

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
BROWARD DIVISION**

IN RE:	}	CASE NO: 15-18258-JKO
DHANSUKHLAL GOVIND PATEL and,	}	CHAPTER 11
KUSUMBEN D. PATEL,	}	
	}	
DEBTORS	}	

FIRST AMENDED DISCLOSURE STATEMENT

DHANSUKHLAL GOVIND PATEL, and **KUSUMBEN D. PATEL** (hereinafter referred to as the "Debtors"), pursuant to 11 U.S.C. 1125 (f) and Bankruptcy Rule 3016 (c) hereby provides this superseding First Amended Disclosure Statement (the "Disclosure") thereby replacing Debtors' prior Disclosure Statement filed on February 26, 2016 [DE 85] to all known creditors in order to disclose that information deemed by the Debtors to be material, important, adequate, and necessary for its creditors to arrive at a reasonably informed decision so that each creditor can exercise their right to vote for acceptance, rejection, or abstention from voting on the Debtors' First Amended Plan of Reorganization, (hereinafter referred to as the "Plan").

I. INTRODUCTION

NO REPRESENTATIONS CONCERNING THE DEBTORS ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS STATEMENT. FUTURE VALUES OF ASSETS, IF ANY, ARE SUBJECT TO CHANGING MARKET CONDITIONS AND MAY NOT BE PREDICTED WITH COMPLETE ACCURACY, EVEN WHERE QUALIFIED APPRAISALS MAY BE AVAILABLE.

ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH ARE OTHER THAN AS CONTAINED HEREIN SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION TO ACCEPT OR REJECT THE PLAN.

EXCEPT WHERE OTHERWISE INDICATED, THE FINANCIAL INFORMATION CONTAINED IN THE DISCLOSURE AND PLAN HAS BEEN COMPILED BY THE DEBTORS AND HAS NOT BEEN SUBJECT TO CERTIFIED AUDIT.

THE PLAN IS A LEGALLY BINDING DOCUMENT AND SHOULD BE READ IN ITS ENTIRETY. YOU MAY WISH TO CONSULT WITH A LAWYER IN ORDER TO FULLY UNDERSTAND THE PLAN AND DISCLOSURES CONTAINED HEREIN.

THE DEBTORS BELIEVE THAT THIS STATEMENT COMPLIES WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE, AND REQUESTS THAT YOU CAREFULLY REVIEW THE DISCLOSURES CONTAINED HEREIN AND URGES THAT YOU ACCEPT THE PLAN BY PROMPTLY RETURNING YOUR COMPLETED BALLOT.

II. VOTING.

A. Who May Vote. As a creditor of the Debtors, your vote on the Plan is most important. In order for the Plan to be accepted and thereafter confirmed by the Bankruptcy Court without resort to the "Cramdown" provisions of the Code, votes representing at least two-thirds in amount and more than one-half in number of Claims allowed for voting purposes of each impaired class that are voted must be cast for the acceptance of the Plan. Creditors are entitled to vote on confirmation of the Plan unless (i) the class is unimpaired (presumed to accept) or is to receive no distribution (presumed to reject); (ii) an objection has been filed to that creditor's claim; or (iii) the claim is unclassified (required by law to be paid in full). A creditor whose claim has been objected to and who wishes to vote must move to have its claim allowed for voting purposes by filing a motion for such relief in time for that motion to be heard at or before the confirmation meeting.

B. How to Vote. After carefully reviewing the Plan and Disclosure, including all attachments thereto, please indicate your vote on the enclosed ballot and return them in the envelopes provided to the Clerk of the Bankruptcy Court. PLEASE VOTE EVERY BALLOT YOU RECEIVE. Completed ballots for holders of all Classes should be returned in the envelope provided herewith and MUST BE RECEIVED BY THE END OF BUSINESS on November 1,

2016. If you have claims or interests in more than one class under the Plan, you will receive multiple ballots. IF A BALLOT IS DAMAGED OR LOST, OR IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, CALL 1-561-368-7474.

C. Effect of Vote. The Plan will be confirmed only if it is accepted by each impaired class, or if it is accepted by at least one impaired class (exclusive of insiders) and the Court determines it is fair and equitable to all dissenting classes. A class of creditors accepts the Plan if it is accepted by a majority in number and two-thirds in dollar amount of creditors who cast ballots. A class of interests accepts the Plan if it is accepted by two-thirds in dollar amount of interest holders who cast ballots.

D. Cramdown. In the event any impaired Class of creditors with claims against any of the Debtors' Estate fails to accept the Plan in accordance with §1129(a) of the Bankruptcy Code, the Debtors may request the Court to "Cramdown" the creditors. Such a request could occur if the Plan is not accepted by at least two-thirds (2/3) in amount, and by more than one-half (1/2) in number of the Allowed Claims of each Class that have voted to accept or reject the Plan. In such event the aggregate vote does not carry to accept the Plan, an alternative exists where the Debtors may request the Bankruptcy Court to dismiss or convert this case to a case under Chap.7, Title 11.

1. There are several other factors joining the request for a Cramdown. The Debtors would be required to add new value to the Estate. The amount and source of this value is unconfirmed; however, the Debtors have made inquiries on a "best efforts" basis to raise sufficient capital to fund the Plan in the event of a Cramdown.

2. The primary theme of this First Amended Disclosure Statement, and its adjoining First Amended Plan of Reorganization, is the sale and purchase of the Debtors' motel business and real property under 11 U.S. Code §363(m). This theme is supported by a written commitment from the lending Bank; and subsequently, the Debtors' letter of direction for the purchase money proceeds to be applied, as scheduled and disclosed hereinafter, to the Debtors' reserve for disputed priority tax claim, secured claimants, general unsecured claimants, and to the administrative creditors and for U.S. Trustee fees. Although the closing date is unconfirmed,

it is to be scheduled in the extreme near-term. Through the contemplated sale, the Debtors will have added value to the Estate should a Cramdown occur. In this regard, analysis of the First Amended Disclosure Statement and the Plan indicates a more favorable outcome for all the creditors in this case as the result of an accepted Plan rather than a rejected Plan. See Article IX of the Plan.

III. FINANCIAL INFORMATION

During the fourteen (14) months since the May 5, 2015 petition date, the Debtors have generated cumulative operating and household surplus of \$13,932.42 on a cash basis; excluding professional expenses and filing fees incurred in the bankruptcy case. It is anticipated that certain tax liabilities for the current year may erode this amount correspondingly.

The Debtors' lack of success in finding alternative financing to otherwise "take-out" the Wells Fargo foreclosed mortgage led to the leasing of the premises on December 20, 2015 to PKC Hospitality, LLC., (PKC) a Florida Limited Liability Company formed on September 11, 2015 by Payal Patel. Ms. Patel is the one of the three daughters of the Debtors. The Court approved the lease transaction on March 23rd 2016 [DE 91] and the lease commenced accordingly. As the months of 2016 progressed, certain improvements to the leased premises were required based on a disputed lien filed by the City of Hollywood referencing specific code violations thought to have been resolved by inspections completed during calendar year 2014. As a result of this dispute, and the necessity to address the dispute as resolution of the accumulated and current code violations, significant investment in the property was indicated – investment out of reach of the Debtors regardless of personal or business financing strategies. This conclusion resulted in the Debtors' necessity to cancel the PKC lease in favor of a Sale and Purchase Agreement to PKC.

The sale of the property to PKC is supported by a Motion to Sell Homestead and Non-Homestead Property (hereinafter "the Motion") filed August 02, 2016. The Motion was granted by the Court on September 13, 2016 [DE 137]. The sale is made pursuant to 11 U.S.C. § 363(m), "The reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under

such authorization to an entity that *purchased or leased such property in good faith*, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.” (Emphasis Added). The Bankruptcy Code and Rules do not provide a definition of Good Faith; however the In re: Ewell, the Court made a good faith determination using equitable principles, such as: a) whether the sale was “in the best interests of all creditors and other parties in interest,” b) whether the sale was “fair and reasonable,” and c) whether there was evidence of a lack of good faith through "fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders." 958 F.2d 276, 281-82 (9th Cir. 1992). The following supports this conclusion:

1. Debtors sale of Homestead and Non-Homestead Property is in the best interest of all creditors and other parties in interest because the proceeds of the sale will be used to pay off the 1st Mortgage and the Closing/Trustee Fees with the balance of the proceeds being held in Debtors’ Attorney’s Trust Account until it can be used to fund the Plan of Reorganization, upon the Plan’s confirmation and Effective Date.

2. The Buyer is an entity controlled by the daughter and son-in-law of the Debtors. The Purchase Price of the Sale is fair and reasonable as the Sale Price, per the Motion, is \$750,000.000 and the Fair Market Value is \$660,070.00, per the Evaluation of the Broward County Property Appraiser’s Office. In addition, the purchaser’s will make a substantial investment to improve the property and resolve the code violations to the satisfaction of the City of Hollywood, Florida – an achievement reached after several months of protracted and favorable negotiations with the City, that cures a disputed lien, amounting to approximately \$110,000 in fines and assessments, that is to be set-aside in exchange for a comprehensive, \$200,000 compliance upgrading and modernization of the Motel and property by PKC.

With the above as the platform for the successful confirmation of this case, PKC has obtained a loan commitment from NOA Bank, Duluth, Georgia sufficient to fund the Debtors’ Plan at Confirmation (Effective Date) and to complete the planned construction in due course. In brief, the Plan accomplishes (1) paying off Wells Fargo’s secured claim of approximately \$641,238.90; plus, post-petition interest, costs, and fees, (2) paying the sum of \$24,155.17 as

settlements (dividends) to the general unsecured claimants in the case, and (3) reserving \$9,307.42 as the disputed amount referencing POC#2 (State of Florida, Department of Revenue).

Under the approved lease, the Debtors', as Lessors, continued to reside on the premises and work as employed managers of the Motel. This solution resulted in their income stabilizing in February, 2016, when the Motel lease commenced offering the Debtors' the same net income after taxes as experienced prior to leasing the Motel (see certain risk factors at page 26 and 27 herein discussing that the household surplus cash amount).

Under the anticipated sale of the Motel and real property, (1) the priority tax obligation (if the dispute is lost in part or in whole by Debtors'), (2) the approved secured claimants, and (3) the approved unsecured claimants are appropriately paid dividends as provided in the Plan. In the alternative, an extended payment plan (five years) does not accomplish this result. The Debtors' anticipated earnings as employed motel operators cannot be relied upon when weighing or applying the Chapter 11 Absolute Priority Rule since the Debtors' current income depends entirely on the profitable operation of the Motel for the foreseeable future. In view of this, the Debtors' projected disposable income during a five (5) year, (60 month) financial model, only approximately \$23,400.00 (\$390.00 per month) would be available as a distribution to settle the Debtors' unsecured creditor claims.

In contrast, the Debtors' have agreed, having obtained Court approval to sell the business operations and the premises to insider PKC; thereby bringing new capital into the Estate sufficient to improve the Motel, and to create a lump sum "settlement dividend pool" on the "effective date" of the Plan to settle all approved claims, pay all professional fees and expenses and pay the U.S. Trustee fees incurred in this Chapter 11 case. The effective date shall be when the order of confirmation becomes final and non-appealable which is ten (10) days after the confirmation order is entered by the Court.

For a broad overview of the Debtors' financial undertakings, reference is directed to the Debtors' First Amended Plan of Reorganization (the "Plan") attached hereto as Exhibit "A". The Plan contains basic financial information in order to assess the feasibility of the Plan. The Debtors' believe the Court can appropriately determine that this First Amended Disclosure

Statement provides adequate information to creditors. Accordingly, creditors are entitled to vote on the Plan, or object to confirmation of the Plan or the Debtors' First Amended Disclosure Statement (see above Part II).

The Debtors' Monthly Operating Reports (DIP Reports) are available for inspection and review at the Clerk of the Bankruptcy Court's office at the United States Courthouse, 299 East Broward Blvd, Room 112, Ft. Lauderdale, FL 33301, (954) 769-5700, hours 8:30 am – 4:00 pm, Monday through Friday. These reports set forth all of the Debtors' receipts and disbursements as of the May 5, 2015 Petition Date forward to the end of the current month. The "Debtors' Financial Information for Plan and First Amended Disclosure Statement", attached hereto as Schedule I and J offers summaries of all filed Monthly Operating Reports (DIP Reports); including a copy of the Debtors' most recent income (Schedule I) and expenditures summary (Schedule J). The payments required under the Plan are made available on the Effective Date of the Plan from a "settlement dividend pool" provided by PKC Hospitality, LLC. as more fully discussed hereinafter.

IV. HISTORY OF THE DEBTORS

A. Family and Career.

Dhansukhlal Govind Patel, and was born in Gujarat, India and is 61 years old. Mr. Patel completed his education in India and married his wife Kusumben D. Patel in the year 1975 in Bardoli, India. The Patels came to the United States in November, 1979 and obtained U.S. citizenship in 1990. They have 3 daughters. The Patels became interested in the Motel industry in the early 1980s by way of Mr. Patel's 3 brothers. Mr. and Ms Patel have successfully owned and independently operated four motels during their careers – including buying and selling several of these. The first of their motels was the Greenway Motel in Lumberton, NC, the second was the Four Oaks Motel in Conway, South Carolina, and the third La Belle, Florida Skylight Motel. The Patels purchased the Super Budget Inn in Hollywood, Florida in 1988 as their fourth independent venture, and this property became their Homestead property. The Patels continue to reside on the premises today.

In 1989, the Patels became involved in a partnership with three other persons. The venture, named Five Star, Inc. operating the Best Western Motel in Vero Beach, Florida. This venture failed causing the Patels to again focus on the Super Budget Inn as an independent motel operation. In 2006, the Patels engaged in another venture, with the same partners operating as Graystar Corporation. Graystar was equally unsuccessful leading to multi-million dollar losses to the owners and operating of this venture. The cause of these losses included the slowing of the economy in 2008 and was fully realized in 2010 when guest receipts fell off as much as 80% resulting in a bankruptcy filing in 2011.

Since the acquisition of the Super Budget Inn in 1988, Mr. Patel has operated as the General Manager of the Motel having accountabilities for (1) Front Desk, (2) Housekeeping, (3) Maintenance, and (4) Bookkeeping while Mrs. Patel assists with these tasks and other operational needs of the Motel. In the years following the purchase of the Motel, the business prospered, but again, in 2012 the industry slowed causing the Super Budget Inn to lose substantial revenues during extended non-season months, and with shortened season months, the Motel began to stall. It is this change in operations that began the delay in their mortgage payments to Wells Fargo Bank, N.A. in 2012 and ultimately led to the default of the mortgage. Foreclosure proceedings followed, and after efforts to modify or refinance the Motel property failed, the Patel's sought protection under Chapter 11 on May 5, 2015. The Patels, post-confirmation, have employment agreements with PKC Hospitality, LLC to operate as salaried Managers of the Motel.

B. Case Overview.

This Chapter 11 case is an individual case with Dhansukhlal Govind Patel and Kusumben D. Patel as the Debtors. The Debtors are the owners and operators of the Super Budget Inn located at 800 N. Federal Highway, Hollywood, Florida 33020 and this is their residence and homestead. The decreases in revenue caused by dramatic seasonal changes negatively impacted cash flow, and while motels of this type in Florida historically experience seasonal peaks, operating losses during the slower months began to extend weeks into former higher seasonal sales leading to lackluster years in 2011, 2012, and 2013. By the end of 2014, the Motel could not sustain its operations at breakeven and the Debtors chose to file Chapter 11 May

5, 2015 in an effort to salvage their business and livelihood through reorganization. The Debtor's business structure, as a proprietorship, results in generating their sole source of income. This Chapter 11 case intends to preserve the Debtors' opportunities in the Motel industry while resolving the failed mortgage with Wells Fargo Bank, N.A. along with other large debt obligations resulting from the Five Star and Graystar business failings; including substantial indebtedness due and owing to the Small Business Administration ("SBA") as a consequence of personal guarantees joining corporate obligations.

The Debtors, at the time of filing, had debt obligations totaling \$3,297,248.68 comprised of (2) priority tax claimants with (3) claims totaling \$10,283.69), (2) secured claimants (totaling \$656,448.40), and five (5) general unsecured claimants (totaling \$2,415,516.62). Review of the debt obligations against asset values and cash availability establishes the appropriate basis for filing for protection under Chapter 11, and concludes with the settlements offered in the Debtors' First Amended Plan of Reorganization. The Debtors' secured obligations were incurred as a result of a mortgage on the Motel property and a leased automobile, and the major portion of the general unsecured obligations is concentrated in amounts due the Small Business Administration resulting from personal guarantees associated with Disaster Relief loans borrowed during two failed business ventures. The remainder is primarily credit card debt.

As the local Hollywood real estate market improves, the Debtors estimate that over time, the Super Budget Inn property may gain in value. While no current valuation of the property has been sought; in discussions surrounding possible settlement numbers, Wells Fargo Bank N.A., took the position that the value of the real property exceeds a 100% payment of the amounts due under its loan agreements; plus, its incurred post-petition interest, costs and expenses that are also due and payable, and that the property may have residual excess value remaining after these payments. The Debtors, and insider PKC Hospitality, LLC, acknowledge this possibility and have agreed to a purchase price that makes sufficient funds available as a "settlement dividend pool" where such proceeds fund the case's remaining administrative costs and Trustee fees; along with the dividends scheduled for the reserve for the (1) Priority Tax Claim, and for the five (5) General Unsecured Claimants.

As a consequence of the Debtors' personal guarantees underpinning the SBA

obligations, the Debtors' sought Chapter 11 protection in an effort to avoid substantial deficiency judgments; and thereafter, the tax consequences associated with "forgiveness of debt". Normally, debt that is forgiven or canceled by a lender is considered taxable income to the debtor. The tax laws specify that canceled debts are included in a person's income and subject to taxes. For reference, the law is Internal Revenue Code Section 61(a)(12). Analysis of the Debtors' opportunities for continued income indicate the ability to service their debts in the normal course; with the exception of the tax consequences associated with the loss or sale of the Super Budget Inn and property, and the forgiveness of debt as to the foreclosed mortgage thereon.

V. PURPOSE OF PETITION AND DEBTORS' OBJECTIVES

A. Chapter 11 offers the arena to first organize the issues causing the financial breakdowns and shortfalls leading to the need to seek protection under Chapter 11; in particular, to "freeze" or stay the issues for a closer look at solutions. Chapter 11, in its shortest summary offers the gaining of the time to organize, manage, and control an outcome that is economically and beneficially superior for the Debtors and the creditors with compared with Chapter 7 liquidation. This best summarizes the term "reorganization" rather than "liquidation".

B. Under the tax law, canceled debt is considered income to the debtor and is included as part of the debtor's income. This law says that "income from discharge of indebtedness" is included in a person's gross income for the current tax year. The tax laws also spell out specific circumstances when a person will not have to pay tax on canceled debts by providing three exclusions, (1) debt canceled in a bankruptcy proceeding, (2) debt canceled when the person is insolvent, and (3) debt that qualifies under the Mortgage Forgiveness Debt Relief Act. Each of these exclusions have their own set of criteria and reporting procedures, and only (1) debt canceled in a bankruptcy proceeding is available to the Debtors' in this case; because the potential forgiveness of debt relates to a commercial property, where Debtors' Dhansukhlal Govind Patel and Kusumben D. Patel are the personal guarantors, and are otherwise solvent.

C. The predicted tax consequences, in the event a deficiency, and thereafter a "forgiveness of debt" incident due to the devaluation of the Motel property; including forgiveness of add-on default interest and penalties; a tax consequence of hundreds of thousands

of dollars would have occurred. This predicted outcome is resolved by way of the sale of the Motel and real property to PKC Hospitality, LLC. (See Debtors' First Amended Plan of Reorganization attached at Exhibit A).

D. The core of the Debtors' First Amended Plan of Reorganization includes a proposed sale of its Super Budget Inn Motel and real property to PKC Hospitality, LLC that required Court approval of such Sale and Purchase Agreement obtained on September 23rd 2016 [DE 137]. The purchase money proceeds (\$750,000.00) are sufficient to resolve and pay the settlements, dividends, costs, fees, and expenses consistent with the Debtors' First Amended Plan of Reorganization and First Amended Disclosure Statement. In brief, these include (1) the payoff of the mortgage loan (Judgment) to Wells Fargo Bank, N.A and its related post-petition costs and attorney's fees, and (2) the "settlement dividend pool" in the amount of \$125,000 to utilized as settlements of the priority tax claim (if resolved as allowed), general unsecured creditors (on a *pari passu* basis), professional fees, expenses, and U.S. Trustee fees associated with this case (see Means of Execution of the Plan). It is footnoted that the \$125,000.00 may be adjusted upward as assurance that the incurred and approved administrative expenses and U.S. Trustee fees are paid in full at confirmation. Because of the duration of the case, certain administrative costs and U.S. Trustee Fees may have increased and these are to be funded by PKC Hospitality, LLC on the Effective Date of the Plan accordingly.

E. The Debtors' Plan accomplishes the above objective with reason and feasibility by way of the Debtors' Sale and Purchase Agreement with PKC Hospitality, LLC ("PKC"), where sale proceeds fulfill the Means of Execution of the Plan by insider PKC retiring the Wells Fargo Bank, N.A. claim; including post-petition interest, costs, and fees, along with providing \$125,000 as an approved claim settlement dividend pool. These two actions resolve the Debtors' inability to pay these obligations within the terms of the loans and return the Debtors' to financial opportunity with the tax consequences associated with forgiveness of debt resolved. Review of the Debtors' current and future income stream is sufficient to successfully manage their personal finances and pay new obligations consistent with their budget and lifestyle post-petition. The Debtors' First Amended Plan of Reorganization sets forth the manner and disposition of these abilities, illustrating that the sale of the Super Budget Inn and property fully underpins the feasibility of the Debtors' Plan.

F. As introduced above, the Debtors' primary motive for seeking protection under an individual Chapter 11 case focused on resolving the consequences, whether tax or otherwise, of Mr. and Mrs. Patel's personal guarantees associated with certain related and unrelated business loans. Chapter 11 offers resolutions for (1) personal guarantees, (2) tax consequences associated with forgiveness of debt, and (3) the possibility of retaining homestead property, where the Patel's have resided since 1988.

G. To accomplish the above objectives, the sale of the Motel and property concludes with the continuing operation of an established business made possible with PKC's (and its owners) creditworthiness, the retirement of the indebtedness with Wells Fargo, N.A., payment of dividends to the unsecured creditors, the cancelling of personal guarantees on subject loans, and forgiveness of debt with related tax consequences. As a result of the Motel sale, the Debtors' lose their homestead residence, but are able to earn income as employees of PKC, while remaining in the Manager's quarters as part of their compensation package.

VI. SUMMARY OF MOTEL PURCHASE AGREEMENT

Dhansukhlal and Kusumben Patel as the "Sellers" and PKC Hospitality LLC, as the "Buyer" offer this following Summary of the Motel Sale and Purchase Agreement:

- | | | |
|----|--------------------------------|----------------------------------------------------------------------|
| a) | Sellers' Mailing/Home Address: | 800 North Federal Highway, Hollywood, FL 33020 |
| b) | Buyer's Mailing Address: | 800 North Federal Highway, Hollywood, FL 33020 |
| c) | Buyer's Home Address: | 5505 TPC Parkway, Apt 2303, Tower Building,
San Antonio, TX 78261 |
| d) | Buyer's Telephone Number: | 954-205-6861 |
| e) | Buyer's Name: | PKC Hospitality LLC,
a Florida Limited Liability Company |
| f) | Sellers' Trade Name: | Super Budget Inn (Landlord's Trade Name) |
| g) | Permitted Use: | Operation of an ongoing Motel |
| h) | Purchase Price: | \$750,000 |
| i) | Closing Date: | Projected as on or before October 27 th 2016 |

VII. DISPUTED CLAIMS AND OBJECTIONS TO CLAIMS

Under Bankruptcy Code § 1129(b)(1), a creditor's plan objection will be upheld if the plan: (1) discriminates unfairly; or (2) is not fair and equitable with respect to each non-accepting class of claims or interests that is impaired under the plan. In this context, "impaired" means that the plan alters the rights of a class of creditors compared to the contractual rights prior to bankruptcy. For a dissenting class of impaired unsecured creditors, a plan is "fair and equitable" only if the allowed value of the claim is to be paid in full, or if the holder of any claim or interest that is junior to the dissenting creditors will not receive or retain any property under the plan on account of such junior claim or interest [§ 1129(b)(2)(B)(ii)]. This condition is generally referred to as the absolute priority rule.

A. Provisions for Treatment of Disputed Claims. The Debtors have completed the administration of claims that have been filed with the Bankruptcy Court. There is one disputed claim; POC#2, filed by the State of Florida, Department of Revenue, where delinquent tax is assessed at \$4,653.71 for 11/2011 Sales and Use Tax, plus a \$4,653.71 penalty for a total of \$9,307.42 (POC #2), Tax Warrant #1000000279144. There are no disputes arising from post-petition activities.

B. Provision for Rejection Claims. There are no rejections of contracts or other rejections relating to any claims.

C. Anticipation of Objection to Claims. Debtors are not objecting to the above disputed claim as the tax amount was owed, and was timely paid after assessment. However, if an objection were filed to a particular claim, the creditor is required to prove the existence of the claim's validity.

D. After an Objection is Filed. Should an objection be filed, the creditor is required to submit a written response, and after receiving a response, the Court will conduct an evidentiary hearing to establish the validity of the claim.

E. After an Objection is Filed. Debtors' Objection to Claims. There is no contingent, unliquidated, or disputed claims.

VIII. SUMMARY OF CLAIMS AND SETTLEMENT (PLAN) TREATMENT

Each of the claims, regardless of the Creditor Class, is subject to final verification of amount due and owing as at May 5, 2015, the date of the filing of the Debtors' Chapter 11 petition. Further, payments due under the Plan must be Approved Claims, and such claims are to be adjusted, where applicable, to reflect receipt of adequate protection payments paid by Debtors to a creditor. The creditors having Approved Claims, whether secured or unsecured, unimpaired or impaired, may not take any collection action against Debtors, so long as Debtors are not in Material Default in performing their obligations under the Plan. Material Default is defined in Article XIII of Debtors' First Amended Plan of Reorganization.

A. Unimpaired Claims. There are no unimpaired claims because the legal rights of the creditors are changed by the Plan.

B. Creditor Classes. The following schedule lists the creditor classes in this case:

Class:	Type:	No. in Class:	Category:	Proof of Claim #:	Disposition:
P	Priority	2	Priority Tax	2,3 and 7	Claim #2 is Disputed. #3 and 7 are paid post-petition.

Class:	Type:	No. in Class:	Category:	Proof of Claim #:	Disposition:
1	Secured	2	Real Estate and Auto Lease	6	Payoff amount and terms agreed upon with contingencies
2	General Unsecured	6	Allowed Claims	1, 4 and 4 with No POC	Proposed lump sum from PKC "Settlement Dividend Pool"

C. Impaired Classes. Classes 1 and 2 are impaired class. A class of claims is impaired under the Plan when the Plan alters the legal, equitable, and contractual rights to which this claim is entitled. The following creditors in the scheduled creditor classes are impaired under the Plan:

Class 1 – Secured - Foreclosure Action (Judgment) Claim.

Class 1 shall consist of two (2) Claimants, (1) Wells Fargo Bank, N.A. (2) VW Credit, Inc., which as discussed above, are to be settled as to (1) Wells Fargo, where PKC Hospitality, LLC secures a loan to payoff the Bank consistent with the hereinreferenced Purchase and Sale Agreement as the vehicle for the borrowing, and as to (2), the Debtors affirm and continue their lease of the automobile with VW Credit, Inc.

No.	Claimant	Proof of Claim	Dated Filed	Type	Class	Amount
1	Wells Fargo Bank, N.A.	6	9/2/2015	Mortgage (Judgment)	1	\$641,238.90 (plus post-petition accruals and costs)
2	VW Credit, Inc.	4	6/11/2015	Auto Lease	1	\$15,209.47 (less post-petition payments)

2. Class 2 – General Unsecured Claims

Class 2 shall consist of five (5) Claimants, two (2) having Proofs of Claim and three (3) having not filed Proofs of Claim. The proposed settlement of this Class is by way of partial proceeds available from a settlement dividend pool provided by PKC Hospitality, LLC. To the extent the respective claims are approved, a single, lump sum amount of \$24,155.17 is to be paid as dividends at confirmation as full and final settlement of the Class 2 General Unsecured Claims. The schedule below lists of the type and amount claimed by the Class 2 Claimants and the proposed settlement amounts to be paid from PKC's settlement distribution pool on the Effective Date of the Plan (see next page 15):

No.	Claimant	Proof of Claim	Date Filed	Type of Claim	Class	Amount Claimed (Settlement Amount)
1	U.S. Small Business Admin. (SBA) National Disaster Loan Resolution	None	N/A	Disaster Relief Loan	2	\$2,100,000 (\$21,000.00)
2	Wells Fargo Bank, NA	None	N/A	Business Loan	2	\$250,000 (\$2,500.00)
3	Bank of America	None	N/A	Credit Card	2	\$22,058.00 (\$220.58)
4	Capital One Bank (USA), N.A.	1	5/21/2015	Credit Card	2	\$19,131.76 (\$191.32)
5	Wells Fargo Bank, NA	5	6/29/2015	Credit Card	2	\$24,326.86 (\$243.27)
	Total Class 2 – General Unsecured Claims					\$2,415,516.62
	Dividends - Class 2 – General Unsecured Claims					\$24,155.17

3. Priority Tax Claims

The following schedule lists three (3), Priority Tax Claims; (1) POC#2, (2) POC#3, and (3) POC #7. POC#2 is disputed, with funds reserved pending the outcome of the dispute, and POC#3 and POC #7, although the amounts were due and owing at the beginning of the filing of the case, these were paid post-petition and the Proofs of Claims are requested to be withdrawn (see * below).

No.	Claimant	Proof of Claim	Date Filed	Type of Claim	Class	Amount Claimed (Settlement Amount)
1	State of Florida - Dept. of Revenue	2	6/9/2015	(11/11) Sales and Use Tax	Priority Tax	\$9,307.42 (Disputed)
2	State of Florida – Dept. of Revenue	3	6/9/2015	Sales and Use Tax	Priority Tax	\$439.51 *
3	Broward County Records, Taxes & Treasury	7	10/7/2015	Tourist Dev. Tax	Priority Tax	\$526.26 *
	Total (Adjusted) Priority Tax Claims					\$9,307.42 (Reserve)

D. Acceptance by Class of Creditors. A class of claims will have accepted the Plan, (1) if the Plan is accepted by at least two-thirds (2/3) in amount, and (2) by more than one-half (1/2) in number of the Allowed Claims of such Class that have voted to accept or reject the Plan.

E. Material Default. Impaired Classes may not take any collection action against Debtors so long as Debtors are not in Material Default in performing its obligations under the Plan. Material Default is defined in Article XIII of the Plan.

F. Administrative and other Priority Claims. These claims, as applicable, will be paid in full at confirmation (Effective Date) of the Plan. Debtors will pay the following professional fees in full on the Effective Date, or upon approval by the Court, whichever is later. In this regard the following fee estimates are provided; Lewis & Thomas, L.L.P., \$36,000.00 in total to be credited by the retainer of \$11,355.00 and, Frederick Morgenstern, Financial Analyst, \$24,000.00 in total to be credited by the retainer of \$3,000.00. As Administrative Expenses are incurred, amounts requested must to be submitted with a fee application, and all fees for professional compensation payable from Debtors' funds are subject to Court approval. See Article IV of the Plan.

G. Priority Tax Claims. There are three (3) priority tax claims; two (2) with the State of Florida (1) resulting from delinquent (11/2011) Sales and Use Tax in the amount of

\$9,307.42 (POC #2) which is disputed; and (2) \$439.51 (POC #3), which was paid post-petition respectively, and (3) \$526.76 (POC #7), which was paid post-petition due Broward County Records, Taxes Treasury Tourist Development Tax Section for applicable taxes.

H. United States Trustee Fees. The Debtor shall pay the U.S. Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6) on the Effective Date, and simultaneously provide to the U.S. Trustee, and file with the Court, monthly operating reports indicating Cash disbursements for all relevant periods; notwithstanding anything contained in the Plan to the contrary, the Debtor shall further pay the U.S. Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6) for post-confirmation periods within the time periods set forth in 28 U.S.C. §1930(a)(6) until the earlier of the closing of this case by the issuance of a Final Decree by the Bankruptcy Court, or upon entry of an order of this Bankruptcy Court dismissing the case, or converting this case to another chapter under the United States Bankruptcy Code, and the Debtor shall provide to the U.S. Trustee, and concurrently file with the Court, upon the payment of each post-confirmation payment, quarterly post-confirmation reports indicating income and disbursements for the relevant periods.

I. Secured Claims. The settlements paid to the Class 1 - Secured Claimants are further referenced Article VI.1 of the attached Debtors' First Amended Plan of Reorganization at Exhibit A hereto.

J. General Unsecured Claims. The *pari passu* pooled settlements payable to the Class 2 General Unsecured are further referenced at Article VI.2, of the Plan, and Article VIII of the Plan. The claims bar dates were September 2, 2015 and November 2, 2015 (Govt). See Article VI.2 of the Plan.

K. Executory Contracts and Leases. The Debtors have agreed to continue with their automobile lease of the 2014 Volkswagen Jetta as an affirmed executory contract.

L. Claims. There is one disputed claim; POC#2, filed by the State of Florida, Department of Revenue, where delinquent tax is assessed at \$4,653.71 for 11/2011 Sales and Use Tax, plus a \$4,653.71 penalty for a total of \$9,307.42 (POC #2), Tax Warrant #1000000279144. There are no disputes arising from post-petition activities.

- M. Lawsuits Reserved. There are no lawsuits reserved.
- N. Voidable transfers. The Debtors are not aware of any voidable transfers.
- O. Non-Bankruptcy Litigation. There are no non-Bankruptcy litigation actions active, underway, or threatened.
- P. Impairment Controversies. If a controversy arises as to whether any Claim, or any class of Claims, is impaired under the Plan, the Bankruptcy Court shall determine such controversy.

VIII. GENERAL TAX CONSEQUENCES

There are various anticipated tax consequences arising from the Debtors' Reorganization.

A summary description of certain United States ("U.S.") federal income tax consequences of the Plan is provided and discussed below. This description is for informational purposes only and, due to lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various U.S. federal income tax consequences of the Plan. Only the potential material U.S. federal income tax consequences of the Plan to the Debtors, and to a typical holder of Claims and Interests, who are entitled to vote or to accept or reject the Plan are described below.

No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan, and no tax opinion is being given in this First Amended Disclosure Statement. No rulings or determination of the Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtors or to any holder of Claims or Interests. No assurance can be given that the IRS would not assert, or that a Court would not sustain, a different position from any discussed herein. The discussion of the U.S. federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated and proposed thereunder, judicial authorities, and administrative rulings and

pronouncements of the IRS and other applicable authorities, all as in effect on the date of this First Amended Disclosure Statement. Legislative, judicial, or administrative changes or interpretations enacted or promulgated in the future could alter or modify the analyses and conclusions set forth below. It cannot be predicted at this time whether any tax legislation will be enacted or, if enacted, whether any tax law changes contained therein would affect the tax consequences to the holders of Claims and Interests (the "Claimants"). Any such changes or interpretations may be retroactive and could significantly affect the U.S. federal income tax consequences discussed below.

THIS DISCUSSION DOES NOT ADDRESS FOREIGN, STATE OR LOCAL TAX CONSEQUENCES OF THE PLAN, NOR DOES IT PURPORT TO ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO SPECIAL CLASSES OF TAXPAYERS (SUCH AS FOREIGN ENTITIES, NONRESIDENT ALIEN INDIVIDUALS, PASS-THROUGH ENTITIES SUCH AS PARTNERSHIPS AND HOLDERS THROUGH SUCH PASS-THROUGH ENTITIES, "S" CORPORATIONS, MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, SMALL BUSINESS INVESTMENT COMPANIES, REGULATED INVESTMENT COMPANIES, CERTAIN SECURITIES TRADERS, BROKER-DEALERS AND TAX-EXEMPT ORGANIZATIONS). FURTHERMORE, ESTATE AND GIFT TAX ISSUES ARE NOT ADDRESSED AND TAX CONSEQUENCES RELATING TO THE ALTERNATIVE MINIMUM TAX ARE GENERALLY NOT DISCUSSED.

NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT A TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

A. U.S. Federal Income Tax Consequences to the Debtors.

1. Cancellation of Indebtedness Income.

Generally, the discharge of a debt obligation owed by a debtor for an amount less than the

“adjusted issue price” (in most cases, the amount the debtor received on incurring the obligation, with certain adjustments) gives rise to cancellation of indebtedness (cancellation of debt “COD”) income to the debtor, subject to certain rules and exceptions. However, when the discharge of indebtedness occurs pursuant to a plan approved by the Bankruptcy Court in a case under Title 11 of the Bankruptcy Code (a Chapter 11 case), there is a special rule under the Tax Code that specifically excludes from a debtor’s income the amount of such discharged indebtedness (the so-called “bankruptcy exception”). Instead, certain of the Debtor’s tax attributes otherwise available generally must be reduced by the amount of the COD income that is excluded from the Debtor’s income. Such reduction of tax attributes generally occurs in the following order: (i) net operating losses and net operating loss carryovers (collectively, “NOLs”), (ii) general business credits, (iii) minimum tax credits, (iv) capital loss carryovers, (v) the tax basis of Debtor’s property (both depreciable and non-depreciable), (vi) passive activity loss and credit carryovers, and (v) foreign tax credit carryovers (although there is a special rule in the Tax Code which allows the debtor to elect to first reduce the tax basis of depreciable property before having to reduce NOLs and other attributes).

Under current Income Tax Regulations, the availability of the bankruptcy exception in the context of an affiliated group is made on a “separate entity” basis and not on an “affiliated group” basis. In this case, because it is an individual Chapter 11 case, the affiliated group discussion does not apply. However, for reference purposes, with regard to tax attribute reduction in the context of an affiliated group, recently adopted Income Tax Regulations (section 1.1502-28) suggest a “hybrid” method of attribute reduction. Under the current Tax Regulations only member corporations can file on a consolidated tax basis. Under these regulations, the tax attributes of the separate corporate member having excluded COD income is first reduced, followed by a reduction of the tax attributes of the subsidiary members (to the extent of any stock basis reduction). Then, to the extent a corporate member’s excluded COD income exceeds that corporate member’s separate entity tax attributes, the consolidated tax attributes allocated to the other corporate members are proportionately reduced. Certain debtors are single-member limited liability companies (“SMLLC”) and are treated as disregarded entities for federal income tax purposes. It is unclear whether the bankruptcy exception would apply to the debtors that are SMLLC’s, or in the alternative, whether the COD income be treated as having been realized to the single member.

2. Gain or Loss on Sale of Debtors' Assets.

The primary asset in the Estate is the property prior discussed and disclosed as the "Travel Inn Motel". As a result of a confirmed sale of this property; where the creditor PNC Bank, N.A. is acceptably paid under the relevant Agreement thereof, this Debtors' asset is no longer an economic factor in the Debtors' First Amended Plan of Reorganization. In general, a sale of a property results in a gain or a loss of the portion of the presumed equity in an amount equal to the difference between the amount realized (the amount of cash and the fair market value of any other property received; plus, liabilities of the Debtors' assumed by the Buyer, if any) and the Debtors' tax basis in the assets sold. Such gain or loss, if any, may be a benefit (or eliminated) to the extent that the Debtors' have sufficient NOL's or other tax reduction solutions; including possible qualification under the "insolvency exclusion". The IRS explains the insolvency exclusion in Publication 908: "You are insolvent when, and to the extent, your liabilities exceed the fair market value of your assets. Determine your liabilities and the fair market value of your assets immediately before the cancellation of your debt to determine whether or not you are insolvent and the amount by which you are insolvent."

B. U.S. Federal Income Tax Consequences to an Investor Typical of the Holders of Claims and Interests.

The U.S. federal income tax consequences of the implementation of the Plan to the Claimants, typical of the holders of Claims and Interests who are entitled to vote to confirm or reject the Plan, will depend on a number of factors, including (i) whether the Claim constitutes a "security" for U.S. federal income tax purposes, (ii) the nature and origin of the Claim, (iii) the manner in which the holder acquired the Claim, (iv) the length of time the Claim has been held, (v) whether the Claim was acquired at a discount, (vi) whether the holder has taken a bad debt deduction or loss with respect to the Claim (or any portion thereof) in the current year or in any prior year, (vii) whether the holder has previously included in its taxable income accrued but unpaid interest with respect to the Claim; (viii) the holder's method of tax accounting, (ix) whether the Claim is an installment obligation for U.S. federal income tax purposes, and (x) the timing of any distributions under the Plan.

1. Gain or Loss Recognition on the Satisfaction of Claims and Character of Gain or Loss.

Claimants will generally not recognize gain, but may recognize loss, with respect to the amount in which the Claimants receive on their Claims (generally, the amount of cash and the fair market value of any other property received in satisfaction of the Debtors' obligations) that either exceeds, on one hand, or is less than, on the other hand, the Claimant's basis in the Claim. Thus, it is possible that certain Claimants may recognize a gain or loss as a result of distributions under the Plan.

In general, gain or loss is recognized by any such Claimant is either capital or ordinary in character. The character is dependent upon the underlying nature of the Claim and whether such Claim, in the hands of the Claimant, constitutes a capital asset. To the extent that a debt instrument is acquired after its original issuance for less than the issue price of such instrument, it will have market discount. A holder of a Claim with market discount must treat any gain recognized on the satisfaction of such Claim as ordinary income to the extent that it does not exceed the market discount that has already been accrued with respect to such Claim. There may also be state, local, or foreign tax considerations applicable to particular holders of Claims, none of which are discussed herein. Claimants should consult their own tax advisors for information that may be relevant to their particular situations and circumstances and the particular tax consequences to them of the transactions contemplated by the Plan.

2. Holders of Disputed Claims.

Although not free from doubt, holders of Disputed Claims should not recognize any gain or loss on the date that the assets are transferred to the Disputed Claims Reserve; if such occurs or is applicable, but should only be required to report their gain or loss on the cash or other property that is distributed out to the Claimant from the Claims Reserves free from any further restrictions. Holders of Disputed Claims are urged to consult their own tax advisors regarding the taxation of their Disputed Claims and the timing and amount of income or loss recognized relating to the Disputed Claims Reserve.

3. Information Reporting and Backup Withholding.

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payor to the IRS. Moreover, such reportable payments may be subject to backup withholding. Under the Tax Code's backup withholding rules, a U.S. Claimant may be subject to backup withholding at the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the Claimant: (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (ii) provides a correct U.S. taxpayer identification number and certifies under penalty of perjury that the holder is a U.S. person, the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Payments made to Foreign Claimants may also be subject to withholding, which may be reduced under an applicable Treaty. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's U. S. federal income tax liability, and a Claimant may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

C. 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 INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIMHOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, CLAIMHOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE U. S. FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS.

D. Circular 230 Disclaimer

THE IRS REQUIRES WRITTEN ADVICE REGARDING ONE OR MORE U.S.

FEDERAL TAX ISSUES TO MEET CERTAIN STANDARDS. THOSE STANDARDS INVOLVE A DETAILED AND CAREFUL ANALYSIS OF THE FACTS AND APPLICABLE LAW WHICH WE EXPECT WOULD BE TIME CONSUMING AND COSTLY. WE HAVE NOT MADE AND HAVE NOT BEEN ASKED TO MAKE THAT TYPE OF ANALYSIS IN CONNECTION WITH ANY ADVICE GIVEN IN THE FOREGOING DISCUSSION.

AS A RESULT, WE ARE REQUIRED TO ADVISE YOU THAT ANY U.S. FEDERAL TAX ADVICE RENDERED IN THE FOREGOING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED AND CANNOT BE USED FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED BY THE IRS.

IX. EFFECT OF CONFIRMATION

Pursuant to 1141(d) the Debtors will be discharged of all claims and liabilities arising prior to the filing of the Petition, whether or not a proof of claim is filed, the claim is allowed or the holder of a claim has accepted the Plan if the Debtors do not liquidate. Confirmation of the Plan will satisfy all claims or causes of action arising out of any claim settled and satisfied under the terms of the Plan. Confirmation of the Plan will vest title to all of its assets in the reorganized Debtors. Section 1141(d) (5) provides that unless the Court orders otherwise for cause; after notice to all creditors and interested parties, confirmation does not discharge any debt provided for under the Plan unless the Debtors' complete all payments under the Plan.

Reservation of Rights Under Sections 1141(d)(5) and 350(a). The Debtors reserve the right, after confirmation, to seek the closing of this bankruptcy proceeding prior to the entry of an Order of Discharge, upon the payment of (1) the initial payment under the Plan, (2) payment of all outstanding quarterly United States Trustees Fees, and (3) the filing of any outstanding federal income tax returns. Such a request may be granted only upon notice and hearing, with notice to all creditors and interested parties. If such request is granted, then upon the satisfaction of all payments required to be paid inside the Plan to the approved creditors, the Debtors may file a motion to reopen this bankruptcy proceeding, pursuant to 11 U.S.C. § 350(b), and the Court may then grant the Debtors a discharge, pursuant to 11 U.S.C. § 1141(d)(5). This paragraph only preserves the Debtors' right to seek the relief described above and does not conclusively grant

such relief. Creditors' and interested parties' rights to object to such relief shall similarly be preserved until such time as it is requested by the Debtors after confirmation.

X. BEST INTEREST OF CREDITORS AND FEASIBILITY STANDARD

The Bankruptcy Code requires that the Plan (1) be accepted by requisite votes of impaired classes of creditors, (2) that the Plan be proposed in good faith, be feasible, and (3) that confirmation of the Plan be in the best interest of all holders of claims and interests. To confirm the Plan, the Bankruptcy Court must find that all these requirements are met; including, that "adequate information" as defined in the Code, was provided in the First Amended Plan of Reorganization and First Amended Disclosure Statement to otherwise approved the Plan in its entirety. Accordingly, even if the creditors of the Debtors accept the Plan by the requisite votes, the Bankruptcy Court must make independent findings respecting (1) the Plan feasibility, (2) that adequate information was provided, and (3) whether the Plan is in the best interest of creditors, before the Court may confirm the Plan.

The "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of each impaired class of claims and interests a recovery which has a present value at least equal to the present value of the distribution which each such person would receive from the Debtors if the Debtors liquidated its assets under Chapter 7 of the Bankruptcy Code. The Debtors feel that the Plan as proposed is in the best interests of the Creditors as it provides an efficient, effective, and orderly settlement and satisfaction of the approved claims and would offer strong support for Debtors' objections to claims that there were any.

XI. CONFIRMATION WITHOUT ACCEPTANCE BY ALL IMPAIRED CLASSES

As a condition to confirmation, the Bankruptcy Code requires that each impaired class of claims or interests accepts the Plan. The Bankruptcy Code, however, contains provisions for confirmation of a Plan even if the Plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These "Cramdown" provisions for confirmation of the Plan, despite the non-acceptance of one or more impaired classes of claims or interests, are set forth in 11 U.S.C. 1129(b) which requires the Bankruptcy Court to find that the Plan treatment of a non-accepting impaired class is fair and equitable.

**XII. LIQUIDATION ANALYSIS AND ALTERNATIVES TO CONFIRMATION;
INCLUDING RISK SENSITIVITES AND ANALYSIS.**

A. In the event the accompanying Plan, as such may be further modified or amended, is not accepted by the holders of Approved Claims and Allowed Interests in the impaired classes or otherwise confirmed by the Court under the Cramdown provisions of Section 1129(b) of the Bankruptcy Code, the Debtors believe that the Debtors case would be dismissed or converted to a case under Chapter 7. In such event, a Trustee would be appointed, and the Debtors' assets would be liquidated for distribution to creditors. Since the Debtors have no assets which are subject to creditor levy, creditors would not realize any payment on their claims in a liquidation.

B. In a liquidation, the unsecured creditor would not be entitled to any of the equity from the sale of the real property or personal property as a forced sale may erode the projected equity value of the Estate assets and personal property. Accordingly, in a Chapter 7 Bankruptcy, the unsecured creditor would likely receive far less, if any, distribution.

C. While this case hinges on only a few elements, there remains a degree of risk that NOA Bank, as the lender, may not move forward with its loan commitment to PKC Hospitality, LLC to purchase the Motel. Most certainly, if the Debtors' First Amended Plan of Reorganization is not approved, the loan may not go forward and a liquidation of the Debtors' would be inevitable since they would not be able to generate sufficient revenue and income or other economic solutions to fund an alternative Plan; namely one that would be amended or modified with provisions for numerous payments over time. Without the loan underpinning the Motel purchase agreement, the unsecured creditors would, statistically, receive nothing. This statement is supported by various risk factors and value analysis. The Debtors' current employment, and their continued employment, is contingent upon market conditions, competition, and certain other economic factors in the motel/hospitality category. Mr. and Mrs. Patel have few skills beyond those gained from operating in the transient, non-branded motel sector. In any event, the amount of wages and salaries the Patel's may command or attain elsewhere in the industry, is not indicated to be far above poverty levels, and there can be no assurance the Patel's can or will generate sufficient surplus proceeds to maintain a consistent payment plan over time. In this regard, the unsecured creditor is strongly urged to accept the offered lump sum payment from the PKC settlement dividend pool at confirmation (Effective

Date) of the Plan. When weighing the above risk factors, among others, against the alternative; where the Debtors would be subject to liquidation as opposed to the unsecured creditors receiving the lump sum payments as disclosed above (by way of an affirmed Plan), all creditors, secured and unsecured, realize a more favorable outcome than liquidation.

D. The various analyses, alternatives, risk assessments, and observations relevant to this paragraph XII, are assembled in Debtors' Financial Information for the First Amended Disclosure Statement and Plan attached hereto as Schedule I and Schedule J.

E. Debtors' calculate, their projected disposable income for the five-year period following confirmation to be approximately \$23,400.00 ($\$390.00 \times 60 = \$23,400.00$). This projection is highly contingent based on the risk factors disclosed above – with emphasis upon the Debtors' lack of access to capital or improved employment. The \$23,400.00 “five-year availability” is based on the monthly income and expenses set forth on the schedules attached hereto as I and J, multiplied by 60 months. This is the maximum amount available to the General Unsecured Creditor in the Plan – should the Patel's remain employed or employable for the entire term of 60 months – a projection, as disclosed is “highly contingent”. In this regard, the General Unsecured Claimants are offered (*pari passu*) single, lump sum payments totaling \$24,155.17 at confirmation of the Plan (Effective Date) as the most prudent choice for a reduced, but reasonable settlement against the degree of risk factors disclosed.

XIII. CONCLUSION AND RECOMMENDATIONS

The Debtors put forth their First Amended Disclosure Statement and propose their First Amended Plan of Reorganization and recommend the Plan's confirmation. All creditors will receive payment of their claims to the greatest extent allowable under the Bankruptcy Code, and the expense of administering an Estate under Chapter 7 will be avoided. The Debtors affirm their belief that administration of this Estate as provided herein will ultimately guarantee each creditor the maximum payment available on its claims.

