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

**IN RE:**

**JONESBORO HOSPITALITY, LLC,  
  
Debtor.**

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**CASE NO. 17-40311-BTR  
Chapter 11**

**FIRST AMENDED DISCLOSURE STATEMENT DATED DECEMBER 1, 2017**

**TABLE OF CONTENTS**

**ARTICLE I: INTRODUCTION ..... 3**

**ARTICLE II: REPRESENTATIONS ..... 9**

**ARTICLE III: FINANCIAL PICTURE OF THE DEBTOR ..... 11**

**ARTICLE IV: ANALYSIS AND VALUATION OF PROPERTY ..... 11**  
*Liquidation Analysis ..... 12*

**ARTICLE V: SUMMARY OF THE PLAN ..... 13**  
**DESIGNATION OF CLASSES OF CLAIMS AND INTERESTS ..... 13**  
 Class 1: Allowed Administrative Claims ..... 14  
 Class 2: Allowed Secured Claims of Ad Valorem Taxing Authorities ..... 15  
 Class 3: Allowed Secured Claim of Internal Revenue Service ..... 15  
 Class 4: Allowed Secured Claims of Arkansas Department of Finance ..... 17  
 Class 5: Allowed Secured Claim of Ciena Capital ..... 17  
 Class 6: Allowed Priority Claim of Internal Revenue Service ..... 17  
 Class 7: Allowed Priority Claim of Arkansas Department of Finance ..... 18  
 Class 8: Allowed Priority Claim of the Texas Comptroller of Public Accounts ..... 19  
 Class 9: Allowed Priority Claim of the City of Jonesboro ..... 19  
 Class 10: Allowed General Unsecured Claims ..... 19  
 Class 11: Allowed Equity Interests ..... 20

**ARTICLE VI: MEANS FOR IMPLEMENTATION OF PLAN ..... 21**

**ARTICLE VII: ASSUMPTION AND REJECTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES ..... 22**

**ARTICLE VIII: FEASIBILITY OF PLAN ..... 22**

**ARTICLE IX: ALTERNATIVES TO DEBTOR’S PLAN ..... 23**

**ARTICLE X: RISKS TO CREDITORS UNDER THE DEBTOR’S PLAN ..... 23**

**ARTICLE XI: TAX CONSEQUENCES TO THE DEBTOR ..... 23**

**ARTICLE XII: PENDING LITIGATION ..... 26**

**ARTICLE XIII: SUMMARY OF SIGNIFICANT ORDERS ENTERED DURING THE CASE ..... 26**

**EXHIBITS:**  
 Plan of Reorganization Dated December 1, 2017 ..... 1  
 Claims Summary ..... 2  
 Projections ..... 3

## **ARTICLE I: INTRODUCTION**

### **Identity of the Debtor**

**1.01** Debtor Jonesboro Hospitality, LLC (“Debtor”) filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. Section 101, et seq. (“Code”) on February 15, 2017, in the United States Bankruptcy Court for the Eastern District of Texas, Sherman Division (“Court”), initiating the above-styled and referenced bankruptcy proceeding. The Debtor is operating business as Debtor-in-Possession pursuant to Sections 1107 and 1108 of the Code.

### **Purpose of This Disclosure; Source of Information**

**1.02.** Debtor submits this Disclosure Statement pursuant to Section 1125 of the Code to all known Claimants of Debtor for the purpose of disclosing that information which the Court has determined is material, important, and necessary for Creditors of Debtor in order to arrive at an intelligent, reasonably informed decision in exercising the right to vote for acceptance or rejection of the Debtor’s Plan. A copy of the Plan is attached hereto as **Exhibit “1”** and incorporated herein by this reference. The Plan sets forth in detail the repayment arrangement between the Debtor and its creditors. This Disclosure describes the operations of the Debtor contemplated under the Plan. Any accounting information contained herein has been provided by the Debtor and has been prepared using the cash method of accounting.

### **Explanation of Chapter 11**

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

### **Explanation of the Process of Confirmation**

**1.04** Even if all Classes of Claims accept the plan, its confirmation may be refused by the Court. Section 1129 of the Code sets forth the requirements for confirmation and, among other things, requires that a plan of reorganization be in the best interests of Claimants. It generally requires that the value to be distributed to Claimants and Equity Interest Holders may not be less than such parties would receive if the debtor were liquidated under Chapter 7 of the Code.

**1.05** Acceptance of the plan by the Creditors and Equity Interest Holders is important. In order for the plan to be accepted by each class of claims, the creditors that hold at least two thirds (2/3) in amount and more than one-half (1/2) in number of the allowed claims actually voting on the plan in such class must vote for the plan and the equity interest holders that hold at least two-thirds (2/3) in amount of the allowed interests actually voting on the plan in such class must

vote for the plan. Chapter 11 of the Code does not require that each holder of a claim against, or interest in, the debtor vote in favor of the plan in order for it to be confirmed by the Court. The plan, however, must be accepted by: (i) at least the holder of one (1) class of claims by a majority in number and two-thirds (2/3) in amount of those claims of such class actually voting; or (ii) at least the holders of one (1) class of allowed interests by two-thirds (2/3) in amount of the allowed interests of such class actually voting.

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

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

### **Voting Procedures**

**1.08 Unimpaired Class.** Claimants in Class 1 are not impaired under the Plan. Such Class, therefore, is deemed to have accepted the Plan.

**1.09 Impaired Classes.** The Classes 2-10 Claimants are impaired as defined by Section 1124 of the Code. The Debtor is seeking the acceptance of the Plan by Claimants in Classes 2-10. Each holder of an Allowed Claim in Classes 2-10 may vote on the Plan by completing, dating and signing the ballot sent to each holder and filing the ballot as set forth below. One ballot will be sent to each Claimant eligible to vote on the Plan. For all Classes, the ballot must be returned to Debtor's attorney, Joyce W. Lindauer, Joyce W. Lindauer Attorney, PLLC, 12720 Hillcrest Road, Suite 625, Dallas, Texas 75230 by mail, email at [joyce@joycelindauer.com](mailto:joyce@joycelindauer.com), or facsimile at (972) 503-4034. In order to be counted, ballots must be **RECEIVED** no later than at the time and on the date stated on the ballot.

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

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

**1.11** Section 1129(a)(7) of the Code requires that each impaired class of claims or interests accept the **Plan** or receive or retain under the **Plan** on account of such claim or interest, property of a value as of the **Effective Date** of the **Plan**, that is not less than the amount that such holder would so receive or retain if the **Debtor** were to liquidate its Estate under Chapter 7 of the Bankruptcy Code. If Section 1111(b)(2) of the Code applies to the claims of such class, each holder of a claim of such class will receive or retain under the **Plan**, on account of such claim, property of a value, as of the **Effective Date** of the **Plan**, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims. In order for the **Plan** to be confirmed, the **Court** must determine that the **Plan** is in the best interests of the **Debtor's** creditors. Accordingly, the proposed plan must provide the **Debtor's** creditors with more than they would receive in a Chapter 7 liquidation. Accordingly, since the **Plan** proposes to pay all creditors in full, the Debtor believes that the creditors are receiving more than they would

receive in Chapter 7 liquidation. Accordingly, the **Plan** satisfies the requirements of Section 1129(a)(7).

### **Cramdown**

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

### **Definition of Impairment**

**1.13** As set forth in section 1124 of the Bankruptcy Code, a class of claims or equity interests is impaired under a plan of reorganization unless, with respect to each claim or equity interest of such class, the plan:

- (a) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or equity interest; or
- (b) notwithstanding any contractual provision or applicable law that entitles the holder or a claim or equity interest to demand or receive accelerated payment of such claim or equity interest after the occurrence of a default:
  - (i) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code;
  - (ii) reinstates the maturity of such claim or interest as it existed before such default;
  - (iii) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law; and
  - (iv) does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

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

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

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

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

**Requirements for Confirmation of the Plan**

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

- (1) The Plan complies with the applicable provisions of the Bankruptcy Code.
- (2) The proponents of the Plan comply with the applicable provisions of the Bankruptcy Code.
- (3) The Plan has been proposed in good faith and not by any means forbidden by law.
- (4) Any payment made or to be made by the Plan proponent, by the Debtor or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the case, or in connection with the Plan and incident to the case, has been approved by, or is subject to the approval of, the court as reasonable.
- (5) (A) (i) The proponent of the Plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Debtor, an affiliate of the Debtor participating in a joint Plan with the Debtor, or a successor to the Debtor under the Plan; and (ii) the appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security holders and with public policy; and (B) the proponent of the Plan has disclosed the identity of any insider that will be employed or retained by the reorganized Debtor, and the nature of any compensation for such insider.
- (6) Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtor has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval.
- (7) With respect to each impaired class of claims or interests: (i) each holder of a claim or interest of such class has (A) accepted the Plan or (B) will receive or retain under the Plan on account of such claim or interest property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated on such date under chapter 7 of the Bankruptcy Code on such date; or (ii) if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the holder of a claim of such class will receive or retain under the Plan on account of such claim property of a value, as of the effective date of the Plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.

(8) With respect to each class of claims or interests: (i) such class has accepted the Plan; or (ii) such class is not impaired under the Plan.

(9) Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the Plan provides that: (i) with respect to a claim of a kind specified in section 507(a)(1) or 507(a)(2) of the Bankruptcy Code, on the effective date of the Plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim; (ii) with respect to a class of claims of a kind specified in section 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7) of the Bankruptcy Code, each holder of a claim of such class will receive: (i) if such class has accepted the Plan, deferred cash payments of a value, as of the effective date of the Plan, equal to the allowed amount of such claim; or (ii) if such class has not accepted the Plan, cash on the effective date of the Plan equal to the allowed amount of such claim; and (iii) with respect to a claim of a kind specified in section 507(a)(7) of the Bankruptcy Code, the holder of a claim will receive on account of such claim, regular installments in cash – of a total value, as of the effective date of the Plan, equal to the allowed amount of such claim; over a period ending not later than 5 years after the date of the order for relief under section 301, 302 or 303; and in a manner not less favorable than the most favored non-priority unsecured claim provided for by the Plan (other than cash payments made to any class of creditors under section 1122(b)); and with respect to a secured claim which would otherwise meet the description of an unsecured claim of a governmental unit under section 507(a)(8), but for the secured status of that claim, cash payments of a total value, as of the effective date of the Plan, equal to the allowed amount of such claim; over a period ending not later than 5 years after the date of the order for relief under section 301, 302 or 303; and in a manner not less favorable than the most favored non-priority unsecured claim provided for by the Plan (other than cash payments made to any class of creditors under section 1122(b)).

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

(11) Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

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

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

The Debtor believes that the Plan satisfies all the statutory requirements of Chapter 11 of the Bankruptcy Code, that the Debtor has complied with or will have complied with all the requirements of Chapter 11, and that the Plan is proposed in good faith. At the Confirmation Hearing, the Bankruptcy Court will determine whether holders of Allowed Claims or Allowed Equity Interests would receive greater distributions under the Plan than they would receive in liquidation under chapter 7.

The Debtor believes that the feasibility requirement for confirmation of the Plan is satisfied by the fact that the proceeds from the sale will be sufficient to satisfy the obligations under the Plan in addition to supporting sustainable growth of the company. These facts and others demonstrating the confirmability of the Plan will be shown at the Confirmation Hearing.

### **Cramdown**

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

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

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

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

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

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

(b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property, except that in a case in which the debtor is an individual, the debtor may retain property included in the estate under section 1115 subject to the requirements that a) the value, as of effective date of the plan, of the property to be distributed under the plan on account of such claim is not less than the amount of such claim; or (b) the value of property to be distributed under the plan is not less than the projected disposable income of the debtor (as defined in section 1325(b)(2)) to be received during the 5-year period beginning on the date that the first payment is due under the plan, or during the period for which the plan provides payments, whichever is longer.

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

(a) that each holder of an interest of such class receive or retain on account of such interest property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest; or

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

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

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

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

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

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

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

2.04 ANY BENEFITS OFFERED TO THE CREDITORS ACCORDING TO THE PLAN WHICH MAY CONSTITUTE "SECURITIES" HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC"), THE TEXAS SECURITIES BOARD, OR ANY OTHER RELEVANT GOVERNMENTAL AUTHORITY IN ANY STATE OF THE UNITED STATES. IN ADDITION, NEITHER THE SEC, NOR ANY OTHER GOVERNMENTAL AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE OR UPON THE MERITS OF THE PLAN. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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

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

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

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

**Financial History and Background of the Debtor**

3.01. The Debtor owns real property including a currently operating hotel with a hotel's variety of ordinary assets, including office equipment, hotel furnishings, pool equipment, and other assets. The largest asset Debtor owns is commercial property located at 3006 S. Caraway Rd., Jonesboro, AR 72401 (the "Commercial Property"). The Debtor will fund the Plan through a sale of the Commercial Property expected to occur in the next 180 days. The Commercial Property is encumbered by liens to taxing authorities, Arkansas Department of Finance, and Ciena Capital. The Debtor fell behind on its payments prior to the filing of this case.

**Events Leading to Filing of Bankruptcy**

The Debtor believes that it is positioned to meet its obligations under the Plan. The Debtor needs to sell its Commercial Property to pay off the amounts owed to its creditors which it believes it can do under the Plan. While in Chapter 11, the Debtor has filed the required monthly operating reports. These reports are available on Pacer at <https://pacer.login.uscourts.gov/> or from the Debtor's attorney.

**Future Income and Expenses Under the Plan**

3.02. The Debtor's Claims Summary is attached hereto as Exhibit "2". The Debtor will fund the Plan from the expected sale of the Commercial Property in Jonesboro, Arkansas. The Debtor's projections of proceeds and payments to creditors are attached as Exhibit "3." The Debtor will keep current on its ordinary post-petition payables.

**Future Management of the Debtor**

3.03. The Plan contemplates the current management will continue in place operating the Debtor business and the Debtor will fund the plan through the sale of the Commercial Property within the next 180 days.

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

**Real Property**

4.01. The Debtor owns the real property located at 3006 S. Caraway Rd., Jonesboro, AR 72401, which is valued at approximately \$2,100,000.00 with all improvements and fixtures. The basis for the Debtor's opinion of value is in part the Craighead County Appraisal District's appraisal value of the land and improvements. The Commercial Property is currently listed for sale at \$3,500,000.00.

**Personal Property**

4.02. The **Debtor** owns the following non-exempt personal property described as follows:

<b>Property</b>	<b>Value</b>	<b>Exemption Status</b>
Bank Accounts and Cash	\$3,830.11	Non-Exempt
Office Furnishings	\$2,500.00	Non-Exempt
Machinery, Equipment, and Vehicles	\$278,516.00	Non-Exempt
Vehicles	\$13,000.00	Non-Exempt
All Other Assets, including Hotel Room Furnishings and Hotel Conference Room Furnishings, and Hotel Common Area Furnishings	\$454,500.00	Non-Exempt

4.03. The Debtor does not have a current appraisal on the personal property. The Debtor value the personal property based on its age and condition.

In order to confirm a plan of reorganization, one of the things that the Debtor must prove is that its paying to Creditors at least the liquidation value—not the fair market value—of its non-exempt assets. If the Debtor’s assets were sold in a Chapter 7 case by a trustee on the Confirmation Date, in a forced liquidation scenario, rather than by the Debtor continuing to operate the business and the sale of the Commercial Property within the next 180 days contemplated by the Plan, the Debtor believes the Unsecured Creditors would not receive any payment, as illustrated below.

***Liquidation Analysis***

Proceeds from Sale of Real Property (75% of FMV) <sup>1</sup>	\$2,625,000.00
Proceeds from Forced Liquidation of Hotel Furnishings and Equipment (50% of FMV) <sup>2</sup>	\$374,258.00
Total Amount for Distribution to Creditors	\$2,999,258.00
Total Priority Claims	\$225,353.77
Total Secured Claims	\$3,009,478.51
Deficiency	(\$235,574.28)

The Debtor proposes to pay its unsecured claims a pro rata share of any remaining proceeds (following payment on the secured and priority claims) from the sale of the Commercial Property,

<sup>1</sup> Does not include any real estate or broker commissions.

<sup>2</sup> Does not include any broker or auctioneer commissions

so the outcome of a confirmation of a Chapter 11 plan better for unsecured creditors in a Chapter 11.

**ARTICLE V:  
SUMMARY OF THE PLAN**

The Plan will be funded from the income of the Debtor and a sale of the commercial property expected to occur within 180 days of the Effective Date

Based on the Exhibits supporting this Disclosure, the Debtor believes that it will be able make all the Plan payments.

**DESIGNATION OF CLASSES OF CLAIMS AND INTERESTS**

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

**Claims Against Jonesboro Hospitality**

Class 1	Allowed Administrative Claims
Class 2	Allowed Secured Claims of Ad Valorem Taxing Authorities
Class 3	Allowed Secured Claim of Internal Revenue Service
Class 4	Allowed Secured Claims of Arkansas Department of Finance
Class 5	Allowed Secured Claim of Ciena Capital
Class 6	Allowed Priority Claim of Internal Revenue Service
Class 7	Allowed Priority Claims of Arkansas Department of Finance
Class 8	Allowed Priority Claim of the Texas Comptroller of Public Accounts
Class 9	Allowed Priority Claim of the City of Jonesboro
Class 10	Allowed General Unsecured Claims
Class 11	Allowed Equity Interests

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

All Claims and Interests, except Administrative Claims, Professional Fee Administrative Claims, and Priority Unsecured Tax Claims are placed in the Classes set forth below, in accordance with section 1123(a)(1) of the Bankruptcy Code.

**Administrative Claims.** Each holder of an Administrative Claim other than Professional Fee Administrative Claims shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Administrative Claim, (i) Cash equal to the unpaid portion of such Allowed Administrative Claim or (ii) such other treatment as to which the Debtor and such holder shall have agreed upon in writing; *provided, however*, that Allowed Administrative Claims with respect to liabilities incurred by the Debtor in the ordinary course of business during the Bankruptcy Case shall be paid in the ordinary course of business in accordance with the terms and

conditions of any agreements relating thereto. On or before the Effective Date, the Debtor shall pay or have paid in full all Allowed Administrative Claims for fees payable pursuant to 28 U.S.C. §1930. Any administrative ad valorem tax claims shall be paid pursuant to otherwise applicable state law. Nothing herein shall require Craighead County to file an administrative expense claim or request for payment.

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

**Priority Unsecured Tax Claims.** Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed by the holder of a Priority Unsecured Tax Claim and the Debtor or the Reorganized Debtor, each holder of an Allowed Priority Unsecured Tax Claim will receive, in full satisfaction of its Priority Unsecured Tax Claim, deferred cash payments over a period not exceeding six (6) years from the date of assessment of such Priority Unsecured Tax Claim. Payments will be made in equal annual installments of principal, plus interest payable at the rate provided under otherwise applicable state law from the Effective Date on the unpaid portion of each Allowed Priority Unsecured Tax Claim (or upon such other terms determined by the Bankruptcy Court to provide the holder of a Priority Unsecured Tax Claim with deferred cash payments having a value, as of the Effective Date, equal to the Allowed amount of such Priority Unsecured Tax Claim). Unless otherwise agreed by the holder of a Priority Unsecured Tax Claim and the Debtor, the first payment on account of such Priority Unsecured Tax Claim will be payable on the Effective Date or (i) after the date on which an order allowing such Priority Unsecured Tax Claim becomes a Final Order or (ii) an agreement relating to the amount and nature of the Priority Unsecured Tax Claim is executed by the Reorganized Debtor and the holder of the Priority Unsecured Tax Claim; *provided, however*, that the Reorganized Debtor shall have the right to pay any Allowed Priority Unsecured Tax Claim, or any remaining balance of such Allowed Priority Unsecured Tax Claim, in full at any time on or after the Effective Date without premium or penalty.

**Title 28 U.S.C. Section 1930 Fees.** Debtor shall pay all fees assessed by the Office of the United States Trustee until this Case is closed by the Court or the Debtor is otherwise released from such obligations by the Court.

**Class 1: Allowed Administrative Claims.**

Class 1 Claims will be paid once Allowed in full by the Debtor before the Effective Date. These claims are priority claims pursuant to Section 507(a)(2) of the Bankruptcy Code. These claims include claims for Debtor's attorney's fees and U.S. Trustee's fees. U.S. Trustee's fees must be paid until the case is closed. The Debtor must file quarterly reports following confirmation and until the case is closed. The Class 1 Claims may agree to a different treatment.

The Class 1 Claims are Unimpaired and the holders of the Class 1 Claims are not entitled

to vote to accept or reject the **Plan**.

**Class 2: Allowed Secured Claims of Ad Valorem Taxing Authorities**

Class 2 shall consist of the Allowed Secured Claims of Ad Valorem Taxing Authorities on the Debtor's real and personal property which accrued on or prior to January 1, 2017 (the "**Class 2 Claims**") in the estimated amount of \$258,461.00

- a. Impairment and Voting. Class 2 Claims are impaired by the Plan. The holders of Class 2 Claims are entitled to vote to accept or reject the Plan.
- b. Treatment. Class 2 shall be paid in full from the sale of the Commercial Property within 180 days of the Effective Date of the Plan. These creditors shall retain their liens to secure their claims until paid in full under this Plan. The Class 2 Claims shall be paid 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.
- c. In the event that the Debtor dispute such claim, the payments will be applied to the undisputed amount of the claim as ultimately allowed. While resolution of any such objection is pending, payments pursuant to the Plan shall be applied to the undisputed portion of the claim as ultimately allowed. Such default must be cured by the Debtor within 10 business days of the date of transmission of such notice of default. In the event the default is not cured, the Class 2 Claimants shall be entitled to pursue all amounts owed pursuant to state law outside of the Bankruptcy Court. The Class 2 Claimants shall provide a notice of default to Debtor's counsel by facsimile or email. The Class 2 Claimants shall only be required to provide two notices of default. Upon a third event of default, (i) the Class 2 Claimants 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.
- d. The 2017 taxes shall be paid when due.

**Class 3: Allowed Secured Claim of Internal Revenue Service**

Class 3 shall consist of the Allowed Secured Claim of the Internal Revenue Service in the estimated amount of \$73,706.64.

- a. Impairment and Voting. Class 3 Claims are impaired by the Plan. The holders of Class 3 Claims are entitled to vote to accept or reject the Plan
- b. The Class 3 Claim shall be paid in full from the sale of the Commercial Property within 180 days of the Effective Date of the Plan with interest on such claims at the rate of 4.25% per annum.
- c. Events of Default for IRS. The occurrence of any of the following shall constitute

an event of default under the Plan:

1. Failure to Make Payments. Failure on the part of Debtor to pay fully when due any payment required to be made in respect of the Plan debt. However, due to the size and ongoing nature of the IRS's claim, upon a default under the Plan, the administrative collection powers and the rights of the IRS shall be reinstated as they existed prior to the filing of the bankruptcy petition, including, but not limited to, the assessment of taxes, the filing of a notice of Federal (or state) tax lien and the powers of levy, seizure, and as provided under the Internal Revenue Code. As to the IRS:
  - (A) If the Debtor or its successor in interest fail to make any plan payment, or deposits of any currently accruing employment or sales tax liability; or fails to make payment of any tax to the Internal Revenue Service within 10 days of the due date of such deposit or payment, or if the Debtor or its successor in interest failed to file any required federal or state tax return by the due date of such return, then the United States may declare that the Debtor are in default of the Plan. Failure to declare a default does not constitute a waiver by the United States of the right to declare that the successor in interest or Debtor are in default.
  - (B) If the United States declares the Debtor or the successor in interest to be in default of the Debtor's obligations under the Plan, then the entire imposed liability, together with any unpaid current liabilities, may become due and payable immediately upon written demand to the Debtor or the successor in interest.
  - (C) If full payment is not made within 14 days of such demand, then the Internal Revenue Service may collect any unpaid liabilities through the administrative collection provisions of the Internal Revenue Code. The IRS shall only be required to send two notices of default, and upon the third event of Default, the IRS may proceed to collect on all amounts owed without recourse to the Bankruptcy Court and without further notice to the Debtor. The collection statute expiration date will be extended from the Petition Date until substantial default under the Plan. All payments will be sent to: IRS, 1100 Commerce Street M/S Mail Code 5027 DAL, Dallas, Texas 75242 attn Lorraine Washington.
  - (D) The Internal Revenue Service shall not be bound by any release provisions in the Plan that would release any liability of the responsible persons of the Debtor to the IRS. The Internal Revenue Service may take such actions as it deems necessary to assess any liability that may be due and owing by the responsible persons of the Debtor to the Internal Revenue Service; but the Internal Revenue Service shall not take action to actually collect from such persons unless and until there is a default under the Plan and as set forth above.

**Class 4: Allowed Secured Claims of Arkansas Department of Finance**

Class 4 shall consist of the Allowed Secured Claims of the Arkansas Department of Finance in the estimated amount of \$445,338.49.

- a. Impairment and Voting. Class 4 Claim is impaired by the Plan. The holder of a Class 4 Claim is entitled to vote to accept or reject the Plan
- b. Treatment. Debtor shall pay the Allowed Secured Claim in full from the sale of the Commercial Property. The sale is set to occur within 180 days of the Effective Date of the Plan with interest on such claims at the rate of 10% per annum.

**Class 5: Allowed Secured Claim of Ciena Capital**

The Class 5 Allowed Secured Claim of Ciena Capital (“Ciena Capital”) on the Commercial Property shall be Allowed in the approximate amount of \$2,231,972.38. The Plan intends to pay the Allowed Secured Claim of Ciena Capital in full.

- a. Impairment and Voting. Class 5 Claim is impaired by the Plan. The holder of Class 5 Claim is entitled to vote to accept or reject the Plan.
- b. Treatment. Debtor shall pay the Allowed Secured Claim in full from the sale of the Commercial Property. The sale is set to occur within 180 days of the Effective Date of the Plan with interest on such claims at the rate of 4.25% per annum.
- c. Ciena Capital shall retain its liens to secure its Allowed Secured Claim.

**Class 6: Allowed Priority Claim of Internal Revenue Service**

Class 6 shall consist of the Allowed Priority Unsecured Claim of the Internal Revenue Service in the estimated amount of \$209,698.21.

- a. Impairment and Voting. The Class 6 Claim is impaired by the Plan. The holder of Class 6 Claim is entitled to vote to accept or reject the Plan.
- b. The Class 6 Claim shall be paid in full from the sale of the Commercial Property. The sale is set to occur within 180 days of the Effective Date of the Plan. The Allowed Claim shall accrue interest on such claims at the rate of 4.25% per annum.
- c. Events of Default for IRS. The occurrence of any of the following shall constitute an event of default under the Plan:
  1. Failure to Make Payments. Failure on the part of Debtor to pay fully when due any payment required to be made in respect of the Plan debt. However, due to the size and ongoing nature of the IRS’s claim, upon a default under the Plan, the administrative collection powers and the rights of the IRS shall be reinstated as they existed prior to the filing of the bankruptcy petition, including, but not limited to, the assessment of taxes, the filing of a notice of Federal (or state) tax lien and the powers of levy, seizure, and as provided under the Internal Revenue Code. As to the IRS:

- (A) If the Debtor or its successor in interest fail to make any plan payment, or

deposits of any currently accruing employment or sales tax liability; or fails to make payment of any tax to the Internal Revenue Service within 10 days of the due date of such deposit or payment, or if the Debtor or its successor in interest failed to file any required federal or state tax return by the due date of such return, then the United States may declare that the Debtor are in default of the Plan. Failure to declare a default does not constitute a waiver by the United States of the right to declare that the successor in interest or Debtor are in default.

- (B) If the United States declares the Debtor or the successor in interest to be in default of the Debtor's obligations under the Plan, then the entire imposed liability, together with any unpaid current liabilities, may become due and payable immediately upon written demand to the Debtor or the successor in interest.
- (C) If full payment is not made within 14 days of such demand, then the Internal Revenue Service may collect any unpaid liabilities through the administrative collection provisions of the Internal Revenue Code. The IRS shall only be required to send two notices of default, and upon the third event of Default, the IRS may proceed to collect on all amounts owed without recourse to the Bankruptcy Court and without further notice to the Debtor. The collection statute expiration date will be extended from the Petition Date until substantial default under the Plan. All payments will be sent to: IRS, 1100 Commerce Street M/S Mail Code 5027 DAL, Dallas, Texas 75242 attn Lorraine Washington.
- (D) The Internal Revenue Service shall not be bound by any release provisions in the Plan that would release any liability of the responsible persons of the Debtor to the IRS. The Internal Revenue Service may take such actions as it deems necessary to assess any liability that may be due and owing by the responsible persons of the Debtor to the Internal Revenue Service; but the Internal Revenue Service shall not take action to actually collect from such persons unless and until there is a default under the Plan and as set forth above.

**Class 7: Allowed Priority Claim of Arkansas Department of Finance**

Class 7 shall consist of the Allowed Priority Unsecured Claims of the Arkansas Department of Finance in the estimated amount of \$7,548.94.

- a. Impairment and Voting. Class 7 Claim is impaired by the Plan. The holder of Class 7 Claim is entitled to vote to accept or reject the Plan.
- b. Treatment. Debtor shall pay the Allowed Priority Claim in full from the sale of the Commercial Property. The sale is set to occur within 180 days of the Effective Date of the Plan with interest on such claims at the rate of 10% per annum.

**Class 8: Allowed Priority Claim of the Texas Comptroller of Public Accounts**

Class 8 shall consist of the Allowed Priority Unsecured Claims of the Texas Comptroller of Public Accounts in the estimated amount of \$4,858.29.

- a. Impairment and Voting. Class 8 Claim is impaired by the Plan. The holder of Class 8 Claim is entitled to vote to accept or reject the Plan
- b. Treatment. The Class 8 Claims will be paid once Allowed with interest on such amounts at the rate of 4.75% per annum, as required by 11 U.S.C § 1129(a)(9)(C). Texas Comptroller will not be subject to setoff rights of the Debtor. Debtor shall pay the Allowed Priority Claim in full from the sale of the Commercial Property. The sale is set to occur within 180 days of the Effective Date of the Plan.
- c. In the event of a default under the plan, counsel for holder of a claim in this class shall provide notice of the default via facsimile to counsel for the Debtor. Such default shall be cured within 10 business days of the date of transmission of such notice of default. In the event the default is not cured, the Class 4 Claimants 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 Class 4 Claimants 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. The 2017 taxes shall be paid when due.

**Class 9: Allowed Priority Claim of the City of Jonesboro**

Class 9 shall consist of the Allowed Priority Unsecured Claims of the City of Jonesboro in the estimated amount of \$3,248.33.

- a. Impairment and Voting. Class 9 Claim is impaired by the Plan. The holder of a Class 9 Claim is entitled to vote to accept or reject the Plan.
- b. Treatment. Debtor shall pay the Allowed Priority Claim in full from the sale of the Commercial Property. The sale is set to occur within 180 days of the Effective Date of the Plan with interest on such claims at the rate of 5% per annum.

**Class 10: Allowed General Unsecured Claims**

Class 10 shall consist of Allowed General Unsecured Claims and is estimated to be approximately \$453,249.33. The Debtor has not filed claims objections and may object to certain of the unsecured claims. The Plan intends to pay the Allowed Unsecured Claims a pro rata share of whatever funds are available from the sale of the Commercial Property and payment to all secured and priority creditors.

- a. Impairment and Voting. Class 10 is impaired by the Plan. The holders of Class 10 Claims are entitled to vote to accept or reject the Plan.
- b. Treatment. Debtor shall pay the Allowed General Unsecured Claims from the sale of the Commercial Property. The sale shall occur within the 180 days of the

Effective Date of the Plan. All non-objected to claims will be paid within sixty (60) days of the closing date of the sale of the Commercial Property.

- c. Insider claims. There are no insider claims at present; to the extent they exist, insider claims are paid nothing under this Plan.

### **Class 11 Allowed Equity Interests**

Class 11 shall consist of all Allowed Interests in the Debtor.

- a. Impairment and Voting. Class 11 are not impaired by the Plan. The holders of Class 11 Interests are not entitled to vote to accept or reject the Plan.
- b. On the Confirmation Date, all Equity Interests shall be treated as follows:

On the Effective Date, all equity interests shall be retained.

The Debtor believes that the Plan will not violate the absolute priority rule and will be consensual as to the unsecured creditors. In the event that the Class 10 unsecured creditors do not vote for the Plan, and the Bankruptcy Court requires an auction, then: (i) the Existing Equity Interests will be cancelled on the Effective Date, (ii) the new equity interests in the Debtor shall be sold at an Auction sale as set forth herein, and (iii) the new equity interests in the Debtor shall be issued to the successful bidder for the interest in the Debtor at the Auction, subject to the terms of this Plan. If the Plan is not confirmed by the Court at the Confirmation Hearing, then the sale of the equity interests shall not proceed and the sale shall be cancelled. The Debtor shall remain the same corporate entity, without change in its structure.

An auction procedure has been built into the Plan to assure the creditors that equity will not retain or receive any financial benefit without offering such benefit to third parties including the creditor body. The auction process is described in greater detail in the Plan and as follows:

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

- a. Any party interested in bidding to acquire the new equity interests must provide notice to Debtor and its counsel ten (10) business days prior to the Confirmation hearing, and also attend the Confirmation hearing and advise the Bankruptcy Court at the commencement of the hearing of the party's interest in participating in the auction of the equity interests, at which point the Bankruptcy Court may direct that an auction be conducted prior to the continuation of the Confirmation hearing;
- b. The opening bid at any auction shall be by the existing equity interest holder in the amount of \$10,000.00 (the "Opening Bid"). The \$10,000.00 value of the Opening Bid was arrived at through the use of an analysis of the current market value of the combined total of each of the reorganizing Debtor's equity interests.

- c. Each subsequent bid following the Opening Bid must exceed any previous highest bid in an amount of at least \$1,000.00.
- d. Any party submitting a bid at the auction must have proof of funds to pay the party's bid at the auction;
- e. The reorganized Debtor's new equity interest shall be sold to the bidder submitting the highest non-contingent cash offer at the auction;
- f. The winning bidder must actually deposit the funds in the Debtor's bank account within 48 hours of the announcement of the winning bid, or be deemed to have defaulted on the purchase of the Debtor's equity.
- g. If the winning bidder at the auction fails to close on the purchase as set forth above, the party submitting the next highest bid shall be deemed the winning bidder;
- h. The prevailing party at the auction must assume all of the obligations of the Debtor under the Plan.
- i. The funds from the auction sale shall be deposited into the Debtor's account and used to fund the Plan including the payment of administrative claims.
- j. The Debtor shall solicit such bids by noticing the Plan out to creditors in this Case.

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

**ARTICLE VI:**  
**MEANS FOR IMPLEMENTATION OF PLAN**

**6.01** Implementation of Plan. The Plan will be implemented, pursuant to § 1123(a)(5) of the Code, by the sale of the Commercial Property within 180 days. Projections for the Plan are attached to the Disclosure Statement and incorporated herein by this reference as if set forth in full for all purposes. No liens shall be preserved unless expressly reflected as continuing in this Plan.

The funds necessary for the satisfaction of the creditors' claims shall be generated from the sale of Debtor's real property as called for by the Plan.

**6.02** Claims and Causes of Action. Any and all Avoidance Actions, claims, causes of action or enforceable rights of the Debtor against third parties, or assertable by the Debtor on behalf of Creditors, its Estate, or itself for recovery, turnover or avoidance of obligations, or preferential or fraudulent transfers of property or interests in property and other types or kinds of

property or interests in property recoverable or avoidable pursuant to Chapter 5 or other sections of the Bankruptcy Code or any applicable law including, without limitation, 11 U.S.C. §§ 502, 510, 522(f), 522(h), 542, 543, 544, 545, 547, 548, 549, 550, 551, or 553.

**ARTICLE VII:**  
**ASSUMPTION AND REJECTION OF EXECUTORY CONTRACTS AND**  
**UNEXPIRED LEASES.**

**7.01** Debtor may assume, pursuant to Bankruptcy Code Section 1123(b)(2), by separate Motions and order, unexpired executory contracts prior to the Effective Date. Executory contract and unexpired leases that are not assumed prior to the Effective Date are treated as rejected by the Debtor.

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

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

**ARTICLE VIII:**  
**FEASIBILITY OF PLAN**

**8.01** Debtor assert that the Plan is feasible based on Exhibits 2 and 3.

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

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

**8.03.** If Claimants have already filed a proof of claim with the Court or are listed in the Debtor's Schedules as holding non-contingent, liquidated and undisputed claims, a proof of claim need not be filed. The schedules and amendments thereto are on file with the Court and are open for inspection during regular Court hours.

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

**9.01** If the Debtor's Plan is not confirmed, the Debtor's bankruptcy case may be converted to a case under Chapter 7 of the Code, in which case a trustee would be appointed to liquidate the assets of the Debtor for distribution to its Creditors in accordance with the priorities of the Code.

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

**10.01** Claimants should be aware that there are a number of substantial risks involved in consummation of the Plan. The Plan contemplates that the Debtor's business will generate revenue sufficient to pay the obligations accruing from its operations. The Debtor does not "guarantee" that the expenses will equal those in the projections; however, the Debtor believes that the projections are reasonable. The Plan also assumes that the Debtor will be able to sell its Commercial Property in 180 days.

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

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

A. Introduction

The following discussion summarizes certain material U.S. federal income tax consequences of the Plan to the Debtor and holders of Claims and Interests. The summary is provided for general informational purposes only and is based on the United States Internal Revenue Code of 1986, as amended (the "Tax Code"), the treasury regulations promulgated thereunder, judicial authority and current administrative rulings and practice, all as in effect as of the date hereof (except as otherwise noted below with regard to the American Recovery and Reinvestment Act of 2009), and all of which are subject to change, possibly with retroactive effect. Changes in any of these authorities or in their interpretation could cause the United States federal income tax consequences of the Plan to differ materially from the consequences described below. The United States federal income tax consequences of the Plan are complex and in important respects uncertain. No ruling has been requested from the Internal Revenue Service (the

“Service”); no opinion has been requested from Debtor’s counsel concerning any tax consequence of the Plan; and no tax opinion is given by this Disclosure Statement.

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

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

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

#### B. Certain Definitions

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

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

“*NOL*” shall mean net operating loss.

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

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

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

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

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

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

In general, a holder of a Claim should recognize gain or loss equal to the amount realized under the Plan in respect of its Claim less the amount of such holder's basis in its Claim. Any gain or loss recognized in the exchange may be long-term or short-term capital gain or loss or ordinary income or loss, depending upon the nature of the Claim and the holder, the length of time the holder held the Claim and whether the Claim was acquired at a market discount. If the holder realizes a capital loss, its deduction of the loss may be subject to limitations under the Tax Code. The holder's aggregate tax basis for any property received under the Plan generally will equal the amount realized. The amount realized by a holder generally will equal the sum of the cash and the fair market value of any other property received (or deemed received) by the holder under the Plan on the Effective Date and/or any subsequent distribution date, less the amount (if any) allocable to Claims for interest. All holders of Allowed Claims are urged to consult their tax advisors. A holder of a Claim constituting an installment obligation for tax purposes may be required to recognize currently any gain remaining with respect to the obligation if, pursuant to the Plan, the obligation is considered to be satisfied at other than its face value, distributed, transmitted, sold or otherwise disposed of within the meaning of Section 453B of the Tax Code.

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

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

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

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

**12.01.** As of the date of the filing of the following matters are pending: None.

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

**13.01.** As of the date of the filing of this Disclosure the following significant orders have been entered in this case: Orders on the Temporary and Final Use of Cash Collateral, Order on Debtor's Application to Employ Counsel, Order to Employ Real Estate Broker, and those relating to general administration of the case.

Respectfully submitted,

/s/ Joyce W. Lindauer

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