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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re: §
§ **Chapter 11**
VIGNAHARA, LLC, §
§ **Case No. 16-32261-11**
Debtor. §

DEBTOR’S SECOND AMENDED DISCLOSURE STATEMENT

ARTICLE I: INTRODUCTION

A. General

1. Vignahara, LLC (“Debtor”) provides this Second Amended Disclosure Statement (“Disclosure Statement”) to all of the Debtor’s¹ known creditors entitled to same pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq. (the “Code”). The purpose of this Disclosure Statement is to provide creditors of the Debtor with such information as may be deemed material, important and necessary in order for the creditors to make a reasonably informed decision in exercising the right to vote on the Plan presently on file with the Bankruptcy Court and described below.

2. A copy of the Second Amended Plan (the “Plan”) accompanies this Disclosure Statement as Exhibit “1” and is incorporated herein by reference. The definitions found in Article

1.0 of the Plan are incorporated herein by reference and should be referred to in reading and analyzing the Plan and this Disclosure Statement.

3. **NO REPRESENTATIONS CONCERNING THE DEBTOR, INCLUDING THOSE RELATING TO THE FUTURE BUSINESS OPERATIONS, THE VALUE OF ASSETS, ANY PROPERTY OR CREDITOR'S CLAIMS INCONSISTENT WITH ANYTHING CONTAINED HEREIN HAVE BEEN AUTHORIZED.** Any representations or inducements made to secure your acceptance or rejection, which are other than as contained in this Disclosure Statement, should not be relied upon by you in arriving at your decision.

4. The financial information contained herein has not been subject to an audit, certified or otherwise. **FOR THIS REASON AND BECAUSE OF FINANCIAL CONSTRAINTS, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS WITHOUT INACCURACIES, ALTHOUGH DEBTOR HAS MADE AN EFFORT TO PRESENT SUCH INFORMATION FAIRLY AND ACCURATELY.** Additional information can be found in Debtor's Statement of Financial Affairs and its Schedules of Assets and Liabilities and its operating reports on file with the Bankruptcy Court.

5. The Debtor proposes the Plan which accompanies this Disclosure Statement. **THE DEBTOR RECOMMENDS A VOTE "FOR ACCEPTANCE" OF THE PLAN.**

B. Manner of Voting

1. All creditors entitled to vote on the Plan may cast votes for or against the Plan by completing, dating, signing and causing the Ballot Form accompanying this Disclosure Statement to be received no later than 5:00 p.m., prevailing central time, on **February 27, 2017** at the following address: Russell W. Mills, Hiersche, Hayward, Drakeley & Urbach, P.C., 15303 Dallas Parkway,

1 Unless otherwise noted, all capitalized terms herein shall have the same meaning as in the Plan.
Debtor's Second Amended Disclosure Statement

Suite 700, Addison, Texas 75001.

C. Confirmation of Plan

1. Solicitation of Votes. By the order entered on or about January 10, 2017, the Bankruptcy Court approved this Disclosure Statement in accordance with Section 1125 of the Bankruptcy Code. This Disclosure Statement is provided to each creditor whose claim has been scheduled by the Debtor and each creditor who has filed a proof of claim. This Disclosure Statement is intended to assist creditors in evaluating the Plan and in determining whether to accept the Plan. **UNDER THE BANKRUPTCY CODE, YOUR VOTE FOR ACCEPTANCE OR REJECTION MAY NOT BE SOLICITED UNLESS YOU RECEIVE A COPY OF THIS DISCLOSURE STATEMENT PRIOR TO OR CONCURRENTLY WITH SUCH SOLICITATION.** The solicitation of votes on the Plan is governed by the provisions of Section 1125(b) of the Code, the violation of which may result in sanctions by the Court, including disallowance of the solicited vote and loss of the “safe harbor” provisions of Section 1125(e) of the Code.

2. Persons Entitled to Vote on the Plan. Only the votes of members of classes of claimants which are impaired under the Plan are counted in connection with confirmation of the Plan.

3. Hearing on Confirmation of the Plan. The Bankruptcy Court has set **March 6, 2017 at 9:00 a.m.**, for a hearing to determine whether the Plan has been accepted by the requisite number of creditors and whether the other requirements for confirmation of the Plan have been satisfied. Each creditor will receive either with this Disclosure Statement or separately, the Bankruptcy Court’s Notice of Hearing on Confirmation of the Plan. Any objections to confirmation of the Plan must be filed in writing with the Bankruptcy Court and served upon Russell W. Mills so as to be received by **5:00 p.m. on February 27, 2017**, at the address noted in paragraph B above.

4. Acceptance Necessary to Confirm Plan. At the scheduled hearing, the Bankruptcy Court must determine, among other things, whether the Plan has been accepted by the impaired classes. Under Section 1126 of the Code, an impaired class is deemed to have accepted the Plan if at least two-thirds in amount and more than one-half in number of claims of class members who have voted to accept or reject the Plan have voted for acceptance of the Plan.

5. Confirmation of Plan Without Necessary Acceptance. The Plan may be confirmed even if it is not accepted by all of the impaired classes if one of the impaired classes accepts it and the Bankruptcy Court finds the Plan does not discriminate unfairly against and is fair and equitable to the dissenting class. This provision is set forth in Section 1129(b), a relatively complex provision of the Code. This summary is not intended to be a complete statement of the law. The Debtor may choose to rely upon this provision [Section 1129(b)] to seek confirmation of the Plan if it is not accepted by an impaired class or classes of creditors.

ARTICLE II: DESCRIPTION OF THE DEBTOR AND STATUS OF THE CASE

1. Ownership of the Debtor.

The Debtor's sole asset is a 112-room hotel located at 11999 East Freeway in Houston, Texas which until recently was operated as a Red Roof Inn franchise. It has operated under the name of Red Roof Inn East Houston.

The Debtor is a Texas limited liability company formed on August 12, 2013. It is a family run business. Jagdishbhai Patel and Binal Patel are the sole managers and members of the Debtor. Jagdishbhai is Binal's father. Binal runs the day to day operations of the hotel while Jagdishbhai provides managerial assistance. Several family members work at the hotel: Angie Patel, Binal's sister, works as front desk manager; Pooja Patel, Binal's other sister, works as front desk clerk; and Gunvantiben Patel, Binal's mother works in the laundry. The family has a significant investment in the business; when they purchased the hotel, they put more than \$900,000 of their own funds into the

purchase. The Debtor acquired the property on October 31, 2013.

2. The Debtor, Its Market, and Its Prepetition Financial Performance.

The Debtor's hotel is located on Interstate Highway 10 in East Houston in what is considered a commercial corridor along IH-10 between Loop 610 on the west and Sam Houston Tollway on the east. The area is heavily developed with office, retail, hotels, restaurant and commercial properties. There are large industrial parks, and chemical and oil refineries located nearby. The Houston Ship Channel is also very close. There are also many hotels nearby including Motel 7, Quality Inn, Best Western and others.

For the two months that the Patels operated the hotel in 2013, Debtor suffered a loss of \$46,062. In its first full year of operation of 2014, Debtor had a loss of \$205,921 on revenues of \$1,394,928. In 2015, Debtor had a gain of \$13,805 and, in the first six months of 2016, Debtor had a gain of \$45,707. First Western asserts that, considering the nonpayment of real property taxes in 2015 and again in 2016, the Debtor never made a yearly profit.

3. Debtor's Secured and Other Debt.

A. First Western SBLC, Inc.

On October 31, 2013, the Debtor executed a (a) promissory note in the principal amount of \$2,400,000.00 (the "Note") in favor of First Western, (b) Deed of Trust and Security Agreement ("Deed of Trust") and (c) Assignment of Leases and Rents ("ALR"). The Deed of Trust and ALR are collectively referred to as Security Instruments.

First Western has filed a proof of claim in the amount of \$2,320, 824.72. First Western asserts that it is entitled to additional amounts of attorneys' fees and expenses and post-petition interest. Debtor asserts that First Western is entitled to such amounts only to the extent permitted under 11 U.S.C. §506.

First Western obtained an appraisal from Michael W. Massey & Associates (“Massey”) dated July 11, 2016 which found the Debtor’s property to be valued at \$2,640,000.00 on that date (the “First Western Report”). First Western filed its Motion For Relief From Automatic Stay Against All Assets (the “Motion to Lift Stay”) requesting that the stay be lifted in order that they foreclose. In the Motion To Lift Stay, First Western recites that its collateral value is \$2,640,579.07 which includes: i) the hotel with an appraised value of \$2,640,000; ii) cash that was held by the Debtor in the amount of \$35,328.92, as of June 30, 2016; iii) \$47,250.15 in funds from the loan that are held in reserve and were never given to Debtor (the “First Western Reserve”); and iv) less estimated 2016 *ad valorem* real property taxes of \$82,000 that were superior to First Western.

Debtor was not in monetary default with First Western on the Petition Date. First Western alleges non-monetary defaults such as the loss of the franchise to Red Roof Inn and the non-payment of *ad valorem* taxes. As noted below, Debtor had secured a payment schedule with the taxing authority for those taxes.

B. Other Secured Debt.

Debtor owed Harris County \$99,590 in 2015 property taxes. These were *ad valorem* taxes that were owing to Harris County at the beginning of 2016. First Western refused to allow Debtor to borrow the monies necessary to pay these taxes and, when they went into default, Debtor negotiated a payment schedule with Harris County. Debtor was current on that payment schedule on the Petition Date. First Western subsequently paid off that debt and it is now included in the First Western secured debt. First Western alleges that its payment of the Debtor’s delinquent 2015 property taxes avoided penalties that would have been assessed on July 1, 2016 and reduced the interest accrual from 1% per month to 6.25% per year.

Unbeknownst to Debtor, Harris County and an entity known as Houston Sports Authority acquired a judgment lien relating to past taxes in the amount of \$35,504.50. Harris County and

Houston Sports Authority filed a claim asserting that \$15,984.49 is secured and that \$19,520.01 is unsecured. (Claim #1). Harris County and Houston Sports Authority also filed a secured claim in the amount of \$34,004.50 arising from occupancy taxes owing in 2014. (Claim #3). On December 6, 2016, the Court entered an order disallowing Claim #3 as duplicative and because occupancy taxes are not secured, unless secured by a judgment.

Debtor also has two vans that it uses in its business. One is a 2008 Ford that it owes \$3,418.75 to First National Bank of Giddings. The other is a Ford 2009 that it owes \$11,169.79 to Ally Financial. Both are being reaffirmed.

C. Red Roof Franchising, Inc.

Debtor had a franchise agreement with Red Roof Franchising, Inc. (“Red Roof Inn”). Many of the funds loaned from First Western were for renovations to the hotel that Red Roof Inn had required in order that Debtor retain the franchise agreement. The cost to make these repairs was evidently underestimated and there were cost overruns so, except for the First Western Reserve, all of the funds borrowed were loaned to the Debtor. When First Western stopped funding the loan, the Debtor had insufficient funds to pay for taxes and to make the repairs required by Red Roof Inn. First Western asserts that it funded the full loan amount and held only a remaining balance of \$47,250.15 (which was less than the unpaid property taxes alone) in a reserve account deposited by the Debtor to be used for repairs and improvements to the property. On or about March 24, 2016, Red Roof Inn informed the Debtor that it was terminating the franchise and removing the Debtor from its reservation system. On the Petition Date, the Debtor owed Red Roof Inn \$28,239 in franchise fees.

D. Other Unsecured Debt.

Debtor had obtained an unsecured loan from Fora Financing and owed it \$46,803.30 on the Petition Date but it was scheduled as disputed and no claim was filed. There is additional assorted

other unsecured trade debt totaling approximately \$35,166.88. Together with the unsecured portion of the Harris County/Harris Sports claim of \$19,520.01 arising from the default judgment for occupancy taxes, there is a total of approximately \$54,686.89 in allowable unsecured debt.

4. Events Leading to Bankruptcy.

As Debtor was beginning to make a profit², it began to run out of money due to the renovations required by Red Roof Inn and the inadequate funding from First Western. First Western has denied that the reason that Debtor had insufficient funds to pay for taxes or make repairs was that it had impermissibly stopped funding the loan. When Debtor was unable to make its *ad valorem* tax payment in the beginning of 2016, it borrowed from a third party. First Western required that the monies be returned citing loan prohibitions against a second lien. Debtor was able to arrange a repayment schedule with the taxing authority. And when Debtor was unable to complete the renovations, Red Roof Inn cancelled the franchise and removed the Debtor from its reservations system. Without access to a reservations system, Debtor became a “walk in only” hotel and its revenues plummeted and it was unable to service the debt owing to First Western. First Western posted the property for foreclosure in June, 2016 citing the loss of the franchise and other nonmonetary defaults.

5. The Bankruptcy Filing and the Status of the Bankruptcy Case.

On June 6, 2016, the Debtor filed its petition for relief under Chapter 11 of the United States Bankruptcy Code. Soon thereafter, the Debtor filed (a) an Application pursuant to 11 U.S.C. §§ 327, 328 & 329 and Rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure for an order authorizing the retention of Hiersche, Hayward, Drakeley & Urbach, P.C.; (b) a Motion For Entry of Interim and Final Orders Authorizing Use Of Cash Collateral Pursuant to 11 U.S.C. § 363; (c) a

² First Western asserts that, considering the nonpayment of real property taxes in 2015 and again in 2016, the Debtor never made a yearly profit. Debtor denies this.

Motion for Entry of Interim and Final Orders Under 11 U.S.C. § 366(b) Prohibiting Utilities from Altering, Refusing or Discontinuing Service, and Establishing Procedures for Determining Adequate Assurances of Payment and (d) a Motion for Order Authorizing the Debtor to Pay Prepetition Wages.

On June 17, 2016, the Court entered its Order wherein it (a) approved the Debtor to pay prepetition employee obligations (and, thus, there are no more Schedule E priority wages owing other than insider obligations for which the Court did not permit payment); (b) approved the Debtor's use of cash collateral until June 23, 2016 on certain terms (the court entered a subsequent agreed order regarding the use of cash collateral allowing the Debtor to use cash collateral until August 1, 2016 in the Agreed Second Interim Cash Collateral Order entered on June 29, 2016 on certain terms); and (c) approved the adequate protection proposal made by the Debtor. On July 15, 2016, the Court entered its Order wherein it approved the employment of HHDU.

On August 5, 2016, the Court entered its Final Order Regarding the use of cash collateral allowing the Debtor to use cash collateral through the effective date of a confirmed plan of reorganization on certain terms (the "Cash Collateral Order"). On September 20, 2016, the Debtor filed an Application to Employ Financial Consultants. The Court has not yet approved that Motion.

On August 15, 2016, First Western filed a Motion for Relief From Automatic Stay Under 11 U.S.C. § 362(d)(2) ("Lift Stay Motion"). First Western attached the First Western Report in support of the Lift Stay Motion which asserts that the value of First Western's collateral is \$2,640,000.00. On September 19, 2016, the Debtor filed a Response in opposition to the Lift Stay Motion. On October 27, 2016, the Court entered its Agreed Order On First Western SBLC, Inc's Motion For Relief From Automatic Stay Against All Assets (#62) wherein the automatic stay would be lifted to allow First Western to foreclose its interests in the event that the Debtor failed to: a) pay adequate protection payments of \$15,729.37 per month; b) file a plan of reorganization by November 21,

2016; or c) be placed on Red Roof Inn's national reservation system by December 5, 2016.

6. Debtor's Performance Post-petition As Compared to Pre-petition.

The value of the Red Roof Inn franchise and, in particular, access to its reservations system cannot be overstated. For the year ended February, 2016 (being the last full month before termination), the occupancy rate was 62.2%. Without access to a reservations system, the Debtor has had the following post-petition monthly occupancy rates: June, 2016 was 42%; July, 2016 was 36%; August, 2016 was 39%; September, 2016 was 37%; and October, 2016 was 41%.

Until recently, Debtor was losing money on these occupancies. The Monthly Operating Reports for June, July and August, 2016 show net cash losses of \$10,721.11, \$4,529.74 and \$6,859.39. But the Monthly Operating Report for September, 2016 shows a positive cash flow of \$20,865.89³ showing that the Debtor has finally contained its costs (decreasing monthly from \$122,255 in June to \$85,041 in July, \$83,827 in August to \$61,685 in September). First Western alleges that monthly operating expenses for October rose \$111,277.63 but the Debtor asserts that this was due to the yearly insurance premium payment of \$25,000 and also because of an intra-company transfer of \$32,000. Without these, October expenses would have been closer to \$54,000. First Western also alleges that monthly operating expenses for November, 2016 rose to \$136,877.65 but the Debtor asserts that this was due to an expenditure of \$36,000 in November for furniture (for which it received reimbursement in that same month) and its first monthly payment of \$15,729 in adequate protection to First Western. Without those expenses, expenses in November would have been closer to \$85,000. The Monthly Operating Report for October, 2016 shows a net cash flow loss of \$7,987.95 but this was because Debtor had to pay its yearly insurance premium of \$25,000. (Without the insurance premium payments, Debtor would have had positive cash flow of

³ First Western asserts that the fact that the MOR for September 2016 does not show a positive cash flow because it does not consider that it only paid \$6,000 toward the debt in that month. Debtor asserts that a) the Court only required

approximately \$16,000.) And the November MOR shows a positive cash flow of \$1,133.39 even after paying the full month's adequate protection payment. Revenues are increasing. They were \$111,534.32 in June, \$81,162.03 in July, \$76,968.55 in August, \$82,551.76 in September, and \$105,890 in October, 2016. Debtor's occupancy rates ranged in the 30% range during most of this case but increased to 41% in October. First Western asserts that these figures overstate revenue because they include funds transferred between the Debtor's different bank accounts. (Debtor asserts that would not change the fact of an increase; if that is true, there is a "net wash" because there is a like entry in expenses). Debtor's occupancy rate for the period of February, 2015 to February, 2016 (the last full month in which the franchise was in place) was 62.2%. Debtor cannot fund its obligations with a 35-40% occupancy rate as it has been experiencing without the franchise. Debtor forecasts that it needs an occupancy rate of no less than 60% in order to maintain profitability and this rate is possible only with a franchise. Debtor believes that it is cheapest to regain the Red Roof Inn franchise, with whom it has a good working relationship, rather than attempt to qualify with another brand.

7. Debtor's Ability to Fund Reorganization, Its Financial Forecast and Its Business Plan.

The Debtor has shown that it can fund its operating costs and debt service with the current revenues but the key to restoring the business to sustained profitability is to regain its Red Roof Inn franchise. First Western has alleged that the Debtor has not made such showing. The Debtor's plan combines financing from both operations and other sources in order to increase revenues and gain back its Red Roof Inn franchise.

Red Roof Inn has issued a Property Improvement Plan (the "Red Roof PIP") which identifies the needed repairs. A copy of the Red Roof PIP is attached hereto as Exhibit "2." After obtaining other proposals, Debtor has obtained a Proposal from 4th Dimension Builders to perform the

renovations identified in the Red Roof PIP. A copy of that Proposal is attached hereto as Exhibit “3.” That Proposal is for \$350,000 (the “Renovation Costs”). The Renovation Costs have two components: \$200,000 is for the purchase of guest room furniture (the “Furniture Costs”) and the remaining \$150,000 is for other assorted renovations identified in the Red Roof PIP (the “Repair Costs”). First Western asserts that the Proposal does not cover all items required by the Red Roof PIP and does not support the allocation of \$150,000 for improvements and \$200,000 for furniture. The Debtor denies this allegation and asserts that a number of items contained in the Red Roof PIP have already been completed.

The dilemma has been in attracting capital for the Repair Costs. The Debtor made exhaustive efforts to locate this financing but was ultimately unsuccessful. Typically, lenders will not lend such small amounts with the possibility that there wasn’t adequate value in the collateral to secure the debt. At least one lender agreed to lend enough to pay off only the First Western debt with the understanding that, once that debt was paid off, the case would be dismissed and then after six months the Debtor would re-apply for an SBA loan to pay off the bridge lender and fund renovations. The interest rate on that bridge loan was 12%, which would result in an extra \$150,000 in interest payments to the bridge lender over the amount that would be payable to First Western on the current loan. Debtor believes these monies would best be spent on renovations. This plan is premised then on funding the Repair Costs from operations.

Debtor has been in a Catch 22; it can’t get its revenues up without a franchise and it can’t get a franchise without the money for renovations. The Debtor has negotiated extensively with Red Roof Inn for terms to regain the Red Roof Inn flag and has reached an agreement where Red Roof Inn will turn the reservations system back on and give the Debtor time in which to complete the renovations.

On December 6, 2016, the Court entered is an order which permitted the Debtor to sign a franchise agreement with Red Roof Inn that allows the Debtor to begin operating as a Red Roof Inn franchisee

again and which allows the Debtor additional time to complete its renovations (the “Red Roof Franchise Agreement”). The agreement is that:

1. Debtor has obtained financing to fund the Furniture Costs and the furniture required in the Red Roof PIP will be installed after confirmation.
2. Debtor will fund the balance of the Repair Costs and those renovations would begin within 90 days of confirmation and Red Roof has indicated verbally that the Debtor will be allowed 18 months to complete renovations provided it has shown progress in the renovations. First Western has stated that the Red Roof Franchise Agreement, by its terms, requires renovations to be completed within one year.
3. Red Roof has received the \$25,000 deposit (the “Red Roof Deposit”) and turned on the reservations system. The Red Roof Deposit is to secure future franchise fee payments. It was paid by Jagdishbhai Patel, as an equity contribution to the Debtor.
4. The Debtor would pay off the \$28,239 in past due franchise fees (the “Red Roof Cure Fee”) in equal amounts over 6 months beginning the first month after confirmation.

The Furniture Costs are being paid by Binal and Jagdishbhai Patel who are obtaining a personal loan (the “Furniture Loan”) from either Dixon Furniture, Access Point or a third party. The Debtor will rent that furniture from them and will reimburse them for the Furniture Loan through a monthly rental payment. The Furniture Loan is payable over 60 months at 8 % interest resulting in a monthly payment of \$4,000. The rents payable for the furniture will be no more than the amount necessary for the Patels to service their debt on the Furniture Loan.

Debtor is mindful that its 2016 taxes will soon be coming due. As First Western’s Motion

To Lift Stay reflects, First Western is holding an additional \$47,250.15 that was to have been funded by First Western but was not (the "Reserve Funds"). Debtor intends to utilize the Reserve Funds to pay down the \$85,374 in taxes to decrease the balance owing to approximately \$38,124 and will fund that amount from contributions from the owners. First Western asserts that the Debtor is not permitted to apply the Reserve Funds to the 2016 taxes but can instead apply it to reimburse First Western for the 2015 taxes that it has paid. In the event that the Court does not require First Western to apply the Reserve Funds to the 2016 taxes, then B. Patel and J. Patel will be fully responsible for the 2016 taxes. This will be accomplished by amending the Plan, at confirmation and with the taxing authority's agreement, to state that those taxes will be paid out under 11 U.S.C. § 1129(a)(9)(C)(ii) and with B. Patel and J. Patel making such monthly payments.

Debtor will reaffirm its obligations to First Western and, given that the debt owing to First Western has increased now to \$2,473,064.29, the monthly principal and interest payment on the Adjusted First Western Debt will increase to \$17,763.16. The Debtor proposes to pay First Western the normal principal and interest payment of \$15,729.37 monthly until one year after confirmation and then the Note will be re-amortized at the end of the first quarter following that one year. Fourth Dimension has estimated that it would take approximately ninety (90) days to complete the Red Roof PIP but, since renovations are being performed as permitted by revenues, this could take as long as eighteen months.

Debtor has estimated that, once the renovations are completed and it is back on a reservations system, it will be able to increase hotel occupancy to 65% by the middle of summer, 2017 and have an average occupancy rate of 57.5% during 2017. Its forecasts are based on an occupancy rate of 46%-50% in the first year during the renovations and then ranges from 58%-60% in the second through fifth years. These rates, which are conservative, are supported by the Debtor's history. These revenues will return the hotel to profitability and also fund renovations. Attached hereto as

Exhibit “4” are 1- and 5-year projections of revenues and expenses (the “Forecasts”).

Some areas of disagreement exist between the Debtor and First Western concerning certain assumptions about expenses contained within the Forecasts. These are:

1. Franchise Fees. First Western asserts that the Debtor’s projections for franchise fees are understated by approximately \$15,000 per year for fees associated with the loyalty program. Debtor asserts that it does not owe a franchise fee for a regular booking and an additional fee if the booking is for a loyalty member. Instead, it only owes one franchise fee and that fee is less if the booking is a loyalty member. The franchise fees in the Forecasts are based on the higher franchise fee so they are likely overstated rather than understated.
2. Insurance Expense. First Western asserts that the insurance expense is understated by approximately 4% of payroll which is approximately \$12,000 for worker’s compensation. Debtor asserts that Insurance Expense in the Forecast includes a yearly fee of \$3,342 which coverage was obtained separately from Debtor’s primary coverage insurer.
3. Payroll Expense, Payroll Taxes, and Security Expense. First Western asserts that the Debtor’s combined projections for Payroll Expenses, Payroll Taxes, and Security Expenses are understated by approximately \$125,000 per year. Debtor asserts that First Western’s calculations are incorrectly taken from the cash disbursements section of the MORs whereas the Forecasts are based on the Debtor’s actual bookkeeping and salary records. The Debtor further asserts that salaries are consistent with the Debtor’s prior years and also account for an agreement by Binal Patel to work for free until cash flow

permits.

4. **Red Roof Renovations.** First Western asserts that, if renovations are required to be completed within one year rather than eighteen months, then the monthly projections for Repairs and Maintenance expense would go up by approximately \$4,167 per month for the first year and then decrease by that amount for the next six months. As noted before, Debtor asserts that Red Roof has made verbal representations that Debtor may complete renovations within 18 months so the Forecast over 18 months is correct.

8. Funds Available

As of October 31, 2016, Debtor had \$36,818 in cash available. Debtor's MOR reflects that it also has \$131,659 in receivables and Debtor has been attempting to verify this number with Red Roof Inn who kept these accounts. The Debtor's proposal is that the equity owners will contribute an additional \$10,000 to purchase the equity in the Reorganized Debtor. As explained earlier, the Debtor's principals will fund a portion of the 2016 taxes along with the Reserve Funds or, if the Reserve Funds may not be so used, then B. Patel and J. Patel will contribute all of the funds for those taxes by an agreement with the taxing authority permitting the Debtor to make payments under 11 U.S.C. § 1129(a)(9)(C)(ii) and the principals then making those payments.

9. Summary of Claims.

The Plan categorizes Debtor's claims as follows:

Class 1 – First Western Secured Claim. The amount of the First Western Secured Claim is \$2,385,643.74 plus costs and fees incurred through August 12, 2016 totaling \$2,473,064.29. Debtor will reaffirm this obligation and continue to pay it monthly in accordance with existing loan documents beginning on the first day of the first month following the Effective Date except that Debtor will continue to pay only \$15,729.37 for the first year following the Effective Date and then the loan will be re-amortized at the end of the first quarter following that first year so that the payments will increase to approximately \$17,763.10 per month.

Class 2 – Harris County/Houston Sports Secured Judgment Tax Claim. Harris County, Texas and Houston Sports Authority filed two claims for the same 2014 occupancy tax debt. It filed a claim in the amount of \$35,504.50 arising from a judgment that they obtained for unpaid occupancy taxes and asserted that \$15,984.49 is secured and that \$19,520.01 is unsecured. (Claim #1). Harris County, Texas and Houston Sports Authority also filed a secured claim in the amount of \$34,004.50 arising from those same occupancy taxes owing in 2014. (Claim #3) but Debtor has objected to that claim. Debtor will pay the sum of \$15,984.49 in 48 equal monthly installments bearing interest at the rate of 3.5% beginning on the first day of the first month following the Effective Date and continuing for 47 months thereafter. Debtor estimates that the monthly principal and interest payment will be \$357.35 per month. The balance of \$19,520.01 will be paid as a General Unsecured Claim.

Class 3 – Harris County Secured Ad Valorem Tax Claims. Harris County, Texas filed a secured claim in the amount of \$195,203.11 which included: a) \$93,613.01 in estimated taxes for 2016 which are due in January, 2017 (“Harris County Secured Ad Valorem 2016 Tax Claim”); and b) \$99,590.01 in taxes for 2015 which were due in January, 2016. (“Harris County Secured Ad Valorem 2015 Tax Claim”) (Claim #2). Debtor estimates that the Harris County Secured Ad Valorem 2016 Tax Claim to be in the amount of \$85,374 and intends to apply the First Western Reserve toward them or if the Reserve Funds may not be applied, the entire amount will be paid by B. Patel and J. Patel through an agreement with the taxing authority permitting a payout and then paying it over time with B. Patel and J. Patel making those payments. Debtor understands that First Western has already paid the Harris County Secured Ad Valorem 2015 Tax Claim and included it in its loan balance.

Class 4 – First National Bank of Giddings Claim. Debtor scheduled First National Bank of Giddings as having a secured claim in the amount of \$3,418.75 relating to a van the Debtor uses in the operation of its business. The current monthly payment is \$351.45. Debtor will reaffirm this debt.

Class 5 – Ally Financial Claim. Debtor scheduled Ally Financial as having a secured claim in the amount of \$11,169.79 relating to a van the Debtor uses in the operation of its business. The current monthly payment is \$344.78. Debtor will reaffirm this debt

Class 6 – Employee Priority Claims. Debtor owes approximately \$1,600 to three insiders for prepetition wages that the Court would not approve as part of first day motions. Debtor proposes to pay this upon confirmation.

Class 7 – Red Roof Inn Unsecured Claim. Debtor scheduled Red Roof Inn as having a claim in the amount of \$28,239.40 relating to arrearages on the franchise fee. Red Roof Inn has indicated that, in order to have the franchise reinstated, this amount will have to be paid in full but can be paid over time. Debtor proposes to pay such in equal amounts over 6 months beginning the first month after confirmation resulting in a monthly payment of \$4,706.57.

Class 8 – General Unsecured Claims. Debtor scheduled approximately 16 creditors holding claims totaling \$81,970.18. Harris County/Harris Sports filed an unsecured claim in the amount of that \$19,520.01 arising from a judgment. Class 6 Claims are approximately \$54,686.89. These claims are being paid ten percent (10%) of their total such amount to be paid by the end of 2017.

Class 9 – Subordinated Insider Claims. Debtor’s principals, Binal and Jagdishbhai Patel, have contributed personal monies to the Debtor in an amount of not less than \$50,000 including, without limitation, the Red Roof Deposit, and any unpaid, approved legal fees. To the extent that Binal and Jagdishbhai are the successful bidders for the New Equity Interests, the Subordinated Insider Claims will be waived and may be considered a contribution to the Debtor.

Class 10 – Current Equity Interests- These are described in Article II, Paragraph 1 above.

Post-petition payables are current. The only known administrative claims are those owing to professionals. HHDU’s fees and expenses through October 31, 2016 are approximately \$75,000. HHDU holds in trust \$30,000 and the Debtor has not been reserving for additional fees. Reagan Stewart, (“Stewart”) the financial consultant, has or will be paid a retainer of \$5,000 and will have fees and costs of approximately \$10,000. HHDU and Stewart will permit the Debtor to pay over time any approved fees and expenses over the retainer, as necessary.

10. Summary of Plan.

The Debtor intends to continue operation of the Hotel and to reorganize its business by:

- (a) reaffirming the debt owing to First Western Bank and paying it from future operations.
- (b) Jagdishbhai and Binal Patel borrowing \$200,000 in Furniture Costs in order to purchase the furniture and then leasing it to the Debtor for only what is necessary to service their debt for that loan.
- (c) Funding \$150,000 in Repair Costs from future operations in the first year following confirmation.
- (d) Applying the First Western Reserve to pay down the *ad valorem* taxes due in 2017 or accepting a contribution from B. Patel and J. Patel to pay them and reserving during 2017 for taxes that will come due in 2018.
- (e) Allowing Jagdishbhai Patel to pay Red Roof Inn \$25,000 necessary to turn

the nationwide reservations system back on both of which have been accomplished at the time of this filing.

- (f) Paying for past due secured occupancy taxes over 4 years at 3.5% from future operations.
- (g) Paying unsecured creditors approximately \$6,000 by December, 2017 from future operations.
- (h) Cancelling current equity interests and selling equity interests in the Reorganized Debtor to Jagdishbhai and Binal Patel in their current percentages for \$10,000 and a release of their claims or to such other higher and better bidder.

11. Future Management.

Provided that Jagdishbhai and Binal Patel are able to purchase the equity interests as described herein, they will be the future managers of the business. As before, Binal Patel will render day to day management over the hotel. Both Jagdishbhai and Binal Patel are vital to the Debtor's performance under this Plan. Given that they are borrowing \$200,000 personally to pay for the furniture, paying the \$25,000 deposit to Red Roof Inn, contributing as much as \$88,000 to fund the 2016 taxes, and contributing another \$10,000 for equity, the Debtor believes that they are also providing it significant economic value. The Plan consequently contains an injunction in favor of only those guarantors who are employed by the Debtor against any lawsuits or other collection activity against them personally for any debt addressed herein so long as the Debtor is current on that particular obligation herein. First Western has indicated that it believes that any plan that includes an injunction against a non-employee is not confirmable and that the Debtor has not shown the need to obtain an injunction against any non-Debtor party.

12. Anticipated Future of the Company.

Debtor anticipates being able to perform its obligations herein, catch up on its obligations to First Western and the taxing authorities, borrow funds sufficient to renovate the property and regain its Red Roof Inn franchise.

**ARTICLE III: SELECTED SIGNIFICANT
EXCERPTS FROM THE PLAN OF REORGANIZATION**

The following is a brief summary of the Plan, and is qualified in its entirety by the full text of the Plan itself. The Plan, if confirmed, will be binding upon the Buyer and the Debtor's creditors. All creditors are urged to read the Plan carefully. If and when the Plan is confirmed, the Debtor expects the Buyer to be able to fully perform its obligations to all classes of creditors as set forth in the Plan through the operating revenues of the Buyer.

PLAN ARTICLE 2

CLASSIFICATION OF CLAIMS AND CURRENT EQUITY INTERESTS

The following is a designation of the Classes of Claims and Current Equity Interests under this Plan. Administrative Expense Claims and Priority Tax Claims have not been classified and are excluded from the following classes in accordance with section 1123(a)(1) of the Bankruptcy Code. A Claim or Current Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Current Equity Interest qualifies within the description of that Class. A Claim or Current Equity Interest is in a particular Class only to the extent that the Claim or Current Equity Interest is an Allowed Claim or Current Equity Interest in that Class.

Claims and Current Equity Interests:

Class 1 –First Western Secured Claim

Class 2 – Harris County/Houston Sports Secured Judgment Tax Claim

Class 3 – Harris County Secured *Ad Valorem* Tax Claims

Class 4 – First National Bank of Giddings Claim

Class 5- Ally Financial Claim

Class 6 – Employee Priority Claim

Class 7 - Red Roof Inn Unsecured Claim

Class 8 – General Unsecured Claims

Class 9 – Subordinated Insider Claims

Class 10 – Current Equity Interests

PLAN ARTICLE 3

IDENTIFICATION OF IMPAIRED CLASSES OF CLAIMS AND CURRENT EQUITY INTERESTS

Impaired Classes of Claims and Current Equity Interests. Classes 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 are impaired under the Plan.

Impairment Controversies. If a controversy asserted in an objection to confirmation or other written pleading arises as to whether any Class of Claims or Current Equity Interest is impaired under the Plan, the Bankruptcy Court shall determine such controversy after notice and a hearing and, if no such pleading is filed, then the identity of any impaired class will be conclusively determined by Section 3.1 of the Plan.

PLAN ARTICLE 4

TREATMENT OF ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS

Administrative Expenses. All Administrative Expenses against the Debtor shall be treated as follows:

(1) **Administrative Expenses Bar Date.** The holder of any Administrative Expense other than: (i) a claim for professional fees and expenses for services rendered up to and including the Confirmation Date, (ii) a liability incurred and paid in the ordinary course of business by the Debtor; or (iii) an Allowed Administrative Expense, must file with the Bankruptcy Court and serve on the Debtor and its counsel, notice of such Administrative Expense within fifteen (15) days after the Confirmation Date. Such notice must identify: (i) the name of the holder of such Claim; (ii) the amount of such Claim; (iii) the basis of such Claim; and (iv) all written documentation supporting such Claim. Failure to file this notice timely and properly shall result in such claim for the Administrative Expense being forever barred and discharged. All holders of claims for postpetition interest, attorneys' fees and other charges recoverable under 11 U.S.C. § 506(b) must file a request for payment of such within thirty days after entry of an order confirming this plan or else be barred from recovery.

(2) **Allowance of Administrative Expenses.** An Administrative Expense with respect to which notice has been properly filed pursuant to Section 4.1(1) of the Plan shall become an Allowed Administrative Expense if no objection is filed within thirty (30) days after the filing and service of notice of such Administrative Expense. If an objection is timely filed, the Administrative Expense shall become an Allowed Administrative Expense only to the extent Allowed by Final Order.

(3) **Payment of Allowed Administrative Expenses.** Each holder of an Allowed Claim for an Administrative Expense other than a professional holding such a claim shall receive, at the Debtor's option: (i) the amount of such holder's Allowed Claim in one Cash payment on the later of the Effective Date or the tenth Business Day after such Claim becomes an Allowed Claim; (ii) the amount of such holder's Allowed Claim in accordance with the ordinary business terms of such

expense or cost; or (iii) such other treatment as may be agreed to in writing by the holder of such Administrative Expense and the Debtor.

(4) **Payment of Allowed Administrative Expenses to Professionals.** Each holder of an Allowed Administrative Claim that is a professional shall be paid in full by Debtor on the date upon which an order approving such claim becomes final and non-appealable. Debtor and the Fee Guarantors shall make payment of such fees and expenses in full. Professional fees and expenses incurred after the Confirmation Date shall be the obligation of the Debtor and shall be payable by the Debtor and/or the Fee Guarantors promptly and without the need for application to or approval by the Bankruptcy Court. The Fee Guarantor's guarantee of payment of professional fees and expenses is reaffirmed and shall continue until all of such fees and expenses are paid in full.

Priority Tax Claims. Each holder of a Priority Tax Claim, unless addressed otherwise herein, shall receive, at the Debtor's option: (a) the amount of such holder's Allowed Claim in one Cash payment on the Effective Date; or (b) such other treatment as may be agreed to in writing by the holder of the Priority Tax Claim and the Debtor.

Un-matured Secured Tax Claims. Each holder of an Un-matured Secured Tax Claim shall be paid by the Debtor at the time the Un-matured Secured Tax Claim becomes due and payable and in accordance with the Debtor's ordinary practice. Additional terms and conditions apply to Harris County Secured *Ad Valorem* 2016 Tax Claim.

PLAN ARTICLE 5

TREATMENT OF CLAIMS AND CURRENT EQUITY INTERESTS

Class 1 – Secured First Western Claim. The amount of the First Western Secured Claim shall be \$2,473,064.29, as of August 12, 2016, and shall continue to accrue interest at the rate specified in the Loan Documents. Any additional fees and costs incurred during this case must be approved by the Court with notice to the Debtor such not to include the default rate of interest or penalties. Upon confirmation, First Western shall deliver to the Debtor the amount of the First Western Reserve and Debtor shall apply the First Western Reserve to pay the Harris County Secured *Ad Valorem* 2016 Tax Claim. In the event that the First Western Reserve is not applied to 2016 taxes, B. Patel and J. Patel shall fund such payments by amending the Plan, at confirmation and with the taxing authority's agreement, to state that those taxes will be paid out under the Bankruptcy Code and with B. Patel and J. Patel making such monthly payments. The Debtor will continue to pay the obligation to First Western monthly in accordance with the Loan Documents beginning on the first day of the first month following the Effective Date except that Debtor will continue to pay only \$15,729.37 for the first year following the Effective Date and then the loan will be re-amortized at the end of the first quarter following that year so that the payments will increase to approximately \$17,500 per month at the beginning of the sixteenth (16th) month following the Effective Date. The Debtor reaffirms the Loan Documents except to the extent they are inconsistent with the Debtor's performance of its obligations under this Plan. Nothing shall impair the Lien of First Western in the Collateral but such Lien shall only exist to the extent of the amount of the Secured First Western Claim.

Class 2 – Harris County/Houston Sports Secured Judgment Tax Claim. Harris County/Houston Sports shall receive on account of its Harris County/Houston Sports Secured Judgment Tax Claim forty-eight (48) equal monthly payments bearing interest at the rate of 3.5% such payments to begin on the first day of the first month following the Effective Date.

Class 3 – Harris County Secured Ad Valorem Tax Claim. Harris County/Houston Sports shall receive nothing on account of its Harris County/Houston Sports 2015 Ad Valorem Tax Claim. Harris County/Houston Sports shall receive on account of its Harris County/Houston Sports 2016 Ad Valorem Tax Claim payment in the normal course of business on or before January 31, 2017 to be funded by the First Western Reserve and with proceeds from B. Patel and J. Patel.

Class 4 – First National Bank of Giddings Secured Claim. Debtor shall reaffirm the First National Bank of Giddings Secured Claim and nothing herein shall impair the Lien of First National Bank of Giddings in the Collateral.

Class 5 – Ally Financial Secured Claim. Debtor shall reaffirm the Ally Financial Secured Claim and nothing herein shall impair the Lien of Ally Financial in the Collateral.

Class 6 - Priority Employee Claims. Each holder of an Allowed Priority Employee Claim against the Debtor shall be paid in accordance with the Debtor's pre-petition custom and practice, if not already paid pursuant to order of the Bankruptcy Court entered June 17, 2016.

Class 7 - Red Roof Inn Unsecured Claim. Red Roof Inn shall receive on account of its Red Roof Inn Unsecured Claim six (6) equal monthly payments beginning on the first day of the month following the Effective Date and shall bear no interest or penalties.

Class 8 – General Unsecured Claims. Each holder of an Allowed General Unsecured Claim will receive on account of its Allowed General Unsecured Claim their pro rata share of ten (10%) percent of their Allowed General Unsecured to be paid in full on or before December 31, 2017.

Class 9 – Subordinated Insider Claims. In the event that the Current Equity Interest Owners are the winning bidders of the New Equity Interests in accordance with Article 7 of the Plan, all Subordinated Insider Claims shall be cancelled. In the event that the Current Equity Interest Owners are not the winning bidders of the New Equity Interests in accordance with Article 7 of the Plan, each holder of a Subordinated Insider Claim shall receive on account of its Subordinated Insider Claim their pro rata share of ten (10%) percent of their Subordinated Insider Claim to be paid in full on or before December 31, 2017.

Class 10 – Current Equity Interests. All Current Equity Interests in the Debtor shall be canceled on the Effective Date.

PLAN ARTICLE 6

ACCEPTANCE OR REJECTION OF PLAN

Classes Entitled to Vote. Each impaired Class of Claims and Current Equity Interests shall be entitled to vote separately to accept or to reject the Plan. Any unimpaired Class of Claims or Current Equity Interests shall not be entitled to vote to accept or to reject the Plan. Classes 1, 2, 3, 4,

5, 6, 7, 8, 9, and 10 are impaired and holders of such Allowed Claims therefore are entitled to vote on the Plan.

Class Acceptance Requirement. A Class of Claims shall have accepted the Plan if it is accepted by at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in such Class that have voted on the Plan. A Class of Equity Interests shall have accepted the Plan if it is accepted by at least two-thirds (2/3) of the number of the Allowed Current Equity Interests in such Class that actually have voted on the Plan.

Cramdown. This Section shall constitute the Debtor's request, pursuant to section 1129(b)(1), that the Bankruptcy Court confirm the Plan notwithstanding the fact that the requirements of section 1129(a)(8) may not be met.

Cure Payments and Release of Liability. All cure payments that may be required by Bankruptcy Code Section 365(b)(1) under any executory contract or unexpired lease that is assumed, or assumed and assigned, under this Plan shall be made by the Debtor on or as soon as practicable after the Effective Date; provided, however, in the event of a dispute regarding the amount of any cure payments, the cure of any other defaults, the ability of the Debtor to provide adequate assurance of future performance, or any other matter pertaining to assumption or assignment, the Debtor shall make such cure payments and cure such other defaults and provide adequate assurance of future performance, all as may be required by the Bankruptcy Code Section 365(b)(1), following the entry of a Final Order resolving such dispute. To the extent that a party to an assumed executory contract or unexpired lease has not filed an appropriate pleading with the Bankruptcy Court on or before the thirtieth (30th) day after the Effective Date disputing the amount of any cure payments offered to it by the Debtor, disputing the cure of any other defaults, disputing the promptness of the cure payments, or disputing the provisions of adequate assurance of future performance, then such party shall be deemed to have waived its right to dispute such matters.

PLAN ARTICLE 7

MEANS OF IMPLEMENTATION OF THE PLAN

This Plan incorporates a motion to permit the Debtor to incur the debt necessary to perform its obligations under the Plan including, without limitation, the rental payments to B. Patel and J. Patel. The Furniture Loan will be obtained by B. Patel and/or J. Patel and the associated furniture will be leased to the Debtor and rents shall be no more than the amount necessary for them to service the debt on the Furniture Loan. The Plan also incorporates a motion to permit the Debtor to enter into contracts necessary to complete the renovations and to enter into any agreements with Red Roof Inn.

Current Equity Interests are cancelled under the Plan. The holders of the Current Equity Interests have offered the following for the purchase of the New Equity Interests: a) \$10,000 in cash to be paid upon the Effective Date; b) a waiver of their Subordinated Equity Interests; c) the Red Roof Deposit; d) use of their personal credit to obtain the Furniture Loan of benefit to the Debtor; and e) any personal monies used to pay the 2016 real property taxes. A Bidder may submit a competing bid for the New Equity Interests to the Debtor's counsel on or before the close of business at 5:00 p.m. Central Standard Time fifteen (15) calendar days prior to the Confirmation

Hearing. Any bid for the New Equity Interests must include an agreement to assume all of the obligations of the holders of the Current Equity Interests (including the proceeds from a loan in an amount equal to the Furniture Loan) and, to the extent such bid includes additional cash consideration, must include a cashier's check payable to the Debtor in such amount. Such amount will be held in trust by the Debtor's counsel and returned if that Bidder does not become the Buyer. In the event that such competing offer is higher and better than the opening bid by the holders of the Current Equity Interests, the holders of the Current Equity Interest may make another bid up until the time of the confirmation hearing. The Court may entertain additional offers from the competing bidder and the holders of the Current Equity Interests at such hearing and determine which bid is the best and highest bid and that bidder will thereafter own the New Equity Interests. The Bidder who submits the highest and best bid at the time of the Confirmation Hearing shall become the Buyer subject to the approval of Red Roof Inn.

The Debtor shall have the powers and duties specified in this Plan. Such powers shall include, without limitation, the power to object to Claims, to administer Cash and Cash on Hand and to operate the business of the Debtor subject only to any limitations imposed by the Plan. The Debtor may operate without approval from the Bankruptcy Court. The Buyer of the New Equity Interests shall have all of the rights and responsibilities of an owner of a limited liability company under applicable law.

The Debtor shall own all Avoidance Actions and all Litigation Claims and shall have full power to institute, proceed to trial and appeal, settle or dismiss any Avoidance Action or Litigation Claim without approval from the Bankruptcy Court.

Upon the Effective Date, all Current Equity Interests shall be cancelled and null and void.

Confirmation of the Plan shall be deemed to constitute a permanent injunction against maintenance or commencement of any action against Debtor arising out of any events occurring prior to the filing of this case and all holders of Claims against Debtor are permanently enjoined with respect to such Claims: (a) from commencing or continuing any action or proceeding of any kind with respect to any such Claim against the Debtor and/or the Assets; (b) from enforcing, attaching, collecting, or recovering by any manner or means, any judgment, award, decree, or order against the Assets and/or the Debtor; (c) from creating, perfecting, or enforcing any encumbrance of any kind against the Assets and/or the Debtor; (d) from asserting any right of subrogation or recoupment of any kind against any obligation due the Debtor; and (e) from performing any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan and all Claims and causes of action held by all Entities against the Debtor are released and discharged except the obligations of the Debtor pursuant to the provisions of the Plan; provided, however, that each holder of a Contested Claim may continue to prosecute its proof of Claim in the Bankruptcy Court and all holders of Claims and Equity Interests shall be entitled to enforce their rights under the Plan and any agreements executed or delivered pursuant to or in connection with the Plan.

Confirmation of the Plan shall also be deemed to constitute an injunction against maintenance or commencement of any action against the Guarantors to collect any debt addressed in this Plan but only to the extent that the Debtor has materially complied with its obligations under the Plan regarding that debt.

The Debtor shall: (i) be solely responsible for pursuing and/or settling all causes of action owned by the Debtor and for distribution of all cash distributions contemplated by the Plan; (ii) have the right and power to enter into any contract or agreements binding the Debtor in connection with the performance of its duties; (iii) have power to borrow funds and/or obtain investors and/or sell or encumber its real estate for valid business purposes including funding any cash obligations pursuant to the Plan, funding expansion of Debtor's business as contemplated by Debtor's business plans submitted in support of confirmation of the Plan; (v) have power to do all acts contemplated by the Plan; and (vi) have sole discretion to settle or compromise any claim, cause of action, chose-in-action or litigation and settle any such claim, cause of action, chose-in-action or litigation, without approval of the Bankruptcy Court.

Subject to the following, the Debtor reserves the right to revoke and withdraw this Plan before the entry of the Confirmation Order. If the Debtor revokes or withdraws this Plan, or if confirmation of this Plan does not occur, then this Plan shall be deemed null and void and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtor or to prejudice in any manner the rights of the Debtor, or person in any further proceedings involving the Debtor or to provide the basis for any claim against Debtor.

ARTICLE IV: FINANCIAL INFORMATION REGARDING DEBTOR

Debtor's Statement of Financial Affairs, detailed schedules of assets and liabilities, and amendments thereto, and the periodic Operating Reports and interim statements required to be filed by the Bankruptcy Court, have been filed with the Court. Due to the complexity and volume of data contained in said documents, this Disclosure Statement can only summarize such information.

ADDITIONAL FINANCIAL INFORMATION AND CLARIFICATION CAN BE FOUND IN THE ABOVE DESCRIBED DOCUMENTS ON FILE WITH THE U.S. BANKRUPTCY CLERK.

ARTICLE V: CONSIDERATIONS IN VOTING ON THE PLAN

The Debtor has proposed a Plan that it believes treats all creditors fairly and equitably and is in the best interest of the creditors. In order to assist the creditors in evaluating the Plan, the Debtor provides the following summary of items which Debtor believes to be significant considerations for creditors in deciding how to vote on the Plan. References are made to paragraphs in this Disclosure Statement and Plan of Reorganization which discuss and have summarized topics in greater detail.

THE FOLLOWING IS ONLY A BRIEF SUMMARY AND SHOULD NOT BE RELIED

UPON EXCLUSIVELY FOR VOTING PURPOSES. YOU ARE URGED TO READ ALL OF THIS DISCLOSURE STATEMENT, THE PLAN OF REORGANIZATION IN FULL AND ALL OTHER RELEVANT ORDERS AND DOCUMENTS ON FILE IN THESE PROCEEDINGS.

1. Possible Tax Consequences. Implementation of the Plan will result in income, gain, or loss for federal income tax purposes to holders of claims against and interests in Debtor. Tax consequences to a particular Creditor or holder of an interest in Debtor may depend on the particular circumstances or facts regarding the Claim of the Creditor or the interest of such holder in Debtor. To the extent that a holder of a Claim receives a distribution under the Plan which is less than the full amount of the Claim, and the remainder of the Claim is being discharged under the Plan, that holder of a Claim may be entitled to a deduction from taxable income to the extent of the realized loss on the Claim (but only to the extent the loss has not been recognized in prior tax years).

Each holder of an interest in Debtor will recognize taxable income or gain as a result of the implementation of the Plan to the extent that the holder's allocable share of the gain from the transfer of the Property and/or income from cancellation of indebtedness due to the modification and/or discharge of Claims under the Plan.

THE TAX CONSEQUENCES TO EACH CLAIMANT RESULTING FROM ANY REORGANIZATION OF DEBTOR OR LIQUIDATION OF DEBTOR'S ASSETS ARE COMPLEX AND MAY VARY AND WILL DEPEND UPON THE PARTICULAR CIRCUMSTANCES OF EACH CLAIMANT. CONSEQUENTLY, EACH CLAIMANT IS URGED TO CONSULT HIS OWN TAX ADVISOR WITH SPECIFIC REFERENCE TO HIS PARTICULAR CIRCUMSTANCES AND TO THE TAX CONSEQUENCES OF BOTH THE PLAN AND ANY ALTERNATIVE TO THE PLAN AND NO CLAIMANT IS AUTHORIZED

TO RELY FOR TAX ADVICE OR INFORMATION ON THIS DISCLOSURE STATEMENT.

ARTICLE VI: LIQUIDATION ANALYSIS

1. Liquidation Analysis

First Western has alleged that it's claim is \$2,473,00 and Debtor does not dispute that amount. The *ad valorem* taxes on the property for 2016 are estimated to be \$85,000. First Western has also obtained an appraisal showing the value to be \$2,640,000. A broker's commission of 6% on a sale of the property would result in a broker's fee of \$158,400.

First Western Principal, Interest & Fees as of 8/2/16	\$2,473,000
Estimated Additional Fees	25,000
Brokerage Fees	158,400
Estimated 2016 <i>Ad Valorem</i> Taxes	<u>85,000</u>
Total Fees	\$2,741,400
Estimated Value	<u>2,640,000</u>
Difference	(\$101,400)

The appraised value shown above is a valuation based on an ongoing enterprise and this analysis shows that even an orderly liquidation of an ongoing business would produce no dividends to unsecured creditors. If a Chapter 7 Trustee were forced to sell the hotel at a heavily discounted price and without an orderly marketing and solicitation process being implemented, there would even be less monies and likely not even enough to pay the First Western claim.

Debtor's Recommendation:

BASED ON THE CONTENTS OF THIS DISCLOSURE STATEMENT, THE DEBTOR BELIEVES IT IS IN THE BEST INTERESTS OF ALL CREDITORS THAT THE PLAN AS PROPOSED BY THE DEBTOR BE APPROVED BY ITS CREDITORS. DEBTOR

BELIEVES THAT REORGANIZATION WOULD PRODUCE MORE DISTRIBUTION TO CREDITORS THAN IF THE DEBTOR WERE LIQUIDATED. ACCORDINGLY, THE DEBTOR RECOMMENDS THAT ITS CREDITORS VOTE TO CONFIRM THE PLAN AS FILED BY THE DEBTOR.

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Dated: 01/9th, 2017.

VIGNAHARA, LLC

By: 
Binal M. Patel, Managing Member

Submitted by:

**HIERSCHE, HAYWARD, DRAKELEY
& URBACH, P.C.**

By: /s/ Russell W. Mills
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