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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:)	
)	No. 4:11-bk-15267-EWH
REID PARK PROPERTIES, LLC,)	
)	(Chapter 11)
)	
Debtor.)	DEBTOR'S FIFTH AMENDED
)	DISCLOSURE STATEMENT
)	DATED November 15, 2012
)	FOR ITS FIFTH AMENDED
)	PLAN OF REORGANIZATION
)	DATED November 15, 2012
)	
)	
)	

Reid Park Properties, LLC, an Arizona corporation, (hereinafter "the Debtor"), by and through its counsel undersigned, submits this proposed Fifth Amended and Modified Disclosure Statement attached hereto and by reference incorporated herein (hereinafter "the Disclosure Statement") in connection with the Debtor's Fifth Amended Plan of Reorganization ("Reorganization Plan") attached as Exhibit "A" hereto dated November 15, 2012 (hereinafter "the Plan"). The Disclosure Statement is submitted in compliance with 11 U.S.C. Section 1125 and Bankruptcy Rule 3017. It has not been approved by the Bankruptcy Court and is filed solely to enable the Court and parties in interest to evaluate the adequacy of the information contained herein as required of the Bankruptcy Code. Moreover, the Disclosure Statement refers to information contained herein as required by the Bankruptcy Code. The Disclosure Statement refers to information and facts that the Debtor anticipates will be accurate or will occur on or prior to the date of the hearing to consider the

1 Disclosure Statement. Therefore, certain information and facts contained in the Disclosure Statement
2 may not be completely accurate as of the date hereof. In the event of any inconsistency between this
3 Disclosure Statement and the Plan, the terms and conditions of the Plan will control.

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

11 Information contained in this Disclosure Statement and incorporated into the Plan has been
12 provided to counsel by Michael Hanson, Randal Dix, Kimberly Fiero, controller, and other key
13 personnel including professionals assisting Debtor in its Chapter 11 Reorganization.

14
15 THE FILING AND ANY DISSEMINATION OF THE DISCLOSURE STATEMENT
16 IS NOT A SOLICITATION OF VOTES ACCEPTING OR REJECTING
17 THE PLAN DESCRIBED THEREIN.

18 DATED: November 15, 2012

19
20 LAW OFFICES OF
21 *ERIC SLOCUM SPARKS, P.C.*

22
23 /s/ Sparks #11726
24 Eric Slocum Sparks
25 Attorney for Debtor
26
27
28

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FOR

FOURTH AMENDED DISCLOSURE STATEMENT DATED

November 15, 2012

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EXHIBIT H	Information Regarding New Investor
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In re:)	
REID PARK PROPERTIES, LLC,)	No. 4:11-bk-15267-EWH
)	
Debtor.)	(Chapter 11)
)	DEBTOR'S FIFTH AMENDED
)	AND MODIFIED
)	DISCLOSURE STATEMENT
)	DATED November 15, 2012
)	FOR ITS FIFTH AMENDED
)	PLAN OF REORGANIZATION
)	DATED November 15, 2012

Reid Park Properties, LLC, an Arizona corporation (hereinafter "the Debtor"), through its undersigned attorney, hereby submits its Fifth Amended and Modified Disclosure Statement dated November 15, 2012 for its Fifth Amended Plan of Reorganization dated November 15, 2012 (the "Plan").

SECTION I

Introduction

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

1 allow Debtor to file a plan of reorganization which restructures and modifies the mortgage loan
2 encumbering the major asset of the Debtor, the Doubletree Hotel, and other creditors. Debtor proposes
3 to implement its Plan through an immediate investment of no less than \$3,000,000.00. A portion of
4 these monies, in addition to hotel revenues, will allow Debtor to make improvements and upgrades to
5 the Hotel including some product improvement plan requirements.

6 Court Denies Confirmation of Debtor's Plan of Reorganization

7 The Court entered a memorandum decision on November 7, 2012 and entered a separate order
8 on the same date, denying confirmation of Debtor's Fourth Amended and Modified Plan of
9 Reorganization. The Court set out a number of issues in rendering its Order which are set forth as
10 follows:

- 11 1. Debtor's treatment of creditor Lloyd Construction as a 30% equity interest in the
12 Reorganized Debtor was improper;
- 13 2. Debtor's Plan improperly classified a portion of the claim of E2 Trading;
- 14 3. Debtor's Plan provides significantly more favorable treatment to the investor than to
15 Debtor's creditors;
- 16 4. Debtor's Plan shifts too much risk to lender; and
- 17 5. Debtor's Plan was not fair and equitable.

18 Debtor's Plan Amends

19 In response to Court's memorandum opinion, Debtor and its new money investor HSL
20 Properties have proposed the following amendments to its Plan of Reorganization to satisfy this
21 Court's concerns as set forth above. Debtor's Plan amendments include:

- 22 1. New capital contributions are increased from \$2.1 million to \$3 million;
- 23 2. The Hilton PIP will be completed within two years;
- 24 3. Class 16 Debtor's Unsecured Class in this Plan will be paid \$800,000.00 on the
25 Effective Date of Plan, plus any recovery from preferential transfers and retain a
26 10% interest in Reorganized Debtor;
- 27 4. The new secured debt will be due on sale of the hotel property;

5. Debtor eliminates removal of due on sale clause;
6. Debtor's new Plan proposes to convey 10% of equity in reorganized Debtor to unsecured creditors;
7. If lender does not make the 1111(b) election the balance of its claim will be paid at the end of 10 years from the Effective Date of Plan;
8. If lender makes the 1111(b) election the balance of its claim will be paid at the end of 18 years from the Effective Date of Plan;
9. All Surplus Cash Flow is held until reserves equal \$2,500,000.00. Lender holds plan reserves; and
10. E2 Trading's deficiency claim (like all other under-secured claims) should be treated as an unsecured claim.

Debtor has made other changes as set forth in its new Plan of Reorganization.

Debtor's Chapter 11 Case

On May 26, 2011, Reid Park Properties, LLC, hereinafter Debtor and or Doubletree Hotel, commenced its Chapter 11 Reorganization Case in the United States Bankruptcy Court in Tucson, Arizona. This Case was assigned to the Honorable Eileen W. Hollowell, United States Bankruptcy Judge.

No trustee has been appointed in this Case and Debtor continues to operate and manage the Doubletree Hotel as Debtor and Debtor in Possession pursuant to 11 U.S.C. §§1107 & 1108.

THIS IS THE DISCLOSURE STATEMENT FOR THE PLAN FILED BY THE DEBTOR, WHICH DESCRIBES THE TERMS AND PROVISIONS OF THE PLAN.

[After notice and hearing, this Disclosure Statement was approved by the Bankruptcy Court as containing adequate information and sufficient detail to enable the holders of claims against or interest in the Debtor to make an informed judgment about the merits of approving the Plan.]

The purpose of this Disclosure Statement is to provide holders of claims against or interest in the Debtor with sufficient information about the Debtor and the Plan to enable holders of claims against or interest in the Debtor to make an informed judgment on the merits of the Plan and a

1 decision whether to approve or reject the Plan.

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

7 All terms defined in the Plan will have the same meanings when used in this Disclosure
8 Statement, unless it is expressly stated that a term will have a different meaning when used in this
9 Disclosure Statement. In addition, unless otherwise stated, terms used in this Disclosure Statement
10 will have the same meanings as in the Bankruptcy Code, the Federal Rules of Bankruptcy
11 Procedure, or the Local Rules of Bankruptcy Procedure for the District of Arizona. Further, in the
12 event of any inconsistency between the Plan and the Disclosure Statement, the Plan will control.
13 The exhibits attached to this Disclosure Statement are incorporated into and are a part of this
14 Disclosure Statement.

15 THE **PLAN** ACCOMPANIES THIS DISCLOSURE STATEMENT AS “**EXHIBIT A**”.
16 THE DEFINITIONS CONTAINED IN THE PLAN APPLY TO THIS DISCLOSURE
17 STATEMENT AND EACH RECIPIENT THEREOF IS URGED TO REVIEW THE
18 PROVISIONS OF THE PLAN FULLY PRIOR TO REVIEWING THIS STATEMENT.

19 The Debtor believes the contents of this Disclosure Statement satisfy the requirements
20 adopted by this Court and stated in *In re A.C. Williams Co.*, 25 B.R. 173 (Bankr N.D.Ohio,1982);
21 *In re Cardinal Congregate I*, 121 B.R. 760 (Bankr S.D.Ohio,1982). Those elements are as
22 follows:

- 23 1. The circumstances that gave rise to the filing of the bankruptcy petition;
- 24 2. A complete description of the available assets and their value;
- 25 3. The anticipated future of the Debtor;
- 26 4. The source of the information provided in the Disclosure Statement; and
- 27 5. A disclaimer, which typically indicates that no statements or information concerning

1 the debtor or its assets or securities are authorized, other than those set forth in the disclosure
2 statement;

3 6. The condition and performance of the debtor while in Chapter 11;

4 7. Information regarding claims against the estate;

5 8. A liquidation analysis setting forth the estimated return that creditors would receive
6 under Chapter 7;

7 9. The accounting and valuation methods used to produce the financial information in
8 the disclosure statement;

9 10. Information regarding the future management of the debtor, including the amount of
10 compensation to be paid to any insiders, directors, and/or officers of the debtor;

11 11. A summary of the plan of reorganization;

12 12. An estimate of all administrative expenses, including attorneys fees and accountant's
13 fees;

14 13. The collectibility of any accounts receivable;

15 14. Any financial information, valuations or pro forma projections that would be relevant
16 to creditors' determinations of whether to accept or reject the plan;

17 15. Information relevant to the risks being taken by the creditors and interest holders;

18 16. The actual or projected value that can be obtained from avoidable transfers;

19 17. The existence, likelihood and possible success of non-bankruptcy litigation;

20 18. The tax consequences of the plan; and

21 19. The relationship of the debtor with affiliates.

22 1.2 Debtor's Exclusive Period to Propose its Plan of Reorganization: The exclusive
23 period for Debtor to propose and confirm its Plan of Reorganization has expired. Creditor/Lender
24 WBCMT 2007-C32 South Alvernon Way, LLC has filed its own disclosure statement and plan
25 which will be discussed herein. That Plan primarily lets lender take the hotel and property from
26 Debtor, change management at the hotel, with no provision for local management, decision making
27 or retaining employees at hotel.

1.3 Creditor/Lender WBCMT 2007-C31 South Alvernon Way, LLC has filed a Disclosure Statement for Plan of Reorganization. The Court has set a hearing on December 11, 2012, to approve or disapprove of lender's Disclosure Statement. Debtor will request the Court to set a hearing on Debtor's Fifth amended and modified Disclosure Statement for same date and time and request that both plans be allowed to go to confirmation on same date and time.

1.4 Confirmation Hearing and Voting Instructions: After approval of the Disclosure Statement, the Bankruptcy Court will set a hearing date on confirmation of the Plan. Claimants and interest holders may vote on the Plan by filling out and mailing the accompanying Ballot for Accepting or Rejecting the Plan to:

Eric Slocum Sparks, Esq.
ERIC SLOCUM SPARKS, P.C.
110 South Church Avenue, #2270
Tucson, Arizona 85701

A copy of the Ballot may also be filed with the Bankruptcy Court.

The Bankruptcy Court may confirm only one plan in this case. The plan confirmed in the Bankruptcy Court must meet the requirements of the Bankruptcy Code. Debtor believes its amended Plan is in the best interest of creditors, employee of debtor, and the local community.

CREDITORS ARE URGED TO CAST A BALLOT FOR OR AGAINST DEBTOR'S PLAN OF REORGANIZATION.

1.5 Voting and Confirmation Process: If you are in one of the classes of creditors or investors whose interests are affected by the Plan (see "Summary of the Plan" below), it is important that you vote. If you fail to do so, your rights may be affected.

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

Eric Slocum Sparks, Esq.
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email: eric@ericslocumsparkspc.com
Attorney for Debtor

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

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

SINCE MAIL DELAYS MAY OCCUR, IT IS IMPORTANT THAT THE BALLOT OR BALLOTS BE MAILED OR DELIVERED WELL IN ADVANCE OF THE DATE SPECIFIED. ANY BALLOTS RECEIVED AFTER THAT DATE MAY NOT BE INCLUDED IN ANY CALCULATION TO DETERMINE WHETHER THE CREDITORS AND INTEREST HOLDERS HAVE VOTED TO ACCEPT OR REJECT THE PLAN.

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

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

Whether a creditor or interest holder votes on the Plan or not, or whether the creditor or

1 interest holder votes at all, such party will be bound by the terms and treatment set forth in the Plan
2 if the Plan is accepted by the requisite majorities of creditors and interest holders and is confirmed
3 by the Bankruptcy Court. Allowance of a claim or interest for voting purposes does not necessarily
4 mean that all or a portion of the claim or interest will be allowed or disallowed for distribution
5 purposes.

6 DEFICIENCY CLAIMS

7 The Debtor may, in some circumstances, separately classify the deficiency claims of some
8 secured creditors from the unsecured trade creditors and other creditors, and treat such claims in a
9 different manner. Debtor is of the opinion that case and current bankruptcy law allows, in some
10 cases, such separate classification and different treatment of these and other claims. Debtor believes
11 that such separate classification and different treatment of such claims is proper. See *In re Mason*
12 *Dixon Lines, Inc.*, 63 B.R. 176 (Bankr. M.D. N.C.1986); *In re Ag Consultant Grain Division, Inc.*,
13 77 B.R. 665 (Bankr. N.D. Ind. 1987); *In re ZRM-Oklahoma Partnership*, 156 B.R. 67 (Bankr
14 W.D. Okla. 1993); *In re Wolff*, 22 B.R. 510 (9th Cir. B.A.P. 1982); *In re Johnston*, 21 F.3d 323 (9th
15 Cir.1994). Current decisions make the inclusion of such deficiency claims with other unsecured
16 creditors impermissible. *In re D & W Realty Corporation*, 156 B.R. 140 (Bankr. S.D. N.Y. 1993)
17 Debtor contends that the different treatment is justified due to a number of factors. In some cases,
18 unsecured claims and deficiency claims are not placed in the same class and the Bankruptcy Code
19 may not require equal treatment of different classes. *In re Red Machine Company*, 448 B.R.1
20 (Bankr. D. Ariz. 2011). Some of these considerations are listed below.

- 21 1. The obligation may be a non-recourse obligation and is treated as recourse only as a
22 result of the Bankruptcy Code;
- 23 2. The holder of the claim may have the opportunity to make an election under Section
24 1111(b) while wholly unsecured creditors do not;
- 25 3. Secured creditors may have contracted for a long term obligation as opposed to the
26 obligation contracted for by unsecured trade creditors which is usually of a shorter
27 duration;

- 1 4. Debtor believes that a treatment different than that proposed under the plan would
2 result in higher operating costs for the Debtor by not continuing the use of existing
3 vendors which may affect the debtor's ability to reorganize; and
- 4 5. Because the nature of the secured claim, secured creditors may have a conflict of
5 interest with the remaining unsecured creditors. *See In re Johnston*, 21 F.3d 323 (9th
6 Cir. 1994); *In re Triple R. Holdings, L.P.*, 134 B.R.382 (Bankr. N.D. Cal. 1991); *In*
7 *re Bjolmes Realty Trust*, 134 B.R. 1000 (Bankr. D. Mass. 1991); *In re Creekside*
8 *Landing, Ltd.*, 140 B.R. 713 (Bankr. M.D. Tenn. 1992); *In re U.S. Truck Co., Inc.*,
9 800 F.2d 581 (6th Cir. 1986); *In re Jersey City Medical Center*, 817 F.2d 1055 (3rd
10 Cir. 1987); *Toibb v. Radloff*, 111 S. Ct. 2197 (1991); *Hanson v. First Bank of*
11 *South Dakota*, 828 F.2d 1310 (8th Cir. 1987). *See also, In re Thirtieth Place, Inc.*,
12 30 B.R. 503 (9th Cir. B.A.P. 1983); *In re Victory Construction Co., Inc.*, 37 B.R.
13 222, 228 (9th Cir. B.A.P. 1984); *In re Arnold*, 806 F.2d 937 (9th Cir. 1986); *In re*
14 *Foundry of Barrington Partnership*, 129 B.R. 550 (Bankr. N.D. Ill.1991); *In Re*
15 *Fowler*, 903 F.2d 694 (9th Cir. 1990); *In Re Oaks Partners Ltd.*, 135 B.R. 440
16 (Bankr. N.D. Ga.1991).

17 Debtor believes the Bankruptcy Court will hold a hearing on the confirmation of the Plans
18 and enter an Order of Confirmation with respect to one of the Plans, if that, among other things; all
19 payments to be made by the Debtor in connection with the case or Plan have been disclosed to the
20 Bankruptcy Court; the identity and affiliation of post-confirmation management of the Reorganized
21 Debtor has been fully disclosed; each class of claimants and interest holders has accepted the Plan
22 or is not impaired by the provisions thereof; and, that confirmation is not likely to be followed by
23 the liquidation or need for further financial reorganization of the Reorganized Debtor.

24 In the event that the requisite acceptance of impaired classes of claims and interests are not
25 obtained- the Bankruptcy Court may nevertheless confirm the Plan upon the request of the
26 proponent of the Plan. Pursuant to Section 1129(b) of the Bankruptcy Code, the Court may
27 confirm the Plan over a dissenting creditor or class of creditors, if the Bankruptcy Court finds; that
28

the Plan does not discriminate unfairly; the Plan accords fair and equitable treatment to the class rejecting it; and, there is at least one impaired class that has vote in favor of the Plan. 11 U.S.C. §§1129(b) & 1129(a)(10).

Experts and Witnesses of Debtor

Debtor has retained a number of experts to assist principals of Debtor in this Reorganization, who have already testified before this Court in prior proceedings and will be available to testify at the hearing on Confirmation of this Plan. The following is a list of experts who have been retained by the Debtor and who may testify at Confirmation Hearing:

NAME	PURPOSE
Dennis Winans	Interest Rate Analysis
Steven R. Cole, Southwest Appraisal Associates, Inc.	Property Valuation and Appraisal Report
Eric Slocum Sparks, P.C.	Reorganization Attorneys
Michael J. Hanson and Randal G. Dix	Current Interest Holders in Debtor
Doris Parker, Creative Hospitality Investment Consultants	Feasibility, Management Issues and Related Matters
Humberto Lopez	Capital Contributions and Other Issues
Helinda Lizzaraga	Manager of Doubletree Hotel
Douglas Caron	Cost Analysis for PIP

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

CHAPTER 11 REORGANIZATION

On May 26, 2011 Debtor sought relief through the Chapter 11 Reorganization process. Through this process the Debtor is able to restructure and minimize its liabilities while developing its assets for the benefit of creditors and equity holders. Debtor seeks to confirm this Plan. The effect of Debtor confirming this Plan is to satisfy claims of creditors and to memorialize agreements with various other creditors. Generally, subject to certain exceptions and agreements between Debtor and creditors, the Court's entry of an Order confirming a plan of reorganization

1 “discharges” a Debtor from debts that were incurred prior to the Court confirming the Plan.

2 OVERVIEW OF DEBTOR’S PLAN

3 THE PLAN, WHEN CONFIRMED, CONSISTS OF RESTRUCTURING AND
4 REDUCTION IN MORTGAGE LOANS SECURED BY THE DOUBLETREE HOTEL, ALONG
5 WITH A NEW INVESTOR CAPITAL INFUSION, IN THE AMOUNT OF \$3,000,000.00, TO
6 BE USED TO MAKE IMPROVEMENTS, RENOVATIONS AND UPGRADES TO THE
7 HOTEL, FOR ADMINISTRATIVE EXPENSES AND OPERATING RESERVES, AND TO BE
8 HELD BY THE REORGANIZED DEBTOR IN RESERVE FOR PLAN PAYMENTS, IF
9 NEEDED. SOME OF THE MONIES WILL BE USED FOR COMPLETION OF A PRODUCT
10 IMPROVEMENT PLAN (PIP) REQUIRED BY FRANCHISOR. THE REORGANIZED
11 DEBTOR’S INTEND TO OPERATE THE PROPERTY AS A DOUBLETREE HOTEL.

12 VALUE OF ASSETS AND ACCOUNTING

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

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

9 CLAIMS OF CREDITORS

10 The Debtor and Reorganized Debtor reserves any and all rights with respect to the
11 allowance or disallowance of any and all Claims, including Claims not referenced in the Disclosure
12 Statement or Plan of Reorganization. In voting for or against the Plan, holders of Claims and
13 Equity Interests may not rely on the absence of an objection to their proofs of Claim or Equity
14 Interest as any indication that the Debtor or other parties in interest ultimately may not object to the
15 amount, priority, security, or allowance of their Claims or Equity Interests at a later time.
16 Moreover, the Debtor and Reorganized Debtor reserve, and may prosecute, all objections and
17 counterclaims it may have with respect to Claims and Equity Interests, and further reserve and may
18 prosecute all claims and rights of action of the Debtor and the estate (including rights to affirmative
19 recovery, rights to subordinate claims, and rights to avoid fraudulent transfers.)

20 A claim or Interest is placed in a particular Class only to the extent that the Claim or Interest
21 falls within the description of that Class, and is classified in other Classes to the extent that any
22 portion of the Claim or Interest falls within the description of such other Classes. If a Claim is
23 acquired or transferred, the Claim shall be placed in the Class in which it would have been placed if
24 it were owned by the original holder of such Claim. A Claim is also placed in a particular Class for
25 the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an
26 Allowed Claim in the Class and such Claim has not been paid, released or otherwise settled prior to
27 the Effective Date.

APPRAISALS - VALUATION HEARING

Debtor retained the appraisal firm of Southwest Appraisal Associates, Inc., to conduct an appraisal of Debtor's Hotel. The appraisal was prepared by Steven R. Cole, MAI, SRA and Susanne Grace-Poore, who inspected the Hotel and valued it at \$14,000,000.

WBCMT 2007-C31 South Alvernon Way, LLC ("Senior Lender") retained the services of Hotel Appraisals, LLC d/b/a HVS Global Hospitality Services, who valued the hotel at \$21,500,000.

By Order of this Court dated August 10, 2011, the fair market value of the Hotel was determined to be \$17,000,000.

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

THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY ORDER OF THE BANKRUPTCY COURT, DATED _____, 2012 AS CONTAINING INFORMATION OF A KIND AND IN SUFFICIENT DETAIL TO ENABLE A REASONABLE, HYPOTHETICAL INVESTOR TO MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT, HOWEVER,

1 DOES NOT CONSTITUTE A RECOMMENDATION BY THE BANKRUPTCY
2 COURT EITHER FOR OR AGAINST THE PLAN.

3 IN ORDER TO BE CONSIDERED FOR PURPOSES OF SATISFYING THE
4 BANKRUPTCY CODE REQUIREMENTS, YOUR BALLOT MUST BE RECEIVED AT THE
5 ADDRESS INDICATED ON THE BALLOT NO LATER THAN 5:00 P.M. ON _____, 2013,
6 UNLESS EXTENDED BY THE COURT.

7 A BALLOT ACCOMPANIES THIS DISCLOSURE STATEMENT FOR USE IN
8 VOTING OF THE PLAN.

9 1.6 Debtor's Response to Court's Prior Ruling and Objections of Secured Lender: On
10 October 4, 2011 the Court entered an Order Denying Approval of Debtor's Disclosure Statement.
11 Doc. No.148. The Court requested that the Debtor: 1) provide additional information on the new
12 money infusion anticipated in the Debtor's Plan; and, 2) provide the status of the licensing
13 agreement between the Debtor and Hilton Hotels. The Debtor has addressed these two items in an
14 earlier disclosure statement. Debtor has also included Exhibit H which provides a statement of
15 intention from the new investor. The source of the new monies has been provided to the attorneys
16 for Senior Lender and testimony was taken at the prior Confirmation Hearing.

17 On September 29, 2011, Senior Lender filed an Objection to Debtor's Second Amended
18 Disclosure Statement. Doc. No. 146. Although the Court has not required Debtor to address
19 Senior Lender's objections, Debtor, as a good faith gesture, has attempted to address Senior
20 Lender's concerns. Specifically; 1) Debtor has included additional information about the new
21 investors, *see* Exhibit H and Section 4.2 *infra*; 2) Debtor has included additional information
22 regarding the assumption of the management agreement and some transfers made by Debtor pre-
23 petition, which Senior Lender believes to be preferential, although at this point in its investigation,
24 Debtor does not believe that the transfers were preferential. *See* Section 4.14 *infra*.

25 CONFIRMATION DENIED

26 As stated herein, this Court, on November 7, 2012, denied confirmation of Debtor's prior
27 Plan of Reorganization. Debtor's Plan of Reorganization has been amended to deal with concerns

1 raised by the Court. Debtor believe its Plan of Reorganization can be confirmed by this Court.

2 ALLEGATIONS OF PREFERENTIAL TRANSFERS

3 After Confirmation of Debtor's Plan, Debtor proposes to have the United States Trustee
4 appoint an estate representative to investigate whether any transfers made by Debtor were
5 preferential in nature and allow actions to be taken against any transferee to recover any transfers it
6 believes are preferential. Any recoveries made after payment of fees and costs shall be paid to
7 unsecured creditors and reduce any amounts due.

8 Senior Lender's objection further questioned Debtor's authority to attempt to "preclude
9 other interested parties, such as Senior Lender, from investing in Debtor." *See* Obj. To Debtor's
10 Second Amended Disclosure Stmtnt, at 5, Doc. No. 146. In its Objection, Senior Lender cites no
11 legal authority which would require Debtor to provide an opportunity to interested parties to bid on
12 its equity, nor is Debtor required by the Bankruptcy Code to propose a Plan which allows a bidding
13 process for its equity. Debtor has proposed a Plan which complies with 11 U.S.C. §1123. Debtor
14 believes the absolute priority rule does not apply in Debtor's case as the pre-petition interest holders
15 in Debtor are not receiving or retaining any property on account of an interest in the Debtor and
16 exclusivity has terminated. This Court has found that the absolute priority rule does not apply, and
17 Debtor's Plan satisfies the elements of the new value corollary to this rule, as articulated by the
18 Ninth Circuit in *In re Bonner Mall Partnership*, 2 F.3d 899 (9th Cir. 1993).

19
20 ***SECTION II***

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

22 2.1 Background of Debtor:

23 Property Purchased

24 The Hotel was previously purchased on December 29, 2004 by DNT-Reid Park, LLC, SNT-
25 Reid Park, LLC, YNT-Reid Park, LLC, & American Property Investors, LLC, as tenants in
26 common, for a purchase price of \$19,000,000. The contributory value of the Furnishing, Fixtures
27

1 and Equipment (“FF&E”) as reported on the Affidavit was \$1,450,000.

2 Property Resold

3 Reid Park Properties, LLC (“Debtor”) is a managed limited liability company, formed in
4 January 2007. Transwest Partners holds a 50.9% profit percentage in Debtor. The Debtor was
5 created to hold title to the Doubletree Hotel located at 445 S. Alvernon Way in Tucson, AZ, and its
6 assets. The Hotel was purchased by Debtor in 2007.

7 Title to the Hotel is now vested in Debtor, by virtue of a Warranty Deed recorded on March
8 27, 2007, Docket 13020, Page 5926. The purchase price was \$31,800,000, or \$107,797 per room,
9 based on 287 rooms, pursuant to the Affidavit of Property Value No. 2007-0591118. The
10 contributory value of the FF&E was \$5,000,000, according to the Affidavit. In addition to the
11 \$31,800,000 paid for the property, there was an equity investment of \$4,200,000 in capital
12 improvements made to the property. Debtor obtained a \$30,000,000 first mortgage loan at the
13 purchase date. The loan was guaranteed by Michael J. Hanson.

14 Background of Management Company

15 Transwest Properties, Inc. (“Transwest”) is a real estate development and investment firm
16 located in Tucson, Arizona, providing commercial real estate services with an emphasis on hands-
17 on management skills to create value, improve performance, and maximize profitability in its
18 properties and affiliate-owned assets including resorts, hotels, and multi-family housing in Mexico
19 and throughout the United States. Transwest first became involved in the hospitality business in
20 Tucson in 1997, when it developed a 109-room Hampton Inn & Suites at the intersection of Oracle
21 and Rudasill in Tucson, Since that time Transwest’s hospitality operations have grown substantially.
22 Transwest currently operates the La Posada Lodge & Casitas, the Hampton Inn & Suites Tucson
23 Mall, TownePlace Suites by Marriott, the Doubletree Hotel Tucson at Reid Park, as well as the
24 Peñasco Del Sol Hotel in Puerto Peñasco-Rocky Point, Sonora, Mexico. Transwest is one of the
25 largest hotel operators in Southern Arizona, employing over 1,500 people at its various locations
26 and properties. Its properties, like others in the hospitality industry, have suffered a substantial
27 decline in business due to the recession and other factors unique to the Arizona economy.

1 Transwest will continue to manage Debtor post-confirmation pursuant to a Management
2 Agreement with HSL Properties, Inc., or its designee ("Investor"). The Transwest corporate
3 resume is attached as Exhibit "F."

4 Experience With Foreclosure

5 The Debtor's management has firsthand experience of the results of a foreclosure on a hotel
6 with LNR as special servicer. The Debtor's management company had a related entity which
7 owned an Embassy Suites in Phoenix. The Phoenix Embassy Suites suffered declining revenues and
8 the property declined in value, as did most hotels in Arizona. The owner of the Phoenix hotel could
9 no longer service the debt which exceeded the value of the property after a substantial decline in
10 revenues. The owner of the Phoenix Embassy Suites attempted to negotiate with LNR which was
11 owed \$26,000,000. Owner offered to pay LNR the fair market value of the property (which the
12 owner believed was \$11,500,000) in addition to paying contractors, and property improvements
13 required by the Hilton to retain the Flag after determining the value of the hotel. LNR refused to
14 negotiate, had a receiver appointed and foreclosed on the property. Upon foreclosure, the Embassy
15 Flag was removed by Hilton. Prior to foreclosure, the owner of the Embassy had accumulated
16 approximately \$200,000 in cash which it left at the property for receiver to use to pay ordinary
17 course of business vendors, such as Sysco Foods, for food and other expenses incurred by the
18 Phoenix Embassy Suites. The receiver did not pay vendors who had provided goods and services
19 to the Phoenix Hotel, and the money was never accounted for to the Phoenix hotel's owner, despite
20 multiple requests for information. The Phoenix Embassy Suites was shut down and sold for
21 \$8,500,000, leaving employees and vendors without recourse to recover their claims and hundreds
22 of employees out of work. The Debtor hopes to avoid similar circumstances at the Doubletree, by
23 reorganizing its obligations to creditors. Debtor believes that continued operation of the
24 Doubletree Hotel by the existing management team is critical to its continued success as a major
25 Tucson hotel. Debtor does not believe confirmation of Lendor/Creditor's Plan is in the best interest
26 of creditors or the local community or debtor's employees.

27 2.2 Manager of Debtor: Current management of the Debtor is performed by Transwest.
28

1 Transwest performs both asset and property management services for Debtor. For a brief period,
2 prior to the commencement of Debtor's Reorganization Case, the Debtor used Fortune Consulting
3 and Management, LLC ("Fortune") as an asset manager. As asset manager Fortune challenged the
4 tax assessment on the property and prevailed, resulting in a substantially decreased real estate tax
5 liability of approximately \$300,000 per year. Although the trial period with Fortune resulted in
6 benefits to Debtor, the accounting complications became excessive. Debtor and Transwest agreed
7 that it was preferable to return to the previous system, with Transwest as both property and asset
8 manager.

9 Michael J. Hanson and Randal Dix are the principals of Transwest. Mr. Hanson personally
10 guaranteed the Debtor's loan secured by the Doubletree Hotel. Michael Hanson and his wife filed a
11 Chapter 11 bankruptcy, Case No. 4:11-bk-03553-EWH and whose plan was confirmed. Mr.
12 Hanson believes that confirmation of Mr. Hanson's Chapter 11 Plan and subsequent Plan payments
13 discharged the personal guaranty obligation that Mr. and/or Mrs. Hanson have on the Debtor's
14 mortgage loan.

15 The Hotel is managed by Helinda Lizarraga, the general manager, who has been in
16 management at the Hotel since 2004. Numerous personnel have worked at the Hotel for years.
17 Through the efforts of the general manager, as directed by Transwest, the Hotel has materially
18 outperformed its competition and Debtor expects it to continue to do so.

19 2.3 Location of Debtor's Major Assets: The Doubletree Hotel has been one of the most
20 prominent hotels located close to downtown Tucson, adjacent to one of Tucson's premier parks,
21 Reid Park. Reid Park is commonly referred to as the event center for cultural, educational and civic
22 events in or near downtown Tucson. The Hotel sits on the edge of Reid Park, a 131-acre park that
23 includes lakes, gardens and numerous outdoor civic activities for Tucson and Pima County.
24 Attractions in the park include the Tucson Zoo, Tucson city golf courses, DeMeester Performing
25 Arts Center, and Hi Corbett baseball field. The park is utilized by thousands of people each year
26 and is the site of a major Fourth of July celebration. The hotel has been the center point for many
27 special events, banquets, weddings, and events ranging from federal, state and local legal
28

1 association meetings to Ducks Unlimited's annual fundraising events, to name a few. The hotel is
2 very popular for weddings and banquets. The hotel is located close to the University of Arizona and
3 Park Place Mall. Alvernon Way provides north-south access to the Catalina Foothills and Tucson
4 International Airport.

5 2.4 Properties of the Debtor/Assets of the Estate: The Hotel is a high quality,
6 independently owned and operated facility with a Doubletree franchise identity by Hilton Hotels.
7 The Hotel is located on 12 acres of real property adjacent to Reid Park and was opened for business
8 in November of 1974. Improvements to the 12 acre Doubletree property include a 9-story, 287-
9 room hotel structure with lobby, registration desk, lobby bar, 22,000 square feet of meeting room
10 space, Cactus Rose Steakhouse restaurant, Javelina Cantina bar and restaurant, fitness center,
11 heated pool and spa, three tennis courts, asphalt-paved parking, landscaping and other site
12 improvements. The gross building area is over 263,089 square feet.

13 All guest rooms have high speed internet, coffee pots, hairdryers, irons and ironing boards,
14 and 42" flat screen televisions with cable TV service. The Parlor Suites are two adjoining standard
15 rooms with one bedroom set up as a living room area with a couch, chair and coffee table. The
16 parlor connects to a King bedroom. The casitas are either one or two bedrooms. All of the casitas
17 have a couch, chair, coffee table, dining room table, microwave, and full refrigerator.

18 The Debtor has a number of meeting rooms as follows:

19	Main Ballroom:	9,728 sq. ft. 1,200 capacity	Basswood	372 sq. ft.
20	Junior Ballroom:	3,105 sq. ft. 375 capacity	Cottonwood	942 sq. ft.
21	Board Room	462 sq. ft.	Ironwood	576 sq. ft.
22	Living Room	520 sq. ft.	Redwood	448 sq. ft.
23	Palo Verde Room	594 sq. ft. 125 capacity		235 capacity

24 2.5 Significant Events Prior to the Commencement of the Debtor's Reorganization: The
25 economic recession gradually moved from the sub-prime loan crisis on residential housing, to large
26 unemployment numbers throughout the country. It was accurately predicted that commercial
27
28

1 properties would be the next victims in the declining real estate market. As unemployment
2 increased, along with Arizona' Senate Bill 1070 being passed, a dramatic decline in revenue was
3 and still is being experienced in the lodging industry in Arizona.

4 2.6 Commercial Victims of Recession: The Debtor is one of the many victims of the
5 economic recession. As set forth in the Debtor's appraisal, on file with this Court, hotel values
6 have declined 15% in 2008 and 31% in 2009 nationally. Debtor has suffered a large decline in
7 demand for rooms and services, causing a decline in revenues, reducing its ability to obtain the
8 funds required to operate the business and meet its obligations. Debtor has made good-faith
9 attempts to reduce and compromise its liabilities with secured creditors prior to filing its Chapter
10 11. Debtor's attempts at settlement were rejected by Debtor's largest secured creditor.

11 2.7 Causes of Action: Debtor does not believe it has any causes of action but reserves
12 the right to pursue any causes of action which may arise.

13 2.8 Plan of Reorganization: The Debtor has filed ~~the~~ this amended and modified Plan
14 which will allow it to retain the Hotel and pay creditors more money than creditors would receive
15 from a liquidation of the business and hotel property. Debtor continues to make interest-only
16 payments as set forth in its Plan to the Senior Lender. *See infra* p.52.

17 2.9 Obligations as of Date of Filing: The following is an estimate by the Debtor
18 of the outstanding secured obligations owed by the Debtor as of the date of the Petition.

19 SOME OF THESE SECURED CREDITORS MAY HAVE A PORTION OF THEIR
20 CLAIM TREATED AS A DEFICIENCY CLAIM AND TREATED AS AN UNSECURED
21 CREDITOR.

22

23 Secured Creditor	Type of Encumbrance	Amount Due at Filing	Property
24 WBCMT 2007-C31 25 South Alvernon Way, 26 LLC	Note A - 1 st lien	\$26,346,053.00	455 S. Alvernon Way

27

Arbor Realty Funding, LLC	Note B - 1 st lien	\$3,671,523.00	455 S. Alvernon Way
Ford Motor Credit	Title Lien	\$19,108.00	Ford E350 Truck
TCF Equipment Finance	Security Agreement	\$40,320.77	Ford E150 Cargo Van
TCF Equipment Finance	Security Agreement	\$57,953.11	Ford E350 ShuttleBus
Toyota Motor Credit	Title Lien	\$37,748.00	Toyota Sienna
PNC Equip. Finance	Security Agreement	\$6,400.00	2011 E-Z-Go
PNC Equip. Finance	Security Agreement	\$31,263.36	Bellhop & utility vehicles
EZ Trading, LLC	Security Agreement	\$6,250.00	Restaurant Equipment
Leaf Funding, Inc.	Security Agreement	\$28,000.00	6 Ricoh copy machines

SECTION III *Income Projections of the Property*

A proforma statement of the **Anticipated Income and Expenses (Exhibit “D”)** and a **Schedule of Sources and Uses of Cash (Exhibit “E”)** including payments to secured creditors on the First Lien Debt under the plan are attached hereto.

The Debtor has derived this information on the history of the operations of the Property, as compiled by personnel employed by the Debtor. The property continues to meet or exceed its financial forecasts as set forth in Exhibit D. Debtor’s revised Exhibit E shows a substantial increase in payments to unsecured creditors and reductions in payments to investor.

SECTION IV *Summary of Plan of Reorganization*

THE FOLLOWING IS A BRIEF SUMMARY OF CERTAIN PROVISIONS OF THE PLAN AND SHOULD NOT BE RELIED ON FOR VOTING PURPOSES. THE SUMMARY

1 DOES NOT PURPORT TO BE COMPLETE. CREDITORS AND INTEREST HOLDERS ARE
2 URGED TO READ THE PLAN ATTACHED HERETO AS EXHIBIT "A". CREDITORS AND
3 INTEREST HOLDERS ARE FURTHER URGED TO CONSULT WITH COUNSEL IN ORDER
4 TO UNDERSTAND THE PLAN MORE FULLY.

5 4.1 Summary of Plan: Debtor's Plan is a new value Plan which will require the infusion
6 of monies into the Reorganized Debtor through capital contributions made by a new participating
7 investor. A portion of the new monies will be used to make improvements and repairs to the Hotel,
8 which will in turn allow the Debtor to become more profitable and increase its competitive edge
9 over other properties in the area. After the payment of certain expenses made pursuant to the Plan,
10 Debtor will create a Capital Reserve that will be held by Debtor and used for capital items, and
11 improvements, including PIP improvements or unexpected repairs at the Hotel. Working capital
12 will be maintained by the Debtor. These Reserves will ensure that the Reorganized Debtor is able
13 to meet its obligations in the event of a decrease in revenue.

14 New Capital Contributions

15 The Investor is providing the \$3,000,000.00 new capital and will become 90% interest
16 holder in the Reorganized Debtor. The current owners/principals of the Debtor will not receive or
17 retain any interest in the Reorganized Debtor. The Investor's contribution is due upon the
18 occurrence of the Effective Date of the Plan. Evidence of available contributions will be made
19 available prior to Confirmation of the Plan. The Plan contemplates that all creditors will not be paid
20 the full amount of their allowed claims, however, creditors will be paid more than they would be
21 paid if Debtor's assets were liquidated. The new capital investment, a minimum of \$3,000,000.00,
22 in conjunction with the Hotel's revenues and inherent future appreciation, will provide the funds
23 necessary to pay creditors under the Plan.

24 Information Regarding New Investors, Rate of Return & Subordination

25 Debtor's principals worked extensively to identify suitable potential investors and raise the
26 capital necessary to allow Debtor to emerge from Chapter 11 as a successful Reorganized Debtor.
27 Debtor's principals have other properties in Chapter 11 and have become familiar with the
28

1 refinancing market. Debtor's principals do not believe any commercial bank loan is available for
2 this debtor. Debtor, through its principals, engaged in preliminary discussions and meetings with a
3 number of potential investors. Debtor provided potential investors with information concerning
4 Debtor's recent performance, including but not limited to operating results, information about the
5 Doubletree's rates, occupancy levels and performance as measured by the STR Reports. Debtor
6 has obtained a commitment from HSL Properties, Inc. and its principal, Humberto Lopez, to
7 increase its minimum new capital contribution of \$3,000,000.00 in consideration for its 90%
8 ownership interest in the Reorganized Debtor. Information regarding the Investor's commitment to
9 invest in the Reorganized Debtor is attached hereto as **Exhibit H**. Investors in the Reorganized
10 Debtor will receive a 12% return, paid from Surplus Cash Flow, on the new capital contribution.

11 Hilton Franchise for Doubletree Hotel

12 Debtor has sought to assume the Franchise License Agreement with Doubletree Hotel
13 Systems, a subsidiary of Hilton Hotels Corporation ("Hilton"). The Doubletree brand is one of the
14 upscale brands of Hilton Hotels Corporation. The License Agreement with Hilton is extremely
15 important to the prosperity of the Hotel and success of the Debtor. According to the Agreement
16 the rights and duties thereunder are personal to the Debtor and the License Agreement is based
17 upon the skill, financial capacity and the personal character of the members of the Debtor. If there
18 is a foreclosure, Debtor anticipates that the Hilton will terminate the License Agreement. If the
19 Doubletree Flag is removed, the hotel will most likely be closed, as revenues would be substantially
20 decreased with the loss of the Hilton reservation system. This would result in little or no
21 distribution to creditors, jobs would be lost, and vendors dealing with the hotel would suffer
22 financial harm. Debtor currently employs 123 full time and 55 part time employees to operate the
23 hotel. Debtor's continued ownership and operation of the hotel is critical to its success as the major
24 urban Tucson hotel and as a source of employment for a number of Tucsonans.

25 Assumption of Hilton License Agreement-New Application

26 Debtor is current on all payments to Hilton and has continued to make payments to Hilton
27 pursuant to the cash collateral agreement. Debtor is in good standing with Hilton and believes it

1 will remain in good standing. Hilton has expressed the view that the agreement may only be
2 assumed and assigned with Hilton's consent. To avoid any dispute with Hilton, upon approval of
3 the Disclosure Statement, Investor has requested Hilton's consent to the transfer of ownership to
4 Investor and management of the Hotel by Transwest. Hilton has been paid an application fee, a
5 portion of which is non-refundable. One of the conditions of Hilton's consent is payment of
6 Hilton's fees and expenses, which shall be paid on the Effective Date or as agreed with Hilton.

7 Approval of HSL Properties for Franchise

8 HSL Properties has received approval from Hilton for Franchise for the DoubleTree Hotel.
9 That approval was conditioned and HSL Properties is working with Hilton on new deadlines for a
10 new approval.

11 Property Improvement Plan ("PIP").

12 This requirement is part of the Franchise License Agreement ("FLA") that Debtor has with
13 Hilton. The PIP requires Hilton to inspect the Debtor's property and to provide Debtor with a list
14 of capital improvements Hilton requires to be completed within certain time periods when there is a
15 change of ownership.

16 Hilton has inspected the Hotel and proposed a PIP in connection with any change of
17 ownership of the Hotel. Debtor has been negotiating with Hilton on a PIP that involves both an
18 immediate investment as well as improvements to the Hotel scheduled over a period of years. A
19 copy of the final PIP as negotiated with Hilton is attached as **Exhibit "J"** which describes capital
20 improvements to be made by Debtor and the time periods when capital improvements must be
21 completed.

22 Investor will provide the funds to Debtor to execute the PIP. The funds will be released to
23 Debtor upon satisfaction of the conditions to the Effective Date of the Plan, including Hilton's
24 consent. Upon Confirmation, these funds will be used for the PIP and other needs as outlined in
25 Exhibit E, Sources and Uses of Cash. Exhibit E, Sources and Uses of Cash, is revised to show
26 completion of the PIP within two years.

27 4.2 Segregation of Classes: The Plan further proposes to segregate the creditors and
28

1 interest holders of the Debtor into separate classes. Of these classes, allowed administrative and
2 priority claimants including priority tax claimants, but exclusive of those referenced in 11 U.S.C.
3 Section 507(a)(8) will receive payments of 100% of their respective claims, in cash over time, with
4 a market rate of interest, as set forth in the Plan.

5 Deficiency Claim

6 The first lien on the Hotel is held by one beneficiary to secure repayment of two notes. This
7 Court has ruled that only one note, the A note is secured. Debtor is the maker of a Promissory
8 Note (Note A) dated March 27, 2007 in the principal amount of \$27,500,000 bearing interest at
9 5.719%; and the maker of a Promissory Note (Note B) dated March 27, 2007 in the principal
10 amount of \$3,738,300 bearing interest at 9.35%. Note A and Note B are secured by the lien of one
11 Deed of Trust, Security Agreement and Fixture Filing made by Debtor as trustor. Debtor believes
12 that Note A is owned by LNR Partners/WBCMT 2007-C31 South Alvernon Way, LLC and Note B
13 is owned by Arbor Realty Funding, LLC; and that both Notes are serviced by the same special
14 servicer, and represented by the same counsel. In this Plan, "Senior Lender" means the beneficiary
15 under the Deed of Trust for the benefit of the A Note Holder only.

16 Debtor's Plan Separates Pre-Petition Equity Holders from Post-Confirmation Equity Holders

17 The Debtor's Plan includes one class of equity holders: Class 17 which consists of the pre-
18 petition equity holders. The pre-petition equity holders in Class 17 will not receive or retain any
19 property on account of the pre-petition equity interests in the Reorganized Debtor.

20 Administrative, Employee, and other Priority Claims

21 Generally, all Administrative Claims will be paid in full in cash as stated in the Plan, on the
22 Effective Date or such date as fees and costs are approved by the Court, if required. Employee
23 Priority Claims will receive either payment as outlined in the Plan, or paid time off, depending on
24 their current employment status. Other priority claimants will be paid in accordance with the
25 requirements of the Bankruptcy Code or stipulated agreements with Debtor.

26 4.3 Value of Secured Claims: Under the Plan, the Debtor proposes to allow the secured
27 creditors to retain their liens in the amount equal to the lesser of the value of the property securing
28

1 that lien or the full amount of their claim on the Petition Date. Based upon the Court's valuation,
2 the property securing the first lien claim of the Senior Lender is not fully secured. The Senior
3 Lender has previously elected to have its first position claim treated as fully secured under
4 §1111(b)(2) on August 28, 2011. *See* Section 5.5. The Bankruptcy Code requires the secured
5 lender to make its 1111(b) election by the conclusion of the hearing on the Disclosure Statement.

6 The Reorganized Debtor shall commence payments to all creditors as set forth in the Plan
7 on the Effective Date, or earlier if the Reorganized Debtor and creditors have so provided in a
8 stipulation approved by the Court or unless already being made.

9 ANY STIPULATION ENTERED INTO BETWEEN THE SECURED CREDITOR AND
10 THE DEBTOR SHALL SUPERSEDE ANY TREATMENT OF CREDITORS THAT MAY BE
11 SET FORTH IN THE PLAN.

12 All other previously secured creditors on the Debtor's real property or on the assets
13 securing their obligations will have their respective liens which encumber the property removed
14 and/or reduced and a portion of their claims treated as deficiency claims, paid as set forth in the
15 Plan as Class 14 creditors.

16 4.4 Cash Collateral Litigation & Other Important Post-Petition Events:

17 Use of Cash Collateral

18 Since filing its Chapter 11 petition, Debtor has collaborated with the Senior Lender to allow
19 Debtor to use cash collateral in order to continue to operate its Hotel. Debtor is currently operating
20 pursuant to an Interim Order Authorizing Use of Cash Collateral and Granting Adequate Protection
21 ("Cash Collateral Agreement"), signed by this Court on January 17, 2012 (Doc. No. 201). Debtor
22 continues to make interest-only payments to Senior Lender. In the event that the cash collateral
23 agreement is terminated prior to confirmation, Debtor will seek the Court's assistance in using
24 monies to continue to operate the Hotel and to reorganize its business activities.

25 Debtor and Secured Lender have stipulated to the use of cash collateral to pay management
26 fees to Transwest Properties in the amount of 3% of gross revenue.

27 Utilities

1 Tucson Electric Power, which provides electricity to the Debtor's Hotel, received a bond in
2 the amount of \$38,000 pursuant to this Court's Order Approving Adequate Assurance Bond (Doc.
3 No. 89).

4 Valuation of the Debtor's Hotel and Disclosure Statements

5 Debtor asked this Court to determine the value of the Hotel for the purposes of determining
6 the secured claim held by the Senior Lender. At a valuation hearing this Court found the value of
7 the Hotel to be \$17,000,000. After the valuation hearing, the Senior Lender requested that the
8 Debtor file an Amended Disclosure Statement reflecting the new value. Debtor complied with the
9 Senior Lender's request and filed an Amended Disclosure Statement reflecting the new value. The
10 Debtor also filed additional Amended Disclosure Statements and Plans or Reorganization in
11 response to issues identified by the Senior Lender and the Court.

12 Motions for Relief from Stay

13 Debtor owns a van secured by a lien from Ford. Debtor and Ford stipulated to adequate
14 protection payments in the amount of \$846.37 per month. *See* Stipulation Regarding Adequate
15 Protection and Modification of the Automatic Stay, Doc. No. 139.

16 WBCMT 2007-C31 South Alvernon Way, LLC filed a Motion for Relief from the
17 Automatic Stay on October 20, 2011. (Doc. No. 162). The Motion asserted, among other things,
18 that Senior Lender is entitled to relief from the automatic stay because: 1) Debtor is unable to
19 confirm a Plan as the Plan does not satisfy the elements of 11 U.S.C. §1129; 2) the Plan is not
20 feasible; 3) the Plan violates the absolute priority rule; and, 4) Debtor's Hotel is not necessary to an
21 effective reorganization. Debtor objects to Senior Lender's assertions and believes that the Plan will
22 be confirmed within a reasonable period of time. A hearing on the Disclosure Statement would have
23 been concluded and a Confirmation Hearing set had not Senior Lender requested that Debtor file a
24 new Disclosure Statement. Debtor has opposed Senior Lender's Motion and asks this Court to
25 keep the automatic stay in place.

26 Ongoing Property Improvements

27 Americans with Disabilities Act ("ADA") required improvements have been completed by
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1 Debtor and Debtor has paid over \$300,000 for such improvements.

2 4.5 Description of Assets - Values: The only assets of the Debtor with any real value are
3 the Hotel and personal property at the Hotel. See attached as Exhibit G a schedule of all assets of
4 the estate including personalty.

5 4.6 Anticipated Future of Debtor - Competitive Market: The Debtor intends to
6 restructure its obligations with creditors in order to allow the Reorganized Debtor to be competitive
7 in the Tucson market and to allow Doubletree to remain as the “event hotel” in urban Tucson.
8 Debtor believes that the rate of decline in business in Tucson is slowing and upgrades to the
9 property, as a result of new capital contributions, will allow the Doubletree to be successful in the
10 Tucson market.

11 4.7 Source of Information: The source of information for this Disclosure Statement is
12 the Debtor and principals of the Debtor, including Michael Hanson and Randy Dix, as well as
13 Kimberly Fierro and other key personnel including professionals assisting Debtor in its Chapter 11
14 Reorganization.

15 4.8 Condition and Performance of the Debtor in Chapter 11: The Debtor filed this
16 petition on May 26, 2011 after several years of reduced income as a result of the nationwide
17 economic recession. Since filing this case, the Debtor has been operating profitably pursuant to a
18 cash collateral agreement entered in to with the Senior Lender. In spite of continued reduced
19 revenues, the Debtor’s performance, even in Chapter 11, is superior to that of its competition as
20 measured by the Smith Travel Research Accommodations Report (commonly referred to as “STAR
21 Reports”). STAR Reports are the most reliable and well-known resource for comparable
22 performance data in the hotel industry and are provided by the independent Smith Travel Research
23 firm. The STAR Report compares the occupancy, average daily rate (ADR) and revenue per
24 available room (RevPAR) of the subject hotel against aggregate figures from other properties in the
25 geographic area, price range and pre-selected competitive set. Nearly 30,000 properties across the
26 United States participate in the STAR Report. The “Monthly Performance at a Glance” page from
27 one of the recent STAR Reports for the Doubletree is attached hereto as **Exhibit I**. As reflected in
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1 the STAR Report, the Debtor's Hotel consistently outperforms its competitive set.

2 4.9 Information Regarding Claims Against Estate: The Senior Lender holds the largest
3 claims, debt secured by a Deed of Trust on the Property, at the date of filing. This debt was
4 estimated as of petition date to exceed \$30,000,000. Pursuant to the Court's finding of value of the
5 Hotel at \$17,000,000, the Senior Lender's claim is not fully secured. Senior Lender made the
6 §1111(b) election as to Debtor's prior plan.

7 Other secured creditors totaling approximately \$1,220,000 have liens on assets of the
8 Debtor, including restaurant equipment and vehicles, which may also be partially unsecured.
9 Debtor has a substantial amount of unsecured claims including deficiency claims and other
10 unsecured claims, which will be treated under the Plan. E2 Trading will also have an unsecured
11 deficiency claim which will be treated as part of unsecured creditor class.

12 Senior Lender has filed claims which include prepayment penalties. *See* Claims Register,
13 Claim 15-1, Claim 16-1. The Debtor has filed an objection to the claims amounts and will ask the
14 Court to determine the amount of the allowed claims. Debtor reserves the right to object to any
15 other claims no later than 90 days after the Court's Order confirming Debtor's Plan.

16 4.10 Liquidation Analysis: A liquidation analysis valuing assets of the Debtor in a
17 Chapter 7 is attached as Exhibit "C." This liquidation analysis will include any uncollected accounts
18 receivable, which Debtor believes are negligible.

19 4.11 Future Management of the Property: Transwest will continue to manage the Hotel
20 post confirmation pursuant to a new management agreement with Reorganized Debtor, which will
21 be terminable by Investor based upon Transwest's performance subject to Hilton's consent under
22 the Franchise Agreement. Transwest will charge a 3% management fee for its services.

23 4.12 Non-Bankruptcy Litigation: Debtor anticipates no non-bankruptcy litigation will
24 occur after confirmation of the Plan, but reserves its causes of actions and claims.

25 4.13 Avoidance Actions & Insider Transfers: The Debtor is conducting a preliminary
26 investigation of pre-petition transfers that may potentially be subject to avoidance and recovery,
27 including transfers involving insiders and affiliates. Debtor's investigations are in the preliminary
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1 stages. To date, Debtor has not encountered any transfers of property of this estate which would
2 allow an avoidable transfer action. Senior Lender has argued that the Debtor's prepetition
3 payments to its management company are preferential transfers. *See* Doc. No. 97 & Doc. No. 146.
4 However, the Debtor believes that the payments made by the Debtor to the Debtor's management
5 companies for management services received were ordinary course transfers and not preferential
6 pursuant to 11 U.S.C. §547(c)(2). After confirmation of Debtor's Plan, Debtor will request that the
7 U.S. Trustee appoint an estate representative (the "Estate Representative") to investigate and
8 prosecute such matters for the benefit of unsecured creditors.

9 4.14 Interest Rate: Principals of the Debtor believe that current case law exists in the
10 Ninth Circuit, allowing this Court to establish a market rate of interest for Reorganized Debtor's
11 repayment of its obligations. *See In re Camino Reale Landscape Contractors, Inc.*, 818 F.2d 1503,
12 1509 (9th Cir. 1987), *In re Fowler*, 903 F. 2d 694 (9th Cir. 1990), and *In re Till*, 541 U.S. 465, 478,
13 124 S. Ct. 1951 (2004). Debtor has retained Randall Sanders of Red Oak Management as its
14 expert witness on the interest rate required under 11 U.S.C. §1129(b)(2). The Court has set an
15 interest rate on Lender's secured obligation at 6% in connection with the prior plan.

16 4.15 Funding on the Effective Date: All payments under the Plan which are due on the
17 Effective Date will be funded from the cash on hand or monies from new capital contributions.

18 4.16 Funding After the Effective Date: The funds necessary to ensure continuing
19 performance under the Plan after the Effective Date will, or may be, obtained from: a) any and all
20 remaining cash retained by the Reorganized Debtor after the Effective Date; b) Cash generated from
21 post-Effective Date operations of the Reorganized Debtor; c) the Capital Reserve, Operating
22 Reserve or any other reserve, established by the Debtor or the Reorganized Debtor; d) the proceeds
23 from any sale or refinancing of all or part of the Hotel or other property of the Debtor; and, e) any
24 contributions or financing (if any) which the Reorganized Debtor may obtain from the Investor, on
25 or after the Effective Date.

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SECTION V

Classification and Treatment of Claims and Interests

1. *Claim Amounts:* Because certain claims against the Debtor may be unknown or of undetermined amounts, the amounts of claims specified in this Disclosure Statement reflect only the Debtor's best estimate at this time of the amount due. In addition, the amounts of the claims specified in this Disclosure Statement do not include, for example, claims arising from the rejection of certain executory contracts and other contingent or unliquidated claims arising against the Debtor. Disputed, contingent and/or unliquidated claims may become unsecured claims if such claims are allowed by the Court.

IF YOU DISAGREE WITH DEBTOR'S DESIGNATION OF YOUR CLAIM OR THE AMOUNT OF YOUR CLAIM, YOU ARE ENCOURAGED TO FILE A PROOF OF CLAIM BY THE DATE SET FOR FILING OF CLAIMS, OR DEBTOR'S PLAN WILL DETERMINE THE TYPE OF YOUR CLAIM, ITS VALIDITY AND THE AMOUNT OF YOUR CLAIM.

2. *Effective Date of the Plan:* The "Effective Date" of the Plan is important in determining when performance of many of the Debtor's obligations under the Plan are due. The Effective Date is defined in the Plan as, in the Investor's discretion, the later of (i) the first business day after the Court's order confirming the Plan (the "Confirmation Order") has become final and unappealable; (ii) the first day the Confirmation Order is effective and no stay pending appeal is effective; provided further, the Investor may waive the condition that the Confirmation Order is final and unappealable, and in the event that said condition is timely waived by the Investor, the Plan shall become effective as provided herein notwithstanding the pendency on said date of an appeal or appeals.

3. *11 U.S.C. §1111(b)(2) Election:* WBCMT 2007-C31 South Alvernon Way, LLC is the largest secured (and unsecured) creditor in this Chapter 11 proceeding. It currently has or controls two claims which it may vote for or against the Plan. The Court has set a value of \$17,000,000 on the Hotel which secures Senior Lender's claims.

The Bankruptcy Code provides that a secured creditor may elect to have its entire claim treated

1 as a recourse claim subject to certain exceptions which are not applicable.

2 Other unsecured creditors will not have their unsecured claims affected by Senior Lender's
3 election and will continue to have the full amount of their unsecured claim paid according to the Plan.

4 4. *Classification:* The Plan divides claims against the Debtor into multiple separate classes
5 that the Debtor asserts are in accordance with the Bankruptcy Code. Unless otherwise expressly stated
6 in the Plan, distributions to holders of allowed claims are in full satisfaction of their allowed claims.
7 All claims against the Debtor arising prior to confirmation will be discharged by performance of the
8 Plan on the Effective Date to the extent that such claims are dischargeable under the Bankruptcy Code
9 Section 1141(d). For the purposes of the Plan, claims are classified and treated as follows:

10 5.1 Class 1 - Administrative Claims:

11 A. Classification: Class 1 consists of all claims for the cost of administration of the
12 Debtor's bankruptcy estate. Included in this class are all claims for administrative expenses entitled to
13 priority under Bankruptcy Code §507(A)(2), such as professional fees and costs, as approved by the
14 Bankruptcy Court, of the attorneys, accountants, and other professional persons employed by the
15 Debtor, and all actual and necessary expenses of operating the Debtor's business pursuant to
16 Bankruptcy Code §503(b), including without limitation, all fees charged against the Debtor's business
17 pursuant to Chapter 123 of Title 28, United States Code. Debtor estimates administrative claims will
18 exceed \$50,000 and shall include attorney's fees, and fees and costs of other professionals employed
19 by the Debtor. All United States Trustee fees are currently being paid by the Debtor.

20 B. Bar Date: The deadline for filing applications for approval of Administrative
21 Claims is the first Business Day of the first month occurring more than sixty days after the Confirmation
22 Order becomes a Final Order and includes the deadline for Professionals to submit their final fee
23 applications.

24 C. Impairment: Not impaired.

25 D. Treatment: The Plan provides for the payment in cash, in full, of all Allowed
26 Administrative Claims on the later of the Effective Date or the date upon which such Claims become
27 Allowed Claims, or as otherwise ordered by the Bankruptcy Court. Class 1 claims will be paid from
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assets of the estate, new capital contributions or other sources. The Debtor currently estimates that the Class 1 claims will total over \$50,000 and may include some post-petition administrative expenses. Any post-petition payments may reduce the amount of administrative expenses due on the Effective Date of the Plan unless otherwise provided for.

5.2 Class 2 - Employee Priority Claims:

A. Classification: Class 2 consists of allowed claims arising under Bankruptcy Code Section 507(a)(3) and (4) including claims for accrued vacation, sick days, holidays and wages earned by employees of the Debtor within 90 days before the filing of the bankruptcy petition. Debtor estimates claims in this class of \$158,966.

B. Impairment: Impaired.

C. Treatment: The Plan provides that allowed Class 2 claims shall not be paid cash for their allowed claim but will be entitled to the vacation days, sick days and holidays earned. Employee claimants who no longer work for Debtor will be paid the cash value of their claims 30 days after the Effective Date of the Plan.

5.3 Class 3 - Claims of Governmental Units:

A. Classification: Class 3 claims consist of all allowed claims of the United States Internal Revenue Service ("IRS") and/or State of Arizona, Department of Revenue ("AZDOR") and/or the Department of Economic Security ("DES"), City of Tucson, Pima County or other government agency which are entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code except ad valorem taxes. Debtor estimates tax claims in the amount of \$128,083.32.

B. Impairment: Class 3 is impaired.

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

principal, along with accrued interest, in deferred cash payments over a period not to exceed five years from date of petition. The claim is subject to prepayment at any time without penalty or premium and shall have such other terms as are required by law.

5.4 Class 4 Secured Ad Valorem Real Property Tax Claims - Pima County

A. Classification: Class 4 shall consist of pre-petition allowed ad valorem real property tax claims of Pima County which are secured by liens on real property. The Debtor is unaware of any claims in this class. If there are allowed claims in this class, they will be treated as follows.

B. Impairment: Class 4 is impaired.

C. Treatment: Each holder of a Class 4 allowed claim shall retain its lien having an aggregate principal amount sufficient to satisfy, in accordance with Section 1129 of the Bankruptcy Code, the allowed claim. Such claim shall bear simple interest at the statutory rate of 16% per annum required to be paid as of the Effective Date. Payments shall be made in equal monthly installments of principal, along with accrued interest, in deferred cash payments over a period not to exceed five years from date of filing the petition. The claim is subject to prepayment at any time without penalty or premium and shall have such other terms as are required by law.

5.5 Class 5 Secured Claims of WBCMT 2007-C31 South Alvernon Way, LLC ("Lender" or "Senior Lender") and Arbor Realty Funding, LLC:

A. Classification: This claim consists of the allowed secured claim of Senior Lender and/or Arbor Realty Funding, LLC evidenced by Notes A and B to the extent of the value of the secured creditor's interest in the Debtor's interest in the Property. A proof of claim has been filed for Note A in the amount of \$33,738,642.84. A proof of claim has been filed for Note B in the amount of \$5,521,894.65. The Court has determined that Note A and Note B, which are secured by one deed of trust, may not be classified together, and that Lender may elect §1111(b) as to Note A alone. In order to preserve this issue for appeal, both Notes are classified together. Debtor has filed an objection to the amount of the claims and has asked the Court to determine the allowed amount of secured claims.

B. Impairment: Class 5 is impaired.

1 C. Treatment: IN THE EVENT THE DEBTOR IS ABLE TO REACH A
2 STIPULATION WITH LENDER AS TO ITS TREATMENT, THE TERMS AND CONDITIONS
3 THEREIN WILL SUPERCEDE THE TREATMENT SET FORTH HEREIN. Under §506 of the
4 Bankruptcy Code, a secured creditor has a secured claim to the extent of the creditor's interest in the
5 Debtor's interest in the collateral and an unsecured claim for the balance, if any, unless the creditor
6 makes an §1111(b) election and, if eligible, elects to have its claim treated as fully secured. The
7 allowed amount of the creditor's secured claim will be the lesser of the value of the creditor's interest
8 in the Debtor's interest in the property as determined under §506, or the allowed amount of the
9 creditor's claim. This Court has conducted a valuation hearing on the current market value of the Hotel
10 and has determined the value to be \$17,000,000.

11 Senior Lender will argue that its secured claim is equal to the value of the Hotel plus all
12 accumulated cash. The evidence at the confirmation hearing will demonstrate that Lender did not have
13 a prepetition lien in accumulated cash, and that the post-petition cash must be netted to properly
14 compute the Senior Lender's interest.

15 1. No 1111(b) Election

16 **Allowance.** To the extent that the Senior Lender does not make its Section 1111(b)(2) Election,
17 by the conclusion of the hearing on Debtor's Disclosure Statement, the Class 5 Secured Claim will be
18 Allowed in an amount equal to the amount equal to the creditor's interest in the estate's interest in the
19 collateral, estimated to be \$17,000,000 plus or minus net cash collateral in Debtor's possession as of
20 the Confirmation Date (the "Current Value Amount").

21 **Satisfaction.** To the extent that the Senior Lender does not make a Section 1111(b)(2) Election
22 by the conclusion of the hearing on Debtor's Disclosure Statement, or any other date set by the Court,
23 the Reorganized Debtor will satisfy the Allowed Class 5 Secured Claim as follows:

24 **Delivery of Replacement Note.** On the Effective Date, the Reorganized Debtor will execute
25 and deliver to the Senior Lender a promissory note (the "New Current Value Note") containing the
26 following terms:
27
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1 (i) Principal Balance: \$17,000,000 or such other amount as determined by the Court,
2 i.e. the Current Value Amount.

3 (ii) Payments. Beginning on the first day of the first calendar month which is at least 30
4 days after the Effective Date, the Reorganized Debtor will pay the Senior Lender 36 monthly interest-
5 only payments calculated on the Current Value Amount with interest at a rate of 6% per annum, or
6 such other market rate as the Court deems appropriate (the "Plan Rate").¹ On the 37th month after the
7 Effective Date the Reorganized Debtor will pay the Senior Lender monthly installments equal to interest
8 at the Plan Rate plus principal amortized on a 30 year basis until the 120th month after the Effective
9 Date at which time, except as otherwise modified by the Plan, the entire remaining balance on the New
10 Current Value Note must be paid in full.

11 (iii) Maturity. The New Current Value Note will be fully due and payable 120 months
12 after the date the first payment is due.

13 2. §1111(b) Election

14 **Allowance.** To the extent that the Senior Lender has made or makes a Section 1111(b)(2)
15 Election, the Class 5 Secured Claim will be Allowed in an amount equal to the amount owed under the
16 Notes as of the Petition Date, less any Penalty Claims, and other fees, costs and interest, as determined
17 by the Court, plus or minus net cash collateral in Debtor's possession as of the Confirmation Date, less
18 the aggregate amount of all Adequate Protection payments made since the petition date (the "Allowed
19 1111(b) Claim").

20 **Satisfaction.** To the extent that the Senior Lender has made or makes a Section 1111(b)(2)
21 Election, the Reorganized Debtor will satisfy the Allowed Class 5 Secured Claim as follows:

22 **Delivery of Replacement Note.** On the Effective Date, the Reorganized Debtor will execute
23 and deliver to the Senior Lender a promissory note (the "New 1111(b) Note") containing the following
24 terms:

25 (i) Principal Balance of New 1111(b) Note: The Allowed 1111(b) Claim.
26

27 ¹At the hearing on confirmation of an earlier Plan, the Court set the interest rate at 6%. Doc. No. 323.
28

(ii) Payments. Beginning on the first day of the first calendar month which is at least 30 days after the Effective Date, the Reorganized Debtor will pay the Senior Lender 36 monthly interest-only payments calculated on the Current Value Amount (and not the principal balance of the New 1111(b) Note) with interest calculated at the Plan Rate. On the 37th month after the Effective Date the Reorganized Debtor will pay the Senior Lender monthly installments equal to interest accruing on the Current Value Amount at the Plan Rate plus principal equal to the Current Value Amount, amortized on a 30-year basis until the 216th month (18 years) after the Effective Date (or such earlier date as the Court determines satisfies §1129(b)(2)(A)) at which time, except as otherwise modified by the Plan, the entire remaining balance of the New 1111(b) Note must be paid in full. Notwithstanding any language herein to the contrary, all monthly payments made by Reorganized Debtor to Senior Lender pursuant to the previous two sentences (including all principal and interest amounts) shall be credited against and reduce the principal balance due under the New 1111(b) Note.

(iii) Maturity. Any remaining principal amount due under the New 1111(b) Note will be fully due and payable 216 months after the date the first payment is due (or such earlier date as the Court determines satisfied §1129(b)(2)(A)).

3. General Provisions

Liens; Amended Mortgage Loan Documents. Lender will retain its Liens in the Hotel and Cash Collateral and, to the extent applicable, will be granted liens against the Capital Reserve, Working Capital Reserve, Lender may hold the Operating Accounts, Capital Reserve and Working Capital Reserve accounts. Lender and Investor shall negotiate in good faith regarding the terms of the Replacement Note and related mortgage loan documents (the “Amended Loan Documents”), which shall, to the extent reasonably possible, mirror the terms of the Original Loan Documents; provided, however, that (i) the Reorganized Debtor will not be required to make representations regarding actions of the original Debtor, (ii) representations concerning the Property that pertain to events occurring prior to Plan Confirmation will be made only to the Reorganized Debtor’s knowledge, (iii) terms of the Original Loan Documents, including but not limited to financial covenants, will be modified as

1 reasonably necessary to comply with the terms and requirements of the Plan, and (iv) the terms of the
2 limited recourse guaranty shall be reasonably acceptable to the Lender and Investor ("Amended Loan
3 Document Guidelines"). Any dispute regarding the reasonableness of the Amended Loan Documents
4 shall be resolved by the Court. In this regard, but subject to the above Amended Loan Document
5 Guidelines, and except as provided in this Plan, it is presumed that the following sections of the original
6 Deed of Trust are reasonable: Sections 1.1, 1.2, 1.4 to 1.14, 1.16 to 1.20, 2.1 to 2.15, 2.17 to 2.22,
7 2.24, 2.26 to 2.27, 2.30 to 2.32, 2.34, 3.1 to 3.3, 4.1, 5.1 to 5.7, 6.1 to 6.3, 6.5 to 6.34, and 7.1 to 7.6.
8 On the Effective Date, the Reorganized Debtor and Lender will execute Amended Mortgage Loan
9 Documents negotiated as described above. Among other things, the financial covenants will be revised
10 consistent with the Plan. The Lender's claim may be prepaid in whole or in part without penalty.

11 **Deemed Cure or Waiver of Certain Loan Provisions.** Immediately and automatically
12 upon the occurrence of the Effective Date, the Debtor, and the Reorganized Debtor, will be deemed
13 to have cured, or the Lender will be deemed to have waived:

14 (A) Any payment defaults;

15 (B) Any covenant defaults related to loan to value, debt service coverage, tangible net
16 worth, or liquidity;

17 (C) Any default arising *ipso facto* as a result of the Debtor's filing bankruptcy petitions
18 or as a result of the Hotel becoming an asset in voluntary bankruptcy proceedings or as a result of a
19 guarantor's bankruptcy case; and

20 (D) Any prepayment premium or penalty.

21 5.6 Class 6 - Secured Claim of Ford Motor Credit Company, LLC ("Ford"):

22 A. Classification: Class 6 consists of the allowed secured claim of Ford secured by
23 a lien on the personal property identified as a 2008 Ford E350 truck. This claim is evidenced by a title
24 lien on the personal property. Debtor estimates the amount of this claim as of January 20, 2012 at
25 \$8,161.04. Debtor believes the claim may be fully secured.

26 B. Impairment: Class 6 is impaired.
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1 C. Treatment: Ford's allowed secured claim shall be paid in full 30 days after the
2 Effective Date. Any deficiency claim will be paid in Class 14.

3 5.7 Class 7 - Secured Claim of TCF Equipment Services ("TCF"):

4 A. Classification: Class 7 consists of the allowed secured claim of TCF secured by
5 a lien on the personal property identified as a 2010 Ford E150 cargo van. This claim is evidenced by
6 a security agreement. A proof of claim has been filed in this class in the amount of \$38,345.52.

7 B. Impairment: Class 7 is impaired.

8 C. Treatment: TCF's allowed secured claim shall either be paid on the previously
9 stipulation, or at TCF's election, paid in full 30 days after the Effective Date. Any deficiency claim will
10 be paid in Class 14.

11 5.8 Class 8 - Secured Claim of Toyota Motor Credit ("Toyota"):

12 A. Classification: Class 8 consists of the allowed secured claim of Toyota secured
13 by a lien on the personal property identified as a 2011 Toyota Sienna van. This claim is evidenced by
14 a title lien. Debtor estimates this claim at \$37,748. Debtor believes the current market value of the
15 vehicle is \$27,100. Debtor believes this claim is not fully secured.

16 B. Impairment: Class 8 is impaired.

17 C. Treatment: The Class 8 creditor's secured claim will be paid in full 30 days after
18 the Effective Date. Any deficiency claim will be paid in Class 14.

19 5.9 Class 9 - Secured Claim of PNC Equipment Finance ("PNC"):

20 A. Classification: This claim consists of the allowed claim of PNC secured by a lien
21 on the personal property known as a 2011 E-Z-Go Electric vehicle. This claim is evidenced by a
22 security agreement. Debtor estimates this claim at \$6,400.00.

23 B. Impairment: Class 9 is impaired.

24 C. Treatment: The Class 9 creditor will be paid the amount of its allowed secured
25 claim in full 30 days after the Effective Date. Any deficiency claim will be paid in Class 14.

26 5.10 Class 10 - Secured Claim of PNC:

A. Classification: This claim consists of the allowed claim of PNC secured by a lien on the personal property known as a 2011 E-Z-Go 4 Bellhop utility vehicle; a 2011 E-Z-Go 2 Bellhop utility vehicle; and a 2011 E-Z-Go MPT utility vehicle. This claim is evidenced by a security agreement, UCC and title deed. Debtor estimates this claim at \$31,263.36. Debtor believes the claim may be fully secured.

B. Impairment: Class 10 is impaired.

C. Treatment: The Class 10 creditor will be paid the amount of its allowed secured claim in full 30 days after Effective Date. Any deficiency claim will be paid in Class 14.

5.11 Class 11 - Secured Claim of EZ Trading, LLC (“EZ Trading”):

A. Classification: This claim consists of the allowed claim of EZ Trading for the personal property known as a gas counter unit charbroiler; a gas counter unit griddle, and an equipment stand. This claim is evidenced by a security agreement. Debtor estimates this claim at \$8,455. Debtor believes the claim is not fully secured.

B. Impairment: Class 11 is impaired.

C. Treatment: The Class 11 creditor will be paid the full amount of its allowed secured claim in full 30 days after the Effective Date. Any deficiency claim will be paid as an unsecured Class 14 creditor.

5.12 Class 12 - Secured Claim of Leaf Funding, Inc. (“Leaf Funding”):

A. Classification: This claim consists of the allowed claim of Leaf Funding for the purchased equipment known six Ricoh copy machines. This claim is evidenced by a security agreement and other collateral. Debtor estimates this claim at \$28,000. Debtor believes the value of the collateral is \$17,250. Debtor believes the claim is not fully secured.

B. Impairment: Class 12 is impaired.

C. Treatment: The Class 12 creditor will be paid the full amount of its allowed secured claim 30 days after the Effective Date. Any deficiency claim of the Class 12 creditor shall be treated as a Class 14 unsecured claim.

1 5.13 Class 13 - Secured Claim of TCF:

2 A. Classification: Class 13 consists of the allowed secured claim of TCF secured
3 by a lien on the secured creditor's interest in the Debtor's interest in the personal property identified
4 as a 2011 Ford E350 shuttle bus. This claim is evidenced by a security agreement. A proof of claim has
5 been filed in this class in the amount of \$56,935.86.

6 B. Impairment: Class 13 is impaired.

7 C. Treatment: The allowed secured claim will be paid pursuant to the stipulation
8 of the parties, or at TCF's election, in full 30 days after the Effective Date. Any deficiency claim will
9 be paid in Class 14.

10 5.14 Class 14 - Unsecured Deficiency Claims and Unsecured Claims:

11 A. Classification: Class 14 consists of all other unsecured claims. Debtor estimates
12 claims in this class may exceed \$7,100,000.

13 B. Impairment: Class 14 is impaired.

14 C. Treatment: Each holder of a Class 14 Allowed Claim shall be paid pro rata from:
15 (i) \$800,000.00 on the Effective Date, plus (ii) 10% of the Reorganized Debtor's membership interest,
16 plus (iii) any net distribution by the Estate Representative. Any liens held by the Class 14 creditors shall
17 be null and void and removed as of the Effective Date.

18 5.15 Class 15 - Administrative Convenience Claims:

19 A. Classification: Class 15 consists of unsecured creditors with allowed claims of
20 \$50 or less.

21 B. Impairment: Class 15 is impaired.

22 C. Treatment: Each creditor that elects to have its allowed claims treated in the
23 Class 15 administrative convenience class shall be paid the lesser of: (i) the allowed claim; or, (ii) \$50
24 without interest, within 30 days of the Effective Date.

25 5.16 Class 16 - Interest of Pre-Petition Equity Holders:

26 A. Classification: Class 16 consists of the ownership interests in the Debtor.
27
28

1 B. Impairment: Class 16 is impaired.

2 C. Treatment: The interests of the pre-petition equity holders will be extinguished
3 upon the Effective Date.

4 5.17 New Investors: A substantial capital contribution, estimated at \$3,000,000, will be made
5 to fund the Plan from a new participating investor, Humberto Lopez and/or HSL Properties, Inc. who
6 will then become the 90% interest holder in the Reorganized Debtor. The new Investor shall receive
7 a 12% rate of return on the investment (“Investor Preferred Return”), paid from Surplus Cash Flow.

8 **The payment of this rate of return will continue to be paid ONLY as long as all payments to**
9 **Senior Lender and the other creditors as set forth in the Plan are made.** Debtor will reimburse
10 Investor’s attorney’s fees incurred prior to the Effective Date. So long as the Class 5 Allowed Secured
11 Claim is unpaid, no additional funds may be distributed to owners of Reorganized debtor if the Balance
12 of the Debt Reserve/Operating Reserve/Cap X Reserve is less than \$2,000,000.00.

13 Investor, or an affiliate acceptable to Hilton and Investor, shall guarantee completion of the
14 Franchisor’s Property Improvement Plan (PIP) in form reasonably acceptable to Investor and Hilton.

15 Investor, or an affiliate acceptable to Lender and Investor, shall reasonably agree on a form of
16 “bad boy” guaranty of the Class 5 Allowed Secured Claim.
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19

20 ***SECTION VI***
Post-Confirmation Plan Implementation

21
22 6.1 Capital Reserve Account: The Debtor will open a Capital Reserve Account (“Capital
23 Reserve”). The Debtor will fund \$50,000 into its Capital Reserve immediately after the Effective Date.
24 Beginning the first day of the calendar month that is at least thirty days after the effective date, the
25 Reorganized Debtor will deposit no less than 4% of its gross income into the Capital Reserve on a
26 monthly basis. The Investor will contribute additional funds if and as required for the Hilton PIP. The
27 funds will be held by Debtor and used for operating expenses, and debt service, if needed. The Capital
28

1 Reserve will allow Debtor to have funds for unexpected repairs and/or expenses and will ensure that
2 Debtor is able to meet its obligations in the event of a decrease in revenue.

3 6.2 Working Capital Reserve Account: The Reorganized Debtor will open a segregated
4 Working Capital Reserve with a \$500,000 deposit on the Effective Date. The Reorganized Debtor
5 must also take such steps as are necessary to grant and perfect a lien in favor of the Lender in the
6 Working Capital Reserve Account. The account shall be used and replenished in the Reorganized
7 Debtor's reasonable business judgement for the Reorganized Debtor's working capital needs.

8 6.3 Debt Reserve/Operating Reserve/Cap X Reserve Account: After the working Capital
9 Reserve is replenished to \$500,000.00, all Surplus Cash Flow shall be deposited into the Debt
10 Reserve/Operating Reserve/Cap X Reserve Account, which shall be held by Lender, and used by
11 Reorganized Debtor in its reasonable business judgment upon request for debt service, operating
12 expenses and capital expenditures of the property.

13 6.4 Post-Confirmation Management of the Debtor: Transwest shall continue to manage the
14 Hotel post-confirmation, on market terms, subject to performance and termination criteria established
15 by the Investor. An amended management agreement shall be filed prior to the Confirmation Hearing.

16 6.5 ADA Litigation: In March of 2008, Debtor was named as a defendant in United States
17 District Court in an action brought for violations of the Americans with Disabilities Act. A number of
18 hotels across the country were named in similar actions. Debtor entered into a Stipulation in September
19 of 2009 to make a number of changes to the hotel for ingress and egress and other changes involving
20 parking issues, curbs, ramps, accessible routes to and from hotel entrances, lobby access, public
21 restrooms, accessible guest rooms, meeting rooms, bars and restaurants. Reorganized Debtor has and
22 will continue to comply with the terms of the Stipulation and will continue to complete necessary
23 changes to the Hotel.
24

25
26 ***SECTION VII***
Income Tax Consequences of Reorganization
27
28

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

7 7.1 Disclaimer: *The income tax consequences of the reorganization of the Debtor pursuant*
8 *to the Plan will be different and will depend upon the Debtor's tax situation. Eric Slocum Sparks, P.C.*
9 *is not advising the Debtor regarding the tax consequences of the reorganization of the Debtor and the*
10 *Debtor will consult with its own tax advisor regarding the tax consequences of the reorganization of*
11 *the Debtor according to the Plan.*

12 *ANY CREDITORS AND POTENTIAL PARTICIPATING INVESTORS ARE URGED TO*
13 *CONSULT THEIR OWN ADVISORS AS TO THE OVERALL TAX IMPLICATIONS OF*
14 *PARTICIPATION OR NON-PARTICIPATION UNDER THE PLAN.*

15 7.2 Consummation: For purposes of Local Bankruptcy Rule 2015, and consistent with
16 Bankruptcy Code Section 1001(2), consummation of the Plan shall occur upon the ① funding of the
17 contributions due from participating investors hereunder; and ② commencement of disbursements to
18 Class 1 through Class 15 as provided in the Plan.

20 **SECTION VIII**

21 *Feasibility*

22 As a condition to confirmation of a plan of reorganization, Section 1129(a)(11) of the
23 Bankruptcy Code requires that the confirmation is not likely to be followed by a liquidation or the need
24 for further financial reorganization, except as proposed in such plan. In considering "feasibility" the
25 Bankruptcy Court must determine whether the plan has a reasonable prospect of being accomplished.
26 The purpose of this factor is to "prevent confirmation of visionary schemes which promise creditors
27

1 and equity holders more under a proposed plan that the debtor can possibly attain after confirmation.”
2 *In re Pizza of Haw., Inc.*, 761 F.2d 1374, 1382 (9th Cir. 1985). The feasibility analysis may entail
3 determining the availability of cash for payments required at the effective date, and any other factor
4 which might make it impossible for the reorganized Debtor to accomplish that which it proposes to
5 accomplish in the plan. A Plan will not be confirmed on feasibility grounds if the Court finds that
6 liquidation or further reorganization of the reorganized Debtor is likely to occur after implementation
7 of the plan. 11 U.S.C. §1129(a)(11)

8 As evidence of the feasibility of Debtor’s Plan, Debtor has provided Exhibit D and Exhibit E
9 its Anticipated Income and Expense and the Schedule of Sources and Uses of Cash.

10 THE FINANCIAL PROJECTIONS SET FORTH IN THIS DISCLOSURE STATEMENT
11 REPRESENT A PREDICTION OF FUTURE EVENTS BASED ON CERTAIN ASSUMPTIONS
12 OF THE DEBTOR. ANTICIPATED FUTURE EVENTS MAY OR MAY NOT OCCUR AND THE
13 PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF
14 THE ACTUAL RESULTS WHICH WILL OCCUR. BECAUSE OF THE UNCERTAINTIES
15 INHERENT IN PREDICTIONS OF FUTURE EVENTS, THE ACTUAL RESULTS OF
16 OPERATIONS MAY WELL BE DIFFERENT FROM THOSE PREDICTED AND SUCH
17 DIFFERENCES MAY BE MATERIAL AND ADVERSE.

18 THE FINANCIAL PROJECTIONS ARE INTENDED TO ASSESS THE FUTURE ASSETS,
19 LIABILITIES, INCOME AND CASH FLOW AVAILABLE FOR DEBT SERVICING AND ARE
20 NOT DESIGNED OR INTENDED TO BE USED FOR PURPOSES OF PROJECTING THE
21 FUTURE VALUE OF THE DEBTOR’S INTERESTS OR DEBENTURES ISSUED BY OR ON
22 BEHALF OF THE REORGANIZED DEBTOR.

23 The Debtor has made a variety of assumptions which have been the basis of the Plan. Those
24 assumptions include (1) that the supply of hotels has increased slower than the demand from
25 consumers; (2) that by making renovations and capital improvements to the Doubletree Hotel, the hotel
26 will remain competitive with other hotel properties in the area; and (3) that the hotel market in Arizona
27

1 will begin to improve. These assumptions allow Debtor to make debt service payments as proposed
2 under the Plan. Actual operations of the property confirm these assumptions. Based on the cash flow
3 projections prepared by the Debtor, the Debtor believes that the Plan satisfies the feasibility
4 requirements of the Bankruptcy Code.

5
6 ***SECTION IX***
7 *Liquidation Analysis*

8 The primary asset, indeed, the only significant income-producing asset of the Debtor's estate,
9 is the Doubletree Hotel located in Tucson, Arizona. This property is subject to and encumbered by the
10 asserted liens and security interest held by the major secured creditor of the property.

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

23
24 ***SECTION X***
25 *Acceptance and Confirmation*

26 10.1 What is Necessary for Court Approval of a Plan: Chapter 11 of the Bankruptcy Code
27 permits the readjustment of secured debt, unsecured debt and equity interests. A Chapter 11 plan may
28

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

4 “Cram Down”

5 Even if an impaired class votes against the plan, the Court may confirm the Plan over the dissent
6 of the class. Confirmation of a Plan over a dissenting class is commonly referred to as “Cram Down.”
7 In brief, the Court must find that the proposed plan does not discriminate unfairly and is fair and
8 equitable with respect to the dissenting class of claims and that at least one class of impaired claims has
9 voted to accept the Plan.

11 Fair and Equitable

12 In order for a Plan to be fair and equitable, the Plan must provide that if holders of junior claims
13 receive or retain an interest or property, senior claims must be paid in full or receive deferred cash
14 payments totaling the allowed amount of such claim. 11 U.S.C. §1129(b)(2). Debtor believes that this
15 principle, commonly known as the "absolute priority rule," does not apply in this case, as the equity
16 interest holders of the Debtor are not retaining an interest in the Reorganized Debtor.

17 New Capital Contributions and New Value Corollary

18 In the event that the Court determines the absolute priority rule is applicable, Debtor’s Plan will
19 satisfy this rule through the new value corollary to the absolute priority rule. The 9th Circuit recognized
20 the new value corollary in *In re Bonner Mall Partnership*, 2 F.3d 899 (9th Cir 1993), holding that if the
21 plan satisfied the five requirements it will not violate §1129(b)(2)(B)(ii). *In re Bonner Mall*
22 *Partnership*, 2 F.3d 899, 908-909 (9th Cir 1993). The five requirements are that the contribution must
23 be: “1) new, 2) substantial, 3) money or money’s worth, 4) necessary for a successful reorganization
24 and 5) reasonably equivalent to the value of interest received.”*Id.* at 908 (citing *Case v. Los Angeles*
25 *Lumber*, 308 U.S. 106, 121-122 (1939)).

1 In this case the elements are satisfied. The capital is not a loan to the Debtor rather it is an
2 equity investment made by new investors who will receive an equity interest in the Debtor. The pre-
3 petition equity owners will not retain an interest in the Reorganized Debtor. The contribution will be
4 a minimum of \$3,000,000.00, a significant amount of funds which will provide for the Reorganized
5 Debtor's fresh start. The contribution will be made in funds, which will be made available to the Debtor
6 upon the entry of a final, non-appealable Order confirming the Plan. The funds are necessary for a
7 successful reorganization and are the reasonable equivalent of the value of the equity interest which the
8 new investors will receive. The Debtor believes that in the event the Court determines the absolute
9 priority rule is applicable, the Debtor's Plan complies with the requirements set forth in *In re Bonner*
10 *Mall Partnership*, 2 F.3d 899 (9th Cir 1993).

11 Impairment of Classes

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

15 Elements of 11 U.S.C. § 1129(a)

16 While all requirements of 11 U.S.C. § 1129(a) must be met in order for a plan to be confirmed,
17 the elements which receive the greatest attention include: the requirement of Good Faith 1129(a)(3);
18 the best interests of creditors test 1129(a)(7); and feasibility 1129(a)(11) (discussed above.) Good faith
19 is a common theme which runs throughout the Bankruptcy Code and requires the Debtor to be honest,
20 observe concepts of fair dealing and avoid unconscionable behavior. *See e.g. In re Seasons Partners,*
21 *LLC* 439 B.R. 505, 512 (Bankr. D. Ariz. 2010). The best interests of creditors test, sometimes also
22 called a liquidation test, requires that each dissenting class of claims or interests receive under the plan
23 at least the same or better recovery than they would receive if the Debtor were liquidated. *Id.* at 513;
24 11 U.S.C. § 1129(a)(7). The Court, in considering this factor, need not consider any other alternative
25 to the plan but liquidation.
26
27
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1 In addition to the above requirements, the Court must find that the Plan conforms to the
2 applicable provisions of the Bankruptcy Code. 11 U.S.C. §1129(a)(1). The determination by the Court
3 that a plan meets the requirements of 1129(a) occurs at the confirmation hearing after creditors have
4 voted on the plan.

5 10.2 Alternatives to the Plan: Although this Disclosure Statement is intended to
6 provide information to assist in the formation of a judgment as to whether to vote for or against this
7 proposed Plan, and although creditors are not being offered an opportunity to express an opinion
8 concerning alternatives to the Plan, a brief reminder of the alternative to the Plan is in order. This
9 alternative includes the probable liquidation of the Debtor through conversion of the case to one under
10 Chapter 7. The Debtor believes the Plan to be in the best interests of the creditors and the interest
11 holders. In arriving at this conclusion, the Debtor emphasizes that it has liabilities in excess of the fair
12 market value of its assets. *See* Debtor's schedules; Exhibit C; Exhibit G. Moreover, the principal assets
13 of the Debtor are fully encumbered and the debts which are secured by the Debtor's assets exceed the
14 value of those assets. *Id.* Consequently, the unsecured creditors of the Debtor would likely receive
15 small or no distributions under a Chapter 7 liquidation. THE DEBTOR HAS ATTEMPTED TO SET
16 FORTH THE LIKELY LIQUIDATION ALTERNATIVE TO ITS PROPOSED PLAN. THE
17 DEBTOR MUST CAUTION CREDITORS HOWEVER, THAT A VOTE MUST BE FOR OR
18 AGAINST THE PLAN. THE VOTE ON THE PLAN DOES NOT INCLUDE A VOTE ON THE
19 LIKELY LIQUIDATION ALTERNATIVE TO THE PLAN. THERE IS NO ASSURANCE THAT
20 THE LIKELY LIQUIDATION ALTERNATIVE WILL, IN FACT, FOLLOW IF THE PLAN FAILS
21 ACCEPTANCE. IF YOU BELIEVE THE LIQUIDATION ALTERNATIVE IS PREFERABLE TO
22 THE PLAN AND YOU WISH TO URGE IT UPON THE COURT, YOU SHOULD CONSULT
23 COUNSEL.
24

25 **Lenders's Plan of Reorganization**

26 Servicer Lender's Employees of Debtor
27

1 WBCMT 2007-C31 South Alvernon Way, LLC (“Lender”), acquired the note, deed of trust,
2 guarantee, and other related security documents related to this property from the original lender.
3 Thereafter they have retained counsel and moved to take back this property and other properties from
4 Debtor, change management of this property and others, putting current employees at risk of having
5 salaries, wages reduced, and employment terminated. Most employees will be “requested” to resign,
6 fill out a new employment application and see if they will be “rehired” by the new management
7 company.

8 Thereafter at some time in the future the hotel will be sold and the process for employees will
9 repeat itself.

10 Lender Plan for Creditors

11 If Lender confirms its Plan of Reorganization it will transfer all of Debtor’s assets to a
12 designated Plan transferee and proceed to bring in its management company and deal with employees
13 as described above.

14 Payments to Creditors

15 Lender will utilize the monies debtor was holding in its account on the transfer date to operate
16 the hotel, pay creditors, pay administrative claims allowed by Court, and pay property tax claims at 3%
17 interest amortized over 4 years.

18 Lender proposes to “unimpair” various classes of creditors which Debtor already either had
19 a stipulation as to treatment in its plan with or which creditor voted for Debtor’s Plan of
20 Reorganization.

21 General Unsecured Creditors - Class 10

22 Lender proposes to only pay a 10% distribution in cash to unsecured creditors which lender
23 estimates at approximately \$712,000.00.

24 Lender does not propose to pay any insider claims.

25 Lender has impaired its claims in order to have an accepting voting class for its plan.

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

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

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

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

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

2) the ownership of the Reorganized Debtor will be affected by the Plan. Management of the Reorganized Debtor will remain with Transwest. However, pre-petition equity owners will not retain an equity interest in the Reorganized Debtor. The new Investor, who will provide the new capital contribution and will become the equity owner upon confirmation of the Plan, on terms filed with the Court as a proposed operating agreement.

SECTION XI

Other Provisions of the Plan

11.1 Retention of Jurisdiction: The Bankruptcy Court shall retain exclusive jurisdiction over this case to supervise the Plan, to hear, if applicable law provides, and to determine, among other things, the following matters:

- 1) objections to the allowance of claims or interests except as provided in the Plan;
- 2) applications for payment for fees from the Debtor made by attorneys and other professional pursuant to Sections 330 or 503 of the Bankruptcy Code, or for payment of any other fees or expenses authorized to be paid by the Debtor under Section 327 of the Bankruptcy Code, and any objections thereto;
- 3) pending applications for rejection, the assumption, or assignment as the case may be of unexpired leases and executory contracts;
- 4) motions, applications, adversary proceedings and contested or litigated matters properly before the Bankruptcy Court;
- 5) modifications of the Plan;
- 6) matters relating to the implementation or consummation of the Plan; and
- 7) suits or actions brought for collection or recoupment of debts or other obligations owed by defaulted partners to the Debtor.

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

As indicated above, Reorganized Debtor will request the United States Trustee to appoint an estate representative to investigate, and if necessary, prosecute claims and causes of action against insiders for the benefit of unsecured creditors.

11.3 Appeals: In the event of an appeal of the Confirmation Order or any other kind of review or challenge to the Confirmation Order, and provided that no stay of the effectiveness of the

1 Confirmation Order has been entered, the Bankruptcy Court will retain jurisdiction to implement and
2 enforce the Confirmation Order and the Plan according to their terms, including, but not limited to,
3 jurisdiction to enter such orders regarding the Plan or the performance thereof as may be necessary to
4 effectuate the reorganization of the Debtor.

5 11.4 Retention or Rejection of Executory Contracts and Leases: The Plan provides
6 that pursuant to Section 365 of the Bankruptcy Code, the Debtor assumes all executory contracts and
7 unexpired leases to which they are a party except those specifically rejected prior to Confirmation.

8 11.5 Disputed Claims: No payments or other distributions will be made to holders of
9 Claims unless and until such Claims are Allowed Claims pursuant to a Final Order. If a Claim is not
10 an Allowed Claim as of the Effective Date, or when payment is otherwise due under the Plan, payment
11 on such Claim will commence, in accordance with the treatment provided for under the Plan, if and
12 when such Claim becomes an Allowed Claim pursuant to a Final Order after the Effective Date.

13 11.6 Treatment of Contingent Claims: Until such time as a Contingent Claim or a
14 Contingent portion of an Allowed Claim becomes fixed or absolute or is disallowed, such Claim will
15 be treated as a Disputed Claim for all purposes related to distributions under the Plan. The holder of
16 a Contingent Claim will only be entitled to a distribution under the Plan when and if such Contingent
17 Claim becomes an Allowed Claim.

18 11.7 Amendments to Plan: The Plan may be altered, amended, or modified by the
19 proponents before the Confirmation Date, in the manner provided for by Section 1127 of the
20 Bankruptcy Code or otherwise provided for by law. The Plan may also be altered, amended, or
21 modified by the proponents after the Effective Date in accordance with the Bankruptcy Code and
22 applicable law. A holder of a claim or interest that has accepted or rejected the Plan shall be deemed
23 to have accepted or rejected as the case may be the Plan as modified unless the modification
24 detrimentally affects the holder of such claim or interest without the prior consent thereof.
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1 Modification, waiver or release of the provisions of the Plan as regards any particular creditor
2 or group of creditors may be accomplished by agreement between Reorganized Debtor and such
3 creditor(s) and shall not be deemed a modification of the Plan.

4 11.8 Offer, Issuance and Resale of Plan Securities: The offer and issuance of Plan
5 Securities by any Debtor which constitutes securities under the Securities Act of 1933, as amended (the
6 "1933 Act") or applicable state securities laws have not been registered under the 1933 Act or such
7 state securities laws, pursuant to the exemption therefrom provided by Section 1145 of the Bankruptcy
8 Code.

9 The Plan Securities will bear the following legend:

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

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

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

23 11.9 Provision for Filing Reports and Payments of Fees to the Office of the United
24 States Trustee: The Debtor shall timely file all quarterly reports and post-confirmation reports and shall
25 pay all fees to the United States Trustee as required by law and will incorporate such language into the
26 order confirming the Plan.
27

1 11.10 Effectuating Documents and Further Transactions: The Debtor and the
2 Reorganized Debtor will be authorized under the Plan to execute, deliver, file, or record such contracts,
3 instruments, releases, indentures, and other agreements or documents and take such actions as may be
4 necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, the
5 Plan Documents and any securities issued pursuant to the Plan.

6 11.11 Corporate Action: On the Effective Date, all matters provided for under the Plan
7 or the Bankruptcy Code that would otherwise require approval of the directors, members, managers
8 or partners of the Debtor, including, without limitation, (i) any amendment to the Reorganized Debtor's
9 operating agreement, (ii) the election or appointment, as the case may be, of directors, officers or
10 managers of the Reorganized Debtor, and (iii) the qualification of the Reorganized Debtor to conduct
11 its business from and after the Effective Date, may occur without any requirement of further action by
12 the stockholders, directors, members, managers, or partners of the Debtor.

13 11.12 Revocation or Withdrawal of the Plan: Debtor reserves the right to revoke or
14 withdraw the Plan prior to the Effective Date. If Debtor revokes or withdraw the Plan prior to the
15 Effective Date, then the Plan will be deemed null and void. In such event, nothing contained herein will
16 constitute or be deemed a waiver or release of any Claims or to prejudice in any manner the rights of
17 the Debtor or any Person in any further proceedings involving the Debtor. None of the filing of the
18 Plan, any statement or provision contained herein or therein, or the taking of any action by Debtor with
19 respect to the Plan will be or will be deemed to be an admission or waiver of any rights of the Debtor
20 with respect to the holders of Claims or the Equity Interests prior to the Effective Date or with respect
21 to any matter which is pending before or may come before the Bankruptcy court for determination in
22 the Bankruptcy Case.

23 11.13 Confirmation Order: The Confirmation Order will be deemed to ratify all
24 transactions effected by the Debtor during the period commencing on the Petition Date and ending on
25 the Effective Date, except for any acts constituting willful misconduct, gross negligence, recklessness
26 or fraud.
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1 11.14 Severability: If, prior to the entry of the Confirmation Order, any term or
2 provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the
3 Bankruptcy Court, at the request of the Debtor, will have the power to alter and interpret such term
4 or provision to make it valid or enforceable to the maximum extent practicable, consistent with the
5 original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or
6 provision will then be applicable as altered or interpreted. Notwithstanding any such holding,
7 alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full
8 force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or
9 interpretation. The Confirmation Order will constitute a judicial determination and will provide that
10 each term and provision of the Plan, as it may have been altered or interpreted in accordance with the
11 foregoing, is valid and enforceable pursuant to its terms.

12 11.15 Governing Law: Except to the extent that the Bankruptcy Code or other federal
13 law is applicable, or to the extent an exhibit or schedule to the Plan or in any Plan Supplement provides
14 otherwise, the rights, duties, and obligations arising under the Plan will be governed by, and construed
15 and enforced in accordance with, the laws of the State of Arizona, without giving effect to any contrary
16 result otherwise required under applicable choice or conflict of law rules.

17 11.16 Binding Effect: The Plan will be binding upon and inure to the benefit of the
18 Debtor, the holders of Claims, and their respective successors and assigns, including, without limitation,
19 the Reorganized Debtor.

20 11.17 Exhibits/Schedules: All exhibits and schedules to the Plan, including the Plan
21 Supplement, will be incorporated into and made a part of the Plan as if set forth in full therein.

22 11.18 No Professional Fees or Expenses: No professional fees or expenses will be paid
23 by the Debtor or the Reorganized Debtor with respect to any Claim except as specified in the Plan or
24 as allowed by a Final Order of the Court.
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11.19 Headings. The headings of the articles, paragraphs, and sections of the Plan are inserted for convenience only and will not determine the interpretation of the substantive provisions of the Plan.

SECTION XII
Effect of Confirmation

12.1 Binding Effect: From and after the Confirmation Date, the Plan will be binding and inure to the benefit of the Debtor, all present and former holders of Claims, and their respective assigns, including the Reorganized Debtor.

12.2 Vesting of Assets: Upon the Effective Date, pursuant to Bankruptcy Code §§ 1141(b) and (c), except to the extent such property is not to be retained by the Debtor, all property of the Estate will vest in the Reorganized Debtor free and clear of all claims, liens, encumbrances, charges, and other interests, except as otherwise provided in the Plan (including, without limitation, as provided under Class 5) or in the Confirmation Order. From and after the Effective Date, the Reorganized Debtor may operate its businesses and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending case under any chapter or provision of the Bankruptcy Code, except as provided herein. Without limiting the foregoing, pursuant to Bankruptcy Code §1123(b)(3), except for any Causes of Action expressly waived by the Debtor pursuant to the terms of the Plan, the Reorganized Debtor or Estate Representative as applicable, will retain and will have the exclusive right, in its discretion, to enforce against any and all Causes of Action of the Debtor.

12.3 Discharge of the Debtor and of Claims and Termination of the Equity Interests:
Upon the Effective Date and in consideration of the rights afforded in the Plan and the payments and distributions to be made hereunder, except as otherwise provided herein or in the Confirmation Order, each holder (as well as any trustees and agents on behalf of each holder) of a Claim or the Equity Interests and any affiliate of such holder will be deemed to have forever waived, released, and

1 discharged the Debtor, to the fullest extent permitted by Bankruptcy Code §1141, of and from any
2 and all Claims, the Equity Interests, rights, and liabilities that arose prior to the Effective Date of any
3 kind, nature, or description whatsoever, including any accrued interest who, in exchange for the
4 treatment afforded to such Claims or Equity Interests under the Plan, and each such holder (as well as
5 any trustees and agents on behalf of each such holder) of a Claim or the Equity Interests and any
6 affiliate of such holder will be deemed to have granted, and will grant to the Debtor the waiver, release,
7 and discharge described in this Section. Except as otherwise provided herein, upon the Effective Date,
8 all such holders of Claims and the Equity Interests and their affiliates will be forever precluded and
9 enjoined, pursuant to Bankruptcy Code §§ 105, 524, and 1141, from prosecuting or asserting any such
10 discharged Claim against or terminated Equity Interests in the Debtor or the Reorganized Debtor, or
11 against any of their assets or properties, any other or further Claim or Equity Interests based upon any
12 act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective
13 Date, whether or not such holder has filed a Proof of Claim or Interest.

14 12.4 Liability of Guarantors and Cosigners of Debt Obligations: Pursuant to 11
15 U.S.C. §524(e), discharge of a debt of the Debtor does not affect the liability of any other entity for
16 such debt. However, in this case, Debtor's principal, Michael Hanson, who executed personal
17 guaranties on Debtor's debts, is a debtor in an individual Chapter 11 and will treat any claims made
18 pursuant to the personal guaranties through his plan.

19 12.5 Injunction Against Interference with Plan: Upon the entry of the Confirmation
20 Order, all holders of Claims and the Equity Interests and other parties in interest, along with their
21 respective present or former affiliates, employees, agents, officers, directors, or principals, will be
22 enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

23 12.6 Exculpation and Limitation of Liability: None of the Debtor, the Reorganized
24 Debtor, or the Investor(s), or any of their respective current or former members, partners, officers,
25 directors, employees, managers, advisors, professionals, affiliates, or agents of any of the foregoing
26 (including any attorneys, financial advisors, investment bankers and other professionals retained by such
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1 persons, but solely in their capacities as such) will have or incur any liability to any holder of any Claim
2 for any act or omission in connection with, related to, or arising out of, without limitation, the
3 Reorganization case, the negotiation and execution of the Plan, the Disclosure Statement, the
4 solicitation of votes for and the pursuit of confirmation of the Plan, the consummation of the Plan, or
5 the administration of the Plan or the property to be distributed under the Plan, including, without
6 limitation, the Plan Documents and any other documents ancillary thereto, all decisions, actions,
7 inactions and alleged negligence or misconduct relating thereto and all prepetition activities leading to
8 the promulgation and confirmation of the Plan, except willful misconduct, fraud, knowing
9 misrepresentation or gross negligence as determined by a Final Order of the Bankruptcy Court. The
10 foregoing parties will be entitled to rely upon the advice of counsel with respect to their duties and
11 responsibilities under the Plan. Nothing in this Section will (i) be construed as a release of any entity's
12 fraud, knowing misrepresentation, gross negligence or willful misconduct with respect to matters set
13 forth in this Section or (ii) limit the liability of attorneys for the Debtor or the Reorganized Debtor, to
14 their respective clients pursuant to any applicable Code of Professional Responsibility.

15 12.7 Injunction Related to Releases and Exculpation: The Confirmation Order will
16 permanently enjoin the commencement or prosecution by any Person or entity, whether directly,
17 derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights,
18 Causes of Action or liabilities released pursuant to the Plan.

19 12.8 Termination of Subordination Rights and Settlement of Related Claims:

20 (A) Except as provided in the Plan, the classification and manner of satisfying all Claims
21 and the Equity Interests and the respective distributions and treatments under the Plan, take into
22 account or conform to the relative priority and rights of the Claims and the Equity Interests in each
23 Class in connection with any contractual, legal and equitable subordination rights relating thereto,
24 whether arising under general principles of equitable subordination, Bankruptcy Code §510(b) or
25 otherwise, and any and all such rights are settled, compromised and released pursuant to the Plan. The
26 Confirmation Order will permanently enjoin, effective as of the Effective Date, all Personas from
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1 enforcing or attempting to enforce any such contractual, legal and equitable rights satisfied,
2 compromised and settled pursuant to the Plan.

3 (B) Pursuant to Bankruptcy Rule 9019 and in consideration of the distributions and other
4 benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and
5 settlement of all Claims or controversies relating to the subordination rights that a holder of a Claim
6 or the Equity Interest may have or any distribution to be made pursuant to the Plan on account of such
7 Claim. Entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the
8 Effective Date, of the compromise or settlement of all such Claims or controversies and the Bankruptcy
9 Court's finding that such compromise or settlement is in the best interests of the Debtor, the
10 Reorganized Debtor, their respective properties, and holders of Claims, and is fair, equitable and
11 reasonable.

12 12.9 Release of Liens: Except as otherwise specifically provided in or contemplated
13 by the Plan, or in any contract, instrument or other agreement or document created in connection with
14 the Plan, (a) each holder of: (I) any Secured Tax Claim; (ii) any Claim that is purportedly secured;
15 and/or (iii) any judgment, personal property or ad valorem tax, mechanics' or similar lien Claim, in each
16 case regardless of whether such Claim is an Allowed Claim, will, on or immediately before the Effective
17 Date and regardless of whether such Claim has been scheduled or a Proof of Claim with respect to such
18 Claim has been filed; (x) turn over and release to the Estate or the Reorganized Debtor, as the case may
19 be, any and all property of the Debtor or the Estate that secures or purportedly secures such Claim, or
20 such lien and/or Claim will automatically, and without further action by the Debtor, the Estate, or the
21 Reorganized Debtor, be deemed released; and (y) execute such documents and instruments as the
22 Reorganized Debtor requires to evidence such Claim holder's release of such property or lien, and if
23 such holder refuses to execute appropriate documents or instruments, the Debtor, the Estate, or the
24 Reorganized Debtor (as applicable) may, in its discretion, file a copy of the Confirmation Order in the
25 appropriate recording office, which will serve to release any Claim holder's rights in such property; and
26 (b) on the Effective Date, all right, title and interest in such property will revert or be transferred to the
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1 Reorganized Debtor free and clear of all Claims and interests, including, without limitation liens,
2 escrows, charges, pledges, encumbrances, and/or, security interests of any kind.

3 12.10 Retention of Causes of Action/Reservation of Rights:

4 (A) Except as specifically provided in the Plan, nothing contained in the Plan or the
5 Confirmation Order will be deemed to be a waiver or the relinquishment of any rights, Claims or Causes
6 of Action that the Debtor may have or which the Reorganized Debtor may acquire pursuant to the Plan
7 or applicable law and choose to assert on behalf of the Estate or itself, in accordance with any provision
8 of the Bankruptcy Code or any applicable nonbankruptcy law, including, without limitation, (I) any and
9 all Claims against any Person, to the extent such Person asserts a crossclaim, counterclaim, and/or
10 Claim for setoff which seeks affirmative relief against the Debtor, the Reorganized Debtor, or any of
11 their officers, directors, members, agents or representatives; (ii) the avoidance of any transfer by or
12 obligation of the Estate or the Debtor or the recovery of the value of such transfer; and/or (iii) the
13 turnover of any property of the Estate.

14 (B) Nothing contained in the Plan or the Confirmation Order will be deemed to be a waiver
15 or relinquishment of any Claim, Cause of Action, right of setoff, or other legal or equitable defense that
16 the Debtor had immediately prior to the Petition Date, against or with respect to any Claim left
17 unimpaired by the Plan. Except as provided in Section 4.13 concerning an Estate Representative, the
18 Reorganized Debtor will have, retain, reserve, and be entitled to assert all such Claims, Causes of
19 Action, rights of setoff, or other legal or equitable defenses which the Debtor had immediately prior
20 to the Petition Date as fully as if the Reorganization Case had not been commenced, and all of the
21 Reorganized Debtor's legal and/or equitable rights respecting any Claim left unimpaired by the Plan
22 may be asserted after the Confirmation Date to the same extent as if the Reorganization Case had not
23 been commenced.

24 **SECTION XIII**

25 *Recommendation of the Debtor*

1 The Debtor recommends that the Plan be approved in light of the alternative that only one
2 secured creditor is likely to be paid a significant portion of its claims. The Debtor is of the opinion that
3 the Plan approval is in the best interest of all creditors.

4
5 ***CONCLUSION***

6 The materials provided in this Disclosure Statement are intended to assist you in voting on
7 the Plan in an informed fashion. If the Plan is confirmed, you will be bound by its terms. Therefore,
8 you are urged to review this material in order to make an informed vote on the Plan. The Lender has
9 also filed its Plan of Reorganization which you should review prior to voting on Debtor's Plan. Debtor
10 requests that if you accept both plans, you expect a preference for Debtor's Plan.

11
12 DATED: November 15, 2012

13 LAW OFFICES OF
14 ERIC SLOCUM SPARKS, P.C.

15 /s/ Sparks AZBAR #11726
16 Eric Slocum Sparks
17 Attorney for Debtor

18 COPIES of the foregoing
19 mailed November 15, 2012
20 to:

21 Office of the U.S. Trustee
22 230 N. First Avenue, Suite 204
23 Phoenix, AZ 85003

24 /s/ K. Horak
25
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27
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