

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF ARKANSAS  
TEXARKANA DIVISION**

**IN RE:**

**TEXARKANA ARKANSAS  
HOSPITALITY, LLC,**

**Debtor.**

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**CASE NO.16-72073  
Chapter 11**

**DISCLOSURE STATEMENT DATED NOVEMBER 28, 2016**

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**ARTICLE I**  
**INTRODUCTION**  
**Identity of the Debtor**

**1.01** Debtor Texarkana Arkansas Hospitality, LLC, filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. Section 101, et seq. ("**Code**") in the United States Bankruptcy Court for the Western District of Arkansas, Texarkana Division ("**Court**"), initiating the above-styled and referenced bankruptcy proceedings. The Debtor is operating its business as **Debtor-in-Possession** pursuant to Sections 1107 and 1108 of the **Code**. Any reference to plan proponents is to this operating Debtor.

**Purpose of This Disclosure; Sources of Information**

**1.02** Debtor submits this Disclosure pursuant to Section 1125 of the **Code** to all known **Claimants** of Debtor for the purpose of disclosing that information which the **Court** has determined is material, important, and necessary for **Creditors** of, and the Members of, Debtor in order to arrive at an intelligent, reasonably informed decision in exercising the right to vote for acceptance or rejection of the **Debtor's Plan**. A copy of the Plan is attached hereto as **Exhibit "A"** and incorporated herein by this reference. The Plan sets forth in detail the repayment arrangement between the Debtor and their creditors. This Disclosure describes the operations of the **Debtor** contemplated under the **Plan**. Any accounting information contained herein has been provided by the **Debtor** and has been prepared using the cash method of accounting.

Debtor does not have exact figures for any alleged deficiency claims claimed by secured creditors. As those numbers are sorted out the Debtor can provide such information to the creditors. The Debtor is reviewing claims and will continue to do so. Debtor does anticipate objecting to deficiency claims if they appear over stated but those issues can be handled through the claims objection process.

**Explanation of Chapter 11**

**1.03** Chapter 11 is the principal reorganization chapter of the **Code**. Pursuant to Chapter 11, a debtor is authorized to reorganize its business for its own benefit and that of its creditors and equity interest holders. Formulation of a plan of reorganization is the principal purpose of a Chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and interests in the debtor. After a plan of reorganization has been filed, it must be accepted by holders of claims against, or interests in, the debtor. Section 1125 of the **Code** requires full disclosure before solicitation of acceptances of a plan of reorganization. This Disclosure is presented to **Claimants** to satisfy the requirements of Section 1125 of the **Code**.

**Explanation of the Process of Confirmation**

**1.04** Even if all **Classes of Claims** accept the plan, its confirmation may be refused by the **Court**. Section 1129 of the **Code** sets forth the requirements for confirmation and, among other things, requires that a plan of reorganization be in the best interests of **Claimants**. It generally requires that the value to be distributed to **Claimants** and **Equity Interest Holders** may not be less

than such parties would receive if the debtor were liquidated under Chapter 7 of the **Code**.

**1.05** Acceptance of the plan by the **Creditors** and **Equity Interest Holders** is important. In order for the plan to be accepted by each class of claims, the creditors that hold at least two thirds (2/3) in amount and more than one-half (1/2) in number of the allowed claims actually voting on the plan in such class must vote for the plan and the equity interest holders that hold at least two-thirds (2/3) in amount of the allowed interests actually voting on the plan in such class must vote for the plan. Chapter 11 of the **Code** does not require that each holder of a claim against, or interest in, the debtor vote in favor of the plan in order for it to be confirmed by the **Court**. The plan, however, must be accepted by: (i) at least the holder of one (1) class of claims by a majority in number and two-thirds (2/3) in amount of those claims of such class actually voting; or (ii) at least the holders of one (1) class of allowed interests by two-thirds (2/3) in amount of the allowed interests of such class actually voting.

**1.06** The **Court** may confirm the plan even though less than all of the classes of claims and interests accept it. The requirements for confirmation of a plan over the objection of one or more classes of claims or interests are set forth in Section 1129(b) of the **Code**.

**1.07** **Confirmation** of the plan discharges the debtor from all of its pre-confirmation debts and liabilities except as expressly provided for in the plan and Section 1141(d) of the **Code**. **Confirmation** makes the plan binding upon the debtor and all claimants, equity interest holders and other parties-in-interest, regardless of whether or not they have accepted the plan.

### **Voting Procedures**

**1.08** **Unimpaired Class**. There are no unimpaired Classes under the **Plan**.

**1.09** **Impaired Classes**. The Classes 1-8 **Claimants** are impaired as defined by Section 1124 of the **Code**. The **Debtor** is seeking the acceptance of the **Plan** by **Claimants** in their **Classes** 1-8. Each holder of an **Allowed Claim** in **Classes** 1-8 may vote on the **Plan** by completing, dating and signing the ballot sent to each holder and filing the ballot as set forth below. One ballot will be sent to each **Claimant** eligible to vote on the **Plan**. For all **Classes**, the ballot must be returned to **Debtor's** attorney, Joyce Lindauer, Attorney at Law, 12720 Hillcrest Suite 625, Dallas, TX 75230. In order to be counted, ballots must be **RECEIVED** no later than at the time and on the date stated on the ballot.

**1.10** **Acceptances**. Ballots that are signed and returned but fail to indicate either an acceptance or rejection will not be counted.

### **Best Interests of Creditors Test**

**1.11** Section 1129(a)(7) of the **Code** requires that each impaired class of claims or interests accept the **Plan** or receive or retain under the **Plan** on account of such claim or interest, property of a value as of the **Effective Date** of the **Plan**, that is not less than the amount that such holder would so receive or retain if the **Debtor** were liquidated under Chapter 7 of the Bankruptcy **Code**. If Section 1111(b)(2) of the **Code** applies to the claims of such class, each holder of a claim

of such class will receive or retain under the **Plan**, on account of such claim, property of a value, as of the **Effective Date** of the **Plan**, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims. In order for the **Plan** to be confirmed, the **Court** must determine that the **Plan** is in the best interest of the **Debtor's** creditors. Accordingly, the proposed plan must provide the **Debtor's** creditors with more than they would receive in a Chapter 7 liquidation. Accordingly, since the **Plan** proposes to pay all secured creditors' allowed secured claims in full by cash payments based on the value of their collateral retained and the unsecured creditors a dividend, Debtor believe that the creditors are receiving more than they would receive in a Chapter 7 liquidation. A liquidation analysis is provided in Section IV. Accordingly, the Debtor contend that the **Plan** satisfies the requirements of Section 1129(a)(7).

### **Cramdown**

**1.12** The **Court** may confirm the **Plan** even though less than all of the classes of claims and interests accept it. The requirements for confirmation of a plan over the objection of one or more classes of claims or interests are set forth in Section 1129(b) of the **Code**. Accordingly, **Debtor**, as plan proponents, request the **Court** to determine that the **Plan** does not discriminate unfairly, and is fair and equitable with respect to any objecting creditor. A discussion of the specific requirements for Cramdown of a Plan are set forth starting below.

### **Definition of Impairment**

**1.13** As set forth in section 1124 of the Bankruptcy Code, a class of claims or equity interests is impaired under a plan of reorganization unless, with respect to each claim or equity interest of such class, the plan: leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or equity interest; or notwithstanding any contractual provision or applicable law that entitles the holder of a claim or equity interest to demand or receive accelerated payment of such claim or equity interest after the occurrence of a default: cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code; reinstates the maturity of such claim or interest as it existed before such default; compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law; and does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

### **Classification and Treatment of Claims and Interests**

**1.14** The Plan classifies Claims separately in accordance with the Bankruptcy Code and provides different treatment for different classes of Claims.

**1.15** Only holders of Allowed Claims are entitled to receive distributions under the Plan. Allowed Claims are Claims that are not in dispute, are not contingent, are liquidated in amount, and are not subject to objection or estimation. Initial distributions or other transfers of Cash or other consideration specified in the Plan otherwise available to the holders of Allowed Claims will be made on the Effective Date, or (b) the date on which such Claim becomes an Allowed Claim), as otherwise provided in the Plan, or as may be ordered by the Bankruptcy Court.

**1.16** In accordance with the Plan, unless otherwise provided in the Plan or the Confirmation Order, the treatment of any Claim under the Plan will be in full satisfaction, settlement, release, and discharge of and in exchange for each and every Claim.

**Requirements for Confirmation of the Plan**

**1.17** At the confirmation hearing, the Bankruptcy Court must determine whether the Bankruptcy Code's requirements for confirmation of the Plan have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. As set forth in section 1129 of the Bankruptcy Code, these requirements are as follows:

The plan complies with the applicable provisions of the Bankruptcy Code.

The proponents of the plan comply with the applicable provisions of the Bankruptcy Code.

The plan has been proposed in good faith and not by any means forbidden by law.

Any payment made or promised by the Debtor, by the plan proponents, or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in, or in connection with, the case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of the Bankruptcy Court as reasonable.

- (A) The proponent of the plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the Debtor, an affiliate of the Debtor participating in a joint plan with the Debtor, or a successor to the Debtor under the plan; and
- (B) the appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security holders and with public policy; and the proponent of the plan has disclosed the identity of any insider that will be employed or retained by the reorganized Debtor, and the nature of any compensation for such insider.

Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the Debtor has approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.

With respect to each impaired class of claims or interests:

- (I) each holder of a claim or interest of such class has (A) accepted the plan or (B) will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated on such date under chapter 7 of the Bankruptcy

Code on such date; or (ii) if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the holder of a claim of such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.

With respect to each class of claims or interests:

- (i) such class has accepted the plan; or
- (ii) such class is not impaired under the plan.

Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that:

(i) with respect to a claim of a kind specified in section 507(a)(1) or 507(a)(2) of the Bankruptcy Code, on the effective date of the plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

(ii) with respect to a class of claims of a kind specified in section 507(a)(3), 507(a)(4), 507(a)(5) or 507(a)(6) of the Bankruptcy Code, each holder of a claim of such class will receive: (i) if such class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (ii) if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claim; and

(iii) with respect to a claim of a kind specified in section 507(a)(7) of the Bankruptcy Code, the holder of a claim will receive on account of such claim deferred cash payments, over a period not exceeding six years after the date of assessment of such claim, of a value, as of the effective date of the plan, equal to the allowed amount of such claim.

If a class of claims is impaired under the plan, at least one class of claims that is impaired has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim of such class.

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 under the plan, unless such liquidation or reorganization is proposed in the plan.

All fees payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payments of all such fees on the effective date of the plan.

The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114, at any time prior to confirmation of the plan, for the duration of the period the Debtor has obligated itself to provide such benefits.

The Debtor believe that the Plan satisfies all the statutory requirements of chapter 11 of the Bankruptcy Code, that the Debtor have complied with or will have complied with all the requirements of chapter 11, and that the Plan is proposed in good faith.

At the Confirmation Hearing, the Bankruptcy Court will determine whether holders of Allowed Claims or Allowed Equity Interests would receive greater distributions under the Plan than they would receive in a liquidation under chapter 7.

The Debtor believe that the feasibility requirement for confirmation of the Plan is satisfied by the fact that the future operating revenues will be sufficient to satisfy the obligations under the Plan in addition to supporting the operations of the enterprise. These facts demonstrating the confirmability of the Plan will be shown at the Confirmation Hearing.

### **Cramdown**

**1.18** The bankruptcy court may confirm a plan of reorganization even though fewer than all the classes of impaired claims and interests accept it. For a plan of reorganization to be confirmed despite its rejection by a class of impaired claims or interests, the proponents of the plan must show, among other things, that the plan does not “discriminate unfairly” and that the plan is “fair and equitable” with respect to each impaired class of claims or interests that has not accepted the plan.

**1.19** “Fair and equitable” has different meanings with respect to the treatment of secured and unsecured claims. As set forth in section 1129(b)(2) of the Bankruptcy Code, those meanings are as follows:

With respect to a class of **secured claims**, the plan provides:

- (a)(i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the Debtor or transferred to another entity, to the extent of the allowed amount of such claims; and
- (ii) that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder’s interest in the estate’s interest in such property;
- (b) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (a) and (b) of this subparagraph; or
- (c) the realization by such holders of the “indubitable equivalent” of such claims.

With respect to a class of **unsecured claims**, the plan provides:

- (a) that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or



(b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

With respect to a class of **interests**, the plan provides:

- (a) that each holder of an interest of such class receive or retain on account of such interest property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest; or
- (b) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property.

**1.20** In the event that one or more classes of impaired Claims reject the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable with respect to, and does not discriminate unfairly against, any rejecting impaired class of Claims. **SO LONG AS THE CLASSES OF UNSECURED CREDITORS VOTE FOR THE PLAN THEN THE PLAN WILL NOT VIOLATE THE ABSOLUTE PRIORITY RULE.** The absolute priority rule requires that prior to the equity interest holders in the Debtor retaining or receiving any property the senior classes of claims must be paid in full or vote to accept the Plan.

The Debtor believe the Plan does not discriminate unfairly against, and is fair and equitable with respect to, each impaired class of Claims.

## **ARTICLE II** **REPRESENTATIONS**

**2.01** This Disclosure is provided pursuant to Section 1125 of the **Code** to all of the **Debtor's** known **Creditors** and other parties in interest in connection with the solicitation of acceptance of its **Plan** of reorganization, as amended or modified. The purpose of this Disclosure is to provide such information as will enable a hypothetical, reasonable investor, typical of the holders of **Claims**, to make an informed judgment in exercising its rights either to accept or reject the **Plan**.

**2.02** The information contained in this Disclosure has been derived from information submitted by the **Debtor**, unless specifically stated to be from other sources.

**2.03** No representations concerning the **Debtor** is authorized by the **Debtor** other than those set forth in this Disclosure. The **Debtor** recommend that any representation or inducement made to secure your acceptance or rejection of the **Plan** which is not contained in this Disclosure should not be relied upon by you in reaching your decision on how to vote on the **Plan**. Any representation or inducement made to you not contained herein should be reported to the attorneys for **Debtor** who shall deliver such information to the **Court** for such action as may be appropriate.

**2.04** ANY BENEFITS OFFERED TO THE CREDITORS ACCORDING TO THE PLAN WHICH MAY CONSTITUTE "SECURITIES" HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

("SEC"), THE TEXAS SECURITIES BOARD, OR ANY OTHER RELEVANT GOVERNMENTAL AUTHORITY IN ANY STATE OF THE UNITED STATES. IN ADDITION, NEITHER THE SEC, NOR ANY OTHER GOVERNMENTAL AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE OR UPON THE MERITS OF THE PLAN. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

**2.05** THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. FOR THE FOREGOING REASON, AS WELL AS BECAUSE OF THE IMPOSSIBILITY OF MAKING ASSUMPTIONS, ESTIMATES AND PROJECTIONS INTO THE FUTURE WITH ACCURACY, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS COMPLETELY ACCURATE, ALTHOUGH EVERY REASONABLE EFFORT HAS BEEN MADE TO ENSURE THAT SUCH INFORMATION IS ACCURATE. THE APPROVAL BY THE COURT OF THIS DISCLOSURE DOES NOT CONSTITUTE AN ENDORSEMENT BY THE COURT OF THE PLAN OR GUARANTEE THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

**2.06** THE DEBTOR BELIEVE THAT THE PLAN WILL PROVIDE CLAIMANTS WITH AN OPPORTUNITY ULTIMATELY TO RECEIVE MORE THAN THEY WOULD RECEIVE IN A LIQUIDATION OF THE DEBTOR'S ASSETS, AND SHOULD BE ACCEPTED. CONSEQUENTLY, THE DEBTOR URGE THAT CLAIMANTS VOTE FOR THE PLAN.

**2.07** DEBTOR DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS CORRECT, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE. THE STATEMENTS CONTAINED IN THIS DISCLOSURE ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN.

### **ARTICLE III** **FINANCIAL PICTURE OF THE DEBTOR**

#### **Financial History and Background of the Debtor**

##### **The Company**

**3.01** **Texarkana Arkansas Hospitality Management, LLC** runs a Choice Hotels International Franchise hotel in Texarkana, Arkansas. The current ownership of the Debtor is 42% to Sukhpal Sign, 40% to Harbans Grewal and 18% to Jasbir Singh. The hotel is managed by a third party management company that has been hired directly by the Debtor and its principal, Sukhpal Sing, who has over 20 years of experience in the lodging industry.

The property management company is directly responsible for managing the assets, which include setting financial goals, budget, policies, franchise relations, major renovations and marketing. It also provides and oversees the day to day operations of the hotel, which include front desk operations, sales reservations, housekeeping, maintenance, and employee relations.

Room revenue has been trending down since 2015 and as of August 2016 took large downward turn due to the drastic downturn in the economy and the shift in travel patterns of many companies compared to the past. Also in the area many companies have closed down or moved out, due to the economy. The partners have cut down a significant amount of the operating expenses, without sacrificing the quality of service to the hotel guests.

### **Management**

**3.02** Sukhpal Singh manages the Debtor. At the time of the filing of the case there was a dispute over ownership of the Debtor entity. The Plan intends to resolve that dispute.

### **Financials**

**3.03** Currently the company is under Chapter 11 bankruptcy reorganization and therefore an income report is filed monthly with the court. They can be obtained from the Debtor's counsel and online with the Bankruptcy Court under the Debtor's case name.

#### **Future Income and Expenses Under the Plan**

**3.04** The projections of plan payments is provided with this Disclosure Statement. Dollars to fund the **Plan** will come from the business operations of Texarkana Arkansas Hospitality, LLC and a contribution by the equity interest holders.

#### **Future Management of the Debtor**

**3.05** The Debtor anticipates retaining current third party management.

### **ARTICLE IV ANALYSIS AND VALUATION OF PROPERTY**

**4.01** The Debtor Texarkana Arkansas Hospitality, LLC, owns the real and personal property described as follows:

#### **Real Property**

Property	Value	Exemptions
Land building and attached personal property at 5420 Crossroads Parkway, Texarkana, AR 71854	\$4,318,250.00	None
TOTAL:	\$4,318,250.00	

#### **Personal Property**

Property	Value	Exemptions
Cash on Hand	\$200.00	None
DIP Account		None
Wells Fargo Checking Acct ending 6425	\$520.47	None
Chase Bank Checking Acct ending 3449	\$45,680.59	None
Laundry Equipment/Appliances	\$19,625.00	None
Pool & Spa & Exercise Equipment	\$2,500.00	None
Hotel furnishings	\$278,555.00	None
Hotel Kitchen equipment & Food Storage	\$6,114.00	None
Ice Machines	\$3,154.00	None
Signs, Lighting & Landscaping	\$52,269.00	None
Office Equipment	\$3,205.00	None
Franchise Agreement, Sales & Use Tax permits, etc.	\$0.00	None
<b>TOTAL:</b>	<b>\$411,823.06</b>	

**A Liquidation Analysis by Debtor is set forth as follows:**

Proceeds from Sale of Real Property	\$3,650,000.00
Proceeds from Forced Liquidation of Hotel Furnishings, Linens, etc.	\$0 (would be part of sale of hotel)
Total Amount for Distribution to Creditors	\$4,397,385.22
Total Secured Claims	\$3,715,207.52 (in liquidation would be difficult to cover secured debt)
Deficiency	\$747,385.22

Taking into account the priority and nonpriority unsecured claims in this case, based on the above analysis a Chapter 7 liquidation would not pay the unsecured claims a return at all. Debtor's plan pays the priority creditors 100% and non-insider unsecured creditors 100%, thus Debtor's plan will pay the creditors more than in a Chapter 7 liquidation. The Debtor's values for the personal and real property are derived from the Debtor's opinion of the value of its assets based on the schedules. In a sale situation the value of the assets would be decreased by the ability to sell quickly as well as costs of sale.

The projected amount of unsecured debt is \$500,401.39 and the Plan proposes a payment in full to unsecured claims except those holding insider unsecured claims. The projected amount available to unsecured creditors in a Chapter 7 liquidation is zero. The major source of funding for the Plan will come from the Debtor's future income. To the extent that the Debtor's business generates income, such income will be used to fund the Plan.

**ARTICLE V**  
**SUMMARY OF THE PLAN**

The Plan will be funded from the continuing operations of the Debtor, Texarkana Arkansas Hospitality, LLC.

**DESIGNATION OF CLASSES OF CLAIMS AND INTERESTS**

The Debtor designate the following Classes of Claims and Interests pursuant to Bankruptcy Code Section 1123. The Debtor shall pay all fees assessed by the Office of the United States Trustee until this Case is closed by the Court or the Debtor are otherwise released from such obligations by the Court.

The Claims and Interests classified herein shall be treated in the manner set forth in this Article V.

Administrative Expenses and Priority Tax Claims of the kinds specified in §§ 507(a)(1), 502(i) and 507(a)(8) of the Bankruptcy Code are excluded from the Debtor's respective classes below in accordance with § 1123(a)(1) and are not separately classified. Such expenses and claims shall be treated as specified in this Article.

**Treatment of Allowed Administrative Expenses**

Allowed Administrative Expenses will be paid in full once Allowed, on or before the Effective Date, or at a later date as set by the Court if the allowance process extends beyond the Effective Date. Provided, however, that the holder of an Allowed Administrative Expense may agree to a different treatment.

**Treatment of Allowed Priority Claims**

Allowed Priority Claims will be paid by the Reorganized Debtor once Allowed over five (5) years with interest on such amounts at the rate of 12% per annum until paid in full. The payments shall be made in equal monthly payments on the first day of the month following the Effective Date and shall continue on the first day of each month thereafter until paid in full. There are no priority claims.

**Title 28 U.S.C. Section 1930 Fees**

Debtor shall pay all fees assessed by the Office of the United States Trustee until this Case is closed by the Court or the Debtor are otherwise released from such obligations by the Court.

**Class 1: Allowed Claims of Choice Hotels**

Class 1 shall consist of the Allowed Claims of Choice Hotels (the "Class 1 Claim") in the estimated amount of \$87,005.39.

- a. The Class 1 Claim will be amortized once Allowed over 12 months from the Confirmation Date and paid monthly on the first day of the month. Debtor is assuming the Class 1 Claim and the executory contract with Choice Hotels.
- b. Class 1 Claim is Impaired by the Plan. The holder of Class 1 Claim is entitled to vote to accept or reject the Plan.

**Class 2: Allowed Priority Claim of the Internal Revenue Service**

Class 2 shall consist of the Allowed Priority Unsecured Claims of the Internal Revenue Service in the estimated amount of \$3,589.82.

- a. The Class 2 Claims shall be paid in full over 12 months from the Effective Date at an interest rate of 4.25% per annum. Payments shall commence on the first day of the month following the Effective Date and continue on the first day of each month thereafter until paid in full.
- b. Events of Default for IRS. The occurrence of any of the following shall constitute an event of default under the Plan:
  1. Failure to Make Payments. Failure on the part of Debtor to pay fully when due any payment required to be made in respect of the Plan debt. However, due to the size and ongoing nature of the IRS's claim, upon a default under the Plan, the administrative collection powers and the rights of the IRS shall be reinstated as they existed prior to the filing of the bankruptcy petition, including, but not limited to, the assessment of taxes, the filing of a notice of Federal (or state) tax lien and the powers of levy, seizure, and as provided under the Internal Revenue Code. As to the IRS:
    - (A) If the Debtor or its successor in interest fails to make any plan payment, or deposits of any currently accruing employment or sales tax liability; or fails to make payment of any tax to the Internal Revenue Service within 10 days of the due date of such deposit or payment, or if the Debtor or their successor in interest failed to file any required federal or state tax return by the due date of such return, then the United States may declare that the Debtor is in default of the Plan. Failure to declare a default does not constitute a waiver by the United States of the right to declare that the successor in interest or Debtor is in default.
    - (B) If the United States declares the Debtor or the successor in interest to be in default of the Debtor's obligations under the Plan, then the entire imposed liability, together with any unpaid current liabilities, may become due and payable immediately upon written demand to the Debtor or the successor in interest.
    - (C) If full payment is not made within 14 days of such demand, then the

Internal Revenue Service may collect any unpaid liabilities through the administrative collection provisions of the Internal Revenue Code. The IRS shall only be required to send two notices of default, and upon the third event of Default, the IRS may proceed to collect on all amounts owed without recourse to the Bankruptcy Court and without further notice to the Debtor. The collection statute expiration date will be extended from the Petition Date until substantial default under the Plan. All payments will be sent to: IRS, 1100 Commerce Street, Mail Code 5027 DAL, Dallas, Texas 75242 attn Leo Carey.

- (D) The Internal Revenue Service shall not be bound by any release provisions in the Plan that would release any liability of the responsible persons of the Debtor to the IRS. The Internal Revenue Service may take such actions as it deems necessary to assess any liability that may be due and owing by the responsible persons of the Debtor to the Internal Revenue Service; but the Internal Revenue Service shall not take action to actually collect from such persons unless and until there is a default under the Plan and as set forth above.
- c. The Class 2 Claim is Impaired and the holder of the Class 2 Claim is entitled to vote to accept or reject the Plan.

**Class 3: Allowed Priority Claim of Arkansas State Tax**

Class 3 shall consist of the Allowed Priority Claim of the Arkansas State Tax in the estimated amount of \$20,761.76.

- a. Impairment and Voting. Class 3 is impaired by the Plan. The holder of the Class 3 Claim is entitled to vote to accept or reject the Plan.
- b. Treatment. The Class 3 Claim of the Arkansas State Tax shall be paid in full over 24 months from the Effective Date at an interest rate of 4.25% per annum. Payments shall commence on the first day of the month following the Effective Date and continue on the first day of each month thereafter until paid in full.
- c. Events of Default. A failure by the reorganized Debtor to make a payment to the Arkansas State Tax pursuant to the terms of the Plan shall be an Event of Default. If the reorganized Debtor fails to cure an Event of Default as to such payments within ten (10) days after receipt of written notice of default from the Arkansas State Tax, then the Arkansas State Tax may (a) enforce the entire amount of its claim; (b) exercise any and all rights and remedies the Arkansas State Tax may have under applicable state law; and/or (c) seek such relief as may be appropriate in the Court. The reorganized Debtor shall have the opportunity to cure two (2) times over the life of the plan. In the event of the third default, the Arkansas State Tax may proceed with the state law remedies for collection of all amounts due under state law.



**Class 4: Allowed Priority Claim of City of Texarkana**

Class 4 shall consist of the Allowed Priority Claim of the City of Texarkana in the estimated amount of \$24,593.00.

- a. Impairment and Voting. Class 4 is impaired by the Plan. The holder of the Class 4 Claim is entitled to vote to accept or reject the Plan.
- b. Treatment. The Class 4 Claim of the City of Texarkana shall be paid in full over 24 months from the Effective Date at an interest rate of 4.25% per annum. Payments shall commence on the first day of the month following the Effective Date and continue on the first day of each month thereafter until paid in full.
- c. Events of Default. A failure by the reorganized Debtor to make a payment to the City of Texarkana pursuant to the terms of the Plan shall be an Event of Default. If the reorganized Debtor fails to cure an Event of Default as to such payments within ten (10) days after receipt of written notice of default from the City of Texarkana, then the City of Texarkana may (a) enforce the entire amount of its claim; (b) exercise any and all rights and remedies the City of Texarkana may have under applicable state law; and/or (c) seek such relief as may be appropriate in the Court. The reorganized Debtor shall have the opportunity to cure two (2) times over the life of the plan. In the event of the third default, the City of Texarkana may proceed with the state law remedies for collection of all amounts due under state law.

**Class 5: Allowed Priority Claim of Miller County Tax Collector**

Class 5 shall consist of the Allowed Priority Claim of the Miller County Tax Collector in the estimated amount of \$45,826.34.

- a. Impairment and Voting. Class 5 is impaired by the Plan. The holder of the Class 5 Claim is entitled to vote to accept or reject the Plan.
- b. Treatment. The Class 5 Claim of the Miller County Tax Collector shall be paid in full over 24 months from the Effective Date at an interest rate of 4.25% per annum. Payments shall commence on the first day of the month following the Effective Date and continue on the first day of each month thereafter until paid in full.
- c. Events of Default. A failure by the reorganized Debtor to make a payment to the Miller County Tax Collector pursuant to the terms of the Plan shall be an Event of Default. If the reorganized Debtor fails to cure an Event of Default as to such payments within ten (10) days after receipt of written notice of default from the Miller County Tax Collector, then the Miller County Tax Collector may (a) enforce the entire amount of its claim; (b) exercise any and all rights and remedies the Miller County Tax Collector may have under applicable state law; and/or (c) seek such relief as may be appropriate in the Court. The reorganized Debtor shall have the opportunity to cure two (2) times over the life of the plan. In the event of the third default, the Miller County Tax Collector may



proceed with the state law remedies for collection of all amounts due under state law.

**Class 6: Allowed Secured Claim of Midsouth Bank**

This claim shall be paid once Allowed as follows:

- a. This Claim is an Allowed Secured Claim and shall be for an amount of \$2,281,903.79 (or as determined by the Court). This claim shall be paid out fully in 60 months from the Effective Date and amortized over a period of 300 months, with interest at a rate of 5% per annum, accruing as of the Confirmation Date. Payments (constituting payments of both principal and interest) shall be made in equal monthly payments based on a standard 25-year amortization. The first payment is due on the first day of the first month following the Effective Date and all subsequent payments shall continue on the first day of each month thereafter until the allowed amount of the claim is paid in full. This amount does not take into consideration the adequate protection payments made by the Debtor.
- a. Midsouth Bank shall be secured for an Allowed Secured Claim on the Debtor's real and personal property described in its loan documents and financing statements (the "Midsouth Collateral"), in the amount of \$2,281,903.79 as of Confirmation Date. Any unsecured claim of Midsouth Bank shall be treated in Debtor's Allowed General Unsecured Claims Class below. This amount does not take into consideration the adequate protection payments.
- b. There shall be no prepayment penalty if this Claim is paid early.
- c. Should this Section of the Plan for treatment of Midsouth Bank's Claim contradict any other provision in the Plan, the provisions of this Section shall control.
- d. This Claim is Impaired and the holder of this Claim is entitled to vote to accept or reject the Plan.

**Class 7: Allowed Secured Claim of U.S. Small Business Administration.**

This Claim will be paid once Allowed as follows:

- b. This Claim is an Allowed Secured Claim and shall be for an amount of \$1,433,303.73. This claim shall be paid out fully over a period of 60 months, with interest at a rate of 4.5% per annum, from and after the Confirmation Date. Payments (constituting payments of both principal and interest) shall be made in equal monthly payments based on a standard 25-year amortization. The first payment is due on the first day of the first month following the Effective Date and all subsequent payments shall continue on the first day of each month thereafter until the allowed amount of the claim is paid in full.

- c. U.S. Small Business Administration shall be secured for an Allowed Secured Claim on the Debtor's real and personal property described in its loan documents and financing statements (the "U.S. Collateral"), in the amount of \$1,433,303.73 as of Confirmation Date.
- d. There shall be no prepayment penalty if this Claim is paid early.
- e. Should this Section of the Plan for treatment of the U.S. Small Business Administration's Claim contradict any other provision in the Plan, the provisions of this Section shall control.
- f. This Claim is Impaired and the holder of this Claim is entitled to vote to accept or reject the Plan.

**Class 8: Allowed General Unsecured Claims**

- a. The Claims in this class will be paid by the Reorganized Debtor pro-rata from the amount of \$1,000.00 per month once Allowed over 60 months. The payments shall commence on the first day of the month following the Effective Date and shall continue on the first day of each succeeding month thereafter until the end of the payment term as defined herein.
- b. The total of claims in this class is estimated at \$500,401.39. The non-sider claims are estimated to be less than \$60,000.00.
- c. This class is Impaired and the holder of a Claim in this class is entitled to vote to accept or reject the Plan.
- d. Insider Unsecured Claims shall be paid nothing under this Plan.

**Class 9 - Equity Interests**

If the Class 8 Allowed General Unsecured Claims vote against the Plan then an auction procedure has been built into the Plan to assure the creditors that equity will not retain or receive any financial benefit without offering such benefit to third parties including the creditor body. The auction process is described in greater detail in the Plan and as follows:

In the interest of ensuring that the Plan provides the greatest benefit to creditors and equity interest holders and in order to satisfy the requirements of the absolute priority rule, prior to the confirmation hearing for the Plan, the Debtor shall hold an equity auction for purchase of its newly-issued equity. All existing equity in the Debtor will be cancelled is the Class 8 Class votes against the Plan; however, if the Class 8 Class votes for the Plan then the interests shall be retained by Sukhpal Singh, Harbans S. Grewal and Jasbir Singh in equal shares.

Subject to certain requirements described herein, all interested parties shall have the opportunity to purchase the reorganized Debtors' new equity at the Confirmation hearing pursuant

to the following auction procedures:

- a. Any party interested in bidding to acquire the new equity interests must provide notice to the Debtor and its counsel ten (10) business days prior to the Confirmation hearing, and also attend the Confirmation hearing and advise the Bankruptcy Court at the commencement of the hearing of the party's interest in participating in the auction of the equity interests, at which point the Bankruptcy Court may direct that an auction be conducted prior to the continuation of the Confirmation hearing;

The opening bid at any auction shall be by the existing equity interest holders Sukhpal Singh, Harbans S. Grewal and Jasbir Singh in the amount of \$100,000.00. \$100,000.00 shall be deposited into the Debtor's counsel's trust account prior to the Confirmation Date. If the Plan is not Confirmed, the \$100,000.00 will be returned.

The Debtor believes that the Plan will not violate the absolute priority rule and will be consensual as to the unsecured creditors. In the event that the Class 8 unsecured creditors do not vote for the Plan, and the Bankruptcy Court requires an auction, then: (i) the Existing Equity Interests will be cancelled on the Effective Date, (ii) the new equity interests in the Debtor shall be sold at an Auction sale as set forth herein, and (iii) the new equity interests in the Debtor shall be issued to the successful bidder for the interest in the Debtor at the Auction, subject to the terms of this Plan. If the Plan is not confirmed by the Court at the Confirmation Hearing, then the sale of the equity interests shall not proceed and the sale shall be cancelled. The Debtor shall remain the same corporate entity. The \$100,000.00 value of the Opening Bid was arrived at through the use of an analysis of the current market value of the reorganizing Debtor's equity interests.

- a. Each subsequent bid following the Opening Bid must exceed any previous highest bid in an amount of at least \$10,000.
- b. Any party submitting a bid at the auction must have proof of funds to pay the party's bid at the auction;
- c. The reorganized Debtor's new equity interest shall be sold to the bidder submitting the highest non-contingent cash offer at the auction;
- d. The winning bidder must actually deposit the funds in the Debtor's bank account within 48 hours of the announcement of the winning bid, or be deemed to have defaulted on the purchase of the Debtor's equity.
- e. If the winning bidder at the auction fails to close on the purchase as set forth above, the party submitting the next highest bid shall be deemed the winning bidder;
- f. The prevailing party at the auction must assume all of the obligations of the Debtor under the Plan.
- g. The funds from the auction sale shall be deposited into the Debtor's account and used to fund the Plan including the payment of administrative claims.

h. The Debtor shall solicit such bids by noticing the Plan out to creditors in this Case.

Furthermore, irrespective of who wins the equity auction, the equity auction shall only go into effect the Bankruptcy Court confirms the Plan. If the Bankruptcy Court does not confirm the Plan, then the Debtor shall not cancel its equity and any equity auction shall be null and void and have no effect as to the ownership of the Debtor. Further, if, after confirmation, the Bankruptcy Court revokes its confirmation of the Plan or the Bankruptcy Court's confirmation of the Plan is overturned on appeal, then the equity auction shall be null and void and have no effect, and the ownership of the equity of the respective Debtor shall remain with or revert to (as appropriate) the pre-confirmation owner.

## **ARTICLE VI**

### **MEANS FOR IMPLEMENTATION OF PLAN**

**6.01 Implementation of Plan.** This Plan will be implemented, pursuant to § 1123(a)(5) of the Code, by the commencement of payments as called for above.

**6.02 Claims and Causes of Action.** Any and all Avoidance Actions, claims, causes of action or enforceable rights of the Debtor against third parties, or assertable by the Debtor on behalf of Creditors, its Estate, or itself for recovery, turnover or avoidance of obligations, or preferential or fraudulent transfers of property or interests in property and other types or kinds of property or interests in property recoverable or avoidable pursuant to Chapter 5 or other sections of the Bankruptcy Code or any applicable law including, without limitation, 11 U.S.C. §§ 502, 510, 522(f), 522(h), 542, 543, 544, 545, 547, 548, 549, 550, 551, or 553;

Any and all claims or causes of action of the Debtor or its Estate relating to any pre- or post-petition activities against any one or more of any entity or person related to, owned by or affiliated with any current or former professionals of the Debtor (including, without limitation, legal, accounting, tax advisors or consultants) including, without limitation, claims or causes of action for: (i) breaches of fiduciary duty; (ii) fraud or fraudulent inducement; (iii) negligence; (iv) fraudulent or negligent misrepresentations; (v) legal, accounting or other professional negligence or malpractice; (vi) illegal dividends or payments received; (vii) civil conspiracy; (viii) fraudulent insurance acts; (ix) violations of any consumer protection act or deceptive trade practice act; (x) unjust enrichment; (xi) breach of contract; (xii) tortious interference with contracts or prospective relations; (xiii) deceit by misrepresentation or concealment; (xiv) common law fraud; (xv) corporate waste; (xvi) deepening insolvency; (xvii) alter ego; and (xviii) embezzlement;

Any and all claims or causes of action of the Debtor or its Estate relating to any pre- or post-petition activities against the Debtor's former officers, directors, principals or advisors; and any current or former professionals of the Debtor (including, without limitation, legal, accounting, tax advisors or consultants) including, without limitation, claims or causes of action for: (i) breaches of fiduciary duty; (ii) fraud or fraudulent inducement; (iii) negligence; (iv) fraudulent or negligent misrepresentations; (v) legal, accounting or other professional negligence or malpractice; (vi) illegal dividends or payments received; (vii) civil conspiracy; (viii) fraudulent insurance acts; (ix) violations of any consumer protection act or deceptive trade practice act; (x) unjust enrichment; (xi) breach of contract; (xii) tortious interference with contracts or prospective relations; (xiii) deceit by

misrepresentation or concealment; (xiii) common law fraud; (xiv) corporate waste; (xv) deepening insolvency; or (xvi) alter ego; and

Nothing shall estop the Debtor or Reorganized Debtor from asserting claims or causes of action just because they were not scheduled or described in detail in the Debtor's Schedules or Disclosure Statement. Debtor may have claims objections.

## **ARTICLE VII** **TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**7.01 Rejection of Executory Contracts and Unexpired Leases.** Debtor may assume or reject pursuant to Bankruptcy Code Section 1123(b)(2), its unexpired leases of real property and executory contracts by separate motion and order prior to the Confirmation Date. The Debtor may do the same through the Plan.

**7.02 Reservation of Rights.** The Debtor shall have the right to assume or reject, pursuant to Bankruptcy Code Section 365, prior to the Confirmation Date, any executory contract or unexpired lease of real property (to the extent permitted under the Bankruptcy Code) and to the terms of this Plan.

**7.03 Bar Date for Claims Based on Rejection.** If the rejection of an executory contract or an unexpired lease by the Debtor results in damages to the other party or parties to such contract or lease, a Claim for such damages shall be forever barred and shall not be enforceable against the Debtor or their properties or agents, successors, or assigns, unless a proof of Claim is filed with the Bankruptcy Court and served upon the Debtor, within 60 days of the Confirmation Date. Any Rejection Claim arising from the rejection of an unexpired lease or executory contract shall be treated as a General Unsecured Claim; *provided, however*, that any Rejection Claim based upon the rejection of an unexpired lease of real property either prior to the Confirmation Date or upon the entry of the Confirmation Order shall be limited in accordance with section 502(b)(6) of the Bankruptcy Code and state law mitigation requirements. Nothing contained herein shall be deemed an admission by the Debtor that such rejection gives rise to or results in a Claim or shall be deemed a waiver by the Debtor of any objections to such Claim if asserted.

## **ARTICLE VIII** **FEASIBILITY OF PLAN**

**8.01 Debtor** asserts that the **Plan** is feasible.

### **Procedure for Filing Proofs of Claims and Proofs of Interests**

**8.02** All proofs of claims and proofs of interests must be filed by those **Claimants** and **Equity Interest Holder** who have not filed such instruments on or before the **Bar Date** fixed by the **Court**.

**8.03** If **Claimants** have already filed a proof of claim with the **Court** or are listed in the **Debtor's** Schedules as holding non-contingent, liquidated and undisputed claims, a proof of claim

need not be filed. The schedules and amendments thereto are on file with the **Court** and are open for inspection during regular **Court** hours. If the equity security interest of an **Equity Interest Holder** is properly reflected in the Debtor's books and records, a proof of interest need not be filed.

## **ARTICLE IX** **ALTERNATIVES TO DEBTOR'S PLAN**

**9.01** If the **Debtor's Plan** is not confirmed, the **Debtor's** bankruptcy case may be converted to a case under Chapter 7 of the **Code**, in which case a trustee would be appointed to liquidate the assets of the **Debtor** for distribution to its **Creditors** in accordance with the priorities of the **Code**. Since the Debtor's assets are subject to liens that there could be little or no distribution to unsecured creditors in Chapter 7.

**9.02** The Debtor has no litigation claims which may be pursued.

## **ARTICLE X** **RISKS TO CREDITORS UNDER THE DEBTOR'S PLAN**

**10.01 Claimants** should be aware that there are a number of substantial risks involved in consummation of the **Plan**. The **Plan** contemplates that the **Debtor's** business will generate revenue sufficient to pay the obligations accruing from its operations. The **Debtor** does not "guarantee" that the expenses will equal those in the projections; however, the **Debtor** believes that the projections are reasonable. The Debtor's operations do show the ability to propose a plan in this case.

## **ARTICLE XI** **TAX CONSEQUENCES TO THE DEBTOR**

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, HOLDERS OF CLAIMS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED OR RELIED UPON, AND CANNOT BE USED OR RELIED UPON, BY HOLDERS OF CLAIMS OR INTERESTS OR ANY OTHER PERSONS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF CLAIMS OR ANY OTHER PERSONS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF U.S. TREASURY DEPARTMENT CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

### A. Introduction

The following discussion summarizes certain material U.S. federal income tax consequences of the Plan to the Debtor and holders of Claims and Interests. The summary is provided for general



informational purposes only and is based on the United States Internal Revenue Code of 1986, as amended (the “Tax Code”), the treasury regulations promulgated thereunder, judicial authority and current administrative rulings and practice, all as in effect as of the date hereof (except as otherwise noted below with regard to the American Recovery and Reinvestment Act of 2009), and all of which are subject to change, possibly with retroactive effect. Changes in any of these authorities or in their interpretation could cause the United States federal income tax consequences of the Plan to differ materially from the consequences described below. The United States federal income tax consequences of the Plan are complex and in important respects uncertain. No ruling has been requested from the Internal Revenue Service (the “Service”); no opinion has been requested from Debtor’s counsel concerning any tax consequence of the Plan; and no tax opinion is given by this Disclosure Statement.

The following discussion does not address all aspects of federal income taxation that may be relevant to a particular holder of a Claim or Interest in light of its particular facts and circumstances or to particular types of holders of Claims subject to special treatment under the Tax Code. For example, the discussion does not address issues of concern to broker-dealers or other dealers in securities, or foreign (non-U.S.) persons, nor does it address any aspects of state, local, or foreign (non-U.S.) taxation, or the taxation of holders of Interests in a Debtor. In addition, a substantial amount of time may elapse between the Confirmation Date and the receipt of a final distribution under the Plan. Events subsequent to the date of this Disclosure Statement, such as the enactment of additional tax legislation, court decisions or administrative changes, could affect the federal income tax consequences of the Plan and the transactions contemplated hereunder.

**On February 13, 2009, the House of Representatives and the Senate passed H.R.1, the American Recovery and Reinvestment Act of 2009 (the Recovery Act), a stimulus bill that includes tax breaks for businesses and individuals. The President signed the Recovery Act on February 17, 2009. The following discussion does not address any aspects of the Recovery Act, some of which may be relevant to a particular holder of a Claim or an Interest.**

**THE DISCUSSION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT WITH ITS TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PLAN.**

#### B. Certain Definitions

Except as expressly otherwise provided or unless the context otherwise requires, all capitalized terms not otherwise defined herein or in the Plan shall have the respective meanings assigned to them in this Article.

“*COD*” shall mean cancellation of indebtedness income.

“*NOL*” shall mean net operating loss.

### C. Certain Material Federal Income Tax Consequences to the Debtor

Cancellation of a Debtor's debt is generally taxable income to the Debtor. COD is the amount by which the indebtedness of a Debtor discharged exceeds any consideration given in exchange therefore. Cancellation of a debt may not necessarily be COD, however. To the extent that the Debtor is insolvent, or if the Debtor is in bankruptcy, as is the case here, the Tax Code permits the Debtor to exclude the COD from its gross income. The statutory exclusion for COD in a title 11 case generally excludes COD from gross income if the discharge is granted by a court to a Debtor under its jurisdiction in a title 11 case, as is sought herein.

The price for the bankruptcy COD exclusion (as well as the insolvency exclusion) is reduction of the Debtor's tax attributes to the extent of the COD income, generally in the following order: NOLs for the year of the discharge and NOL carryovers from prior years; general business tax credit carryovers; minimum tax credit available as of the beginning of the year following the year of discharge; net capital loss for the year of discharge and capital loss carryovers from prior years; basis of the Debtor's assets; passive activity loss and credit carryovers from the year of discharge; and foreign tax credit carryovers to or from the year of discharge. The reduction of attributes does not occur until after the end of the Debtor's tax year in which the COD occurred, so they are available to the Debtor in determining the amount of its income, loss and tax liability for the year of discharge.

As a result of the implementation of the Plan, the Debtor will have COD and potential attribute reduction. Because any reduction in tax attributes does not effectively occur until the first day of the taxable year following the taxable year in which the COD is incurred, the resulting COD, on its own, should not impair the ability of the Debtor to use their tax attributes (to the extent otherwise available) to reduce their tax liability, if any, otherwise resulting from the implementation of the Plan.

Under section 382 of the Tax Code, if a corporation undergoes an "ownership shift," the amount of its Pre-Change Losses that may be utilized to offset future taxable income generally is subject to an annual limitation. Although the Plan allows for an ownership change it is doubtful that one will occur and as such any owner of the Debtor should consult his own tax adviser concerning the effect of the Plan.

The United States federal income tax consequences of payment of Allowed Claims pursuant to the Plan will depend on, among other things, the consideration received, or deemed to have been received, by the holder of the Allowed Claim, whether such holder reports income on the accrual or cash method, whether such holder receives distributions under the Plan in more than one taxable year, whether such holder's Claim is allowed or disputed at the Effective Date, whether such holder has taken a bad debt deduction or worthless security deduction with respect to its Claim.

In general, a holder of a Claim should recognize gain or loss equal to the amount realized under the Plan in respect of its Claim less the amount of such holder's basis in its Claim. Any gain or loss recognized in the exchange may be long-term or short-term capital gain or loss or ordinary income or loss, depending upon the nature of the Claim and the holder, the length of time the holder held the Claim and whether the Claim was acquired at a market discount. If the holder realizes a capital



loss, its deduction of the loss may be subject to limitations under the Tax Code. The holder's aggregate tax basis for any property received under the Plan generally will equal the amount realized. The amount realized by a holder generally will equal the sum of the cash and the fair market value of any other property received (or deemed received) by the holder under the Plan on the Effective Date and/or any subsequent distribution date, less the amount (if any) allocable to Claims for interest. All holders of Allowed Claims are urged to consult their tax advisors. A holder of a Claim constituting an installment obligation for tax purposes may be required to recognize currently any gain remaining with respect to the obligation if, pursuant to the Plan, the obligation is considered to be satisfied at other than its face value, distributed, transmitted, sold or otherwise disposed of within the meaning of Section 453B of the Tax Code.

#### D. Importance of Obtaining Professional Tax Assistance

The foregoing discussion is intended only as a summary of certain U.S. federal income tax consequences of the Plan, and is not a substitute for careful tax planning with a tax professional. The above discussion is for general information purposes only and is not tax advice. The tax consequences are in many cases uncertain and may vary depending on a holder's individual circumstances.

HOLDERS OF CLAIMS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PLAN.

### **ARTICLE XII** **PENDING LITIGATION**

**12.01** As of the date of the filing of this Disclosure the significant matters pending are as follows: Motion for Relief from Stay by prior owners against existing owners; Motion to Lift Stay by MidSouth Bank to respond to remand and removal issues.

### **ARTICLE XIII** **SUMMARY OF SIGNIFICANT ORDERS ENTERED DURING THE CASE**

**13.01** As of the date of the filing of this Disclosure the significant orders in this case are:

Employment of Professionals, Agreed Interim Orders and Final Order for Use of Cash Collateral, and those relating to general administration of the case.

Respectfully Submitted:

/s/ Joyce Lindauer

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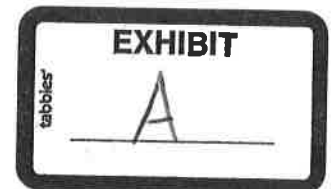
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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF ARKANSAS  
TEXARKANA DIVISION**

**IN RE:** §  
§  
**TEXARKANA ARKANSAS** § **CASE NO.16-72073**  
**HOSPITALITY, LLC,** § **Chapter 11**  
§  
**Debtor.** §

**TEXARKANA ARKANSAS HOSPITALITY, LLC'S**  
**PLAN OF REORGANIZATION DATED NOVEMBER 28, 2016**

Texarkana Arkansas Hospitality, LLC (the "Debtor"), proposes the following Plan of Reorganization ("Plan") Dated November 28, 2016, pursuant to Chapter 11 of the United States Bankruptcy Code on behalf of the Debtor. The Debtor's profitability to fund the Plan is based on the amount of money that it will earn through the continuation of its business. The Debtor shall file periodic financial reports with the Court, as required by the Code, covering the Debtor's profitability, projections of cash receipts and disbursements for a reasonable period and a comparison of actual cash receipts and disbursements with projections in prior reports. These reports shall be available on the Court's PACER site using the Debtor's name and/or case number as referenced above.



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**ARTICLE I**  
**DEFINITIONS AND USE OF TERMS**

**1.01 Defined Terms.** Unless the context otherwise requires, capitalized terms shall have the meanings set forth in this section 1.01.

**1.01.01 Administrative Claim or Expense** means an administrative expense or Claim described in Section 503 of the Bankruptcy Code and entitled to administrative priority pursuant to Section 507(a)(1) of the Bankruptcy Code, including, but not limited to, Claims for compensation of professionals made pursuant to Sections 330 and 331 of the Bankruptcy Code, and all fees and charges assessed against the Debtor and Debtor's property under 28 U.S.C. Section 1930.

**1.01.02 Administrative Tax Claim** means an Unsecured Claim by any governmental unit for taxes (including interest or penalties related to such taxes) for any tax year or period, all or a portion of which occurs or falls within the period from and including the Petition Date through the Effective Date.

**1.01.03 Allowed Claim** means a Claim against the Debtor allowable under the Bankruptcy Code to the extent that (i) a proof of Claim, proof of Interest, or request for payment was timely Filed or, with leave of the Bankruptcy Court, late Filed, and as to which no objection has been timely Filed or, if Filed, is allowed by a Final Order, unless otherwise provided in this Plan or (ii) the Claim is scheduled and not listed as disputed, contingent, or unliquidated, and to which no objection has been timely Filed or, if Filed, is allowed by a Final Order.

**1.01.04 Allowed Secured Claim** means any Allowed Claim secured by a lien, security interest, or other charge or interest in property in which the Debtor has an interest, to the extent of the value thereof (determined in accordance with Bankruptcy Code Section 506(a)).

**1.01.05 Bankruptcy Code or Code** means the United States Bankruptcy Code, Title 11 of the United States Code Section 101 et seq., as amended.

**1.01.06 Bankruptcy Court** means the United States Bankruptcy Court for the Western District of Arkansas, Texarkana Division or such other court that may have jurisdiction with respect to the reorganization of the Debtor pursuant to Chapter 11 of the Bankruptcy Code.

**1.01.07 Bankruptcy Rule** means the Federal Rules of Bankruptcy Procedure.

**1.01.08 Bar Date** means subsequent to which a proof of pre-petition Claim may not timely be Filed or the date by which proofs of claims held by governmental agencies must be filed.

**1.01.09 Case** means this Chapter 11 Bankruptcy Case in the Bankruptcy Court.

**1.01.10 Claim** shall have the meaning set forth in Bankruptcy Code Section 101(5).

**1.01.11 Claimant** means any person or entity having or asserting a Claim in the case.

**1.01.12 Class or Classes** mean all of the holders of Claims or Interests that the Debtor has designated pursuant to Section 1123(a)(1) of the Bankruptcy Code as having substantially similar characteristics as described in Article IV of this Plan.

**1.01.13 Confirmation** means the entry by the Bankruptcy Court of a Confirmation Order confirming this Plan.

**1.01.14 Confirmation Date** means the date on which the Confirmation Order is entered.

**1.01.15 Confirmation Hearing** means the hearing or hearings held before the Bankruptcy Court in which the Debtor will seek Confirmation of this Plan.

**1.01.16 Confirmation Order** means the Order of the Court confirming this Plan under Section 1129 of the Bankruptcy Code.

**1.01.17 Contested** when used with respect to a Claim, means a Claim against the Debtor (a) that is listed in the Debtor's Schedules of Assets and Liabilities as disputed, contingent, or unliquidated; (b) that is the subject of a pending action in a forum other than the Bankruptcy Court unless such Claim has been determined by Final Order in such other forum and Allowed by Final Order of the Bankruptcy Court; or (c) as to which an objection has been or may be timely filed and has not been denied by Final Order. To the extent an objection relates to the allowance of only a part of a Claim, such Claim shall be a Contested Claim only to the extent of the objection.

**1.01.18 Creditor** shall have the meaning specified by Section 101(9) of the Code.

**1.01.19 Debtor** means Texarkana Arkansas Hospitality, LLC.

**1.01.20 Disputed Claim** means any Claim that is not an Allowed Claim.

**1.01.21 Effective Date** means thirty days after the Confirmation Date.

**1.01.22 Estate** means the estate created pursuant to Bankruptcy Code Section 541 with respect to the Debtor.

**1.01.23 Fee Claim** means a Claim under Bankruptcy Code Sections 330 or 503 for allowance of compensation and reimbursement of expenses to professionals in the Debtor's Chapter 11 case.

**1.01.24 Filed** means delivered to the Clerk of the Bankruptcy Court.

**1.01.25 Final Order** means an Order as to which any appeal that has been taken has not been stayed following the expiration of the time for appeal or has been resolved, or as to which the time for appeal has expired.

**1.01.26 General Unsecured Claim** means Unsecured Claim that is not entitled to priority

under Section 507(a) of the Bankruptcy Code.

**1.01.27 Impaired** means the treatment of an Allowed Claim pursuant to the Plan unless, with respect to such Claim, either (I) the Plan leaves unaltered the legal, equitable and contractual rights to which such Claim entitles the holder of such Claim, or (ii) notwithstanding any contractual provision or applicable law that entitles the holder of such Claim to demand or receive accelerated payment of such Claim after occurrence of a default, the Debtor (A) cures any default that occurred before or after the commencement of the Chapter 11 Case on the Petition Date, other than default of the kind specified in Section 365(b)(2) of the Bankruptcy Code; (B) reinstates the maturity of such Claim as such maturity existed before such default; (C) compensates the holder of such Claim for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and (D) does not otherwise alter the legal, equitable or contractual rights to which such Claim entitles the holder of such Claim; or (iii) the Plan provides that on the Effective Date, the holder of such Claim receives, on account of such Claim, cash equal to the Allowed Amount of such Claim.

**1.01.28 Petition Date** means August 30, 2016, the date the Debtor's petition was filed commencing this bankruptcy case.

**1.01.29 Plan** means this Plan of Reorganization, as it may be amended or modified from time to time as permitted herein and by the Bankruptcy Court.

**1.01.30 Pre-petition** means prior to the Petition Date.

**1.01.31 Priority Tax Claim** means a Claim entitled to priority pursuant to Bankruptcy Code Section 507(a)(8).

**1.01.32 Pro Rata** means proportionately, based on the percentage that the amount of an Allowed Claim within a particular Class bears to the aggregate amount of all Allowed Claims in such Class.

**1.01.33 Property of the Estate** means all property in which the Debtor holds a legal or an equitable interest, including all property described in Bankruptcy Code Section 541.

**1.01.34 Rejection Claim** means any Claim arising pursuant to Bankruptcy Code Section 502(g) by reason of rejection by the Debtor of an executory contract or unexpired lease pursuant to Bankruptcy Code Sections 365 or 1123(b)(2).

**1.01.35 Secured Claim** means any Claim secured by a lien, security interest, or other charge or interest in property in which the Debtor has an interest, to the extent of the value thereof (determined in accordance with Bankruptcy Code Section 506(a)).

**1.01.36 Secured Tax Claim** means any Tax Claim which is secured by real or personal property.

**1.01.37 Secured Creditor or Secured Claimant** means any Claimant holding a Secured

Claim.

**1.01.38 Unimpaired** means not Impaired.

**1.01.39 Unsecured Claim** means any Claim not collateralized (or the extent not fully collateralized) by assets of the Debtor.

**1.01.40 Unsecured Claimants or Unsecured Creditors** means any holder of an Unsecured Claim.

**1.01.41 Voidable Transfer** means all transfers voidable under Sections 544, 545, 547, 548, 549 and/or 550 of the Code or any other state or federal transfer.

**1.02 Number and Gender of Words**. Whenever the singular number is used, it shall include the plural, and the plural shall include the singular, as appropriate to the context. Words of any gender shall include each other gender where appropriate.

**1.03 Terms Defined in the Bankruptcy Code**. Capitalized terms not specifically defined in section 1.01 of the Plan shall have the definitions given those terms, if applicable, in the Bankruptcy Code.

**1.04 Headings**. The headings and captions used in this Plan are for convenience only and shall not be deemed to limit, amplify or modify the terms of this Plan nor affect the meaning thereof.

**1.05 Time Computation**. In computing any period of time prescribed herein, the provisions of Federal Rule of Bankruptcy Procedure Rule 9006(a) shall apply.

## **ARTICLE II CONCEPT OF THE PLAN**

**2.01 Generally**. The Plan is a plan of reorganization. The Debtor shall continue its business after the Confirmation Date. The Debtor is a Choice Hotels International Franchise Hotel located in Texarkana, Arkansas.

**2.02** The Plan will be funded from the continuing operations of the Debtor.

## **ARTICLE III GENERAL TERMS AND CONDITIONS**

**3.01 Treatment of Claims**. This Plan is intended to resolve all Claims against the Debtor and/or property of the Debtor of whatever character, whether contingent or liquidated, or whether allowed by the Bankruptcy Court pursuant to Bankruptcy Code Section 502(a). However, only Allowed Claims will receive treatment afforded by the Plan. The Plan is designed to insure that Claimants shall receive at least as much pursuant to this Plan as they would receive in a liquidation pursuant to Chapter 7 of the Bankruptcy Code.



**3.02 Time for Filing Claims.** The holder of any Administrative Claim other than (i) a Fee Claim, (ii) a liability incurred and paid in the ordinary course of business by the Debtor, or (iii) an Allowed Administrative Claim, must file with the Bankruptcy Court and serve on the Debtor and its respective counsel, notice of such Administrative Claim within thirty (30) days after the Effective Date. At a minimum, such notice must identify (i) the name of the holder of such Claim, (ii) the amount of such Claim, and (iii) the basis of such Claim. Failure to file this notice timely and properly shall result in the Administrative Claim being forever barred and discharged.

Each Person asserting an Administrative Expense that is a Fee Claim incurred before the Effective Date shall be required to file with the Bankruptcy Court, and serve on the Debtor's counsel and the U. S. Trustee, a Fee Application within sixty (60) days after the Effective Date.

A person who is found to have received a voidable transfer shall have thirty (30) days following the date upon which the order ruling that such transfer is avoidable becomes a Final Order in which to file a Claim in the amount of such avoided transfer.

Liabilities incurred from the Petition Date through the Effective Date in the ordinary course of business shall be paid in the ordinary course of business by the Debtor.

**3.03 Modification to the Plan.** In accordance with Bankruptcy Rule 3019, to the extent applicable, this Plan may be modified or amended upon application of the Debtor, or corrected prior to the Confirmation Date, provided that notice and an opportunity for hearing have been given to any affected party. The Plan may be modified at any time after Confirmation and before the Effective Date, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as modified, under section 1129 of the Bankruptcy Code, the circumstances warrant such modification and Debtor consents thereto in writing. If the debtor is an individual the plan may be modified at any time after confirmation of the plan, but before the completion of payments under the plan, whether or not the plan has been substantially consummated upon request of the debtor, the trustee, the United States Trustee, or the holder of an allowed unsecured claim, to - (1) increase or reduce the amount of payments on claims of a particular class provided for by the plan; (2) extend or reduce the time period for such payments; or (3) alter the amount of the distribution to a creditor whose claim is provided for by the plan to the extent necessary to take account of any payment of such claim made other than under the plan.

**ARTICLE IV**  
**DESIGNATION OF CLASSES OF CLAIMS AND INTERESTS**

The Debtor designates the following Classes of Claims and Interests pursuant to Bankruptcy Code Section 1123. The Debtor shall pay all fees assessed by the Office of the United States Trustee until this Case is closed by the Court or the Debtor is otherwise released from such obligations by the Court.

Class 1: Allowed Claim of Choice Hotels	\$87,005.39
Class 2: Allowed Priority Claim of Internal Revenue Service	\$3,589.82

Class 3: Allowed Priority Claim of Arkansas State Tax	\$20,761.76
Class 4: Allowed Priority Claim of City of Texarkana	\$24,593.00
Class 5: Allowed Priority Claim of Miller County Tax Collector	\$45,826.34
Class 6: Allowed Secured Claim of Midsouth Bank	\$2,281,903.79
Class 7: Allowed Secured Claim of U.S. Small Business Administration	\$1,433,303.73
Class 8: Allowed General Unsecured Claims	\$500,401.39
Class 9: Equity Interests	

**ARTICLE V**  
**PROVISIONS FOR SATISFACTION OF CLAIMS AND INTERESTS**

The Claims and Interests classified in Article IV hereof shall be treated in the manner set forth in this Article V.

**5.01 Administrative Claims.** Each holder of an Administrative Claim other than Professional Fee Administrative Claims shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Administrative Claim, (i) Cash equal to the unpaid portion of such Allowed Administrative Claim or (ii) such other treatment as to which the Debtor and such holder shall have agreed upon in writing; provided, however, that Allowed Administrative Claims with respect to liabilities incurred by the Debtor in the ordinary course of business during the Bankruptcy Case shall be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto. On or before the Effective Date, the Debtor shall pay or have paid in full all Allowed Administrative Claims for the Effective Date shall be paid by the Reorganized Debtor when they are due until the Bankruptcy Case is closed pursuant to a final decree, order of dismissal, or order of conversion. Until entry of such an order, the Reorganized Debtor shall file with the Bankruptcy Court and serve upon the United States Trustee a quarterly financial report. Any administrative ad valorem tax claims shall be paid pursuant to otherwise applicable state law.

**5.02 Professional Fee Administrative Claims.** All persons that are awarded compensation or reimbursement of expenses by the Bankruptcy Court in accordance with sections 330 or 331 of the Bankruptcy Code or entitled to the priorities established pursuant to sections 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code, shall be paid in full, in Cash, the amounts allowed by the Bankruptcy Court on or as soon as reasonably practicable following the later of the Effective Date or the date on which the order allowing such Claim becomes a Final Order, or upon such other terms as may be mutually agreed upon between such holder of an Allowed Professional Fee Claim and the Reorganized Debtor.

**Treatment of Allowed Administrative Expenses**

Allowed Administrative Expenses will be paid in full once Allowed, on or before the Effective Date, or at a later date as set by the Court if the allowance process extends beyond the

Effective Date. Provided, however, that the holder of an Allowed Administrative Expense may agree to a different treatment.

### **Treatment of Allowed Priority Claims**

Allowed Priority Claims will be paid by the Reorganized Debtor once Allowed over five (5) years with interest on such amounts at the rate of 12% per annum until paid in full. The payments shall be made in equal monthly payments on the first day of the month following the Effective Date and shall continue on the first day of each month thereafter until paid in full. There are no priority claims.

### **Title 28 U.S.C. Section 1930 Fees**

Debtors shall pay all fees assessed by the Office of the United States Trustee until this Case is closed by the Court or the Debtors are otherwise released from such obligations by the Court.

### **Class 1: Allowed Claims of Choice Hotels**

Class 1 shall consist of the Allowed Claims of Choice Hotels (the “Class 1 Claim”) in the estimated amount of \$87,005.39.

- a. The Class 1 Claim will be amortized once Allowed over 12 months from the Confirmation Date and paid monthly on the first day of the month. Debtor is assuming the Class 1 Claim and the executory contract with Choice Hotels.
- b. Class 1 Claim is Impaired by the Plan. The holder of Class 1 Claim is entitled to vote to accept or reject the Plan.

### **Class 2: Allowed Priority Claim of the Internal Revenue Service**

Class 2 shall consist of the Allowed Priority Unsecured Claims of the Internal Revenue Service in the estimated amount of \$3,589.82.

- a. The Class 2 Claims shall be paid in full over 12 months from the Effective Date at an interest rate of 4.25% per annum. Payments shall commence on the first day of the month following the Effective Date and continue on the first day of each month thereafter until paid in full.
- b. Events of Default for IRS. The occurrence of any of the following shall constitute an event of default under the Plan:
  1. Failure to Make Payments. Failure on the part of Debtor to pay fully when due any payment required to be made in respect of the Plan debt. However, due to the size and ongoing nature of the IRS’s claim, upon a default under the Plan, the administrative collection powers and the rights of the IRS shall be reinstated as they existed prior to the filing of the bankruptcy petition, including, but not

limited to, the assessment of taxes, the filing of a notice of Federal (or state) tax lien and the powers of levy, seizure, and as provided under the Internal Revenue Code. As to the IRS:

- (A) If the Debtor or its successor in interest fails to make any plan payment, or deposits of any currently accruing employment or sales tax liability; or fails to make payment of any tax to the Internal Revenue Service within 10 days of the due date of such deposit or payment, or if the Debtor or their successor in interest failed to file any required federal or state tax return by the due date of such return, then the United States may declare that the Debtor is in default of the Plan. Failure to declare a default does not constitute a waiver by the United States of the right to declare that the successor in interest or Debtor is in default.
  - (B) If the United States declares the Debtor or the successor in interest to be in default of the Debtor's obligations under the Plan, then the entire imposed liability, together with any unpaid current liabilities, may become due and payable immediately upon written demand to the Debtor or the successor in interest.
  - (C) If full payment is not made within 14 days of such demand, then the Internal Revenue Service may collect any unpaid liabilities through the administrative collection provisions of the Internal Revenue Code. The IRS shall only be required to send two notices of default, and upon the third event of Default, the IRS may proceed to collect on all amounts owed without recourse to the Bankruptcy Court and without further notice to the Debtor. The collection statute expiration date will be extended from the Petition Date until substantial default under the Plan. All payments will be sent to: IRS, 1100 Commerce Street, Mail Code 5027 DAL, Dallas, Texas 75242 attn Leo Carey.
  - (D) The Internal Revenue Service shall not be bound by any release provisions in the Plan that would release any liability of the responsible persons of the Debtor to the IRS. The Internal Revenue Service may take such actions as it deems necessary to assess any liability that may be due and owing by the responsible persons of the Debtor to the Internal Revenue Service; but the Internal Revenue Service shall not take action to actually collect from such persons unless and until there is a default under the Plan and as set forth above.
- c. The Class 2 Claim is Impaired and the holder of the Class 2 Claim is entitled to vote to accept or reject the Plan.

**Class 3: Allowed Priority Claim of Arkansas State Tax**

Class 3 shall consist of the Allowed Priority Claim of the Arkansas State Tax in the estimated amount of \$20,761.76.

- a. Impairment and Voting. Class 3 is impaired by the Plan. The holder of the Class 3 Claim is entitled to vote to accept or reject the Plan.
- b. Treatment. The Class 3 Claim of the Arkansas State Tax shall be paid in full over 24 months from the Effective Date at an interest rate of 4.25% per annum. Payments shall commence on the first day of the month following the Effective Date and continue on the first day of each month thereafter until paid in full.
- c. Events of Default. A failure by the reorganized Debtor to make a payment to the Arkansas State Tax pursuant to the terms of the Plan shall be an Event of Default. If the reorganized Debtor fails to cure an Event of Default as to such payments within ten (10) days after receipt of written notice of default from the Arkansas State Tax, then the Arkansas State Tax may (a) enforce the entire amount of its claim; (b) exercise any and all rights and remedies the Arkansas State Tax may have under applicable state law; and/or (c) seek such relief as may be appropriate in the Court. The reorganized Debtor shall have the opportunity to cure two (2) times over the life of the plan. In the event of the third default, the Arkansas State Tax may proceed with the state law remedies for collection of all amounts due under state law.

**Class 4: Allowed Priority Claim of City of Texarkana**

Class 4 shall consist of the Allowed Priority Claim of the City of Texarkana in the estimated amount of \$24,593.00.

- a. Impairment and Voting. Class 4 is impaired by the Plan. The holder of the Class 4 Claim is entitled to vote to accept or reject the Plan.
- b. Treatment. The Class 4 Claim of the City of Texarkana shall be paid in full over 24 months from the Effective Date at an interest rate of 4.25% per annum. Payments shall commence on the first day of the month following the Effective Date and continue on the first day of each month thereafter until paid in full.
- c. Events of Default. A failure by the reorganized Debtor to make a payment to the City of Texarkana pursuant to the terms of the Plan shall be an Event of Default. If the reorganized Debtor fails to cure an Event of Default as to such payments within ten (10) days after receipt of written notice of default from the City of Texarkana, then the City of Texarkana may (a) enforce the entire amount of its claim; (b) exercise any and all rights and remedies the City of Texarkana may have under applicable state law; and/or (c) seek such relief as may be appropriate in the Court. The reorganized Debtor shall have the opportunity to cure two (2) times over the life of the plan. In the event of the third default, the City of Texarkana may proceed with the state law remedies for collection of all amounts due under state law.



**Class 5: Allowed Priority Claim of Miller County Tax Collector**

Class 5 shall consist of the Allowed Priority Claim of the Miller County Tax Collector in the estimated amount of \$45,826.34.

- a. **Impairment and Voting.** Class 5 is impaired by the Plan. The holder of the Class 5 Claim is entitled to vote to accept or reject the Plan.
- b. **Treatment.** The Class 5 Claim of the Miller County Tax Collector shall be paid in full over 24 months from the Effective Date at an interest rate of 4.25% per annum. Payments shall commence on the first day of the month following the Effective Date and continue on the first day of each month thereafter until paid in full.
- c. **Events of Default.** A failure by the reorganized Debtor to make a payment to the Miller County Tax Collector pursuant to the terms of the Plan shall be an Event of Default. If the reorganized Debtor fails to cure an Event of Default as to such payments within ten (10) days after receipt of written notice of default from the Miller County Tax Collector, then the Miller County Tax Collector may (a) enforce the entire amount of its claim; (b) exercise any and all rights and remedies the Miller County Tax Collector may have under applicable state law; and/or (c) seek such relief as may be appropriate in the Court. The reorganized Debtor shall have the opportunity to cure two (2) times over the life of the plan. In the event of the third default, the Miller County Tax Collector may proceed with the state law remedies for collection of all amounts due under state law.

**Class 6: Allowed Secured Claim of Midsouth Bank**

This claim shall be paid once Allowed as follows:

- a. This Claim is an Allowed Secured Claim and shall be for an amount of \$2,281,903.79 (or as determined by the Court). This claim shall be paid out fully in 60 months from the Effective Date and amortized over a period of 300 months, with interest at a rate of 5% per annum, accruing as of the Confirmation Date. Payments (constituting payments of both principal and interest) shall be made in equal monthly payments based on a standard 25-year amortization. The first payment is due on the first day of the first month following the Effective Date and all subsequent payments shall continue on the first day of each month thereafter until the allowed amount of the claim is paid in full. This amount does not take into consideration the adequate protection payments made by the Debtor.
- a. Midsouth Bank shall be secured for an Allowed Secured Claim on the Debtor's real and personal property described in its loan documents and financing statements (the "Midsouth Collateral"), in the amount of \$2,281,903.79 as of Confirmation Date. Any unsecured claim of Midsouth Bank shall be treated in Debtor's Allowed General Unsecured Claims Class below. This amount does not take into consideration the adequate protection payments.

- b. There shall be no prepayment penalty if this Claim is paid early.
- c. Should this Section of the Plan for treatment of Midsouth Bank's Claim contradict any other provision in the Plan, the provisions of this Section shall control.
- d. This Claim is Impaired and the holder of this Claim is entitled to vote to accept or reject the Plan.

**Class 7: Allowed Secured Claim of U.S. Small Business Administration.**

This Claim will be paid once Allowed as follows:

- b. This Claim is an Allowed Secured Claim and shall be for an amount of \$1,433,303.73. This claim shall be paid out fully over a period of 60 months, with interest at a rate of 4.5% per annum, from and after the Confirmation Date. Payments (constituting payments of both principal and interest) shall be made in equal monthly payments based on a standard 25-year amortization. The first payment is due on the first day of the first month following the Effective Date and all subsequent payments shall continue on the first day of each month thereafter until the allowed amount of the claim is paid in full.
- c. U.S. Small Business Administration shall be secured for an Allowed Secured Claim on the Debtor's real and personal property described in its loan documents and financing statements (the "U.S. Collateral"), in the amount of \$1,433,303.73 as of Confirmation Date.
- d. There shall be no prepayment penalty if this Claim is paid early.
- e. Should this Section of the Plan for treatment of the U.S. Small Business Administration's Claim contradict any other provision in the Plan, the provisions of this Section shall control.
- f. This Claim is Impaired and the holder of this Claim is entitled to vote to accept or reject the Plan.

**Class 8: Allowed General Unsecured Claims**

- a. The Claims in this class will be paid by the Reorganized Debtor pro-rata from the amount of \$1,000.00 per month once Allowed over 60 months. The payments shall commence on the first day of the month following the Effective Date and shall continue on the first day of each succeeding month thereafter until the end of the payment term as defined herein.
- b. The total of claims in this class is estimated at \$500,401.39. The non-sider claims are estimated to be less than \$60,000.00.



- c. This class is Impaired and the holder of a Claim in this class is entitled to vote to accept or reject the Plan.
- d. Insider Unsecured Claims shall be paid nothing under this Plan.

#### **Class 9 - Equity Interests**

If the Class 8 Allowed General Unsecured Claims vote against the Plan then an auction procedure has been built into the Plan to assure the creditors that equity will not retain or receive any financial benefit without offering such benefit to third parties including the creditor body. The auction process is described in greater detail in the Plan and as follows:

In the interest of ensuring that the Plan provides the greatest benefit to creditors and equity interest holders and in order to satisfy the requirements of the absolute priority rule, prior to the confirmation hearing for the Plan, the Debtor shall hold an equity auction for purchase of its newly-issued equity. All existing equity in the Debtor will be cancelled is the Class 8 Class votes against the Plan; however, if the Class 8 Class votes for the Plan then the interests shall be retained by Sukhpal Singh, Harbans S. Grewal and Jasbir Singh in equal shares.

Subject to certain requirements described herein, all interested parties shall have the opportunity to purchase the reorganized Debtors' new equity at the Confirmation hearing pursuant to the following auction procedures:

- a. Any party interested in bidding to acquire the new equity interests must provide notice to the Debtor and its counsel ten (10) business days prior to the Confirmation hearing, and also attend the Confirmation hearing and advise the Bankruptcy Court at the commencement of the hearing of the party's interest in participating in the auction of the equity interests, at which point the Bankruptcy Court may direct that an auction be conducted prior to the continuation of the Confirmation hearing;

The opening bid at any auction shall be by the existing equity interest holders Sukhpal Singh, Harbans S. Grewal and Jasbir Singh in the amount of \$100,000.00. \$100,000.00 shall be deposited into the Debtor's counsel's trust account prior to the Confirmation Date. If the Plan is not Confirmed, the \$100,000.00 will be returned.

The Debtor believes that the Plan will not violate the absolute priority rule and will be consensual as to the unsecured creditors. In the event that the Class 8 unsecured creditors do not vote for the Plan, and the Bankruptcy Court requires an auction, then: (i) the Existing Equity Interests will be cancelled on the Effective Date, (ii) the new equity interests in the Debtor shall be sold at an Auction sale as set forth herein, and (iii) the new equity interests in the Debtor shall be issued to the successful bidder for the interest in the Debtor at the Auction, subject to the terms of this Plan. If the Plan is not confirmed by the Court at the Confirmation Hearing, then the sale of the equity interests shall not proceed and the sale shall be cancelled. The Debtor shall remain the same corporate entity. The \$100,000.00 value of the Opening Bid was arrived at through the use of an analysis of the current market value of the reorganizing Debtor's equity interests.

- a. Each subsequent bid following the Opening Bid must exceed any previous highest bid in an amount of at least \$10,000.
- b. Any party submitting a bid at the auction must have proof of funds to pay the party's bid at the auction;
- c. The reorganized Debtor's new equity interest shall be sold to the bidder submitting the highest non-contingent cash offer at the auction;
- d. The winning bidder must actually deposit the funds in the Debtor's bank account within 48 hours of the announcement of the winning bid, or be deemed to have defaulted on the purchase of the Debtor's equity.
- e. If the winning bidder at the auction fails to close on the purchase as set forth above, the party submitting the next highest bid shall be deemed the winning bidder;
- f. The prevailing party at the auction must assume all of the obligations of the Debtor under the Plan.
- g. The funds from the auction sale shall be deposited into the Debtor's account and used to fund the Plan including the payment of administrative claims.
- h. The Debtor shall solicit such bids by noticing the Plan out to creditors in this Case.

Furthermore, irrespective of who wins the equity auction, the equity auction shall only go into effect the Bankruptcy Court confirms the Plan. If the Bankruptcy Court does not confirm the Plan, then the Debtor shall not cancel its equity and any equity auction shall be null and void and have no effect as to the ownership of the Debtor. Further, if, after confirmation, the Bankruptcy Court revokes its confirmation of the Plan or the Bankruptcy Court's confirmation of the Plan is overturned on appeal, then the equity auction shall be null and void and have no effect, and the ownership of the equity of the respective Debtor shall remain with or revert to (as appropriate) the pre-confirmation owner.

## **ARTICLE VI**

### **MEANS FOR IMPLEMENTATION OF PLAN**

**6.01 Implementation of Plan.** This Plan will be implemented, pursuant to Section 1123(a)(5) of the Code, by the commencement of payments as called for above. Projections for this Plan are attached to the Disclosure Statement and incorporated herein by this reference as if set forth in full for all purposes.

Upon the Effective Date, all property of the Debtor and its Estate shall vest in the Debtor, subject to the Allowed Secured Claims in this Plan.

The funds necessary for the satisfaction of the creditors' claims shall be generated from Debtor's income from continued operation of the business.

**ARTICLE VII**  
**TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**7.01 Rejection of Executory Contracts and Unexpired Leases.** Debtor shall assume, pursuant to Bankruptcy Code Section 1123(b)(2), all by separate Motions unexpired leases of non-residential real property and executory contracts prior to the Confirmation Date. All contracts not assumed shall be rejected. The Debtor is assuming the Choice Hotels franchise agreement.

**7.02 Reservation of Rights.** The Debtor shall have the right to assume or reject, pursuant to Bankruptcy Code Section 365, prior to the Confirmation Date, any executory contract or unexpired lease of real property (to the extent permitted under the Bankruptcy Code).

**7.03 Bar Date for Claims Based on Rejection.** If the rejection of an executory contract or an unexpired lease by the Debtor results in damages to the other party or parties to such contract or lease, a Claim for such damages shall be forever barred and shall not be enforceable against the Debtor or their properties or agents, successors, or assigns, unless a proof of Claim is filed with the Bankruptcy Court and served upon the Debtor, by the earlier of (a) the end of the month following the period in which the Effective Date occurs or (b) such other deadline as the Court may set for asserting a Claim for such damages. Any Rejection Claim arising from the rejection of an unexpired lease or executory contract shall be treated as a General Unsecured Claim; *provided, however*, that any Rejection Claim based upon the rejection of an unexpired lease of real property either prior to the Confirmation Date or upon the entry of the Confirmation Order shall be limited in accordance with section 502(b)(6) of the Bankruptcy Code and state law mitigation requirements. Nothing contained herein shall be deemed an admission by the Debtor that such rejection gives rise to or results in a Claim or shall be deemed a waiver by the Debtor of any objections to such Claim if asserted.

**ARTICLE VIII**  
**ENFORCEMENT, SETTLEMENT, OR ADJUSTMENT OF CLAIMS**

**8.01 The Debtor's Causes of Action.** Except as otherwise released pursuant to the Plan, all Claims recoverable under Section 550 of the Bankruptcy Code, all Claims against third parties on account of an indebtedness, and all other Claims of any kind or character whatsoever owed to or in favor of the Debtor or the Estate to the extent not specifically compromised and released pursuant to this Plan or any agreement referred to and incorporated herein, are hereby preserved and retained for enforcement by the Debtor for the benefit of the Creditors subsequent to the Effective Date. This Plan shall not estop the Debtor from asserting any claim or cause of action whether disclosed or not.

**8.02 Objections to Claims.** Any party authorized by the Bankruptcy Code may object to the allowance of Pre-petition Claims at any time prior to sixty (60) days after the Effective Date and, as to Rejection Claims, at any time prior to sixty (60) days after the filing of any such Rejection Claim. Any proof of Claim filed after the Court sets bar dates shall be of no force and effect and shall be deemed disallowed. All Contested Claims shall be litigated to Final Order; *provided, however*, that the Debtor may compromise and settle any Contested Claim, subject to the approval of the Bankruptcy Court. Notwithstanding the foregoing, a person who is found to

have received a voidable transfer shall have thirty (30) days following the date upon which the order ruling that such transfer is avoidable becomes a Final Order in which to file a Claim in the amount of such avoided transfer.

No distributions under this Plan shall be made to the holder of a Claim that is in dispute, unless and until such Claim becomes an Allowed Claim. If a Claim is disputed in whole or in part because the Debtor asserts a right of offset against such Claim or recoupment against the holder of such Claim, then, if and to the extent the Claim giving rise to the offset or recoupment is sustained by Final Order, the Claim in dispute shall be reduced or eliminated and, if applicable, the holder of such Claim shall be required to pay the amount of such offset or recoupment, less the amount of its Allowed Claim. In addition, any party authorized by the Bankruptcy Code, at any time, may request that the Court estimate any contingent, disputed or unliquidated Claim pursuant to Section 502(c) of the Bankruptcy Code, regardless of any prior objections.

## **ARTICLE IX**

### **EFFECT OF CONFIRMATION**

**9.01 Discharge and Release of Debtor.** Pursuant to Bankruptcy Code Section 1141(d), confirmation of this Plan does discharge the Debtor.

**9.02 Released Entities.** None of the officers, financial advisors, attorneys, or employees of the Debtor (collectively the "Released Entities") shall have any liability for actions taken or omitted to be taken in good faith under or in connection with the Plan.

**9.03 Legal Binding Effect.** The provisions of this Plan, pursuant to the Bankruptcy Code Section 1141 shall bind the Debtor and all Creditors, whether or not they accept this Plan. The distributions provided for Claimants shall not be subject to any Claim by another creditor or interest holder by reason of any assertion of a contractual right of subordination.

**9.04 Discharge.** Confirmation of the Plan shall result in the inability to commence or continue any judicial, administrative, or other action or proceeding on account of any Pre-Petition Date Claims against the Debtor.

Except as provided in the Plan, from and after the Confirmation Date, all holders of Claims against the Debtor are restrained and enjoined (a) from commencing or continuing in any manner, any action or other proceeding of any kind with respect to any such Claim against the Debtor, or its property; (b) from enforcing, attaching, collecting, or recovering by any manner or means, any judgment, award, decree, or order against the Assets or the Debtor on account of such Claims; (c) from creating, perfecting, or enforcing any encumbrance of any kind against the Assets, or the Debtor on account of such Claims; (d) from asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due the Debtor on account of such Claims; and (e) from performing any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan on account of such Claims; provided, however, that each holder of a Contested Claim may continue to prosecute its proof of Claim in the Bankruptcy Court and all holders of Claims shall be entitled to enforce its rights under the Plan and any agreements executed or delivered pursuant to or in connection with the Plan. Creditors shall not pursue claims

against non-debtor third parties at the same time as their claims are being paid in full through the Plan; however, nothing herein shall bar First Bank from pursuing non-debtor third parties, including guarantors, against which it holds claims. Such restraint shall be consistent with the discharge granted to the Debtor in connection with confirming its Plan as called for by the Code.

**ARTICLE X**  
**MISCELLANEOUS PROVISIONS**

**10.01 Request for Relief Under Bankruptcy Code Section 1129.** In the event any Impaired Class shall fail to accept this Plan in accordance with Bankruptcy Code Section 1129(a), the Debtor reserves the right to, and does hereby request the Bankruptcy Court to confirm the Plan in accordance with Bankruptcy Code Section 1129(b).

**10.02 Revocation.** The Debtor reserves the right to revoke and withdraw this Plan at any time prior to the Confirmation Date.

**10.03 Effect of Withdrawal or Revocation.** If the Debtor revokes or withdraws this Plan prior to the Confirmation Date, or if the Confirmation Date or the Effective Date does not occur, then this Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtor or any other person or to prejudice in any manner the rights of the Debtor or any person in any further proceedings involving the Debtor.

**10.04 Due Authorization by Creditors.** Each and every Claimant who elects to participate in the distributions provided herein warrants that it is authorized to accept in consideration of its Claim against the Debtor the distributions provided in the Plan and that there are no outstanding commitments, agreements, or understandings, express or implied, that may or can in any way defeat or modify the rights conveyed or obligations undertaken by it under this Plan.

**10.05 Entire Agreement.** This Plan, as described herein, the Confirmation Order, and all other documents and instruments to effectuate this Plan provided for herein, constitute the entire agreement and understanding among the parties hereto relating to the subject matter hereof and supersedes all prior discussions and documents.

**10.06 Section 1146 Exemption.** Pursuant to Section 1146 of the Bankruptcy Code, the issuance, transfer or exchange or any security under this Plan or the making or delivery of any instrument or transfer pursuant to, in implementation of or as contemplated by this Plan or the transfer of any property pursuant to this Plan shall not be taxed under any federal, state or local law imposing a stamp, transfer or similar tax or fee.



**10.07 Provisions Governing Distributions.** All payments and distributions under the Plan shall be made by the Debtor as indicated. Any payments or distributions to be made by the Debtor pursuant to the Plan shall be made as soon as reasonably practicable after the Effective Date, except as otherwise provided for in the Plan, or as may be ordered by the Bankruptcy Court. Any payment or distribution by the Debtor pursuant to the Plan, to the extent delivered by the United States Mail, shall be deemed made when deposited into the United States Mail.

Payments of Cash to be made by the Debtor pursuant to the Plan shall be made by check drawn on a domestic bank or by wire transfer from a domestic bank.

Distributions and deliveries to holders of Allowed Claims shall be made at the addresses set forth on the proofs of Claim or proofs of interest filed by such holders (or at the last known addresses of such holders if no proof of Claim or proof of interest is filed). All Claims for undeliverable distributions shall be made on or before the second anniversary of the Effective Date. After such date, all unclaimed property shall remain the property of the Debtor and the Claim of any other holder with respect to such unclaimed property shall be discharged and forever barred.

Checks issued by the Debtor in respect of Allowed Claims shall be null and void if not cashed within ninety (90) days of the date of delivery thereof. Requests for reissuance of any check shall be made directly to the Debtor by the holder of the Allowed Claim to whom such check originally was issued. Any claim in respect of such a voided check within ninety (90) days after the date of delivery of such check. After such date, all Claims in respect of void checks shall be discharged and forever barred, and the amount of such checks shall become Unclaimed Property and returned to the Debtor.

No interest shall be paid on any Claim unless, and only to the extent that, the Plan specifically provides otherwise.

**10.08 Governing Law.** Unless a rule of law or procedure supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) is applicable, or a specific choice of law provision is provided, the internal laws of the State of Texas shall govern the construction and implementation of the Plan and any agreements, documents, and instruments executed in connection with the Plan, without regard to conflicts of law.

**10.09 Default.** Unless otherwise stated in this Plan, if the Debtor fails to satisfy any of the obligations under this Plan and such default is not cured within 30 business days of the date of transmission of notice of the default to the Debtor, then the defaulted party may pursue all of its remedies outside of the Bankruptcy Court, including, but not limited to, foreclosure on its lien(s) on property. For purposes of this provision, notice shall be provided to the Debtor, c/o Joyce Lindauer, Esq. via facsimile at (972) 503-4034.

## **ARTICLE XI**

### **MODIFICATION OF THE PLAN**

**11.01** The Debtor may propose amendments to or modifications of this Plan at any time

prior to Confirmation, upon notice to all parties-in-interest. After Confirmation, the Debtor may, with approval of the Court and so long as it does not materially or adversely affect the interest of creditors, modify to remedy any defect or omission or reconcile any inconsistencies in the Confirmation Order in such manner as may be necessary to carry out the purposes and effect of this Plan.

## **ARTICLE XII** **RETENTION OF JURISDICTION**

Notwithstanding confirmation of the Plan or the Effective Date having occurred, the Court will retain jurisdiction for the following purposes:

**12.01 Allowance of Claims.** To hear and determine the allowability of all Claims upon objections to such Claims.

**12.02 Executory Contracts and Unexpired Leases Proceedings.** To act with respect to proceedings regarding the assumption of any executory contract or unexpired lease of the Debtor pursuant to Section 365 and 1123 of the Code and Article VII of the Plan.

**12.03 Plan Interpretation.** To resolve controversies and disputes regarding the interpretation of the Plan.

**12.04 Plan Implementation.** To implement and enforce the provisions of the Plan and enter orders in aid of confirmation and implementation of the Plan.

**12.05 Plan Modification.** To modify the Plan pursuant to Section 1127 of the Code and applicable Bankruptcy Rules.

**12.06 Adjudication of Controversies.** To adjudicate such contested matters and adversary proceedings as may be pending or subsequently initiated in the Court against the Debtor.

**12.07 Injunctive Relief.** To issue any injunction or other relief as appropriate to implement the intent of the Plan, and to enter such further orders enforcing any injunctions or other relief issued under the Plan or in the Confirmation Order.

**12.08 Interpleader Action.** To entertain interpleader actions concerning assets to be distributed or other assets of the Estate.

**12.09 Correct Minor Defects.** To correct any defect, cure any omission or reconcile any inconsistency or ambiguity in the Plan, the Confirmation Order or any document executed or to be executed in connection therewith, as may be necessary to carry out the purposes and intent of the Plan, provided that the rights of any holder or an Allowed Claim are not materially and adversely affected thereby.

**12.10 Authorization of Fees and Expenses.** To review and authorize payment of professional fees incurred prior to the Effective Date.



**12.11 Post-Confirmation Orders Regarding Confirmation.** To enter and implement such orders as may be appropriate in the event the Confirmation Order is, for any reason, stayed, reversed, revoked, modified, or vacated.

**12.12 Final Decree.** To enter a final decree closing the Case pursuant to Bankruptcy Rule 3022.

Respectfully Submitted,

/s/ Joyce W. Lindauer

Joyce W. Lindauer  
State Bar No. 21555700  
Sarah Cox  
California State Bar No. 245475  
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Facsimile: (972) 503-4034  
ATTORNEYS FOR DEBTOR

/s/ Sukhpal Singh

For Texarkana Arkansas Hospitality, LLC

**Texarkana Arkansas Hospitality, LLC**  
**11/21/2016**

Source:	MOR - Cash Basis
Nr of months:	1

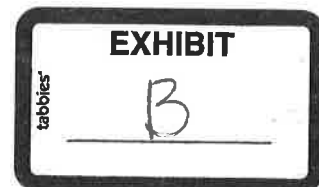
**Revenue and Expense Overview**

MOR:	Sep-16	Oct-16	Average
A. Gross Revenue	\$ 105,099.29	\$ -	\$ 105,099.29
B. Expenses (excl. reorganization)	\$ 52,777.06	\$ -	\$ 52,777.06
C. Reorganization Expenses	\$ -	\$ -	\$ -
D. Total Expenses (B + C)	\$ 52,777.06	\$ -	\$ 52,777.06
E. Net Income (A - D)	\$ 52,322.23	\$ -	\$ 52,322.23

Revenue	Sep-16	Oct-16	Average
Guest Room Revenue	\$ 90,732.33		\$ 90,732.33
Vending Commission	\$ -		\$ -
Meeting Room Revenue	\$ 1,324.75		\$ 1,324.75
Occupancy Tax Collected	\$ 13,042.21		\$ 13,042.21
			\$ -
<b>Totals</b>	<b>\$ 105,099.29</b>	<b>\$ -</b>	<b>\$ 105,099.29</b>

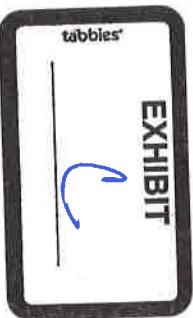
Expenses (Excluding Reorganization)	Sep-16	Oct-16	Average
Property Tax	\$ -		\$ -
Property Insurance	\$ 2,045.78		\$ 2,045.78
Guest Room Payroll	\$ 14,300.19		\$ 14,300.19
Cleaning Supplies	\$ 767.48		\$ 767.48
Commissions	\$ 2,803.73		\$ 2,803.73
Cable TV	\$ -		\$ -
Breakfast	\$ 3,026.39		\$ 3,026.39
Guest Supplies	\$ 3,673.60		\$ 3,673.60
Laundry Supplies	\$ -		\$ -
Linen Supplies	\$ 1,000.00		\$ 1,000.00
Uniforms	\$ -		\$ -
Telephone	\$ 1,434.52		\$ 1,434.52
Vending Expense	\$ -		\$ -
Electricity	\$ -		\$ -
Water, Sewer and Trash	\$ -		\$ -
Admin Payroll	\$ 3,204.04		\$ 3,204.04
Payroll Taxes	\$ 1,205.49		\$ 1,205.49
Accounting Fees	\$ -		\$ -
Bank Fees	\$ 2,484.19		\$ 2,484.19
Management Fees	\$ 5,357.53		\$ 5,357.53
Operating Supplies	\$ 153.70		\$ 153.70
Payroll Service	\$ 369.28		\$ 369.28
Postage	\$ -		\$ -
Travel	\$ -		\$ -
Franchise Fees	\$ 7,918.97		\$ 7,918.97
Maintenance Payroll	\$ 1,220.96		\$ 1,220.96
Maintenance AC/Heat	\$ -		\$ -
Maintenance Building	\$ 1,801.21		\$ 1,801.21
Maintenance Elevator	\$ -		\$ -
Maintenance Pool	\$ -		\$ -
Landscape	\$ -		\$ -
Pest Control	\$ -		\$ -
Other	\$ 10.00		\$ 10.00
<b>Totals</b>	<b>\$ 52,777.06</b>	<b>\$ -</b>	<b>\$ 52,777.06</b>

Professional Fees			\$ -
US Trustee Fees			\$ -
Other			\$ -
<b>Total Reorganization Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



Class	POC	Name (who filed)	Total Amount	Class	Notes	Mo Pay't
Class x	None	Allowed Priority Administrative Claims	\$ 25,000.00	Priority		\$7,250.45
Class 1	POC 3-1	Choice Hotels International (Franchise)	\$87,005.39			\$49.60
Class 2	POC 4-1	Internal Revenue Service	\$581.71	Priority		\$903.89
Class 3	POC 2-1	Arkansas Dept. of Finance and Administration	\$20,761.76	Priority		\$1,070.69
Class 4	None	City of Texarkana	\$24,593.00	Priority		\$1,995.11
Class 5	None	Miller County Tax Collector	\$45,826.34	Priority		\$13,339.78
Class 6	None	Midsouth Bank	\$2,281,903.79	Secured	300 months @5%	\$7,966.77
Class 7	None	U.S. Small Business Administration	\$1,433,303.73	Secured	300 months @5%	\$0.66
Class 8	None	Arkansas Automatic Sprinklers	\$330.75	Unsecured		\$0.12
Class 8	None	Atis Elevator Inspections	\$60.00	Unsecured		\$0.22
Class 8	None	CableOne	\$110.92	Unsecured		\$0.92
Class 8	None	Carbon Waffles	\$465.23	Unsecured		\$0.62
Class 8	None	Centerpoint	\$312.96	Unsecured		\$0.67
Class 8	None	Central Air & Heat	\$336.52	Unsecured		\$0.65
Class 8	None	ComLink	\$328.00	Unsecured		\$0.33
Class 8	None	Commtrak	\$164.64	Unsecured		\$1.32
Class 8	None	Ecolab	\$664.72	Unsecured		\$467.60
Class 8	None	Harbans Grewal	\$235,393.39	Unsecured	Insider Unsecured Claim- \$0 payment	\$18.00
Class 8	None	HD Supply	\$9,059.76	Unsecured		\$0.02
Class 8	None	Hotel Planner	\$11.16	Unsecured		\$5.98
Class 8	POC 4-1	Internal Revenue Service	\$3,008.11	Unsecured		\$201.98
Class 8	None	Jasbir Singh	\$101,680.00	Unsecured	Insider Unsecured Claim- \$0 payment	\$39.73
Class 8	None	Karm Jit	\$20,000.00	Unsecured	Insider Unsecured Claim- \$0 payment	\$0.49
Class 8	None	Lush Plumbing	\$245.56	Unsecured		\$0.25
Class 8	None	Metro Fire Extinguisher	\$124.95	Unsecured		\$0.08
Class 8	None	Mountain Valley	\$39.72	Unsecured		\$0.88
Class 8	None	Orkin	\$441.00	Unsecured		\$3.70
Class 8	None	Pacific Lodging	\$1,862.00	Unsecured		\$0.45
Class 8	None	Phillips & Son Refrigeration	\$226.62	Unsecured		\$1.20
Class 8	None	Quill	\$603.93	Unsecured		\$1.86
Class 8	None	Receivables Management Service	\$935.74	Unsecured		\$9.93
Class 8	None	Rug Singh	\$5,000.00	Unsecured	Insider Unsecured Claim- \$0 payment	\$0.35
Class 8	None	SFB	\$176.40	Unsecured		\$5.70
Class 8	None	Southwestern Electric	\$2,871.80	Unsecured		\$222.22
Class 8	None	Sukhpal Sing	\$111,868.42	Unsecured	Insider Unsecured Claim- \$0 payment	\$5.94
Class 8	None	Sysco	\$2,992.09	Unsecured		\$0.25
Class 8	None	Terminix	\$126.79	Unsecured		\$3.40
Class 8	None	Texarkana Water	\$1,711.38	Unsecured		\$1.55
Class 8	None	ThyssenKrupp Elevator	\$777.92	Unsecured		\$0.08
Class 8	None	Travel Incorporated	\$39.41	Unsecured		\$2.86
Class 8	None	Windstream	\$1,439.61	Unsecured		
Class 9	None	Equity Interests	\$0	Unsecured		

TOTAL CLAIMS (excl. admin) \$4,397,385.22



**CHAPTER 11 DEBTOR PROJECTIONS**  
**Texarkana Arkansas Hospitality, LLC**  
**11/27/2016**

	Feb Month 1	Mar Month 2	Apr Month 3	May Month 4	Jun Month 5	Jul Month 6	Aug Month 7	Sep Month 8	Oct Month 9
<b>INCOME</b>									
Guest Room Revenue	90,732.33	90,732.33	90,732.33	90,732.33	90,732.33	90,732.33	90,732.33	90,732.33	90,732.33
Vending Commission	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meeting Room Revenue	1,324.75	1,324.75	1,324.75	1,324.75	1,324.75	1,324.75	1,324.75	1,324.75	1,324.75
Occupancy Tax Collected	13,042.21	13,042.21	13,042.21	13,042.21	13,042.21	13,042.21	13,042.21	13,042.21	13,042.21
<b>NET INCOME</b>	<b>105,099.29</b>	<b>105,099.29</b>	<b>105,099.29</b>	<b>105,099.29</b>	<b>105,099.29</b>	<b>105,099.29</b>	<b>105,099.29</b>	<b>105,099.29</b>	<b>105,099.29</b>
<b>EXPENSES</b>									
Property Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property Insurance	2,045.78	2,045.78	2,045.78	2,045.78	2,045.78	2,045.78	2,045.78	2,045.78	2,045.78
Guest Room Payroll	14,300.19	14,300.19	14,300.19	14,300.19	14,300.19	14,300.19	14,300.19	14,300.19	14,300.19
Cleaning Supplies	767.48	767.48	767.48	767.48	767.48	767.48	767.48	767.48	767.48
Commissions	2,803.73	2,803.73	2,803.73	2,803.73	2,803.73	2,803.73	2,803.73	2,803.73	2,803.73
Cable TV	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Breakfast	3,026.39	3,026.39	3,026.39	3,026.39	3,026.39	3,026.39	3,026.39	3,026.39	3,026.39
Guest Supplies	3,673.60	3,673.60	3,673.60	3,673.60	3,673.60	3,673.60	3,673.60	3,673.60	3,673.60
Laundry Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Linen Supplies	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Uniforms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Telephone	1,434.52	1,434.52	1,434.52	1,434.52	1,434.52	1,434.52	1,434.52	1,434.52	1,434.52
Vending Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Electricity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water, Sewer and Trash	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Admin Payroll	3,204.04	3,204.04	3,204.04	3,204.04	3,204.04	3,204.04	3,204.04	3,204.04	3,204.04
Payroll Taxes	1,205.49	1,205.49	1,205.49	1,205.49	1,205.49	1,205.49	1,205.49	1,205.49	1,205.49
Accounting Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Fees	2,484.19	2,484.19	2,484.19	2,484.19	2,484.19	2,484.19	2,484.19	2,484.19	2,484.19
Management Fees	5,357.53	5,357.53	5,357.53	5,357.53	5,357.53	5,357.53	5,357.53	5,357.53	5,357.53
Operating Supplies	153.70	153.70	153.70	153.70	153.70	153.70	153.70	153.70	153.70
Payroll Service	369.28	369.28	369.28	369.28	369.28	369.28	369.28	369.28	369.28
Postage	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Franchise Fees	7,918.97	7,918.97	7,918.97	7,918.97	7,918.97	7,918.97	7,918.97	7,918.97	7,918.97
Maintenance Payroll	1,220.96	1,220.96	1,220.96	1,220.96	1,220.96	1,220.96	1,220.96	1,220.96	1,220.96
Maintenance A/C/Heat	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maintenance Building	1,801.21	1,801.21	1,801.21	1,801.21	1,801.21	1,801.21	1,801.21	1,801.21	1,801.21
Maintenance Elevator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maintenance Pool	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Landscaping	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pest Control	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
<b>TOTAL EXPENSES</b>	<b>52,777.06</b>	<b>52,777.06</b>	<b>52,777.06</b>	<b>52,777.06</b>	<b>52,777.06</b>	<b>52,777.06</b>	<b>52,777.06</b>	<b>52,777.06</b>	<b>52,777.06</b>
<b>PLAN PAYMENTS Class</b>									
x Allowed Administrative Claims	13,500.00	12,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1 Allowed Claim of Choice Hotels	7,250.45	7,250.45	7,250.45	7,250.45	7,250.45	7,250.45	7,250.45	7,250.45	7,250.45
2 Allowed Priority Claim of Internal Revenue service	49.60	49.60	49.60	49.60	49.60	49.60	49.60	49.60	49.60
3 Allowed Priority Claim of Arkansas State Tax	903.89	903.89	903.89	903.89	903.89	903.89	903.89	903.89	903.89
4 Allowed Priority Claim of City of Texarkana	1,070.69	1,070.69	1,070.69	1,070.69	1,070.69	1,070.69	1,070.69	1,070.69	1,070.69
5 Allowed Priority Claim of Miller County Tax Collector	1,995.11	1,995.11	1,995.11	1,995.11	1,995.11	1,995.11	1,995.11	1,995.11	1,995.11
6 Allowed Secured Claim of Midsouth Bank	13,339.78	13,339.78	13,339.78	13,339.78	13,339.78	13,339.78	13,339.78	13,339.78	13,339.78
7 Allowed Secured Claim of U.S. Small Business Administration	7,966.77	7,966.77	7,966.77	7,966.77	7,966.77	7,966.77	7,966.77	7,966.77	7,966.77
8 Allowed General Unsecured Claims	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Equity Interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL PLAN PAYMENTS</b>	<b>46,076.29</b>	<b>46,076.29</b>	<b>33,576.29</b>	<b>33,576.29</b>	<b>33,576.29</b>	<b>33,576.29</b>	<b>33,576.29</b>	<b>33,576.29</b>	<b>33,576.29</b>
<b>NET INCOME</b>	<b>6,245.94</b>	<b>6,245.94</b>	<b>31,237.82</b>	<b>18,745.94</b>	<b>18,745.94</b>	<b>18,745.94</b>	<b>18,745.94</b>	<b>18,745.94</b>	<b>18,745.94</b>
<b>CUMULATIVE INCOME</b>	<b>6,245.94</b>	<b>12,491.88</b>	<b>43,729.70</b>	<b>62,475.64</b>	<b>81,221.58</b>	<b>100,000.00</b>	<b>118,745.94</b>	<b>137,491.88</b>	<b>156,237.82</b>











Month	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan		
52	90,732.33 0.00 1,324.75 13,042.21 105,099.29	90,732.33 0.00 1,324.75 13,042.21 105,099.29	90,732.33 0.00 1,324.75 13,042.21 105,099.29	90,732.33 0.00 1,324.75 13,042.21 105,099.29	90,732.33 0.00 1,324.75 13,042.21 105,099.29	90,732.33 0.00 1,324.75 13,042.21 105,099.29	90,732.33 0.00 1,324.75 13,042.21 105,099.29	90,732.33 0.00 1,324.75 13,042.21 105,099.29	90,732.33 0.00 1,324.75 13,042.21 105,099.29	90,732.33 0.00 1,324.75 13,042.21 105,099.29	
	0.00 2,045.78 14,300.19 767.48 2,803.73 0.00 3,026.39 3,673.60 0.00 1,000.00 0.00 1,434.52 0.00 0.00 0.00 0.00 3,204.04 1,205.49 0.00 2,484.19 5,357.53 153.70 369.28 0.00 0.00 7,918.97 1,220.96 0.00 1,801.21 0.00 0.00 0.00 0.00 10.00	0.00 2,045.78 14,300.19 767.48 2,803.73 0.00 3,026.39 3,673.60 0.00 1,000.00 0.00 1,434.52 0.00 0.00 0.00 0.00 3,204.04 1,205.49 0.00 2,484.19 5,357.53 153.70 369.28 0.00 0.00 7,918.97 1,220.96 0.00 1,801.21 0.00 0.00 0.00 0.00 10.00	0.00 2,045.78 14,300.19 767.48 2,803.73 0.00 3,026.39 3,673.60 0.00 1,000.00 0.00 1,434.52 0.00 0.00 0.00 0.00 3,204.04 1,205.49 0.00 2,484.19 5,357.53 153.70 369.28 0.00 0.00 7,918.97 1,220.96 0.00 1,801.21 0.00 0.00 0.00 0.00 10.00	0.00 2,045.78 14,300.19 767.48 2,803.73 0.00 3,026.39 3,673.60 0.00 1,000.00 0.00 1,434.52 0.00 0.00 0.00 0.00 3,204.04 1,205.49 0.00 2,484.19 5,357.53 153.70 369.28 0.00 0.00 7,918.97 1,220.96 0.00 1,801.21 0.00 0.00 0.00 0.00 10.00	0.00 2,045.78 14,300.19 767.48 2,803.73 0.00 3,026.39 3,673.60 0.00 1,000.00 0.00 1,434.52 0.00 0.00 0.00 0.00 3,204.04 1,205.49 0.00 2,484.19 5,357.53 153.70 369.28 0.00 0.00 7,918.97 1,220.96 0.00 1,801.21 0.00 0.00 0.00 0.00 10.00	0.00 2,045.78 14,300.19 767.48 2,803.73 0.00 3,026.39 3,673.60 0.00 1,000.00 0.00 1,434.52 0.00 0.00 0.00 0.00 3,204.04 1,205.49 0.00 2,484.19 5,357.53 153.70 369.28 0.00 0.00 7,918.97 1,220.96 0.00 1,801.21 0.00 0.00 0.00 0.00 10.00	0.00 2,045.78 14,300.19 767.48 2,803.73 0.00 3,026.39 3,673.60 0.00 1,000.00 0.00 1,434.52 0.00 0.00 0.00 0.00 3,204.04 1,205.49 0.00 2,484.19 5,357.53 153.70 369.28 0.00 0.00 7,918.97 1,220.96 0.00 1,801.21 0.00 0.00 0.00 0.00 10.00	0.00 2,045.78 14,300.19 767.48 2,803.73 0.00 3,026.39 3,673.60 0.00 1,000.00 0.00 1,434.52 0.00 0.00 0.00 0.00 3,204.04 1,205.49 0.00 2,484.19 5,357.53 153.70 369.28 0.00 0.00 7,918.97 1,220.96 0.00 1,801.21 0.00 0.00 0.00 0.00 10.00	0.00 2,045.78 14,300.19 767.48 2,803.73 0.00 3,026.39 3,673.60 0.00 1,000.00 0.00 1,434.52 0.00 0.00 0.00 0.00 3,204.04 1,205.49 0.00 2,484.19 5,357.53 153.70 369.28 0.00 0.00 7,918.97 1,220.96 0.00 1,801.21 0.00 0.00 0.00 0.00 10.00	0.00 2,045.78 14,300.19 767.48 2,803.73 0.00 3,026.39 3,673.60 0.00 1,000.00 0.00 1,434.52 0.00 0.00 0.00 0.00 3,204.04 1,205.49 0.00 2,484.19 5,357.53 153.70 369.28 0.00 0.00 7,918.97 1,220.96 0.00 1,801.21 0.00 0.00 0.00 0.00 10.00	0.00 2,045.78 14,300.19 767.48 2,803.73 0.00 3,026.39 3,673.60 0.00 1,000.00 0.00 1,434.52 0.00 0.00 0.00 0.00 3,204.04 1,205.49 0.00 2,484.19 5,357.53 153.70 369.28 0.00 0.00 7,918.97 1,220.96 0.00 1,801.21 0.00 0.00 0.00 0.00 10.00
52,777.06	52,777.06	52,777.06	52,777.06	52,777.06	52,777.06	52,777.06	52,777.06	52,777.06	52,777.06		
30,015.68	30,015.68	30,015.68	30,015.68	30,015.68	30,015.68	30,015.68	30,015.68	30,015.68	30,015.68		
1,352,942.21	1,382,957.89	1,412,973.57	1,442,989.25	1,473,004.93	1,503,020.61	1,533,036.29	1,563,051.97	1,593,067.65			