

B25B (Official Form 25B) (12/08)

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
GALVESTON DIVISION**

IN RE: §
§
NUVIRA HOSPITALITY INC., § **CASE NO. 15-80432**
§ **(Small Business Chapter 11)**
DEBTOR. §

NUVIRA HOSPITALITY INC.’S DISCLOSURE STATEMENT,
DATED SEPTEMBER 26, 2016

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I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the small business chapter 11 case of Nuvira Hospitality Inc. (“Nuvira” or the “Debtor”). This Disclosure Statement contains information about the Debtor and describes Nuvira Hospitality Inc.’s Plan of Reorganization, Dated September 26, 2016 (the “Plan”). A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

The proposed distributions under the Plan are discussed at section III.C. of this Disclosure Statement. General non-insider unsecured creditors are classified in Class 4, and will receive a distribution of 100% of their allowed claims, to be paid in monthly installments over 18 months.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case;
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed);
- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan;
- Why Nuvira believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place at 515 Rusk, Courtroom 401, 4th Floor, Houston, Texas, 77002, on the date and time indicated on the enclosed Order and Notice Conditionally Approving Disclosure Statement; Fixing Time for Filing Acceptances or Rejections of Plan; Fixing Time for Filing Objections to Disclosure Statement and Objections to Confirmation of Plan; and Fixing Time for Hearing on Final Approval of Disclosure Statement and Hearing on Confirmation of Plan (the “Enclosed Order”).

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2. Deadline for Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Mr. H. Miles Cohn, at Crain, Caton & James, P.C., 1001 McKinney, Suite 1700, Houston, Texas 77010-4035; facsimile (713) 658-1921. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by the date indicated on the Enclosed Order, or it will not be counted.

3. Deadline for Objecting to the Adequacy of Disclosure and Confirmation of the Plan

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon (i) the Debtor's counsel, Mr. H. Miles Cohn at the address below, (ii) the attorney for the U.S. Trustee, and (iii) all other parties requesting notice in this bankruptcy case by the date indicated on the Enclosed Order.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact Mr. H. Miles Cohn, Crain, Caton & James, P.C., 1001 McKinney, Suite 1700, Houston, Texas 77010-4035; telephone (713) 752-8668; facsimile (713) 658-1921.

C. Disclaimer

The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until the date indicated on the Enclosed Order.

II. BACKGROUND

A. Description and History of the Debtor's Business

The Debtor is a Texas corporation formed September 28, 2013. The Debtor is in the business of owning and operating the Anchor Motel, a 31-unit motel with RV facilities located at 1302 Bluewater Highway in the Village of Surfside Beach, Texas. The motel property is particularly described as follows:

Lots 1 and 9, in Block 5, and Lots 1, 2, 3 and 4, in Block 6, of Detenbeck Subdivision, a subdivision in Brazoria County, Texas, according to the map or plat thereof recorded in Volume 9, Page 113, of the Plat Records of Brazoria County, Texas (herein "Anchor Motel").

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On or about April 29, 2013, Abdul G. Panjwani, the sole shareholder and officer of Four Star Business, Inc. (“Four Star”), “also known as Four Star Business, Inc.” (as Seller) and Ramesh Raj/Nuvira Associates (as Buyer) entered into that certain Contract for the Sale and Purchase of Real Estate (the “Purchase Contract”). Per the Purchase Contract, Raj, d/b/a Nuvira Associates, agreed to purchase, and Panjwani/Four Star agreed to sell, the Anchor Motel for a purchase price of \$775,000.00, of which \$175,000.00 would be paid in cash and \$600,000.00 would be financed by the seller.

While purporting to sell the Anchor Motel “as is,” the Purchase Contract also included a Seller’s Disclosure of Property Condition (the “Disclosure”) that was prepared and signed by Panjwani. In the Disclosure, Panjwani represented:

- that the Seller was in possession of the Property and that the Property included all of the elements one would expect for a motel – including the structure itself, utilities, plumbing system and septic system;
- that the Seller was not aware that any of those elements was not in working condition, had any known defects, or was in need of repair; and
- that the Seller was not aware of any known defects or malfunctions in the structural components of the Property including the interior walls and plumbing sewers/septics,

Panjwani also answered “no” in the Disclosure to a question asking whether the Seller was aware of wood rot damage needing repair; improper drainage; water penetration; or hazardous or toxic waste. The Disclosure did note that the Seller was aware of “previous structural or roof repair” and that a new roof had been installed, but did not disclose any prior repairs to the plumbing or septic system.

Prior to closing, Raj asked Panjwani to provide confirmation regarding representations that had been made as to the revenues of the Anchor Motel. Panjwani responded by providing the first page from Four Star’s federal income tax returns for the years 2010, 2011 and 2012. The tax returns reported increasing revenues each year, culminating in revenues of \$216,711 for 2012 – an average of over \$18,000 per month. Panjwani did not suggest that revenues had declined in 2013 nor did Panjwani disclose any difficulty collecting rents from tenants.

The purchase transaction was closed on or about June 20, 2013. Raj had formed a limited liability company for this purpose, but Panjwani refused to accept the designated purchaser because it was not formed in Texas. Raj accordingly took title and signed closing documents in his own name, doing business as “Nuvira Associates.”

At closing, Nuvira Associates paid the down payment of \$175,000.00 and signed a Promissory Note for the balance in the amount of \$600,000.00. Also at closing, Nuvira Associates signed a Deed of Trust, to secure payment of the Promissory Note.

Following the closing, Raj, d/b/a Nuvira Associates, formed the Nuvira Hospitality, Inc. to assume ownership and operation of Anchor Motel. Pursuant to the Assumption Warranty Deed, dated May 17, 2014, Raj assigned to Nuvira both the real property and improvements as well as all rights, interests, and claims associated in any way with the property.

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B. Insiders of the Debtor

Ramesh Raj is the owner, sole shareholder and president of the Debtor. The Debtor has not paid any compensation to Raj during the two years prior to the commencement of the Debtor's bankruptcy case. Furthermore, the Debtor has not paid Raj any compensation during the pendency of this chapter 11 case. On the contrary, Raj has contributed funds sufficient to pay the Debtor's current real estate taxes.

C. Management of the Debtor Before and During the Bankruptcy

During the two years prior to the date on which the bankruptcy petition was filed and during the Debtor's chapter 11 case, Ramesh Raj has been the only officer, director or other person in control of the Debtor. Day-to-day management of the Debtor is the responsibility of the on-site manager, Rohit Kumar, who is the sole employee of the Debtor.

After the effective date of the order confirming the Plan, Raj will be the only officer and voting trustee of the Debtor. Raj will not receive a salary for such service.

D. Events Leading to Chapter 11 Filing

In the months following the June 2013 closing of the Anchor Motel, it became apparent that material representations made by Panjwani and Four Star were false and that crucial information regarding Anchor Motel had been omitted. To begin with, revenues were far less than had been represented. Although operation of the business was begun with the same manager and employees, revenues for the six months following the closing were roughly 30% less than the represented revenues. Furthermore, it quickly became apparent that tenants renting spaces in the RV facility had not been paying regular rents. Of the six leased spaces, only two paid the agreed rent in the month after the closing. When Raj sought to collect rents from the RV tenants they all vacated the premises.

Perhaps most importantly, Panjwani and Four Star misrepresented the physical condition of the Anchor Motel. Contrary to the Disclosure, walls and ceilings throughout the Anchor Motel were rotting from extensive mold. The rot had been covered by fresh paint when Raj visited prior to purchasing the Property. Within months after taking over the Anchor Motel, the mold reappeared. When attempts were made to clean or repair mold areas, the walls crumbled. And behind the walls, water was discovered dripping from plumbing and puddling in numerous spots. Ultimately it became necessary to remove and replace all of the sheet rock in roughly two-thirds of the 31 units.

The most serious undisclosed physical problem with the Anchor Motel was the septic system. Contrary to the Disclosure, the system had failed on a number of occasions, resulting in sewage overflows onto neighboring properties and numerous neighborhood complaints. Moreover, the system had been redesigned and replaced in 2009; had repeatedly failed and been repaired since then; and was in dire need of redesign and replacement. Not surprisingly, septic problems including overflows occurred after closing.

The problem culminated in a lawsuit filed by the State of Texas against Nuvira on or about March 17, 2015, and a resulting court order to close Anchor Motel. The lawsuit, which remains

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pending, is *State of Texas v. Nuvira Hospitality, Inc.*, et al, Case No. D-1-GN-15-001004 in the 201st District Court of Travis County, Texas. As required by the state, Nuvira has had the septic system redesigned and properly rebuilt but Nuvira remains subject to penalties in the lawsuit.

Panjwani and Four Star also failed to disclose serious problems with the clientele of Anchor Motel, which regularly included prostitutes as well as drug addicts and dealers. Catering to such clientele creates serious risk and damage to the property and its reputation, to say nothing of the difficulty in collecting rents or room charges. Not surprisingly, complaints had been made and police had often investigated the property – but nothing was disclosed of those issues.

As a result, the Debtor brought an action against Panjwani and Four Star for fraud and other claims resulting from the purchase of the Anchor Motel. The lawsuit was filed under Cause No. 81876-CV in the 239th District Court of Brazoria County, Texas, styled *Nuvira Hospitality, LLC, a/k/a Nuvira Associates v. Four Star Business, Inc. et al.* (the “Four Star Lawsuit”). In the Four Star Lawsuit, Nuvira seeks damages and a declaratory judgment regarding the amount of the common law offset or recoupment to which Nuvira is entitled and the amount owed under the Promissory Note made payable to Four Star.

The Debtor fell behind on its payments to Four Star, which in turn posted the property for foreclosure on December 1, 2015. The Debtor filed this bankruptcy case on November 30, 2015.

Four Star then sued Raj on the guaranty, initiating Cause No. 84584-CV in the 239th District Court of Brazoria County, Texas, styled *Four Star Business, Inc. v. Ramesh Raj.* (the “Raj Lawsuit”).

E. Significant Events During the Bankruptcy Case

During the Debtor’s bankruptcy case, the following significant events occurred:

- The Debtor filed its schedules, statements and financial information in accordance with the Bankruptcy Code.
- The Court approved Crain, Caton & James, P.C. as general counsel for the Debtor.
- The meeting of creditors was held and concluded.
- The bankruptcy petition was amended to designate the debtor a small business debtor.
- Four Star filed the Raj Lawsuit.
- Raj paid the Debtor’s ad valorem taxes to Brazoria County Appraisal District.
- Four Star filed a motion for relief from stay against the Debtor’s real property, to which the Debtor filed a response. After hearing the motion, the Court entered the Judgment on July 19, 2016, at docket no. 34. According to the Judgment, the Debtor must pay to Four Star, each month, an amount equal to the interest due on the principal balance according to the Four Star’s filed proof of claim. The Debtor is also required to maintain insurance, pay all ad valorem taxes, and provide annual proof of continuous insurance and payment of ad valorem taxes to Four Star.
- The Debtor filed its objection to the claims filed by Four Star. The pre-trial hearing on the objection is currently set on November 8, 2016, at 10:00 a.m.
- The Debtor has completed repairs and improvements to the Anchor Motel that had

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been underway pre-petition; the property is now substantially rehabilitated.

F. Projected Recovery of Avoidable Transfers

With the assistance of the Debtor's counsel, the Debtor has reviewed records regarding potential avoidance claims including preferences and fraudulent transfers. The Debtor does not believe that there are any viable preference, fraudulent conveyance, or other avoidance actions.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

The Debtor has filed an objection to the Class 1 Claim of Four Star Business, Inc. The Debtor intends to pursue the determination of the Class 1 Claim of Four Star Business, Inc. through one of three available options, specifically: (i) the Debtor may request abatement of the objection to the Class 1 Claim until a determination is made in the Four Star Lawsuit; (ii) the Debtor may seek a resolution of the Debtor's offsets to the Class 1 Claim by trial of the objection to the Class 1 Claim in the Bankruptcy Court; or (iii) the Debtor may file a motion to estimate the claim in the Bankruptcy Court. Accordingly, the Plan provides that the Bankruptcy Court shall retain jurisdiction to hear and determine the objection to the Class 1 Claim and any motion to estimate the Class 1 Claim.

H. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets listed in the Debtor's schedules A and B, which are attached hereto as Exhibit B. The value of the Anchor Motel was based on the 2015 property tax assessed value by Brazoria County Appraisal District.

The Debtor's most recent financial statements issued before bankruptcy, each of which was filed with the Court, are set forth in Exhibit C.

The most recent post-petition operating report filed since the commencement of the Debtor's bankruptcy case is set forth in Exhibit D.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

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B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has not placed the following claims in any class:

1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the Plan's effective date, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Type	Estimated Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$0	Paid in the ordinary course of business. Operating expenses are current.
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$0	Paid in the ordinary course of business. Operating expenses are current.
Professional Fees, as approved by the Court.	\$50,000 to \$55,000 (estimated through confirmation)	As agreed, \$15,000, which is held in trust, plus at least an additional \$3,000, which Debtor shall give to Debtor's counsel to hold in trust prior to the effective date, shall be paid on the effective date of the Plan or when allowed, whichever is later. From and after the effective date, Debtor will pay to Debtor's counsel at least \$1,000 per month toward the allowed claim of Debtor's counsel and will pay all post-confirmation fees on a current basis.
Clerk's Office Fees	\$0	Paid in full on the effective date.
Other administrative expenses	\$0	Paid in full on the effective date of the Plan or according to separate written agreement.
Office of the U.S. Trustee Fees	\$650	Paid in full on the effective date.
TOTAL	\$55,650 - \$60,650	

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2. Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The Debtor does not have any § 507(a)(8) priority tax claims. The Debtor incorrectly scheduled the State of Texas as having a priority claim on the Debtor's Schedule E. The claim is based on a pending TCEQ action under Cause No. D-1-GN-15-001044, in the 201st District Court of Travis County, Texas, and is not entitled to priority under § 507(a). The claim was scheduled in an unknown an unliquidated amount. The allowed claim of the State of Texas will be treated as a Class 3 claim.

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class	Description	Insider?	Impairment	Treatment
1	Secured claim of: Four Star Business, Inc. Collateral Description: Anchor Motel Allowed Secured Amount: <u>Undetermined</u> Priority of lien: <u>First</u> Principal owed: <u>Undetermined</u>	No	Impaired	The Class 1 Claim is disputed. Upon allowance of the Class 1 Claim by final order and after determination of any appeals therefrom ("Final Allowance"), the allowed amount of the Claim, if any, together with post-petition interest thereon, will be paid in 120 equal monthly installments, including interest, at the rate of 7.5% per annum. The first payment shall be due on the fourth day of the month following Final Allowance and will continue on the fourth day of each month until paid. Pending Final Allowance and pursuant to the Judgment entered on July 19, 2016, at docket no. 34, the Debtor will make the

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Class	Description	Insider?	Impairment	Treatment
	Pre-pet. Arrearage: <u>Undetermined</u> Total claim: <u>Undetermined</u>			<p>following payments. The Debtor will continue to pay to the Four Star, each month, an amount equal to the interest due on the principal balance according to Four Star's filed proof of claim. Such payments will be credited in calculating the amount of the Class 1 Claim. The Debtor will also maintain insurance, pay all ad valorem taxes, and provide annual proof of continuous insurance and payment of ad valorem taxes to the holder of the Class 1 Claim.</p> <p>In the event that the Debtor decides to sell the Debtor's property prior to Final Allowance, the Debtor shall file a motion to approve the sale of the property free and clear of liens.</p> <p>Upon Final Allowance and determination of the amount of such Claim, if any, the Debtor will execute and deliver to Four Star a restated promissory note to evidence this obligation, to be secured by the existing Deed of Trust covering the Debtor's real property.</p>
2	Secure claim of: Brazoria County Appraisal District Collateral Description: Anchor Motel Allowed Secured Amount: <u>\$19,297.77</u> Total claim: <u>\$19,297.77</u>	No	Unimpaired	Ramesh Raj has paid the Class 2 claim in full.

2. Classes of Priority Unsecured Claims

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code

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are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

The Debtor does not believe that there are any priority claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Bankruptcy Code. However, if any such claims are asserted and allowed, they will be paid in full on the effective date.

3. Claim of the State of Texas (Texas Commission on Environmental Quality)

The State of Texas shall be paid \$1,000.00 in full satisfaction of its Class 3 Claim within 60 days of the Effective Date. In addition, a final agreed judgment will be presented in *State of Texas v. Nuvira Hospitality, Inc. Ramesh Raj, individually and d/b/a Anchor Motel and RV Park, and Rohit Kumar*, Cause No. D-1-GN-15-001044 in the 201st District Court of Travis County, Texas. The final agreed judgment will either (i) dismiss the lawsuit on receipt of the payment or (ii) enter a final injunction on substantially the same terms as the Agreed Temporary Injunction, except that any provisions that have become moot due to repairs on the Debtor's property, the Anchor Motel, may be eliminated.

4. Classes of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class 4 (non-insider claims) and Class 5 (insider claims), which contain general unsecured claims against the Debtor:

Class	Description	Impairment	Treatment
4	General Non-Insider Unsecured Class	Impaired	<p>General non-insider unsecured creditors shall be paid their allowed claims in full, without interest, over 18 months. Monthly payments equal to 1/18 of the allowed claims shall commence on the Effective Date and continue on the same day of the month each month until the allowed Class 4 Claims are paid in full.</p> <p>Monthly payment: 1/18 allowed amount of claim Pmts Begin: effective date Pmts End: after 18 months Interest rate: 0 % Estimated percent of claim paid: 100%</p>

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Class	Description	Impairment	Treatment
5	General Insider Unsecured Class	Impaired	<p>General insider unsecured creditors shall be paid, without interest, as follows. Payments on account of Class 5 Claims shall commence only after (i) the amount of the Class 1 Claim has been determined by a final order and monthly payments on the Class 1 Claim have commenced; and (ii) all Claims in Classes 2 through 4 have been paid in full. Monthly payments from available cash flow shall be made after payment of all other expenses and payments, including current monthly payments on the Class 1 Claim, have been made.</p> <p>Monthly payment: from first available cash flow after all monthly payments under Plan have been made Pmts Begin: after Class 1 Claim is determined by a final order and Classes 2 through 4 have been paid in full. Pmts End: when paid in full Interest rate: 0 % Estimated percent of claim paid: 100%</p>

5. Class of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company (“LLC”), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following chart sets forth the Plan’s proposed treatment of the class of equity interest holders:

Class	Description	Impairment	Treatment
5	Ramesh Raj	Impaired	The Class 5 claimant shall retain his equity interests.

D. Means of Implementing the Plan

1. Source of Payments

Payments and distributions under the Plan will be funded by cash flow through the operation of the Anchor Motel. In addition, Mr. Ramesh Raj will contribute any additional amounts needed to meet the obligations under the Plan, pending the resolution of the Class 1 Claim or the sale of the Anchor Motel, whichever occurs first.

2. Post-Confirmation Management

After confirmation of the Plan, the Debtor shall continue to be controlled by the owner, sole shareholder and president of the Debtor, Ramesh Raj. Day-to-day management of the Debtor

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is the responsibility of the on-site manager, Rohit Kumar, who is the sole employee of the Debtor.

Name	Affiliations	Insider	Position	Compensation
Ramesh Raj	Owner, sole shareholder, director and president of Debtor	Yes	President	None
Rohit Kumar	Employee of the Debtor	No	On-site property manager	\$1,366.99 per month

3. Possible Sale of the Anchor Motel

From and after the effective date of the Plan, the Debtor is authorized, but not obligated, to market the Debtor's property for sale and to retain a broker to do so. While the Debtor has not retained a broker, the Debtor has received inquiries from parties interested in purchasing the Anchor Motel. The Debtor anticipates hiring a broker after the confirmation of the Plan

If the Debtor receives an acceptable offer to purchase the Debtor's property prior to the Final Allowance of the Class 1 Claim, the Debtor shall file a motion to approve the sale free and clear of liens in the Bankruptcy Court. The Bankruptcy Court shall retain jurisdiction to hear and determine any such motion.

E. Risk Factors

The proposed Plan has the following risks. First, the Debtor's business is seasonal, and it is possible that the cash flow in the winter months will be significantly less than in the peak summer season.

Second, if the Class 1 claim is determined such that the Debtor is not entitled to any common law offset or recoupment, the amount owed to Four Star, together with interest, may exceed the Debtor's ability to pay from the cash flow of the business.

F. Executory Contracts and Unexpired Leases

The Debtor does not have any executory contracts or unexpired leases; therefore, the Debtor will not be assuming any executory contracts or unexpired leases under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. As there are no executory contracts or unexpired leases being assumed, the Debtor need not cure or compensate any parties to such contracts or leases for any such defaults.

All executory contracts and unexpired leases that are not expressly assumed will be rejected under the Plan. None have been assumed; therefore, if there are any executory contracts or unexpired leases, they would be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

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The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is Thirty Days After the Effective Date of the Plan. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

There should be no tax consequences resulting from the Plan. Creditors who receive distributions will incur taxable income to the same extent that they would have had taxable income absent the Plan.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that classes 1, 3, 4 and 5 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes 2 and 6 are unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan.

1. What Is an Allowed Claim or an Allowed Equity Interest?

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or

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allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was April 3, 2016.

2. What Is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. Who is Not Entitled to Vote

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for voting purposes;
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code;
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

4. Who Can Vote in More Than One Class

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram down” on non-accepting classes, as discussed later in Section B.2.

1. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan,

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and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. Treatment of Nonaccepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a “cram down” plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a “cramdown” confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation.

In a chapter 7 liquidation, Four Star would foreclose on the Anchor Motel. The foreclosure sale would not generate any funds in excess of Four Star’s claim, leaving nothing for other creditors and equity interest holders. The Debtor’s only other assets are: (i) the cash on deposit, which totaled \$1,483.37 on the petition date and \$8,243.96 on August 31, 2016; (ii) the unpaid customer accounts in the amount of \$650 on the petition date with a current value of \$0; and (iii) the unliquidated claims against Four Star and Ashok Dharia. The cash on deposit would be insufficient to cover the administrative fees incurred in this case. In a liquidation, the claims against Four Star and Ashok Dharia are not likely to be pursued by a chapter 7 trustee. Therefore, in a liquidation there would be no distribution to creditors or equity security holders on account of their claims.

Under the Plan the creditors and equity security holders would receive more than in a liquidation. Four Star would continue to receive interest payments until its claim is determined; thereafter, Four Star will be paid according to the terms of the loan. The State of Texas reach a final resolution with the Debtor and be paid within 60 days of the Effective Date. General unsecured, non-insider claims will be paid in full over 18 months. General unsecured, insider claims will be paid from available cash flow after the monthly payment to Four Star is made and all other expenses and payments under the Plan have been made. Lastly, the equity security interest will be preserved. Thus, under the Plan, creditors will be paid the full amount of their claims over time.

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D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. Ability to Initially Fund Plan

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date, with the exception of the administrative expense claims of the Debtor's bankruptcy counsel, which has agreed to the payment terms outlined in the Plan. As of August 31, 2016, the Debtor had \$8,243.96 on deposit in its debtor-in-possession account. The Debtor estimates that on the effective date it will have sufficient funds on deposit, the source of which is the net cash flow of the Debtor, to fund the Plan. In the event that there are insufficient funds to initially fund the Plan, Mr. Ramesh Raj will contribute the necessary funds to initially fund the Plan.

2. Ability to Make Future Plan Payments and Operate Without Further Reorganization

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided projected financial information. Those projections are listed in Exhibit E.

The Plan Proponent's financial projections show the Debtor's average cash flow over the next two years, after paying operating expenses and post-confirmation taxes. To the extent that the cash flow is not sufficient to fund any future plan payments, Mr. Ramesh Raj will contribute any amounts necessary to the Debtor, so that the Debtor can make its future Plan payments.

The projections take into account the Debtor's past experience and the seasonal nature of the Debtor's business. cover any deficiency in the cash difference between the Debtoall necessary funds to make

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

Discharge. On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(6)(B). After the effective date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

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B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

Upon request of the Debtor, the United States trustee, or the holder of an allowed unsecured claim, the Plan may be modified at any time after confirmation of the Plan but before the completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take account of any payment of the claim made other than under the Plan.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

VI. OTHER PLAN PROVISIONS

The Plan asks that the Court retain jurisdiction for the following purposes:

(a) to hear and determine any and all objections to the allowance of Claims or actions to equitably subordinate Claims or any controversy as to the classification of Claims, including the objection to the Class 1 Claim of Four Star Business, Inc.;

(b) to liquidate or estimate claims or to determine the manner and time for such liquidation or estimation in connection with any contingent or unliquidated Claim, including the liquidation or estimation of the Class 1 Claim of Four Star Business, Inc.;

(c) to approve the sale of any property of the Debtor prior to the Final Allowance of the Class 1 Claim of Four Star Business, Inc., and to approve such a sale free and clear of liens, claims, encumbrances and interests and to make such orders as are necessary or appropriate to carry out this Plan;

(d) to hear and determine any and all adversary proceedings, applications, and litigation matters pending on the Effective Date or brought after the Effective Date in respect to Debtor causes of action arising before the Effective Date;

(e) to enter and implement such orders as may be appropriate if confirmation is for any reason stayed, reversed, revoked, modified or vacated;

(f) to modify any provision of the Plan to the extent permitted by the Bankruptcy Code and to correct any defect, cure any omission or reconcile any inconsistency in the Plan or the confirmation order as may be necessary to carry out the purposes and intent of the Plan; and

(g) to enter such order which may be necessary or appropriate in the

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furtherance of confirmation and implementation of the Plan.

The Plan provides that the Bankruptcy Court retains jurisdiction to hear and determine the objection to the Class 1 Claim of Four Star Business, Inc. or any motion to estimate the Class 1 Claim. The Debtor intends to pursue the determination of the Class 1 Claim through one of three available options, specifically: (i) the Debtor may abate the objection to the Class 1 Claim until a determination is made in the Four Star Lawsuit; (ii) the Debtor may seek a resolution of the Debtor's offsets to the Class 1 Claim by trial of the objection to the Class 1 Claim in the Bankruptcy Court; or (iii) the Debtor may file a motion to estimate the claim in the Bankruptcy Court.

The Plan also provides that the Bankruptcy Court retains jurisdiction to hear and determine any motion to sell the Debtor's property free and clear of liens. If a sale is proposed prior to the allowance of the Class 1 Claim, the Debtor shall file a motion to sell the property free and clear of liens. While the Debtor has not yet retained a broker to sell the Anchor Motel, the Debtor anticipates doing so after confirmation of the Plan and intends to market the Anchor Motel for sale.

Respectfully submitted,

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Plan Proponent

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