

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
TEXARKANA DIVISION**

IN RE:)	
)	
TEXARKANA HOTELS, LLC)	CASE NO. 16-50056
)	CHAPTER 11
)	
DEBTOR)	

AMENDED DISCLOSURE STATEMENT

ARTICLE I

INTRODUCTION

THIS DISCLOSURE STATEMENT (WHEREVER "DISCLOSURE STATEMENT" IS USED HEREIN SHALL MEAN DISCLOSURE STATEMENT) MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN OF REORGANIZATION (THE "PLAN") DESCRIBED HEREIN. NOTHING CONTAINED IN THE DISCLOSURE STATEMENT OR PLAN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY OR BE DEEMED CONCLUSIVE ADVICE ABOUT THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON HOLDERS OF CLAIMS OR INTERESTS. HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN LEGAL AND FINANCIAL ADVISORS CONCERNING THE CONSEQUENCES OF REORGANIZATION PURSUANT TO THE PLAN.

**ARTICLE II
DEFINITIONS**

Unless the context otherwise requires, the following capitalized terms shall have the following meanings when used herein, which meanings shall be equally applicable to both the singular and plural forms of such terms. Any term that is not defined herein but that is used in Title 11, United States Code shall have the meaning assigned to such term in that Code. Unless the context otherwise requires, all such terms shall have the meaning stated with respect to the Debtor.

2.1 "Allowed" shall mean the amount of any Allowed Claim or Allowed Interest.

2.2 "Allowed Claim" or "Allowed Interest" shall mean Claim against or Interest in the Debtor, to the extent that (a) a Proof of Claim was timely filed, deemed filed or, with leave of the Bankruptcy Court or without an objection by the Debtor in Possession, filed late, and (B)(i) as to which a party of interest, including the Debtor in Possession, does not timely file an objection or (II) the Claim or Interest is Allowed by a Final Order.

2.3 "Allowed Secured Claim" shall have the meaning defined in Section 506(a) of the Code.

2.4 "Bankruptcy Court" or "Court" shall mean the United States Bankruptcy Court for the Eastern District of Texas, Texarkana Division, or such other court as has jurisdiction of the reorganization case.

2.5 "Bar Date" shall mean the final date for filing Proofs of Claim or Interest herein as set by the Bankruptcy Court, including claims held by governmental entities.

2.6 "Claim" shall mean a right to payment from the Debtor, either evidenced by a timely filed proof of claim, or application for compensation or reimbursement which is allowed by the Court; or, if a proof of claim is not filed by the Creditor, a right which otherwise appears in the Debtor's Schedules which (i) is not listed as disputed, contingent or unliquidated, or (ii) has not otherwise been resolved in this proceeding or any other proceeding. Nothing herein is intended to restrict in any way the right of any party in interest to object to a claim.

2.7 "Code" shall mean the Bankruptcy Reform Act of 1978, as amended, 11 U.S.C. Section 101 et seq.

2.8 "Confirmation" or "Confirmation of Plan" shall mean the entry by the Bankruptcy Court of an Order confirming the Plan, at or after a hearing pursuant to Section 1129 of the Code, which shall have the effect prescribed in Section 1141 of the Code.

2.9 "Consummation" or "Consummation of the Plan" shall mean the accomplishment of all things contained or provided for in the Plan and the entry of an Order of Consummation finally dismissing this case.

2.10 "Creditor" shall mean any entity having a Claim against the Debtor or Property of the Debtor, as "creditor" is defined in Section 101(9) of the Code.

2.11 "Debtor" shall mean Texarkana Hotels, LLC

2.12 "Texarkana Reorganization Case" shall mean the case for reorganization of Texarkana Hotels, LLC, commenced by voluntary petition under Chapter 11, on March 31, 2016.

2.13 "Texarkana" shall mean Texarkana Hotels, LLC.

2.14 "Effective Date" shall mean the fifteenth day after docketing of an order confirming the Plan, unless an appeal is taken, and a stay obtained of such effective date, pending such appeal.

2.15 "Estate" shall mean the estate created in the reorganization case pursuant to Section 541 of the Bankruptcy Code.

2.16 "Filed" shall mean filed with the Bankruptcy Court or, in the case of a Proof of Claim or Interest, deemed filed pursuant to Section 1111(a) of the Code.

2.17 "Final Order" shall mean the Order of the Bankruptcy Court as to which any appeal that has been or may be taken has been resolved or as to which the time for appeal has expired.

2.18 "Interest" shall mean a Claim of an owner, or equity security holder of the Debtor.

2.19 "Plan" shall mean the Plan of Reorganization in its present form with such amendments or supplements as may be subsequently filed.

2.20 "Plan Administrator" shall mean Hiren Patel, Managing Member, whose powers,

duties, and obligations are as follows:

- (A) Perfect and secure Debtor's right, title and interest to the properties comprising the Estate;
- (B) Reduce all of said properties to Debtor's possession and hold the same;
- (C) Sell and convert the properties to cash and distribute the net proceeds to the beneficiaries of the Estate;
- (D) Grant options to purchase and to contract to sell and sell the assets of the Estate or any part or parts thereof for such purchase price and for cash or on such terms they shall deem appropriate;
- (E) Mortgage, pledge, or otherwise encumber the assets of the Estate or any part thereof;
- (F) Exchange and re-exchange the assets of the Estate or any part or parts thereof for other real or personal property;
- (G) Release, convey or assign any right, title or interest in or about the assets of the Estate;
- (H) Employ an appraiser or appraisers to determine the value of any assets or group of assets;
- (I) Pay and discharge any mortgage or other lien or encumbrance against the assets of the Estate or any part or parts thereof and pay and discharge any other costs, expenses or obligations deemed necessary to preserve the assets of the Estate or any part thereof or to preserve the Estate;
- (J) Improve or repair the assets of the Estate or any part thereof;
- (K) Purchase insurance of all kinds sufficient to protect fully the assets of the Estate or any part or parts thereof and to protect the Plan Administrator from liability;
- (L) Deposit funds and draw checks and make disbursements;
- (M) Employ and have such attorneys, accountants, engineers, agents, realtors, rental agents, and tax specialists, clerical and stenographic assistance as may be deemed necessary and appropriate;
- (N) Employ brokers and salespersons;
- (O) Borrow money on the security of the assets of the Estate or any part or parts thereof;
- (P) Issue certificates of indebtedness secured by the assets of the Estate or any part or parts thereof;

(Q) Exercise any and all powers granted to the Plan Administrator by common law or any statute, including every power granted to a Trustee by the "Texas Trust Act" (TEX. REV. CIV. STAT. ANN. art. 7425B et seq, Vernon 1960) or any future amendment thereof, which serves to increase the extent of the powers granted to the Plan Administrator hereunder, and to that extent the laws of the State of Texas shall govern or be controlling;

(R) In general, without in any manner limiting any of the foregoing, deal with the assets of the Estate or any parts thereof in all other ways as would be lawful for any person owning the same to deal therewith, whether similar to or different from the ways above specified, at any time or times hereafter;

(S) Engage in and carry on any business or undertaking and enter into any partnership with any person, firm, corporation or any trustee under any other trust;

(T) Join in any plan of reorganization or readjustment of any corporation or take any other action necessary to protect the assets of the Estate;

(U) Enter into contracts and execute negotiable and nonnegotiable obligations;

(V) Sue and be sued;

(W) Settle, compromise or adjust by arbitration or otherwise any disputes or controversies in favor of or against the assets of the Estate;

(X) Waive or release rights of any kind;

(Y) Appoint, remove and act through agents, managers, and employees and confer upon them such power and authority as may be necessary or advisable;

(Z) Consent to the modification or release of any guaranty of any mortgage or lien;

(AA) Continue mortgages upon and after maturity with or without renewal or extension upon such terms as may be advisable, without reference to the value of the security at the time of such continuance;

(BB) Foreclose as an incident to the collection of any debt and bid on property at such foreclosure sale or acquire the property deed from the mortgagor or obligor without foreclosure; and

(CC) Abandon any property, if the Plan Administrator determines that there is no equity in the property, to the holders of secured claims holding such property as collateral for the repayment of indebtedness, or reassign such property to the Debtor.

(DD) "License Agreement shall mean that certain Holiday Inn® Hotel New Development

License Agreement dated August 6, 2010 (as same may have been amended), between Holiday Hospitality Franchising, LLC, formerly known as Hospitality Franchising, Inc ("HHF"), as licensor and Debtor, as licensee, which allows Debtor to operate as a Holiday Inn® Hotel.

2.21 "Property" shall mean all property scheduled by the Debtor in its "Statement of All Property of the Debtor," filed in this case, and any other unscheduled property in the Estate.

2.22 "Secured Claims" shall mean all claims against the Debtor or the Estate for which the holders hold, own or possess a lien, security interest, or other encumbrance on property of the Estate as security for repayment thereof, and which lien, security interest, or other encumbrance has been properly perfected as required by law, to the extent of the value of said property. That portion of such claim exceeding the value of the property held therefore shall be an unsecured claim as defined below.

2.23 "Termination" shall mean that date of final distribution of liquidation proceeds to creditors and/or completion of surrender of assets.

2.24 "Unsecured Claims" shall mean all claims against the Debtor or the Estate for which the holders possess no lien, security interest, or other encumbrance on the property of the Estate to secure the repayment thereof. The claim of any creditor may be secured in part and unsecured in part pursuant to Section 506 of the Code.

ARTICLE III

DISCLOSURE STATEMENT SUMMARY

The following is a brief summary of certain information contained in this Disclosure Statement. This summary is incomplete and selective and is qualified in its entirety by more detailed information contained herein.

3.1 Debtor. The Debtor is Texarkana Hotels, LLC, Case number 16-50056. (the "Debtor")

3.2 The Debtor's Business. Texarkana Hotels, LLC is a company operating a 127 room hotel and convention center under the name of Holiday Inn and the Arkansas Convention Center both located at 5200 Convention Plaza in Texarkana, Arkansas.

3.3 Plan of Reorganization. The Plan calls for the continued operation of the hotel and convention center and liquidation of a 1.5 acre tract of land located next to the Country Inn & Suites on University in Texarkana, Texas.

3.4 Acceptance of the Plan. Simultaneous with the filing of this Disclosure Statement the Debtor has filed its Plan of Reorganization with the Bankruptcy Court. Until the Disclosure Statement is approved, the Debtor may not solicit acceptances of this Plan. The Debtor is providing the following summary of the proposed Plan of Reorganization to assure that the Creditors affected by the Plan understand its provisions. This summary should not be considered a solicitation for acceptance of that Plan. Additionally, Creditors should not rely on this summary to decide whether or not to vote in favor of or against the Plan, but are expressly referred to the Plan itself since it contains many provisions which will not be summarized herein.

In order for the Plan to be accepted by the Creditors, a majority in number and a

two-thirds majority in amount of claims filed and allowed (for voting purposes), actually voting, of each affected class of Creditors must vote to accept the Plan.

ARTICLE IV **PURPOSE**

4.1 Introduction. This Disclosure Statement has been prepared by the Debtor as the proponent of the Plan of Reorganization filed with the Bankruptcy Court pursuant to the provisions of 11 U.S.C. Section 1121 et seq. This Disclosure Statement is intended for all known Creditors of and Interest Holders in the Debtor for the purpose of disclosing information the Bankruptcy Court has determined to be material, important, and necessary for Creditors and Interest Holders to arrive at an informed decision in exercising his right to accept or reject the Plan.

4.2 Brief Explanation of Chapter 11. Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to Chapter 11, debtors are authorized to reorganize and/or liquidate their business for their own benefit and that of their creditors and other interest holders. In general, attempts at collection of pre-petition claims from the debtors and any attempts to foreclose upon property of the debtors by any secured creditor are stayed during the pendency of the case, and the debtors operate their business as debtors in possession.

Formulation of a plan of reorganization is the principal purpose of a Chapter 11 reorganization case. The plan is the vehicle for satisfying the holders of claims against the debtors. Unless a trustee is appointed, the debtors have the exclusive right to file a plan during the first 120 days of the Chapter 11 case. Section 1121(d) of the Bankruptcy Code permits the Bankruptcy Court to extend or reduce the 120-day period.

4.3 Requirements of a Disclosure Statement. As required by the United States Bankruptcy Code, this Disclosure Statement has been presented to the Bankruptcy Court. The Court must approve the Disclosure Statement. This approval is a finding that the Disclosure Statement contains "adequate information" and approval does not constitute a judgment by the Bankruptcy Court about the desirability of the Plan or the value of any consideration offered pursuant to the Plan. Interested parties are referred to 11 U.S.C. Section 1125, which reads, in pertinent part:

(b) An acceptance or rejection of a plan may not be solicited after the commencement of the case under this title from a holder of a claim or interest with respect to such claim or interest unless, at the time of or before such solicitation, there is transmitted to such holder, the plan or a summary of the plan, and a written disclosure statement approved, after notice and a hearing, by the court as containing adequate information. The court may approve a disclosure statement without a valuation of the debtor or an appraisal of the debtor's assets.

* * *

(d) Whether a disclosure statement required under subsection (b) contains adequate information is not governed by any otherwise applicable non-bankruptcy law, rule, or regulation but an agency or official whose duty is to administer or enforce such a law, rule, or regulation may be heard on the issue of whether a disclosure statement contains adequate information. Such an agency or official may not appeal from, or otherwise seek review of, an order approving a disclosure statement.

* * *

(e) A person who solicits acceptance or rejection of a plan, in good faith and in compliance with the applicable provisions of this title, or that participates, in good faith and in compliance with the applicable provisions of this title, in the offer, issuance, sale, or purchase of a security, offered or sold under the plan, of the debtor, of an affiliate participating in a joint plan with the debtor, or of a newly organized successor to the debtor under the plan, is not liable, on account of such solicitation or participation, for violation of any applicable law, acceptance or rejection of a plan or the offer, issuance, sale, or purchase of securities.

4.4 Confirmation of the Plan. There are two methods by which a plan can be confirmed: (1) the "acceptance" method, in which all impaired classes of claims and interest have voted in the requisite amounts to accept the plan and (2) the "nonacceptance" or "cramdown" method in which at least one class of impaired claims or interests have voted in the requisite amounts to accept the plan and certain other requirements are met with respect to all other impaired classes of claims and interests.

A claim that will not be repaid in full or as to which the legal rights are altered, or an interest that is adversely affected, is "impaired." Impairment of claims or interest is defined under 11 U.S.C. Section 1124 as follows:

Except as provided in section 1123 (a)(4) of this title, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest of such class, the plan-

1. leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest;
2. notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default-

(A) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in section 365 (b)(2) of this title;

(B) reinstates the maturity of such claim or interest as such maturity existed before such default;

(C) compensates the holder of such claim or interest for any damages incurred as a result of any 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 or interest entitles the holder of such claim or interest;

A holder of a claim or interest that is impaired by a plan is entitled to vote to accept or reject that plan if such claim or interest has been allowed or is deemed allowed for voting purposes under Rule 3018 of the Bankruptcy Rules. In order for a class of claims to vote to accept a plan, votes representing at least two thirds in amount and more than one half in number of claims actually voting in that class must be cast for acceptance of the plan.

Section 1129(b) of the Bankruptcy Code provides that the Bankruptcy Court may confirm a plan notwithstanding its rejection by one or more impaired classes if certain requirements are met. First, with respect to each impaired class of claims or interests that has not accepted a plan, the Bankruptcy Court must determine that each such class will receive or retain property of value not less than the amount such holders would receive if the debtors were liquidated under Chapter 7. Second, the Bankruptcy Court must find that the plan is fair and equitable with respect to each impaired class that does not accept the plan. With respect to a class of secured creditors, the fair and equitable test requires that a secured creditor (i) retain its lien(s) and receive cash payments equal to the allowed amount of its claims, (ii) receive the proceeds from the sale of its collateral, or (iii) realize the indubitable equivalent of its claim. With respect to a class of unsecured claims, the fair and equitable test requires that, if the creditors in such class do not receive property with a value equal to the allowed amount of his claims, no junior class can receive anything pursuant to the plan.

The absolute priority rule comes into play during the Chapter 11 plan confirmation process. 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.

Stated plainly, equity interest holders are not permitted to keep their equity under a plan if all senior claims are not paid in full. In many cases, a strict application of this rule would be the death knell for an otherwise-confirmable Chapter 11 plan. This is particularly true in Chapter 11 cases of smaller companies where continued participation by current equity holders may be vital to the reorganization effort.

The new value exception (also called the new value doctrine or the new value corollary) finds its origins in case law rather than the Bankruptcy Code. The new value doctrine opens the door for plan proponents to overcome the absolute priority rule by requiring equity holders to make a substantial and essential contribution in exchange for their continued ownership of the debtor. To be substantial, most courts require that the contribution (i.e., new value) be: (1) a present contribution; (2) freely tradable in the market; and (3) money or money’s worth. To be essential, the case law generally mandates that this new contribution be directly related to the success of the reorganization plan.

ARTICLE V

HISTORY AND ORGANIZATION OF THE DEBTOR

5.1 History of the Debtor and factors causing Chapter 11 filing: The Debtor, Texarkana Hotels, LLC, was formed in 2009 to develop raw land with a state of the art franchised hotel and Convention Center, located in Texarkana Arkansas.

The Holiday Inn hotel and Arkansas Convention Center, located at 5200 Convention Plaza Drive, Texarkana, AR 71857, opened its doors for business on August 13, 2013. The hotel has 127 rooms. The hotel and convention center is conveniently located off I-30 at Exit 1.

The project cost for the Holiday Inn Hotel and the Arkansas Convention Center was approximately \$15,000,000.00.

5.2 Factors leading to Chapter 11 Filing: Texarkana is situated between Dallas and Little Rock with a population of 37,225 people. Texarkana remains a stop and go highway community for travelers, rather than a tourist destination.

After one year of increasing revenue, as expected from a newly built hotel, the economy of Texarkana was negatively impacted by the reorganization of Red River Army Depot (RRAD) and the closure of the Alcoa plant. RRAD’s reorganization resulted in more than 4000 lost jobs and Alcoa closed, displacing all employees. At the same time, numerous hotels opened, leading to an increase in excess hotel rooms in the depressed market.

In 2013, road construction activity on the 200-million-dollar road work project moved to

completion.

2014 was a depressed year for Texarkana with the above mentioned layoffs and losses by many sub-contractors including plant and MRAP University closures due to federal spending cuts. The market lost more than 10 million dollars in hotel room revenue almost overnight.

The loss of the Alcoa plant and layoffs at Cooper Tire further depressed the market. Although Texas A & M University has opened a new campus, they have been unable to meet enrollment targets.

Since 2014, multiple new hotels have opened their doors flooding the inventory by adding approximately 2000 rooms in the area. They are as follows:

Hilton garden – 155 Rooms

Wyndham garden -145 Rooms

Holiday inn 127 Rooms

Residence inn 120 Rooms

Comfort suites 84 Rooms

Hampton inn 89 Rooms

With a total inventory increase of almost 700 rooms, the Texarkana market is saturated, resulting in lower demand. Within a 10 mile radius of town, franchise companies have issued licenses in both Texas and Arkansas.

All of these factors have led to the hotel market dropping further with plunges in occupancy and revenue. This has led hotels to engage in rate wars and further reduced revenue per room (RevPAR) and average daily rates (ADR) for the market. The situation has had limited improvement due to lack of major developments ongoing or future profits. Even today it remains a buyer's market and most reservations take place the day of arrival, in that there is no fear of being able to book a room in the market.

The City Economic Development Commission and Local Chamber of Commerce are trying, but remain unsuccessful in obtaining major economic developments in the area.

At this point, hotel values have dropped and multiple hotels and restaurants have begun serious discussions with their lenders as they become delinquent on their payments. Lenders in some cases have modified loans and relaxed payments. Others have resulted in foreclosure and/or Chapter 11. The hotel/restaurant economy was further impacted by the bankruptcy of a large local hospital.

Due to the economic depression, the crime rate in Texarkana has almost doubled in last 6 years.

5.3 Changes prior to Chapter 11 filing and factors leading to the filing: The Debtor implemented a variety of changes in the years prior to filing chapter 11, attempting to turn around operations and cash flows. Debtor has worked with local wedding venues and meeting spaces to get more leisure and group business, started negotiating lower rates in highly competitive market to gain further market share and tried to market hotel with online travel agents, online reservation channels and the local chamber networking, all with limited success. Revenues have dropped almost 50% since 2014.

The Debtor attempted to refinance with other lenders with no success due to poor property valuations and diminished cash flows. The Lender posted the properties for foreclosure and filed personal law suits against the guarantors. As a result of the postings and litigation, the chapter 11 was filed.

5.4 Operations of Debtor during Bankruptcy Period. Since the Filing, Debtor has continued to operate the hotel. Debtor has implemented new and more aggressive pricing structure. Debtor has renegotiated local and corporate rates to increase profit margins, continued marketing efforts online and with high way signs. Debtor has cut costs in labor, supplies and utilities. Debtor has started monthly adequate protection payments of \$55,000.00, plus additional quarterly payments. A Green program was implemented more aggressively to conserve water bills, laundry costs and labor. Debtor has continued its local chamber partnerships.

All post-petition taxes, reports and payments are current along with post-petition account payables and franchise fees.

5.5 Post-petition proceedings before the Court. Since the filing of bankruptcy, the following matters have been before the Court: 1) motions for use of cash collateral for adequate protection of the major creditor, which have agreed orders in place, 2) applications to employ attorney and accountant, which have been granted, and 3) an interim application to pay accountant, which has been granted. No other matters have been before the Court.

The Debtor is current on all administrative requirements, including quarterly payments to the U.S. Department of Justice.

5.6 Development of the Plan. The Plan is an operating and liquidation plan. The Plan will pay creditors according to priority.

5.7 Principal Elements of the Plan. While the real estate market remains depressed in Texarkana, the Holiday Inn Hotel has maintained its standards and operations at the franchise level. The plan will save the jobs that the hotel has provided in this struggling market. It will also keep the best possible value of the Asset without interrupting the operations or shutting down the hotel.

The Plan, as proposed, will retain jobs and will also pay all allowed secured and priority claims and all allowed unsecured claims. Debtor believes that the alternative of liquidating under Chapter 7 of the Bankruptcy Code would result in dramatically reduced returns on secured claims and no payments to unsecured creditors. (See liquidation analysis attached hereto as **Exhibit "A"**.)

The Plan provides for secured creditors to retain liens, with liens reduced to value and paid at current market rates. Any deficiencies are treated as unsecured. The Plan also liquidates a 1.5 acre tract, with an estimated value of \$650,000.00. This estimate is based on the most recent sales in the area. It is to be sold pursuant to bid procedures proposed in the related Chapter 11, Krishna Associates, LLC pending in this Court as Case No. 15-50148.

The owner is very dedicated to continue to make payments under this plan, retain jobs and maintain the highest standards and values for the franchise. Considering the factors and

condition of the hotel, the Debtor estimates the value of the real property to be approximately \$4,400,000 and FF&E at \$700,000.00. A range of value is shown as a result of the following appraisals:

(1) August 5, 2015 – Appraisal Report ordered by MidSouth Bank and USDA showing real property at \$4,400,000 and FF& E at \$700,000 with a liquidation value of \$3,625,000.

(2) October 30, 2015 – Appraisal Report of Pam Bonds, MAI, SRA of the Appraisal Group, Texarkana, Texas shows FMV (with proper marketing) and as a going concern of Real Property at \$5,662,000 and FF&E at \$889,000, with incentives in place.

5.8 Projections of income and expenses are attached hereto as **Exhibit "B"**. Profit & Loss Statements for 2015 and 2016 YTD are attached here to as **Exhibit "D"** and Claims Summary and Plan Payment Schedule is attached hereto as **Exhibit "E"**.

Creditors should note that income is seasonal in that Texarkana is a highway town with hotel demand fluctuating year around. Peak occupancy is in the summer. Occupancy decreases in the fall, winter and spring. There are periodic spikes during long weekends and holidays.

5.9 Incentives, Easement and tax credit: Texarkana Hotels LLC entered into a public private partnership in 2009 to develop the Holiday Inn Hotel with a convention center. The goal was, and is, to create jobs, jumpstart economic development in the city and increase local tourism. The development is a partnership with the City of Texarkana, Arkansas who owns 4 plus acres of land used for paved parking lots around the hotel-convention center. In addition the state of Arkansas partnered with the Debtor through the Arkansas Economic Development Commission (AEDC) granting sales tax rebates. A related entity has developed a water park in the area for tourism development with a public private partnership.

Incentives are an integral part of this project. The incentives cannot be transferred. They total almost \$500,000.00 per year and would be lost on sale or foreclosure. They are summarized below.

City of Texarkana, Arkansas

1. Lifetime easement awarded to Texarkana Hotels, LLC or Hiren Patel and family. The city owns 4 plus acres of paved parking lot, with drainage basin, for the use of hotel guests.

2. Tax refunds for Hotel and restaurant tax paid for 15 years. (Totals 3% of hotel room revenue)

3. Arkansas Advertisement and Promotion Commission awards \$150,000.00 per year for 15 years and with additional \$85,000.00 per year for 7 years.

State of Arkansas

1. Tax credit of 6.5% sales tax paid to the state of Arkansas for 10 years.

Incentives will terminate if this property is sold or foreclosed.

The loss of the above incentives would result in substantial loss in value and have a

detrimental effect on jobs, local tourism and development in the city.

ARTICLE VI
SUMMARY OF THE PLAN

Class 1 consists of any Allowed Administrative Claims.

Class 2 consists of any Allowed Secured Property Tax Claims.

Class 3 consists of any Allowed Priority Tax Claims.

Class 4 consists of the Allowed Secured Claim of MidSouth Bank, N.A.

Class 5-A consists of the Allowed Secured Claim of MidSouth Bank, N.A.

Class 5-B consists of the Allowed Claim of USDA Rural Development (“USDA”), which is a guarantee of Class 5-A

Class 6 consists of the Allowed Secured Claim of MidSouth Bank, N.A. secured by property owned by Krishna Associates, LLC.

Class 7 consists of the Allowed Unsecured Claims.

Class 8 consists of the Shareholders’ Interests.

6.1 **Class 1 Claims.** The Class 1 Claims will be paid once Allowed in full by the Debtor on the Effective Date or as otherwise agreed to by the Claimants in this Class. These claims are priority claims pursuant to Section 507(a) of the Bankruptcy Code. These claims include claims for Debtor’s attorney’s fees (estimated at \$50,000.00), Debtor’s Accountant’s fees (estimated at \$10,000.00) and U.S. Trustee fees. U.S. Trustee fees must be paid until the case is closed. Notwithstanding anything hereto, payment of post-petition franchise fees to Holiday Hospitality Franchising, Inc (“HHF”) shall continue to be paid in the ordinary course. HHF is not required to file a request for payment of administrative expenses and the requirement for Debtor to make all such payments in the ordinary course is incorporated into the Plan by this Provision. The Class one Claims will be paid as follows:

Claim	Amount	Treatment
Debtor’s Attorney’s fees	\$50,000	Paid from funds on hand after Court Approval and application of retainer in the amount of \$40,000 with balance paid as agreed by Counsel
Debtor’s Accountant Fees	\$10,000.00	Paid from Funds on hand after Court Approval.
UST fees	\$4,875.00 (estimate)	Paid on Receipt
HHF	Monthly Charge	Paid on Receipt

6.2 **Class 2 Claims.** The Class 2 Claims are secured claims of Miller County AR

Tax A/C. The Class 2 Allowed Claims that relate to collateral or property being retained by the Debtor as part of the Plan shall be paid once Allowed over sixty (60) months from the Petition Date 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 Effective Date and shall continue on the first day of each month thereafter until paid in full. The Class 2 Claims shall accrue interest from the Petition Date at the rate of 1% per month from the Petition Date through the Effective Date of the Plan and 12% per annum following the Effective Date until paid in full. This creditor shall retain its senior liens to secure its claims until paid in full under this Plan. In the event that the Debtor disputes such claims, the payments will be applied to the undisputed amount of the claims as ultimately allowed. While resolution of any such objection is pending, payment pursuant to the Plan shall be applied to the undisputed portion of the claim as ultimately allowed. In the event of a default under the plan, counsel for holder of a claim in this class shall provide written notice of the default to the Debtor at 2910 Harrisburg Lane, Texarkana, TX 75503, with a copy to counsel for the Debtor at 12770 Coit Road, Suite 541, Dallas, TX 75251. Such default shall be cured within 15 business days of the date of transmission of such notice of default. In the event the default is not cured, the claimant shall be entitled to pursue all amounts owed pursuant to state law outside of the Bankruptcy Court. The Claimant shall only be required to provide two notices of default. Upon a third event of default, the claimant shall be entitled to collect all amounts owed pursuant to state law outside of the Bankruptcy Court without further notice. Failure to pay post-petition taxes prior to delinquency shall constitute an event of default. BAR DATE FOR GOVERNMENTAL ENTITIES IS SEPTEMBER 27, 2016.

The Class 2 Claims are Impaired and the holders of the Class 2 Claims are entitled to vote to accept or reject the Plan.

6.3 **Class 3 Claims.** The Class 3 Priority Claim is a priority claim of the Internal Revenue Service and shall be Allowed in the amount of \$674.75 (“Allowed Priority Claim”). The Allowed Priority Claim shall be paid in full within 30 days of the Effective Date of the Plan. BAR DATE FOR GOVERNMENTAL ENTITIES IS SEPTEMBER 27, 2016.

The Class 3 Claim is impaired and the holder of the Class 3 Claim is entitled to vote to accept or reject the Plan.

6.4 **Class 4 Claim.** The Class 4 Claim will be paid as allowed as follows:

The Class 4 Claim is the Allowed Secured Claim of MidSouth Bank, N.A. and shall be Allowed in the amount of \$2,546,458.00 (“Allowed Secured Claim”). The Allowed Secured Claim shall be paid in full and amortized over 20 years with a fixed 3.75% interest rate with a balloon at the end of 5 years. The payments shall be made in equal monthly payments beginning on the Effective Date and shall continue on the first day of each month thereafter until paid in full.

The unmodified terms of MidSouth Bank, N.A.’s pre-petition loan documents are not Modified by the Plan or Confirmation Order unless specifically stated in the Plan. MidSouth Bank, N.A. shall retain all of its liens and security interests as originally provided in its loan

Documents until paid off. The Plan terms will control over contradictory note terms and to the extent a term is not modified in the note, it will remain in effect. Debtor shall maintain all insurance and taxes as they come due.

The Class 4 Claim is Impaired and the holder of the Class 4 Claim is entitled to vote to Accept or reject the Plan.

6.5-A **Class 5-A Claim.** The Class 5-A Claim will be paid as Allowed as follows:

The Class 5-A Claim is the Second Lien Secured Claim of MidSouth Bank, N.A. which shall be reduced to the value of the remaining collateral in the approximate amount of \$1,900,000.00 (“Second Lien Secured Claim”). The Second Lien Secured Claim as allowed shall be paid in full and amortized over 20 years with a fixed 3.75% interest rate with a balloon at the end of 5 years. The payments shall be made in equal monthly payments beginning on the Effective Date and shall continue on the first day of each month thereafter until 18 months following the Effective Date when the allowed claim will be paid in full pursuant to new funding.

The unmodified terms of MidSouth Bank, N.A.’s pre-petition loan documents are not Modified by the Plan or Confirmation Order unless specifically stated in the Plan. MidSouth Bank, N.A. shall retain all of its liens and security interests as originally provided in its loan Documents until paid off. The Plan terms will control over contradictory note terms and to the extent a term is not modified in the note, it will remain in effect. Debtor shall maintain all insurance and taxes as they come due.

The deficiency, estimated at \$1,680,000.00 shall be paid under Class 7 below.

The Class 5-A Claim is Impaired and the holder of the Class 5-A Claim is entitled to vote to accept or reject the Plan.

6.5-B **Class 5-B Claim.** The Class 5-B Claim will be paid as Allowed as follows:

The Class 5-B Claim is the claim of USDA Rural Development, guarantor of Class 5-A Claim, who shall retain its lien with its claim reduced to the value of the secured claim estimated at zero (0), with the balance of the claim treated as unsecured under Class 7 below in the estimated amount of \$3,920,000.00.

The Class 5-B Claim is Impaired and the holder of the Class 5-B Claim is entitled to vote to accept or reject the Plan.

6.6 **Class 6 Claim.** The Class 6 Claim will be paid as Allowed as follows:

The Class 6 Claim is the Allowed Secured Claim of MidSouth Bank, N.A. which shall be Allowed in the amount of \$437,504.25 (“Allowed Secured Claim”). The Allowed Secured Claim shall be paid in full from proceeds of the sale of its collateral, a 1.5 acre tract of land adjacent to Country Inn & Suites at 1918 University Ave., Texarkana, TX, owned by Krishna Associate, LLC within 12 months of the “Effective Date of the Plan.

The unmodified terms of MidSouth Bank, N.A.'s pre-petition loan documents are not Modified by the Plan or Confirmation Order unless specifically stated in the Plan. MidSouth Bank, N.A. shall retain all of its liens and security interests as originally provided in its loan Documents until paid off. The Plan terms will control over contradictory note terms and to the extent a term is not modified in the note, it will remain in effect.

The Class 6 Claim is Impaired and the holder of the Class 6 Claim is entitled to vote to Accept or reject the Plan.

6.7 **Class 7 Claims.** The Class 7 Claims will be paid as Allowed as follows:

The Class 7 Allowed Claims of Unsecured Creditors shall be paid 5% of Allowed Claims Paid monthly, with the first payment beginning 180 days after the Effective Date and a like payment each month thereafter until the expiration of 60 months after the Effective Date. (See **Exhibit "C"**).

The Class 7 Claim is Impaired and the holders of the Class 7 Claims are entitled to vote to Accept or reject the Plan.

6.8 **Class 8 Claims.** The Class 8 Claims will be treated as follows:

The only existing equity holders are Hiren Patel - 95% and Dineshchandra Patel – 5%. Dineshchandra Patel will contribute \$50,000.00 in new funds preceding Confirmation. New value in the approximate amount of \$500,000.00 will be contributed by way of incentives saved that would be lost should the property or Debtor be sold or transferred to any party other than the Patels. Incentives described at 5.9 herein are not transferable to 3rd parties and constitute substantial new value to the reorganized Debtor. Additional new value is contributed by way of assumption of the License Agreement with Holiday Hospitality Franchising, LLC (“HHF”) identified in Section 7.1 herein, which prohibits the change in equity ownership.

VII **ASSUMPTION AND REJECTION OF EXECUTORY CONTRACTS** **AND UNEXPIRED LEASES**

7.1 Debtor shall assume, pursuant to Bankruptcy Code Section 1123(b)(2), by separate Motion and Order unexpired leases of non-residential real property and executory contracts prior to the Confirmation Date or as part of Confirmation of a Plan in this case, except that the License Agreement between Debtor and Holiday Hospitality Franchising, LLC (“HHF”) shall be assumed, effective as of the Effective Date. As a condition to the assumption of the License Agreement, the Debtor shall, (x) continue to pay all franchise fees in the ordinary course of business; (y) on or before the Effective Date (i) pay to HHF as a cure all outstanding and

unpaid pre-petition and post-petition franchise fees other than those fees that the Debtor is required to pay in the ordinary course; and (ii) cure all non-monetary defaults on the License Agreement pursuant to the Detailed Non-Compliance Report and a Corrective Action Plans and Details; and (z) pay to HHF as a cure on or before the first business day that is no more than 90 days after the Effective Date (“Fee Payment Deadline”), HHF’s reasonable attorney’s fees and expenses. Unless otherwise agreed by HHF and the Debtor, HHF shall provide to Debtor backup for HHF’s attorney’s fees and costs by no later than 7 days after the Effective Date, and Debtor shall have 7 days to review such backup and meet and confer with HHF regarding any dispute, and, if no agreement is reached, an additional 7 days to file an objection, to be heard on regular notice, for the Court to determine the reasonableness of HHF’s requested fees and costs. If the Debtor does not timely file an objection, then the fees and costs requested by HHF shall be deemed reasonable and the Debtor shall be required to pay that sum by the Fee Payment Deadline.

VIII

PLAN ADMINISTRATOR: POWERS, DUTIES, OBLIGATIONS **AND CHAPTER 5 REVIEW/ACTION**

8.1 The Plan Administrator shall be Hiren Patel, Managing Member of Debtor. He shall have those powers, duties and obligations set out in paragraph 2.20 of this Disclosure Statement. Hiren Patel shall act as fiduciary for the benefit of Creditors until termination and the closing of the Reorganization Case. Operating reports shall be provided to the United States Trustee if required after confirmation.

8.2 Chapter 5 Actions: Debtor has identified all transfers and potential preferences under Sections 4.1, 4.2, 13.1 and 13.2 of the Statement of Financial Affairs and amendments thereto. Creditors should note the disclosure of payments or transfers to insiders. On confirmation of the Plan, Counsel for Debtor and Counsel for MidSouth Bank will review all potential preferences and transfers to determine viable actions for recovery. After review, and to avoid conflict, request may be made of the court to appoint Special Counsel for pursuit thereof.

Potential claims are Holiday Springs Water Park, LLC, Texarkana Water Park, LLC, Dineshchandra Patel and THI Management, LLC. All potential claims are subject to offsets or defenses. Debtor estimates the maximum potential recovery to be approximately \$245,000.00.

ARTICLE IX

BINDING EFFECT UPON CREDITORS; DISCHARGE

9.1 Upon confirmation of the Plan all Creditors, including their heirs, successors and assigns, shall be forever bound by its terms. All such Creditors will be legally obligated to execute and deliver any and all documents that may be required in order to effectuate the Plan.

It is not anticipated that new documents will be required under a confirmed Plan. ALL DEBT, WHETHER LIQUIDATED, CONTINGENT OR DISPUTED, AND WHETHER SCHEDULED BY THE DEBTORS, EXCEPT AS PROVIDED IN SECTION 1141 OF THE BANKRUPTCY CODE AND EXCEPT AS SAME EITHER IS NOT IMPAIRED UNDER THE PLAN OR IS PAYABLE AS PROVIDED IN THE PLAN, SHALL ON CONFIRMATION OF THE PLAN BE DISCHARGED AND THEREBY RELEASED AND NO LONGER RECOVERABLE AND ALL JUDGMENT LIENS SHALL BE RELEASED.

ARTICLE X

GENERAL CONSIDERATIONS IN ACCEPTING A CHAPTER 11 PLAN

10.1 Operation of Chapter 11. A confirmation of a Plan of Reorganization is the ultimate goal of a Chapter 11 proceeding. Consequently, your decision whether to accept the Plan must be made in the context required by the law for Chapter 11 bankruptcy proceedings.

In a Chapter 11 proceeding, the Debtor is the only possible proponent of a plan during the initial one hundred twenty (120) days of the proceeding unless certain special conditions are met. After that one hundred twenty (120) day period (unless the Bankruptcy Court extends it), any party in interest may propose a plan.

Chapter 11 of the Bankruptcy Code permits the adjustment of secured debt, unsecured debt and equity interests. A Chapter 11 plan may provide less than full satisfaction of senior indebtedness and payment to junior indebtedness or may provide for return to equity owners absent full satisfaction of indebtedness so long as no impaired class votes against the plan.

If an impaired class votes against the plan, this does not necessarily make implementation of the plan impossible so long as the plan is fair and equitable and that class is afforded "adequate protection". Adequate protection may be very broadly defined as providing to a creditor (or interest holder) the full value of their claim. Such value is determined by the Court and balanced against the treatment afforded the creditor. If the latter is equal or greater, the plan may be confirmed over the dissent of that class.

In the event a class is unimpaired, it is automatically deemed to accept the plan. A class is unimpaired, in essence, if (1) its rights after confirmation are equal to what existed (or would have existed absent defaults) before the commencement of the Chapter 11 and any existing defaults are cured or provided for and the class is reimbursed actual damages, or (2) the class is paid its full claim as though matured.

If there is not a dissenting class, the test for approval by a court of a Chapter 11 plan (i.e., confirmation) is whether the plan is in the best interests of creditors and interest holders and is feasible. In simple terms, a plan is considered by the court to be in the best interest of creditors and interest holders if the plan will provide a better recovery to the creditors than they would obtain if the debtor were liquidated and the proceeds of liquidation were distributed in accordance with bankruptcy proceeding priorities. In other words, if the plan provides creditors with money or other property of a value exceeding the probable dividend in a Chapter 7

(liquidation bankruptcy), then the plan is in the best interests of creditors. The Court, in considering this factor, is not required to consider any other alternative to the plan than liquidation.

In considering feasibility, the court is only required to determine whether the obligations of the plan can be performed. This entails determining (1) the availability of cash for payments required at confirmation; (2) the ability of the debtor to generate future cash flow sufficient to make payments called for under the plan and to continue in business; and (3) the absence of any other factor which might make it impossible for the debtor to accomplish that which it promises to accomplish in the plan.

10.2 Alternatives to the Plan. Although this Disclosure Statement is intended to provide information to assist in the formation of a judgment as to whether to vote for or against the Plan, and although creditors are not being offered through that vote an opportunity to express an opinion concerning alternatives to the Plan, a brief discussion of alternatives to the Plan may be useful. These alternatives include continuation of the Chapter 11, conversion to Chapter 7, or dismissal of this proceeding. The Debtor, of course, believes the proposed Plan to be in the best interests of Creditors and the Debtor. Thus Debtor does not favor any alternative to the proposed Plan.

ARTICLE XI
CONCLUSION

This Disclosure Statement has attempted to set forth information to assist the Debtor's Creditors in evaluating the Plan of Reorganization. If the Plan is accepted, all Creditors of Debtor will be bound by its terms.

The Debtor urges each Creditor to read the Plan carefully and to use this Disclosure Statement and such other information as may be available to the Creditor in order to make an informed decision on the Plan.

Date: September 23, 2016

Respectfully submitted,

/s/ Bill F. Payne

BILL F. PAYNE, SBN 15649500
12770 Coit Road, Suite 541
Dallas, Texas 75251
Telephone : 972-628-4901
Facsimile: 972-528-4905
Email: bill@wpaynlaw.com
Attorney for Debtor

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Plan of Reorganization has been sent by electronic transmission and/or first class mail to the following parties and to all parties filing an electronic notice on September 23, 2016.

Texarkana Hotels, LLC
2910 Harrisburg Lane
Texarkana, TX 75503-4501

U. S. Trustee's Office
110 N. College, Suite 300
Tyler, Texas 75702

Scott A. Ritcheson
Ritcheson, Lauffer & Vincent, P.C.
scottr@rllawfirm.net

Leib Lerner
For Holiday Hospitality Franchising, LLC
Leib.lerner@alston.com

/s/ Bill F. Payne
Bill F. Payne