

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO**

In re:)	
)	
Cheyenne Hotel Investments, LLC)	Case No. 11-25379-ABC
)	
)	Chapter 11
E.I.N. # 26-4293625)	
Debtor.)	
)	

**DISCLOSURE STATEMENT TO ACCOMPANY
PLAN OF REORGANIZATION DATED JULY 13, 2012**

INTRODUCTION

This Disclosure Statement (“Disclosure Statement”), has been prepared by Cheyenne Hotel Investments, LLC, a Colorado limited liability company (“Company,” “CHI” or “Debtor”) to accompany its Plan of Reorganization, as amended, dated July 13th, 2012 (the “Plan”) which has been filed in the CHI Chapter 11 case. This Disclosure Statement is being provided to all creditors and interest holders of the Debtor. This Disclosure Statement is subject to final approval pursuant to 11 U.S.C. Section 1125 by the United States Bankruptcy Court for the District of Colorado as containing adequate information to enable creditors and interest holders to determine whether to accept the Debtor’s Plan. The Court’s approval of this Disclosure Statement does not constitute a decision on the merits of the Plan. Issues related to the merits of the Plan and its confirmation will be the subject of a confirmation hearing which is scheduled for _____, 2012 at __:00 a.m. at the United States Bankruptcy Court, Courtroom __, 1929 Stout Street, Denver, Colorado 80202.

THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION. THE COMMISSION HAS SIMILARLY NOT REVIEWED THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT.

This Disclosure Statement is provided to you along with a copy of the CHI Plan and a Ballot to be used for voting on the Plan. Please complete the Ballot according to the instructions contained on the Ballot if you intend to vote for or against the CHI Plan. Each creditor or interest holder may vote on the Plan by completing the enclosed Ballot and returning it to counsel for CHI:

Thomas F Quinn P.C.
303 East 17th Avenue
Suite 303
Denver, CO 80203

This Ballot must be received by Thomas F Quinn P.C. no later than **5:00 p.m. on _____, 2012** which date has been set by the Court as the last day to vote on the Plan. Terms contained in this Disclosure Statement, which are defined in the Plan, have the same meaning as set forth in the definitional section of the Plan, Article II.

Recommendation. As discussed more fully below, the Debtor firmly believes that the Plan represents the best alternative for providing the maximum value for creditors. The Plan is based on the restructuring of the Debtor's financial obligations and will provide secured and unsecured creditors with payment on account of their claims. **The Debtor strongly believes that confirmation of the Plan is in the best interest of creditors and recommends that all creditors entitled to vote on the Plan vote to accept the Plan.**

Voting Requirements. Pursuant to the Bankruptcy Code, only Classes of Claims or Interests that are "impaired" under the Plan are entitled to vote to accept or reject the Plan. Classes of Claims and Interests that are not impaired are not entitled to vote and are deemed to have accepted the Plan. A Claim is unimpaired if the Plan leaves unaltered the legal, equitable and contractual rights to which each creditor in the class is entitled. Conversely, a Claim is impaired if the Plan modifies or changes any of the substantive rights of the claimants, other than cure of a default and reinstatement of the maturity date of the claim as it existed prior to the default. A list of the classes of creditors, and whether each such class is impaired or unimpaired is provided below. Voting on the Plan shall be pursuant to the provisions of the Bankruptcy Code and the Bankruptcy Rules, and a Class shall have accepted the Plan if the Plan is accepted by at least two-thirds in amount and more than one-half in number of the Allowed Claims of

such Class actually voting. Once the Disclosure Statement is approved by the Court as containing adequate information, it will be sent to all creditors along with the Plan and a Ballot for voting on the Plan. Creditors will be given at least 25 days to vote on the Plan and return their Ballot to counsel for the Debtor.

Deemed Acceptance of Plan. Unimpaired classes are conclusively presumed to accept the Plan pursuant to Section 1126(f) of the Bankruptcy Code. No class is unimpaired under the Plan.

Deemed Rejection of Plan. Classes that receive or retain nothing under the Plan are deemed to reject the Plan pursuant to Section 1126(g) of the Bankruptcy Code. No Class falls under this category.

One Vote Per Holder. If a holder of a Claim holds more than one Claim in any one Class, all Claims of such holder in such Class shall be aggregated and deemed to be one Claim for purposes of determining the number of Claims voting for or against the Plan.

CHAPTER 11 AND PLAN CONFIRMATION

Chapter 11 of the United States Bankruptcy Code is designed to allow for the rehabilitation and reorganization of financially troubled entities or individuals. Chapter 11 allows the Debtor to retain its assets during administration of its Chapter 11 case as a Debtor-in-Possession and following confirmation of a plan as a reorganized Debtor or as provided in the Plan. Once confirmation of a Plan of Reorganization is approved by the Court, the Plan of Reorganization is the permanent restructuring of the Debtor's financial obligations. The Plan also provides a means through which the Debtor will restructure or repay its obligations.

The Plan of Reorganization divides creditors into classes of similarly situated creditors. All creditors of the same Class are treated in a similar fashion. All shareholder Interests are also classified and treated alike. Each Class of creditors or interest holders is either impaired or unimpaired under the Plan. A Class is unimpaired if the Plan leaves unaltered the legal, equitable and contractual rights to which each creditor in the class is entitled. Alternatively, a claimant is unimpaired if the Plan provides for the cure of a default and reinstatement of the maturity date of the claim as it existed prior to the default.

The Bankruptcy Court set a bar date establishing the last date for filing Proofs of Claim

April 20, 2012. The bar date has passed. The Plan provides that Claims of all Classes shall be allowed only if evidenced by a timely filed Proof of Claim or which otherwise appear in the Schedules filed by CHI and are not scheduled as disputed, contingent or unliquidated unless subsequently allowed by the Court. Creditors may check as to whether or not their claims have been scheduled as disputed, contingent or unliquidated by reviewing the Schedules and the amendments thereto filed by CHI in the Bankruptcy Court for the District of Colorado. Alternatively, creditors may contact counsel for CHI or CHI directly in order to determine how they have been scheduled.

Chapter 11 does not require that each holder of a Claim against or Interest in CHI vote in favor of the Plan in order for the Court to confirm the Plan. The Plan, however, must be accepted by at least one impaired Class of Claims by a majority in number and two thirds in amount, without including insider acceptance of those Claims of such Class actually voting on the Plan. Assuming one impaired Class votes to accept the Plan, it may be confirmed over its rejection by other Classes if the Court finds that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims or Interests that is impaired under and has not accepted the Plan.

The Bankruptcy Code requires that if interest holders retain an interest or receive anything under the Plan, then the unsecured creditor Classes must either be paid the full value of their claims or vote to accept the Plan. The Plan provides that the interest holder will retain an interest under the terms of the Plan. Therefore, the Plan can only be confirmed if the unsecured creditor class votes to accept the Plan.

Interest holders are impaired under the Plan. Since the Debtor believes that the Plan provides the best alternative for creditors, all creditors are urged to vote to accept the Plan.

If all Classes of Claims and Interests vote to accept the Plan, the Court may confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation. Among other things, Section 1129 requires that the Plan be in the best interest of the holders of Claims and Interests and be feasible through a showing that confirmation will not be followed by the need for further financial reorganization of the Debtor.

Each class of creditors who is impaired will have an opportunity to vote on the Plan. In the event the requisite majority of each class votes to accept the Plan, the Plan will be deemed

accepted by the subject class. If a class of creditors votes to reject the Plan, the Plan may be confirmed over the rejection of the class pursuant to 11 U.S.C. § 1129(b).

BACKGROUND INFORMATION REGARDING THE DEBTOR

PRE-BANKRUPTCY HISTORY.

The Debtor is a Colorado limited liability company formed in 2008 by Tanveer Khan, its sole Member and Manager. Mr. Khan has experience in owning and operating hotels. He purchased his first, the Holiday Inn Express in Canon City, Colorado in 2002, which he successfully operated and consequently sold in 2007. He built the Denny's restaurant in Canon City, Colorado in 2005, which he owns and operates to date. He had built two more hotels, the Hampton Inn in Canon City, Colorado in 2008, and the Hampton Inn and Suites in Salida, Colorado in 2011. He purchased the Homewood Suites by Hilton by the Colorado Springs Airport in 2008 which he has been successfully operating since.

The Debtor operates a Homewood Suites by Hilton Hotel located at 2875 Zeppelin Road, Colorado Springs, Colorado (the "Hotel"). In 2008, the Debtor acquired the Hotel by purchase from C. S. Hospitality Group, L.P. for a total purchase price of \$11,200,000. Debtor made a cash down payment in the amount of \$2,640,000 and the balance of the purchase price was paid by assumption of two existing Promissory Notes dated as of February 1, 2006, originally executed by the seller in favor of Column Financial, L.L.C. , a Delaware corporation, in the original amounts of \$8,000,000 (Note A) and \$560,000 (Note B) (collectively, Note A and Note B are referred to herein as the "Wells Fargo Notes"). The Wells Fargo Notes now held by Wells Fargo Bank as Trustee for the Registered Holders under a Pooling and Servicing Agreement dated March 1, 2006 for Certificate holders of Credit Suisse First Boston Mortgage Pass-through Certificates, Series 2006-C1 and as Servicer For U. S. Bank National Association, as Trustee for the registered holders of Mezz Cap Commercial Mortgage Trust 2006-C4, Commercial Mortgage Past Through Certificates, Series 2006-C-4 under an Intercreditor Agreement Among Noteholders ("Wells Fargo") Contemporaneous with the purchase of the Hotel, Debtor entered

into a “Homewood Suites by Hilton Hotel Franchise Agreement” with Intercontinental Hotel Group, a company based in Atlanta, Georgia. The Debtor continues to operate under that franchise agreement. The Hotel is managed by TRN Hotel Management, LLC, a single-member limited liability company owned by Tanveer Khan, who is also the owner of the Hotel. TRN Management employs the staff of the Hotel.

EVENTS LEADING TO THE CHAPTER 11 FILING.

Following purchase of the Hotel, the Debtor operated the Hotel profitably and without financial distress until May of 2011. In May of 2011, Wells Fargo replaced Berkadia as servicer of the Wells Fargo Notes with Helios AMC, LLC, special servicer (the “Special Servicer”). The Special Servicer changed the disbursement procedures under the Cash Management Agreement in favor of the Holders of the Wells Fargo Notes, which Agreement had been assumed by the Debtor in connection with assumption of the Wells Fargo Notes. The Cash Management Agreement required the Debtor to deposit its gross receipts from operation of the Hotel in a segregated bank account at Wells Fargo (the “Lockbox Account”). Pursuant to the Cash Management Agreement, approval of the Servicer was required to disburse funds from the Lockbox Account to the operating accounts of the Debtor, including payroll, suppliers, and other trade creditors. Upon its appointment of Helios AMC, LLC as Special Servicer, the Special Servicer changed the schedule for disbursement of operating funds to the Debtor from twice weekly to once weekly, and the Special Servicer requested additional reports and information from the Debtor as a condition to disbursement of any Lockbox Account proceeds to the Debtor. The Debtor disputes the authority of the Special Servicer to make these changes.

When it became apparent to the Debtor that the Special Servicer would not release operating funds to the Debtor from the Lockbox Account, the Debtor ceased depositing its operating revenue in the Lockbox Account. This caused a shortfall in the Lockbox Account for the purpose of debt service on the Wells Fargo Notes.

Wells Fargo Bank sought and obtained an order for appointment of a Receiver without notice to the Debtor, or an opportunity to be heard. As a result, the Debtor commenced these Chapter 11 proceedings, for the purpose of regaining control of operations of the Hotel, and providing a forum for reorganization of its financial affairs.

SIGNIFICANT EVENTS IN THE CHAPTER 11 CASE

On June 25, 2011, the Debtor filed its voluntary petition for relief under Chapter 11, commencing this bankruptcy case. The principal purposes of the filing was to restore control of the Hotel in the Debtor, and to provide a forum for restoring stable relations with Wells Fargo.

Upon filing of a Chapter 11 petition, a receiver is required to turn over possession of assets in the receiver's possession to the Debtor in Possession. Notwithstanding this requirement, the receiver appointed at the request of Wells Fargo refused to turn over possession of the Hotel Property to the Debtor. The Debtor filed a motion to compel the receiver to turn over the Hotel to the Debtor, as Debtor in Possession. Wells Fargo filed a motion to excuse the receiver from this requirement, based upon allegations of mismanagement. The Bankruptcy Court set both Motions for simultaneous hearing, and after a full evidentiary hearing on the Motions, ordered the receiver to turn over possession to the Debtor. The receiver complied with that order, and the Debtor has operated the Hotel during the course of the Chapter 11 proceedings.

Thereafter, the Debtor and Wells Fargo negotiated a Stipulation for use of cash collateral, permitting the Debtor to use cash generated in the operation of the Hotel for operating and debt service purposes. The Debtor has operated the Hotel with a positive cash flow since recovering possession on or about July 20, 2011, and has maintained current debt service, and has restored required reserves. The Debtor has complied in all material respects with the Operating Guidelines of the United States Trustee, has paid all post-petition obligations currently, except where prior Bankruptcy Court approval was required for payment.

At the time of filing of this Disclosure Statement, the Debtor has received, but has not yet responded to a motion filed by a real estate broker, Gallegos & Associates, to compel the Debtor to assume a listing agreement among the Debtor, the broker, and two affiliates of the Debtor for listing of the Hotel and two other hotels owned by the Debtor's affiliates. The Debtor intends to oppose that motion.

The Debtor has attempted to negotiate an agreement with Wells Fargo for reinstatement and cure of the Wells Fargo Note A and Note B, without success. Accordingly, the Debtor has

proposed its Plan of Reorganization, to accord all of its creditors fair treatment, and to permit the Debtor to exit the bankruptcy proceedings and restore normal legal operations. Legal proceedings may be necessary to determine the amount of Wells Fargo's claim, particularly the propriety of its late changes, and costs associated with the default precipitated by the Special Servicer.

DESCRIPTION OF DEBTOR'S ASSETS

The assets available to satisfy the Debtor's creditors are: (a) the pre-petition assets listed in the Debtor's Schedules of Assets filed with the Bankruptcy Court; and (b) potential avoidance claims which exist as a result of specific provisions of the Bankruptcy Code. A summary of each of these categories of assets follows:

PREPETITION ASSETS:

The Debtor's principal asset is the Homewood Suites Hotel, located in Colorado Springs, Colorado. The Hotel is situated on a 2.04 acre parcel of real property legally described as follows:

Lot 2 in Aviation Business Park No. 4, in the city of Colorado Springs, El Paso County, Colorado.

Together with those non-exclusive beneficial easements over and across Lots 1, 3, 4, 5, 6, & 7, in said Aviation Business Park No. 4, as set forth and described in Declaration of Covenants, Conditions and Restrictions recorded July 17, 1998 at Reception no. 98099541

The Hotel has 104 suites and the following additional facilities for guests : swimming pool, Jacuzzi pool, fitness center, business center, two conference rooms and one boardroom, and an outdoor grilling area. It was constructed in 2006, has been well maintained, and is in excellent condition.

The Hotel is located in a business park adjacent to the Colorado Springs Airport, and is 1.9 miles from the Airport. The Hotel primarily serves business persons and governmental employees travelling on business to the Colorado Springs area. The hospitality industry is competitive in this market. There are seventy-five hotels within a 15 mile radius of the Airport,

of which several are directly competitive with the Debtor.

The Debtor's assets also include furniture, fixtures and equipment utilized in connection with operation of the Hotel. This personal property is replaced as needed.

The depreciated cost basis of the Hotel and Personalty is \$8,661,950.19. The Debtor believes that the current market value of the Hotel, including Personalty is \$12,500,000. However, the holding period necessary to realize that price will likely exceed six months, and possibly exceed a year.

AVOIDANCE ACTIONS

Under the Bankruptcy Code, the Debtor has the right to bring Avoidance Actions pursuant to 11 U.S.C. §§ 545 through 550 and state law fraudulent conveyance actions. The principal avoidance claims are:

Statutory Liens: The Debtor has the power to set aside liens which arise under a statute, to the extent the lien first becomes effective: (a) upon the filing of the bankruptcy case; (b) when another form of insolvency proceeding is commenced; (c) when a custodian (that is, a receiver or other like officer) is appointed or takes possession of the Debtor's property; (d) when the Debtor becomes insolvent; (e) when the Debtor's financial condition fails to meet a specified standard; or at the time of execution against property of the debtor.

Preferences: The Debtor has the power to set aside transfers to creditors made prior to the filing of the case that have the effect of giving the creditor a greater recovery than the creditor would have received if a Chapter 7 bankruptcy case had been filed, and the payment had not been made. Generally, payments or transfers of property made to any creditor within 90 days before the filing of the bankruptcy case and payments or transfers of property made to "insider" creditors within one year before the filing of the bankruptcy case are potential preferences. Defenses to such claims include (a) that the payment was made in the ordinary course of business of the Debtor and the creditor; and (b) that the payment was offset by the later provision of goods or services to the Debtor.

Fraudulent Conveyances: The Debtor has the power to set aside transfers made within one year prior to the filing of the bankruptcy case:

- (a) made with the actual intent to hinder, delay, or defraud creditors; or
- (b) made for less than fair equivalent value, while the Debtor was insolvent.

The Debtor also has the power to avoid transfers avoidable under State or Federal non-bankruptcy law, and certain post-petition transfers.

The Debtor has evaluated its potential avoidance claims to determine which, if any, such claims are viable. The total payments made to non-insider creditors within the 90 days prior to the Petition Date was approximately \$200,000 . The majority of these payments appear to have been made in the ordinary course of business and therefore are subject to defense pursuant to 11 U.S.C. § 547(c)(2).

In the year preceding the commencement of the Chapter 11 case, the Debtor made payments totaling \$328,692 to the owner of the Debtor and affiliates. Those payments were made substantially contemporaneously with the services performed or other value received by the Company, and were reasonable in amount. Therefore, the Debtor does not believe that any significant portion of the insider payments would be recoverable under the avoidance powers granted to the Debtor.

While a portion of these transfers may be avoidable, many of the transfers have been determined to be subject to legitimate statutory defenses permitted under the Code and state law defenses. If the actions are brought, the Debtor will also incur costs and expenses in the form of legal fees. In addition, there is no way for the Debtor to determine the collectability of any awarded judgments.

Further, creditors who received payments during the 90 day period prior to the Petition Date also hold additional claims against the estate and are listed in the Debtor's Schedule F. Given the Debtor's practice of making timely payments to its creditors, the majority, if not all, of the debt to these creditors may be used to sustain a new value defense. Some of the transfers between the Debtor and the creditors may be contemporaneous and therefore, subject to defense pursuant to 11 U.S.C. § 547(c)(1).

Based on the Debtor's analysis, no creditors were preferred and payments to creditors in the 90 days prior to the Petition Date were made for current services, equipment loan payments, labor, taxes, insurance, employee benefits, on account of secured claims, and/or in the ordinary course. In addition, many creditors provided new value after the transfers, making the claims

subject to defense under 11 U.S.C. § 547(c)(1), (2) and/or (4).

As with any litigation, the issues with respect to the avoidance actions, as discussed herein, would be aggressively contested. Most of the avoidance claims require a finding that the Debtor was insolvent at the time of the transfer; in light of the Debtor's opinion of the value of the Hotel, it would be difficult to meet these requirements. Determinations of fact and law would need to be made by the Court. It is impossible to predict how the Court would ultimately rule. The Debtor has evaluated the potential avoidance actions and has provided its analysis herein. A Court's finding could be substantially the same as the Debtor's analysis, or a Court could find that some or all of the insiders or unsecured creditors have greater or diminished liability. The Debtor expects that the recovery to creditors as proposed under the Plan from ongoing operations will greatly exceed any reasonable recovery that could be obtained from pursuit of the avoidance actions.

From a practical standpoint, the viability of the Plan depends on the Debtor's ability to obtain credit from its pre-petition suppliers and to service the payment of secured debt. The bringing of avoidance actions will only strain the relationship the Debtor has with its suppliers and only stands to harm rather than help the Debtor's reorganization prospects and ultimately the distribution to creditors.

The Debtor faces the similar legal hurdles and defenses with respect to the avoidance actions that could be brought against insiders.

In light of the foregoing, the Debtor, at this time, does not expect to bring any avoidance actions. The Debtor continues to review all avoidance claims and is reserving the right to bring such causes of action.

DESCRIPTION OF LIABILITIES

A. Administrative Claims

Administrative Claims are those Claims for payment of an administrative expense of a kind specified in §503(b) or §1114(e)(2) of the Bankruptcy Code and entitled to priority pursuant to §507(a)(2) of the Bankruptcy Code, including, but not limited to: (a) the actual, necessary costs and expenses, incurred after the Petition Date, of preserving the estate and operating the

business of the Debtor, including wages, salaries, or commissions for services rendered after the commencement of the Chapter 11 Case; (b) Professional Fee Claims; (c) all fees and charges assessed against the estate under 28 U.S.C. §1930; and (d) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under §546(c)(2)(A) of the Bankruptcy Code. Generally, the Debtor has been able to pay its operating costs in accordance with customary or agreed terms with its suppliers and vendor during the course of the Chapter 11 case. Accordingly, the Debtor does not anticipate a significant amount of Administrative Claims which must be paid upon the Effective Date of the Plan.

The Administrative Claims for professional fees incurred during the case are as follows:

a. Bankruptcy Counsel

The Debtor retained Thomas F. Quinn P.C. (“Debtor’s Counsel”) as its bankruptcy counsel. The Debtor paid all of its pre-petition fees. The Debtor estimates that the total legal fees and costs for Debtor’s Counsel due from the Debtor as of the estimated date on which the Plan will become effective, will be approximately \$20,000. This estimate is made based upon the assumption that the Bankruptcy Court will approve, and the Debtor will pay currently, the fees for all aspects of the case except fee applications, but that due to the necessity for Bankruptcy Court approval, the fees for the 60 days preceding the Effective Date will be unpaid as of the Effective Date. These fees could increase or decrease depending on the level of litigation over the Plan and Claims.

b. Other Professionals.

The Debtor has sought and obtained approval to hire two accounting firms: Sikora Accounting Services., and Henslee and Halle, Certified Public Accountants, which replaced Sikora Accounting Services to provide a higher level of expertise and greater resources. Debtor expects to pay these professionals currently, subject to Bankruptcy Court approval, such that the outstanding amounts payable will be less than \$5,000 as of the Effective Date.

c. Other Operating Costs. The Bankruptcy Code provides an administrative priority for the actual and necessary expenses of preserving the bankruptcy estate. Therefore, any post-petition operating costs are entitled to priority, and must be paid upon confirmation of the Plan. Generally, the Debtor is paying its post-petition expenses currently, and accordingly, does not believe there will be a material amount of unpaid administrative expenses (except

professional fees) outstanding at the time of confirmation.

d. United States Trustee Fees

The Debtor will make all payments required to be paid to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) until the case is closed, converted, or dismissed. All payments due to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) shall be paid on the Effective Date, and the U.S. Trustee shall thereafter be paid fees due on a quarterly basis until the case is closed, converted, or dismissed. The Debtor's obligation to file post confirmation quarterly reports pursuant to 11 U.S.C. § 1930(a)(7) continues until the Chapter 11 case is dismissed, converted or closed. Post-confirmation payments due to the United States Trustee are estimated to be not less than \$325 per quarter.

B. Priority Claims

Priority Claims are defined in the Plan as any pre-petition Claim entitled to a priority payment under 11 U.S.C. § 507(a) of the Bankruptcy Code, excluding any Administrative Claim or Tax Claim.

1. Tax Claims

Tax Claims are any unsecured Claim of a governmental unit for taxes entitled to priority pursuant to 11 U.S.C. §507(a)(8). The Debtor believes that all of the tax claims otherwise entitled to treatment under Section 507 (a) (8) of the Bankruptcy Code are secured, and will be paid as such. Nevertheless, the Plan contains a provision for treatment of any unsecured portion of such claims which the Debtor believes meets the requirements applicable to such claims, if any exist.

2. Other Priority Claims.

Other Priority Claims shall consist of all other Allowed Claims accorded priority under 11 U. S. C. § 507 not separately classified or treated under the Plan. The Debtor estimates that total amount of such claims will be less than \$5,000.

B. Secured Claims.

The Debtor believes that the Note A and Note B held by Wells Fargo in a fiduciary

capacity are secured by valid and perfected security interests in the Hotel and the FF & E. That is, that the security interest is valid and cannot be avoided. The Debtor has not commissioned any appraisals of any of the collateral securing any of the secured claims. For purposes of this Plan, the Debtor has treated these claims as fully secured. Accordingly, the Wells Fargo claims will be fully amortized and paid under the Plan, and will not participate in the distributions made to general unsecured creditors. For purposes of this Disclosure Statement, the Debtor has estimated the Wells Fargo Claims at a total of \$8,000,000. As of the filing of this Disclosure Statement, the Debtor has requested an accounting from Wells Fargo, to permit reconciliation and confirmation of the outstanding balance of each of the Wells Fargo Notes. If the Debtor does not agree with the claim amount, the Debtor may file a claim objection to have the Bankruptcy Court determine the amount of the claim. The Debtor does not anticipate that such objections will have a significant effect on the total amount of allowed claims, the classification of claims or the feasibility of the Plan.

C. Leases and Executory Contracts

As provided in the Plan, on the Effective Date of the Plan, the Debtor will assume the executory contracts and unexpired leases described on the attached Exhibit B-1A. The Debtor asserts that no material defaults exist in the Debtor's performance of any of the foregoing leases and contracts, and adequate assurance of future performance has been provided. On the date of the entry of an Order confirming the Plan, the Debtor shall be the holder of all right, title and interest to the assumed leases and contracts and such assumed leases and contracts shall be in full effect and binding upon the Debtor and the other parties thereto. Confirmation of the Plan shall constitute a determination that the payments to be made to said creditors pursuant to the Plan satisfy all conditions precedent to assumption and assignment set forth in 11 U.S.C. § 365(b) and (f).

As to rejection of the leases and executory contracts, on the Effective Date of the Plan, the Debtor will reject all executory contracts and unexpired leases to which it is a party which are listed on Exhibit B-2. Executory contracts and unexpired leases will be rejected pursuant to the provisions of 11 U.S.C. §365. Any executory contract or unexpired lease not assumed in accordance with the Plan shall be rejected, even if not listed on Exhibit B-2. All proofs of claim

with respect to claims arising from the rejection of any executory contract or unexpired lease shall be filed with the Bankruptcy Court within twenty (20) days after the earlier of (i) the date of the Bankruptcy Court order approving the Debtor's rejection of such executory contract or unexpired lease or (ii) the Confirmation Date. Any claims not filed within such time shall be forever barred against the Debtor, its estate and property and any such Claims shall be disallowed in full. Claims arising from such rejection, to the extent allowed, shall be treated as unsecured Claims.

D. Non-Priority Unsecured Claims

The Debtor listed all of its known general unsecured pre-petition creditors in its bankruptcy filing. Several of the general unsecured creditors have filed Proofs of Claim, some of which vary from the amounts listed by the Debtor. Based upon the Debtor's Bankruptcy Schedules and the proofs of claim filed by creditors, there are approximately \$169,000 in unsecured claims. This figure is based upon the amounts scheduled by the Debtor, or if a creditor has filed a proof of claim, the amounts asserted by the creditor. It does not account for any reduction in claim amounts as a result of claim objections that may be filed by the Debtor. The Debtor will attempt to reconcile its records with the claims as asserted by the creditors and will file objections to claims to the extent the differences are material and unresolved.

Included within the unsecured claims described above, there are 17 scheduled claims of less than \$1,000 and one creditor having a claim of \$1,084.30. Assuming that all such creditors elect treatment as small claims under the Plan, these Claims, totalling \$5,735.16, will be paid an aggregate not exceeding 80% of this amount (\$4,588.13), and will not participate in the general distributions to unsecured creditors.

DESCRIPTION OF THE PLAN

OVERVIEW OF THE PLAN.

CHI filed its Plan of Reorganization with the United States Bankruptcy Court for the District of Colorado on July 13, 2012. The Plan may be amended prior to confirmation. The Plan provides for the specification and treatment of creditors and Interest holders of the Debtor. In addition, administrative claims, certain Tax Claims, and fees payable the United States

Trustee will be paid under the Plan, but are not classified, and cannot vote on the Plan. The Plan identifies whether each Class is impaired or unimpaired. A Class is unimpaired only if the Plan leaves unaltered the legal, equitable or contractual obligations between CHI and the unimpaired claimants or interest holders. The following is a brief summary of the Plan. The actual text of the Plan should be reviewed for more specific detail.

The Plan divides all creditors and interest holders into 13 Classes. Ten of the classes are specific treatments of creditors, based upon the particular legal rights of the claims under the state law and the Bankruptcy Code. For administrative convenience, general unsecured creditors are divided into a class of unsecured creditors with claims under \$1,000 (or who are willing to reduce their claims to \$1,000) and a class of all other creditors. Each Class is treated as either impaired or unimpaired under the Bankruptcy Code.

SUMMARY OF CLASSES/ IMPAIRMENT		
Class	Description	Impaired/ Unimpaired.
Class 1-A	Priority Claims	Unimpaired
Class 2-A	Wells Fargo Note A Claims	Impaired
Class 2-B	Wells Fargo Note B Claims	Impaired
Class 3-A	Small Unsecured Claims	Impaired
Class 3-B	General Unsecured Claims	Impaired
Class 4	Equity Interests	Unimpaired

Treatment of the Classes is discussed in greater detail below and in the Plan.

To fund the payments under the Plan, CHI will continue to operate its business will pay each priority and secured debt on a schedule set forth in the Plan.

CLASSIFICATION AND TREATMENT OF CLAIMS.

A. Unclassified Priority Claims

As provided in Section 1123(a)(1) of the Code, the Claims against the Debtor covered in Article III of the Plan are not classified. The holders of such Allowed Claims are not entitled to vote on the Plan. Such claims include:

Administrative Claims. The holders of Allowed Claims of the type specified in Section 507(a)(2) of the Code, Administrative Claims, shall receive cash equal to the allowed amount of such Claim or a lesser amount or different treatment as may be acceptable and agreed to by particular holders of such Claims. Such Claims shall be paid in full on the Effective Date of the Plan, or treated as otherwise agreed to by the particular holders of such Claims. Section 507(a)(2) Administrative Claims that are allowed by the Court after the Effective Date of the Plan shall be paid upon allowance.

Section 507 (a) (2) priority includes (a) professional fees, which must be approved by the Bankruptcy Court before they are paid; and (b) trade debt, which generally need not be approved by the Bankruptcy Court before it is paid. The Debtor has provided an estimate of the amount of unpaid professional fees that it expects to be owing as of the Effective Date above, in the section of this Disclosure Statement captioned "Description of Liabilities." The Debtor has generally paid all other operating expenses in the ordinary course of business during the course of the bankruptcy case, and therefore does not believe that any other material administrative claims exist against the estate.

Tax Claims. The Allowed Claims of a type specified in Section 507(a)(8) of the Code, consisting of certain unsecured Tax Claims of governmental taxing authorities, shall be paid over the remaining balance of a five year period following the Petition Date. Interest shall accrue on the unpaid balance of such claims at the rate of 7% per annum.

United States Trustee Fees. The Debtor will make all payments required to be paid to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) until the case is closed, converted, or dismissed. All payments due to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) shall be paid on the Effective Date, and the U.S. Trustee shall thereafter be paid fees due on a quarterly basis until the case is closed, converted, or dismissed. The Debtor's obligation to file post confirmation quarterly reports pursuant to 11 U.S.C. § 1930(a)(7) continues until the Chapter 11 case is dismissed, converted or closed.

B. Separately Classified Claims.

The following classes of claims are separately classified under the Plan, and provided the treatment as summarized below. Please refer to the Plan for a complete description of the rights

accorded to holders of each class of claim. In the event of a discrepancy between the descriptions below and the terms of the Plan, the Plan terms will control.

Class 1-A (Secured Tax Claims) shall consist of Allowed Claims for unpaid, pre-petition personal and real property taxes against property of the Estate. The Class 2-A Claims shall retain the security interest securing such Claim and shall be paid in equal monthly installment of principal and interest amortized over the remaining balance of a five year term commencing on the Petition Date with interest at 8% per annum.

Class 1-A (Other Priority Claims) shall consist of all other Allowed Claims accorded priority under 11 U. S. C. § 507 not separately classified or treated hereunder. Each Class 1-A claimant will be paid the amount of the Allowed Claim within thirty days following the Effective Date, or upon such terms as may be mutually agreed by the Debtor and the claimant. If a Class 1-A Claim is disputed, the Claim will not be paid until it is allowed by the Bankruptcy Court.

Class 2-A (Wells Fargo Note A Claims) shall consist of the Allowed Claims of the holders of that certain Promissory Note in the original principal amount of \$8,000,000 made by CS Hospitality, LLC in favor of Column Financial, Inc. dated February 1, 2006, and all instruments, documents and agreements executed by, or assumed by the Debtor securing such Promissory Note. The holder of each Class 2-A Claim shall receive a Pro Rata portion of two streams of payments as follows:

- (a) in equal monthly installments in the amount of \$49,563.64, consisting of interest upon the Loan Balance of such Note at the rate of 6.07% per annum, calculated upon a 360 day year, and principal, to be applied to the balance of such Claim to the extent the monthly payment exceeds the interest so calculated;
- (b) Sixty equal monthly installments of principal and interest at the rate of 7.07% per annum, commencing on the first day of the first month following the Effective Date of the Plan, fully amortizing over such sixty month period the full amount of the Accrued Delinquency Balance.

Such payments shall commence on or before the 11th day of each calendar month following the Effective Date, and shall continue on or before the 11th day of each calendar month thereafter for a period of sixty months (i.e., sixty payments) after the Effective Date of this Plan, at which time,

the remaining balance of the Class 2-A claim shall be paid in full. No prepayment premium or penalty shall apply to any payment made with respect to this Class of Creditors.

The Class 2-A Claims will be secured by a First Priority Lien upon the Hotel Premises and the Hotel Personalty Collateral. Debtor shall have the right to sell or otherwise dispose of the Hotel Personalty Collateral in the ordinary course of its business, provided that Debtor shall promptly replace any Hotel Personalty Collateral sold or otherwise disposed of with replacement goods of like quality, or as required under the Franchise Agreement.

Class 2-B (Wells Fargo Note B Claims) shall consist of the Allowed Claims of the holders of that certain Promissory Note in the original principal amount of \$560,000 made by CS Hospitality, LLC in favor of Column Financial, Inc. dated February 1, 2006. The holder of each Class 2-B Claim shall receive a Pro Rata portion of two streams of payments as follows:

- (a) in equal monthly installments in the amount of \$6,125.75, consisting of interest upon the Loan Balance of such Note at the rate of 12.75% per annum, calculated upon a 360 day year, and principal, to be applied to the balance of such Claim to the extent the monthly payment exceeds the interest so calculated;
- (b) Sixty equal monthly installments of principal and interest at the rate of 12.75% per annum, commencing on the first day of the first month following the Effective Date of the Plan, fully amortizing over such sixty month period the full amount of the Accrued Delinquency Balance.

Such payments shall commence on or before the 11th day of each calendar month following the Effective Date, and shall continue on or before the 11th day of each calendar month thereafter for a period of sixty months (i.e., sixty payments) after the Effective Date of this Plan, at which time, the remaining balance of the Class 2-A claim shall be paid in full No prepayment premium or penalty shall apply to any payment made with respect to this Class of Creditors.

The Class 2-B Claims will be secured by a lien upon the Hotel Premises and the Hotel Personalty Collateral, junior in priority to the lien securing the Class 2-A Claims. Debtor shall have the

right to sell or otherwise dispose of the Hotel Personalty Collateral in the ordinary course of its business, provided that Debtor shall promptly replace any Hotel Personalty Collateral sold or otherwise disposed of with replacement goods of like quality, or as required under the Franchise Agreement.

Class 3-A (Small Unsecured Claims) shall consist of all Allowed Claims not separately classified hereunder, (a) in an amount not exceeding \$1,000 per Claim, or (b) if a Claim is an Allowed Claim in excess of \$1,000, with respect to which the holder of the claim elects to reduce the amount of the Allowed Claim to \$1,000. Claimants holding Class 3-A claims shall receive a single payment equal to the lesser of (a) \$800, or (b) 80% of the Allowed Class 3-A Claim. Such payment shall be made not later than ten days following the Effective Date or within ten days following allowance of the Claim, if the Claim is not allowed as of the Effective Date.

Class 3-B (General Unsecured Claims) shall consist of all Allowed Claims not separately classified hereunder. Each Class 3 C claimant shall receive six installments commencing on the first day of the first calendar quarter occurring after the Effective Date and continuing on the first day of each of the next five calendar quarters. Each of the payments will equal one-sixth of the Allowed Claim in this class.

Class 4 (Membership Interests) shall consists of the Allowed Equity Claims of the Members. The Class 4 Claimants shall retain their Equity Interests in the Debtor.

B. MEANS FOR EXECUTION OF THE PLAN

1. POST-CONFIRMATION OPERATIONS

CHI shall be empowered to take such action as may be necessary to perform its obligations under the Plan.

2. MANAGEMENT.

The following persons will be responsible for management of the Debtor following confirmation of the Plan:

Tanveer Khan, Manager. Tanveer Khan is the sole Manager of CHI. Mr. Khan purchased his first, the Holiday Inn Express in Canon City, Colorado in 2002, which he successfully operated and consequently sold in 2007. He built the Denny`s restaurant In Canon City, Colorado in 2005, which he owns and operates to date. He had built two more hotels, the

Hampton Inn in Canon City, Colorado in 2008, and the Hampton Inn and Suites in Salida, Colorado in 2011. He purchased the Homewood Suites by Hilton by the Colorado Springs Airport in 2008 which he has been successfully operating since.

3. SALE OF THE HOTEL.

The Debtor will have the right to sell the Hotel at any time. Upon sale of the Hotel, all Claims shall be paid in full, or as may be agreed with the holders of the Claims. In the event of a sale, the holders of secured claims will be afforded the opportunity to bid in their claims, if they wish to purchase the Hotel.

C. ADMINISTRATIVE CLAIM BAR DATE

If the Plan is confirmed, all applications for allowance and payment of Administrative Claims, including Professional Fees, must be filed within 45 days following the Confirmation Date.

PLAN FEASIBILITY

Determining feasibility of the Plan also requires (a) confirmation that the Debtor can pay the funds immediately due on the Plan Confirmation Date, and (b) confirmation of the Debtor's ability to fund the extended payments due for the life of the Plan. Attached hereto as Exhibit C is the Debtor's projections for the next three years. Based on the estimation and assumption set forth in Exhibit C, Debtor submits that it will be able to meet the fixed debt service obligations, and make all payments to general unsecured creditors required under the Plan. This Disclosure Statement contains statements which look into the future. There is no way to determine the accuracy of these statements. As noted in the description of the Debtor's history above, the printing business has been extremely volatile and subject to market forces which are outside of the control of the Debtor's management, and which may impair the Debtor's ability to meet its projections. The Debtor has attempted to be conservative in its analysis. The Debtor believes that the Plan as proposed offers the best option for creditors. As explained below in greater detail, the principal alternative to the Debtor's reorganization under Chapter 11 is a conversion of the case to Chapter 7 of the Bankruptcy Code. As indicated in the Debtor's liquidation analysis provided below, liquidation of the Debtor likely result in no distribution to unsecured creditors. \

DEFAULT UNDER THE PLAN

The Plan, upon confirmation, constitutes a new contractual relationship by and between the Debtor and its creditors. In the event of a default by the Debtor under the Plan, creditors shall be entitled to enforce all rights and remedies against the Debtor for breach of contract, the Plan. Any secured creditor claiming a breach of the Plan by the Debtors will be able to enforce all of their rights and remedies including foreclosure of their security agreement, lien, or mortgage pursuant to the terms of such document. The rights and remedies of secured creditors who are unimpaired by the Plan will have their rights and remedies, upon default by the Debtor, determined and governed by the creditor's underlying loan documents and such terms are not altered by the Plan. Any impaired creditor claiming a breach by the Debtor must provide written notice to the Debtor of the claimed default, the notice must provide the Debtor a ten (10) day period within which to cure the claimed default. Upon the Debtor's failure to cure the default within such ten day period, the creditor may proceed to exercise their rights and remedies.

TAX CONSEQUENCE

The Debtor is not providing tax advice to creditors or interest holders. **U.S. Treasury Regulations require you to be informed that, to the extent this section includes any tax advice, it is not intended or written by the Debtor or its counsel to be used, and cannot be used, for the purpose of avoiding federal tax penalties.** Each party affected by the Plan should consult its own tax advisor for information as to the tax consequences of Plan confirmation. Generally, unsecured creditors should have no tax liabilities as a result of Plan confirmation. The recovery of each creditor is payment on account of a debt and generally not taxable, unless the creditor wrote off the debt against income in a prior year in which case income may have to be recognized. Interest holders may have very complicated tax effects as a result of Plan confirmation.

Pursuant to Section 1146(c) of the Code, the issuance, transfer, or exchange of notes or equity securities under the Plan by the Debtor, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or the making or delivery of any deed or instrument of transfer under, in furtherance of, or in connection with the Plan or the

Agreements shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

EVENTS DURING THE CHAPTER 11 CASE

The events summarized below are not necessarily listed in chronological order as they occurred during the case.

LIQUIDATION ANALYSIS UNDER CHAPTER 7

The principal alternative to the Debtor's reorganization under Chapter 11 is a conversion of the case to Chapter 7 of the Bankruptcy Code. Chapter 7 requires the liquidation of the Debtor's assets by a Trustee who is appointed by the United States Trustee's office. In a Chapter 7 case, the Debtor would cease all business operations and the Chapter 7 Trustee would take over control of the assets. The assets would be liquidated and the proceeds distributed to creditors in the order of their priorities.

Under a Chapter 7 liquidation, secured creditors would likely obtain relief from the automatic stay and foreclose their security interests in the Debtor's property. The liquidation value of the Debtor's assets will likely be significantly lower than its market value as a going concern. The deficiency on any secured claim will be added to the General Unsecured Creditor class.

The Debtor's main assets in the event of liquidation would be (a) the Hotel; (b) the Hotel Personalty; (c) cash; and (d) accounts receivable. Upon conversion to Chapter 7, the secured creditors, will likely obtain relief from stay and foreclose on the Hotel and Hotel Personalty, and would seek to attach the cash as proceeds of inventory or accounts receivable. The Debtor's furniture, fixtures and equipment would be sold with The Hotel and would not result in any separate realizable value.

There is no likelihood that funds would be available for distribution to unsecured creditors in a liquidation scenario. The Chapter 7 Trustee's fees and any additional costs and expenses of the Chapter 7 estate would have to be paid as priority expenses before any unsecured creditor claims may be paid. These would likely include any attorneys retained by the trustee as well as any accountant required to prepare final tax returns.

The Debtor believes that all classes of creditors will receive a greater distribution under the terms of the Chapter 11 Plan as opposed to Chapter 7 liquidation. Based on the Debtor's Liquidation Analysis, there would be little or no funds to distribute to unsecured creditors in a Chapter 7 case.

Given the alternative under a Chapter 7 scenario, the Debtor's proposed Chapter 11 Plan provides a substantially better alternative for unsecured creditors, and contemplates a distribution to unsecured creditors from the net proceeds of operations. It is therefore urged by the Debtor that all creditors vote in favor of the Plan.

DATED: July 13th, 2012.

CHEYENNE HOTEL INVESTMENTS, LLC

s/ Tanveer Khan

**By: _____
Tanveer Khan, Manager**

Thomas F Quinn, P.C. ("Debtor's Counsel") has acted as legal counsel to CHI on bankruptcy matters during the Chapter 11 case. Debtor's Counsel has prepared this Disclosure Statement with information provided primarily by CHI. The information contained herein has been approved by CHI. Debtor's Counsel has not made any separate independent investigation as to the veracity or accuracy of the statements contained herein.

Counsel to Cheyenne Hotel Investments, LLC:

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