

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF ILLINOIS
BENTON DIVISION

IN RE:)	
)	Chapter 11
BHUP N. YADAV and)	
RITA D. YADAV,)	
)	16-60312
Debtors in Possession.)	

DISCLOSURE STATEMENT

I. INTRODUCTION

BHUP N. YADAV and RITA D. YADAV, the Debtors in Possession, provide this Disclosure Statement to all of the Debtors' known creditors in order to disclose that information deemed by them to be material, important and necessary for the creditors to arrive at a reasonably informed decision in exercising their right to vote for acceptance of the Plan of Reorganization (hereinafter the "Plan"), filed by them with the Bankruptcy Court. A copy of the Plan accompanies this Statement.

The United States Bankruptcy Code provides, as a general rule, that in order for a Plan of Reorganization to be deemed accepted, each class of claims must accept the Plan. A class of creditors whose rights are impaired and altered under the Plan are deemed to have accepted the Plan if two-thirds in dollar amount and more than one-half in number of those creditors in that class holding allowed claims who cast votes vote in favor of the Plan.

A class of claims which is not affected under the Plan is deemed to have accepted the Plan and need not vote.

In the event the Plan is not accepted by a least two-thirds in dollar amount and more than one-half in number of the creditors of any impaired class, debtors, under Section 1129(b) of the Bankruptcy Code, may request the Court to confirm the Plan anyway. The Court, in such a case, will confirm the Plan if all requirements for confirmation set forth in the Bankruptcy Code other than acceptance by impaired classes of creditors are met and the Court finds the Plan to be "fair and equitable" to the non-accepting classes. If the Plan is not accepted by all classes, the Debtor might be liquidated under Chapter 7 of the Bankruptcy Code. In that event, the Debtor's assets would be liquidated and distributed to the creditors in accordance with their statutory priority after the payment of all costs of administration.

The cost of distributing the Plan and this Disclosure Statement, as well as the costs, if any, of soliciting acceptances will be borne by the Debtors in Possession. In addition, the Debtors in Possession have retained the services of Orr Law, LLC in connection with the preparation of the Plan. However, fees for legal services are payable only upon approval by the Bankruptcy Court after notice of hearing is given to all creditors and other interested parties.

NO REPRESENTATIONS CONCERNING THE DEBTORS (PARTICULARLY AS TO THEIR FUTURE INCOME, VALUE OF PROPERTY, OR THE VALUE OF ANY PROMISSORY NOTES TO BE ISSUED UNDER THE PLAN) ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY YOU, AND SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS AND THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED OR OTHER AUDIT. THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

II. BACKGROUND

In 1997, Debtors purchased the Home Motel in Centralia, Illinois, for \$155,000.00. It is a 13 room motel that also contains a 3 bedroom house where the Debtors reside.

In 2004, Debtors purchased three parcels in Mattoon, Illinois: (1) the US Grant Motel which is a 36 room motel located at 1313 Lakeland Boulevard; (2) a 12 room motel located at 1821 Olive Avenue; and (3) a 50 foot by 140 foot parking lot. In 2006, Debtors purchased a duplex located at 1820 Olive Avenue. Finally, the Debtors purchased a 50 foot by 140 foot parking lot for their guests.

Problems began in 2011. Squatters moved into the US Grant and caused considerable property damage. In addition, the Debtors became the victims of embezzlement. They estimate the total cost of the damage to be exceed \$60,000.00. This made it very difficult to cash flow the usual maintenance to the property.

III. CURRENT SITUATION

The US Grant Motel is currently closed and the subject of an ordinance violation complaint filed by the City of Mattoon. The City is seeking renovations such as updated gas lines, electrical work, siding, and roofing. While some have estimated the cost of repairs at \$35,000.00 to \$40,000.00, Debtors estimate the actual cost at between \$10,000.00 to \$20,000.00.

Once the repairs have been completed, Debtors estimate the gross annual receipts from 1313 Lake Land Boulevard will be at least \$50,000.00.

Debtors are currently renting 9 of the 12 units at 1821 Olive Avenue. They have closed three of the units until repairs can be made to the roof. Debtors estimate the cost of the roof repair to be \$5,000.00. Once the repairs have been completed, Debtors expect the gross annual receipts from 1821 Olive Avenue to be approximately \$50,000.00.

Debtors are not renting the duplex located at 1820 Olive Avenue. Debtors estimate the cost of roof repairs to be \$5,000.00. Once the repairs have been completed, Debtors believe they can rent each 2 bedroom, 1 bath part of the duplex for \$500.00 per month for an annual gross revenue of \$12,000.00.

Debtors are currently renting all units of the Home Motel in Centralia. The annual gross receipt is \$42,000.00.

IV. CASH FLOW ANALYSIS

THIS INFORMATION WAS PREPARED BY THE DEBTORS IN POSSESSION AND HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

INCOME FROM NON-BUSINESS SOURCES

PROJECTED INCOME FROM SOCIAL SECURITY \$1,270.00

RENTAL INCOME FROM UNITS

PROJECTED GROSS INCOME \$13,500.00

TOTAL PROJECTED MONTHLY INCOME FROM ALL SOURCES \$14,770.00

PROJECTED MONTHLY OPERATING EXPENSES

Net Employee Payroll	\$700.00
Payroll Taxes	\$151.67
Worker's compensation	\$125.00
Inventory purchases	\$175.00
Utilities	\$4,000.00
Repairs and Maintenance	\$300.00
Legal?Accounting/Professional Fees	\$200.00
Insurance	\$133.34
Community Bank & Trust	\$3,186.36

Real Estate Taxes (ongoing)	\$1,100.00	
Real Estate Taxes 2015	\$620.32	
Real Estate Taxes 2014	\$511.84	
Dwayne Quast Electric judicial lien	\$163.50	
Lawn care	\$75.00	
Telephone	\$545.83	
Trash Removal	\$337.50	
Pest Control	\$175.00	
Advertising	\$200.00	
Cable	\$400.00	
		\$13,100.36

PROJECTED MONTHLY HOUSEHOLD EXPENSES

Food and housekeeping expenses	\$320.00	
Clothing laundry and dry cleaning	\$25.00	
Personal care products and services	\$20.00	
Medical and dental expenses	\$18.00	
Transportation	\$180.00	
Life Insurance	\$179.00	
Automobile Insurance	\$150.00	
License Plates	\$10.00	
		\$1027.00

TOTAL COMBINED EXPENSES		\$14,127.00
--------------------------------	--	--------------------

AVAILABLE PROCEEDS TO FUND CLASS 7:		\$642.64
--	--	-----------------

V. PENDING CLAIMS AND LITIGATION

The Debtors in possession are involved in two pending claims. One matter is a personal injury claim filed as a counterclaim to an eviction matter filed by the debtors in Marion County, Illinois. Debtors contend that the counterclaim is without merit and used as a tactic to discourage the Debtors from pursuing a claim for property damage of \$13,000.00.

The Debtors in possession are also involved in an ordinance violation case filed by the City of Mattoon regarding the US Grant Motel. The Debtors will defend against the proposed demolition of the property and will take the necessary steps to comply with building codes. The will fund these repairs from exempt assets such as their retirement accounts.

VI. SUMMARY OF PROPOSED PLAN OF REORGANIZATION

Class 1 – 100% Payment. On the Distribution Date each allowed Administrative Claim shall be paid in full in cash or upon such other terms as may be agreed upon by an Administrative Claimant and the Debtor. The United States Trustee quarterly fee shall be paid pursuant to 28 U.S.C. § 1930(a)(6). All administrative claims take priority over all other priority and non-priority unsecured claims with regard to payment regardless of any other provisions in this plan or disclosure statement.

Class 2 – **Coles County Treasurer**, which holds a claim secured by a statutory lien for 2015 real estate taxes in the amount of approximately \$9,304.77 encumbering Debtors' real estate located at 1313 Lake Land Boulevard, 1820 Olive Avenue, 1821 Olive Ave, and an adjacent lot in Mattoon, Coles County, Illinois, shall be paid 100% of the allowed claim with statutory interest. Debtors will make monthly payments of approximately \$620.32 and the payments shall begin no later than 90 days after the effective date of the Plan.

Class 3 – **Raven Securities, Inc., Coles County Trustee, Realtax Dev, Ltd., and FRHL, LLC**, the purchasers of delinquent 2014 real estate taxes encumbering the real estate located at 1313 Lake Land Boulevard, 1820 Olive Avenue, 1821 Olive Avenue, and adjacent lot in Mattoon, Coles County, Illinois, who hold claims totaling approximately \$10,748.63, shall be paid 100% of their allowed claim with statutory interest. Debtors shall make monthly payments to this class of claims of approximately \$511.84 and payments shall begin no later than 90 days after the effective date of the Plan.

Class 4 – **Community Bank & Trust**, which holds a claim secured by a mortgage encumbering Debtors' real estate located at: (1) 326 W. Noleman Street, Centralia, Marion County, Illinois; (2) 1313 Lake Land Boulevard, Mattoon, Coles County, Illinois; (3) 1820 Olive Avenue, Mattoon, Coles County, Illinois; (4) 1821 Olive Avenue, Mattoon, Coles County, Illinois; and (5) adjacent parking lot in Mattoon, Coles County, Illinois, shall be paid 100% of its allowed claim of approximately \$461,402.19 with 3% interest by means of 180 monthly payments of \$3,186.36. Payments shall begin no later than 30 days after the effective date of the Plan.

Class 5 – **Dwayne Quast Electric**, which holds a claim secured by a memorandum of judgment encumbering Debtors' real estate encumbering: (1) 1313 Lake Land Boulevard, Mattoon, Coles County, Illinois; (2) 1820 Olive Avenue, Mattoon, Coles County, Illinois; (3) 1821 Olive Avenue, Mattoon, Coles County, Illinois; and (4) adjacent parking lot in Mattoon, Coles County, Illinois, with a claim of approximately \$1,500.00, shall be paid 100% of its secured claim with the statutory interest. Debtors shall make monthly payments of approximately \$163.50 and the payments shall begin no later than 30 days after the effective date of the Plan.

Class 6 – **Regions Bank**, who holds a claim secured by pledge of certificates of deposits shall receive a surrender of the collateral. Debtors shall use the surplus of approximately \$4,131.35 to repair the roofs of 1820 Olive and 1821 Olive, Mattoon, Coles County, Illinois.

Class 7 – All non priority, non contingent, undisputed, liquidated, unsecured debts shall receive approximately 70% of their allowed claims with 0% interest by means of 60 monthly payments of \$642.64 for a total to the Class of \$38,558.40 to be paid on a pro rata basis. The first payment will be no later than 120 days after the effective date of the Plan.

Class 8 – All non priority, disputed, unsecured claims shall receive nothing.

VII. HYPOTHETICAL CHAPTER 7 LIQUIDATION ANALYSIS

The Plan proposed by the Debtors will allow them to accurately estimate their monthly expenses on a regular basis. By making fixed monthly payments, the Debtors will be able to plan an annual budget so as to meet their monthly expenses and allow for repairs, maintenance, and capital improvements.

The operation of the motels will result in the estate receiving at least what it would have received in a Chapter 7 liquidation. It is believed, after accounting for administrative expenses and liquidation costs, the unsecured creditors would receive approximately 43% of their respective claims. Listed below are the assets of the Debtors as of the time of the filing of the Voluntary Petition, and the liens held against those assets at the time of the filing. The liquidation value of the bankruptcy estate was calculated by taking the value of the assets and subtracting the value of the liens, the applicable exemptions available to the Debtors, and a 15% liquidation expense associated with the hypothetical sale of property in a Chapter 7.

Asset Description	Value	Liens	Non-Exempt Equity
326 W. Noleman 1313 Lake Land Blvd 1820 Olive Avenue 1821 Olive Avenue 50x140 parking lot	\$470,982.00	\$482,955.59	0.00
1999 Toyota Sienna	\$690.00	0.00	0.00
2003 Mercedes Benz	\$1,805.00	0.00	0.00
1987 Chevrolet S-10	\$1,000.00	0.00	0.00
Household Goods	\$2,500.00	0.00	0.00
Electronics	\$700.00	0.00	\$200.00
Clothing	\$600.00	0.00	0.00
Jewelry	\$3,000.00	0.00	0.00
Deposits	\$39,991.98	\$33,885.33	\$6,106.65
Retirement Accounts	\$50,023.03	0.00	0.00
Ameren Security Dep	\$2,068.00	\$2,004.38	0.00

Life Ins. Cash Value	\$5,451.27	0.00	0.00
Business Equipment	\$12,950.00	0.00	\$12,950.00
			\$19,256.65
15% liquidation expense			-\$2,888.50
Liquidation value of the bankruptcy estate			\$16,368.15

VIII. BENEFITS OF THE PLAN OVER LIQUIDATION

The Plan is based on the belief of the Debtors in Possession that the present liquidation value of the Debtors' assets would be sufficient to pay general unsecured creditors a dividend of 29% of their debts. The values which the Debtors used in the foregoing liquidation analysis assume the assets are sold for their full fair market value. It is the Debtors' belief that in a forced liquidation of the Debtors' assets may bring substantially less than the market value used in the liquidation analysis.

The intent of the Plan is to enable the Debtors to use future income to make payments to creditors which possibly could not be made through the liquidation of the Debtors' assets. Debtors estimate a dividend of approximately 70%.

IX. CONCLUSION

The foregoing represents what the Debtors in Possession believe to be a fair and accurate representation of the general terms of the proposed Plan of Reorganization and the Debtors in Possession current financial condition. ALL CREDITORS AND INTEREST HOLDERS ARE CAUTIONED THAT THE ABILITY OF THE DEBTORS TO PERFORM THEIR OBLIGATIONS UNDER THE PLAN OF REORGANIZATION IS UNCERTAIN AND, ACCORDINGLY, THERE CAN BE NO ASSURANCE GIVEN THAT ALL OF THE PAYMENTS PROPOSED TO BE MADE WILL IN FACT BE MADE BY THE DEBTORS. Nonetheless, Debtors, believe that the proposed Plan of Reorganization offers the best chance of recovery by all classes of creditors in this case and that, accordingly, it would be in the interest of all classes of creditors to vote in favor of the proposed plan.

X. VERIFICATION

We hereby certify that the information contained in the Disclosure Statement is true and correct to the best of our knowledge.

Dated: __August 10, 2016 __

_/s/ Bhup N. Yadav _____
Bhup N. Yadav

Dated: __August 10, 2016 __

_/s/ Rita D. Yadav _____
Rita D. Yadav

BHUP N. YADAV and
RITA D. YADAV,
Debtor in Possession,

Dated: __August 10, 2016 __

By: __/s/ Roy Jackson Dent _____
Of Orr Law, LLC

Roy Jackson Dent
IL Bar #6255835
ORR LAW, LLC
215 N. 4th Street
Effingham, IL 62401
Telephone 217-342-1212
Facsimile 217-342-1214
E-Mail: roy.jackson.dent@gmail.com