withdrawal. The Debtor also reserves the right to seek rejection of any and all ballots not in proper form. The Debtor further reserves the right to seek waiver of any defects or irregularities or conditions of delivery as to any particular ballot. Neither the Debtor nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of ballots nor will any of them incur any liabilities for failure to provide such notification. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) may be invalidated by the Bankruptcy Court.

D. Withdrawal of Ballots; Revocation

Any party who has delivered a valid ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Voting Agent at any time prior to the Voting Deadline. A notice of withdrawal, to be valid, must: (i) contain the description of the Claim(s) to which it relates and the aggregate principal amount represented by such Claim(s); (ii) be signed by the withdrawing party in the same manner as the ballot being withdrawn; (iii) contain a certification that the withdrawing party owns the Claim(s) and possesses the right to withdraw the vote sought to be withdrawn; and (iv) be received by the Voting Agent in a timely manner *via* regular mail, overnight courier or hand delivery at Haynes and Boone, LLP, 2323 Victory Avenue Suite 700, Dallas, Texas 75219. The Debtor intends to consult with the Voting Agent to determine whether any withdrawals of ballots were received and whether the requisite acceptances of the Plan have been received. As stated above, the Debtor expressly reserves the absolute right to contest the validity of any such withdrawals of ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of ballots which is not received in a timely manner by the Voting Agent will not be effective to withdraw a previously cast ballot.

Any party who has previously submitted to the Voting Agent prior to the Voting Deadline a properly completed ballot may revoke such ballot and change its vote by submitting to the Voting Agent prior to the Voting Deadline a subsequent properly completed ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed ballot is received, only the ballot which bears the latest date will be counted for purposes of determining whether the requisite acceptances have been received.

E. Voting Rights of Disputed Claimants

Holders of Disputed Claims whose Claims are: (i) asserted as wholly unliquidated or wholly contingent in Proofs of Claim filed prior to the Confirmation Date; or (ii) whose Claims are asserted in Proofs of Claim as to which an objection to the entirety of the Claim is pending as of the Confirmation Date (collectively, the “Disputed Claimants”), are not permitted to vote on the Plan except as provided in the Confirmation Order. Disputed Claimants may obtain a ballot for voting on the Plan only by filing a motion under Bankruptcy Rule 3018(a) seeking to have their Claims temporarily Allowed for voting purposes (a “Rule 3018 Motion”) prior to the Confirmation Date. The ballot of any Creditor filing such a motion will not be counted unless temporarily allowed by the Bankruptcy Court for voting purposes, after notice and a hearing. Any party timely filing and serving a Rule 3018 Motion will be provided a ballot and be permitted to cast a provisional vote to accept or reject the Plan. If and to the extent that the Debtor and such party are unable to resolve the issues raised by the Rule 3018 Motion prior to the Voting Deadline established by the Bankruptcy Court, then at the Confirmation Hearing the Bankruptcy Court will determine whether the provisional ballot should be counted as a vote on the Plan. Nothing herein affects the Debtor’s right to object to any Proof of Claim after the Confirmation Date. With respect to any such objection, the Debtor may request that any vote cast by the Holder of the Claim subject to the objection be disallowed and not counted in determining whether the requirements of section 1126(c) of the Bankruptcy Code have been met.

F. Further Information; Additional Copies

If you have any questions or require further information about the voting procedures for voting your Claim or about the package of materials you received, or if you wish to obtain an additional copy of the Plan or this Disclosure Statement, or any exhibits or appendices to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d) or the Solicitation Order), please contact the Voting Agent at:

If by regular mail, overnight mail or hand delivery:

Haynes and Boone, LLP
Attn: Trey Monsour, Esq.
2323 Victory Avenue, Suite 700
Dallas, Texas 75219

If by telephone:

Haynes and Boone, LLP
Trey Monsour, Esq.
(214) 651-5000

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtor believes that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtor urges all Holders of Claims in all Impaired Classes vote to ACCEPT the Plan, and to complete and return their ballots so that they will be RECEIVED on or before April 22, 2013, at 5:00 p.m. (prevailing Central time).

Dated: February 15, 2013
Dallas, Texas

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