

UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
LAREDO DIVISION

IN RE: RO & SONS, INC. §  
Debtor § CASE NO. 16-50241  
§  
§ Small Business Case Under Chapter 11

RO & SONS, INC.'S AMENDED DISCLOSURE STATEMENT,  
DATED SEPTEMBER 21, 2017

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## I. INTRODUCTION

### 1.01 Description of this Document

This is the disclosure statement (the "Disclosure Statement") in the small business chapter 11 case of RO & SONS, INC., (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the RO & SONS, INC., Plan of Reorganization (the "Plan") filed by the Debtor on June 8, 2016. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

### 1.02 Summary of Distributions

The proposed distributions under the Plan are discussed at pages 9-13 of this Disclosure Statement. There are two general unsecured creditors classified in Class 6. The unsecured creditors will receive a distribution of 100 % of their allowed claims, to be distributed as follows: payable in equal monthly installments of principal and interest over six years from the Effective Date, at an annual interest rate of 3% . The monthly plan payment for this class total \$338.00.

### 1.03 Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- Why the Proponent believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement

describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

#### **1.04 Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

#### **1.05 Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan**

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place on August 10, 2017, at 9:00 a.m., in Courtroom assigned to the United States Bankruptcy Court, for the Southern District of Texas, Laredo Division. The Court room is located in the United States Courthouse, at 1300 Victoria, Laredo, Texas, 78040. The U.S. Marshal's will tell you which court room the Bankruptcy Court is sitting in on the day of the hearing.

#### **1.06 Deadline for Voting to Accept or Reject the Plan**

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Carl M. Barto, Debtor's Counsel, 817 Guadalupe, Laredo, Texas 78040. See section 5.08 below for a discussion of voting eligibility requirements. Your ballot must be received by **October 26, 2017** or it will not be counted.

#### **1.07 Deadline for Objecting to the Adequacy of Disclosure and Confirmation of the Plan**

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon Debtor's Counsel, the attorney for the Office of the United States Trustee, all creditors, and all parties requesting notice in this case by **October 26, 2017**.

#### **1.08 Identity of Person to Contact for More Information**

If you want additional information about the Plan, you should contact Carl M. Barto, Debtor's Counsel, 817 Guadalupe, Laredo, Texas 78040. His e-mail, phone and fax are [cmbllaw@netscorp.net](mailto:cmbllaw@netscorp.net), 956 725-7500, and 956 722-6739.

#### **1.09 Disclaimer**

*The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until 5:00 p.m. on*

August 3, 2017.

## II BACKGROUND

### 2.01 Description and History of the Debtor's Business

Debtor is a corporation that was originally organized in November of 1994 by the husband and father of its current shareholders. It does business under the d/b/a of Motel 9. It owns two motel properties in Laredo, Texas. The respective Properties are more particularly described as follows:

#### 2503 E. Saunders.

Lots No. Two (2), Six (6), and Seven (7), Block Number One Thousand Five Hundred Twenty (1520), situated in the Eastern Division of the City of Laredo, Webb County, Texas, according to the McMillan Park Subdivision replat recorded in Volume 2, Page 200, Plat Records of Webb County, Texas.

#### 9017 San Dario.

The surface Estate only in and to Lot One (1), Block One (1), I.H. 35 Industrial Park, situated in the City of Laredo, Webb County, Texas, according to the Plat thereof recorded in Volume 8, Page 85, Plat Records of Webb County, Texas.

The primary objective of the two Rodriguez brothers or the management of the Debtor, is to sell at least one of the properties to pay off all of the company's indebtedness and recover some equity from the business started by their father for the benefit of their mother

### 2.02 Insiders of the Debtor

The Debtor is a family owned business, owned by a mother and her three children. The owners and their percentage of ownership are: Pablo E. Rodriguez; Eric I. Rodriguez, and their sister Cindy Rodriguez. Each of the Rodriguez sibling own 16.6666% of the stock of the corporation. Their mother Hortencia M. Rodriguez owns 50% of the stock of the corporation.

### 2.03 Management of the Debtor Before and During the Bankruptcy

Pablo Rodriguez is the president of the Debtor. Eric I. Rodriguez is the vice-president of the Debtor. Before and during the bankruptcy the brothers were each responsible for the management of one of the motel locations, with Pablo being responsible for the San Dario location and Eric having responsibility for the Saunders location.

Pablo remains the Debtor's President and chief executive officer. His brother Eric continues to serve as vice-president. The two brothers confer on decisions effecting the Debtor.

After the effective date of the order confirming the Plan, the officers of the Debtor and the successor of the Debtor under the Plan (collectively the "Post Confirmation Managers"), will continue to be Pablo Rodriguez and Eric Rodriguez. Eric Rodriguez is a full time employee of the Webb County Sheriff's department. He takes no salary or compensation from the Debtor. Pablo Rodriguez sole source of income is from the Debtor. He was drawing \$2,000.00 a month as a salary from the Debtor until September of 2016, when he was not paid at all. He received \$500.00 from the Debtor in October of 2016, and has received a salary of \$2,000.00 per

month since this case was filed.

## 2.04 Events Leading to Chapter 11 Filing

At the beginning of the last oil and gas industry boom in the Eagle Ford Shale, Debtor had no problem keeping the rooms in its two motels in Laredo, filled with reservations of oil field employees. But as the boom continued, three things happened which cut down on the Debtor's room occupancy rate, thereby greatly reducing its cash flow. These were as follows:

- A. The oil field service companies experienced several injuries to employees involved in vehicular accidents while driving between work sites and motel rooms in Laredo. The companies solution to this was to move living quarters to work sites so oil field employees would not have to make long drives before and after their shifts.
- B. Between 2010 and 2013 between 600 and 700 additional hotel rooms were built in Laredo. These rooms were mostly in larger hotels/motels that are part of national chains. The national chains were able to offer corporate discounts with which the Debtor could not compete. More importantly for the Saunders location, roughly 300 of the new rooms are in close proximity to the Laredo airport, an area served by the Saunders location.
- C. The Mexican Peso has continued to erode in value for roughly the two years. This, and the continued downturn in the oilfield has caused a decline in jobs and income in the Laredo community. Both motels are negatively impacted by this down turn in the economy. A large portion of the motels' none oil field related customer base consisted of Mexican shoppers. There are now fewer of these shoppers coming to the Laredo area, and of the ones who do come to Laredo, many of them are choosing to stay at the newer, larger, national chain hotels. The motels also used to provide rooms for truck drivers, but as the economy has become tighter, most of these drivers have had to reduce their expenses also, with the result that most drivers now sleep in their trucks rather than rent rooms in motels.

The Falcon International Bank (the "Bank") has two real estate lien notes from the Debtor that are secured and cross collateralized with both of the Debtor's properties. Debtor's cash flow problems caused it to default on the notes. The Bank posted the properties for a deed of trust foreclosure to occur on December 7, 2016. The Debtor, believing there is substantial equity in the two properties, filed for protection under the bankruptcy code.

## 2.05 Significant Events During the Bankruptcy Case

Debtor entered a cash collateral agreement with the Bank for the payment of monthly interest payments, and tax escrow. During the bankruptcy Debtor attempted to continue to operate both motels to generate the cash flow to make the monthly cash collateral payments. It was the Debtor's intent to try to sell or surrender the Saunders property to reduce its overhead and the balance owed on its debt to Falcon. The Debtor was hoping the relief under the code would give it the time to accomplish this over a period of time that would allow the Debtor to sell or surrender at a value of \$800,000.00 or more.

Debtors cash flow problems have gotten worse during the bankruptcy. Monthly cash flow statements have convinced the Debtor that it cannot operate both motels, nor can it operate either motel as it has previously. These factors have led to the Debtor's current plan for liquidation

Debtor negotiated with Falcon about accepting the surrender of the Saunders property for an agreed value. The Bank obtained an appraisal of the property, and based on this appraisal agreed to accept the property at \$650,000.00 minus certain costs associated with the property, such as unpaid motel occupancy taxes and unpaid real property taxes and unpaid personal property taxes associated with the property.

Debtor had proposed that the Bank accept the surrender of the Saunders property at a value of \$650,000 (minus any outstanding ad valorem, personal or occupancy taxes associated with the Saunders property) and that the Bank allow the Debtor to pay off the balance of its debt amortized for twenty-five years, at 4.5% interest per year with a balloon on the fifth anniversary of the Effective date of the Plan. Furthermore, Debtor (and the guarantor of Debtor's debt to Falcon) shall provide all required financial information required by the loan documents executed by Debtor including but not limited the loan agreement dated March 30, 2012.

Debtor further agrees to an agreed order to lift the automatic stay on the Saunders Property in order to allow Falcon to proceed with a foreclosure of such property.

To make this a feasible Plan, and enable Debtor to make the payments required in its proposed plan, Debtor recently has terminated all of its employees, save and except Pablo Rodriguez, and his mother Hortencia who will continue to work full time for the San Dario property, and one part time janitorial worker at the San Dario property. The work previously done by paid employees will now be done by family members who are contributing their time to try to salvage equity from the family enterprise. Family members will continue to contribute their time to the Debtor post confirmation until the Debtor's remaining property can be sold under the Plan and the Debtor is completely liquidated.

The Debtor's family members have also agreed to come out of pocket to pay up to a total of an additional \$3,000.00 per month should such be necessary to make up any shortfall in operating income necessary to make monthly Plan payments.

While the San Dario motel continues to operate under these conditions, the Debtor will diligently try to sell that property for a sufficient amount to pay the balance of its indebtedness in full, while at the same time paying all of its creditors the payments provided under the Plan.

Contemporaneously with the filing of this Disclosure Statement Debtor has filed an application to employ a real estate broker to market and sell the San Dario property.

There is a masterplan for the city of Laredo that shows significant commercial development planned for the properties adjacent to the San Dario property. Developers and land owners are aware of this projected development, and Debtor believes that this will make the San Dario property more valuable and saleable for a price sufficient to liquidate all debt in this case and realize some equity for the Debtor.

## 2.06 Projected Recovery of Avoidable Transfers



The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

### **2.07 Claims Objections**

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

### **2.08 Current and Historical Financial Conditions**

The identity and fair market value of the estate's assets are listed in Exhibit B, which consists of Webb County Assessment District tax valuations for each of the Debtor's properties.

The Debtor's most recent financial statements issued before bankruptcy, which was filed with the Court as an exhibit to ECF No. 2, is attached hereto as Exhibit C.

The most recent post-petition operating report filed since the commencement of the Debtor's bankruptcy case is set forth in Exhibit D.

A revised monthly cash flow for the Debtor, incorporating its cost cutting efforts recently enacted is attached hereto as Exhibit E.

## **III SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

### **3.01 What is the Purpose of the Plan of Reorganization?**

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

### **3.02 Unclassified Claims**

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

### **3.03 Administrative Expenses**

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Type	Estimated Amount	Proposed Treatment
<u>I.R.S. Form 941 Taxes for 1<sup>st</sup> and 2<sup>nd</sup> Quarters of 2017</u> After the Petition Date	<u>\$324.11</u>	Paid in full on <u>or before confirmation</u>
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Professional Fees, as approved by the Court.	\$40,000.00	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan
Clerk's Office Fees	\$0.00	Paid in full on the effective date of the Plan
Office of the U.S. Trustee Fees	\$650.00	Paid in full on the effective date of the Plan
TOTAL	<u>\$40,974.11</u>	

### 3.04 Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.



The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Class	Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
1	I.R.S. Prepetition FICA Priority Claim	<u>\$5,242.58</u>	1/6/2017	Pmt interval = Monthly [Monthly] payment = <u>\$118.37</u> Begin date = Month 1 End date = Month 48 Interest Rate % = 4% Total Payout Amount = <u>\$ 5,681.76</u>
2	Laredo Community College Ad Valorem Taxes	\$495.54	2008	This debt will be paid in full on the Effective Date
3	State of Texas Comptroller Hotel Motel Occupancy Tax	7,738.00	12/4/305	Pmt interval Monthly [Monthly] payment <u>\$177.33</u> Begin date 30 days after Effective Date End date = 48 Months later Interest Rate % = 4.75% Total Payout Amount = \$ 8,512.00
4	City of Laredo Hotel Motel Occupancy Tax On Saunders Property	\$11,375	05/2016 to 10/2016	This debt is going to be paid by reducing the amount of credit the Bank will give the Debtor on the gross surrender price of \$650,000 for the Saunders property. The amount will be paid in full by the Bank on surrender of the property to the Bank
4	City of Laredo Hotel Motel Occupancy Tax On San Dario Property	\$6,347.00	04/2016 to 10/2016	Payment Interval = Monthly Monthly Payment = <u>\$161.00</u> Begin Date: = Month 1 Ending Date = Month 48 Interest Rate = 10% Total Payout Amount = \$7,727.00
4	City of Laredo Attorneys Fees and Cost for Collection Lawsuit for Hotel Motel Occupancy Tax	\$2,025.50	Unknown	Payment Interval = Monthly Monthly Payment = <u>\$51.00</u> Begin Date: = Month 1 Ending Date = Month 48 Interest Rate = 10% Total Payout Amount = \$2,466.00
5	I.R.S. Corporate 1190 Income Tax	\$1,911.00	6/05/2017	Pmt interval = Monthly [Monthly] payment = <u>\$42.00</u> Begin date = Month 1 End date = Month 48 Interest Rate % = 3% Total Payout Amount = \$ 2,030.00

5	I.R.S. Prepetition FICA and Corporate Taxes	\$77,001.00	12/10/2012 through 6/08/2015	Payment Interval = Monthly Monthly Payment = <u>\$1,739.00</u> Begin Date: = Month 1 Ending Date = Month 48 Interest Rate = <u>4%</u> Total Payout Amount = <u>\$83,453.00</u>
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**3.05 Classes of Claims and Equity Interests**

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

**A. Classes of Secured Claims**

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim. The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class #	Description	Insider? (Yes or No)	Impairment	Treatment
6	Secured claim of: Falcon International Bank Collateral description = Both of Debtor's Motel Properties Allowed Secured Amount = \$1,224,471.28 Priority of lien = 1st Principal owed = \$ 1,172,566.76 Pre-pet. arrearage = \$51,904.52 Total claim = \$1,224,471.28	NO	Impaired	The Two secured claims of the Bank will treated together.  The Debtor will surrender the Saunders Motel property to the Bank for a gross surrender value of \$650,000.00. The Bank will credit this amount minus taxes attributable to the Saunders property, to the total amount of the Debtors two loans to the Bank. The balance owed on the two notes will be approximately \$847,343.47 ( <u>this figure is subject to change until actual foreclosure of Saunders Motel property and adjustments to credit are properly applied</u> ), which will be amortized for 25 years, at 4.5% per annum, with a balloon for the unpaid balance due on the fifth anniversary of the Effective Date.  The monthly P&I payment on the

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				<p>larger Falcon Bank note will be approximately <u>\$3,356.23.</u></p> <p>The monthly P&amp;I payment on the smaller Falcon Bank note will be approximately <u>\$1,399.73.</u></p> <p>This will result in a monthly P&amp;I payment of approximately <u>\$4,755.96</u> On the total indebtedness owed to the Bank on both notes</p> <p>The Debtor will also continue to pay the Bank Escrow for taxes on the San Dario Property. These monthly payments are approximately: <u>= \$1,939.50</u></p> <p>For a total monthly payment to the Bank of approximately: <u>= \$6,695.46</u></p> <p>Pmts Begin = Month 1 Pmts End = Month 60</p> <p>Balloon pmt = On or before the 60<sup>th</sup> month following the Effective Date Interest rate = 4.5 %</p> <p>Treatment of Lien = Fully secured</p>
6	<p><i>Secured claim of:</i> Falcon International Bank Collateral description = Both of Debtor's Motel Properties Allowed Secured Amount = \$247,358.84 Priority of lien = 1st Principal owed = \$247,358.84 Pre-pet. arrearage = \$0.00 Total claim = \$247,358.84</p>	NO	Impaired	<p>See above.</p> <p>The payment of the balance of the P&amp;I on the Bank's indebtedness and the escrow will be bifurcated each month, with the \$4,683.00 due and payable on the 2<sup>nd</sup> Wednesday of each month, and the payment of the escrow amounts due two weeks thereafter, <u>on the 15th day of each month beginning on September 15, 2017.</u></p> <p>Debtor will continue to keep the Dan Dario property insured with the Bank named as a loss beneficiary and a party entitled to notice if the policy lapses or is cancelled. Debtor will provide the Bank with proof of insurance within five days of demand for same.</p>

**B Claims Classes of Priority Unsecured**

The Debtor has no priority unsecured claims as defined in §§ 507(a)(1), (4), (5), (6), and (7) of the Code.

**C Class of General Unsecured Claims**

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class 2, the general unsecured claims against the Debtor:

Cass #	Description	Impairment	Treatment
7	General Unsecured Class  Scott B. Retzloff & Associates Claim for Services in the Amount of \$3,200	Impaired	Monthly Pmt = \$51.00 Pmts Begin = Month 1 Pmts End = Month 72 Interest rate % from The Effective Date = 3% Estimated percent of claim paid = 100%
7	Javier Eli Perez, CPA \$18,879.80	Impaired	Monthly Pmt = \$287.00 Pmts Begin = Month 1 Pmts End = Month 72 Interest rate % from The Effective Date = 3% Estimated percent of claim paid = 100%
<u>7</u>	<u>I.R.S. General Unsecured Claim</u>  <u>\$1,690.00</u>	Impaired	<u>Monthly Pmt = \$30.00</u> <u>Pmts Begin = Month 1</u> <u>Pmts End =</u> <u>Month 72</u> <u>Interest rate % from</u> <u>The Effective Date = 3%</u> <u>Estimated percent of claim paid = 100%</u>

**D. Class of Equity Interest Holders**

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:



Class 8	Equity interest holders	Impaired	Treatment
	<b>Hortensia M. Rodriguez</b> Owns 50% of the shares of Debtor	All of the equity shareholders are impaired	The equity shareholders will participate in the equity derived from the sale of the San Dario property, only if and after all other creditors are paid in full.
	<b>Cindy Barrera</b> Owns 16.666% of the Debtor		
	<b>Pablo Rodriguez</b> Owns 16.666% of the Debtor		
	<b>Eric I. Rodriguez</b> Owns 16.666% of the Debtor		

#### IV. MEANS OF IMPLEMENTING THE PLAN

##### 4.01 *Source of Payments*

Payments and distributions under the Plan will be funded by the cash flow from the Debtor's operation of the san Dario location.

##### 4.02 *Post-confirmation Management*

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Affiliations	Insider (yes or no)?	Position	Compensation
Pablo Rodriguez	16.666% owner	Yes	President, manages and helps operate the San Dario Property	\$2,000.00

Hortensia Rodriguez	50.0% owner	Yes	Not an officer but will assist in the management of the San Dario property	Assists without pay
Eric I. Rodriguez	16.666 % owner	Yes	Vice -President and offers support with books and records, and financial reports for the corporation	Assists without pay

#### 4.03 Risk Factors

The proposed Plan has the following risks:

The proposed Plan is constructed around the premise that there are new commercial ventures that are going to be built in close proximity to the Debtor's San Dario property in the near future. The construction of these properties will add value to the Debtor's San Dario location and make it easier to sell the property for an amount sufficient to pay all of the Debtor's creditors in full.

Debtor has no control over when or if these new commercial properties will be constructed, or how long it will take to find a suitable purchaser of the property.

Debtor will attempt to keep making the Plan payments using the cash flow from the San Dario property and as a last resort contributions from the family members with ownership interest in the corporation. The cash flow is dependent on the number of rooms that are rented in the San Dario property, and this is in large measure dependent on the economy in the Webb County area. There has been a recent increase in activity in the Eagle Ford Shale, but to date this had not had an appreciable effect on the rentals of the San Dario property.

The success or failure of the Plan comes down to whether or not the rental income and family resources can keep making the Plan payments long enough for the Debtor to find a suitable purchaser of the property. The financing terms offered by the Bank and implemented in the Plan gives the Debtor five years to do this, which should be adequate time.

#### 4.04 Executory Contracts and Unexpired Leases

Debtor has one executory contract for an ice machine which it will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contract and unexpired lease. The contract is not in default. If you object to the assumption of your unexpired lease or

executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in Exhibit 5.1 will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

**The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is October 26, 2017.** Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

#### 4.05 Tax Consequences of Plan

**Creditors and Equity Interest Holders Concerned with how the Plan may affect their tax liability should consult with their own accountants, attorneys, and/or advisors as to the effect of having their debt discharged, or receiving a payment from the Debtor under the Plan after confirmation.**

There are tax consequences under the Plan for the Debtor. To the extent that the sales price of a property exceeds the Debtor's basis in the property the Debtor will have to pay a capital gains tax on the property.

### V. CONFIRMATION REQUIREMENTS AND PROCEDURES

#### 5.01 Confirmation Standards

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

#### 5.02 Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that classes 1, 3, 4, 5, and 6 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that class 2 is unimpaired and that the holder of that claim therefore, does not have the right to vote to accept or reject the Plan.

### 5.03 *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

### 5.04 The deadline for filing a proof of claim in this case was May 2, 2017. The deadline for a government agency to file a proof of claim in this case was June 19, 2017.

### 5.05 *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

### 5.06 *Who is Not Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- administrative expenses.

### 5.07 Right to Object: Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

### 5.08 *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

### 5.09 Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later in Section 5.11.

### 5.10 Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

### 5.11 Treatment of Nonaccepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

***You should consult your own attorney if a "cramdown" confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.***

### 5.12 Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as **Exhibit E**.

### 5.13 Feasibility

The Court must find that 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, unless such liquidation or reorganization is proposed in the Plan.

### 5.14 Ability to Initially Fund Plan

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. Tables showing the amount of cash on hand on the effective date of the Plan, and the sources of that cash are attached to this disclosure

statement as **Exhibit F**.

### **5.15 Ability to Make Future Plan Payments and Operate Without Further Reorganization**

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided projected financial information. Those projections are listed in **Exhibit G which is attached hereto**. The projections are based on the Debtor's May 2017 income from the San Dario property, which the Debtor's management considers to be at the low end of what the Debtor can expect to average each month.

Attached hereto as Exhibit G is a new projected cash flow based on the Debtor's revised method of operating the San Dario property. Debtor has drastically cut its labor cost and will now operate the San Dario location with only two full time and one part time employee. Any additional work required to keep the Motel at San Dario operating will be provided by family members volunteering their time.

The cash revised flow shows that after the payment of all operating expenses, save and except Plan payments, there remains \$11,359.83 to fund payments under the Plan.

Total Plan payments, after month 1 of the Plan are \$11,359.83.

Debtor additionally has the commitment of each of the Rodriguez brothers, and their sister that together they will add an additional \$3,000 per month to the Plan if it is necessary to fund the Plan, if the income from the San Dario property is not sufficient to make all of the Plan payments.

Between the anticipated cash flow of the San Dario property and the available family contributions the Plan Proponent's financial projections show that the Debtor will have a sufficient aggregate annual average cash flow to pay all of its operating expenses and make all Plan payments until the San Dario property is sold on or before the fifth anniversary of the Effective Date of the Plan.

### **5.16 You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.**

## **VI. EFFECT OF CONFIRMATION OF PLAN**

### **6.01 Discharge of Debtor**

The Plan provides for the complete liquidation of the Debtor. Discharge is a moot issue in that the Debtor will cease to exist on the successful sale of its remaining assets and the payment of all creditors in full.

### **6.02 Modification of Plan**

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan. The Plan

Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

### 6.03 Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

## VII. OTHER PLAN PROVISIONS

### 7.01 Default Provisions:

#### A. Concerning the IRS

A failure by the Debtor to make a payment to the IRS pursuant to the terms of the plan shall be an event of default; as to the IRS, there is an event of default if payment is not received by the 15<sup>th</sup> of each month; if there is a default as to the IRS, IRS must send written demand for payment to the Debtor and said payment must be received by the IRS within fifteen (15) days of the date of the demand letter; the Debtor can receive up to five (5) notice of default from the IRS, the third (3rd) default cannot be cured and the IRS may accelerate its allowed claim(s), past and future, and declare the outstanding amount of such claim(s) to be immediately due and owing and pursue any and all available state and federal rights and remedies. These default provisions pertain to the entire claim(s) of the IRS, secured, unsecured priority and unsecured general.

The IRS is bound by provisions of the confirmed plan and is barred under 11 U.S.C. § 1141 from taking any collection action against the Debtor for pre-petition claims during the duration of the plan (provided there is no default as to the IRS). The period of limitations of collection remains suspended under 26 U.S.C. § 6503(h) for tax periods being paid under the plan and terminates on the earlier of (1) all required payments to the IRS having been made; or (2) 30 days after the date of the demand letter (described above) for which the Debtor failed to cure the default.

#### B. Provisions Relating to Sale of Property Securing Ad Valorem Taxes or Default on Ad Valorem Tax Payments.

In the event a Reorganized Debtor sells, conveys or transfers any property which is the subject of an ad valorem tax claim as to each such property sold, the Debtor shall remit such sales proceeds first to the ad valorem taxing entities to be applied to ad valorem tax debt.

The Reorganized Debtors will pay all post-petition tax liabilities (tax year 2014 and subsequent tax years) owing to the ad valorem tax entities in the ordinary course of business as such tax debt comes due without need of the ad valorem tax entities filing an administrative claim and request for payment.

Should the Reorganized Debtor fail to make any payments as required in this Plan, the ad valorem tax entities shall provide written notice of that default and send written notice by certified mail to Debtor's counsel advising of that default, and providing the Reorganized Debtor with a period of ten (10) days to cure the default. In the event that the default is not cured within ten (10) days, the ad valorem tax entities may, without further order of this Court, pursue all of its rights and remedies available to it under the Texas Property Tax Code to collect the full amount of all taxes, penalties and interest owed. Additionally, the failure to timely pay post-petition and/or post-confirmation taxes while the Reorganized Debtor is still paying any pre-petition debt, shall be considered an event of default. The ad valorem tax entities shall provide Debtor's counsel with written notice of that default and a ten (10) day opportunity to cure said default. In the event that the Reorganized Debtor fails to timely cure the post-petition and/or post-confirmation default, the ad valorem tax entities may proceed without further order of this court to collect the taxes, penalties and interest owed. The Reorganized Debtor shall be entitled to no more than two (2) Notices of Default. In the event of a third (3rd) default, an ad valorem tax entity may pursue all rights and remedies available to it under the Texas Property Tax Code in state district court without further order of this court.

**C. Default Provisions Related to the Falcon Bank Debt**

Should the Reorganized Debtor fail to make any payments as required in this Plan to Falcon Bank, the Bank shall provide written notice of that default and send written notice to Debtor and Debtor's counsel advising of that default, and providing the Reorganized Debtor with a period of fifteen (15) days to cure the default. In the event that the default is not cured within fifteen (15) days, the Bank, without further order of this Court, may pursue all of its rights and remedies available to it under state law. The Reorganized Debtor shall be entitled to no more than two (2) Notices of Default. In the event of a third (3rd) default, the Bank may pursue all rights and remedies available to it under state law without further order of this court.

**D. Default Provisions Related to Comptroller**

A failure by the reorganized Debtor to make a payment to the Comptroller of a priority tax debt pursuant to the terms of the Plan shall be an Event of Default. If the reorganized debtor fails to cure an Event of Default as to such payments within ten (10) days after receipt of written notice of default from the Comptroller, then the Comptroller may (a) enforce the entire amount of its claim; (b) exercise any and all rights and remedies the Comptroller may have under applicable state law; and/or (c) seek such relief as may be appropriate in the Court. The reorganized debtor shall have the opportunity to cure two (2) times over the life of the plan. In the event of the third default, the Comptroller may proceed with the state law remedies for collection of all amounts due under state law.

**E. Additional Provisions Related to the I.R.S.**

The debt owed by the Debtor to the Internal Revenue Service is a non-dischargeable debt, except as otherwise provided for in the Code and, that if the Debtor should default, the





IRS is not subject to the provisions of the Bankruptcy Code so that the IRS can take whatever actions are necessary to collect said debt. Federal Tax Liens survive plan confirmation and continue to attach and be enforceable against all property of the Debtor in the case of default or dismissal.

Payments to the I.R.S. must be made by check or money order made payable to: U.S. Treasury. Payments must be mailed to:

Internal Revenue Service, 300 E. 8<sup>th</sup> St. Mail Stop 5026 AUS, Austin, TX 78701

#### 7.02 Payment of United States Trustee Quarterly Fees and Submission of Statements of Disbursements

The Debtor shall timely pay on the Effective Date all pre-confirmation quarterly fees owed to the United States Trustee. The Debtor also shall timely pay post-confirmation quarterly fees assessed pursuant to 28 U.S.C. § 1930(a)(6) until such time as the Bankruptcy Court enters a final decree closing these chapter 11 cases, or enters an order either converting these cases to cases under chapter 7 or dismissing the cases. After confirmation, the Debtor shall file with the Bankruptcy Court and shall transmit to the United States Trustee a true and correct statement of all disbursements for each quarter, or portion thereof, that these chapter 11 cases remain open in a format prescribed by the United States Trustee.

#### 7.03 Vesting of Assets on Confirmation

Title to Assets: Except as otherwise provided by the Plan, on the Confirmation Date, title to all assets and properties dealt with by the Plan shall vest in the Reorganized Debtor in accordance with Section 1141 of the Bankruptcy Code, free and clear of all Claims.

#### 7.04 Satisfaction and Release of Claims against the Debtors

The distributions of consideration provided for in the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims, including any Claim or interest after the date of filing of the Chapter 11 petition.

#### 7.05 Preservation of Lien Status and Collateral and Additional Events of Default:

To the extent that creditors are secured by perfected liens on collateral they will retain their lien status until or unless the collateral is sold and the net proceeds of sale are paid to the secured party. The reorganized Debtor will maintain insurance on all collateral in amounts and types necessary for the businesses of the Debtor. Creditors may inspect the collateral or receive proof of insurance on written request to the Reorganized Debtor, all of which requests must be responded to by the Reorganized Debtor within seven days of receipt. Debtor will further preserve the collateral by paying on or before their due date all ad valorem taxes on Collateral. Failure to comply with any of these provisions will be an event of default under the Plan.

7.07 Miscellaneous

Section Headings. The section headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan.

7.08 Please Vote for this Plan.

The Company asks that the Creditors vote in favor of this plan because it will allow the Company to pay all of its creditors in full and still stay in business.

REMEMBER THAT THE DEADLINE FOR BALLOTS IS OCTOBER 26, 2017.

Mail your ballot to:

Carl M. Barto  
817 Guadalupe  
Laredo, Texas 78040  
(956) 725-7500.

Or send same by facsimile or e-mail to:

956 722-6739 Facsimile  
cmblaw@netscorp.net

RO & SONS, INC., d/b/a Motel 9

/s/ Pablo Rodriguez  
Pablo Rodriguez, President  
Plan Proponent

/s/ Carl Michael Barto  
Carl Michael Barto, Attorney for the Plan  
Proponent

## EXHIBITS SCHEDULE

- A. Proposed Plan
- B. Identity and Value of Material Assets of Debtor
- C. Prepetition Financial Statement
- D. Most Recently Filed Post Petition Operating Report
- E. Liquidation Analysis
- F. Cash on Hand on the Effective Date of the Plan
- G. Projections of Cash Flow and Earnings Post Confirmation

Exhibit A – Copy of Proposed Plan of Reorganization

**United States Bankruptcy Court  
Southern District of Texas  
Laredo Division**

In re: RO & SONS, INC. d/b/a MOTEL §  
9 Debtor § Case No.16-50241  
§ Small Business Case Chapter 11

**RO & SONS, INC.'S AMENDED PLAN OF  
REORGANIZATION DATED SEPTEMBER 21, 2017**

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## ARTICLE I SUMMARY

1 This Plan of Reorganization (the "Plan") under chapter 11 of the Bankruptcy Code (the "Code") proposes to pay creditors of RO & SONS, INC., (the "Debtor") from the Debtor's monthly cashflow generated from the operation of the Motel at 9017 San Dario Ave, Laredo, Texas, and from the net proceeds from the eventual sale of the property. Should the cash flow from any month result in a shortfall, family members have agreed to contribute up to a total of \$3,000.00 per month to make the Plan work.

2 This Plan provides for six classes of classes of secured claims; one class of unsecured claims; and one class of equity security holders. Unsecured creditors holding allowed claims will receive distributions, which the proponent of this Plan has valued at approximately 100 cents on the dollar. This Plan also provides for the payment of administrative and priority claims. All of these claims save and except for the Debtor's counsel's attorney's fees and cost will be paid on the Effective date. Counsel's fees will be paid pursuant to the agreement state in paragraph 3.02 herein.

3 All creditors and equity security holders should refer to Articles III through VI of this Plan for information regarding the precise treatment of their claim. A disclosure statement that provides more detailed information regarding this Plan and the rights of creditors and equity security holders has been circulated with this Plan. **Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one.)**

## ARTICLE II CLASSIFICATION OF CLAIMS AND INTERESTS

There are no allowed claims entitled to priority under § 507 of the Code (except administrative expense claims under § 507(a)(2). and priority tax claims under § 507(a)(8)).

2.01 Class 1. The IRS Prepetition FICA Priority secured claim for \$5,242.58.

2.02 Class 2. Secured claim of Laredo Community College for ad valorem taxes in the amount of \$495.54.

2.03 Class 3. Secured claim of the State Comptroller of Currency for Hotel Motel Occupancy taxes in the amount of \$7,738.00.

2.04 Class 4. Secured claim of the City of Laredo for Hotel Motel Occupancy taxes in the amount of \$11,375.00.

Class 4. Secured claim of the City of Laredo for Hotel Motel Occupancy taxes in the amount of \$6,347.50.

Class 4. Secured claim of the City of Laredo for costs and fees in asserting claims for Hotel Motel Occupancy taxes in the amount of \$2,025.50.

Class 4 Secured claim of Webb County for Hotel Motel Occupancy Taxes in the amount of \$2,563.75

Class 4 Secured claim of Webb County for Hotel Motel Occupancy Taxes in the amount of \$1,694.98.

2.05 Class 5. Secured claim of the **I.R.S.** in the amount of \$77,000.62

2.06 Class 6. The following claims, to the extent allowed as a secured claim under § 506 of the Code.

Secured claim of Falcon International Bank in the amount of \$1,224,471.28.

Secured claim of Falcon International Bank in the amount of \$247,358.84.

2.07 Class 7. All unsecured claims allowed under §502 of the Code.

The claim of Scott B. Retzloff and Associates for fees in the amount of \$3,200.00

The claim for Javier Eli Perez for fees in the amount of \$18,876.80

The IRS General Unsecured Claim for \$1,690.00.

2.08 Class 8. Equity interests of the Debtor. The claims of Hortensia Rodriguez for 50% of net equity in the Debtor, and the claims of her children Pablo Rodriguez, Eric I. Rodriguez, and Cindy Barrera each for a respective 16.666% interest in the net equity of the Debtor.

### ARTICLE III TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS, U.S. TRUSTEES FEES, AND PRIORITY TAX CLAIM

3.01 Unclassified Claims. Under section §1123(a)(1), administrative expense claims, and priority tax claims are not in classes.

3.02 Administrative Expense Claims. Each holder of an administrative expense claim allowed under § 503 of the Code will be paid in full on the effective date of this Plan (as defined in Article VII), in cash, or upon such other terms as may be agreed upon by the holder of the claim and the Debtor.

Debtor's largest administrative expense claim is debt to its bankruptcy counsel. Counsel's attorney's fees and cost are estimated to be \$50,000.00 (minus a \$10,000 retainer) or approximately \$40,000.00. The fees have not yet been applied for or awarded. Debtor has asked counsel for a payment plan, to pay the fees over 48 months beginning on the Effective Date, or until the San Dario property is sold. Counsel will be paid \$5,000.00 of the cash on hand on the effective date to apply to his fees, the balance of counsel's fees will be paid at a rate of \$1,000.00 per month by the reorganized Debtor. Counsel is further granted a lien on the San Dario property to secure the balance of his fees, and those fees will be paid from the proceeds of the sale of the San Dario property before the Debtor, Reorganized Debtor, or any equity shareholder of the Debtor or reorganized Debtor receives or realizes on the net proceeds from the sale. An abstract of the Order confirming this plan can be filed in the real property records of Webb County as a lien to secure the payment of counsel's fees. It will be an event of default if the Debtor fails to make a monthly payment to its counsel and the default will justify the revocation of the Debtor's plan.

Debtor also has an administrative expense claim owed to the I.R.S. of \$324.11 for 2017 1<sup>st</sup> and 2<sup>nd</sup> quarter Form 941 liability. This claimj will be paid in full on or before the Effective Date.

3.03 Priority Tax Claims. The I.R.S. priority tax claim in the amount of \$5,242.58 will be paid as provided in the Code §1129(a)(8)(C)(ii). The claim will be paid over 48 months beginning on the Effective Date with an interest rate of 4% per annum.

The Laredo Community College has a priority claim for ad valorem taxes that accrued in 2008. These are for \$495.54 and will be paid on the Effective date.

The Debtor is treating these priority claims as separate classes because of the difference in amounts. The LCC claim is small enough that were it not a secured claim it

could be paid as a convenience class. The factors that support the payment of a convenience class support a lump sum payment of this claim. A monthly payment of a few dollars would result in an inordinate amount of work and cost to service this claim over 48 months.

3.04 United States Trustee Fees. All fees required to be paid by 28 U.S.C. §1930(a)(6) (U.S. Trustee Fees) will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees owed on or before the effective date of this Plan will be paid on the effective date.

## ARTICLE IV TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

4.01 Claims and interests shall be treated as follows under this Plan:

Class	Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	
1	I.R.S. Prepetition FICA Priority Claim	<u>\$5,242.58</u>	1/6/2017	Treatment Pmt interval =Monthly [Monthly] payment = <u>\$118.37</u> Begin date = Month 1 End date = Month 48 Interest Rate % =4% Total Payout Amount = <u>\$5,681.76</u>
2	Laredo Community College Ad Valorem Taxes	\$495.54	2008	This debt will be paid in full on the Effective Date
3	State of Texas Comptroller Hotel Motel Occupancy Tax	7,738.00	12/4/305	Pmt interval =Monthly [Monthly] payment = <u>\$177.00</u> Begin date = <u>30 days after the Effective Date</u> End date =48 Month Interest Rate % =4.75% Total Payout Amount = \$8,512.00

could be paid as a convenience class. The factors that support the payment of a convenience class support a lump sum payment of this claim. A monthly payment of a few dollars would result in an inordinate amount of work and cost to service this claim over 48 months.

3.04 United States Trustee Fees. All fees required to be paid by 28 U.S.C. §1930(a)(6) (U.S. Trustee Fees) will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees owed on or before the effective date of this Plan will be paid on the effective date.

## ARTICLE IV TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

4.01 Claims and interests shall be treated as follows under this Plan:

Class	Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	
1	I.R.S. Prepetition FICA Priority Claim	<u>\$5,242.58</u>	1/6/2017	Treatment Pmt interval = Monthly [Monthly] payment = <u>\$118.37</u> Begin date = Month 1 End date = Month 48 Interest Rate % = 4% Total Payout Amount = <u>\$5,681.76</u>
2	Laredo Community College Ad Valorem Taxes	\$495.54	2008	This debt will be paid in full on the Effective Date
3	State of Texas Comptroller Hotel Motel Occupancy Tax	7,738.00	12/4/305	Pmt interval = Monthly [Monthly] payment = <u>\$177.00</u> <u>Begins 30 days after the Effective Date</u> End date = 48 Month Interest Rate % = 4.75% Total Payout Amount = \$8,512.00

4 City of Laredo Hotel Motel 2016 Occupancy Tax on Saunders Property

Amount \$11,375.05

This debt is going to be paid by reducing the amount of credit the bank accords the Debtor for the surrender of the Saunders Property, by the amount of the ad valorem taxes it pays on the property to take the property free and clear of these liens.

4	Webb County Hotel Motel Occupancy Taxes for Saunders location	2,563.75	Unknown	This debt is going to be paid by reducing the amount of credit the Bank will give the Debtor on the gross surrender price of \$650,000 for the Saunders property. The amount will be paid in full by the Bank on surrender of the property to the Bank
4	Webb County Hotel Motel Occupancy Taxes San Dario Location	1694.98	Unknown	Payment Interval =Monthly Monthly Payment = <b>\$46.00</b> Begin Date: = Month 1 Ending Date = Month48 Interest Rate = 10% Total Payout Amount= \$2,063
5	I.R.S. Corporate 1190 Income Tax	\$1,911.00	6/5/2017	Pmt interval =Monthly [Monthly] payment = <b>\$42.00</b> Begin date = Month 1 End date = Month 48 Interest Rate % =3% Total Payout Amount = \$2,030.00

5	I.R.S. Prepetition FICA and Corporate Taxes	\$77,001.00	12/10/2012 through 6/08/2015	Payment Interval =Monthly Monthly Payment = <b>\$1,739.00</b> Begin Date: = Month 1 Ending Date =Month48 Interest Rate =4% Total Payout Amount= \$83,453.00
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**A. Secured claims**

Class#	Description	INSIDER	IMPAIRED	TREATMENT
6	Secured claim of. Falcon International Bank Collateral description =Both of Debtor's Motel Properties Allowed Secured Amount=\$1,224,471.28 Priority of lien = 1st Principal owed=\$1,172,566.76 Pre-pet. arrearage = \$51,904.52 Total claim=\$1,224,471.28	NO	Impaired	The Two secured claims of the Bank will treated together.  The Debtor will surrender the Saunders Motel property to the Bank for a gross surrender value of \$650,000.00. The Bank will credit this amount minus taxes attributable to the Saunders property, to the total amount of the Debtors two loans to the Bank. The balance owed on the two notes will be approximately \$847,343.47, (this figure is subject to change until actual foreclosure of Saunders Motel Property and adjustments to credit are properly applied)which will be amortized for 25 years, at 4.5% per
				<p><u>Beginning in the month following confirmation the Debtor will pay 1/12th of the annual ad valorem taxes on the San Dario Property to the Bank to hold in escrow for payment of the annual ad valorem taxes on the property.</u></p>

**B. Classes of Priority Unsecured Claims**

The Debtor has no priority unsecured claims as defined in §§ 507(a)(1), (4), (5), (6), and (7) of the Bankruptcy Code.

**C. Class of General Unsecured Claims**

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. The following chart identifies the Plan's proposed treatment of Class 2, the general unsecured claims against the Debtor:

<b>Cass#</b>	<b>Description</b>	<b>Impairment</b>	<b>Treatment</b>
7	General Unsecured Class  Scott B. Retzloff & Associates Claim for Services in the Amount of \$3,200	Impaired	Monthly Pmt = \$51.00 Pmts Begin = Month 1 Pmts End = Month 72 Interest rate % from The Effective Date = 3% Estimated percent of claim paid = 100%
7	Javier Eli Perez, CPA \$18,879.80	Impaired	Monthly Pmt = \$287.00 Pmts Begin = Month 1 Pmts End = Month 72 Interest rate % from The Effective Date = 3% Estimated percent of claim paid = 100%
7	IRS General Unsecured Claim: <b>\$1,690.00</b>	Impaired	Monthly Pmnt: = \$ 30.00 Pmnts Begin: = Month 1 Pmnts End: -Month 72 Interest Rate from Effective Date: = 3% Est % of claim paid: 100%



**D. Class of Equity Interest Holders**

<b>Class 8</b>		<b>Impaired</b>	<b>Treatment</b>
	<b>Hortensia M. Rodriguez Owns 50% of the shares of Debtor</b>	All of the equity shareholders are impaired	The equity shareholders will participate in the equity derived from the sale of the San Dario property, only if and after all other creditors are paid in full.
	<b>Cindy Bareiro Owns 16.666% of the Debtor</b>		
	<b>Pablo Rodriguez Owns 16.666% of the Debtor</b>		
	<b>Eric I. Rodriguez Owns 16.666% of the Debtor</b>		

**ARTICLE V CLAIMS ALLOWANCE AND DISALLOWANCE OF**

1. Disputed Claim. A disputed claim is a claim that has not been allowed or disallowed [by a final non-appealable order], and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent, or unliquidated.

2. Delay of Distribution on a Disputed Claim. No distribution will be made on account of a disputed claim unless such claim is allowed by a final non-appealable order.

3. Settlement of Disputed Claims. The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

## ARTICLE VI PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES

### 1 Assumed Executory Contracts and Unexpired Leases.

(a) The Debtor assumes the following executory contracts and/or unexpired leases effective upon the date of the entry of the order confirming this Plan.

The Debtors contract for an ice making machines with Easy Ice, L.L.C., for the machine located at the San Dario location.

The Debtor is rejecting the contract for an ice making machine with Easy Ice, L.L.C., for the ice making machine located at the Saunders property.

(b) The Debtor will be conclusively deemed to have rejected all executory contracts and/or unexpired leases not expressly assumed under section 6.01(a) above, on or before the-date of the order confirming this Plan. A proof of a claim arising from the rejection of an executory contract or unexpired lease under this section must be filed no later than fourteen days (14) days after the date of the order confirming this Plan.

## ARTICLE VII MEANS FOR IMPLEMENTATION OF THE PLAN

The plan will be funded from the monthly cash flow of the San Dario property, supplemented as needed by family contributions of up to \$3,000.00 per month. Pablo Rodriguez will continue to serve as president of the Debtor, with his brother Eric providing advice and financial management of the reorganized Debtor

Debtor had proposed that the Bank accept the surrender of the Saunders property at a value of \$650,000 (minus any outstanding ad valorem or occupancy taxes and or personal property associated with the Saunders property) and that the Bank allow the Debtor to pay

off the balance of its debt amortized for twenty-five years, at 4.5% interest per year with a balloon on the fifth anniversary of the Effective date of the Plan. Furthermore, Debtor (and the guarantor of Debtor's debt to Falcon) shall provide all required financial information required by the loan documents executed by Debtor including but not limited to the loan agreement dated March 30, 2012.

Debtor will immediately seek court approval of an agreed order to lift the automatic stay to allow the Bank to foreclose its lien on the Saunders Property in order to allow Falcon to proceed with a foreclosure on such property.

To make this a feasible Plan, and enable Debtor to make the payments required in its proposed plan, Debtor recently has terminated all of its employees, save and except Pablo Rodriguez, and his mother Hortensia who will continue to work full time for the San Dario property, and one part time janitorial worker at the San Dario property. The work previously done by paid employees will now be done by family members who are contributing their time to try to salvage equity from the family enterprise. Family members will continue to contribute their time to the Debtor post confirmation until the Debtor's remaining property can be sold under the Plan and the Debtor is completely liquidated.

The Debtor's family members have also agreed to come out of pocket to pay up to a total of an additional \$3,000.00 per month should such be necessary to make up any shortfall in operating income necessary to make monthly Plan payments.

While the San Dario motel continues to operate under these conditions, the Debtor will diligently try to sell that property for a sufficient amount to pay the balance of its indebtedness in full, while at the same time paying all of its creditors the payments provided under the Plan.

## ARTICLE VIII GENERAL PROVISIONS

Definitions and Rules of Construction. The definitions and rules of construction set forth in §§ 101 and 102 of the Code shall apply when terms defined or construed in the Code are used in this Plan, and they are supplemented by the following definitions:

8.01 Effective Date of Plan. The effective date of this Plan is the first business day of the month following the date the confirmation order is signed that is fourteen days after the entry of the order of confirmation. If, however, a stay of the confirmation order is in effect on that date, the Effective Date will be the first business day of the month following the date on which the stay of the confirmation order expires or is otherwise terminated.

8.02 Severability. If any provision in this Plan is determined to be unenforceable, the determination will in no way limit or affect the enforceability and operative effect of any other provision of this Plan.

8.03 Binding Effect. The rights and obligations of any entity named or referred to in this Plan will be binding upon, and will inure to the benefit of the successors or assigns of such entity.

8.04 Captions. The headings contained in this Plan are for convenience of reference only and do not affect the meaning or interpretation of this Plan.

8.05 Controlling Effect. Unless a rule of law or procedure is supplied by federal law (including the Code or the Federal Rules of Bankruptcy Procedure), the laws of the State of Texas govern this Plan and any agreements, documents, and instruments executed in connection with this Plan, except as otherwise provided in this Plan.

8.06 Corporate Governance. The Debtor's charter is hereby amended to include a provision that prohibits the issuance of any class of nonvoting equity securities. The Debtor has and will continue to have only one class of equity securities. The shareholders of the corporation vote only according to their percentage of ownership of the corporation in the election of directors.

## ARTICLE IX DISCHARGE

On the confirmation date of this Plan, the debtor will be discharged from any debt that arose before confirmation of this Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor will not be discharged of any debt imposed by this Plan; (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007© of the Federal Rules of Bankruptcy Procedure; or (iii) of a kind specified in § 1141(d)(6)(B).

## ARTICLE X OTHER PROVISIONS

10.01 Default Provisions:

A. Concerning the IRS

If there is default to the IRS, defined as a failure by the Debtor to make a payment to the IRS pursuant to the terms of the plan and/or failure to remain current on filing and paying post-confirmation taxes, the IRS will send written notice to the Debtor. The Debtor has 15 days from the date of the notice to cure the default. The Debtor can cure two (2) notices of default from the IRS; the third (3<sup>rd</sup>) default cannot be cured and the IRS may accelerate its allowed claim(s), past and future, and declare the outstanding amount of such claim(s) to be immediately due and owing and pursue any and all available state and federal rights and remedies. These default provisions pertain to the entire claim(s) of the IRS, secured, unsecured priority and unsecured general.

The IRS is bound by provisions of the confirmed Plan and is barred under 11 U.S.C. § 1141 from taking any collection action against the Debtor for pre-petition claims during the duration of the Plan (provided there is no default as to the IRS.) The period of limitation on collection remains suspended under 26 U.S.C. § 6503(h) for tax periods being paid under the Plan and terminates on the earlier of (1) completion of all required payments to the IRS; or (2) 30 days after the date of the demand letter for which the Debtor failed to cure the default.

B. Provisions Relating to Sale of Property Securing Ad Valorem Taxes or Default on Ad Valorem Tax Payments.

In the event a Reorganized Debtor sells, conveys or transfers any property which is the subject of an ad valorem tax claim as to each such property sold, the Debtor shall remit such sales proceeds first to the ad valorem taxing entities to be applied to ad valorem tax debt.

The Reorganized Debtors will pay all post-petition tax liabilities (tax year 2017 and subsequent tax years) owing to the ad valorem tax entities in the ordinary course of business as such tax debt comes due without need of the ad valorem tax entities filing an administrative claim and request for payment.

Should the Reorganized Debtor fail to make any payments as required in this Plan, the ad valorem tax entities shall provide written notice of that default and send written notice by certified mail to Debtor's counsel advising of that default, and providing the Reorganized Debtor with a period of ten (10) days to cure the default. In the event that the default is not cured within ten (10) days, the ad valorem tax entities may, without further order of this Court, pursue all of its rights and remedies available to it under the Texas Property Tax Code to collect the full amount of all taxes, penalties and interest owed. Additionally, the failure to timely pay post- petition and/or post-confirmation taxes while the Reorganized Debtor is still paying any pre-petition debt, shall be considered an event of default. The ad valorem tax entities shall provide Debtor's counsel with written notice of that default and a ten

(10) day opportunity to cure said default. In the event that the Reorganized Debtor fails to timely cure the post-petition and/or post-confirmation default, the ad valorem tax entities may proceed without further order of this court to collect the taxes, penalties and interest owed. The Reorganized Debtor shall be entitled to no more than two (2) Notices of Default. In the event of a third (3rd) default, an ad valorem tax entity may pursue all rights and remedies available to it under the Texas Property Tax Code in state district court without further order of this court.

C. Default Provisions Related to the Falcon Bank Debt

Should the Reorganized Debtor fail to make any payments as required in this Plan to Falcon Bank, the Bank shall provide written notice of that default and send written notice to Debtor and Debtor's counsel advising of that default, and providing the Reorganized Debtor with a period of fifteen (15) days to cure the default. In the event that the default is not cured within fifteen (15) days, the Bank, without further order of this Court, may pursue all of its rights and remedies available to it under state law. The Reorganized Debtor shall be entitled to no more than two (2) Notices of Default. In the event of a third (3rd) default, the Bank may pursue all rights and remedies available to it under state law without further order of this court.

D. Default Provisions Related to Comptroller

A failure by the reorganized Debtor to make a payment to the Comptroller of a priority tax debt pursuant to the terms of the Plan shall be an Event of Default. If the reorganized debtor fails to cure an Event of Default as to such payments within ten (10) days after receipt of written notice of default from the Comptroller, then the Comptroller may (a) enforce the entire amount of its claim; (b) exercise any and all rights and remedies the Comptroller may have under applicable state law; and/or (c) seek such relief as may be appropriate in the Court. The reorganized debtor shall have the opportunity to cure two (2) times over the life of the plan. In the event of the third default, the Comptroller may proceed with the state law remedies for collection of all amounts due under state law."

E. Additional Provisions Related to the I.R.S.

The debt owed by the Debtor to the Internal Revenue Service is a non-dischargeable debt, except as otherwise provided for in the Code and, that if the Debtor should default, the IRS is not subject to the provisions of the Bankruptcy Code so that the IRS can take whatever actions are necessary to collect said debt.

Federal Tax Liens survive plan confirmation and continue to attach and be enforceable against all property of the Debtor in the case of default or dismissal.

Payment:

Payments to the I.R.S. must be made by check or money order made payable to: U.S. Treasury. Payments must be mailed to:

Internal Revenue Service, 300 E. 8<sup>th</sup> St. Mail Stop 5026 AUS, Austin, TX  
78701

#### 10.02 Vesting of Assets on Confirmation

Title to Assets: Except as otherwise provided by the Plan, on the Confirmation Date, title to all assets and properties dealt with by the Plan shall vest in the Reorganized Debtor in accordance with Section 1141 of the Bankruptcy Code, free and clear of all Claims.

#### 10.03 Satisfaction and Release of Claims against the Debtors

The distributions of consideration provided for in the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims, including any Claim or interest after the date of filing of the Chapter 11 petition.

#### 10.04 Preservation of Lien Status and Collateral and Additional Events of Default:

To the extent that creditors are secured by perfected liens on collateral they will retain their lien status until or unless the collateral is sold and the net proceeds of sale are paid to the secured party. The reorganized Debtor will maintain insurance on all collateral in amounts and types necessary for the businesses of the Debtor. Creditors may inspect the collateral or receive proof of insurance on written request to the Reorganized Debtor, all of which requests must be responded to by the Reorganized Debtor within seven days of receipt. Debtor will further preserve the collateral by paying on or before their due date all ad valorem taxes on Collateral. Failure to comply with any of these provisions will be an event of default under the Plan

Respectfully submitted,

By: /S/ Pablo Rodriguez  
President RO & SONS, INC.,  
d/b/a Motel 9  
The Plan Proponent

By: /S/ Carl M. Barto  
Carl M. Barto

Attorney for the Plan Proponen.



**Exhibit B – Identity and Value of Material Assets of Debtor**

Motel Property at 2505 Saunders, Laredo, Texas	\$650,000.00
Motel Property at 9017 San Dario, Laredo, Texas	\$1,700,000.00
Furniture, equipment and furnishings for both motels	\$ 62,000.00
Cash on deposit as of the Effective Date	<u>\$12,000.00</u>
Account Receivables	\$0.00

**Exhibit C – Prepetition Financial Statements**

Xavier Eli Pérez, CPA, PLLC  
Certified Public Accountant

R O & Sons, Inc.  
Laredo, Texas  
Financial Statements and  
Supplementary Information

One Month and  
Eleven Months Ended  
October 31, 2016

Xavier Eli Pérez, CPA, PLLC  
Certified Public Accountant

R O & Sons, Inc.

Laredo, Texas

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Xavier Eli Pérez, CPA, PLLC  
Certified Public Accountant

**Xavier Eli Pérez, CPA, PLLC**  
Certified Public Accountant  
400 N. Britton Ave.  
Rio Grande City, Texas 78582  
(956) 487-5063

Accountant's Compilation Report

To the Stockholders  
R O & Sons, Inc.  
DBA Motel 9  
Laredo, Texas

We have compiled the accompanying Statement of Assets, Liabilities and Equity-Income Tax Basis of R O & Sons, Inc. DBA Motel 9 (a corporation), as of October 31, 2016 and the related Statement of Revenues and Expenses-Income Tax Basis and Statement of Cash Flows-Income Tax Basis, for the one month and eleven months then ended, and the accompanying Supplementary Information-Income Tax Basis contained in Schedule I which is presented only for supplementary analysis purposes in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the Income Tax Basis of Accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Income Tax Basis of Accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the Income Tax Basis of Accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the corporation's assets, liabilities, equity, revenues and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to RO & Sons, Inc.

*Xavier Eli Pérez, CPA, PLLC*  
Xavier Eli Pérez, CPA, PLLC  
Certified Public Accountant

November 30, 2016

Xavier Eli Perez, CPA, PLLC  
 Certified Public Accountant

R O & Sons, Inc.

Statement of Assets, Liabilities and Equity - Income Tax Basis

October 31, 2016

Assets	
<u>Current Assets:</u>	
A/R-Other	\$ 2,091.05
Inventory-Linen, Towels, Etc.	64,999.90
	<u>64,999.90</u>
Total Current Assets	\$ 67,090.95
<u>Property and Equipment:</u>	
Building	\$ 956,750.99
Furniture & Fixtures	200,046.50
Improvements	137,229.37
Land Improvements	16,539.09
Machinery and Equipment	40,313.87
Office Equipment	1,286.23
Sign	7,843.80
	<u>1,360,009.85</u>
Less: Accumulated Depreciation	(816,808.00)
	<u>543,201.85</u>
Land	300,772.00
	<u>300,772.00</u>
Total Property and Equipment	\$ 843,973.85
<u>Other Assets:</u>	
Acc W/SH Hortencia (SA)	\$ 315,487.33
Acc W/SH Pablo (SA)	316,083.92
Acc W/SH Eric (SA)	315,231.92
Acc W/SH Cindy (SA)	314,728.41
Acc W/SH Rablo	19,401.86
Loan Costs	17,097.56
Less: Accumulated Amortization	(12,988.00)
	<u>1,285,043.00</u>
Total Other Assets	1,285,043.00
Total Assets	\$ <u><u>2,196,107.80</u></u>

See Accompanying Selected Information and Accountant's Compilation Report.

Xavier Eli Perez, CPA, PLLC  
 Certified Public Accountant

R O & Sons, Inc.

Statement of Assets, Liabilities and Equity - Income Tax Basis

October 31, 2016

Liabilities and Stockholders' Equity

Current Liabilities:

Bank Overdraft	\$ 19,467.38	
Payroll Taxes Payable	28,066.47	
FUTA: Payable	296.55	
SUTA: Payable	112.01	
Sales Tax Payable	17,627.86	
US Income Tax Payable	19,505.71	
Current Maturities of Long-Term Liabilities	<u>27,991.96</u>	
Total Current Liabilities		\$ 113,067.94

Long Term Liabilities:

Notes Payable (Note 3)	1,385,773.01	
Less Current Maturities	<u>(27,991.96)</u>	
Total Long-Term Liabilities		1,357,781.05

Other Liabilities:

Account With Shareholder		<u>306,018.29</u>
Total Liabilities		\$ <u>1,776,867.28</u>

Stockholders' Equity:

Capital:

Common Stock	\$ 10,000.00	
Paid In Capital	<u>247,231.70</u>	
Total Capital		\$ 257,231.70

Retained Earnings:

Balance, First of Year	\$ 135,598.74	
Year-to-Date Earnings	<u>26,410.08</u>	
Total Retained Earnings		<u>162,008.82</u>
Total Stockholders' Equity		\$ <u>419,240.52</u>
Total Liabilities and Stockholder's Equity		\$ <u><u>2,196,107.80</u></u>

See Accompanying Selected Information and Accountant's Compilation Report.

Xavier Eli Perez, CPA, PLLC  
 Certified Public Accountant

R O & Sons, Inc

Statement of Revenues and Expenses - Income Tax Basis

For The One Month and Eleven Months Ended October 31, 2016

	Current Period	Year-To-Date
<u>Revenue:</u>		
Occupancy Revenue	\$ <u>28,290.92</u>	\$ <u>427,531.23</u>
<u>Operating Expenses:</u>		
Schedule I	\$ <u>(28,756.18)</u>	\$ <u>(406,406.10)</u>
Net Operating Income	\$ <u>(465.26)</u>	\$ <u>21,125.13</u>
<u>Other Revenue(Expenses):</u>		
Other Revenue	\$ <u>0.00</u>	<u>11,208.66</u>
Total Other Revenue(Expenses)	\$ <u>0.00</u>	\$ <u>11,208.66</u>
<u>Revenue Before Income Tax:</u>	\$ <u>(465.26)</u>	\$ <u>32,333.79</u>
Less: US Income Tax (Note 4)	\$ <u>(124.02)</u>	\$ <u>(5,923.71)</u>
Net Revenue (Loss)	\$ <u><u>(589.28)</u></u>	\$ <u><u>26,410.08</u></u>

See Accompanying Selected Information and Accountant's Compilation Report.



Xavier Eli Pérez, CPA, PLLC  
 Certified Public Accountant

R O & Sons, Inc

Statement of Cash Flows - Income Tax Basis

For The One Month and Eleven Months Ended October 31, 2016

	Current Period	Year-To-Date
<u>Cash Flows from Operating Activities:</u>		
Net Revenue (Loss)	\$ (589.28)	\$ 26,410.08
Adjustments to reconcile Net Revenue (Loss) to net Cash provided by (used in) operating activities:		
Depreciation	\$ 2,562.00	\$ 28,182.00
Decrease (Increase) in Operating Assets:		
A/W Shareholder (Pablo E. Rodriguez)	\$ 2,840.29	\$ (9,098.51)
Inventory - Linen, Towels, Etc.	0.00	(1,838.32)
Increase (Decrease) in Operating Liabilities:		
Bank Overdraft	\$ (478.25)	\$ 7,865.47
Payroll Taxes	1,427.31	(12,595.92)
Sales Tax Payable	(4,112.75)	10,751.26
U.S. Income Tax Payable	124.02	5,923.71
Total Adjustments	\$ 2,362.62	\$ 29,189.69
Net Cash Provided By (Used in) Operating Activities	\$ 1,773.34	\$ 55,599.77
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ 0.00	\$ (732.85)
Proceeds From Sale of Fixed Assets	0.00	0.00
Net Cash Provided By (Used In) Investing Activities	\$ 0.00	\$ (732.85)
<u>Cash Flows from Financing Activities:</u>		
Notes Payable Repayments	\$ 0.00	\$ (45,680.51)
Account with Shareholders	(1,773.34)	(9,186.41)
Net Cash Provided By (Used In) Financing Activities	\$ (1,773.34)	\$ (54,866.92)
Increase (decrease) in cash	\$ 0.00	\$ 0.00
Cash Balances, Beginning of Period	0.00	0.00
Cash Balance, Beginning of Period		
Cash Balance, End of Period	\$ 0.00	\$ 0.00

See Accompanying Selected Information and Accountant's Compilation Report.

Xavier Eli Perez, CPA, PLLC  
 Certified Public Accountant

R O & Sons, Inc.

Selected Information - Substantially All Disclosures Required By The  
 Income Tax Basis of Accounting Are Not Included  
 October 31, 2016

Note 1: Summary of Significant Accounting Policies:

- A. Nature of Business - R O & Sons, Inc. is in the business of lodging.
- B. Property and Equipment - Property and Equipment are stated at cost. Depreciation is computed using the accelerated and modified accelerated cost recovery methods over the following estimated useful lives:

	<u>Years</u>
Building	27.5
Furniture and Fixtures	7
Land Improvements	20
Machinery and Equipment	7
Signs	10
Transportation Equipment	5

Note 2: Incorporation of Business:

Motel 9, the proprietorship, was incorporated under the State of Texas as of December 1, 1994, and now operates as R O & Sons, Inc. All assets and liabilities were transferred to the corporation.

Note 3: Long Term Liabilities:

The Company has the following notes payable:

<u>Payee</u>	<u>Terms and Security</u>	<u>Principal Balance</u>
Falcon International Bank	Note payable original amount \$260,000.00 payable in monthly installments of \$1,425.00.	\$ 233,354.41
Falcon International Bank	Note payable original amount \$1,300,000.00 payable in monthly installments of \$10,780.74.	1,152,418.60
Total Long Term Liabilities		\$ <u>1,385,773.01</u>

Note 4: US Income Tax:

US Income Tax is calculated based on the following taxable amount:

	<u>Current Period</u>	<u>Year to Date</u>
Revenue Before Income Tax	\$ (465.26)	\$ 32,333.79
Add: Non-Deductible Expenses		
Penalties & Fines	1,264.32	6,715.44
1/2 Meals & Entertainment	27.74	442.18
Taxable Amount	\$ <u>826.80</u>	\$ <u>39,491.41</u>

See Accountant's Compilation Report.

Xavier Eli Perez, CPA, PLLC  
 Certified Public Accountant

R O & Sons, Inc.

Schedule I - Operating Expenses - Income Tax Basis

For The One Month and Eleven Months Ended October 31, 2016

	Current Period	Year-To-Date
Accounting	\$ 0.00	\$ 7,500.00
Advertising	0.00	150.00
Bank Charges	35.51	411.61
Contributions	0.00	250.00
Credit Card Expense	249.43	6,205.19
Depreciation	2,562.00	28,182.00
Insurance	0.00	15,054.08
Insurance - Group	0.00	744.92
Interest	0.00	32,375.52
Leases	361.56	4,286.73
Legal & Professional	0.00	1,603.31
Licences, Fees & Permits	0.00	97.00
Meals	55.47	884.36
NSF Charge	315.00	3,364.11
Office Supplies & Postage	300.00	2,712.05
Penalties & Fines	1,264.32	6,715.44
Repairs & Maintenance	4,317.06	37,911.60
Salaries and Wages	8,300.06	104,891.67
Security	0.00	1,855.25
Supplies & Small Tools	1,090.57	12,017.88
Taxes: FICA	634.95	8,120.17
Taxes: FUTA	3.60	334.81
Taxes: SUTA	21.11	658.29
Taxes & Licences	0.00	41,633.90
Telephone	1,074.94	6,967.54
Telephone - Mobile	309.64	5,014.22
Travel	0.00	346.18
Uniforms	0.00	153.15
Utilities	7,860.96	75,965.12
Total Operating Expenses	\$ 28,756.18	\$ 406,406.10

See Accompanying Selected Information and Accountant's Compilation Report.

**Exhibit D – Most Recently Filed Postpetition Operating Report**

UNITED STATES BANKRUPTCY COURT  
SOUTHERN AND WESTERN DISTRICTS OF TEXAS  
DIVISION

CASE NAME: R O & Sons, Inc. DBA Motel 9

Petition Date: 12/6/16

CASE NUMBER: 16-50241

MONTHLY OPERATING REPORT SUMMARY FOR MONTH July YEAR 2017

MONTH	7/17	6/17	5/17	4/17	3/17	2/17
REVENUES (MOR-6)	21,903	22,239	24,445	27,580	32,147	24,495
INCOME BEFORE INT, DEPREC./TAX (MOR-6)	4,566	4,425	96	1,859	(1,681)	(5,591)
NET INCOME (LOSS) (MOR-6)	2,023	1,882	(2,447)	(684)	(3,833)	(1,103)
PAYMENTS TO INSIDERS (MOR-9)	0	0	1,942	2,916	2,916	2,916
PAYMENTS TO PROFESSIONALS (MOR-9)	0	0	0	0	0	0
TOTAL DISBURSEMENTS (MOR-8)	23,714	26,198	26,606	33,382	37,988	38,013

\*\*\*The original of this document must be filed with the United States Bankruptcy Court and a copy must be sent to the United States Trustee\*\*\*

REQUIRED INSURANCE MAINTAINED		DATE
AS OF SIGNATURE DATE	EXP.	
CASUALTY	YES( ) NO( )	---
LIABILITY	YES( ) NO( )	---
VEHICLE	YES( ) NO( )	---
WORKER'S	YES( ) NO( )	---
OTHER	YES( ) NO( )	---

ATTORNEY NAME:  
FIRM:  
ADDRESS:  
ADDRESS:  
CITY, STATE ZIP:  
TELEPHONE:

Are all accounts receivable being collected within terms?  Yes  No

Are all post-petition liabilities, including taxes, being paid within terms?  Yes  No

Have any pre-petition liabilities been paid?  Yes  No If so, describe \_\_\_\_\_

Are all funds received being deposited into DIP bank accounts?  Yes  No

Were any assets disposed of outside the normal course of business?  Yes  No

If so, describe \_\_\_\_\_

Are all U. S. Trustee Quarterly Fee Payments current?  Yes  No

What is the status of your Plan of Reorganization? \_\_\_\_\_

I certify under penalty of perjury that the following complete Monthly Operating Report (MOR), consisting of MOR-1 through MOR-9 plus attachments, is true and correct.

SIGNED [Signature]  
(ORIGINAL SIGNATURE)

TITLE President

MOR-1

CASE NAME: R O & Sons, Inc. DBA Motel 9CASE NUMBER: 16-50241**COMPARATIVE BALANCE SHEETS**

ASSETS	FILING DATE*	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	7/17	6/17	5/17	4/17	3/17	2/17	1/17
<b>CURRENT ASSETS</b>							
Cash	26	26	41	56	70	86	0
Accounts Receivable, Net	2,091	2,091	2,091	2,091	2,091	2,091	2,091
Inventory: Lower of Cost or Market	67,631	67,475	67,475	67,475	67,475	67,475	67,033
Prepaid Expenses							
Investments							
Other							
<b>TOTAL CURRENT ASSETS</b>	69,748	69,592	69,607	69,622	69,636	69,652	69,124
PROPERTY, PLANT&EQUIP. @ COST	1,660,986	1,660,986	1,660,782	1,660,782	1,660,782	1,660,782	1,660,782
Less Accumulated Depreciation	(840,461)	(837,918)	(835,375)	(832,832)	(830,289)	(827,746)	(825,203)
NET BOOK VALUE OF PP & E	820,525	823,068	825,407	827,950	830,493	833,036	835,579
OTHER ASSETS:							
1. Tax Deposits							
2. Investments in Subs							
3. Account with Shareholders	1,283,724	1,283,697	1,283,697	1,283,697	1,283,697	1,283,514	1,283,415
4. (attach list) Loan Costs Net	1,369	1,369	1,369	1,369	1,369	1,369	1,369
<b>TOTAL ASSETS</b>	2,175,366	2,177,726	2,180,080	2,182,638	2,185,195	2,187,571	2,189,487

\*Per Schedules and Statement of Affairs

MOR-2

Revised 1/96

CASE NAME: R O & Sons, Inc. DBA Motel 9CASE NUMBER: 16-50241**COMPARATIVE BALANCE SHEETS**

LIABILITIES & OWNER'S EQUITY	FILING DATE* 7/17	MONTH 6/17	MONTH 5/17	MONTH 4/17	MONTH 3/17	MONTH 2/17	MONTH 1/17
<b>LIABILITIES:</b>							
POST-PETITION LIABILITIES (MOR-4)	964	3,883	4,264	8,569	7,568	14,850	16,536
<b>PRE-PETITION LIABILITIES:</b>							
Notes Payable-Secured	1,404,718	1,404,718	1,404,718	1,404,718	1,407,359	1,407,359	1,407,359
Priority Debt							
Federal Income Tax	15,539	15,539	15,539	15,539	15,539	15,930	16,123
FICA/Withholding	31,157	31,140	33,821	31,140	31,140	22,213	22,214
Unsecured Debt Account with Shareholder	305,409	305,945	306,023	306,619	307,505	307,505	307,820
Other FUTA/SUTA/Sales Tax/Bank OD	25,616	26,562	27,657	25,405	24,752	24,550	23,165
<b>TOTAL PRE-PETITION LIABILITIES</b>							
<b>TOTAL LIABILITIES</b>	<b>1,783,403</b>	<b>1,787,787</b>	<b>1,792,022</b>	<b>1,791,990</b>	<b>1,793,863</b>	<b>1,792,407</b>	<b>1,793,217</b>
<b>OWNERS'S EQUITY (DEFICIT):</b>							
PREFERRED STOCK							
COMMON STOCK	10,000	10,000	10,000	10,000	10,000	10,000	10,000
ADDITIONAL PAID-IN CAPITAL	247,232	247,232	247,232	247,232	247,232	247,232	247,232
RETAINED EARNINGS: Filing Date	134,731	132,707	130,826	133,416	134,100	137,932	139,037
RETAINED EARNINGS: Post Filing Date							
<b>TOTAL OWNER'S EQUITY (NET WORTH)</b>	<b>391,963</b>	<b>389,939</b>	<b>388,058</b>	<b>390,648</b>	<b>391,332</b>	<b>395,164</b>	<b>396,269</b>
<b>TOTAL LIABILITIES &amp; OWNER'S EQUITY</b>	<b>2,175,366</b>	<b>2,177,726</b>	<b>2,180,080</b>	<b>2,182,638</b>	<b>2,185,195</b>	<b>2,187,571</b>	<b>2,189,486</b>

MOR-3

\*Per Schedules and Statement of Affairs

Revised: 6/14/96

CASE NAME: R O & Sons, Inc. DBA Motel 9CASE NUMBER: 16-50241**SCHEDULE OF POST-PETITION LIABILITIES**

	MONTH 7/17	MONTH 6/17	MONTH 5/17	MONTH 4/17	MONTH 3/17	MONTH 2/17
<b>TRADE ACCOUNTS PAYABLE</b>						
<b>TAX PAYABLE:</b>						
Federal Payroll Taxes	873	1,153	2,062	2,604	2,482	11,365
State Payroll & Sales	1,342	1,370	1,522	1,833	2,164	1,529
Ad Valorem Taxes Federal Income Tax	0	0	0	0	0	0
Other Taxes City & County Sales Tax	1,752	1,768	1,956	2,206	2,922	1,956
<b>TOTAL TAXES PAYABLE</b>	<b>3,967</b>	<b>4,291</b>	<b>5,540</b>	<b>6,643</b>	<b>7,568</b>	<b>14,850</b>
<b>SECURED DEBT POST-PETITION</b>						
<b>ACCRUED INTEREST PAYABLE</b>						
<b>*ACCRUED PROFESSIONAL FEES:</b>						
<b>OTHER ACCRUED LIABILITIES:</b>						
1. Bank Overdraft	(3,003)	(408)	(1,276)	1,926	0	0
2.						
3.						
<b>TOTAL POST-PETITION LIABILITIES (MOR-3)</b>	<b>964</b>	<b>3,883</b>	<b>4,264</b>	<b>8,569</b>	<b>7,568</b>	<b>14,850</b>

• Payment Requires Court Approval.

MOR-4

Revised 1/1/96



CASE NAME: R O & Sons, Inc DBA Motel 9

CASE NUMBER: 16-50241

**AGING OF POST-PETITION LIABILITIES**  
MONTH 7/17

DAYS	TOTAL	TRADE ACCTS	FED TAXES	STATE TAXES	Federal Income Taxes AD-VALOREM, OTHER TAXES	OTHER
0-30	964		873	1,342	0	(1,251)
31-60						
61-90						
91 +						
<b>TOTAL</b>	<b>964</b>		<b>873</b>	<b>1,342</b>	<b>0</b>	<b>(1,251)</b>

**AGING OF ACCOUNTS RECEIVABLE**

MONTH						
0-30 DAYS						
31-60 DAYS						
61-90 DAYS						
91 + DAYS						
<b>TOTAL</b>						

MOR-5

Revised 6/1/96

CASE NAME: R O & Sons, Inc. DBA Motel 9CASE NUMBER: 16-50241**STATEMENT OF INCOME (LOSS)**

MONTH	7/17	6/17	5/17	4/17	3/17	2/17	FILING TO DATE 1/17
REVENUES (MOR-1)	21,903	22,239	24,445	27,580	32,147	24,495	33,601
TOTAL COST OF REVENUES							
GROSS PROFIT	21,903	22,239	24,445	27,580	32,147	24,495	33,601
<b>OPERATING EXPENSES:</b>							
Selling & Marketing							
General & Administrative	17,337	17,814	22,407	22,805	30,912	27,170	33,688
Insiders Compensation	0	0	1,942	2,916	2,916	2,916	4,758
Professional Fees							
Other (attach list)							
TOTAL OPERATING EXPENSES	17,337	17,814	24,349	25,721	33,828	30,086	38,446
INCOME BEFORE INT, DEPR/TAX (MOR-1)	4,566	4,425	96	1,859	(1,681)	(5,591)	(4,845)
INTEREST EXPENSE							
DEPRECIATION	2,543	2,543	2,543	2,543	2,543	2,543	2,543
OTHER (INCOME) EXPENSE* Outstanding Checks						(6,837)	
OTHER ITEMS** Reversed							
TOTAL INT, DEPR & OTHER ITEMS	2,543	2,543	2,543	2,543	2,543	(4,294)	2,543
NET INCOME BEFORE TAXES	2,023	1,882	(2,447)	(684)	(4,224)	(1,297)	(7,388)
FEDERAL INCOME TAXES	0	0	0	0	391	(194)	(1,101)
NET INCOME (LOSS) (MOR-1)	2,023	1,882	(2,447)	(684)	(3,833)	(1,103)	(6,287)

Accrual Accounting Required. Otherwise Footnote With Explanation  
\* Footnote Mandatory  
\*\* Unusual and/or infrequent item(s) outside the ordinary course of business: requires footnote

MOR-6

Revised 6/14/96

CASE NAME: R O & Sons, Inc. DBA Motel 9CASE NUMBER: 16-50241

CASH RECEIPTS AND DISBURSEMENTS	MONTH 7/17	MONTH 6/17	MONTH 5/17	MONTH 4/17	MONTH 3/17	MONTH 2/17	SIX MONTHS TO DATE
1. CASH - BEGINNING OF MONTH	26	41	56	70	86	0	
<b>RECEIPTS:</b>							
2. CASH SALES	21,903	22,239	24,445	27,580	32,147	24,494	
3. COLLECTION OF ACCOUNTS RECEIVABLE							
4. LOANS & ADVANCES (attach list)							
5. SALE OF ASSETS							
6. OTHER (attach list)	(2,402)	(1,975)	3,030	670	4,209	8,978	
TOTAL RECEIPTS	19,501	20,264	27,475	28,250	36,356	33,472	
(Withdrawal) Contribution by Individual Debtor MFR-2*	536	78	(597)			(315)	
<b>DISBURSEMENTS:</b>							
7. NET PAYROLL	3,805	4,894	9,048	11,354	10,819	10,538	
8. PAYROLL TAXES PAID	324	444	791	1,105	972	946	
9. SALES, USE & OTHER TAXES PAID							
10. SECURED / RENTAL / LEASES	362	362	432	362	362	362	
11. UTILITIES	6,736	5,381	4,528	4,595	5,151	1,710	
12. INSURANCE	1,138	4,625	1,292	813	2,532	2,533	
13. INVENTORY PURCHASES	156					442	
14. VEHICLE EXPENSES							
15. TRAVEL & ENTERTAINMENT							
16. REPAIRS, MAINTENANCE & SUPPLIES	330		1,205	852	(448)	1,463	
17. ADMINISTRATIVE & SELLING							
18. OTHER (attach list) *	4,186	4,326	9,797	9,183	16,984	15,077	
TOTAL DISBURSEMENTS FROM OPERATIONS	17,037	20,032	26,893	28,264	36,372	33,071	
19. PROFESSIONAL FEES	3,000	325					
20. U.S. TRUSTEE FEES							
21. OTHER REORGANIZATION EXPENSES (attach list)							
TOTAL DISBURSEMENTS	20,037	20,357	26,893	28,264	36,372	33,071	
22. NET CASH FLOW	0	(15)	(15)	(14)	(16)	86	
23. CASH - END OF MONTH (mor-2)	26	26	41	56	70	86	

MOR-7

\*Applies to individual debtor's only.

Revised 6/1/96

CASE NAME: R O & Sons, Inc. DBA Motel 9

CASE NUMBER: 16-50241

CASH ACCOUNT RECONCILIATION  
MONTH OF 7/17

BANK NAME	*				
ACCOUNT NUMBER	#	#	#		
<i>ACCOUNT TYPE</i>	<i>OPERATING</i>	<i>PAYROLL</i>	<i>TAX</i>	<i>OTHER FUNDS</i>	<i>TOTAL</i>
BANK BALANCE	2,843				
DEPOSIT IN TRANSIT					
OUTSTANDING CHECKS	( 6,633 )				
ADJUSTED BANK BALANCE	( 3,790 )				
BEGINNING CASH - PER BOOKS	( 6,792 )				
RECEIPTS	26,716				
TRANSFERS BETWEEN ACCOUNTS					
(WITHDRAWAL)CONTRIBUTION- BY INDIVIDUAL DEBTOR MFR-2					
CHECKS/OTHER DISBURSEMENTS	( 23,714 )				
ENDING CASH - PER BOOKS	( 3,790 )				

MOR-8

Revised 11/96

- \*Wells Fargo #9198940679
- \*Wells Fargo #9198940687
- \*Wells Fargo #7634951854

CASE NAME: R O & Sons, Inc. DBA Motel 9

CASE NUMBER: 16-50241

**PAYMENTS TO INSIDERS AND PROFESSIONALS**

Of the total disbursements shown for the month, list the amount paid to insiders (as defined in Section 101(31)(A)-(F) of the U. S. Bankruptcy Code) and the professionals. Also, for insiders identify the type of compensation paid (e.g., salary, commission, bonus, etc.) (Attach additional pages as necessary.)

INSIDERS: NAME/POSITION/COMP TYPE	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	7/17	6/17	5/17	4/17	3/17	2/17
1. Hortencia Rodriguez (Wages)	0	0	324	1,298	1,298	1,298
2. Pablo E. Rodriguez (Wages)	0	0	1,618	1,618	1,618	1,618
3. Eric I. Rodriguez (Wages)	0	0	0	0	0	0
4.						
5.						
6.						
<b>TOTAL INSIDERS (MOR-1)</b>	<b>0</b>	<b>0</b>	<b>1,942</b>	<b>2,916</b>	<b>2,916</b>	<b>2,916</b>

PROFESSIONALS NAME/ORDER DATE	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
1.						
2.						
3.						
4.						
5.						
6.						
<b>TOTAL PROFESSIONALS (MOR-1)</b>						

MOR-9

Revised 6/14/9

# Wells Fargo Business Choice Checking

Account number: **9198940679** ■ July 1, 2017 - July 31, 2017 ■ Page 1 of 6



RO& SONS INC  
DEBTOR IN POSSESSION  
CH 11 CASE #16-50241 (STX)  
DBA MOTEL 9  
2503 E SAUNDERS ST  
LAREDO TX 78041-5438

## Questions?

Available by phone 24 hours a day, 7 days a week:

Telecommunications Relay Services calls accepted

**1-800-CALL-WELLS** (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: [wellsfargo.com/biz](http://wellsfargo.com/biz)

Write: Wells Fargo Bank, N.A. (808)

P.O. Box 6995

Portland, OR 97228-6995

## Your Business and Wells Fargo

Cash flow is a key indicator of the financial health of your business. Find tips and strategies for effective cash flow management at [wellsfargoworks.com](http://wellsfargoworks.com).

## Account options

A check mark in the box indicates you have these convenient services with your account(s). Go to [wellsfargo.com/biz](http://wellsfargo.com/biz) or call the number above if you have questions or if you would like to add new services.

- Business Online Banking
- Online Statements
- Business Bill Pay
- Business Spending Report
- Overdraft Protection

## Other Wells Fargo Benefits

### Apply for a Commercial Equity Line of Credit and enjoy a low rate of Prime + 0% on your balance through December 31, 2018

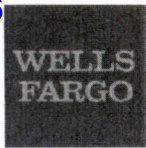
Whether you are planning to make property improvements, expand your business, or purchase either property or large equipment, we want to help you with your financing. Small business owners and real estate investors can get up to \$500,000 in commercial real estate financing that starts as a 5-year, Prime-based revolving equity line after which the balance converts to an adjustable 15-year amortized loan for a total term of 20 years.

Key benefits of our real estate secured financing:

- No application fee, and no appraisal fee
- Low 1% origination fee due at closing

To learn more, or apply for this great offer, please call: 1-866-416-4320, Monday - Friday, 8:00 a.m. to 5:00 p.m. Pacific Time.

Note: All financing is subject to credit approval. Some restrictions may apply.



**Activity summary**

Beginning balance on 7/1	-\$4.32
Deposits/Credits	12,808.50
Withdrawals/Debits	- 12,488.35
<b>Ending balance on 7/31</b>	<b>\$315.83</b>
Average ledger balance this period	\$494.84

Account number: 9198940679

**RO & SONS INC**  
**DEBTOR IN POSSESSION**  
**CH 11 CASE #16-50241 (STX)**  
**DBA MOTEL 9**

*Texas/Arkansas account terms and conditions apply*

For Direct Deposit use  
 Routing Number (RTN): 111900659

For Wire Transfers use  
 Routing Number (RTN): 121000248

**Overdraft Protection**

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed on your statement or visit your Wells Fargo store.

**Transaction history**

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
7/3	1086	Check		1,017.23	
7/3		Overdraft Fee for a Transaction Received on 06/30 \$1,017.23 Check # 01086		35.00	
7/3		Merchant Bankcd Deposit 170630 266013099889 Motel 9	410.00		
7/3		Merchant Bankcd Deposit 170701 266013099889 Motel 9	290.00		
7/3		Merchant Bankcd Deposit 170702 266013099889 Motel 9	305.73		
7/3		ATM Cash Deposit on 07/03 Laredo North Laredo TX 0001629 ATM ID 9975N Card 7188	885.00		
7/3		ATM Cash Deposit on 07/03 Laredo North Laredo TX 0001630 ATM ID 9975N Card 7188	340.00		
7/3		Purchase authorized on 06/30 Secure Lox CO 281-8292481 TX S587181712770350 Card 7188		159.36	
7/3	1107	Check		325.29	689.53
7/5		NSF Return Item Fee for a Transaction Received on 07/03 \$2,621.10 Check # 01113		35.00	
7/5		Merchant Bankcd Deposit 170703 266013099889 Motel 9	210.00		
7/5		Merchant Bankcd Deposit 170704 266013099889 Motel 9	160.00		
7/5		Deposit Made In A Branch/Store	2,696.25		
7/5		Deposit Made In A Branch/Store	1,710.00		
7/5	1074	Check		539.25	
7/5	1091	Check		539.25	
7/5	1097	Check		539.25	
7/5	1094	Check		539.25	
7/5	1080	Check		539.25	2,734.53
7/6		Merchant Bankcd Deposit 170705 266013099889 Motel 9	60.00		
7/6		Online Transfer From Ro& Sons Inc Business Checking xxxxxx0687 Ref #lb03Klxgtr on 07/06/17	40.00		
7/6		Easy Ice Easy Ice M40177647366 Name Unknown		180.78	2,653.75
7/7		Merchant Bankcd Deposit 170706 266013099889 Motel 9	120.00		
7/7		Purchase authorized on 07/07 Hudson Energy Serv 972-373-1600 TX S467187559313147 Card 7188		1,416.78	
7/7		Purchase authorized on 07/07 Hudson Energy Serv 972-373-1600 TX S587187563374203 Card 7188		1,015.85	
7/7		Purchase authorized on 07/07 Hudson Energy Serv 972-373-1600 TX S587187565622179 Card 7188		201.18	139.94
7/10		Merchant Bankcd Deposit 170707 266013099889 Motel 9	160.00		
7/10		Merchant Bankcd Deposit 170708 266013099889 Motel 9	115.00		
7/10		Merchant Bankcd Deposit 170709 266013099889 Motel 9	175.00		



## Transaction history (continued)

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
7/10		ATM Check Deposit on 07/10 1220 Guadalupe St Laredo TX 0006065 ATM ID 6723C Card 7188	590.00		
7/10		Purchase authorized on 07/07 Dollar-Ge 3712 Bob Bul Laredo TX P00000000581018630 Card 7188		62.57	
7/10		Purchase authorized on 07/08 Palenque Bar & Gri Laredo TX S387189765173004 Card 7188		29.22	
7/10		Purchase authorized on 07/09 Tractor Supply C 4102 Sta Laredo TX P00587190615862457 Card 7188		130.02	
7/10		Purchase authorized on 07/10 Morenos Kwik St Laredo TX P00000000853153700 Card 7188		14.82	
7/10		Purchase authorized on 07/10 Morenos Kwik St Laredo TX P00000000974443526 Card 7188		38.93	
7/10	1114	Check		359.50	544.88
7/11		Merchant Bankcd Deposit 170710 266013099889 Motel 9	185.00		
7/11	1106	Cashed Check		255.81	
7/11	1110	Cashed Check		255.81	
7/11	1112	Check		87.74	130.52
7/12		Merchant Bankcd Deposit 170711 266013099889 Motel 9	50.00		180.52
7/14		Merchant Bankcd Deposit 170713 266013099889 Motel 9	170.00		
7/14		Deposit Made In A Branch/Store	520.00		870.52
7/17		Merchant Bankcd Deposit 170714 266013099889 Motel 9	50.00		
7/17		Merchant Bankcd Deposit 170715 266013099889 Motel 9	55.00		
7/17		Merchant Bankcd Deposit 170716 266013099889 Motel 9	370.00		
7/17		Purchase authorized on 07/14 Laredo Ranch Heigh Laredo TX S467195614236891 Card 7188		105.96	
7/17		Purchase authorized on 07/17 Morenos Kwik St Laredo TX P00000000947391355 Card 7188		46.12	1,193.44
7/18		Merchant Bankcd Deposit 170717 266013099889 Motel 9	60.00		
7/18	1115	Check		1,000.00	253.44
7/19		Merchant Bankcd Deposit 170718 266013099889 Motel 9	50.00		
7/19		Online Transfer From Ro& Sons Inc Ref #Ib03Lm85Nn Business Checking IRS	906.47		
7/19		Purchase authorized on 07/18 Fsi*Centerpoint En 800-967-9649 TX S467199693938694 Card 7188		100.63	
7/19		IRS Usatapytmt 071917 220760065975778 Ro & Sons Inc		1,109.28	0.00
7/20		Merchant Bankcd Deposit 170719 266013099889 Motel 9	240.00		240.00
7/21		Merchant Bankcd Deposit 170720 266013099889 Motel 9	270.00		510.00
7/24		Merchant Bankcd Deposit 170721 266013099889 Motel 9	50.00		
7/24		Merchant Bankcd Deposit 170723 266013099889 Motel 9	60.00		
7/24		ATT Payment 072217 489629001Evr1P Hortencia Rodriguez		536.00	84.00
7/25		Merchant Bankcd Deposit 170724 266013099889 Motel 9	100.02		
7/25		Online Transfer From Ro& Sons Inc Ref #Ib03M38F5G Business Checking Water Saunders	800.00		984.02
7/26		Merchant Bankcd Deposit 170725 266013099889 Motel 9	160.00		1,144.02
7/27		Merchant Bankcd Deposit 170726 266013099889 Motel 9	100.00		
7/27		Purchase authorized on 07/25 City of Laredo Uti 956-7917428 TX S467206685237093 Card 7188		744.60	
7/27		Purchase authorized on 07/25 City of Laredo Uti 956-7917428 TX S587206687368110 Card 7188		216.33	
7/27		Purchase authorized on 07/27 Stripes 2297 Laredo TX P00307208720250117 Card 7188		27.29	
7/27		Purchase with Cash Back \$ 20.00 authorized on 07/27 Tractor Supply C 4102 Laredo TX P00467208740696445 Card 7188		54.95	200.85
7/31		Merchant Bankcd Deposit 170729 266013099889 Motel 9	110.03		
7/31		Merchant Bankcd Deposit 170730 266013099889 Motel 9	235.00		
7/31		Txworkforcecomm Debit 170728 (512)463-2325 Twc-021400467		173.76	





**Transaction history (continued)**

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
7/31	1120	Check		4.35	
7/31	1119	Check		51.94	315.83
<b>Ending balance on 7/31</b>					<b>315.83</b>
<b>Totals</b>			<b>\$12,808.50</b>	<b>\$12,488.35</b>	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

**Summary of checks written** (checks listed are also displayed in the preceding Transaction history)

Number	Date	Amount	Number	Date	Amount	Number	Date	Amount
1074	7/5	539.25	1097 *	7/5	539.25	1114 *	7/10	359.50
1080 *	7/5	539.25	1106 *	7/11	255.81	1115	7/18	1,000.00
1086 *	7/3	1,017.23	1107	7/3	325.29	1119 *	7/31	51.94
1091 *	7/5	539.25	1110 *	7/11	255.81	1120	7/31	4.35
1094 *	7/5	539.25	1112 *	7/11	87.74			

\* Gap in check sequence.

**Items returned unpaid**

Date	Description	Amount
7/5	Check Reference # 00007153008687430008	2,621.10

**Monthly service fee summary**

For a complete list of fees and detailed account information, please see the Wells Fargo Fee and Information Schedule and Account Agreement applicable to your account or talk to a banker. Go to [wellsfargo.com/feefaq](http://wellsfargo.com/feefaq) to find answers to common questions about the monthly service fee on your account.

Fee period 07/01/2017 - 07/31/2017	Standard monthly service fee \$14.00	You paid \$0.00
<b>How to avoid the monthly service fee</b>		
Have any <b>ONE</b> of the following account requirements	Minimum required	This fee period
· Average ledger balance	\$7,500.00	\$495.00 <input type="checkbox"/>
· Qualifying transaction from a linked Wells Fargo Business Payroll Services account	1	0 <input type="checkbox"/>
· Qualifying transaction from a linked Wells Fargo Merchant Services account	1	0 <input type="checkbox"/>
· Total number of posted Wells Fargo Debit Card purchases and/or payments	10	16 <input checked="" type="checkbox"/>
· Enrollment in a linked Direct Pay service through Wells Fargo Business Online	1	0 <input type="checkbox"/>
· Combined balances in linked accounts, which may include	\$10,000.00	<input type="checkbox"/>
- Average ledger balances in business checking, savings, and time accounts - Most recent statement balance in eligible Wells Fargo business credit cards and lines of credit, and combined average daily balances from the previous month in eligible Wells Fargo business and commercial loans and lines of credit - For complete details on how you can avoid the monthly service fee based on your combined balances please refer to page 7 of the Business Account Fee and Information Schedule at <a href="http://www.wellsfargo.com/biz/fee-information">www.wellsfargo.com/biz/fee-information</a>		

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## Account transaction fees summary

<i>Service charge description</i>	<i>Units used</i>	<i>Units included</i>	<i>Excess units</i>	<i>Service charge per excess units (\$)</i>	<i>Total service charge (\$)</i>
Cash Deposited (\$)	2,900	7,500	0	0.0030	0.00
Transactions	55	200	0	0.50	0.00
<b>Total service charges</b>					<b>\$0.00</b>



## IMPORTANT ACCOUNT INFORMATION

Periodically, it is necessary to update selected sections of the disclosures you received when you opened your account. These updates provide you with the most up to date account information and are very important; so please review this information carefully and feel free to contact us with any questions or concerns.

We updated the Business Account Agreement ("Agreement"). In the section titled "Available balance, posting order, and overdrafts," the following question about our standard overdraft coverage was added:

### What is Wells Fargo's standard overdraft coverage?

Our standard overdraft coverage is when, at our discretion, we pay checks or automatic payments (such as ACH payments) into overdraft rather than returning them unpaid. You can request to remove our standard overdraft coverage from your account by speaking to a banker.

Important: If you remove our standard overdraft coverage from your account, the following will apply if you do not have enough money in your account or accounts linked for Overdraft Protection to cover a transaction:

- We will return your checks and automatic payments (such as ACH payments) and assess a non-sufficient funds/NSF returned item fee and you could be assessed additional fees by merchants.
- We will not authorize transactions such as ATM withdrawals or everyday debit card purchases into overdraft.
- We will not authorize certain transactions (such as cashed checks, recurring debit card transactions, or Bill Pay transactions) into overdraft. However, if these transactions are authorized when your account has enough money but are later presented for payment when your account does not have enough money, we will pay the transaction into overdraft and charge an overdraft fee.

All other aspects of the Agreement remain the same. If there is a conflict between the language above and the Agreement, this language will control.

If you remove our standard overdraft coverage and your account is enrolled in Debit Card Overdraft Service, Debit Card Overdraft Service will be removed and we will not authorize transactions such as ATM withdrawals or everyday debit card purchases into overdraft.

To learn more about tools that Wells Fargo offers to help you avoid overdraft and/or returned item fees, visit [wellsfargo.com/biz/checking/quickstart/overdraft-protection](http://wellsfargo.com/biz/checking/quickstart/overdraft-protection), speak with a local banker or call the phone number on the top of your statement. Thank you for being a Wells Fargo customer. As a valued Wells Fargo customer we hope you find this information helpful.



# Wells Fargo Business Choice Checking

Account number: **9198940687** ■ July 1, 2017 - July 31, 2017 ■ Page 1 of 6



RO & SONS INC  
DEBTOR IN POSSESSION  
CH 11 CASE #16-50241 (STX)  
DBA MOTEL 9  
9017 SAN DARIO AVE  
LAREDO TX 78045-7270

## Questions?

Available by phone 24 hours a day, 7 days a week:  
Telecommunications Relay Services calls accepted

**1-800-CALL-WELLS** (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: [wellsfargo.com/biz](http://wellsfargo.com/biz)

Write: Wells Fargo Bank, N.A. (808)

P.O. Box 6995

Portland, OR 97228-6995

## Your Business and Wells Fargo

Cash flow is a key indicator of the financial health of your business. Find tips and strategies for effective cash flow management at [wellsfargoworks.com](http://wellsfargoworks.com).

## Account options

A check mark in the box indicates you have these convenient services with your account(s). Go to [wellsfargo.com/biz](http://wellsfargo.com/biz) or call the number above if you have questions or if you would like to add new services.

- Business Online Banking
- Online Statements
- Business Bill Pay
- Business Spending Report
- Overdraft Protection

## Other Wells Fargo Benefits

### Apply for a Commercial Equity Line of Credit and enjoy a low rate of Prime + 0% on your balance through December 31, 2018

Whether you are planning to make property improvements, expand your business, or purchase either property or large equipment, we want to help you with your financing. Small business owners and real estate investors can get up to \$500,000 in commercial real estate financing that starts as a 5-year, Prime-based revolving equity line after which the balance converts to an adjustable 15-year amortized loan for a total term of 20 years.

Key benefits of our real estate secured financing:

- No application fee, and no appraisal fee
- Low 1% origination fee due at closing

To learn more, or apply for this great offer, please call: 1-866-416-4320, Monday - Friday, 8:00 a.m. to 5:00 p.m. Pacific Time.

Note: All financing is subject to credit approval. Some restrictions may apply.



**Activity summary**

Beginning balance on 7/1	\$2,418.11
Deposits/Credits	13,907.83
Withdrawals/Debits	- 13,824.01
<b>Ending balance on 7/31</b>	<b>\$2,501.93</b>
Average ledger balance this period	\$2,368.67

Account number: 9198940687

**RO & SONS INC**  
**DEBTOR IN POSSESSION**  
**CH 11 CASE #16-50241 (STX)**  
**DBA MOTEL 9**

*Texas/Arkansas account terms and conditions apply*

For Direct Deposit use  
 Routing Number (RTN): 111900659  
 For Wire Transfers use  
 Routing Number (RTN): 121000248

**Overdraft Protection**

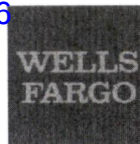
This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed on your statement or visit your Wells Fargo store.

**Transaction history**

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
7/3		07/03Bankcard Deposit -0427179080	36.67		
7/3		ATM Cash Deposit on 07/01 10611 McPherson Rd Laredo TX 0006321 ATM ID 9909S Card 7220	550.00		
7/3		07/03Bankcard Deposit -0427179080	290.00		
7/3		07/03Bankcard Deposit -0427179080	50.00		
7/3		Fdgl Annual Fee 170703 052-1292194-000 Motel 9		30.20	
7/3	1161	Check		267.76	
7/3	1163	Check		238.81	2,808.01
7/5		07/05Bankcard Deposit -0427179080	100.00		
7/5		ATM Cash Deposit on 07/04 1220 Guadalupe St Laredo TX 0008360 ATM ID 0695L Card 7220	40.00		
7/5		ATM Cash Deposit on 07/04 1220 Guadalupe St Laredo TX 0005117 ATM ID 0695x Card 7220	660.00		
7/5		ATM Cash Deposit on 07/05 1220 Guadalupe St Laredo TX 0005409 ATM ID 0695x Card 7220	500.00		
7/5		Recurring Payment authorized on 07/04 State Farm Insuran 800-956-6310 IL S587185382131553 Card 7220		1,137.83	2,970.18
7/6		Online Transfer to Ro & Sons Inc Business Checking xxxxx0679 Ref #Ib03KlXgtr on 07/06/17		40.00	
7/6		Easy Ice Easy Ice M40177647325 Name Unknown		180.78	
7/6	1167	Check		238.81	2,510.59
7/7		07/07Bankcard Deposit -0427179080	290.00		
7/7		ATM Cash Deposit on 07/07 1220 Guadalupe St Laredo TX 0005702 ATM ID 0695x Card 7220	350.00		
7/7		ATM Cash Deposit on 07/07 1220 Guadalupe St Laredo TX 0005703 ATM ID 0695x Card 7220	370.00		
7/7		Purchase authorized on 07/07 Hudson Energy Serv 972-373-1600 TX S587187855148438 Card 7220		866.47	
7/7		Purchase authorized on 07/07 Hudson Energy Serv 972-373-1600 TX S307187856763736 Card 7220		732.59	
7/7	1168	Cashed Check		127.52	
7/7	1169	Check		221.35	1,572.66
7/10		07/10Bankcard Deposit -0427179080	50.00		
7/10		07/10Bankcard Deposit -0427179080	380.00		
7/10		ATM Cash Deposit on 07/09 1220 Guadalupe St Laredo TX 0005910 ATM ID 6723C Card 7220	760.00		
7/10		07/10Bankcard Deposit -0427179080	160.00		
7/10		Purchase authorized on 07/09 Sam's Club Laredo TX P0000000531314192 Card 7220		158.68	

**Transaction history (continued)**

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
7/10		Purchase authorized on 07/09 Sam's Club Laredo TX P00000000174182342 Card 7220		10.80	
7/10	1162	Check		191.16	2,562.02
7/11		07/11Bankcard Deposit -0427179080	150.00		
7/11		Purchase authorized on 07/10 Tmobile Postpaid W 800-937-8997 WA S587191546170302 Card 7220		235.00	2,477.02
7/12		07/12Bankcard Deposit -0427179080	50.00		2,527.02
7/13		07/13Bankcard Deposit -0427179080	100.00		2,627.02
7/14		07/14Bankcard Deposit -0427179080	430.00		
7/14		ATM Cash Deposit on 07/14 10611 McPherson Rd Laredo TX 0009240 ATM ID 9909S Card 7220	680.00		
7/14	1170	Check		238.81	3,498.21
7/17		07/17Bankcard Deposit -0427179080	100.00		
7/17		07/17Bankcard Deposit -0427179080	210.00		
7/17		07/17Bankcard Deposit -0427179080	160.00		
7/17		ATM Cash Deposit on 07/17 1220 Guadalupe St Laredo TX 0007333 ATM ID 6723C Card 7220	600.00		
7/17		ATM Cash Deposit on 07/17 1220 Guadalupe St Laredo TX 0007334 ATM ID 6723C Card 7220	420.00		4,988.21
7/18		07/18Bankcard Deposit -0427179080	159.00		
7/18		Purchase authorized on 07/18 American Tex Chem 909-383-8626 CA S307198704975066 Card 7220		155.92	
7/18	1171	Check		330.00	
7/18	1176	Check		1,000.00	3,661.29
7/19		07/19Bankcard Deposit -0427179080	100.00		
7/19		Online Transfer to Ro& Sons Inc Ref #ib03Lm85Nn Business Checking IRS		906.47	
7/19	1173	Cashed Check		127.52	
7/19	1172	Check		64.95	2,662.35
7/20		07/20Bankcard Deposit -0427179080	210.00		
7/20		Fdgl Lease Pymt 170720 052-1292194-000 Motel 9		43.30	
7/20		Webfile Tax Pymt DD 902/27808106 33311/12345/EDI/Xml -		1,320.38	
7/20	1175	Check		238.81	1,269.86
7/21		07/21Bankcard Deposit -0427179080	380.00		
7/21	1180	Check		677.50	
7/21	1177	Check		239.43	732.93
7/24		07/24Bankcard Deposit -0427179080	300.00		
7/24		Deposit Made In A Branch/Store	1,552.16		
7/24		07/24Bankcard Deposit -0427179080	410.00		
7/24		07/24Bankcard Deposit -0427179080	260.00		
7/24		Purchase authorized on 07/21 City of Laredo Uti 956-7917428 TX S307202094781829 Card 7220		191.95	
7/24	1174	Deposited OR Cashed Check		221.35	
7/24	1148	Deposited OR Cashed Check		250.81	
7/24		Purchase authorized on 07/23 Sams Club Sam's Club Laredo TX P00000000149932896 Card 7220		257.67	
7/24	1178	Cashed Check		127.52	2,205.79
7/25		Online Transfer to Ro& Sons Inc Ref #ib03M38F5G Business Checking Water Saunders		800.00	1,405.79
7/26		07/26Bankcard Deposit -0427179080	150.00		1,555.79
7/27		07/27Bankcard Deposit -0427179080	100.00		
7/27		Time Warner Cabl Tw Cable 072717 0520002062 Spa Ro&Sons Inc.DBA Motel		572.52	1,083.27
7/28		07/28Bankcard Deposit -0427179080	480.00		
7/28		ATM Cash Deposit on 07/28 10611 McPherson Rd Laredo TX 0008060 ATM ID 9913R Card 7220	1,130.00		
7/28		ATM Cash Deposit on 07/28 10611 McPherson Rd Laredo TX 0008061 ATM ID 9913R Card 7220	540.00		
7/28		Purchase authorized on 07/28 Tractor Supply C 4102 Laredo TX P00467209629213183 Card 7220		14.06	
7/28	1182	Cashed Check		127.52	
7/28	1183	Check		239.43	2,852.26



**Transaction history (continued)**

Date	Check Number	Check Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
7/31		07/31Bankcard Deposit -0427179080	110.00		
7/31		07/31Bankcard Deposit -0427179080	220.00		
7/31		07/31Bankcard Deposit -0427179080	320.00		
7/31	1185	Check		761.22	
7/31	1181	Check		238.81	
7/31		Cash Deposited Fee		0.30	2,501.93
<b>Ending balance on 7/31</b>					<b>2,501.93</b>
<b>Totals</b>			<b>\$13,907.83</b>	<b>\$13,824.01</b>	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

**Summary of checks written (checks listed are also displayed in the preceding Transaction history)**

Number	Date	Amount	Number	Date	Amount	Number	Date	Amount
1148	7/24	250.81	1170	7/14	238.81	1177	7/21	239.43
1161 *	7/3	267.76	1171	7/18	330.00	1178	7/24	127.52
1162	7/10	191.16	1172	7/19	64.95	1180 *	7/21	677.50
1163	7/3	238.81	1173	7/19	127.52	1181	7/31	238.81
1167 *	7/6	238.81	1174	7/24	221.35	1182	7/28	127.52
1168	7/7	127.52	1175	7/20	238.81	1183	7/28	239.43
1169	7/7	221.35	1176	7/18	1,000.00	1185 *	7/31	761.22

\* Gap in check sequence.

**Monthly service fee summary**

For a complete list of fees and detailed account information, please see the Wells Fargo Fee and Information Schedule and Account Agreement applicable to your account or talk to a banker. Go to [wellsfargo.com/feefaq](http://wellsfargo.com/feefaq) to find answers to common questions about the monthly service fee on your account.

Fee period 07/01/2017 - 07/31/2017	Standard monthly service fee \$14.00	You paid \$0.00
<b>How to avoid the monthly service fee</b>	Minimum required	This fee period
Have any <b>ONE</b> of the following account requirements		
· Average ledger balance	\$7,500.00	\$2,369.00 <input type="checkbox"/>
· Qualifying transaction from a linked Wells Fargo Business Payroll Services account	1	0 <input type="checkbox"/>
· Qualifying transaction from a linked Wells Fargo Merchant Services account	1	28 <input checked="" type="checkbox"/>
· Total number of posted Wells Fargo Debit Card purchases and/or payments	10	10 <input checked="" type="checkbox"/>
· Enrollment in a linked Direct Pay service through Wells Fargo Business Online	1	0 <input type="checkbox"/>
· Combined balances in linked accounts, which may include	\$10,000.00	<input type="checkbox"/>
- Average ledger balances in business checking, savings, and time accounts		
- Most recent statement balance in eligible Wells Fargo business credit cards and lines of credit, and combined average daily balances from the previous month in eligible Wells Fargo business and commercial loans and lines of credit		
- For complete details on how you can avoid the monthly service fee based on your combined balances please refer to page 7 of the Business Account Fee and Information Schedule at <a href="http://www.wellsfargo.com/biz/fee-information">www.wellsfargo.com/biz/fee-information</a>		

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## Account transaction fees summary

<i>Service charge description</i>	<i>Units used</i>	<i>Units included</i>	<i>Excess units</i>	<i>Service charge per excess units (\$)</i>	<i>Total service charge (\$)</i>
Cash Deposited (\$)	7,600	7,500	100	0.0030	0.30
Transactions	29	200	0	0.50	0.00
<b>Total service charges</b>					<b>\$0.30</b>



## IMPORTANT ACCOUNT INFORMATION

Periodically, it is necessary to update selected sections of the disclosures you received when you opened your account. These updates provide you with the most up to date account information and are very important, so please review this information carefully and feel free to contact us with any questions or concerns.

We updated the Business Account Agreement ("Agreement"). In the section titled "Available balance, posting order, and overdrafts," the following question about our standard overdraft coverage was added:

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Important: If you remove our standard overdraft coverage from your account, the following will apply if you do not have enough money in your account or accounts linked for Overdraft Protection to cover a transaction:

- We will return your checks and automatic payments (such as ACH payments) and assess a non-sufficient funds/NSF returned item fee and you could be assessed additional fees by merchants.
- We will not authorize transactions such as ATM withdrawals or everyday debit card purchases into overdraft.
- We will not authorize certain transactions (such as cashed checks, recurring debit card transactions, or Bill Pay transactions) into overdraft. However, if these transactions are authorized when your account has enough money but are later presented for payment when your account does not have enough money, we will pay the transaction into overdraft and charge an overdraft fee.

All other aspects of the Agreement remain the same. If there is a conflict between the language above and the Agreement, this language will control.

If you remove our standard overdraft coverage and your account is enrolled in Debit Card Overdraft Service, Debit Card Overdraft Service will be removed and we will not authorize transactions such as ATM withdrawals or everyday debit card purchases into overdraft.

To learn more about tools that Wells Fargo offers to help you avoid overdraft and/or returned item fees, visit [wellsfargo.com/biz/checking/quickstart/overdraft-protection](http://wellsfargo.com/biz/checking/quickstart/overdraft-protection), speak with a local banker or call the phone number on the top of your statement. Thank you for being a Wells Fargo customer. As a valued Wells Fargo customer we hope you find this information helpful.





General statement policies for Wells Fargo Bank

Notice: Wells Fargo Bank, N.A. may furnish information about accounts belonging to individuals, including sole proprietorships, to consumer reporting agencies. If this applies to you, you have the right to dispute the accuracy of information that we have reported by writing to us at: Overdraft Collections and Recovery, P.O. Box 5058, Portland, OR 97208-5058.

You must describe the specific information that is inaccurate or in dispute and the basis for any dispute with supporting documentation. In the case of information that relates to an identity theft, you will need to provide us with an identity theft report.

Account Balance Calculation Worksheet

- 1. Use the following worksheet to calculate your overall account balance.
2. Go through your register and mark each check, withdrawal, ATM transaction, payment, deposit or other credit listed on your statement.
3. Use the chart to the right to list any deposits, transfers to your account, outstanding checks, ATM withdrawals, ATM payments or any other withdrawals (including any from previous months) which are listed in your register but not shown on your statement.

ENTER

A. The ending balance shown on your statement \$

ADD

B. Any deposits listed in your register or transfers into your account which are not shown on your statement. TOTAL \$

CALCULATE THE SUBTOTAL

(Add Parts A and B)

TOTAL \$

SUBTRACT

C. The total outstanding checks and withdrawals from the chart above - \$

CALCULATE THE ENDING BALANCE

(Part A + Part B - Part C)

This amount should be the same as the current balance shown in your check register \$

Table with 3 columns: Number, Items Outstanding, Amount. Includes a total amount row at the bottom right.



BUSINESS  
 PLATINUM  
 SAVINGS  
 ...1854

-**\$4.25**  
 Available balance

Activity Summary

<b>Ending collected balance as of 09/15/17</b>	-\$4.25
<b>Current posted balance</b>	-\$4.25
<b>Pending withdrawals/debits</b>	\$0.00
<b>Pending deposits/credits</b>	\$0.00
<b>Available balance</b>	<b>-\$4.25</b>

Monthly Service Fee Summary

**Activity**

Use Search to view more transactions

Date	Description	Deposits/Credits	Withdrawals/Debits
<b>Pending Transactions</b>			
No pending transactions to view.			
<b>Posted Transactions</b>			
08/31/17	MONTHLY SERVICE FEE		\$15.00
07/31/17	MONTHLY SERVICE FEE		\$15.00
06/30/17	MONTHLY SERVICE FEE		\$15.00
<b>Totals</b>		<b>\$0.00</b>	<b>\$45.00</b>

View more account history through Statements & Documents.

\*Account Disclosures

Deposit products offered by Wells Fargo Bank, N.A. Member FDIC.

Equal Housing Lender

**Exhibit E-Liquidation Analysis****Plan Proponent's Estimated Liquidation Value of Assets**

Motel Property at 2505 Saunders, Laredo, Texas	\$650,000.00
Motel Property at 9017 San Dario, Laredo, Texas	\$700,000.00
Furniture, equipment and furnishings for both motels	\$20,000.00

**Assets**

Cash on hand	\$2,000.00
Accounts receivable	0.00
Inventory	0.00
Office Furniture & Equipment	\$15,000.00
Machinery & Equipment	\$ 5,000.00
Automobiles	0.00
Building & Land	\$1,350,000.00
Customer List	0.00
Investment property	0.00
Lawsuits or other claims against third-parties	0.00
Other intangibles (such as avoiding powers actions)	0.00

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 \$1,372,000.00
**\$1,372,000.00****Total Assets at Liquidation Value****Less:**

Secured creditors' recoveries <b>Less:</b>	<b>\$1,338,566.76</b>
Chapter 7 trustee fees and expenses <b>Less:</b>	<b>50,000.00</b>
Chapter 11 administration expenses <b>Less:</b>	<b>46,650.00</b>
Priority claims, excluding administrative expenses claims [Less: Debtor's claimed exemptions]	3,393.06
	<b>\$1,432,609.82</b>
(1) Balance for unsecured claims	(\$60,609.82)
(2) Total dollar amount of unsecured claims	\$22,079.80

**Percentage of Claims Which Unsecured Creditors Would****Receive Or Retain in a Chapter 7 Liquidation: Less than 0****Percentage of Claims Which Unsecured Creditors will****Receive or Retain under the Plan:**

100%

**Exhibit F-** Cash on hand on the effective date of the Plan

**Cash on hand on effective date of the Plan:**

Less- \$12,000.00

Amount of administrative expenses payable on effective date of the Plan

Debtor's largest administrative expense claim is debt to its bankruptcy counsel, Counsel's attorneys fees and cost are estimated to be \$50,000.00 (minus \$10,000 retainer) or approximately \$40,000.00. The fees have not yet been applied for or awarded. Debtor has asked counsel for a payment plan, to pay the fees over 48 months or until the San Dario property is sold. Counsel is only willing to do this if \$5,000.00 of the cash on hand on the effective date is applied to his fees, the plan provides for the fees to be paid at a rate of \$1,000.00 per month, and further grants counsel a lien on the San Dario property to secure the balance of his fees so that those fees are paid. The plan would also that it will be an event of default if the debtor fails to make a monthly payment to its counsel and the default will justify the revocation of the Debtor's plan.

Attorney's fees to bankruptcy counsel (in addition to retainer) on the Effective Date: \$5,000.00

Amount of statutory cost and charges 650.00

Amount of cure payments for executory contracts -0-

Other Plan Payments due on effective date of the Plan 495.54

Balance after paying these amounts.....5,204.46

The sources of the cash Debtor will have an hand by the effective date fo the Plan are estimated as follows: \$2,000.00 of the \$3,000.00 in cash that is in Debtor's bank account now along with \$10,000.00 in addition cash Debtor will accumulate from net earnings between now and effective date of the plan. The Debtor has terminated all of its employees save and except a night manager, a cleaning lady, and a part time assistant manager. By doing this Debtor has reduced its payroll from approximately \$10,000.00 per month at two locations to the \$2,190.00 to be paid to keep the San Dario location open. Debtor is in the process of negotiating the surrender of the Saunders property to Falcon International Bank. As soon as this can be done it will reduce the principal owed and the interest accrual on its debt to the Bank.

Total \$12,000.00

**Exhibit G-** Projections of Cash Flow and Earnings for Post-Confirmation Period

Ro & Sons Inc  
San Dario Motel 9  
Cash Flow for May 2017

## PROJECTED CASH FLOW FOR POST CONFIRMATION PERIOD

Total Revenue	\$21,791.93
14% Hotel Motel Occupancy Tax (State, City, County)	<u>-\$3,050.87</u>
Total Revenue	\$18,741.06
Operating expenses	
Bank Charges	\$15.00
Credit Card Charges	\$320.00
Leases	\$215.78
Employee Salaries	\$2,920.00
Security Alarm	\$64.95
Supplies	\$450.00
Employee Taxes 941	\$670.80
Telephone	\$267.65
Light	\$1,450.00
Water	\$613.38
Garbage Removal	\$170.00
Cable	\$372.52
Insurance escrow	1,291.92
Operating Expenses for May 2017 [Exclusive fo Plan Payments]	<u>\$8,819.90</u>
Net Operating Income	\$9,921.16
PLAN PAYMENTS	
Classes 1 & 5          IRS Priority & Secured Claims	\$1,857.37
Class 2 LCC ad Valorem Tax	
One time payment on Effective Date of \$495.54	
Class 3          State Comptroller Hotel Motel Occupancy Tax	177.00
Class 4 City of Laredo Hotel Motel Occupancy Tax	212.00
Class 4 Webb County Hotel Motel Occupancy Tax	43.00
Class 6 Falcon Bank debt, P & I	4,755.96
Tax escrow	<u>1,939.50</u>

Class 7	General Unsecured Claims	<u>338.00</u>
Total recurring monthly plan payments:		\$9,322.83

Last year Debtor's IRS income tax debt was less than \$2,000.00. Debtor has not budgeted an amount to pay this but from the funds available from family members, up to \$3,000.00 per month to cover a shortfall on any month, Debtor should be able to pay its IRS debt as it accrues..