

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF TEXAS  
SAN ANTONIO DIVISION

IN RE:	X	CASE NO. 16-51282-RBK
	X	
ML HOSPITALITY, INC.	X	
	X	
DEBTOR	X	CHAPTER 11

**DISCLOSURE STATEMENT TO THE CHAPTER 11 PLAN OF REORGANIZATION  
FOR ML HOSPITALITY, INC.**

**I. INTRODUCTION**

On June 6, 2016, ML Hospitality, Inc. (hereinafter the “Debtor”), filed its voluntary petition under Chapter 11 of the United States Bankruptcy Code. Since that time it has continued to operate as Debtor in Possession pursuant to the provisions of Section 1108 of the Bankruptcy Code.

This Disclosure Statement To The Chapter 11 Plan of Reorganization for ML Hospitality, Inc. (hereinafter “Disclosure Statement”) has been prepared by the Debtor pursuant to Section 1125 of the Bankruptcy Code, which requires that creditors receive a written Disclosure Statement containing sufficient information about the Debtor to enable creditors to make an informed and intelligent decision regarding the Chapter 11 Plan of Reorganization (hereinafter “Plan”). Prior to the solicitation of your vote on the Plan, and as required by the Bankruptcy Code, the Bankruptcy Court has approved this Disclosure Statement as containing adequate information on the Debtor.

In addition to this Disclosure Statement and accompanying Plan, you will also receive an order of the Court setting the hearing on the confirmation of the Plan and establishing deadlines for casting your vote or filing objections to confirmation. Mailing instructions are included in your Ballot. YOUR VOTE IS IMPORTANT. In order for the Plan to be accepted, at least two-third (2/3) in amount and one-half (1/2) in number of the voting creditors in each class must affirmatively vote for the Plan. Even if all classes of claims accept the Plan, the Bankruptcy Court may refuse to confirm the Plan. Among other things, Section 1129 requires that the Plan be in the best interests of the creditors and other parties in interest, and generally requires that the holders of the claims not receive less than would otherwise be realized if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

In appropriate circumstances, the Bankruptcy Court may confirm a Plan even though less than all of the classes of claims accept the Plan. The circumstances warranting confirmation notwithstanding the vote of a dissenting class or classes of creditors are set forth in Section 1129(b) of the Bankruptcy Code. Except as otherwise provided in the Plan, the Order of Confirmation, or

Section 1141(d), confirmation of the Plan will discharge the Debtor from all of its debts. Confirmation makes the Plan binding on the Debtor and all of their creditors, regardless of whether or not they have accepted the Plan.

A. The Debtor. The Debtor is ML Hospitality, Inc.

B. The Disclosure Statement.

Pursuant to Section 1125(b) of the Bankruptcy Code (Title 11 of the United States Code, hereinafter referenced as 11 U.S.C. section number), a precondition to solicitation of acceptances and rejections of a Plan of Reorganization from holders of claims or interests in the bankruptcy estate is that the holders be furnished with a copy of the Plan or a summary of the Plan and a written Disclosure Statement which contains “adequate information.”

“Adequate information” means

information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor and the condition of the Debtor’s books and records, that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the Plan, but adequate information need not include such information about any other possible or proposed Plan. 11 U.S.C. § 1125(a)(1).

Whether or not a Disclosure Statement contains adequate information is determined by the Court upon notice and hearing. 11 U.S.C. § 1125(b). All parties in interest may participate in this determination. After the Disclosure Statement is approved by the Court, a hearing will be set on confirmation of the Plan and a Plan package which includes copies of the Order Approving Disclosure Statement, Plan, Disclosure Statement and Ballot will be sent to the parties entitled to vote on the Plan.

C. Chapter 11.

Chapter 11 is a portion of the Bankruptcy Code which provides businesses and certain individuals with protection from creditors while it seeks to reorganize its business affairs, including the repayment of its debts. The terms of the proposed reorganization are embodied in a Plan of Reorganization. While the Bankruptcy Code gives the Debtor many aids in the reorganization of its financial affairs, these aids are balanced with rights and protections afforded to creditors. Confirmation of a Plan of Reorganization is the objective of the Debtor in a Chapter 11 Reorganization Case. Performance of the confirmed Plan is the objective of the Reorganized Debtor. The Plan is the terms by which the claims against and interests of the Debtor are satisfied.

D. The Process of Confirmation.

1. Hearing on Confirmation. Confirmation of a Plan is simply approval by the Court. This approval is sought by the Plan proponent at the hearing on confirmation. In order to obtain approval of the Court, the Plan proponent must show that the Plan meets all requirements for confirmation.

2. Requirements for Confirmation. The requirements for confirmation are listed in 11 U.S.C. § 1129(a). These requirements are part of the balancing of rights and aids between the Debtor and its creditors. Certain of the requirements for confirmation necessitate the solicitation of ballots from the holders of claims against and interests in the Debtor indicating either the acceptance or rejection of the Plan. Section 1129(a) does not require that each and every holder of a claim against or interest in the Debtor vote to accept the Plan in order for it to be confirmed by the Court. First, only those holding claims or interests which are in classes which are impaired are entitled to vote. Impairment is defined in 11 U.S.C. § 1124.

Impairment basically means an alteration of the legal, equitable or contractual rights of the holder of the claim or interest. The Plan proponent must assert in the Disclosure Statement whether or not each class is deemed by it to be impaired. The proponent's conclusion may be disputed by a creditor and the dispute resolved by the Court. If a Plan impairs or changes the rights of any creditor, it must be accepted by at least one Class of impaired claims. Second, only those ballots that are properly completed and timely delivered are counted. Third, of those voting in each class, only a majority of the claims in number and at least two-thirds (2/3) in amount are needed for the acceptance of the Plan by that class.

Even if all Classes of claims and interests accept the Plan, its confirmation may be denied by the Bankruptcy Court for the failure to meet some other requirement of Section 1129 of the Bankruptcy Code. Among those requirements is one that the Plan be in the best interest of claimholders and interest holders. That generally requires that the value to be distributed to claimholders and interest holders may not be less than such parties would receive if the Debtors were liquidated under Chapter 7 of the Code.

3. Cramdown. The Court may confirm a Plan even though a class of claims or interest holders rejects the Plan. Confirmation of a Plan over the rejection by one or more classes of claims or interests is generally referred to as "cram down." In order for the Plan to be confirmed in spite of the rejection by a class of claims or interests, the proponent of the Plan must show that the Plan does not discriminate unfairly and is fair and equitable with respect to each class of claims or interests that is impaired and has not accepted the Plan.

Section 1129(b)(2) of the Bankruptcy Code provides that the following standards are among the issues to be considered in determining whether the Plan is "fair and equitable" with respect to a particular class:

Secured Claims. The Plan is fair and equitable with respect to a class of secured claims if it provides that either:

1. The holders are to retain their lien, whether the collateral is retained by the Debtor or transferred to another entity, to the extent of the allowed amount of their secured claim, and are to receive deferred cash payments totaling not less than the allowed amount of their claims and having a present value of not less than the value of the collateral.

2. The collateral is to be sold in a sale permitting the holder to “bid in” free and clear of holder’s lien, with such lien to attach to the proceeds of such sale, and the treatment of the lien on such proceeds under either clause (1) or (3) hereof; or

3. The holders are to receive the “indubitable equivalent” of their claims.

Unsecured Claims. The fair and equitable requirement in the context of a class of unsecured claims requires that either:

1. The holders are to receive property with a present value equal to the allowed amount of their claims; or

2. No holders in a class junior to the rejecting class are to receive any property.

## **II. REPRESENTATIONS**

The statements contained in this Disclosure Statement are made as of the date of this Disclosure Statement unless another time is specified. Except as stated herein, no other representations concerning the Debtor, its business operations, the value of its property, or the value of any benefits offered to you in the Plan are authorized. ANY REPRESENTATIONS OR INDUCEMENTS WHICH ARE CONTRARY TO THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, and such representations or inducements and their origin should be immediately reported to William R. Davis, Jr., Langley & Banack, Inc., Counsel for the Debtor, 745 E. Mulberry, Suite 900, San Antonio, Texas 78212 Telephone: (210) 736-6600.

THE DEBTOR AND ITS COUNSEL HAVE MADE EVERY EFFORT TO INSURE THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS ACCURATE. WE CANNOT, HOWEVER, WARRANT THAT ALL OF THE DATA IS COMPLETELY ACCURATE, THOUGH WE FEEL IT IS MATERIALLY ACCURATE TO OUR BEST KNOWLEDGE, INFORMATION AND BELIEF. THE INFORMATION IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO AN INDEPENDENT AUDIT, AND FINANCIAL INFORMATION HAS BEEN BASED UPON OUR INTERNAL RECORDS. IF ANY STATEMENTS OF FINANCIAL MATTERS WERE MADE BY THIRD-PARTY ACCOUNTING PROFESSIONALS ACCOMPANY THIS DISCLOSURE STATEMENT, THEY WILL CONTAIN

A DISCLAIMER REQUIRED OF UNAUDITED FINANCIAL INFORMATION. FURTHER, YOU SHOULD NOT CONSTRUE THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT AS AN ENDORSEMENT OF THE PLAN OR A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION PRESENTED HEREIN.

The Debtor has expended considerable time in devising a Plan which it believes to be financially feasible and fair to its creditors. Consequently, the Debtor urges you to vote for acceptance of the Plan.

### **III. INFORMATION CONCERNING THE DEBTOR**

#### **A. History of the Debtor**

ML Hospitality is a Texas corporation incorporated in 2006. Mohammad Noorul Alam is its president and owns a 100% interest in the corporation. Mr. Alam owns the real property located at 4403 E. IH 10, San Antonio, Texas (where the Debtor operates its business). The operations of the hotel are carried out in the name of the Debtor.

#### **1. Description of the Debtor's Operation**

Mr. Alam purchased the real property on which the Hotel is located for approximately \$3.7 million in 2007. At the time, the property was operating as a Comfort Inn and its average annual revenue over the five years preceding the purchase was \$1.2 million. Immediately after the property was acquired, the Debtor spent approximately \$875,000 renovating the property, including but not limited to, replacing the roof, interior drywall in the guest rooms, and the outdoor high-rise sign; installing new wall-to-wall carpet; renovating the guest bathrooms; renovating the reception area (including installing a new front desk counter, breakfast bar, PMS system); repainting the entire exterior and interior; installing a security system with fourteen web-based cameras; installing Wi-Fi internet system; replacing guest room furniture (headboard, sofa, chair, desk, dresser, refrigerator, microwave, light fixtures, and vanity mirror); and major landscaping upgrades.

Like all tourism-based industries, the hotel industry suffered from the economic downturn of 2008, and the ensuing recession. Like other hotels and motels in the San Antonio area, Debtor also experienced declining revenues. This resulted in the Debtor's prior Chapter 11 bankruptcy filing on January 20, 2012. In 2015, the hotel generated \$1,332,241.00 in gross revenue. The Debtor's 2016 year-to-date income is up approximately three percent (3%).

As a result of improved operations and the extensive improvement updates to the property, the Debtor estimates that the value of the real property has increased to \$3,950,000.00 as of the Petition Date. The value in the real property, like all commercial properties, is not just in the real property and improvements, but in the ability to produce income on the property. However, as revenue continues to increase, the value of the real property will likewise increase, continuing to improve the situation of Hanmi Bank.

## 2. Results of Prior Bankruptcy Case

On January 20, 2012, the Debtor filed a prior Chapter 11 bankruptcy case as a result in the down turn in the economy. The Debtor was successful in its reorganization efforts, and on September 18, 2012, the Order Confirming Second Amended Chapter 11 Plan of Reorganization was entered. Under the Second Amended Plan of Reorganization, the Debtor restructured all of its debts and agreed to repay the majority of its debt over a five (5) year term, with the exception of certain debts like its mortgage with Hamni Bank and ad valorem tax debt to Propel Financial Services, which are being paid out over a longer term. The Debtor is current on all Plan payments under the Plan, the majority of which Plan payments will be completed in September, 2017. The payments total the approximate amount of \$3,600.00/month, and upon completion of these payments, will further assist the Debtor in its reorganization efforts in this case.

## 3. Results of Operations as Debtor in Possession

The Debtor has been filing its Monthly Operating Report's post-petition. The Monthly Operating Reports show that the Debtor has sufficient income to meet its ongoing expenses, including the debts it proposes to reorganize herein.

The Debtor's income is stable and improving. The Monthly Operating Report for October, 2016 [Dkt. No. 52] shows positive net income of approximately \$30,000.00. A true and correct copy of the October, 2016 Monthly Operating Report is attached hereto as **Exhibit "B."**

## 4. Estimated Future Income and Expenses

A copy of the Debtor's 2015 corporate income tax return (Form 1120) is attached hereto as **Exhibit "C."** Additionally, attached hereto as **Exhibit "D"** is a copy of the Debtor's current income and expense projections for the periods 2017-2021, which supports the Debtor's ability to perform under the terms of the Plan of Reorganization as proposed herein. The Debtor's income and expenses are projected to continue to show improving operations. The Debtor's projected income and expenses assume that payments to creditors under the Plan will begin in early 2017.

## 5. Future Management of the Reorganized Debtor

No changes are proposed.

## 6. Causes of the Bankruptcy Filing

The Debtor's bankruptcy filing in this case was the result of the Debtor's required improvements to the hotel required under the Red Roof Franchising, Inc. Franchise Agreement, which left the Debtor without sufficient cash to complete the required improvements and operate the motel.

## 7. Changes to Operations

None, other than the modification of the repayment to Debtor's creditors as set forth herein.

## **IV. ANALYSIS AND VALUATION OF PROPERTY**

### A. Real Property

The Debtor owns no real property as set forth on its Schedule A - Real Property filed in its bankruptcy case. The Debtor's business location at 4403 E. IH 10, San Antonio, TX 78219 is owned by its president, Mohammad Noorul Alam ("Mr. Alam"). The income generated from the operation of the Hotel is used to service the notes to Hanmi Bank/SBA and taxes related to the operation of the Hotel (including real property, personal property, and hotel occupancy taxes). The Debtor and Hanmi have entered into a Loan Modification on the real property, which allows the Debtor a six (6) month moratorium (June, 2016 - November, 2016), with the Debtor starting regular monthly payments to Hanmi Bank in December, 2016. The six (6) months of arrears are to be paid by extending the Notes terms and allowing the Debtor to pay the payment arrearages and expenses through continued monthly contractual payments under the Notes until paid in full (including costs and attorneys fees).

### B. Personal Property

Attached hereto as **Exhibit "E"** is the Schedule B - Personal Property filed by the Debtor with the Court. The Debtor's personal property includes various checking accounts, furniture and office equipment, machinery and fixtures, and inventory. The personal property has a market value of just under \$236,000.00 (including owned and leased personal property). Hanmi Bank, a secured creditor of Mohammad Noorul Alam, also claims a lien on the Debtor's personal property pursuant to the various loan documents relating to the real property at 4403 E. IH10, San Antonio, TX 78219.

### C. Leases

All executory contracts of the Debtor not expressly rejected in writing on or before the Confirmation Date are deemed to be assumed. Rejection is accomplished by filing an Application therefore with the Court, together with proof of service of the Application to reject upon all parties affected thereby although the Court's approval of the rejection will not take place until the hearing on Application some time later.

If no agreement has been reached regarding the cure of a lease arrearage (on a lease being assumed), any such pre-petition lease arrearages will be added to the end of the lease term. Should the Debtor default in the lease cure(s), the terms of the applicable lease are controlling.

The Debtor assumed its franchise agreement with Red Roof Franchising, LLC and the Court entered the Order Approving Debtor's Assumption of Franchise Agreement With Red Roof Franchising, LLC on October 7, 2016. The arrearages due under the Franchise Agreement will be cured through the following monthly payments beginning on November 17, 2016 - \$2,000.00/month for six (6) months; \$3,000.00/month for six (6) months; and \$3,500.00/month until cured. The amount to cure the Franchise Agreement is in the amount of \$50,293.70.

All parties to a rejected contract (other than a contract previously rejected by Motion and Order approved by this Court) will have thirty (30) days from and after the date that the order approving rejection becomes a Final Order within which to file a Proof of Claim for damages, if any, resulting from such rejection. The failure to file such Proof of Claim within that period will forever bar the party affected by the rejection from participating in any distribution under the Plan or recovering any payment on any claim on account of such rejection.

D. Liquidation Value

The Debtor's analysis of the distribution to creditors in a Chapter 7 liquidation scenario concludes that neither the estate's administrative and priority creditors will be paid in full. The estate's unsecured creditors appear likely to receive no distribution should the case be converted to a case under Chapter 7 and the estate's assets liquidated by a Chapter 7 trustee. As noted above, the Debtor's personal property is valued at approximately \$236,000.00 (and pledged to Hanmi Bank), which is insufficient to pay the Administrative, Secured and Priority creditors, and would result in no distribution to the general unsecured creditors (including the deficiency claims held by undersecured creditors). A liquidation analysis prepared by the Debtor is attached hereto as **Exhibit "G"**.

**V. SUMMARY OF PLAN OF REORGANIZATION**

A. Classification and Treatment of Claims

Administrative claims consist of the professionals who have provided services to the Debtor during the pendency of this Chapter 11 case. These claimants and the estimated amount of their claims are as follows:

Langley & Banack, Inc. (Attorneys)	\$35,000.00
T.R. Flournoy & Co. <sup>1</sup>	<u>5,000.00</u>
Total Estimated Professional Claims	<u>\$40,000.00</u>

The amount of the professional fees disclosed above is an approximate amount. It is unknown at this time exactly how much money will be incurred in professional fees in this Chapter 11 case. A final determination cannot be made until such time as the case is closed as to reasonable professional fees for the provision of whatever services become necessary in this Chapter 11 case. Any other allowed costs and expenses of administration of the Debtor's Chapter 11 bankruptcy case are also included as administrative claims. These claims will be paid in full at confirmation, less any retainers already received, after approval by the Court of said fees. The anticipated administrative expenses of the Debtor are moderate, with the largest estimated administrative expense claim being the legal fees of Langley & Banack, Inc.

Class 1 claim consists of the secured claims of Axis Capital, Inc. ("Axis"). This is a secured claim for furniture/equipment that was restructured in the Debtor's prior Chapter 11 bankruptcy case. The Debtor is current on its monthly payments to Axis Capital, Inc. in the amount of \$368.00, which run through late 2017. This claim is unimpaired under this Plan and not entitled to vote on the Plan.

The Class 2 claims consists of the secured claim of Financial Pacific Leasing ("Financial Pacific"). This claim was treated under the Debtor's prior Chapter 11 case and the Debtor is current on its monthly payments to Financial Pacific in the amount of \$92.08, which the Debtor will continue to pay until the allowed secured claim of Financial Pacific has been paid in full. The Class 2 secured claim of Financial Pacific is unimpaired under the Plan and not entitled to vote on the Plan.

The Class 3 claim consists of the secured claim Propel Financial Services (hereinafter "Propel"). This claim was treated under the terms of the Debtor's prior Chapter 11 Plan of Reorganization and the Debtor is current on its Plan payments to Propel under the prior case, which is not further modified herein. The Class 3 secured claim of Propel is unimpaired under the Plan and not entitled to vote on the Plan.

The Class 4 claim consists of the priority claims of the Comptroller of Public Accounts. On October 10, 2016, the Comptroller of Public Accounts filed its priority Proof of Claim in the total amount of \$26,811.76 for hotel occupancy tax for the months of March - May, 2016. The Debtor will pay the Class 2 priority claims through monthly installments of principal and interest (5%) over a four (4) year term. The projected monthly payments are in the amount of \$617.00, and begin on the first day of the month following the Effective Date of the Plan. The Class 4 claim is deemed to be unimpaired and is not entitled to vote on the Plan.

The Class 5 claim consists of the priority claims of the City of San Antonio (hereinafter "SA") for hotel occupancy taxes. On July 6, 2016, SA filed its priority claim in the total amount of \$63,701.66. The priority claim of SA consists of two (2) components. First, the Debtor owes SA on pre-petition claims (\$31,035.85 - the Debtor thinks the amount owing is slightly less) previously dealt with in the Debtor's prior Chapter 11 bankruptcy case, which the Debtor is current on its monthly Plan payments, and will continue to satisfy without modification in this bankruptcy case.

The balance of SA's claim is in the amount of \$32,665.81. The Debtor will pay this amount through monthly installments of principal and interest (5%) based upon a five (5) year term. The projected monthly payments are in the amount of \$616.00 and begin on the fifteenth day following the Effective Date of the Plan. The Class 5 creditors are unimpaired and are not entitled to vote on the Plan.

The Class 6 claims consist of the unsecured priority claims of the Internal Revenue Service as evidenced by the Internal Revenue Service's Proof of Claim filed on October 4, 2016 in the following amounts - unsecured priority (\$21,669.65) and unsecured general (\$10,624.37). The majority of the IRS' priority claim consists of amounts dealt with in the Debtor's prior Chapter 11 bankruptcy case, for which the Debtor is current on its monthly Plan payments, and will continue such payments in the amount of \$636.82 until paid in full under the Plan terms without modification herein. The balance of the IRS' unsecured priority claim in the amount of \$8,587.92 will be paid through equal monthly payments of principal and interest (4%) based upon a five (5) year term. The projected monthly payments are in the amount of \$158.00 beginning on the 15<sup>th</sup> day of the month following the Plan's Effective Date. The IRS' unsecured claim in the amount of \$10,624.37 is to be treated as a Class 8 unsecured creditor. The Class 6 creditors are unimpaired and are not entitled to vote on the Plan.

The Class 7 claims consist of the pre-petition franchise arrears owing to Red Roof Franchising, LLC. The Debtor owes Red Roof Franchising, LLC the amount of \$50,293.70 in pre-petition franchise fees. The Debtor and Red Roof Franchising, LLC reached an agreement and on October 17, 2016, the Order Approving Debtor's Assumption of Franchise Agreement With Red Roof Franchising, LLC was entered wherein the Debtor agreed to cure the franchise arrears as follows: Monthly payments in the amount of \$2,000.00 for six (6) months; monthly payments in the amount of \$3,000.00 for six (6) months; monthly payments in the amount of \$3,500.00 until the franchise arrears are cure in full. The cure payments begin on November 17, 2017, and continue monthly thereafter as set forth herein. The claim of Red Roof Franchising, LLC is impaired and the Class 7 creditor is entitled to vote on the Plan.

The Class 8 claims consist of the claims of unsecured creditors which existed prior to confirmation. The amount of unsecured claims consist of the claims scheduled on the Debtors' Schedules (Schedule F) filed with the Court, and as amended, and are in the projected allowed amount of \$92,230.00 (approximate).

The Class 8 creditors are to be paid ten percent (10%) of their allowed claims through equal semi-annual installments over three (3) years. The semi-annual payments to Class 8 creditors are to be made on a pro-rata basis with after-tax dollars. The first six (6) month period begins on the first day of the month following the Effective Date of the Plan, and the payments to Class 8 creditors are to be made within thirty (30) days from the end of each six (6) month period. The total payout to Class 8 creditors is 10 cents on the dollar. Class 8 claims will earn interest at 1% per annum. The Class 8 claims are impaired under the Debtor's Plan of Reorganization and are entitled to vote on the Plan.

The Class 9 claims consist of the Claims of the Debtor's equity. The Debtor is owned 100% by Mohammad Noorul Alam. The Debtor will continue its ownership interest in its property, as set forth pursuant to the terms contained herein. The Class 9 claims are unimpaired under the Plan and not entitled to vote.

B. Summary of the Mechanics/Implementation of Debtors' Plan of Reorganization

Attached to this Disclosure Statement as **Exhibit "A"** is a complete copy of the Debtor's Proposed Plan of Reorganization. For the specific details of the Plan of Reorganization, reference should be made to the Plan in its entirety. The summary provided below is merely for the convenience of anyone reading the Disclosure Statement and to the extent that this Disclosure Statement in any way conflicts with the actual Plan, the terms of the Plan will govern.

C. Payment of Administrative Claims

All allowed administrative claims will be paid in full on or before the Plan's Effective Date in accordance with the provisions of 11 U.S.C. § 1129(a)(9)(A), unless otherwise agreed to between the particular administrative claimholder and the Debtor.

D. Feasibility of the Plan.

The Plan is feasible as a result of the income generated by the Debtor's operation of the Hotel.

E. Claims Allowance Procedure

The Debtor will file any claims objections on or before sixty (60) days from the Plan's Effective Date. At present, the Debtor is attempting to resolve any disputes regarding claims with the particular creditor. The Debtor is hopeful that such negotiations will lead to an amicable resolution of any claims disputes; however, there is no guarantee that the negotiations will lead to a resolution of any disputes.

F. Retention of Jurisdiction

The Court retains jurisdiction as set out in the Plan (See Article VIII).

G. Interest Retained by the Debtors

The Debtor is retaining its current ownership interests in personal property subject to the terms of this Plan.

## **VI. ALTERNATIVES TO THE DEBTOR'S PLAN**

The Debtor does not believe that any other Plan other than the one it has proposed is feasible for the reorganization of the Debtor's financial affairs. The Debtor does not believe that a liquidation (through this Chapter 11 case or by a Chapter 7 trustee) of its assets will result in the payment of the full amount of its debts owed. Therefore, the Debtor believes that unless its Plan is confirmed, the result would be a Chapter 7 liquidation, with no distribution to unsecured creditors.

In the event of a Chapter 7 liquidation, the Bankruptcy Code would provide for the priorities of payment. The first priority of payment would be administrative claims. Those would consist of the attorneys' fees for the Debtor, along with the other professional fees for the Debtor. The Debtor estimates these will total approximately \$40,000.00 (less the respective retainers of the professionals).

Based on the foregoing, the Debtor believes that its operating Plan is far superior to a Chapter 7 liquidation. A Liquidation Analysis prepared by the Debtor is attached hereto as Exhibit "G."

## **VII. RISK TO CREDITORS UNDER THE DEBTOR'S PLAN**

The principal risk that creditors will incur under the Debtor's Plan is that the Debtor will be unable to make payments pursuant to this Plan of Reorganization. It should be pointed out, however, that all creditors will receive more if the Plan is confirmed at confirmation than they would receive in a Chapter 7 liquidation, thereby rendering the risk to creditors under the Plan minimal.

## **VIII. TAX CONSEQUENCES**

The Debtor is a taxable entity and federal income taxes are payable by the Debtor. It is the Debtor's opinion that minimal adverse tax consequences will occur to the Debtor as a result of the reorganization. The Debtor is on a calendar tax year.

## **IX. LITIGATION**

The Debtor was not a party to any litigation at the time of its bankruptcy filing. Since the bankruptcy filing, the automatic stay has remained in place (assuming there were any pending pre-petition lawsuits).

## **X. RELATIONSHIP OF DEBTOR WITH AFFILIATES**

Mohammad Noorul Alam is an “affiliate” of the Debtor as that term is defined in Section 101(2) of the Code because Mr. Alam owns a 100% interest in the Debtor. On January 20, 2012, Mr. Alam also filed for protection under Chapter 11 of the Bankruptcy Code. His individual bankruptcy proceeding is docketed as *In re Alam*, 12-50198-LMC (Bankr. W.D. Tex.), which resulted in a confirmed Chapter 11 Plan of Reorganization, which the Debtor is in compliance with

## **XI. PREFERENTIAL OR VOIDABLE TRANSFERS**

The Debtor is unaware of any preferential or voidable transfers at this time. However, Debtor will continue to review and investigate its books, records and financial affairs to determine if a basis exists to pursue such preferential and/or voidable transfers.

## **XII. SUMMARY OF SIGNIFICANT ORDERS ENTERED**

1. Order Approving the Employment of Langley & Banack, Inc. as Attorneys for the Estate of ML Hospitality, Inc. - June 7, 2016.
2. Interim Order Granting Authorization to Use Cash Collateral of Hamni Bank/SBA - June 10, 2016.
3. Order Granting Debtor’s Motion For Authorization to Honor Outstanding Pre-Petition Checks to Employees and Pay Pre-Petition Wage Claims - June 13, 2016.
4. Order Authorizing the Debtor to Maintain and Use Pre-Petition Bank Accounts - July 5, 2016.
5. Second Interim Order Granting Authorization to Use Cash Collateral of Hamni Bank/SBA - July 6, 2016
6. Order Approving the Employment of T.R. Flournoy & Co. as Accountants for the Estate of ML Hospitality, Inc. - July 21, 2016.
7. Third Interim Order Granting Authorization to Use Cash Collateral of Hamni Bank/SBA - August 4, 2016.
8. Final Order Granting Authorization to Use Cash Collateral of Hamni Bank/SBA - September 8, 2016.
9. Agreed Order pm Debtor’s Motion For Damages Relating to Failure of Red Roof Franchising, LLC to Comply With its Obligations Under the Franchise Agreement and to Compel Compliance With Franchise Agreement - September 14, 2016.

10. Order Approving Debtor's Assumption of Franchise Agreement With Red Roof Franchising, LLC - October 17, 2016.
11. Agreed Order on Motion of the United States Trustee to Dismiss Case (Docket #47) Setting Deadlines and Granting Other Relief - October 17, 2016.

### **XIII. MISCELLANEOUS DISCLOSURES**

#### **A. Modification of the Plan.**

The Debtor may propose amendments or modifications to its Plan at any time prior to the date of the entry of the Order Confirming Plan, with leave of the Court, and upon proper notice to parties in interest. After the date of the Order Confirming Plan, Debtor may, with approval of the Court so long as it does not materially or adversely affect the interests of creditors, remedy any defects or omissions or reconcile any inconsistencies in the Plan or in the Order Confirming Plan in such manner as may be necessary to carry out the purpose and effect of this Plan.

#### **B. Effect of Confirmation of the Plan.**

The provisions of the Plan once confirmed are binding upon the Debtor and all of its creditors. The confirmation of the Plan vests all property of the estate in the Debtor except as otherwise provided in the Plan. All assets will automatically revert in the Debtor's estate in the event that the Debtor's case is converted to Chapter 7 at some point in the future. The Debtor's property is free and clear of all claims and interests except as otherwise provided in the Plan. The Debtor is discharged from any debt which arose prior to confirmation, whether maker or guarantor, except as provided for in the Plan, Order Confirming Plan or the Bankruptcy Code upon completing the terms and payments of the Plan of Reorganization. Upon the Debtor successfully completing the terms of a confirmed Chapter 11 Plan of Reorganization, the Debtor will have no further liability to any creditor of the Debtor, including the Internal Revenue Service, for any and all debts and liabilities included herein.

#### **C. Executory Contracts.**

All executory contracts of the Debtor not expressly rejected in writing on or before the Confirmation Date are deemed to be assumed. Rejection is accomplished by filing an Application therefore with the Court together with proof of service of the Application to reject upon all parties affected thereby although the Court's approval of the rejection will not take place until the hearing on Application some time later.

If no agreement has been reached regarding the cure of a lease arrearage (on a lease being assumed), any such pre-petition lease arrearages will be added to the end of the lease term. Should the Debtor default in the lease cure(s), the terms of the applicable lease are controlling.

The Debtor assumed its franchise agreement with Red Roof Franchising, LLC and the Court entered the Order Approving Debtor's Assumption of Franchise Agreement With Red Roof Franchising, LLC on October 7, 2016. The arrearage due under the Franchise Agreement will be cured through the following monthly payments beginning on November 17, 2016 - \$2,000.00/month for six (6) months; \$3,000.00/month for six (6) months and \$3,500.00/month until cured. The amount to cure the Franchise Agreement is in the amount of \$50,293.70.

All parties to a rejected contract (other than a contract previously rejected by Motion and Order approved by this Court) will have thirty (30) days from and after the date that the order approving rejection becomes a Final Order within which to file a Proof of Claim for damages, if any, resulting from such rejection. The failure to file such Proof of Claim within that period will forever bar the party affected by the rejection from participating in any distribution under the Plan or recovering any payment on any claim on account of such rejection

#### D. Default

Default - Upon default by the Reorganized Debtor, creditors (other than the Internal Revenue Service) are required to provide written notice of such Default to the Reorganized Debtor and its counsel, William R. Davis, Jr. of Langley & Banack, Inc., by certified mail, return receipt requested, and by regular first class mail, and the Reorganized Debtor shall have thirty (30) days from the date of the notice to cure the default. Any defect in such default notice shall toll the running of the thirty (30) day cure period. Notice of default shall be given to the Reorganized Debtor and William R. Davis, Jr. If the Reorganized Debtor fails to cure within the thirty (30) day cure period provided herein, creditors shall be allowed to foreclose their liens/pursue collection activity allowed by applicable State law without further notice of hearing before the Court, and/or pursue available collection activities.

The United States (Internal Revenue Service) requests the following default language:

- (i) The debt owed by the Debtor to the Internal Revenue Service is a non-dischargeable debt, except as otherwise provided for in the Bankruptcy Code, and that if the Debtor should default, the Internal Revenue Service is not subject to the provisions of the Bankruptcy Code so that the Internal Revenue Service can take whatever actions are necessary to collect said debt in the event of default; the federal tax liens survive the plan confirmation, a bankruptcy discharge, and dismissal of the case. The liens continue to be enforceable against all of the Debtor's property under federal law.
- (ii) A failure by the Reorganized Debtor to make a payment to the Internal Revenue Service pursuant to the terms of the Plan shall be an event of default, and as to the Internal Revenue Service, there is an event of default if payment is not received by the fifteen (15th) day of each month. If there is a default, the Internal Revenue Service must send written demand for payment, and said payment must be received by the Internal Revenue Service within fifteen (15) days of the date of the demand letter. The Debtor can receive up to three (3) notices of default from the Internal

Revenue Service; however, the third (3<sup>rd</sup>) notice of default cannot be cured, and the Internal Revenue Service may accelerate its allowed claim(s), past or 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 Internal Revenue Service, secured, unsecured priority, unsecured general, administrative priority and post-confirmation accrued tax.

- (iii) The Internal Revenue Service is bound by the provisions of the confirmed Plan and is barred under Section 1141 of the Bankruptcy Code from taking any collection actions against the Reorganized Debtor for pre-petition claims during the duration of the Plan (provided there is no default as to the Internal Revenue Service). The period of limitations on collection remains suspended under 26 U.S.C. Sec. 6503(h) for tax periods being paid under the Plan and terminates on the earlier of (1) all required payments to the Internal Revenue Service have been made; or (2) thirty (30) days after the date of the demand letter (described above) for which the Debtor failed to cure the default.
- (iv) The Internal Revenue Service will also agree to withhold collections of the trust fund recovery penalty assessment against the responsible officer, Mohammad N. Alam. This agreement only encompasses the tax periods involved in the confirmed plan. The forbearance of collection efforts by the Internal Revenue Service does not preclude any action by the Internal Revenue Service to file liens or otherwise to perfect a security interest against the responsible officer as permitted under federal and state law. The period of limitations on collection will be suspended under 26 U.S.C. 603(h) for the trust fund periods and will terminate on the earlier of (1) all required payments to the Internal Revenue Service have been made under the Plan; or (2) thirty (30) days after the date of the demand letter (described above) for which the Debtor failed to cure the default.
- (v) The Debtor's or Reorganized Debtor's failure to remain current on its ongoing tax obligations shall be an event of default under the terms of the Plan. If the Debtor fails to file or pay any ongoing federal tax return by the due date of such return, then the United States may declare that the Debtor is in default of the Plan. The Internal Revenue Service will send a written demand for payment, and said payment must be received by the Internal Revenue Service within fifteen (15) days of the date of the demand letter. If payment is not received then the Internal Revenue Service will declare that the Debtor is in default of the Plan.
- (vi) Internal Revenue Service remedies upon default: Upon any final and non-curable default by the Reorganized Debtor, the Internal Revenue Service may accelerate its allowed pre- and post-petition claims (and any future administrative claims), and declare the outstanding amounts of such claims to be immediately due and owing.

The Internal Revenue Service may pursue any and all available state and federal rights and remedies as provided by law without future order of this Court.

(vii) Payments must be mailed to:

Internal Revenue Service  
ATTN: Keri Templeton  
300 East 8<sup>th</sup> Street, STOP 5026AUS  
Austin, TX 78701

(viii) Agreement with the Internal Revenue Service: The federal tax liens survive the Plan confirmation, a bankruptcy discharge, and dismissal of the case. The liens continue to be enforceable against the Reorganized Debtor's property to the extent, priority, and validity such liens were entitled to as of the Petition Date and under federal law. All liens will be timely released upon the completion of the payments to the Internal Revenue Service as set forth and required herein.

#### **XIV. CONCLUSION**

Debtor submits this Disclosure Statement and the information contained herein in good faith, in accordance with the provisions of 11 U.S.C. § 101, *et. seq.*, for consideration by creditors and other parties in interest, and as the sole source of information furnished by the Debtor, or to be furnished by the Debtor, in solicitation of acceptance of Debtor's Plan of Reorganization.

The Debtor recommends that the Plan of Reorganization be approved in light of the alternative of a non-orderly liquidation, which would provide a significant payment only to the Secured Creditors. An operating plan as proposed herein leads the Debtor to conclude that the Plan is in the best interest of all creditors and parties-in-interest; therefore, all Creditors and Interest Holders alike should vote to accept the Plan.

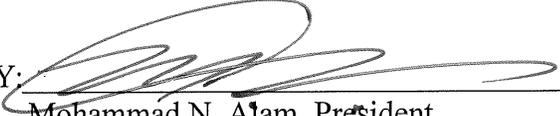
#### **ARTICLE XV.**

##### **ATTACHMENTS AND EXHIBITS**

Exhibit "A" Plan of Reorganization  
Exhibit "B" October, 2016 Monthly Operating Report  
Exhibit "C" 2015 Corporate Income Tax Return (Form 1120)  
Exhibit "D" Income and Expenses (projections) - 2017-2021  
Exhibit "E" Schedule of Personal Property  
Exhibit "F" Schedule of Executory Contracts and Unexpired Leases  
Exhibit "G" Liquidation Analysis

DATED: November 22, 2016

ML HOSPITALITY, INC.

BY: 

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Mohammad N. Alam, President

OF COUNSEL:

BY: 

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