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Attorneys for Debtors

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

In re:

TRANSWEST RESORT PROPERTIES, INC.,
an Arizona corporation,

Debtor.

Joint Administration with:

TRANSWEST TUCSON PROPERTY, L.L.C.,
a Delaware limited liability company,

TRANSWEST HILTON HEAD PROPERTY,
L.L.C., a Delaware limited liability company,

TRANSWEST TUCSON II, L.L.C.,
a Delaware limited liability company, and

TRANSWEST HILTON HEAD II, L.L.C.,
a Delaware limited liability company.

This Pleading applies to:

- All Debtors
- Specified Debtors

In Proceedings Under Chapter 11

Case No. 4:10-bk-37134-EWH

Joint Administration with Case Nos.:

4:10-bk-37160-EWH

4:10-bk-37170-EWH

4:10-bk-37151-EWH

4:10-bk-37145-EWH

**DISCLOSURE STATEMENT TO
SECOND AMENDED AND RESTATED
JOINT PLAN OF REORGANIZATION
DATED OCTOBER 4, 2011**

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I.
INTRODUCTION

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TRANSWEST RESORT PROPERTIES, INC., TRANSWEST TUCSON PROPERTY, L.L.C., TRANSWEST HILTON HEAD PROPERTY L.L.C., TRANSWEST TUCSON II, L.L.C., and TRANSWEST HILTON HEAD II, L.L.C. (collectively, the "Debtors"), the debtors and debtors-in-possession in the above-captioned Chapter 11 cases (the "Reorganization Cases"), have prepared this Amended and Restated Disclosure Statement to Amended and Restated Joint Plan of Reorganization Dated October 4, 2011 (the "Disclosure Statement") in connection with that certain Amended and Restated Joint Plan of Reorganization Dated October 4, 2011 (the "Plan") submitted by the Debtors. A copy of the Plan is attached as **Exhibit "A"** to this Disclosure Statement.

II.
INFORMATION ABOUT THIS DISCLOSURE STATEMENT AND PLAN
CONFIRMATION PROCESS

A. Definitions and Plan Supremacy.

All terms defined in the Plan will have the same meanings when used in this Disclosure Statement, unless it is expressly stated that a term will have a different meaning when used in this Disclosure Statement. In addition, unless otherwise stated, terms used in this Disclosure Statement will have the same meanings as in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, or the Local Rules of the Bankruptcy Court. Terms defined in this Disclosure Statement which are also defined in the Plan or the other sources described above, are solely for convenience; the Debtors do not intend to change the definitions of those terms from the Plan or from the otherwise applicable sources. Further, in the event of any inconsistency between the Plan and this Disclosure Statement, the Plan will control. The exhibits attached to this Disclosure Statement are incorporated into and are a part of this Disclosure Statement.

B. Limited Representations.

This Disclosure Statement is submitted in accordance with Bankruptcy Code § 1125 for the purpose of soliciting acceptances of the Plan from holders of certain Claims. This Disclosure Statement has been approved by the Bankruptcy Court as containing information of a kind, and in sufficient detail, which is adequate to enable you to make an informed judgment whether to vote to accept or to reject the Plan.

In determining whether the Plan should be confirmed, the Bankruptcy Court will consider whether the Plan satisfies the requirements of the Bankruptcy Code, including whether it is feasible, and whether it is in the best interests of the holders of Claims. The Bankruptcy Court also will receive and consider a ballot report prepared by the Debtors, concerning the votes for acceptance or rejection of the Plan by parties entitled to vote. Only holders of Allowed Claims that are impaired under the Plan will be allowed to vote to accept or reject the Plan.

THIS DISCLOSURE STATEMENT IS NOT THE PLAN. THIS DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN, WHICH IS ATTACHED HERETO AS **EXHIBIT "A"**, SHOULD BE READ COMPLETELY. FOR THE CONVENIENCE OF CREDITORS, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL SUMMARIES AND OTHER STATEMENTS REGARDING THE PLAN ARE

1 QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF, WHICH IS CONTROLLING IN
 2 THE EVENT OF ANY INCONSISTENCY.

3 The Bankruptcy Court will hold a hearings on confirmation of the Plan on **Monday,**
 4 **November 28, 2011, at 10:00 a.m.**, (the "Confirmation Hearing") and continuing thereafter until
 conclusion of the Confirmation Hearing.¹ The Confirmation Hearing may be adjourned from
 time to time without further written notice.

5 The primary sources of information contained in this Disclosure Statement were the books
 6 and records of the Debtors and their principals and personnel, consisting of Randal Dix, Michael
 7 Hanson and Kimberly Fiero, the management teams for the Westin La Paloma Resort and
 Country Club and Westin Hilton Head Island Resort and Spa, personnel from the Debtors' asset
 8 manager and hospitality consultant Creative Hospitality Investment Consultants, consisting of
 Doris Parker and Ada Young, and the Debtors' financial advisor, Frank Hundley of Hundley &
 9 Company L.L.C. The financial information and projections that were prepared for purposes of
 this Disclosure Statement were developed by the Debtors' asset manager and hospitality
 10 consultant Creative Hospitality Investment Consultants, including Doris Parker, the Debtors'
 financial advisor, Frank Hundley of Hundley & Company L.L.C., and personnel at the Debtors
 11 working with these professionals. As discussed in Section 6.D. of this Disclosure Statement,
 Creative Hospitality Investment Consultants and Hundley & Company L.L.C. have been retained
 12 by the Debtors in connection with the Reorganization Cases and are compensated for their
 services by the estates. Certain materials contained in this Disclosure Statement are taken directly
 13 from other, readily accessible documents or are digests of other documents. While every effort
 has been made to retain the meaning of such documents, you are urged to rely upon the contents
 of such documents only after a thorough review of the documents themselves.

14 NO REPRESENTATIONS OR ASSURANCES CONCERNING THE DEBTORS,
 15 INCLUDING, WITHOUT LIMITATION, THEIR OPERATIONS, THE VALUE OF THEIR
 ASSETS, OR THE FUTURE OPERATIONS OF THE REORGANIZED DEBTORS ARE
 16 AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE
 STATEMENT.

17 THIS IS A SOLICITATION BY THE DEBTORS ONLY AND IT IS NOT A
 18 SOLICITATION BY THE DEBTORS' ATTORNEYS OR ANY OTHER PROFESSIONALS
 EMPLOYED BY THE DEBTORS. THE REPRESENTATIONS MADE HEREIN ARE THOSE
 19 OF THE DEBTORS AND NOT OF THE DEBTORS' ATTORNEYS OR ANY OTHER
 PROFESSIONAL.

20 REASONABLE EFFORTS HAVE BEEN MADE TO ACCURATELY PREPARE ALL
 21 UNAUDITED FINANCIAL STATEMENTS AND/OR PROJECTIONS WHICH MAY BE
 CONTAINED OR SUBMITTED IN CONNECTION WITH THIS DISCLOSURE
 22 STATEMENT FROM THE INFORMATION AVAILABLE TO THE DEBTORS. HOWEVER,
 AS TO ALL SUCH FINANCIAL STATEMENTS AND PROJECTIONS, THE DEBTORS ARE
 23 UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED
 THEREIN IS WITHOUT ERROR.

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¹ The Court has tentatively set aside December 1, 2, 5, 6, and 9, 2011, as continued confirmation hearing
 dates.

1 APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE
2 STATEMENT DOES NOT CONSTITUTE CERTIFICATION BY THE COURT THAT THIS
DISCLOSURE STATEMENT IS WITHOUT INACCURACY.

3 **C. Voting and Confirmation Procedures.**

4 By this Disclosure Statement, the Debtors are soliciting acceptances of the Plan from
5 holders of Claims in Classes entitled to vote on the Plan. After carefully reviewing this
6 Disclosure Statement and the Plan, each holder of a Claim in a Class entitled to vote should do so
7 by completing the enclosed ballot. Ballots accepting or rejecting the Plan must be submitted by
8 the voting deadline described below. The Bankruptcy Court will then conduct a hearing to
9 determine whether or not to approve the Plan.

10 **1. Who May Vote on the Plan.**

11 In accordance with Bankruptcy Code § 1122(a), the Plan classifies Claims into different
12 Classes based on similarities and differences between the legal rights associated with the Claims
13 and provides for how each Class of Claims will be treated. Specifically, the Plan classifies
14 Claims and Equity Interests into the following Classes:

Class	Class Description	Status	Voting Rights
Class 1	Senior Lender Secured Claims	Impaired	Entitled to Vote
Class 2	EZ Trader Secured Claim	Impaired	Entitled to Vote
Class 3	GE Capital Secured Claim	Impaired	Entitled to Vote
Class 4	Convenience Unsecured Claims	Impaired	Entitled to Vote
Class 5	Unsecured Trade Creditor Claims	Impaired	Entitled to Vote
Class 6	General Unsecured Claims	Impaired	Entitled to Vote
Class 7	Mezzanine Lender Claims	Impaired	Entitled to Vote
Class 8	Subordinated Penalty Claims	Impaired (No Distribution)	Deemed to Reject
Class 9	TRP Creditor Claims	Unimpaired	Not Entitled to Vote
Class 10	Equity Interests And Subject Insider Claims	Cancelled	Deemed to Reject

15 The Plan's treatment of a Class will either "impair" the Claims in that Class or leave them
16 "unimpaired." Claims are impaired if the Plan in any way alters the legal, equitable, or
17 contractual rights associated with the Claims. Holders of Claims in Classes which are impaired
18 under the Plan, may vote to either accept or reject the Plan. If you are the holder of such Claim, it
19 is important that you vote.²

20 In order to confirm the Plan, at least one Class of Claims impaired by the Plan must vote
21 to accept the Plan. In order for a Class of Claims to vote to accept the Plan, votes representing at
22 least 66 2/3% of the claims in the Class are required.

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25 ² Holders of Claims which are unimpaired, that is their rights are not altered or will be paid or satisfied in
26 full, are deemed to have accepted the Plan and are not required to vote. See 11 U.S.C. § 1126(f).
Similarly, holders of Claims who will receive nothing under the Plan are deemed to reject the Plan and
also need not vote. See 11 U.S.C. § 1126(g).

1 least two-thirds (2/3) in amount of the Claims in that Class that vote and more than one-half (1/2)
 2 in number of the Claims in that Class that vote must be cast in favor of accepting the Plan. As
 3 more fully described below, the Debtors are seeking acceptances from holders of Allowed Claims
 in the following Classes (reserving the right to supplement as to any other impaired Class(es) of
 Claims, if any):

Class	Class Description	Status	Voting Rights
Class 1	Senior Lender Secured Claims	Impaired	Entitled to Vote
Class 2	EZ Trader Secured Claim	Impaired	Entitled to Vote
Class 3	GE Capital Secured Claim	Impaired	Entitled to Vote
Class 4	Convenience Unsecured Claims	Impaired	Entitled to Vote
Class 5	Unsecured Trade Creditor Claims	Impaired	Entitled to Vote
Class 6	General Unsecured Claims	Impaired	Entitled to Vote
Class 7	Mezzanine Lender's Claims	Impaired	Entitled to Vote

9 The following Classes of Claims and Equity Interests are prohibited by the Bankruptcy
 10 Code from voting on the Plan for the reason indicated:

Class	Class Description	Status	Voting Rights
Class 8	Subordinated Penalty Claims	No Distribution	Deemed to Reject
Class 9	TRP Creditor Claims	Unimpaired	Not Entitled to Vote
Class 10	Equity Interests And Subject Insider Claims	Cancelled	Deemed to Reject

14 The specific treatment of each Class under the Plan is set forth in the Plan and is
 15 summarized in Section 7.E. of this Disclosure Statement.

16 Bankruptcy Code § 1129(b) provides that, if the Plan is rejected by one or more impaired
 17 Classes of Claims, the Plan nevertheless may be confirmed by the Bankruptcy Court, if: (i) the
 18 Bankruptcy Court determines that the Plan does not discriminate unfairly and is fair and equitable
 with respect to the rejecting Class(es) of Claims; and (ii) at least one Class of Impaired Claims
 has voted to accept the Plan.

19 A VOTE FOR ACCEPTANCE OF THE PLAN BY THOSE
 20 HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE IS
 21 MOST IMPORTANT. THE DEBTORS RECOMMEND THAT
 THE HOLDERS OF ALLOWED CLAIMS VOTE IN FAVOR OF
 THE PLAN.

22 Unless otherwise expressly stated, portions of this Disclosure Statement describing the
 23 Debtors have not been subject to a certified audit, but have been prepared from information
 24 compiled by the Debtors from records maintained in the ordinary course of its business. Every
 25 effort has been made to be as accurate as possible in the preparation of this Disclosure Statement.
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III.
OVERVIEW OF THE PLAN

The Plan contemplates a comprehensive restructuring of the Debtors' capital structure by re-sizing and modifying the Mortgage Loan secured by the Resorts and the immediate investment of \$30.0 million of new capital in the Debtors to facilitate the Plan and a multi-year property improvements plan that will devote over approximately \$33 million to refurbishing the Resorts.

IV.
THE DEBTORS

A. Background.

Transwest Resort Properties, Inc., is an Arizona corporation ("TRP") headquartered in Tucson, Arizona, that indirectly owns an interest in two of the debtors, Transwest Tucson Property, L.L.C. and Transwest Hilton Head Property, L.L.C. (collectively the "Operating Debtors"). The Operating Debtors each own and manage a resort hotel: the Westin La Paloma Resort and Country Club in Tucson, Arizona (the "La Paloma Resort" or "La Paloma"), which is owned and managed by Transwest Tucson Property, L.L.C., and the Westin Hilton Head Island Resort and Spa on Hilton Head Island in South Carolina (the "Hilton Head Resort," and collectively with La Paloma, the "Resorts"), which is owned and managed by Transwest Hilton Head Property, L.L.C.

The La Paloma Resort opened in 1986 and consists of a 487 guest room resort hotel and golf club with related facilities and amenities, including a 27 hole golf course and associated clubhouse, full service spa, conference facilities, retail shops, restaurants, and a business center. The Hilton Head Resort opened in 1985 and consists of a 487 room resort hotel with related facilities and amenities, including a full service spa, health club, restaurants, retail spaces, and a business center. The Resorts' hospitality operations employ over 700 people affiliated with Starwood Hotels and Resorts Worldwide, Inc. ("Starwood"), which currently manages the Resorts under the luxury brand Westin flag ("Westin") pursuant to Management Agreements with the Operating Debtors.

TRP and the other Debtors are affiliates of Transwest Partners, a real estate development and investment firm which has been active in the hospitality sector in Southern Arizona and Sonora, Mexico. Transwest Partners provides commercial real estate services focused on creating value, improving performance, and maximizing profitability in a wide portfolio of affiliate-owned assets including resorts, hotels, multi-family housing, and office and retail properties in Mexico and throughout the United States. Transwest Partners first became involved in the hospitality sector in 1997, when it developed a Hampton Inns & Suites at the intersection of Oracle and Rudasill Roads in Tucson, Arizona. Since that time, Transwest Partners' hospitality operations have grown substantially. Presently, Transwest Partners owns and operates the La Posada Lodge & Casitas, the Hampton Inn & Suites Tucson Mall, TownePlace Suites by Marriott, the Embassy Suites at Williams Center, the Doubletree Hotel Tucson at Reid Park and the Peñasco Del Sol Hotel in Puerto Peñasco-Rocky Point, Sonora, Mexico, and is one of the largest hotel operators in Southern Arizona.³

³ Many of these hotels share the capital structure problems faced by the Debtors and have been placed into Chapter 11 to address modifying the capital structures.

1 Transwest Partners formed an affiliate entity, Transwest Resort Properties Holdings Inc.,
 2 for purposes of acquiring TRP and the Resorts in a \$270.0 million leveraged stock purchase
 3 transaction. In connection with the transaction, Transwest Partners contributed \$30.0 million in
 4 cash, and the balance of the purchase price was funded through a loan in the amount of \$209
 5 million (the "Mortgage Loan") that is secured by the Resorts, a \$21.5 million mezzanine loan (the
 6 "Mezzanine Loan") and a \$10.0 million junior mezzanine carry-back loan (the "Junior Mezzanine
 7 Loan," and together with the Mezzanine Loan, the "Mezzanine Loans") from the seller of TRP
 8 and the Resorts. The acquisition and loan transactions closed on December 5, 2007, on the eve of
 9 the recession, with a highly leveraged capital structure that is now no longer justified by the
 10 present or foreseeable future economic performance of the Resorts.

11 **B. Corporate Structure of the Debtors.**

12 The La Paloma Resort is directly owned by Transwest Tucson Property, L.L.C.
 13 ("Transwest Tucson Property"), which is a wholly owned subsidiary of Transwest Tucson II,
 14 L.L.C. ("Transwest Tucson II"). Transwest Tucson II is a wholly owned subsidiary of Transwest
 15 Tucson Holdco, LLC, which in turn is a wholly owned subsidiary of CPHR Mezzco, LLC
 16 ("CPHR Mezzco").

17 The Hilton Head Resort is directly owned by Transwest Hilton Head Property, L.L.C.
 18 ("Transwest Hilton Head Property"), which is a wholly owned subsidiary of Transwest Hilton
 19 Head II, L.L.C. ("Transwest Hilton Head II," and together with Transwest Tucson II, the "Level II
 20 Debtors"). Transwest Hilton Head II is a wholly owned subsidiary of Transwest Hilton Head
 21 Holdco, LLC, which in turn is also a wholly owned subsidiary of CPHR Mezzco. TRP holds the
 22 membership interests in CPHR Mezzco. The current corporate and ownership structure of the
 23 Debtors is further described on the organizational chart that is attached as **Exhibit "B"** to this
 24 Disclosure Statement.

25 **C. Capital Structure of the Debtors.**

26 **1. Mortgage Loan.**

The Operating Debtors are indebted on the Mortgage Loan, which is evidenced by that
 certain Loan Agreement (the "Loan Agreement") between J.P. Morgan Chase Bank and the
 Operating Debtors and two promissory notes in the original principal amount of \$105.0 million
 (the "A-1 Note") and \$104.0 million (the "A-2 Note," and together with the A-1 Note, the
 "Mortgage Notes"), respectively.

The obligations of the Operating Debtors under the Loan Agreement and Mortgage Notes
 are secured by (i) a Deed of Trust, Security Agreement, Assignment of Leases and Rents and
 Fixture Filing and an Assignment of Leases and Rents encumbering the La Paloma Resort that
 were recorded on December 5, 2007, in the Office of the Pima County Recorder at Docket 13195
 and Page 1621 and Docket 13195 and Page 1680 (collectively, the "Arizona Deed of Trust and
 Assignment of Rents"), (ii) a Mortgage, Assignment of Leases and Rents, Security Agreement
 and Fixture Filing and an Assignment of Leases and Rents encumbering the Hilton Head Resort
 that were recorded on December 6, 2007, in the Office of the Register of Deeds for Beaufort
 County, South Carolina, in Book 2658 at Page 2310 and Book 2658 at Page 2338 (collectively,
 the "South Carolina Mortgage and Assignment of Rents"), (iii) UCC Financing Statements filed
 with the Delaware Department of State on December 6, 2007, as initial filing numbers 2007-
 4617360 and 2007-4677547 (collectively, the "Delaware UCC Financing Statements"), (iv) UCC
 Financing Statements filed with the Office of the Register of Deeds for Beaufort County, South

1 Carolina on December 6, 2007, as file number 2007088154 in Book 6 at Page 915 (the "South
2 Carolina UCC Financing Statements") and (v) UCC Financing Statements filed with the Recorder
3 of Pima County, Arizona on December 5, 2007, in Docket 13195 at Page 1717, as to the Tucson
4 Debtor (the "Arizona UCC Financing Statements," and together with the Delaware UCC
5 Financing Statements and South Carolina Financing Statements, the "UCC Financing
6 Statements").

7 The original mortgage lender sold the Mortgage Notes into two separate Commercial
8 Mortgage Backed Securities Trusts. The Operating Debtors believe that, until approximately
9 October 2010, the A-1 Note was owned by Wells Fargo Bank, NA, as trustee for J.P. Morgan
10 Chase Commercial Mortgage Securities Trust 2007-C1 (the "2007-C1 CMBS Trust"), and the
11 A-2 Note was owned by Bank of America, N.A., as trustee for J.P. Morgan Chase Commercial
12 Mortgage Securities Trust 2008-C2 (the "2008-C2 Trust," and together with the 2007-C1 CMBS
13 Trust, the "Mortgage Lenders"). Pursuant to an intercreditor agreement, the trustee for the 2007-
14 C1 CMBS Trust was the beneficiary of the Arizona Deed of Trust and the South Carolina
15 Mortgage, and the collateral agent for both Mortgage Lenders. Neither trustee was active in the
16 administration of the Mortgage Loan. Rather, the Mortgage Loan is administered by a servicer,
17 which is presently LNR Partners, LLC ("LNR"). LNR took over special servicing of the
18 Mortgage Loan from Midland Loan Services ("Midland") on or about June 1, 2010.

19 Shortly before the Petition Date, in October 2010 and November 2010, the Mortgage
20 Loan, including the Loan Agreement, Mortgage Notes, the Arizona Deed of Trust and
21 Assignment of Rents, South Carolina Mortgage and Assignment of Rents and UCC Financing
22 Statements, were assigned to JPMCC 2007-C1 Grasslawn Lodging, LLC (the "Senior Lender").

23 2. Mezzanine Loan.

24 The Level II Debtors are indebted on the Mezzanine Loan, which was extended by
25 Ashford Hospitality Finance, LP ("Ashford Finance") as lender and is evidenced by a promissory
26 note in the original principal amount of \$21.5 million (the "Mezzanine Note"). The Mezzanine
Loan is secured by pledges of the membership interests held by the Level II Debtors in the
Operating Debtors (collectively, the "Pledged Interests"). The Debtors believe that Ashford
Finance transferred and assigned the Mezzanine Loan, the Mezzanine Note and the Pledged
Interests in the Operating Debtors to PIM Ashford Subsidiary I, LLC ("PIM Ashford").

3. Junior Mezzanine Loan.

TRP is indebted on the Junior Mezzanine Loan, which was extended by SGC Hotel DLP,
LP as lender in the original principal amount of \$10.0 million. The Junior Mezzanine Loan is
secured by the equity interest held by TRP in CPHR Mezzco.

D. Financial Performance of the Debtors.

The Debtors generate substantially all of their income from the operation of the Resorts.
In the two years preceding the acquisition of the Resorts, the Resorts had combined net operating
income before debt service of \$17,623,268 in 2006 and \$18,036,950 in 2007. At the time of the
acquisition, Transwest Partners intended to additionally recapitalize the Debtors through a \$110.0
million syndication of stock in TRP that would have allowed Transwest Partners to recover its
equity contribution and generated \$72.0 million for capital improvements to the Resorts.

1 Immediately after closing the acquisition, Transwest Partners began working on the
2 syndication and circulated solicitation materials, and had identified potential investors by May
3 2008. However, the lender holding the Mezzanine Loan refused to permit the dilution of the
4 equity interests in TRP that would have been required as part of the syndication. Moreover, the
recession began to affect the operation of the Resorts, and the weakening performance of the
Resorts meant that Transwest Partners needed to provide capital to the Debtors in order to fund
the monthly interest payments on the Mezzanine Loan and Mortgage Loan.

5 Transwest Partners ultimately provided the Debtors with approximately \$3.6 million in
6 capital for that purpose, but by the end of September 2008, it could no longer afford to provide
7 additional capital to the Debtors to fund debt service payments. In addition, the crash of the
8 financial markets in September 2008, and massive cancellations of corporate business following
highly publicized scandals, led to further losses in business for the Resorts and general and
relatively rapid deterioration in their financial performance.

9 As a result, in 2008 net operating income from the Resorts declined by approximately
10 21.6% to \$14.1 million, and in 2009 net operating income from the Resorts further declined by
11 approximately 59% to \$5.8 million. The financial performance of the Resorts continued to suffer
12 in 2010, in part because of deferred repairs and renovations that have affected the willingness of
13 individuals and groups to patronize the Resorts. The performance of the La Paloma Resort was
14 also negatively affected by the loss of over \$2.0 million of group business as a result of the
15 controversy surround legislation passed in Arizona related to illegal immigration. At the time of
16 the commencement of these cases, the combined net operating income of the Resorts before debt
17 service was forecasted to be approximately \$2.9 million in calendar year 2010.

18 **E. Assets and Liabilities of the Debtors.**

19 **1. Assets.**

20 The combined assets of the Debtors principally consist of the Resorts, income and
21 proceeds derived from operation of the Resorts and related facilities, and personal property assets
22 associated with the Resorts.

23 The Operating Debtors directly own the Resorts and the personal property assets
24 associated with the Resorts. Transwest Tucson Property owns the La Paloma Resort and
25 Transwest Hilton Head Property owns the Hilton Head Resort. Based on recent appraisals
26 commissioned by the Debtors, the Debtors believe that the current fair market value of the La
Paloma Resort, including the associated real property, personal property and enterprise value, is
approximately \$55.0 million, and the current fair market value of the Hilton Head Resort,
including the associated real property, personal property and enterprise value, is approximately
\$33.0 million. As of September 23, 2011, Transwest Tucson Property, or Starwood on behalf of
Transwest Tucson Property, also held approximately \$1.7 million in certain operating accounts
and approximately \$940,000 in certain reserve accounts for property tax and insurance payments,
and Transwest Hilton Head Property, or Starwood on behalf of Transwest Hilton Head Property,
held approximately \$ 3.2 million in certain operating accounts and approximately \$1,000,000 in
certain reserve accounts for property taxes an insurance payments.

The assets of the Level II Debtors and TRP primarily consist of the direct and
indirect equity interests they hold in the Operating Debtors. The Debtors do not believe that the
equity interests are likely to generate material value for the estates. As of September 23, 2011,
the Operating Debtors also held approximately \$490,000 in funds that were generated pursuant to

1 a settlement of certain avoidance actions against the Senior Lender and \$400,000 in a segregated
 2 account for the benefit of the Senior Lender pursuant to an agreement between the Operating
 Debtors and the Senior Lender concerning the use of cash collateral, and TRP separately held
 3 approximately \$36,200 in various accounts.

4 **2. Liabilities.**

5 **a. Schedules.**

6 On December 15, 2010, the Debtors filed their schedules (collectively, the "Schedules"),
 7 which describe the estimated liabilities of the Debtors as of the Petition Date. As set forth in the
 Schedules, the majority of the liabilities of the Debtors arise from the Mortgage Loan and
 8 Mezzanine Loans, with the remaining balance of liabilities primarily relating to trade debts and
 similar obligations incurred by the Operating Debtors in the operation of the Resorts. The
 Schedules indicate that, as of the Petition Date, among other claims (such as certain priority
 9 claims that, with appropriate Bankruptcy Court authorization, were repaid after the Petition Date)
 (i) TRP was subject to approximately \$10.0 million in disputed secured claims arising from the
 10 Junior Mezzanine Loan, (ii) Transwest Tucson II was subject to approximately \$21.5 million in
 disputed secured claims arising from the Mezzanine Loan, (iii) Hilton Head II was subject to
 approximately \$21.5 million in disputed secured claims arising from the Mezzanine Loan, (iv)
 11 Transwest Tucson Property was subject to approximately \$209.4 million in disputed secured
 claims arising from the Mortgage Loan and other secured obligations and approximately \$1.4
 12 million in general unsecured claims and (v) Transwest Hilton Head was subject to approximately
 \$209.0 in disputed secured claims arising from the Mortgage Loan and other secured obligations,
 13 and approximately \$456,000 in general unsecured claims.

14 **b. Claims Bar Date and Proofs of Claim.**

15 On July 29, 2011, the Court entered an order establishing August 29, 2011, as the deadline
 16 by which all creditors must file proofs of claim against the Debtors. To date, over 230 proofs of
 claim have also been filed against the respective Debtors in the Reorganization Cases asserting
 17 Claims exceeding \$763.5 million. The Debtors anticipate that additional proofs of claim may be
 filed against the various Debtors, and have not commenced the process of reviewing or
 reconciling proofs of claim, which will include identifying particular categories of claims that
 18 may be subject to objection and disallowance, reduction and allowance, or reclassification and
 allowance. To avoid potential double or improper recoveries by claimants on account of their
 19 asserted claims, the Debtors intend to analyze the proofs of claim filed in the Reorganization
 Cases and file objections to Claims as appropriate. Based on a preliminary analysis, however, the
 20 Debtors believe that a substantial portion of the total amount of Claims that have been filed assert
 either duplicative claims on behalf of the Senior Lender and PIM Ashford, or contingent
 21 executory contract rejection damages claims on behalf of Starwood. The claims objection and
 reconciliation process may occur following confirmation of the Plan.

22 The Debtors and Reorganized Debtors reserve any and all rights with respect to the
 23 allowance or disallowance of any and all Claims, including Claims not referenced in the
 Disclosure Statement. In voting on the Plan, Holders of Claims and Equity Interests may not rely
 24 on the absence of an objection to their proofs of Claim or Equity Interest as any indication that
 the Debtors or other parties in interest ultimately will not object to the amount, priority, security,
 25 or allowance of their Claims or Equity Interests. Moreover, the Debtors and Reorganized Debtors
 reserve, and intend to prosecute, all objections and counterclaims they may have with respect to
 26 Claims and Equity Interests, and further reserve and intend to prosecute all claims and rights of

1 action of the Debtors and the estates (including rights to affirmative recovery, rights to
 2 subordinate claims, and rights to avoid transfers).

3 **V.**
 4 **SIGNIFICANT EVENTS LEADING UP TO THE REORGANIZATION CASES**

5 **A. Mortgage Loan and Mezzanine Loan Defaults.**

6 Although the Debtors generated and continue to generate sufficient cash flow to cover
 7 their operations, as a result of their drastically reduced income, the Debtors could not fully satisfy
 8 their existing debt service obligations with respect to either the Mortgage Loan, which required
 9 annual debt service payments totaling approximately \$14.3 million in aggregate amount, or the
 10 Mezzanine Loan, which required annual debt service payments totaling approximately \$3.0
 11 million in aggregate amount. Consequently, the Debtors defaulted on the Mortgage Loan and
 12 Mezzanine Loan by failing to make interest payments that were due on October 1, 2008.

13 On November 4, 2008, counsel for Midland (then the servicer of the Mortgage Loan) and
 14 the Mortgage Lenders sent a notice of default to the Operating Debtors. Thereafter, the Debtors
 15 engaged in discussions with Midland and the Mezzanine Lenders that resulted in a series of pre-
 16 negotiation letter agreements, forbearance agreements and cure extensions between the Debtors,
 17 Mortgage Lenders and Mezzanine Lenders. The Debtors also eventually entered into an informal
 18 arrangement with Midland pursuant to which the net operating income of the Resorts was paid to
 19 the Mortgage Lenders. Under this informal arrangement, the Debtors transferred over \$14
 20 million in net operating income generated by the Resorts to an account controlled by the
 21 Mortgage Lenders between November 2008 and the Petition Date.

22 **B. Retention of Asset Manager.**

23 To bolster confidence in Midland, the Mortgage Lenders and Mezzanine Lenders that the
 24 Resorts were properly operated by the Debtors and Starwood, the Operating Debtors further
 25 retained an independent third party expert, Creative Hospitality Investment Consultants
 26 ("CHIC"), and 30-year hospitality veteran Doris Parker, to serve as asset manager. The primary
 role of the asset manager was to supervise Starwood in its operation of the Resorts and to interact
 and negotiate with Midland regarding budgets and operational restructuring issues. Although the
 Debtors were satisfied with CHIC's performance, Midland requested that the Operating Debtors
 replace CHIC with a lower cost asset management service. Midland provided Transwest Partners
 with a list of three alternative asset managers, but made clear that it preferred Manhattan
 Hospitality Advisers ("MHA"). Based on this preference, the Operating Debtors retained MHA
 to fulfill the role as asset manager and replaced CHIC on February 4, 2011.

27 **C. Disputes with MHA and Midland.**

28 After retaining MHA, the Debtors noticed that the relationship between the Starwood
 29 management teams at the Resorts and MHA rapidly deteriorated. The Debtors also noticed that,
 30 although MHA had been retained by the Operating Debtors, MHA regularly communicated
 directly with Midland without the involvement of the Debtors' management team. Moreover, the
 Debtors believed that MHA was managing the Resorts in a manner intended to generate
 maximum cash flow to Midland, rather than preserving or enhancing the value of the Resorts as a
 going concern and improving and rehabilitating the overall performance of the Resorts. Among
 other things, the Debtors noticed that MHA would defer routine repairs and maintenance on the
 Resorts, including addressing matters such as leaking roofs and the replacement of damaged

1 furniture. By the spring of 2010, the Debtors believe that deferred routine repairs and
2 maintenance had accumulated to such a degree that it detracted from guest experiences, which
3 adversely affected reviews of the Resorts and the ability of the Resorts to attract patrons and
4 business meetings.

5 In the spring of 2010, Midland also began threatening to commence a receivership action
6 in federal court and have a receiver appointed to liquidate the Resorts. Given the circumstances,
7 the Debtors believed that MHA was seeking to position itself to be appointed as the receiver
8 rather than supervising Starwood's management of the Resorts in a manner that would maximize
9 their performance and value. The disputes between the Debtors and MHA culminated in MHA's
10 refusal to recommend updating the Resorts with new flat screen LCD televisions, which the
11 Debtors viewed as inappropriate because Starwood documented over \$9.0 million in lost group
12 business directly attributable to the failure to update the guestrooms with modern televisions, and
13 the Resorts were the last two Westin resorts in North America that had not renovated the
14 guestrooms in this manner.

15 In light of these events, the Operating Debtors terminated the contract with MHA, and
16 Transwest Partners began to serve as asset manager without any compensation for the service. In
17 addition, the Debtors retained bankruptcy and restructuring counsel and an investment banking
18 firm, Valtus Capital Group, to assist the Debtors in their discussions with Midland and the
19 Mortgage Lenders and Mezzanine Lenders. With the assistance of their advisors, the Debtors
20 made a series of restructuring proposals to Midland, each of which involved Transwest Partners
21 infusing millions of dollars in new capital investments in the Operating Debtors, in an effort to
22 reach a consensual resolution and avoid a potential receivership, foreclosure or bankruptcy
23 proceeding.

24 **D. Appointment of LNR as Special Servicer of Mortgage Loan.**

25 On June 1, 2010, just as the Debtors were starting to make progress with Midland, LNR
26 replaced Midland as special servicer of the Mortgage Loan. Eager to negotiate the terms of a
consensual restructuring, the Debtors signed a new pre-negotiation letter with LNR and sought to
continue the discussions. Although LNR initially showed some nominal interest in the
negotiation process, it ultimately proved non-responsive to any of the overtures from the Debtors
regarding a restructuring of the Mortgage Loans, which prevented the Debtors from proceeding
with their efforts to reach a consensual resolution.

Even though the Debtors had received encouraging expressions of interest from several
investment groups that were willing to invest new capital in the Resorts with Transwest Partners
if the Mortgage Loan and the Debtors' capital structure could be restructured, the Debtors were
unable to advance any of these negotiations because of a total lack of participation by LNR in the
process. Indeed, without any involvement by LNR or the Mortgage Lenders in discussions
regarding a potential restructuring of the terms of the Mortgage Loan, it became impossible for
the Debtors to continue their negotiations with potential investors, including the amount of any
proposed capital infusions. On other occasions, LNR would flatly reject attempts by the Debtors
to commence discussions regarding a restructuring of the Mortgage Loan.

In addition, due to ambiguities in the relationship and operative provisions between and
among the various agreements related to the Mortgage Loan and Mezzanine Loans, it became
increasingly difficult for Starwood and the Operating Debtors to determine whether certain
expenses could be paid or funded from the proceeds held in their operating accounts without the
express consent of the Mortgage Lenders, including personal property taxes and letters of credit

1 required by certain state regulatory authorities. The confusion generated by these uncertainties
 2 negatively impacted the Operating Debtors and compounded the challenges they faced in
 operating the Resorts.

3 **E. Decision of the Debtors to Pursue Reorganization.**

4 At the same time it was refusing to engage in discussions with the Debtors concerning a
 5 potential restructuring of the Mortgage Loan, LNR was ordering Phase I environmental
 6 assessments of the Resorts and scheduling visits to the Resorts with new potential asset managers
 7 and receivers, which indicated to the Debtors that LNR was inclined to simply foreclose and
 8 liquidate the Resorts instead of reaching a consensual resolution. Indeed, LNR eventually
 9 unequivocally informed the Debtors that any further attempts to negotiate a restructuring of the
 10 Mortgage Loan would be futile, and that LNR intended to foreclose on the Resorts. Because the
 foreclosure and liquidation of the Resorts by LNR would have been disastrous for the Debtors
 and creditors, and would have destroyed their going concern value, the Debtors determined that
 they should pursue an orderly reorganization under Chapter 11 of the Bankruptcy Code.
 Consequently, the Debtors commenced the Reorganization Cases to comprehensively restructure
 their capital structure through a plan of reorganization that provides for an immediate and
 substantial new capital investment into the Debtors to improve the Resorts, as well as fund
 distributions that will deliver enhanced recoveries for the Mortgage Lenders and other creditors.

11
 12 **VI.**
SIGNIFICANT EVENTS IN REORGANIZATION CASES

13 The significant events that have occurred since the Petition Date are summarized as
 14 follows:

15 **A. Commencement of the Reorganization Cases.**

16 On November 17, 2010, the Debtors commenced the Reorganization Cases in the United
 States Bankruptcy Court for the District of Arizona to pursue an orderly reorganization and avoid
 17 the liquidation of the Resorts. The Reorganization Cases were assigned to, and have been
 18 presided over by, the Honorable Eileen W. Hollowell, United States Bankruptcy Judge. The
 Debtors have continued to manage their properties and operate their businesses as debtors in
 possession in accordance with in accordance with Bankruptcy Code §§ 1107 and 1108.

19 **B. First Day Motions and Orders.**

20 On the Petition Date, the Debtors requested a series of orders from the Court designed to
 21 ensure a smooth transition into Chapter 11 and minimize any disruption to their business
 22 operations. The Court entered orders authorizing the Debtors to, among other things, maintain
 their existing bank accounts and business forms, establish procedures regarding the treatment of
 reclamation and PACA Claims and provide adequate assurance to utility companies.

23 **C. Other Motions and Requests for Relief.**

24 Subsequent to the Petition Date, the Operating Debtors filed several motions requesting
 25 additional relief from the Court designed to ensure the efficient operation of the Resorts and
 26 continuance of profitable business relationships, including motions for entry of an order
 authorizing the Operating Debtors to honor certain payment obligations arising from employee
 transactions and other ordinary course operations, assume contracts with customers and honor

1 group reservations and programs, honor obligations to customers and otherwise continue
2 customer programs and practices, and assume contracts with critical contract laborers. The Court
3 entered orders granting each of these motions and authorizing the relief sought by the Operating
4 Debtors, which have allowed the Operating Debtors to, among other things, satisfy certain claims.

5 **D. Employment of Professionals.**

6 During the Reorganization Cases, the Court authorized the Debtors to retain and employ
7 (i) Quarles & Brady LLP as general reorganization counsel, (ii) CHIC as asset manager,
8 (iii) Nelson Mullins Riley & Scarborough LLP as special counsel, (iv) BeachFleischman PC as
9 tax preparer and advisor, accountant and auditor, (v) Hundley & Company, LLC as financial
10 restructuring and interest rate expert and (vi) Hospitality Real Estate Counselors as valuation
11 consultant and expert.

12 **E. Appointment of Official Committee of Unsecured Creditors.**

13 On December 15, 2010, the Office of the United State Trustee for the District of Arizona
14 appointed Classic Prime, Inc., Marc's New West Design Interiors, Inc., and Troon Golf LLC to
15 form an official committee of unsecured creditors (the "Creditors' Committee"). The Creditors'
16 Committee has not been active in the Reorganization Cases and has not retained or employed
17 counsel.

18 **F. Cash Collateral Proceedings and Settlement of Certain Avoidance Actions.**

19 On the Petition Date, the Debtors requested authorization to use cash collateral of the
20 Senior Lender to fund the Debtors' operating expenses, including payroll for the employees of the
21 Resorts, fund and expend reserves for routine repairs and maintenance to the Resorts, and make
22 certain capital improvements to the Resorts. On January 3, 2011, the Court entered an initial
23 interim order authorizing the use of the Senior Lender's cash collateral pursuant to a specific
24 budget submitted by the Debtors and for the specific uses and purposes set forth therein, and
25 scheduling a continued hearing on the Debtors' proposed use of the Senior Lender's cash
26 collateral.

27 In connection with addressing these cash collateral matters, the Debtors also investigated
28 whether the Senior Lender had fully perfected security interests in approximately \$2.9 million
29 held by Starwood in certain accounts on behalf of the Operating Debtors (the "Starwood Account
30 Funds"), and determined that the Operating Debtors could seek to challenge and potentially avoid
31 the purported security interest of the Senior Lender in such funds. The Senior Lender disputed
32 the contention that it did not have a fully perfected security interest in the Starwood Account
33 Funds.

34 Following settlement discussions, the Debtors and the Senior Lender agreed to
35 consensually resolve their disputes regarding the Starwood Account Funds. Pursuant to the terms
36 of the settlement, the Debtors agreed to not pursue an action to avoid the purported security
37 interest of the Senior Lender in the Starwood Account Funds in exchange for the release of \$1.25
38 million in unencumbered funds to the Debtors from the accounts held by Starwood, which the
39 Debtors would be permitted to use to satisfy administrative expenses during pendency of the
40 Reorganization Cases and administrative, priority, and general unsecured claims under a plan of
41 reorganization. On February 28, 2011, the Operating Debtors filed a motion seeking approval of
42 the terms of the settlement with the Senior Lender, which was granted by the Court pursuant to an
43 order entered on March 27, 2011. As noted in Section 4.E. of this Disclosure Statement, as of

1 September 23, 2011, the Debtors hold approximately \$490,000 in remaining proceeds generated
2 by the settlement with the Senior Lender.

3 After a series of continued hearings regarding the use of cash collateral, the Debtors and
4 the Senior Lender ultimately entered into an agreement that permitted the Debtors to use the
5 Senior Lender's cash collateral under specific terms, which were memorialized in a second
6 interim order approving the Debtors' use of cash collateral (the "Second Interim Cash Collateral
7 Order") that was entered by the Court on March 1, 2011. Shortly after entry of the Second
8 Interim Cash Collateral Order, however, the Senior Lender raised a new dispute concerning the
9 Debtors' compliance with the terms of the Second Interim Cash Collateral Order and the
10 adequacy of payments made by the Debtors in connection therewith.

11 On March 25, 2011, the Senior Lender purported to terminate the authorization of the
12 Debtors to use cash collateral under the Second Interim Cash Collateral Order, and filed an
13 application for an order holding the Debtors in contempt of the Second Interim Cash Collateral
14 Order and appointing a Chapter 11 trustee. On March 28, 2011, the Debtors filed an emergency
15 motion seeking entry of an order approving their continued use of cash collateral, and strongly
16 disputed the allegations of the Senior Lender and its interpretation of the Second Interim Cash
17 Collateral Order. At a hearing conducted on March 30, 2011, the Court denied the relief
18 requested by the Senior Lender and refused to hold the Debtors in contempt of the Second Interim
19 Cash Collateral Order or appoint a Chapter 11 trustee, and the Senior Lender consented to the
20 reinstatement of the Second Interim Cash Collateral Order.

21 The Debtors and the Senior Lender eventually resolved their disputes concerning the use
22 of cash collateral and agreed to modify the terms of the Second Interim Cash Collateral, which
23 was approved by a supplemental order entered by the Court on May 5, 2011 (the "Supplemental
24 Cash Collateral Order"). Since that time, the Debtors have continued to use cash collateral
25 pursuant to the terms of the Supplemental Cash Collateral Order and have periodically submitted
26 budgets to the Senior Lender and the Court regarding the proposed use of cash collateral
thereunder.

17 **G. Relief from Stay Proceedings and Protocols for Valuation of Resorts.**

18 On March 17, 2011, the Senior Lender filed a motion against the Operating Debtors
19 seeking entry of an order terminating the automatic stay to pursue the Senior Lender's rights and
20 remedies with respect to the Resorts, including proceeding with the appointment of a receiver and
21 eventual foreclosure sale of the Resorts, or in the alternative, dismissing the Operating Debtors'
22 Reorganization Cases or appointing an examiner (the "Senior Lender Relief from Stay Motion").
23 On April 4, 2011, the Operating Debtors filed a response to the Senior Lender Relief from Stay
24 Motion objecting to the relief sought therein noting that, among other things, there were no
25 grounds to terminate the automatic stay and that dismissal of the Reorganization Cases or the
26 appointment of an examiner were not warranted. On April 19, 2011, the Court conducted a
preliminary hearing on the Senior Lender Relief from Stay Motion.

23 On March 14, 2011, the Debtors filed a motion seeking entry of an order establishing
24 protocols and a hearing schedule to determine the value of the Resorts pursuant to Bankruptcy
25 Code § 506(a) (the "Valuation Protocols"), which may be considered in connection with the
26 Senior Lender Relief from Stay Motion and the opposition of the Debtors thereto. On March 30,
2011, the Court entered an order approving the Valuation Protocols, and initially scheduled a
hearing on valuation of the Resorts to commence on June 20, 2011, which was subsequently
vacated as the Debtors and the Senior Lender sought to mediate their disputes and attempt to

1 reach the terms of a consensual plan of reorganization. After the Debtors and the Senior Lender
2 were unable to resolve their disputes at that time the Court rescheduled the hearing on valuation
3 of the Resorts to commence on October 3, 2011. Subsequently, after conducting certain
4 discovery, the Debtors and the Senior Lender settled the valuation question by agreeing that the
aggregate value of the Resorts is \$92,250,000 for purposes of determining the amount of the
Senior Lender's Secured Claim under Bankruptcy Code § 506 in connection with the proceedings
on confirmation of the Plan.

5 On June 14, 2011, PIM Ashford filed a motion against the Level II Debtors seeking entry
6 of an order terminating the automatic stay to pursue PIM Ashford's rights and remedies with
7 respect to the Pledged Interests (the "PIM Ashford Relief from Stay Motion"). On July 5, 2011,
8 the Level II Debtors filed a response to the PIM Ashford Relief from Stay Motion that objected to
9 the relief sought therein, again noting that there were no grounds to terminate the automatic stay.
On July 15, 2011, PIM Ashford filed a reply to the objection submitted by the Level II Debtors.
The Court conducted an initial final hearing on the PIM Ashford Relief from Stay Motion on
August 29, 2011 and ordered that the final evidentiary hearing on the Stay Motion be combined
with the hearing on confirmation of the Plan.

10 **H. Investigation and Analysis of Potential Avoidance Actions and Insider Transfers.**

11 As noted in Section 6.F. of this Disclosure Statement, the Debtors previously investigated
12 and concluded that the Operating Debtors could seek to challenge and potentially avoid the
13 purportedly perfected security interest of the Senior Lender in the Starwood Account Funds.
Although the Senior Lender disputed the contention that it did not have a fully perfected security
14 interest in the Starwood Account Funds, the Debtors and the Senior Lender agreed to
15 consensually resolve this dispute. Pursuant to the settlement, the Debtors agreed to not pursue an
action to avoid the purported security interest of the Senior Lender in the Starwood Account
Funds in exchange for the release of \$1.25 million in unencumbered funds to the Debtors from
the accounts held by Starwood.

16 The Debtors have also conducted a preliminary investigation of pre-petition transfers that
17 may potentially be subject to avoidance and recovery, including transfers involving insiders and
18 affiliates. Based on this preliminary investigation, the Debtors do not believe at this time that
19 there are any potential avoidable preferential transfers that are likely to lead to meaningful
20 recoveries for the estates. Among other things, because the substantial majority of the transfers
made by the Debtors to non-insiders within the ninety day period prior to the Petition Date appear
on their face to have been made in the ordinary course of business, the Debtors anticipate that
many potentially avoidable preferential transfers may be subject to defenses that preclude
recovery.

21 Similarly, the Debtors are presently not aware of any potential avoidable fraudulent
22 transfers or other potential claims against insiders or affiliates that are likely to result in
23 meaningful recoveries for the estates. The Debtors are aware of an allegation by the Senior
24 Lender that certain transactions involving insiders that were recorded under an "Owners'
25 Expense" category by Starwood in the Resorts' financial statements were improper and
26 potentially subject to avoidance and recovery. The Debtors have investigated these transactions
and have determined that the circumstances do not support the allegations of the Senior Lender or
potential avoidance actions or other claims against the applicable insiders. Moreover, the Debtors
believe that many of the applicable insiders could assert substantial setoff claims that may prevent
the estates from achieving any meaningful recoveries. Notably, the period for the Debtors to

1 commence an action seeking to avoid and recover any transfer will not expire until November 17,
2 2012.

3 **I. Pending Litigation and Investigation of Other Potential Claims of the Estates.**

4 The Debtors are presently engaged in an appeal of the assessed value of the Hilton Head
5 Resort that, if successful, may result in a significant credit with the taxing authority in Beauford
6 County South Carolina, and reduce Transwest Hilton Head Property's future property tax liability
7 by as much as \$250,000 per year. The Debtors have recently entered into a settlement with
8 Beauford County, that subject to Bankruptcy Court approval, will result in a refund of more than
9 \$65,000 on the Transwest Hilton Head Property's 2010 property taxes and will decrease its 2011
10 property tax burden by approximately the same amount. The Debtors are not currently engaged
11 in any other litigation that will result in recoveries to the estates.

12 In addition, the Debtors have conducted a preliminary investigation concerning potential
13 claims against Midland, but have not yet determined that it is appropriate to pursue such claims
14 given the attendant costs and risks of litigation. As explained in Section 6.H. of this Disclosure
15 Statement, the Debtors have also investigated certain transactions involving insiders that the
16 Senior Lender has alleged were improper, and do not believe that the circumstances of those
17 transactions support claims of probable merit against the applicable insiders, or that there would
18 be a likelihood of success in pursuing such claims.

19 The Debtors may have certain breach of contract, and related breach of the covenant of
20 good faith and fair dealing claims against West Partners Real Estate resulting from its termination
21 of its memorandum of understanding with the Debtors to purchase equity under the Plan.

22 **J. Plan and Disclosure Statement.**

23 Pursuant to Bankruptcy Code § 1121, a debtor in possession, such as the Debtors,
24 typically has at least 120 days from the date of the filing of its chapter 11 petition in which to file
25 a plan of reorganization, subject to the discretion of the bankruptcy court to grant extensions of
26 this exclusive period for "cause." Following the filing of a plan, a debtor has an additional sixty
(60) days in which it has the exclusive right to solicit and obtain acceptances of a plan.

On February 25, 2011, the Debtors filed a motion requesting entry of an order extending
the exclusive periods in which to file and solicit acceptances of a plan of reorganization. On
March 16, 2011, the Court entered an order extending the exclusive period for the Debtors to file
a plan of reorganization through and including August 1, 2011, and the exclusive period for the
Debtors to solicit acceptances to a plan of reorganization through and including October 1, 2011
(collectively, the "Exclusivity Periods").

On July 15, 2011, PIM Ashford filed a motion seeking entry of an order terminating the
Exclusivity Periods (the "PIM Ashford Exclusivity Termination Motion"). On August 9, 2011,
the Senior Lender filed a similar motion asking the Bankruptcy Court to terminate the Exclusivity
Periods (the "Senior Lender Exclusivity Termination Motion"). The Debtors submitted versions
of a plan of reorganization and disclosure statement within the Exclusivity Periods established by
the Bankruptcy Court, and filed oppositions to both motions. The Court denied the PIM Ashford
Exclusivity Termination Motion at a hearing conducted on August 19, 2011. At the request of the
Senior Lender, the Court scheduled a hearing on the Senior Lender Exclusivity Termination
Motion to occur on September 16, 2011. However, on September 13, 2011, the Senior Lender
withdrew the Senior Lender Exclusivity Termination Motion.

1 On September 1, 2011, the Debtors filed a motion requesting entry of an order further
 2 extending the exclusive period in which to solicit acceptances of the Plan through and including
 December 31, 2011 in order to provide the Debtors a full and fair opportunity to confirm the Plan.

3 **K. Post-petition Improvements and Repairs to Resorts and Performance of the Debtors.**

4 Following the Petition Date, the Operating Debtors performed certain improvements and
 5 repairs to the Resorts pursuant to various agreements with the Senior Lender concerning the use
 6 of cash collateral. Among other things, the Operating Debtors have repaired and replaced the
 HVAC cooling tower and interior carpets at the Hilton Head Resort, repaired and resurfaced the
 7 tennis courts and driveways at the La Paloma Resort, and updated the guestrooms at the Resorts
 by installing new flat screen LCD televisions. The Operating Debtors believe that these
 8 improvements and repairs have helped enhance the value of the Resorts and their attractiveness to
 potential patrons and industry groups, and that the additional improvements that will be facilitated
 pursuant to the capital investment in the Operating Debtors under the Plan will further enhance
 the value of the Resorts and their financial performance.

9 Although each of the Resorts has faced certain challenges during the Reorganization
 10 Cases, the Debtors also believe that their operations have largely stabilized since the Petition
 Date. For example, despite commencement of the Reorganization Cases and softening in local
 11 industry trends, the La Paloma Resort has retained the majority of its executive leadership team,
 maintained its position as one of the leaders in meeting planner satisfaction among resorts in
 12 Arizona and all Westins in North America, and has been performing extremely close to budget in
 total revenues. The Debtors have also supplemented their business strategy for the La Paloma
 13 Resort to focus on improving overall occupancy level by offering competitive rates intended to
 build a stronger base of group business. After implementing the business strategy in June 2011,
 14 the Debtors have already witnessed an improvement of the occupancy levels of the La Paloma
 Resort and, based on preliminary results for July 2011, believe that the La Paloma Resort is
 15 capturing more than its expected share of occupancy levels relative to competitors and peers. The
 recent trends in revenue per available room at the La Paloma Resort also demonstrate positive
 16 improvements that the Debtors expect to continue as a result of the new focus in the business
 strategy.

17 Similarly, the Hilton Head Resort has been performing close to budget in total revenues,
 18 and due to disciplined management of expenses, has exceed budget in terms of gross operating
 profit. Further, the most recently available industry reports have exhibited improved performance
 19 compared to the results in 2010 and relative to competitor and peers. In fact, the Hilton Head
 Resort has experienced increases in occupancy levels, average daily room rates and revenue per
 20 available rooms, and has been particularly successful in increasing and attracting transient guest
 reservations relative to competitors and peers. The Hilton Head Resort has also experienced
 21 improvement in group reservations and banquet and catering revenues compared to the results
 during the same period in 2010, and the pace for group reservations and projected banquet
 22 revenues for the Hilton Head Resort remains strong for 2012. Further, the Hilton Head Resort
 exhibited improvement in meeting planner satisfaction results, which already exceeded the
 23 average of all Westins in North America.

24 Overall, from January 1, 2011, through June 30, 2011, Transwest Tucson Property has
 recorded EBITDA of approximately \$2.44 million, and Transwest Hilton Head Property has
 25 recorded EBITDA of approximately of \$1.75 million for 2011, respectively. For the complete
 fiscal year 2011, the Operating Debtors are projected to record combined EBITDA of
 26 approximately \$5.0 million.

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VII.
DESCRIPTION OF PLAN

A. General Description of Chapter 11 Process.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of creditors and equity holders. In addition to rehabilitating the debtor, another goal of Chapter 11 is to promote equality of treatment for similar situated creditors and equity holders with respect to the distribution of the debtor's assets.

The consummation of a plan of reorganization is the principal objective of a Chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against, and equity interests in, a debtor. Confirmation of a plan of reorganization by a bankruptcy court binds, among other parties, the debtor, any person acquiring property under the plan and any creditor or equity interest holder of a debtor, whether each such creditor or equity holder (i) is impaired under or has accepted such plan or (ii) receives or retains any property under the plan. Moreover, subject to certain limited exceptions, the order approving confirmation of a plan of reorganization discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes thereof the obligations specified under the plan that has been confirmed by the bankruptcy court.

B. General Description of the Plan.

The following is a narrative description of certain provisions of the Plan. A copy of the Plan is attached as **Exhibit "A"** to this Disclosure Statement. The following summary of the Plan is qualified in its entirety by the actual terms of the Plan. In the event of any conflict, the terms of the Plan will control over any summary set forth in this Disclosure Statement.

As discussed below, the Plan will implement a comprehensive reorganization of the Debtors and their capital structure, and allow the Operating Debtors to successfully emerge from the Reorganization Cases as a going concern.

1. The Efforts of the Debtors to Raise Capital and Fund Their Reorganization.

The Debtors and their principals worked extensively over a period of months to identify suitable potential investors and raise the capital necessary to successfully emerge from Chapter 11. The Debtors and their principals engaged in preliminary discussions and meetings regarding the opportunity to invest in the equity in the Reorganized Debtors with many other potential investors, including representatives from GI Partners, Dune Capital, Northwood Investors, Walton Street Capital, Fremont Realty Capital, Square Mile Capital, HEI Hospitality, Apollo Real Estate Advisors, Thayer Lodging, Avenue Capital, Perry Capital, Starwood Capital, Hyatt Corporation, Atrium, L.L.C., Goldman Sachs, Five Mile Capital, Rockpoint Group, Carey Watermark Investors, Rockbridge Capital, Och-Ziff Capital Management Group, Lone Star Funds, Blackstone Capital, Baupost Group, Wheelock Street Capital, Alvarez & Marsal Capital Real Estate and Wexford Capital.

In presenting the opportunity, the Debtors provided potential investors with information concerning the Debtors' actual operating results for 2008, 2009 and 2010, information about the Resorts' rates, occupancy levels and market penetration derived from STR Reports prepared by Smith Travel Research over the preceding years, as well as basic information regarding the

1 Reorganization Cases and general outlines of anticipated uses of capital. The Debtors also
2 informed potential investors that an equity investment of over \$20.0 million should be adequate to
3 fund the Debtors' reorganization and permit them to emerge from Chapter 11. After providing
4 this information, the Debtors solicited proposals from the potential investors that would describe,
among other things, the structure for a transaction involving an equity investment in the Debtors,
expected returns on the investment, acceptable senior debt structures, the composition of
management and similar matters.

5 In response, several potential investors submitted proposed term sheets for an equity
6 investment transaction involving the Debtors. The Debtors evaluated the merits of the proposals
7 and their compatibility with the intended terms of a plan of reorganization, in particular the ability
8 to fund the investment and provide meaningful rights to creditors to share in an appreciation in
9 value of the Reorganized Debtors. Following this process and an analysis of the various
proposals, the Debtors determined that a proposal submitted by West Partners Real Estate ("West
Partners") was superior to the existing alternatives, and provided the best existing opportunity to
fund the Debtors' reorganization (including necessary capital improvements to the Resorts) and
provide meaningful distributions to creditors.

10 Following substantial negotiations with West Partners, the Debtors entered into a
11 Memorandum of Understanding dated August 29, 2011 that was attached to the amended and
12 restated disclosure statement that was filed on September 19, 2011. West Partners, however,
13 subsequently declined to pursue the transaction and withdrew its support for the intended
14 reorganization, which was not anticipated by the Debtors. After this occurred, the Debtors
15 renewed their efforts to find a suitable third party investor to fund a plan of reorganization, and
16 identified Southwest Value Partners as a leading investment candidate. The Debtors then
proceeded to negotiate with Southwest Value Partners in order to determine whether they could
reach agreement regarding the terms of an investment to fund the Debtors' reorganization. These
negotiations proved successful, and the Debtors and Southwest Value Partners agreed to the
principal terms of an equity investment to fund the Debtors' reorganization and the Plan, which
are substantially similar to the terms that had been previously established between the Debtors
and West Partners.

17 2. The New Equity Investment in the Reorganized Debtors.

18 In conjunction with confirmation of the Plan, a newly formed holding company
19 ("Newco") that will be fully capitalized and wholly owned by Southwest Value Partners Fund
20 XV, L.P. ("SWVP"), an affiliate of Southwest Value Partners, will immediately invest not less
than \$30.0 million in new capital in the Reorganized Debtors (the "New Equity Investment").

21 The capital infusion in the Reorganized Debtors (*i.e.*, the Operating Debtors as
22 reorganized under the Plan), together with the cash held by the Debtors on the Effective Date and
23 additional funds that they expect to receive in connection with negotiating new management
24 agreements for the Resorts, will be used to fund not less than \$14.5 million in improvements to
25 the Resorts, establish reserve accounts and make certain payments under the Plan, including
distributions to unsecured creditors that would not be available in a liquidation of the Debtors.
Detailed information regarding the expected capital expenditures and property improvements to
the Resorts following confirmation of the Plan are attached as **Exhibit "C"** to this Disclosure
Statement.

26 Following the Effective Date, the Reorganized Debtors will continue to own the Resorts.
The Reorganized Debtors will use the income and proceeds derived from operation of the Resorts

1 to fund the obligations under the Plan. Importantly, the Reorganized Debtors will reserve 6% of
2 gross operating revenue expressly for purposes of making capital improvements. Detailed
3 projections concerning the anticipated operating performance of the Reorganized Debtors
4 following confirmation of the Plan (the "Projections") are attached as **Exhibit "D"** to this
5 Disclosure Statement. The Projections are presented on an annual basis (Exhibit D-1), a monthly
6 basis (Exhibit D-2). The Debtors have also provided the assumptions underlying both sets of
7 projections (Exhibit D-3), as well as the projected operating results that give rise to the projected
8 revenue (Exhibit D-4).

3. Source of Capital for the New Equity Investment.

6 SWVP will be the sole source of capital for the New Equity Investment that will be
7 contributed to the Reorganized Debtors through Newco. SWVP is an independent third party
8 that, prior to the acquisition of the membership interests in Newco (which will acquire the New
9 Membership Interests in the Reorganized Debtors when the Plan is confirmed), had no connection
10 with, relationship to, or interest in, any of the Debtors or their affiliated or related entities. SWVP
11 is an affiliate of Southwest Value Partners. Southwest Value Partners is a private real estate
12 investment firm that focuses on distressed real estate investment opportunities in Arizona,
13 California and Nevada. Southwest Value Partners and its principals including Mark Schlossberg,
14 Robert Sarver, and Cary Mack, among others, are prominent real estate investors in Arizona.
15 Since 1990, Southwest Value Partners and its principals have directed in excess of \$10.0 billion
16 of equity and debt investments into a wide array of real estate related assets, including substantial
17 investments in the hospitality, commercial office, industrial, multifamily and retail sectors and
18 residential and commercial land tracts throughout Arizona, California and Nevada. Southwest
19 Value Partners currently oversees discretionary investment funds representing approximately
20 \$400.0 million in committed equity capital approximately \$90 million of which is liquid and
21 immediately available to fund new investment transactions.

15 The principals of Southwest Value Partners have been actively involved in the acquisition,
16 management of development and ownership of numerous real estate asset classes and debt
17 portfolios, including those related to hospitality properties. Within the past, Southwest Capital
18 acquired and asset managed hotels with over 2,000 rooms, and recently acquired four hotels
19 representing approximately 700 rooms. Additional information concerning Southwest Value
20 Partners, the experience of its principals and representative transactions is attached as
21 **Exhibit "E"** to this Disclosure Statement.

4. Newco and Structure of the New Equity Investment.

20 Newco will be a newly formed holding company for the specific purpose of providing the
21 New Equity Investment and acquiring the New Membership Interests in the Reorganized Debtors.
22 A copy of a Memorandum of Understanding describing the primary business terms regarding the
23 New Equity Investment is attached as **Exhibit "F"** to this Disclosure Statement. Newco will be
24 capitalized with not less than \$30.0 million in funds provided entirely by SWVP and will be
25 100% owned by SWVP, which will be its sole member.⁴ Under the Plan, the existing Equity
26 Interests in the Operating Debtors, which are held by the Level II Debtors, will be cancelled and
extinguished.

⁴ Newco may admit other members as well; however, none of those other members may be any of the
Debtors, any affiliated or related entity of any of the Debtors, or any "insider" of any of the Debtors, as
that term is defined in the Bankruptcy Code.

1 Newco, in turn, will contribute not less than \$30.0 million in funds to the Reorganized
2 Debtors as the New Equity Investment and thereby acquire the New Membership Interests in the
3 Reorganized Debtors, which will become wholly owned subsidiaries of Newco. From and after
4 the Effective Date, the Reorganized Debtors will then be managed by Newco. Within 10 days
5 prior to the Confirmation Hearing, the Debtors will disclose the identity and affiliations of the
6 individuals proposed to serve as directors, officers or senior management of the Reorganized
7 Debtors and Newco following the Effective Date of the Plan, including senior management salary
8 and compensation packages that will be determined by SWVP in its discretion.

9 Given that an independent third party will fund the entirety of the \$30.0 million New
10 Equity Investment and receive 100% of the New Membership Interests in the Reorganized
11 Debtors, and that holders of existing Equity Interests in the Operating Debtors will not receive or
12 retain any property under the Plan on account of those existing Equity Interests which will be
13 cancelled and extinguished, the Debtors do not believe that the absolute priority rule applies to
14 the Plan.

15 In contrast, the Debtors understand that the Senior Lender and PIM Ashford assert that the
16 absolute priority rule should apply to the Plan and New Membership Interests, a contention which
17 the Debtors dispute. However, even if the absolute priority rule were to apply to the Plan and
18 New Membership Interests, the Debtors believe that the New Equity Investment satisfies the
19 requirements of a new value contribution.

20 Among other things, the New Equity Investment consists of \$30.0 million in new and
21 immediately available funds that will be contributed by Newco. In light of the amount of
22 unsecured claims against the Debtors, the potential distributions to unsecured creditors under the
23 Plan that will be facilitated by the New Equity Investment, and the \$89.5 million market value of
24 the Resorts as determined by the Debtors' appraiser (or even the market value as determined the
25 Senior Lender's appraiser), the New Equity Investment is very substantial in relative amount.

26 Further, the New Equity Investment is necessary to reorganize the Debtors and implement
the Plan, including the funding of improvements to the Resorts, reserve accounts and certain
distributions to creditors under the Plan. In the absence of the New Equity Investment, the
Debtors would not have sufficient funds to confirm the Plan and reorganize as contemplated
therein.

In sum, the Debtors do not believe that the absolute priority rule is applicable to the Plan
and New Membership Interests. Nonetheless, if the absolute priority is determined to apply, the
Debtors believe that the New Equity Investment constitutes new value and, thus, the Plan does
not violate the absolute priority rule and may still be confirmed by the Court.

21 5. Management of Newco.

22 Newco will be managed by a newly formed member managed Arizona limited liability
23 company (the "Manager") to be owned 50.1% by SWVP, and 49.9% by Transwest Properties,
24 Inc. (Transwest Properties, Inc. is owned 45% by Michael Hanson and 35% by Randal Dix, with
25 the remaining 20% owned by Kim Brice, Robert Burton and Lori Tucker. Mr. Hanson and Mr.
26 Dix are the shareholders of Transwest Resort Properties Holdings, Inc., which is the sole
shareholder of TRP, one of the Debtors.) Transwest Properties, Inc., is the entity through which
Hanson and Dix provide management and asset management services regarding their portfolio of
hospitality, retail, office and apartment properties. As a result of this division of ownership,
SWVP will hold voting control over the Manager.

1 Under the terms of the operating agreement for Newco, the Manager will direct, manage,
 2 and control the business and assets of Newco, including its ownership of the Reorganized
 3 Debtors. In exchange for these services, the Manager will be entitled to charge an asset
 4 management fee to the Resorts consisting of 1% or 1.25% of gross revenue. The Manager also
 5 will be entitled to receive an incentive payment equal to a 2% return on the New Equity
 6 Investment compounded annually (the "Management Incentive Payment"), but only if (i) Newco
 7 obtains a 13% return on the New Equity Investment and (ii) the cumulative payment to creditors
 8 pursuant to the appreciation and cash flow rights certificates to be issued to creditors holding
 9 Claims classified under Class 6 and Class 7 of the Plan equals or exceeds 150% of the
 10 Management Incentive Payment.

11 The Manager will retain CHIC to assist with asset management responsibilities for a
 12 period of at least 18 months following the Effective Date of the Plan. CHIC will be compensated
 13 at an agreed rate and paid out of the asset management fees paid to the Manager. Once this initial
 14 period is completed, the Manager may elect to continue its engagement of CHIC, or may (or may
 15 not) retain a new third party to assist with asset management responsibilities.

16 Mr. Hanson and his wife are debtors in a pending Chapter 11 bankruptcy. Mr. Dix and his
 17 wife are defendants in certain guaranty litigation. The Debtors do not believe that any potential
 18 adverse rulings in any guaranty or bankruptcy litigation involving Mr. Hanson or Mr. Dix would
 19 materially affect the Manager or management of Newco or the Reorganized Debtors. For one
 20 thing, under applicable Arizona law, the remedy available to creditors of Mr. Hanson and Mr. Dix
 21 seeking to proceed against their interests in the Manager would be a charging order to receive the
 22 economic benefit of those interests; therefore, creditors would not be able to obtain management
 23 rights in the Manager, Newco or the Reorganized Debtors. Moreover, Mr. Hanson and Mr. Dix
 24 will not hold any equity interests in Newco. For similar reasons, the Debtors do not anticipate
 25 that any bankruptcy proceeding involving Mr. Hanson or Mr. Dix will have any meaningful
 26 impact on the Plan or the management and operations of the Manager, Newco and the
 Reorganized Debtors.

6. **Rejection of Current and Execution of New Management Agreements.**

17 To implement the Plan and improve the profitability of the Resorts, the current
 18 Management Agreements with Starwood will be rejected under the Plan, and the Reorganized
 19 Debtors will enter into new management agreements that may provide for a substantial initial
 cash payment to the Reorganized Debtors and more favorable economic terms for the
 management of the Resorts.

20 The Debtors are currently negotiating the terms of new management agreements with
 21 Starwood, which would continue to operate the Resorts as Westins, and Hyatt Corporation
 22 ("Hyatt") which would operate the Resorts as Hyatt Regencies. The Debtors have already
 23 received viable term sheets from both Starwood and Hyatt for new management agreements for
 24 the Resorts. These proposals generally include a reduction of the maximum base management
 25 fees for the Resorts compared to the base management fees imposed under the current
 26 Management Agreements, provide for a cash payment of Key Money of up to \$5.0 million, and
 will require, among other things, the Operating Debtors (and the Reorganized Debtors) to
 undertake capital and property improvement plans for the Resorts during the initial years
 following confirmation of the Plan. The Debtors are also concurrently pursuing discussions with
 other third party management companies that could operate the Resorts under a franchise with
 Hyatt, or Westin. If the Debtors fail to reach agreement with either Starwood or Hyatt, which the

1 debtors view as highly unlikely, they will enter into a new management agreement with
2 alternative third party management companies.

3 The Debtors have provided Starwood with a detailed response to its proposal, and
4 Starwood has requested further comments and information from the Debtors regarding the capital
5 and property improvement plans for the Resorts and how those plans will be funded. Although
6 agreement has not been reached, the Debtors believe that the continuing discussions with
7 Starwood remain productive.

8 Starwood has filed two contingent proofs of claim related to the potential rejection of the
9 Management Agreements that total approximately \$46.9 million with respect to the La Paloma
10 Resort, and approximately \$13.8 million with respect to Hilton Head Resort. If the Debtors and
11 Starwood execute new management agreements for the Resorts, the Debtors believe that any such
12 potential claims will be resolved and released by Starwood, although there is no guarantee that
13 the Debtors and Starwood will actually enter into such new management agreements.

14 In the event that the Debtors and Starwood do not enter into new management agreements
15 for the Resorts, it is possible that Starwood will assert claims arising from rejection of the
16 Management Agreements in the amounts set forth above. In such case, the Debtors intend to
17 dispute the amount of damages alleged by Starwood and prosecute objections to those claims. If
18 all or a portion of the rejection damages claims asserted by Starwood are allowed by the Court,
19 those rejection claims will be classified and treated as Unsecured Claims in Class 6 under the
20 Plan. Thus, the allowed amount of Starwood's rejection claims will impact the pro-rata
21 distributions available to other creditors in Class 6.

22 The discussions between the Debtors and Hyatt also remain productive, although Hyatt
23 has recently indicated that its level of interest is greater in the Hilton Head Resort than the La
24 Paloma Resort. Thus, the Debtors are focusing their efforts with Hyatt towards negotiating a new
25 management agreement for the Hilton Head Resort.

26 The Debtors will file the final form of the new managements agreements for the Resorts,
whether with Starwood, Hyatt or some other third party management company, and disclose the
source, amount, terms and conditions of any Key Money, within 10 days prior to the
Confirmation Hearing. It important to note that, although the Debtors are confident that they will
receive Key Money, the implementation of the Plan is not dependent on obtaining such funds. As
discussed in Section 16.B. of this Disclosure Statement, in the event the Debtors do not receive
any Key Money, the Debtors should still have sufficient unrestricted cash available and ample
liquidity to successfully implement the Plan.

7. The Reorganized Debtors and Distributions Under the Plan.

Under the Plan, Administrative Claims, Priority Tax Claims, and Priority Unsecured
Claims (if any) will be paid in full. The Mortgage Loan secured by the Resorts will be
restructured in a manner that, based on the current and projected future performance of the
Resorts, will permit the Reorganized Debtors to satisfy the Allowed Senior Lender Secured
Claim, thereby generating a significant recovery for the Senior Lender. The Senior Lender may
elect to receive alternative treatment of the Allowed Senior Lender Secured Claim as further
described below and in the Plan. The projected recoveries for the Senior Lender under the
alternative treatments of the Allowed Senior Lender Secured Claim under the Plan are set forth in
Exhibit "G" to this Disclosure Statement. In either case, the Debtors believe that, based on the
Projections, the Reorganized Debtors will have more than adequate resources to satisfy the

1 Allowed Senior Lender Secured Claim. The Secured Claims of EZ Trader LLC and GE
 2 Capital/GE Capital Solutions will also be restructured in a manner that will allow them to receive
 a full recovery on account of their Allowed Secured Claims.

3 The claims of Unsecured Creditors will be subject to alternative treatments based on a
 4 variety of factors. Unsecured claims that are allowed in an amount less than \$5,000 (or such
 5 greater amount the Court determines is reasonable for administrative convenience under
 6 Bankruptcy Code § 1122(b)), and any Unsecured Creditor that elects to reduce its claims to
 7 \$5,000, will receive a cash payment equal to the lesser of the amount of such allowed claim or
 8 \$5,000. In the alternative, unsecured trade creditors of the Operating Debtors will receive 40% of
 9 their Allowed Unsecured Trade Claims over a four year period. Other Unsecured Creditors,
 10 including the Senior Lender (with respect to its deficiency claim) and holders of rejection damage
 11 claims, will be eligible to receive a cash payment equal to a pro rata share of the Unsecured
 12 Creditor Fund, which will be funded in the amount of \$2.0 million from the capital infusion in the
 13 Reorganized Debtors in connection with the Plan, and a Class 6 Membership Appreciation and
 14 Cash Flow Certificate that will entitle the holder to a pro rata right to share in the cash flow, and
 15 appreciation in the Reorganized Debtors' memberships equity securities, if certain conditions are
 16 met.

17 Similarly, the holders of Allowed Claims arising from the Mezzanine Loan may be
 18 entitled to receive a cash payment of \$250,000 and a Class 7 Junior Membership Appreciation
 19 and Cash Flow Certificate entitling the holder to a share in the cash flow generated by the
 20 Reorganized Debtors following confirmation of the Plan, and payment on appreciation in value of
 21 the equity interests in the Reorganized Debtors, if certain conditions are met. Creditors of TRP
 22 are not impaired under the Plan, because TRP's Reorganization Case will be dismissed and the
 23 Holders of Class 9 claims will be free to pursue any and all legal, equitable or contractual
 24 remedies against TRP that existed and were available to them as of the Petition Date.

25 Thus, under the Plan, Unsecured Creditors and the holders of claims arising from the
 26 Mezzanine Loan will be eligible to receive cash payments and potentially receive a recovery
 based on the appreciation in value of the equity interests in the Reorganized Debtors. It is
 important to note that in a liquidation of the Debtors, it is unlikely that Unsecured Creditors or the
 holders of claims arising from the Mezzanine Loan would receive any meaningful distributions
 from the estates or value on account of their Claims, and would not receive the recoveries that are
 presented under the Plan. Graphs describing the anticipated range of recoveries for Unsecured
 Creditors and the holders of claims arising from the Mezzanine Loan under the Plan are attached
 as **Exhibit "H"** to this Disclosure Statement.

Finally, (i) the holders of Penalty Claims against any Debtor, including the pre-petition
 default interest owed to the Senior Lender under the Mortgage Loan or PIM Ashford under the
 Mezzanine Loan, or penalty interest owed to a governmental entity on a tax claim, (ii) the holders
 of Equity Interests in the Debtors, and (iii) the holders of Subject Insider Claims will receive no
 distribution under the Plan, as described below.

C. Classification and Treatment of Claims and Equity Interests.

All Claims and Equity Interests, except Administrative Claims, Priority Tax Claims, and
 Priority Unsecured Claims, are placed in the Classes set forth below. In accordance with
 Bankruptcy Code § 1123(a)(1), Administrative Claims (including Professional Fee Claims),
 Priority Tax Claims, and Priority Unsecured Claims have not been classified.

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

The Plan proposes that it will become effective (the "Effective Date") on the first Business Day which is fifteen (15) days after the Confirmation Date when all of the conditions to the occurrence of the Effective Date are satisfied. The Effective Date triggers many of the obligations of the parties under the Plan, including funding the Plan and payment of Claims. However, the Effective Date may occur before all Claims have been allowed by the Bankruptcy Court. Accordingly, in the description of the treatment of Claims below and in the Plan, the payment of Claims is triggered by the "Claim Payment Date" which is defined as the later of the Effective Date or the first Business Day which is 15 days after a Claim becomes an Allowed Claim by a Final Order.

D. Unclassified Claims.

The Plan identifies the following types of Claims as unclassified and treats those Claims in accordance with the Bankruptcy Code and applicable law. These Claims, if and when allowed, will be unimpaired and paid in full as described below.

1. Administrative Claims.

Administrative Claims include (a) every cost or expense of administration of the Bankruptcy Case which is allowable pursuant to Bankruptcy Code § 503, including any actual and necessary post-petition expenses of preserving the Estates; (b) any actual and necessary post-petition expenses of operating the Debtors; (c) all Professional Charges approved by the Bankruptcy Court pursuant to interim and final allowances in accordance with Bankruptcy Code §§ 330, 331, and 503(b); (d) every Property Tax Administrative Claim; and (e) all fees and charges assessed against the Estates under Chapter 123 of Title 28, United States Code. Any creditor seeking payment as an Administrative Claim not paid in the ordinary course of business must file an application for allowance and payment of its administrative claim with the Bankruptcy Court no later than the Administrative Claims Bar Date. All Allowed Administrative Claims will be paid in cash in full on the later of the Effective Date or the applicable Claim Payment Date. Administrative Claims for expenses incurred in the ordinary course of business of any of the Debtors will be paid in the ordinary course of business as they become due according to ordinary business terms. Any creditor seeking payment as an Administrative Claim not paid in the ordinary course of business must file an application for allowance and payment of its Administrative Claim with the Bankruptcy Court no later than the Administrative Claims Bar Date.

The Debtors estimate that up to approximately \$750,000 in unpaid and outstanding Administrative Claims, including Professional Charges, may be asserted through the Effective Date of the Plan. The preceding represents the Debtors' estimate as of the date of this Disclosure Statement and is based on Administrative Claims that have been asserted against the Debtors and anticipated accruals of Professional Charges. The actual amounts of asserted or allowed Administrative Claims may be higher or lower than such estimates. Litigation relating to

1 confirmation of the Plan or delays in the confirmation process may materially affect the amount
 2 of Administrative Claims, in particular Professional Charges.

3 **2. Priority Tax Claims.**

4 Priority Tax Claims include every Unsecured Claim owed by a Debtor, other than TRP, or
 5 portion thereof that is entitled to priority under Bankruptcy Code § 507(a)(8). Allowed Priority
 6 Tax Claims will be paid (a) in monthly cash installments so that the Claim plus applicable
 7 Statutory Interest will be fully amortized by November 17, 2015, or (b) such other terms as the
 holder of such Claim and the Debtors or the Reorganized Debtors may agree; provided, however,
 that the Reorganized Debtors will have the right to pay any Allowed Priority Tax Claim, or any
 unpaid balance of such Claim, in full, at any time after the Effective Date without premium or
 penalty.

8 **3. Priority Unsecured Claims.**

9 Priority Unsecured Claim include every Unsecured Claim owed by a Debtor, other than
 10 TRP, or portion thereof that is entitled to priority under Bankruptcy Code § 507(a), other than
 11 Administrative Claims or Priority Tax Claims. Allowed Priority Unsecured Claims, if any, will
 be paid in cash in full on the later of the Effective Date or the applicable Claim Payment Date.

12 **E. Classified Claims and Equity Interests.**

13 **1. Class 1 - Senior Lender Secured Claim.**

14 Class 1 consists of that portion of the Claim owed by the Operating Debtors arising from
 15 the Mortgage Loan held by the Senior Lender, and secured by the Resorts and related collateral
 including Cash Collateral, that is an Allowed Secured Claim. This Allowed Secured Claim is
 defined in the Plan as the Senior Lender Secured Claim.

16 **1.1 Treatment.**

17 **1.1.1 Allowance.**

18 (a) Immediately upon entry of the Confirmation Order—and pursuant to
 19 Bankruptcy Code § 506—the Senior Lender Secured Claim will be Allowed in an amount equal
 20 to the Court-determined aggregate value of the Resorts plus the amount of Cash Collateral in the
 Operating Debtors' possession as of the Confirmation Date, but not including the segregated
 Unencumbered Funds;

21 (b) If, and only if, the Senior Lender makes a Section 1111(b)(2) Election, then the
 22 Senior Lender Secured Claim will be Allowed in an amount equal to the amount owed under the
 Mortgage Notes as of the Petition Date *less* any Penalty Claims as determined by the Court.

23 **1.1.2 Satisfaction.** Unless the Senior Lender makes a Section 1111(b)(2)
 24 Election, the Reorganized Debtors will satisfy the Allowed Senior Lender Secured Claim as
 follows:

25 (a) **Delivery of Replacement Notes.** On the Effective Date, the Reorganized
 26 Debtors will execute and deliver to the Senior Lender two *pari passu* promissory notes containing
 the following terms:

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- (i) Principal Balance: In accordance with the allocation provided for under the Mortgage Loan Documents, one note will be in a principal balance equal to 50.24% of the Allowed Senior Lender Secured Claim, and the other note will be in a principal balance equal to 49.76% of the Allowed Senior Lender Secured Claim. All payments of principal as provided under the Plan will be allocated pro rata between the two Replacement Notes.
- (ii) Interest Rate. The Replacement Notes will each bear interest at a base rate of 5.625% per annum or such other market rate as the Court deems appropriate to provide the Senior Lender the present value of its collateral as of the Effective Date;⁵ but until the Reorganized Debtors achieve a consolidated Debt Service Coverage Ratio on the Senior Lender Secured Claim equal to 1.5:1.0, the Reorganized Debtors will pay additional interest equal to 25 basis points per annum, and until the Resorts achieve a 65% LTV Ratio on the Senior Lender Secured Claim, the Reorganized Debtors will pay additional interest equal to 25 basis points per annum.
- (iii) Payments. Beginning on the first day of the first calendar month which is at least 30 days after the Effective Date and continuing for 36 consecutive months thereafter, interest only payments will be paid by the Reorganized Debtors. Beginning on the first day of the 37th calendar month at least 30 days after the Effective Date and continuing for 82 consecutive months thereafter, the Reorganized Debtors will make payments of principal and interest calculated on a 30-year amortization. The Reorganized Debtors will pay all remaining principal and interest due under the Replacement Notes on the first day of the 120th month at least 30 days after the Effective Date.
- (iv) Maturity. The Replacements Notes will each be fully due and payable 120 months after the date the first payment is due.

(b) Establishment of Debt Service Reserve Account. On the Effective Date, the Reorganized Debtors will establish the Debt Service Reserve Account with at least \$7,000,000 Cash which must be used by the Reorganized Debtors to make monthly payments required under the Replacement Notes to the extent that the Resorts' Net Operating Income is not sufficient to do so. The Reorganized Debtors may close the Debt Service Reserve Account and transfer any funds remaining in the Debt Service Reserve Account to its Unrestricted Cash Accounts anytime more than 36 months after the Effective Date, **but only if** the Reorganized Debtors have maintained a trailing six-month aggregate Debt Service Coverage Ratio of 1.25:1.00 and have Cash on hand (including funds in the Debt Service Reserve Account, the Unrestricted Cash Accounts, and the Operating Accounts) of at least \$8,000,000.

⁵ Market interest rates have dropped significantly since the Debtors proposed the 5.625% on July 31, 2011. In accordance with controlling precedent Debtors intend to advocate a rate of interest based on market rates at the time of the Confirmation Hearing. *Till v. SCS Credit Corp.*, 541 U.S. 465, 478-480 (2004); *In re Fowler*, 903 F.2d 694, 697-98 (9th Cir. 1990); *In re Camino Real Landscape Maintenance Contractors, Inc.*, 818 F.2d 1503, 1507-8 (9th Cir. 1987); *Patterson v. Fed. Land Bank (In re Patterson)*, 86 B.R. 226, 228 (9th Cir. B.A.P. 1988). At this time the Debtors believe that a base rate of 5.25% would adequately compensate the Senior Lender for the risks presented by the Plan.

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(c) Release of Liens Upon Sale or Refinancing. The release provisions of the Mortgage Loan Documents, as modified by the Plan, will remain in effect. Accordingly, if, prior to maturity of the Replacement Notes, one Resort is sold or refinanced, then the Senior Lender will be required to release its lien encumbering the applicable Resort in exchange for 115% of the remaining amount of the Allocated Principal Balance of the Loan applicable to the Resort being sold or refinanced, plus any accrued and unpaid interest on the remaining Allocated Principal Balance. The Allocated Principal Balance will be reduced during the term of the Plan based upon payments of principal made pursuant to the terms of the Plan which will be allocated in the same percentage as the value determined by the Court as part of the confirmation process, with the allocated percentage being the value that the Resort being released bears to the total value of the Resorts as determined by the Court.

1.1.3 Bankruptcy Code § 1111(b)(2) Treatment. If, and only if, the Senior Lender makes a Section 1111(b)(2) Election, then beginning the first day of the first calendar month which is at least 30 days after the Effective Date, the Reorganized Debtors will pay the Senior Lender monthly installments equal to monthly interest-only payments calculated assuming a principal balance equal to the present value of the Senior Lenders' Collateral and interest at the base interest rate set forth in Section 3.2.2(a)(ii) and rounded up to the nearest \$5,000 until the earlier of—(i) sale of the Resorts, (ii) the 252nd month after the Effective Date, or (iii) such earlier maturity date as would be necessary to satisfy § 1129(a)(7) and § 1129(b)(2)—at which time the entire remaining balance of the Allowed Senior Lender Secured Claim must be paid in full. Notwithstanding the foregoing, any time between 60 and 180 months after the Effective Date, the Reorganized Debtors may transfer the Resorts subject to the treatment of the Senior Lender Secured Claim in this paragraph, **but only if** (a) the Reorganized Debtors are not in default under the repayment terms of this paragraph, (b) the Reorganized Debtors pay the Senior Lender a \$1,500,000 reassignment fee at closing of the transfer, and (c) the Senior Lender approves that transferee, which approval may only be reasonably withheld based upon the financial or operational qualifications of the transferee. If either of the Reorganized Debtors determines to sell one of the Resorts and the Senior Lender has made a Section 1111(b)(2) Election, the Senior Lender and the applicable Reorganized Debtor will mutually agree on a release price.

1.1.4 Deemed Cure or Waiver of Certain Loan Provisions. Immediately and automatically upon the occurrence of the Effective Date, the Debtors and the Reorganized Debtors will be deemed to have cured or the Senior Lender will be deemed to have waived:

- (a) Any default arising from the Debtors' failure to complete the Future Improvements provided for under § 5.1.29 of the Loan Agreement by March 5, 2010;
- (b) Any payment defaults;
- (c) Any covenant defaults related to loan to value, debt service coverage, tangible net worth, or liquidity;
- (d) Any default arising *ipso facto* as a result of any of the Debtors filing bankruptcy petitions or as a result of the Resorts becoming assets in voluntary bankruptcy proceedings; and
- (e) Any prepayment premium or penalty.

1 1.2 Cancellation of Other Mortgage Loan Documents. The Operating Debtors will
 2 cancel, and to the extent they are executory contracts, reject pursuant to Bankruptcy Code § 365,
 the following agreements associated with the Mortgage Loan:

3 (a) "Assignment and Consent, Subordination, Non-Disturbance, and
 4 Attornment Agreement" dated December 5, 2007, between Transwest Tucson Property
 L.L.C. and the Senior Lender and Starwood;

5 (b) "Assignment and Consent, Subordination, Non-Disturbance, and
 6 Attornment Agreement" dated December 5, 2007, between Transwest Hilton Head
 Property L.L.C. and the Senior Lender and Starwood;

7 (c) "Clearing Account Agreement" dated December 5, 2007, between
 8 Transwest Tucson Property L.L.C. and the Senior Lender and Starwood and J.P. Morgan
 Chase Bank N.A.; and,

9 (d) "Clearing Account Agreement" dated December 5, 2007 between
 10 Transwest Hilton Head Property L.L.C. and the Senior Lender and Starwood and J.P.
 Morgan Chase Bank N.A.

11 1.3 Liens; Amended Mortgage Loan Documents. Senior Lender will retain its Liens in
 12 the Resorts and Cash Collateral and, to the extent applicable, will be granted liens against the
 Debt Service Reserve Account, the Capital Improvement Reserve Account, and the Operating
 13 Accounts. On the Effective Date, the Reorganized Debtor and Senior Lender will execute
 amended Mortgage Loan Documents that are consistent with the treatment of the Allowed Senior
 14 Lender Secured Claim provided under this Plan. Among other things, the financial covenants
 will be revised consistent with this Plan.

15 Impairment. Class 1 is impaired.

16 2. **Class 2 - EZ Trade Secured Claim.**

17 Class 2 consists of the Secured Claims of EZ Trader LLC arising from that certain
 18 promissory note made by Transwest Hilton Head Property, L.L.C. in the original principal
 amount of \$48,158.55 and secured by a purchase money security interest in 52 HD flat screen
 19 television sets located at the Hilton Head Resort and that certain promissory note made by
 Transwest Tucson Property, L.L.C. dated November 9, 2010, in the original principal amount of
 20 \$5,297 and secured by a purchase money security interest in certain cleaning equipment. Each
 Secured Claim in Class 2 shall be treated as a separate subclass for voting and distribution
 21 purposes.

22 **Treatment of EZ Trade Secured Claim:**

23 The holder of the Class 2 Claims, will be paid the full amount of its Class 2 Secured
 Claim plus interest at the rate of 8.125% per annum in three installments with the first installment
 24 payable the first day of the first month that is more than 30 days after the Effective Date, the
 second installment paid 120 days thereafter, and the third installment 120 days after payment of
 25 the second installment. The holder of the Class 2 Claims will retain its liens.

26 Impairment. Class 2 is impaired.

1 3. **Class 3 - GE Capital Secured Claim.**

2 Class 3 consists of the Secured Claim arising from the following capital equipment leases
 3 between the Transwest Tucson Property, L.L.C. dba La Paloma Country Club and GE Capital/GE
 4 Capital Solutions:

Lease No.	Equipment Description	Start Date	Term	Amount Originally Financed	Original Monthly Payment
8380192001	Landscape Equipment, Trailers, and Vehicles	07/15/08	07/14/12	\$673,843.97	\$13,533.54
8380192002	Landscape Equipment	07/15/08	07/14/13	\$20,679.43	\$409.07
8380192003	Tractors and Related Landscape Equipment	8/28/2008	08/30/12	\$155,731.48	\$3,756.41
8380192008	Grinders and Shop Equipment related to landscaping.	08/06/08	08/14/12	\$54,503.91	\$1,314.70
8380192005	Dump Trailers, Backhoe, and related landscape equipment	8/28/2008	08/27/12	\$79,626.47	\$1923.02
8380192006	Landscape Equipment	09/24/08	09/23/12	\$7,183.12	\$173.26
TOTALS				\$991,568.38	\$21,107.65

13 Each lease has a \$1.00 purchase option for the equipment at the end of the lease except for
 14 lease number 8380192001, which has a fair market value purchase price which the Debtors
 15 estimate to be approximately \$124,000. Class 3 is impaired and entitled to vote on the Plan.

16 **Treatment of GE Capital Secured Claim:**

17 Each of the leases giving rise to the Class 3 claims will be converted to and
 18 recharacterized as a secured loans and restructured as follows:

Lease No.	Recharacterization Fee	Restructured Term	Interest	Amount Originally Financed	Restructured Monthly Payment
8380192001	\$14,274.12	7/15/2013	8.125%	\$673,843.97	\$13,703.47
8380192002	\$963.48	7/15/2013	8.125%	\$20,679.43	\$420.54
8380192003	\$1,557.31	8/30/2013	8.125%	\$155,731.48	\$3,167.00
8380192008	\$545.03	8/30/2013	8.125%	\$54,503.91	\$1,108.41
8380192005	\$796.26	8/30/2013	8.125%	\$79,626.47	\$1,619.31
8380192006	\$71.83	9/23/2013	8.125%	\$7,183.12	\$146.08
TOTALS	\$28,097.56			\$991,568.38	\$19,349.63

23 As described in the table above, a recharacterization fee will be paid to the holders of the
 24 Class 3 claims on the Effective Date. The Reorganized Transwest Tucson Property, L.L.C.
 25 Debtor will begin making the Restructured Monthly Payment on the first Business Day of the first
 26 month following the Effective Date.

27 **Liens.** The holders of Class 3 Claims will retain their liens.

28 **Impairment.** Class 3 is impaired.

1 4. **Class 4 - Convenience Claims.**

2 Class 4 consists of the Unsecured Claims held by Unsecured Creditors that are allowed in
 3 an amount less than \$5,000 or such greater amount the Court determines is reasonable for
 4 administrative convenience under Bankruptcy Code § 1122(b) and any unsecured claims held by
 5 Unsecured Creditor that elects on the Ballot to reduce its claim to \$5,000 to be treated as a Class
 6 4 claimant instead of treatment as an Unsecured Trade Creditor under Class 5 or a General
 7 Unsecured Creditor under Class 6. The Class 4 Claims against each of the Debtors shall be
 8 treated as a separate subclass for voting and distribution purposes.

9 **Treatment of Convenience Claims:**

10 On the later of the first Business Day that is at least 30 days after the Effective Date or the
 11 applicable Claim Payment Date, each holder of an Allowed Class 4 Claim will be paid by the
 12 applicable Reorganized Debtor Cash equal to the lesser of (i) the amount of such Allowed Claim;
 13 or (ii) \$5,000. This one-time payment will be in full and final satisfaction of each such Class 4
 14 Claim and will bar holders of Class 4 Claims from any additional recovery on account of such
 15 Claim. No interest will be paid on any Class 4 Convenience Claims.

16 **Impairment.** Class 4 is impaired

17 5. **Class 5 - Unsecured Trade Creditor Claims**

18 Class 5 consists of two subclasses 5A and 5B (each of which shall be treated as a separate
 19 subclass for voting and distribution purposes).

- 20 a. Class 5A consists of Unsecured Trade Claims owing by Debtor Transwest
 Tucson Property, L.L.C.
- 21 b. Class 5B consists of Unsecured Trade Claims owing by Debtor Transwest
 Hilton Head Property, L.L.C.

22 (Unsecured Trade Claims include Unsecured Claims owing by an Operating Debtor to a creditor
 23 for providing goods or services to the La Paloma Resort or the Hilton Head Resort in the ordinary
 24 course of business, excluding, however, (i) any Claims for damages from the rejection of any
 25 executory contract or unexpired lease, (ii) any Administrative Claims, and (iii) for the avoidance
 26 of doubt, any Claims by Senior Lender.) Class 5 is impaired and entitled to vote on the Plan.

27 **Treatment of Unsecured Trade Creditor Claims**

28 (a) The Reorganized Transwest Tucson Property L.L.C. will pay holders of
 29 Allowed class 5A claims 40% of the Allowed amount of such holder's Class 5A Claim in 4 equal
 30 annual installments payable on the first Business Day of March beginning in 2012. No interest
 31 will be paid on any Class 5A Unsecured Trade Creditor Claims.

32 (b) The Reorganized Transwest Hilton Head Property L.L.C. will pay holders of
 33 allowed class 5B claims 40% of the Allowed amount of such holder's Class 5B Claim in 4 equal
 34 annual installments payable on the first Business Day of July beginning in 2012. No interest will
 35 be paid on any Class 5B Unsecured Trade Creditor Claims.

36 **Impairment.** Class 5 is impaired.

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6. General Unsecured Claims.

Class 6 consists of every Unsecured Claim against an Operating Debtor that is not an Administrative Claim, a Priority Tax Claim, a Priority Unsecured Claim, a Class 4 Convenience Unsecured Claim, a Class 5 Unsecured Trade Claim, a Class 8 Penalty Claim, or a Class 10 Subject Insider Claim.

1.4 *Treatment.* On the later of the date sixty (60) days after the Effective Date or the applicable Claim Payment Date, each holder of an Allowed Class 6 Claim will receive:

(a) A Cash payment equal to a pro rata share of the Unsecured Creditor Fund (with reserves for Disputed Claims, which will later be distributed to the holders of Allowed Class 6 Claims to the extent not paid with respect to such Disputed Claims); and

(b) A Class 6 Membership Appreciation and Cash Flow Certificate entitling the holder to the following:

(i) A holder of a Class 6 Membership Appreciation and Cash Flow Certificate will be entitled to a pro rata share (based the total of Allowed Class 6 Claims) of five percent (5%) of the Surplus Cash Flow for a calendar year commencing after the Effective Date, payable annually on April 15 after each calendar year in which the Reorganized Debtors have achieved a positive Surplus Cash Flow. Surplus Cash Flow means, for any calendar year commencing after the Effective Date and on a cash basis, the net operating revenues collected by the Reorganized Debtors from the operations of the Resorts during that calendar year, less all the payments during that calendar year for operating expenses, debt service, taxes, management fees, rent, other expenses, capital expenditures, and payments or distributions under the Plan, and less funding for the Capital Improvement Reserve Accounts, other Reserves and Reserve Accounts, and any payments or reserves required under the amended Mortgage Loan Documents or the Replacement Management Agreements.

A holder of a Class 6 Membership Appreciation and Cash Flow Certificate will also be entitled to a pro rata payment (based the total of Allowed Class 6 Claims) equal to twenty five percent (25%) of the applicable Membership Appreciation Amount in certain circumstances. Membership Appreciation Amount means the value (as calculated below) of the New Membership Interests as of the applicable redemption date over and above repayment of paid in capital (including, but not limited to, the New Equity Investment) plus a 13% per annum preferred return on the New Equity Investment through the applicable redemption date. (a) In the event of a redemption on the sale of the Resorts, the value of the New Membership Interests at that time for purposes of calculating the Membership Appreciation Amount is based on the net sales proceeds (after costs of sale) after full repayment of all liens or obligations of any type of the Reorganized Debtors, including, but not limited to, all amounts owing to Senior Lender and other Creditors under the Plan, and after repayment of all paid in capital (including, but not limited to, the New Equity Investment) plus a 13% per annum preferred return to the New Equity Investment through the date of redemption. (b) In the event of a redemption at the expiration of the term, the value of the New Membership Interests at that time for purposes of calculating the Membership Appreciation Amount is based on the then current "as is" appraised value of the Resorts under appraisals obtained by the Reorganized Debtors, less the amount of all liens or obligations of any type then owing by the Reorganized Debtors, including, but not limited to, all amounts owing to Senior Lender and other Creditors under the Plan, and less the amount required

1 to repay all paid in capital (including, but not limited to, the New Equity Investment) plus a 13%⁶
 2 per annum preferred return to the New Equity Investment through the date of redemption.

3 (ii) Class 6 Membership Appreciation and Cash Flow Certificate are
 4 redeemable on the earlier of (i) the closing date of a sale of both Resorts (or, if one Resort is sold
 before the other, the last Resort) , or (ii) the first day of the month at least 123 months after the
 Effective Date.

5 (iii) If redeemed on sale, the right to payment under the Class 6
 6 Membership Appreciation and Cash Flow Certificate is calculated based on a pro rata share of
 twenty five percent (25%) of the Membership Appreciation Amount as of the applicable sale
 closing date.

7 (iv) If redeemed at the expiration of term, the right to payment under the
 8 Class 6 Membership Appreciation and Cash Flow Certificate is calculated based on a pro rata
 share of twenty five percent (25%) of the Membership Appreciation Amount as of the expiration
 9 date.

10 (v) Holders of Class 6 Membership Appreciation and Cash Flow
 11 Certificate will be entitled to receive annual audited financial statements which will be provided
 by the date 120 days after the end of the Reorganized Debtor's fiscal year.

12 (c) No Class 6 claimant will be entitled to receive payments from the Unsecured
 13 Creditor Fund and on account of their Class 6 Certificates that, in the aggregate, total more than
 the amount of such Claimant's Allowed Unsecured Claim.

14 (d) Impairment. Class 6 is impaired.

15 **7. Class 7 - Mezzanine Lender Claims.**

16 Class 7 consists of the Claims arising from that certain Mezzanine Loan between Ashford
 17 Hospitality and the Level II Debtors in the original principal amount of \$21,500,000 which is
 secured by the Level II Debtors' membership interests in the Operating Debtors.

18 1.5 Treatment. On the Effective Date, the Level II Debtors' Equity Interests in the
 19 Operating Debtors will be cancelled and the Level II Debtors will be dissolved. If the holders of
 20 Allowed Class 7 Claims vote to reject the Plan, the holders of Allowed Class 7 Claims will not
 receive any distribution on account of such Class 7 Claims. If the holders of Allowed Class 7
 21 Claims vote to accept the Plan, the holders of Allowed Class 7 Claims will receive, on the later of
 the date sixty (60) days after the Effective Date or the applicable Claim Payment Date the
 following:

22 (a) A Cash payment equal to a pro rata share of \$250,000 (with reserves for
 23 Disputed Claims, which will later be distributed to the holders of Allowed Class 7 Claims to the
 extent not paid with respect to such Disputed Claims); and

24 (b) A Class 7 Membership Appreciation and Cash Flow Certificate entitling the
 25 holder to the following:

26 ⁶ The minimum return to the investor has been reduced from 15% to 13% in accordance with the
 Memorandum of Understanding between the Debtors and West Partners.

1 (i) A holder of a Class 7 Membership Appreciation and Cash Flow
 2 Certificate will be entitled to a pro rata share (based the total of Allowed Class 7 Claims) of one
 3 percent (1%) of the Surplus Cash Flow for a calendar year commencing after the Effective Date,
 payable annually on April 15 after each calendar year in which the Reorganized Debtors have
 achieved a positive Surplus Cash Flow.

4 (ii) A holder of a Class 7 Membership Appreciation and Cash Flow
 5 Certificate will also be entitled to a pro rata payment (based the total of Allowed Class 7 Claims)
 6 equal to five percent (5%) of the applicable Membership Appreciation Amount in certain
 circumstances.

7 (iii) Class 7 Membership Appreciation and Cash Flow Certificate are
 8 redeemable on the earlier of (i) the closing date of a sale of both Resorts (or, if one Resort is sold
 before the other, the last Resort) , or (ii) the first day of the month at least 123 months after the
 Effective Date.

9 (iv) If redeemed on sale, the right to payment under the Class 7
 10 Membership Appreciation and Cash Flow Certificate is calculated based on a pro rata share of
 five percent (5%) of the Membership Appreciation Amount as of the applicable sale closing date.

11 (v) If redeemed at the expiration of term, the right to payment under the
 12 Class 7 Membership Appreciation and Cash Flow Certificate is calculated based on a pro rata
 share of five percent (5%) of the Membership Appreciation Amount as of the expiration date.

13 (c) Holders of Class 7 Membership Appreciation and Cash Flow Certificate will
 14 be entitled to receive annual audited financial statements which will be provided by the date 120
 days after the end of the Reorganized Debtor's fiscal year.

15 (d) No Class 7 claimant will be entitled to receive payments that, in the aggregate,
 16 total more than the amount of its Allowed Claim.

17 (e) Impairment. Class 7 is impaired.

18 **8. Class 8 - Subordinated Penalty Claims.**

19 Class 8 consists of any Allowed Penalty Claims. Penalty Claims include any Claims,
 20 whether Secured or Unsecured, for any fine, penalty, or forfeiture, or for multiple, exemplary, or
 21 punitive damages, arising before the Petition Date, to the extent that such fine, penalty, forfeiture,
 or damages are not compensation for actual pecuniary loss suffered by the holder of such Claim,
 including the pre-petition default interest the Senior Lender contends is owing under the
 Mortgage Loan or Mezzanine Lender contends is owing under the Mezzanine Loan, or penalty
 interest owed to a governmental entity on a tax claim.

22 Holders of Class 8 Penalty Claims will be paid nothing on account of such claims
 23 under the Plan. Class 8 is impaired, but because it will receive no distributions it will not vote
 and will be deemed to reject the Plan.

24 **9. Class 9-TRP Creditors**

25 Class 9 consists of all the Claims of creditors of Transwest Resort Properties, Inc.,
 26 including but not limited to, SGC Hotel DLP, LP, the United States Internal Revenue Service, and

1 certain state taxing authorities. On the Effective Date, Transwest Resort Properties, Inc.'s
 2 Reorganization Case will be dismissed and the Holders of Class 9 Claims will be free to pursue
 any and all legal, equitable or contractual remedies as existed as of the Petition Date.

3 *Impairment.* Class 9 Claims are not impaired.

4 10. **Class 10 - Equity Interests and Subject Insider Claims.**

5 Class 10 consists of all of the Equity Interests in the Level II Debtors and the Operating
 6 Debtors, and the Subject Insider Claims. On the Effective Date, all Equity Interests in the
 7 Debtors will be automatically cancelled and voided. All holders of Equity Interests and Subject
 8 Insider Claims will receive nothing on account of those Equity Interests and Subject Insider
 9 Claims. Subject Insider Claims consist of the Claims of Transwest Copley Square, Transwest
 10 Resort Properties, Inc., Transwest Partners L.L.C., and other affiliate entities arising from the
 contribution of approximately \$3.6 million of cash to the Operating Debtors in 2008 which was
 used to pay the Senior Lender and the Mezzanine Lender.

11 *Impairment.* The holders of Class 10 Equity Interests and Subject Insider Claims
 12 will not receive or retain anything under the Plan, and thus Class 10 is deemed to reject the Plan.

13 **VIII.**
TREATMENT OF EXECUTORY CONTRACTS

14 **A. Management Agreements.**

15 The Operating Debtors are each parties to Management Agreements through which they
 16 contract with Starwood to operate the Resorts. The present Management Agreements date back
 17 to 1988 and would encumber the Hilton Head Resorts until 2019 and the La Paloma Resort until
 18 2028. Because of their age, the Management Agreements are not consistent with current market
 19 conditions and industry practices. Accordingly, the Operating Debtors will reject the
 20 Management Agreements. As discussed in Section 7.B.6. of this Disclosure Statement, the
 21 Debtors are currently in good faith negotiations with both Starwood and Hyatt Corporation,
 22 which have each provided viable term sheets to the Debtors. The Debtors will file the final form
 23 of the new managements agreements for the Resorts, whether with Starwood, Hyatt or some other
 24 third party management company, and disclose the source, amount, terms and conditions of any
 25 Key Money, within 10 days prior to the Confirmation Hearing.

26 **B. Golf.**

Transwest Tucson Property, L.L.C. is a party to an agreement with Troon Golf regarding
 management operation of its golf courses. Transwest Tucson Property, L.L.C. will assume this
 agreement under the Plan.

C. Restaurant, Spa, and Retail Leases.

Transwest Tucson Property, L.L.C. is a party to leases with Wilder Restaurant Group for
 restaurant and bar space and with Elizabeth Arden Red Door Spa for spa space. Transwest Hilton
 Head Property, L.L.C. is a party to a lease or license agreement for retail and kiosk spaces. The
 Operating Debtors will each assume their respective Restaurant, Spa and Retail Leases under the
 Plan.

1 **D. Country Club Membership Agreements.**

2 Transwest Tucson Property, L.L.C. is a party to approximately 355 golf, 91 tennis, 25
 3 fitness, and 136 social membership contracts with members of its Country Club. Transwest
 Tucson Property, L.L.C. will assume its membership agreements.

4 **E. Other Executory Contracts.**

5 On the Confirmation Date, except as otherwise provided herein, all Executory Contracts
 6 of the Debtors will be deemed rejected in accordance with the provisions and requirements of
 7 Bankruptcy Code §§ 365 and 1123, other than those Executory Contracts that (a) have already
 8 been assumed by order of the Bankruptcy Court, (b) are subject to a motion to assume Executory
 9 Contracts that is pending on the Confirmation Date, (c) are subject to a motion to reject an
 10 Executory Contract pursuant to which the requested effective date of such rejection is after the
 11 Confirmation Date, (d) are subject to a stipulation approved by the Bankruptcy Court on or prior
 12 to the Confirmation Date, to defer assumption or rejection until a date after the Effective Date but
 13 for which the Bankruptcy Court has retained jurisdiction pursuant to the Plan and the
 Confirmation Order, or (e) are identified on Schedule "1" to the Plan. Approval of any motions to
 14 assume Executory Contracts pending on the Confirmation Date will be approved by the
 15 Bankruptcy Court on or after the Confirmation Date by a Final Order. Each Executory Contract
 16 assumed pursuant to this Article will revert in and be fully enforceable by the Reorganized
 17 Debtors in accordance with its terms, except as such terms are modified by the provisions of the
 18 Plan or any order of the Bankruptcy Court authorizing and providing for its assumption or
 19 applicable law.

14 **F. Claims Based on Rejection of Executory Contracts.**

15 Every Claim asserted by a Creditor arising from the rejection of an Executory Contract
 16 pursuant to the Plan must be filed with the Bankruptcy Court no later than the first Business Day
 17 which is thirty (30) days after the Confirmation Date or the first Business Day that is thirty (30)
 18 days after entry of the Final Order of the Bankruptcy Court approving rejection, if such Final
 19 Order is entered after the Confirmation Order. Every such Claim which is timely filed, as and
 when it becomes an Allowed Claim, will be treated under Class 6 of the Plan unless the Creditor
 20 qualifies or elects on its Ballot to be treated under Class 4 of the Plan. Every such Claim which
 21 is not timely filed by the deadline stated above will be forever barred, unenforceable, and
 22 discharged, and the Creditor holding the Claim will not receive or be entitled to any distribution
 23 under the Plan on account of such Claim.

20 **IX.**
IMPLEMENTATION OF THE PLAN

21 **A. Joint Plan.**

22 The Debtors are submitting a joint plan. In light of the ownership structure of the Debtors
 23 and their respective relationships, it is reasonable and administratively convenient to propose a
 24 joint plan. The Debtors are not seeking to substantively consolidate for purposes of the Plan or
 25 otherwise.

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B. Transactions To Occur Prior To The Effective Date.

No less than one (1) Business Day prior to the Effective Date, the Operating Debtors must:

(a) Debtor Service Reserve. The Operating Debtors will open a segregated Debt Service Reserve Account. The Reorganized Debtors will fund the Debt Service Reserve Accounts immediately after the Effective Date. The Reorganized Debtors must also take such steps as are necessary to grant and perfect a lien in favor of the Senior Lender in the Debt Service Reserve Account.

(b) Capital Improvement Reserve. Each Operating Debtor will open a Capital Improvement Reserve Account. Each Reorganized Debtor will fund its Capital Improvement Reserve Account immediately after the Effective Date. The Reorganized Debtors must also take such steps as are necessary to grant and perfect a lien in favor of the Senior Lender in the Capital Improvement Reserve Accounts. Beginning the first day of the calendar month that is at least thirty (30) days after the Effective Date, each Reorganized Debtor will deposit 6% of its gross income in its respective Capital Improvement Reserve Account on a monthly basis.

(c) Plan Administration Fund. The Reorganized Debtors will each establish a separate bank account from which it will make payments to administrative, priority, convenience, and general unsecured claims pursuant to the Plan. The Reorganized Debtors will fund the Plan Administration Fund with Cash to establish the Unsecured Creditor Fund and Cash necessary to pay any other payments required immediately after the Effective Date. The Plan Administration Fund will hold the reserves established by the Reorganized Debtors related to payment of Disputed Claims pending resolution of dispute. The amount reserved must be sufficient to make the disputed payment that would be required to be made if the Disputed Claim is Allowed.

(d) Finalize and Execute Plan Documents. The Operating Debtors will have taken any and all necessary steps in order to finalize the Plan Documents. On the Effective Date, the Reorganized Debtors will cause the Plan Documents to be executed by an appropriate officer of the Reorganized Debtors.

C. Continued Existence and Vesting of Assets in Reorganized Debtor.

Subject to the Plan Documents, each of the Operating Debtors will continue in existence after the Effective Date as a separate legal entity, with all the powers available to such entity under applicable Delaware law and pursuant to its organizational documents in effect prior to the Effective Date as such may be amended by the Plan or any Plan Document, without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date. Except as otherwise provided in the Plan or Plan Documents, on and after the Effective Date, all property of the Operating Debtors' Estates and any property acquired by the Operating Debtors or the Reorganized Debtors under the Plan will vest in the Reorganized Debtors in accordance with Section 18.2 below. On and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire or dispose of property and compromise or settle any Claims or Membership Interests, without supervision or approval of the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order.

1 **D. Management of Reorganized Debtors.**

2 From and after the Effective Date, the Reorganized Debtors will be wholly owned and
 3 managed by Newco. As discussed in Section 7.B.5. of this Disclosure Statement, the manager of
 4 Newco will be the Manager (which will be owned 50.1 % by SWVP and 49.9% by Transwest
 5 Properties, Inc.). The Manager may be paid an asset management fee by Newco, and may be
 6 entitled to certain incentive payments from Newco if certain performance thresholds are met. The
 7 organizational documents of the Operating Debtors will be amended as necessary or appropriate
 8 to comply with applicable state law, the Plan, and the issuance of the New Membership Interests
 9 in the Reorganized Debtors to Newco in accordance with the terms of the Plan. Newco may
 10 retain CHIC to assist it with asset management responsibilities after the Effective Date.

7 **E. Funding on the Effective Date.**

8 All payments under the Plan which are due on the Effective Date will be funded from the
 9 Cash on hand, the New Equity Investment, or Key Money.

10 **F. Funding After the Effective Date.**

11 The funds necessary to ensure continuing performance under the Plan after the Effective
 12 Date will be (or may be) obtained from:

- 13 (e) any and all remaining Cash retained by the Reorganized Debtors after the
 14 Effective Date;
- 15 (f) Cash generated from the post-Effective Date operations of the Reorganized
 16 Debtors;
- 17 (g) any reserves established by the Debtors or the Reorganized Debtors;
- 18 (h) the proceeds from any sale or refinancing of all or part of the Resorts; and,
- 19 (i) any other contributions or financing (if any) which the Reorganized
 20 Debtors may obtain on or after the Effective Date.

19 **G. Procedure for Determination of Claims.**

20 1. **Objections to Claims.**

21 Notwithstanding the occurrence of the Effective Date, and except as to any Claim that has
 22 been Allowed prior to the Effective Date, the Reorganized Debtors may object to the allowance
 23 of any Claim against the Debtors or seek estimation thereof on any grounds permitted by the
 24 Bankruptcy Code by filing the appropriate pleading in the Bankruptcy Court at any time prior to
 25 the first Business Day which is thirty (30) days after the Effective Date. All objections will be
 26 litigated to Final Order; provided, however, that the Reorganized Debtors (within such parameters
 as may be established by the Reorganized Debtors after the Effective Date) will have the
 authority to file, settle, compromise, or withdraw any objections without Bankruptcy Court
 approval.

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2. Disputed Claims.

No payments or other distributions will be made to holders of Claims unless and until such Claims are Allowed Claims pursuant to a Final Order. If a Claim is not an Allowed Claim as of the Effective Date or when payment is otherwise due under the Plan, payment on such Claim (plus interest, if any, payable under the Plan) will commence if and when such Claim becomes an Allowed Claim pursuant to a Final Order after the Effective Date.

3. Treatment of Contingent Claims.

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

4. Payments Effective Upon Tender.

Whenever the Plan requires payment to be made, such payment will be deemed made and effective upon tender thereof by the Debtors or the Reorganized Debtors to the Creditor to whom payment is due. If any Creditor refuses a tender, the amount tendered and refused will be held by the Debtors or the Reorganized Debtors for the benefit of that Creditor pending final adjudication of the dispute. However, when and if the dispute is finally adjudicated and the Creditor receives the funds previously tendered and refused, the Creditor will be obliged to apply the funds in accordance with the Plan as of the date of the tender; and while the dispute is pending and after adjudication thereof, the Creditor will not have the right to claim interest or other charges or to exercise any other rights which would be enforceable by the Creditor if the Debtors or the Reorganized Debtors failed to pay the tendered payment.

5. Post Effective Date Fees, Costs, and Expenses.

After approval by the Bankruptcy Court of the final fee applications of the Professionals submitted pursuant to Bankruptcy Code § 330 for services provided and costs incurred during the course of administration of the Reorganization Cases and prior to the Confirmation Order, the Professionals will not be required to submit any further fee applications to the Bankruptcy Court. Any Claims for fees, costs, and expenses incurred by any Professionals after the Confirmation Date, including, without limitation, those fees and expenses incurred in connection with the implementation and consummation of the Plan, will be treated as fees and expenses of the Reorganized Debtors and paid in the ordinary course of the business of the Reorganized Debtors, without the necessity for any approval by the Bankruptcy Court.

6. Objections to Administrative Claims.

The Reorganized Debtors will be entitled to object to any Administrative Claims that are asserted. Any objections to Administrative Claims will be filed and served by the later of: (x) the date forty-five (45) days after the Administrative Claims Bar Date, and (y) such other date as may be fixed by the Bankruptcy Court, whether fixed before or after the date specified in clause (x) above. All objections will be litigated to Final Order; provided, however, that the Reorganized Debtors (within such parameters as may be established by the Reorganized Debtors after the Effective Date) will have the authority to file, settle, compromise, or withdraw any objections without Bankruptcy Court approval, other than with respect to Professional Fees.

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H. Conditions Precedent.

1. Conditions to Effectiveness.

The Plan will not become effective unless and until the following conditions will have been satisfied or waived pursuant to Section 15.2 of the Plan:

- (a) the Confirmation Order, in form and substance acceptable to the Debtors will have been entered and will have become a Final Order;
- (b) the Plan Documents to be entered into by the Debtors or the Reorganized Debtor will have been fully executed and delivered and all conditions to the effectiveness of each of the Plan Documents have been satisfied;
- (c) all actions, documents and agreements necessary to implement the Plan, including the transactions required by Section 14.2 above, will have been effected or executed;
- (d) the Debtors will have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents that are necessary or appropriate to implement the Plan and that are required by law, regulation, or order; and
- (e) the New Equity Investment has been funded to the Reorganized Debtor (or to escrow pending the Effective Date).

2. Waiver of Conditions.

The Debtors, in their sole discretion and to the extent not prohibited by applicable law, may waive one or more of the conditions precedent to effectiveness of the Plan set forth in Section 15.1 of the Plan (other than receipt of the New Equity Investment), in whole or part, without any notice to any parties in interest or the Bankruptcy Court and without a hearing. The failure to satisfy or waive any condition to the Effective Date may be asserted by the Debtors in their sole discretion regardless of the circumstances giving rise to the failure of such conditions to be satisfied (including any action or inaction by the Debtors). The failure of the Debtors to exercise any of the foregoing rights will not be deemed a waiver of any other rights, and each such right will be deemed an ongoing right, which may be asserted at any time.

3. Effect of Non-occurrence of Conditions.

If the consummation of the Plan does not occur, the Plan will be null and void in all respects and nothing contained in the Plan or the Disclosure Statement will: (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors; (b) prejudice in any manner the rights of the Debtors; or (c) constitute an admission, acknowledgement, offer or undertaking by the Debtors in any respect.

1 **X.**
2 **PROVISIONS REGARDING VOTING AND DISTRIBUTIONS UNDER THE PLAN**

3 **A. Voting of Claims; Classes Subsequently Deemed Unimpaired.**

4 1. Each holder of an Allowed Claim in an impaired Class that is entitled to vote on
5 the Plan pursuant to Article 1.2 of the Plan will be entitled to vote separately to accept or reject
6 the Plan as provided in such order as is entered by the Bankruptcy Court establishing procedures
7 with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other
8 order or orders of the Bankruptcy Court.

9 2. The Debtors may seek an order of the Bankruptcy Court holding that any Class
10 listed in the Plan as impaired is actually unimpaired. Notwithstanding anything to the contrary
11 contained in the Plan, in the event that Debtors obtain an order of the Bankruptcy Court holding
12 that a Class listed in the Plan as impaired is unimpaired (whether before or after soliciting of
13 acceptances for the Plan), such Class will be unimpaired, each holder of an Allowed Claim in
14 such Class will be conclusively presumed to have accepted the Plan and any votes to accept or
15 reject the Plan submitted by holders of Claims in such Class will be null, void, and have no effect.

16 **B. Nonconsensual Confirmation.**

17 If any impaired Class of Claims entitled to vote does not accept the Plan by the requisite
18 statutory majority provided in Bankruptcy Code § 1126(c), Debtors reserve the right, to amend
19 the Plan or undertake to have the Bankruptcy Court confirm the Plan under Bankruptcy Code §
20 1129(b) or both. With respect to any impaired Class of Claims or Equity Interests that is deemed
21 to reject the Plan, the Debtors will request that the Bankruptcy Court confirm the Plan pursuant to
22 Bankruptcy Code § 1129(b). To the extent any Class is deemed to reject the Plan by virtue of the
23 treatment provided to such Class, the Plan will be "crammed down" on the claimants within such
24 Class pursuant to Bankruptcy Code § 1129(b).

25 **C. Manner of Distributions.**

26 Any payment of Cash made by the Reorganized Debtors pursuant to the Plan may, at the
Reorganized Debtors' option, be made by check drawn on a domestic bank or wire transfer.

D. Timing of Distributions.

In the event that any payment, distribution, or act under the Plan is required to be made or
performed on a date that is not a Business Day, then the making of such payment or distribution
or the performance of such act may be completed on or as soon as reasonably practicable after the
next succeeding Business Day, but will be deemed to have been completed as of the required
date.

E. Maximum Distribution.

Notwithstanding anything otherwise to the contrary, in no event will a holder of an
Allowed Claim which has been Allowed, be entitled to receive consideration which results in a
distribution of greater than payment in full with respect to such Allowed Claim (including any
interest as provided in the Plan).

1 **F. De Minimis Distributions.**

2 Except for claims classified in Class 4 under the Plan, the Reorganized Debtors will make
 3 no distributions of less than \$50 to any Creditor holding an Allowed Claim. If a Creditor holding
 4 an Allowed Claim does not receive a distribution due to the provisions of this section on any date
 5 on which a distribution is to be made to Creditors in the same Class as the Creditor being entitled
 6 to such de minimis payment, then the Claim (so long as it is an Allowed Claim) will remain
 7 eligible for distributions on any subsequent distribution date, subject to the provisions of this
 8 section. In all events, the Creditor holding an Allowed Claim which has not received a
 9 distribution on any previous distribution dates because of this provision, will receive such
 10 distribution on the date that final distribution is made to Creditors in the same Class as the
 11 Creditor being entitled to such de minimis payment.

12 **G. Interest on Claims.**

13 Unless otherwise provided in instruments that either take effect on the Effective Date or
 14 remain unaltered by the Plan, interest on any Allowed Claims that is payable under the Plan will
 15 be simple interest and will not be compound interest. In all events, there will be no default
 16 interest payable with respect to any Allowed Claims.

17 **H. Withholding Taxes on Distributions.**

18 Any federal, state or local withholding taxes or other amounts required to be withheld
 19 under applicable law will be deducted from distributions hereunder and no Person will be entitled
 20 to any additional distribution as a result of any such withholding. All Persons holding Claims
 21 will be required to provide any information necessary to effect the withholding of such taxes.

22 **I. Disputed Payment of Allowed Claims.**

23 If any dispute arises as to the identity of a holder of an Allowed Claim who is to receive
 24 any distribution, the Reorganized Debtors may, in lieu of making such distribution to such
 25 Person, make such distribution into an escrow account until the disposition thereof will be
 26 determined by Bankruptcy Court order or by written agreement among the interested parties to
 such dispute.

J. Unclaimed Distributions.

All distributions under the Plan that are unclaimed for a period of one (1) year after
 distribution thereof (or an attempt to effect such distribution) in accordance with the Plan will be
 deemed unclaimed property under Bankruptcy Code § 347(b), and such unclaimed property will
 be forfeited by any holder of a Claim originally entitled thereto hereunder, whereupon all right,
 title and interest in and to such unclaimed property will immediately and irrevocably be available
 for future distributions to holders of Allowed Claims hereunder in accordance with the terms of
 the Plan, and the holder of the Allowed Claim previously entitled to such unclaimed property will
 cease to be entitled thereto and any entitlement of any holder of any Claim to such distributions
 will be extinguished and forever barred.

Quarles & Brady LLP

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XI.
MODIFICATION OF PLAN

Alterations, amendments, or modifications of or to the Plan, including, without limitation, to provide for treatment different than that set forth herein with respect to any Class of Claims or Equity Interests (including impairment of Classes that are unimpaired hereunder) may be proposed in writing by the Debtors at any time prior to the Confirmation Date, provided that the Plan, as altered, amended, or modified, satisfies the conditions of Bankruptcy Code §§ 1122 and 1123, and the Debtors will have complied with Bankruptcy Code § 1125. The Plan may be altered, amended, or modified at any time after the Confirmation Date and before substantial consummation, provided that the Plan, as altered, amended, or modified, satisfies the requirements of Bankruptcy Code §§ 1122 and 1123 and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as altered, amended, or modified, under Bankruptcy Code § 1129 and the circumstances warrant such alterations, amendments, or modifications. A holder of a Claim that has accepted the Plan will be deemed to have accepted the Plan, as altered, amended, or modified, if the proposed alteration, amendment, or modification does not materially and adversely change the treatment of the Claim of such holder.

XII.
EFFECT OF CONFIRMATION

A. Binding Effect.

From and after the Confirmation Date, the Plan will be binding and inure to the benefit of the Debtors, all present and former holders of Claims and Equity Interests, and their respective assigns, including the Reorganized Debtors.

B. 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 Reorganized Debtors under the Plan, all property of the Estates will vest in the Reorganized Debtors free and clear of all claims, liens, encumbrances, charges, and other interests, except as otherwise provided in this Plan (including, without limitation, as provided under the Class I) or in the Confirmation Order. From and after the Effective Date, the Reorganized Debtors may operate their 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 Debtors pursuant to the terms of the Plan, the Reorganized Debtors will retain and will have the exclusive right, in its discretion, to enforce against any Person any and all Causes of Action of the Debtors.

C. Discharge of the Debtors 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 Equity Interest and any affiliate of such holder will be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by Bankruptcy Code § 1141, of and from any and all Claims, Equity Interests, rights, and liabilities that arose prior to the Effective Date of any kind, nature, or description whatsoever. Except as otherwise provided

1 herein, upon the Effective Date, all such holders of Claims and Equity Interests and their affiliates
2 will be forever precluded and enjoined, pursuant to Bankruptcy Code §§ 105, 524, and 1141,
3 from prosecuting or asserting any such discharged Claim against, or terminated Equity Interests
4 in, the Debtors or the Reorganized Debtors, or against any of their assets or properties, any other
or further Claim or Equity Interests based upon any act or omission, transaction, or other activity
of any kind or nature that occurred prior to the Effective Date, whether or not such holder has
filed a Proof of Claim or proof of Equity Interest.

5 **D. Term of Pre-Confirmation Injunctions or Stays.**

6 Unless otherwise provided in the Plan, the Confirmation Order, or a separate order from
7 the Bankruptcy Court, all injunctions or stays arising under or entered during the Reorganization
8 Cases in accordance with Bankruptcy Code §§ 105 or 362, or otherwise, and in existence on the
Confirmation Date, will remain in full force and effect until the later of the Effective Date and the
date indicated in such applicable order.

9 **E. Injunction Against Interference with Plan.**

10 Upon the entry of the Confirmation Order, all holders of Claims and Equity Interests and
11 other parties in interest, along with their respective present or former affiliates, employees,
agents, officers, directors, or principals, will be enjoined from taking any actions to interfere with
12 the implementation or consummation of the Plan.

13 **F. Exculpation and Limitation of Liability.**

14 None of the Debtors, the Reorganized Debtors, SWVP, or any of their respective current
15 or former members, partners, officers, directors, employees, managers, advisors, professionals,
affiliates, or agents of any of the foregoing (including any attorneys, financial advisors,
16 investment bankers and other professionals retained by such persons, but solely in their capacities
as such) will have or incur any liability to any holder of any Claim or Equity Interest for any act
or omission in connection with, related to, or arising out of, without limitation, the
17 Reorganization Cases, the negotiation and execution of the Plan, the Disclosure Statement, the
solicitation of votes for and the pursuit of confirmation of the Plan, the consummation of the Plan,
or the administration of the Plan or the property to be distributed under the Plan, including,
18 without limitation, the Plan Documents and any other documents ancillary thereto, all decisions,
actions, inactions and alleged negligence or misconduct relating thereto and all prepetition
19 activities leading to the promulgation and confirmation of the Plan, except willful misconduct,
fraud, knowing misrepresentation or gross negligence as determined by a Final Order of the
20 Bankruptcy Court. The foregoing parties will be entitled to rely upon the advice of counsel with
respect to their duties and responsibilities under the Plan. Nothing in this Section will (i) be
21 construed as a release of any entity's fraud, knowing misrepresentation, gross negligence or
willful misconduct with respect to matters set forth in this Section or (ii) limit the liability of
22 attorneys for the Debtors or the Reorganized Debtors, to their respective clients pursuant to any
applicable Code of Professional Responsibility.

23 **G. Injunction Related to Releases and Exculpation.**

24 The Confirmation Order will permanently enjoin the commencement or prosecution by
25 any Person or entity, whether directly, derivatively or otherwise, of any Claims, obligations, suits,
judgments, damages, demands, debts, rights, Causes of Action, or liabilities released pursuant to
26 the Plan.

1 **H. Termination of Subordination Rights and Settlement of Related Claims.**

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

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

12 **I. Release of Liens.**

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

23 **J. Retention of Causes of Action/Reservation of Rights.**

24 (a) Except as specifically provided in the Plan, nothing contained in the Plan
 25 or the Confirmation Order will be deemed to be a waiver or the relinquishment of any rights,
 26 Claims, or Causes of Action that the Debtors may have or which a Reorganized Debtor may
 acquire pursuant to the Plan or applicable law. A Reorganized Debtor may assert any such
 retained rights, Claims, or Causes of Action, on behalf of the Estates or itself, in accordance with

1 any provision of the Bankruptcy Code or any applicable non-bankruptcy law, including, without
 2 limitation, (i) any and all Claims against any Person, to the extent such Person asserts a
 3 crossclaim, counterclaim, and/or Claim for setoff, which seeks affirmative relief against the
 4 Debtors, the Reorganized Debtors, or any of their officers, directors, members, agents, or
 5 representatives; (ii) the avoidance of any transfer by or obligation of the Estates or the Debtors or
 6 the recovery of the value of such transfer; and (iii) the turnover of any property of the Estates.

7 (b) Nothing contained in the Plan or the Confirmation Order will be deemed to
 8 be a waiver or relinquishment of any Claim, Cause of Action, right of setoff, or other legal or
 9 equitable right or defense that the Debtors had against or with respect to any Claim left
 10 unimpaired by the Plan. The Reorganized Debtors will have, retain, reserve, and be entitled to
 11 assert all such Claims, Causes of Action, rights of setoff, or other legal or equitable rights or
 12 defenses which the Debtors had immediately prior to the Petition Date as fully as if the
 13 Reorganization Cases had not been commenced, and all of the Reorganized Debtors' legal and/or
 14 equitable rights respecting any Claim left unimpaired by the Plan may be asserted after the
 15 Confirmation Date to the same extent as if the Reorganization Cases had not been commenced.

16 **XIII.**
RETENTION OF JURISDICTION.

17 Notwithstanding confirmation of the Plan and the occurrence of the Effective Date, the
 18 Bankruptcy Court will retain jurisdiction for the following purposes:

19 **A. In General.**

20 The Bankruptcy Court will retain jurisdiction to determine the allowance and payment of
 21 any Claims upon any objections thereto (or other appropriate proceedings) by the Debtors, by the
 22 Reorganized Debtors, or by any other party in interest entitled to proceed in that manner. As part
 23 of such retained jurisdiction, the Bankruptcy Court will continue to determine the allowance of
 24 Administrative Claims and any request for payment thereof, including Administrative Claims for
 25 Professional Fees.

26 **B. Plan Disputes And Enforcement.**

The Bankruptcy Court will retain jurisdiction to determine any dispute which may arise
 regarding the interpretation of any provision of the Plan. The Bankruptcy Court also will retain
 jurisdiction to enforce any provisions of the Plan, the Plan Documents and any and all other
 documents relating to the Plan, and the Confirmation Order. The Bankruptcy Court will also
 retain jurisdiction over any matter relating to the implementation, effectuation and/or
 consummation of the Plan.

C. Further Orders.

The Bankruptcy Court will retain jurisdiction to facilitate the performance of the Plan by
 entering, consistent with the provisions of the Plan, any further necessary or appropriate order
 regarding enforcement of the Plan and any provision thereof. In addition, the Bankruptcy Court
 will retain jurisdiction to facilitate or implement the allowance, disallowance, treatment,
 cancellation or satisfaction of any Claim or Equity Interest, or any portion thereof, pursuant to the
 Plan.

1 **D. Governmental Units or Regulatory Agencies.**

2 The Bankruptcy Court will retain jurisdiction to adjudicate any dispute or to hear and
 3 determine any action taken, proposed, or threatened by any state, federal, or local governmental
 4 regulatory agency or unit having or asserting jurisdiction or power over the conduct of the
 5 business of the Debtors and/or the Reorganized Debtors.

6 **E. Final Decree.**

7 The Bankruptcy Court will retain jurisdiction to enter an appropriate final decree in the
 8 Reorganization Cases.

9 **F. Appeals.**

10 In the event of an appeal of the Confirmation Order or any other kind of review or
 11 challenge to the Confirmation Order, and provided that no stay of the effectiveness of the
 12 Confirmation Order has been entered, the Bankruptcy Court will retain jurisdiction to implement
 13 and enforce the Confirmation Order and the Plan according to their terms, including, but not
 14 limited to, jurisdiction to enter such orders regarding the Plan or the performance thereof as may
 15 be necessary to effectuate the reorganization of the Debtors.

16 **G. Executory Contracts.**

17 The Bankruptcy Court will retain jurisdiction to determine any and all motions regarding
 18 assumption or rejection of Executory Contracts and any and all Claims arising therefrom.

19 **H. Claims.**

20 The Bankruptcy Court will retain jurisdiction: (a) to hear and determine any Claim or
 21 Cause of Action by or against the Debtors; the Debtors' members, managers, officers, directors,
 22 and employees; the Chapter 11 Professionals and the Reorganized Debtor; and (b) to adjudicate
 23 any Causes of Action or other proceedings currently pending or otherwise referenced here or
 24 elsewhere in the Plan, including, but not limited to, any and all "core proceedings" under 28
 25 U.S.C. §157(b) which may be pertinent to the Reorganization Cases and which the Debtors or the
 26 Reorganized Debtors may deem appropriate to initiate and prosecute before the Court in aid of
 the implementation of the Plan.

**XIV.
MISCELLANEOUS PROVISIONS**

21 **A. Effectuating Documents and Further Transactions.**

22 Each of the Debtors and the Reorganized Debtors is authorized to execute, deliver, file, or
 23 record such contracts, instruments, releases, indentures, and other agreements or documents and
 24 take such actions as may be necessary or appropriate to effectuate and further evidence the terms
 25 and conditions of the Plan, the Plan Documents, and any securities issued pursuant to the Plan.

26 **B. Corporate Action.**

On the Effective Date, all matters provided for under the Plan that would otherwise
 require approval of the directors, members, managers or partners of one or more of the Debtors or

1 Reorganized Debtors, including, without limitation, (i) the authorization to issue or cause to be
 2 issued the New Membership Interest, (ii) the amendment of the Reorganized Debtors'
 3 organizational documents, (iii) the election or appointment, as the case may be, of directors,
 4 officers or managers of the Reorganized Debtors, and (iv) the qualification of the Reorganized
 Debtors to conduct their businesses from and after the Effective Date, may occur without any
 requirement of further action by the stockholders, directors, members, managers, or partners of
 the Debtors.

5 **C. Exemption from Transfer Taxes.**

6 Pursuant to Bankruptcy Code § 1146(c), the transactions to occur after entry of the
 7 Confirmation Order and on or before the Effective Date or otherwise pursuant to the Plan,
 8 including, but not limited to, the issuance, transfer, or exchange of notes or equity securities under
 9 the Plan, the creation of any mortgage, deed of trust, or other security interest, the making or
 10 assignment of any lease or sublease, or the making or delivery of any deed or other instrument of
 11 transfer under, and any other transfers or transactions in furtherance of, or in connection with the
 12 Plan, including, without limitation, any merger agreements or agreements of consolidation, deeds,
 13 bills of sale, assignments or Plan Documents executed in connection with any of the transactions
 14 contemplated under the Plan, will constitute a "transfer under a plan" and will not be subject to
 any stamp, real estate transfer, mortgage recording, or other similar tax. All sale transactions
 consummated by the Debtors and approved by the Bankruptcy Court on and after the Petition
 Date, through and including the Effective Date, including, without limitation, the transfers
 effectuated under the Plan or the Plan Documents, will be deemed to have been made under, in
 furtherance of, or in connection with the Plan and, thus, will not be subject to any stamp, real
 estate transfer, mortgage recording, or similar tax.

14 **D. Plan Supplement.**

15 Drafts of the Plan Documents will be filed with the Clerk of the Bankruptcy Court at least
 16 fifteen (15) days prior to the Confirmation Hearing; provided, however, that the Debtors may
 17 revise any such documents through and including the Effective Date, so long as any such
 amendments are not inconsistent with the Plan.

17 **E. Revocation or Withdrawal of the Plan.**

18 The Debtors reserve the right to revoke or withdraw the Plan prior to the Effective Date.
 19 If the Debtors revoke or withdraw the Plan prior to the Effective Date, then the Plan will be
 20 deemed null and void. In such event, nothing contained herein will constitute or be deemed a
 21 waiver or release of any Claims or prejudice in any manner the rights of the Debtors or any
 22 Person in any further proceedings involving the Debtors. None of the filing of the Plan or the
 23 Disclosure Statement, any statement or provision contained herein or therein, or the taking of any
 action by the Debtors with respect to the Plan will be or will be deemed to be an admission or
 waiver of any rights of the Debtors with respect to the holders of Claims or the Equity Interests or
 with respect to any matter which is pending before or may come before the Bankruptcy Court for
 determination in the Reorganization Cases.

24 **F. Confirmation Order.**

25 The Confirmation Order will ratify all transactions effected by the Debtors during the
 26 period commencing on the Petition Date and ending on the Effective Date, except for any acts
 constituting willful misconduct, gross negligence, recklessness or fraud.

1 **G. Severability.**

2 If, prior to the entry of the Confirmation Order, any term or provision of the Plan is held
 3 by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the
 4 request of the Debtors, will have the power to alter and interpret such term or provision to make it
 5 valid or enforceable to the maximum extent practicable, consistent with the original purpose of
 6 the term or provision held to be invalid, void, or unenforceable, and such term or provision will
 7 then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or
 interpretation, the remainder of the terms and provisions of the Plan will remain in full force and
 effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or
 interpretation. The Confirmation Order will constitute a judicial determination and will provide
 that each term and provision of the Plan, as it may have been altered or interpreted in accordance
 with the foregoing, is valid and enforceable pursuant to its terms.

8 **H. Expedited Tax Determination.**

9 The Reorganized Debtors may request an expedited determination of taxes under
 10 Bankruptcy Code § 505(b) for all returns filed for, or on behalf of, the Debtors or the Reorganized
 Debtors for all taxable periods through the Effective Date.

11 **I. Governing Law.**

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

15 **J. Binding Effect.**

16 The Plan will be binding upon and inure to the benefit of the Debtors, the holders of
 17 Claims and Equity Interests, and their respective successors and assigns, including, without
 limitation, the Reorganized Debtors.

18 **K. Exhibits/Schedules.**

19 All exhibits and schedules to the Plan are incorporated into and are a part of the Plan as if
 20 set forth in full therein.

21 **L. Payment of Statutory Fees and Filing of Quarterly Reports.**

22 All fees payable pursuant to Section 1980 of Title 28 of the United States Code, 28 U.S.C.
 23 § 1980, as determined by the Bankruptcy Court at or in conjunction with the Confirmation
 24 Hearing, will be paid on or before the Effective Date and, thereafter, in accordance with
 25 applicable bankruptcy law. All quarterly reports of disbursements required to be filed by
 26 applicable bankruptcy law will be filed in accordance with applicable bankruptcy law.

1 **M. No Professional Fees or Expenses.**

2 No professional fees or expenses will be paid by the Debtors or the Reorganized Debtors
 3 with respect to any Claim except as specified in the Plan or as Allowed by a Final Order of the
 Court.

4 **N. Headings.**

5 The headings of the articles, paragraphs, and sections of the Plan are inserted for
 6 convenience only and will not determine the interpretation of the substantive provisions of the
 Plan.

7 **XV.**
TAX CONSEQUENCES OF PLAN

8 Under the Internal Revenue Code of 1986, as amended, Treasury regulations promulgated
 9 thereunder, administrative rulings and judicial decisions, as well as under the applicable
 10 provisions of state and local income tax law, there may be significant federal, state, and local
 11 income tax issues arising in connection with the transactions contemplated under the Plan
 described in this Disclosure Statement that may affect creditors and equity holders in the
 Reorganization Cases. In particular, the transactions contemplated in the Plan may generate
 12 substantial income tax liability for certain Debtors. The extent of these income tax consequences
 are subject to many variables including, but not limited to, the court determined value for the
 13 Resorts, whether the Senior Lender makes the Bankruptcy Code § 1111(b) election and other
 factors. The Debtors do not believe that income tax consequences that may arise in connection
 14 with the transactions contemplated under the Plan will be materially different than in an
 alternative scenario whereby the Secured Lender foreclosures on the Resorts. **THESE
 15 FEDERAL, STATE, AND LOCAL INCOME TAX CONSEQUENCES OF THE PLAN
 ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY, ALL
 16 HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR PERSONAL
 TAX ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL, STATE, AND
 17 LOCAL INCOME TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO SUCH
 HOLDER, AND THE INCOME TAX IMPLICATIONS OF SUCH HOLDER'S RECEIPT
 18 OF ANY PAYMENTS UNDER THE PLAN. NEITHER THE DEBTORS NOR
 DEBTORS' COUNSEL MAKES ANY REPRESENTATIONS REGARDING THE
 19 PARTICULAR INCOME TAX CONSEQUENCES OF CONFIRMATION AND
 CONSUMMATION OF THE PLAN AS TO THE DEBTORS OR ANY CREDITOR.**

20 **XVI.**
ACCEPTANCE AND CONFIRMATION

21 **A. Voting Procedures.**

22 **1. Generally.**

23 Each holder of an Allowed Claim or Allowed Interest in an impaired Class that is entitled
 24 to vote on the Plan pursuant to Section 1.2 of the Plan will be entitled to vote separately to accept
 or reject the Plan as provided in such order as is entered by the Bankruptcy Court establishing
 25 procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or
 any other order or orders of the Bankruptcy Court.
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Separate Ballots will be sent to the known holders of Claims whether or not such Claims are disputed. In addition, only the holders of Allowed Claims (or Claims that have been temporarily Allowed or have been estimated by the Bankruptcy Court) which are impaired, are entitled to vote on the Plan. A Claim to which an objection has been filed is not an Allowed Claim unless and until the Bankruptcy Court rules on the objection and any appeals are determined, unless the Bankruptcy Court determines otherwise. The holders of such Disputed Claims are not entitled to vote on the Plan unless they request that the Bankruptcy Court, pursuant to Bankruptcy Rule 3018, temporarily allow the Claims in appropriate amounts solely for the purpose of enabling the holders of such Disputed Claims to vote on the Plan, and the Bankruptcy Court does so.

2. Incomplete Ballots.

Ballots which are signed, dated, and timely received, but on which a vote to accept or reject the Plan has not been indicated, will not be counted as a vote either to accept or to reject the Plan, or as a vote cast with respect to the Plan.

3. Submission of Ballots.

The form of Ballot for each of the Classes entitled to vote on the Plan will be sent to all creditors along with a copy of the Court approved Disclosure Statement and a copy of the Plan. Creditors should read the Ballot carefully. The Bankruptcy Court has approved the form of Ballot. If any creditor has any questions concerning voting procedures, it may contact:

Kasey C. Nye, Esq.
 QUARLES & BRADY LLP
 One South Church Avenue, Suite 1700
 Tucson, AZ 85701
 Telephone: (520) 770-8700
 E-mail: kasey.nye@quarles.com

Ballot(s) must be returned to the above counsel for the Debtors. Ballots must be received no later than ___ a.m./p.m. prevailing Arizona Time, _____, 2011, by the Debtors at the following address, in accordance with the "Notice of Hearing on Plan Confirmation; Notice of Manner and Timing for: (1) Voting on the Plan; (2) Filing Objections to the Plan; and (3) Submitting Ballots to Vote to Accept or Reject the Plan" that will be served on creditors in conjunction with the Ballot(s):

Transwest Resort Properties, Inc., et al.
 c/o Jill L. Holt
 QUARLES & BRADY LLP
 One South Church Avenue, Suite 1700
 Tucson, AZ 85701

B. Feasibility.

The Bankruptcy Code requires, as a condition to confirmation, that the Bankruptcy Court find that liquidation of the Debtors, or the need for future reorganization, is not likely to follow after confirmation.

1 The successful implementation of the Plan is based on following sources and uses of
 2 capital:

<u>Sources</u>	Amount	<u>Uses</u>	Amount
Newco New Money	30,000,000	Debt Service Reserve	7,000,000
Key Money ⁷	4,000,000	Administrative Expense.	1,250,000
Eff Date Cash -LP	500,000	Effective Date Payments	3,000,000
Eff Date Cash - HH	1,500,000	Capital Improvements:	
Unencumbered Cash	0	La Paloma	6,500,000
		Hilton Head	8,000,000
		Unrestricted Cash	8,250,000
		Effective Date Cash	2,500,000
Total	36,250,000	Total	36,250,000

9 The Plan proposes to fund a Debt Service Reserve in order to provide a bridge for the
 10 Reorganized Debtors to stabilize operations. This fund will be used to pay restructured mortgage
 11 payments to the Senior Lender in the event that the net operating income of the Resorts prove
 12 insufficient for such purposes. The Plan and its feasibility are further reinforced by immediately
 13 placing the Reorganized Debtors in a solid cash position - \$13.0 million on the Effective Date
 14 between unrestricted cash and the anticipated cash held by the Operating Debtors - which will
 15 support and facilitate operation of the Resorts despite seasonal fluctuations between in
 16 performance. This strong cash position will also ensure that the Reorganized Debtors are able to
 17 make the payments required under the Plan.

18 The Debtors have provided detailed cash flow Projections that model the Plan on both an
 19 annual and monthly basis which are attached hereto as **Exhibits "D-1" and "D-2"**, respectively.
 20 **Exhibits "D-1" and "D-2"** assume net operating revenue for each Resort based on operational
 21 proformas developed by CHIC, the Debtors' asset manager and hospitality consultants. Copies of
 22 the proformas which describe in detail CHIC's assumptions regarding operating performance are
 23 attached to this Disclosure Statement as **Exhibit "D-3"**. The operational proformas developed by
 24 CHIC for the Resorts are based on CHIC's opinion regarding anticipated occupancy rates,
 25 average daily room rates, and revenue per available room for the Resorts. CHIC developed the
 26 proformas contained in **Exhibit "D-3"** based on a combination of its intimate knowledge of the
 Resorts' operations as well as CHIC's critiques of the projections advanced in the appraisals by
 HREC (the Debtors' appraiser) in reports from February and March of 2011 and HVS (the Senior
 Lender's appraiser) in reports from April 2011. CHIC's projections were first developed in the
 spring of 2011 in advance of a valuation hearing that was to occur in June 2011. At that time
 CHIC's projections were somewhat more optimistic than the projections developed by HREC, but
 were significantly more conservative than the projections developed by HVS. Upon revisiting the

⁷ As noted above, the proposals received by the Debtors to date may include Key Money components of
 up to \$5.0 million. The financial models employed by the Debtors have assumed the availability of \$4.0
 million in Key Money, which they believe is a reasonable assumption in light of the proposals received by
 the Debtors. In the event the Debtors do not receive any Key Money, the unrestricted cash available to
 implement the Plan simply declines to \$4.25 million, and the Effective Date cash position of the Debtors
 including the Debt Service Reserve totals \$13.75 million as compared to \$17,750,000, which still provides
 the Debtors with ample liquidity to successfully implement the Plan.

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1 operational projections, CHIC arrived at a more conservative view of the likely operating
2 performance of the Resorts, which is reflected in **Exhibit "D-3"**.

3 The balance of the Projections contained in **Exhibits "D-1"** and **"D-2"** were developed
4 by the Debtors' financial advisor Frank Hundley. Among other things, Mr. Hundley made the
5 following assumptions:

6 Revenues, Expenses and NOI

7 Mr. Hundley's forecast uses the operating assumptions provided by CHIC. However, Mr.
8 Hundley's cash flow also incorporates one expense that is not reflected in CHIC's
9 forecast. Specifically, the asset management fee to be paid to NEWCO Manager, as
10 defined in the Memorandum of Understanding between SWVP and the Debtors. The
11 initial fee is 1% of gross revenue, which eventually increases to 1.25% over the forecast
12 period.

13 Seasonality

14 To adjust for monthly seasonality of the Resorts, the CHIC forecast of annual results are
15 spread over a twelve month period based on the average monthly seasonality for the last
16 five years for each of the Resorts. The intent is to improve the accuracy of the cash and
17 cash flow requirements that are necessary to cushion seasonal working capital changes.

18 **Exhibits "D-1"** and **"D-2"** also reflect the terms of the Plan and the investment by
19 Newco. A summary of these assumptions attached to the Disclosure Statement as **Exhibit "D-
20 4."**

21 The Debtors' financial advisor also developed a "home run" recovery scenario
22 representing an estimate of recoveries that may be available to creditors under the Plan in the
23 event the Resorts strongly exceed the presently anticipated level of operating performance. The
24 "home run" recovery scenario was prepared from a combination of CHIC's cash flow projections
25 in the beginning years of the Plan, the average of the Net Operating Income projections contained
26 in the HVS and HREC appraisals of the Resorts in the spring of 2011, HVS's cash flow
projections, and the actual operating results of the Resorts in 2006 and 2007. The specific
assumptions with respect to the "home run" scenario are described in **Exhibit "I"**. Notably,
despite predicting stronger operating results for the Resorts at the end of the ten year period
reflected in the Projections, the "home run" scenario generates less total cash over such ten-year
period than reflected in the appraisals prepared by HVS for the Senior Lender. Graphs prepared
by Hundley showing the anticipated returns on the Senior Lender Secured Claim, Unsecured
Claims, and claims arising from the Mezzanine Loan in both a conservative scenario and "home
run" scenario are attached as **Exhibit "H"** to this Disclosure Statement.

The successful execution of the Plan will depend on the \$30.0 million capital investment
to be provided by Newco. As explained in Section 7.B.4. of this Disclosure Statement, Newco
will be a newly formed limited liability company that will be wholly owned by SWVP. SWVP
will provide Newco with 100% of the funds necessary to make the New Equity Investment. The
Debtors have investigated the financial capability of SWVP and Southwest Value Partners and
are satisfied that SWVP has ample resources to fund and satisfy the contemplated New Equity
Investment.

Therefore, the Debtors reasonably believe that the means of implementation described
herein are sufficient to fund the Plan on the Effective Date, that the Debtors will be able to make

1 all payments required pursuant to the Plan, and that the Plan is feasible and not likely to be
 2 followed by the liquidation, or the need for further financial reorganization, of the Debtors except
 as provided in the Plan.

3 **C. Best Interests of Creditors and Liquidation Analysis.**

4 Under Bankruptcy Code § 1129(a)(7), each holder of a Claim or Equity Interest in an
 5 Impaired Class must either (i) vote to accept the Plan or (ii) receive or retain under the Plan cash
 6 or property of a value, as of the Effective Date of the Plan, that is not less than the value such
 holder would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy
 Code.

7 In a Chapter 7 case, a trustee would be elected or appointed to liquidate the Debtors'
 8 assets for distribution to creditors in accordance with the priorities set forth in the Bankruptcy
 Code. Under the priority scheme set forth in the Bankruptcy Code, secured creditors are
 9 generally paid from the proceeds of sale of the properties securing their liens. If any assets are
 10 remaining after the satisfaction of secured claims, the holders of administrative claims are
 generally next to receive payments. Unsecured claims are thereafter paid from any remaining
 11 sales proceeds, according to their legal rights of priority. Unsecured claims with the same priority
 share in proportion to the amount of their allowed claim in relation to the amount of total allowed
 12 unsecured claims with the same priority. Finally, interest holders receive the balance that
 remains, if any, after all creditors are paid. Thus, to confirm the Plan, the Court must find that all
 13 creditors and interest holders that do not accept the Plan will receive at least as much under the
 Plan as they would receive under a hypothetical Chapter 7 liquidation of the Debtors.

14 The financial advisor to the Debtors has estimated the liquidation value of the Debtors'
 15 assets based upon the information that is currently available and produced a liquidation analysis
 (the "Liquidation Analysis") that is attached as **Exhibit "J"** to this Disclosure Statement. The
 16 Liquidation Analysis is not a guarantee as to the amounts and sources of recovery that could be
 realized in a hypothetical liquidation of the Debtors. Rather, the Liquidation Analysis is only an
 estimate.

17 As demonstrated by the Liquidation Analysis, the prospects for recovery that may be
 18 realized by creditors on account of their Claims and equity holders on account of their Equity
 Interests are greater under the terms embodied in the Plan than they would be in a Chapter 7
 19 liquidation of the Debtors. Consequently, the Debtors do not believe that holders of Claims and
 Equity Interests would receive more in a Chapter 7 liquidation of the Debtors than they would
 receive under the Plan.

20 **D. Confirmation over Dissenting Class.**

21 In the event that any impaired Class of Claims does not accept the Plan, the Bankruptcy
 22 Court may nevertheless confirm the Plan at the request of the Debtors if all other requirements
 under Bankruptcy Code § 1129(a) are satisfied, and if, as to each impaired Class which has not
 23 accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly"
 and is "fair and equitable" with respect to such non-accepting Classes. Each of these
 24 requirements is discussed below.

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1. No Unfair Discrimination.

The Plan "does not discriminate unfairly" if: (a) the legal rights of a dissenting Class are treated in a manner that is consistent with the treatment of other Classes whose legal rights are similar to those of the dissenting Class; and (b) no Class receives payments in excess of those which it is legally entitled to receive for its Claims. The Debtors believe that under the Plan: (i) all Classes of impaired Claims are treated in a manner that is consistent with the treatment of other similar Classes of Claims; and (ii) no Class of Claims will receive payments or property with an aggregate value greater than the aggregate of the Allowed Claims in such Class. Accordingly, the Debtors believe that the Plan does not discriminate unfairly as to any impaired Class of Claims.

2. Fair and Equitable Test.

The Bankruptcy Code establishes different "fair and equitable" tests for Secured Claims, Unsecured Claims, and holders of Equity Interests, as follows:

(a) Secured Creditors. Either: (i) each holder of an impaired Secured Claim retains its liens securing a Secured Claim and receives on account of its Secured Claim deferred cash payments having a present value equal to the amount of its Allowed Secured Claim; (ii) each holder of an impaired Secured Claim realizes the "indubitable equivalent" of its Allowed Secured Claim; or (iii) the property securing the Claim is sold free and clear of liens with such liens to attach to the proceeds, and the liens against such proceeds are treated in accordance with clause (i) or (ii) of this subparagraph (a). Under the Plan, each holder of an impaired Secured Claim will retain its lien securing its Secured Claim and receive on account of its Secured Claim deferred cash payments having a present value equal to the amount of its Allowed Secured Claim. Consequently, the Plan is "fair and equitable" as to the holders of Secured Claims.

(b) Unsecured Creditors. Each impaired Unsecured Creditor receives or retains under the Plan property of a value equal to the amount of its Allowed Claim. There is no absolute priority rule issue in the Reorganization Cases because the holders of junior Claims or Equity Interests do not receive or retain any property under the Plan on account of such Claims or Equity Interests. Therefore, the Plan is "fair and equitable" as to Unsecured Creditors.

(c) Equity Interests. All current Equity Interests will be eliminated under the Plan. No Classes junior to the Equity Interests will receive or retain any property under the Plan on account of their Claims or Equity Interests. Therefore, the Plan is "fair and equitable" as to Equity Interests.

XVII.
ALTERNATIVES TO PLAN

If the Plan is not confirmed, several different events could occur: (1) the Debtors could propose another plan providing for different treatment of certain creditors; (2) the Bankruptcy Court could grant stay relief if the Debtors are unable to confirm an alternative plan in a reasonable period of time; or (3) the Bankruptcy Court (after appropriate notice and hearing) could dismiss the Reorganization Cases if the Debtors are unable to confirm an alternative plan in a reasonable period of time.

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XVIII.
RECOMMENDATION AND CONCLUSION

The Debtors recommends that all creditors vote to accept the Plan. The Debtors believe that the Plan provides the best possible return to creditors under the circumstances.

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Quarles & Brady LLP

1 DATED: October 4, 2011

2 TRANSWEST RESORT PROPERTIES, INC., is an Arizona corporation

3
4 By: /s/ Michael J. Hanson
5 Name: Michael J. Hanson
6 Its: President

7 TRANSWEST TUCSON PROPERTY, L.L.C., a Delaware limited liability company

8 By: Transwest Tucson II, L.L.C., a Delaware limited liability company
9 Its: Sole Member

10 By: Transwest Tucson Holdco, L.L.C., a Delaware limited liability company
11 Its: Manager and Member

12 By: CPHR Mezzco, L.L.C., a Delaware limited liability company
13 Its: Manager and Member

14 By: Transwest Resort Properties, Inc., an Arizona corporation
15 Its: Sole Member

16 By: /s/ Michael J. Hanson
17 Name: Michael J. Hanson
18 Its: President

19 TRANSWEST HILTON HEAD PROPERTY, L.L.C., a Delaware limited liability company

20 By: Transwest Hilton Head II, L.L.C., a Delaware limited liability company
21 Its: Sole Member

22 By: Transwest Hilton Head Holdco, L.L.C., a Delaware limited liability company
23 Its: Manager and Member

24 By: CPHR Mezzco, L.L.C., a Delaware limited liability company
25 Its: Manager and Member

26 By: Transwest Resort Properties, Inc., an Arizona corporation
Its: Sole Member

By: /s/ Michael J. Hanson
Name: Michael J. Hanson
Its: President

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By: /s/ Michael J. Hanson
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Its: President

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Its: Manager and Member

By: CPHR Mezzco, L.L.C., a Delaware limited liability company
Its: Manager and Member

By: Transwest Resort Properties, Inc., an Arizona corporation
Its: Sole Member

By: /s/ Michael J. Hanson
Name: Michael J. Hanson
Its: President

SUBMITTED this 4th day of October, 2011.

QUARLES & BRADY LLP
One South Church Avenue, Suite 1700
Tucson, Arizona 85701

By /s/ Kasey C. Nye
Susan G. Boswell
Kasey C. Nye
Elizabeth S. Fella

Attorneys for Debtors