

1 David N. Chandler, Sr. SBN 60780
David N. Chandler, Jr. SBN 235427
2 DAVID N. CHANDLER, p.c.
1747 Fourth Street
3 Santa Rosa, CA 95404
Telephone: (707) 528-4331

4 Attorney for Debtor

5 UNITED STATES BANKRUPTCY COURT
6 NORTHERN DISTRICT OF CALIFORNIA
7

8 IN RE: CASE No. 10-11533
9 NAVJOT, LLC, CHAPTER 11

10 _____/ AMENDED DISCLOSURE STATEMENT
11

12
13 I

14 A. INTRODUCTION.

15 Navjot, LLC, hereafter referred to as "Debtor" submits this
16 Amended Disclosure Statement to all of its known creditors and
17 interest holders entitled to same pursuant to section 1125 of the
18 United States Bankruptcy Code 11 U.S.C. Section 101, et seq. ("the
19 bankruptcy code"). The purpose of this Disclosure Statement is to
20 provide creditors of the debtor with such information as may be
21 deemed material, important and necessary in order to make a
22 reasonably informed decision in exercising the right to vote on the
23 Debtor's Chapter 11 Plan(the "Plan") described below. The Debtor's
24 Chapter 11 Plan has been filed with this Court.

25 NO REPRESENTATIONS CONCERNING THE DEBTOR (INCLUDING THE VALUE
26 OF ASSETS, ANY PROPERTY AND CREDITORS CLAIMS)INCONSISTENT WITH
27 ANYTHING CONTAINED HEREIN HAVE BEEN AUTHORIZED. Except as
28 otherwise expressly stated, the portions of this Disclosure

1 Statement describing the Debtor and the Plan have been prepared
2 from information obtained from the Debtor.

3 Under the Plan, Secured claims, to the extent allowed as
4 secured claims pursuant to 11 U.S.C. Section 506, and to the extent
5 of the validity of the security interest is determined by the Court
6 and not otherwise avoidable will be paid in full, or, otherwise,
7 shall retain the real property collateral in full satisfaction of
8 said allowed claim. Unsecured claims shall be paid the aggregate
9 sum of \$147,000.00, in 18 quarterly installments.

10 A Chapter 7 liquidation could take up to three years before
11 distribution is made, if any, and additional Administrative
12 expenses would be incurred. Tax consequences of liquidation,
13 expenses of sale, professional fees and trustee's fees are
14 administrative expenses in a Chapter 7 liquidation are paid before
15 prepetition claims are paid. Administrative expenses of Chapter 11
16 are also paid prior to payment of prepetition claims. Liquidation
17 of development property is simply not practical or feasible at the
18 current time. Debtor estimates that the percentage which would be
19 available to unsecured creditors upon liquidation of the assets in
20 a Chapter 7 case is 3%. The estimate is based upon Debtor's
21 analysis of liquidation which is set forth in Exhibit A hereto.

22 B. FILING OF REORGANIZATION CASE.

23 On April 27, 2010, the Debtor filed its petition pursuant to
24 Chapter 11 of the Bankruptcy Code. Since that time the Debtor has
25 remained in possession of the property as debtor in possession.

26 C. MANNER OF VOTING.

27 All creditors entitled to vote on the Plan may cast their
28 votes for or against the Plan by completing, dating, signing and

1 causing the Ballot Form accompanying this Disclosure Statement to
2 be sent to the Debtor's counsel prior to the date set by the Court
3 for the filing of such ballots.

4 D. CONFIRMATION OF THE PLAN.

5 1. Solicitation of Acceptance.

6 This Disclosure Statement has been approved by the Bankruptcy
7 Court in accordance with section 1125 of the bankruptcy code and is
8 provided to each creditor whose claim has been scheduled by the
9 Debtor or who has filed a Proof of Claim against the Debtor and to
10 each interest holder of record as of the date of approval of this
11 Disclosure Statement. The Disclosure Statement is intended to
12 assist creditors and interest holders in evaluating the Plan and in
13 determining whether to accept the Plan. Under the bankruptcy code,
14 acceptance of the Plan may not be solicited unless a copy of this
15 Disclosure Statement is received prior to or concurrently with such
16 solicitation.

17 2. Persons Entitled to Vote on Plan.

18 Only the votes of Classes of claimants and interest holders
19 which are impaired by the Plan are counted in connection with
20 confirmation of the Plan. Generally and subject to the specific
21 provisions of bankruptcy code section 1124, this includes creditors
22 who, under the Plan, will receive less than payment in full of
23 their creditor's claims.

24 In determining acceptance of the Plan, votes will only be
25 counted if submitted by a creditor whose claim is duly scheduled by
26 the debtor, as undisputed, non-contingent and unliquidated, or who,
27 prior to the hearing on confirmation, has filed with the court a
28 Proof of Claim which has not been disallowed or suspended prior to

1 computation of the votes on the Plan. The Ballot form which you
2 receive does not constitute a Proof of Claim. If you are in any
3 way uncertain whether or not your claim has been correctly
4 scheduled, you should review the Debtor's schedules which are on
5 file in the Bankruptcy Court. The clerk of the Bankruptcy Court
6 will not provide this information by telephone.

7 3. Hearing on Confirmation of the Plan.

8 The Bankruptcy Court will set a hearing to determine whether
9 the Plan has been accepted by the requisite number of creditors and
10 interest holders and whether the other requirements of confirmation
11 of the Plan have been satisfied. Each creditor and interest holder
12 will receive, either with this Disclosure Statement or separately,
13 the Bankruptcy Court's Notice of Hearing on Confirmation of the
14 Plan.

15 4. Acceptance Necessary to Confirm Plan.

16 At the scheduled hearing, the Bankruptcy Court must determine,
17 among other things, whether the Plan has been accepted by each
18 impaired Class. Under bankruptcy code section 1125 an impaired
19 Class is deemed to have accepted the Plan if at least two thirds in
20 amount and more than one-half in number of the allowed claims or
21 interest of Class members who have voted to accept or reject the
22 Plan have voted for acceptance of the Plan. Further, unless there
23 is unanimous acceptance of the Plan by an impaired Class, the
24 Bankruptcy Court must also determine that under the Plan Class
25 members will receive property of a value, as of the effective date
26 of the Plan, that is not less than the amount that such Class
27 members would receive or retain if the Debtor was liquidated under
28 Chapter 7 of the Bankruptcy Code on the effective date of the Plan.

1 5. Confirmation of the Plan Without Necessary
2 Acceptance.

3 The Plan may be confirmed even if it is not accepted by one or
4 all of the impaired Classes, if the Bankruptcy Court finds that the
5 Plan does not discriminate unfairly against and is fair and
6 equitable as to such Class or Classes.

7 II

8 A. DESCRIPTION OF DEBTOR AND HISTORICAL BACKGROUND.

9 Surinder Pal Sroa, native of India, and principle of the
10 Debtor herein, started as a restaurant entrepreneur opening his
11 first restaurant in 1998 and now operating four restaurants, 3
12 Indian and one American. The income generated from the restaurant
13 operations enabled Mr. Sroa to meet any negative cash flow
14 encountered by the Debtor herein until mid-2008 when the economic
15 environment began to change.

16 The apartment building, 355 Canal Street, was purchased by the
17 Debtor in 2000. The building was in extremely poor condition.
18 Over \$500,000 was required to get the building into a servicable
19 condition. This was the initial foray of the Debtor and/or Mr.
20 Sroa into apartments.

21 Mr. Sroa opened a home furnishing store in January, 2005.
22 Debtor purchased the building in which the store operated at 854 4th
23 Street, San Rafael. The business proved unprofitable and was
24 closed in 2006. The building remained partially vacant, but equity
25 contributions to maintain the mortgage payments were made.

26 In 2005, Mr. Sroa met Kirt Menon of Argentum Investments. Mr.
27 Menon, a licensed financial advisor and real estate broker, had
28 frequented one of the restaurants and engaged Mr. Sroa in

1 discussions as to how to expand the Debtor's property portfolio in
2 then what was a rising market. In March, 2005, Mr. Menon sold to
3 Mr. Sroa a property. Thereafter, the transactions with Mr. Menon
4 caused Mr. Sroa and the Debtor a myriad of problems.

5 Menon misrepresented the property at 901 Lincoln which the
6 Debtor purchased. The upper four units were unpermitted and there
7 was no disclosure. The property at 714-716 4th Street was
8 misrepresented and was impacted by dry rot and mold. Menon
9 arranged a loan from his client, Elbert Branscomb, for the purpose
10 of making renovations on the properties.

11 Beginning in 2008, property values began to plummet.
12 Refinancing was not an option. Menon was arrested and convicted of
13 crimes relating to his activities as a financial advisor and
14 broker. Branscomb brought suit against Debtor based upon a note
15 which is irregular in form and provides for \$600,000 despite the
16 fact that only \$100,000 was loaned. Debtor contends that Menon
17 concocted the form of the note to conceal his misdeeds in his
18 management of funds on behalf of his client, Branscomb.

19 In September, 2009, Debtor purchased 807 Grant Street, Novato
20 with private financing. The financing was refinanced with Redwood
21 Credit Union in April, 2010 after an agreement had been made to pay
22 \$5,000 per month on the Branscomb obligation until title and
23 priority was resolved. The March check was cashed by Branscomb and
24 immediately thereafter, Branscomb moved to take over 355 Canal and
25 901 Lincoln. The Debtor endeavored to resolve the problem without
26 use of Chapter 11 but was unable to do so.

27 The within case was filed to protect the assets of the Debtor
28 and the interests of the creditors in the assets. Debtor has

1 obtained permission for the use of cash collateral and continues to
2 segregate same and apply same only as authorized in the orders.
3 Debtor proposes to surrender some of the assets in a manner which
4 will protect the interests of all creditors and to retain only the
5 properties which produce revenue in excess of the debt service to
6 permit a dividend to unsecured creditors.

7 Liquidation of the assets of the estate would likely result in
8 no distribution to unsecured creditors pursuant to the Liquidation
9 Analysis prepared by the Debtor based upon opinion of the Debtor
10 which is attached hereto as Exhibit A.

11 B. THE PLAN.

12 The Plan divides claims and interests into sixteen (16)
13 classes. The classes consist of the following:

14 Class 1 Claims. Allowed claims entitled to priority
15 pursuant to Section 507 of the Code.

16 Class 2 Claims. Allowed secured claims of the County of Marin
17 based upon the secured tax roll and secured by real property
18 located at:

- 19 a. 355 Canal St., San Rafael, CA;
- 20 b. 714-716 Fourth St., San Rafael, CA;
- 21 c. 854-860 Fourth St., San Rafael, CA;
- 22 d. 901 Lincoln St., San Rafael, CA;
- 23 e. 807 Grant St., Novato, CA; and
- 24 f. 809-813 Grant St., Novato, CA.

25 Class 3 Claims. Allowed secured claims of Circle Bank secured
26 by real property located at 714-716 Fourth St., San Rafael, CA.

27 Class 4 Claims. Allowed secured claim of Marin Mortgage
28 Bankers secured by real property located at 714-716 Fourth St., San

1 Rafael, CA.

2 Class 5 Claims. Allowed secured claims of Circle Bank secured
3 by real property located at 809-813 Grant, Novato, CA.

4 Class 6 Claims. Allowed secured claims of Marin Mortgage
5 Bankers secured by real property located at 809-813 Grant, Novato,
6 CA.

7 Class 7 Claims. Allowed secured claim of Redwood Credit Union
8 secured by real property located at 807 Grant, Novato, CA.

9 Class 8 Claims. Allowed secured claim of Margaret Enevold
10 secured by real property located at 901 Lincoln St., San Rafael,
11 CA.

12 Class 9 Claims. Allowed secured claim of Elbert Branscomb
13 secured by real property located at 901 Lincoln St., San Rafael,
14 CA.

15 Class 10 Claims. Allowed secured claim of JP Morgan Chase
16 secured by real property located at 355 Canal St., San Rafael, CA.

17 Class 11 Claims. Allowed secured claim of Elbert Branscomb
18 secured by real property located at 355 Canal St., San Rafael, CA.

19 Class 12 Claims. Allowed secured claim of Marin Mortgage
20 Bankers secured by real property located at 355 Canal St., San
21 Rafael, CA and cross collateralized by real property located at
22 714-716 Fourth St., San Rafael, CA.

23 Class 13 Claims. Allowed secured claim of JP MorganChase
24 secured by real property located at 854-864 Fourth St., San Rafael,
25 CA.

26 Class 14 Claims. Allowed secured claim of Marin Mortgage
27 Bankers secured by real property located at 854-864 Fourth St., San
28 Rafael, CA.

1 Class 15 Claims. Allowed claims of creditors other than
2 those holding allowed Class 1 Claims, Class 2 Claims, Class 3
3 Claims, Class 4 Claims, Class 5 Claims, Class 6 Claims, Class 7
4 Claims, Class 8 Claims, Class 9 Claims, Class 10 Claims, Class 11
5 Claims, Class 12 Claims, Class 13 Claims, Class 14 Claims, and
6 Class 16 Interests, including, but not limited to, creditors whose
7 claims may arise out of the rejection of executory contracts and
8 secured creditors to the extent that the Court finds the same
9 unsecured in whole or in part.

10 Class 16 Interests. Allowed interests of the members of the
11 Debtor herein.

12 The Plan treats the classes as follows:

13 Class 1 Claims are not impaired. Holders of allowed Class 1
14 Claims shall be paid in full on the effective date of the Plan.
15 There are no known claims in this class.

16 Class 2 (a through d) Claims are impaired. Holders of
17 allowed Class 2 a through d Claims shall retain their liens in the
18 collateral and may, upon the effective date, exercise such holders'
19 rights in the collateral. No distribution will be made on account
20 of such claims.

21 Class 2 (e and f) Claims are not impaired. Holders of allowed
22 Class 2e and f Claims shall be paid in cash and in full and on a
23 current basis upon the effective date of the Plan. Class 2 a
24 through d are impaired as provided herein.

25 Class 3 Claims are impaired. Holders of allowed Class 3
26 Claims shall retain the real property collateral to such holder in
27 full satisfaction of the allowed claim. Such holder shall retain
28 the lien securing said allowed claim and shall, on the effective

1 date, be entitled to enforce its rights to the real property
2 collateral.

3 Class 4 Claims are impaired. Holders of allowed Class 4
4 Claims shall retain the real property collateral to such holder in
5 full satisfaction of the allowed claim. Such holder shall retain
6 the lien securing said allowed claim and shall, on the effective
7 date, be entitled to enforce its rights to the real property
8 collateral.

9 Class 5 Claims are impaired. Holders of allowed Class 5
10 Claims shall be paid the allowed secured claim in monthly
11 installments of principle and interest at a market rate based upon
12 a fully amortized payment over 30 years, all due five years from
13 the effective date. Such holder shall retain its security interest
14 in the said real property.

15 Class 6 Claims are impaired. Holders of allowed Class 6
16 Claims shall be paid an amount equal to such holder's interest in
17 the Debtors' interest in the collateral in monthly installments of
18 principle and interest at a market rate calculated and payable on
19 a 30 year amortization. Debtor shall have the right to pre-payment
20 any portion of interest or principal without penalty. Such holder
21 shall retain the security interest in the collateral.

22 Class 7 Claims are impaired. Holders of allowed Class 7
23 Claims shall be paid the payments as provided in the note at the
24 rate of interest as provided therein. Jyoti, Inc., an affiliate of
25 the Debtor, may elect to sell or close the business which such
26 affiliate operates on the real property collateral. Alternatively,
27 Surinder Pal Sroa, may elect to sell the shares of Jyoti, Inc. as
28 part of a personal restructure of assets and liabilities. Debtor

1 may lease the real property collateral to a third party in
2 conjunction with the sale of the business or independently. Such
3 holder shall retain its security interest in the collateral.

4 Class 8 Claims are impaired. Holders of allowed Class 8
5 Claims shall retain the real property collateral to such holder in
6 full satisfaction of the allowed claim. Such holder shall retain
7 the lien securing said allowed claim and shall, on the effective
8 date, be entitled to enforce its rights to the real property
9 collateral.

10 Class 9 Claims are impaired. Holders of allowed Class 9
11 Claims shall retain the real property collateral to such holder in
12 full satisfaction of the allowed claim. Such holder shall retain
13 the lien securing said allowed claim and shall, on the effective
14 date, be entitled to enforce its rights to the real property
15 collateral.

16 Class 10 Claims are impaired. Holders of allowed Class 10
17 Claims shall retain the real property collateral to such holder in
18 full satisfaction of the allowed claim. Such holder shall retain
19 the lien securing said allowed claim and shall, on the effective
20 date, be entitled to enforce its rights to the real property
21 collateral.

22 Class 11 Claims are impaired. Holders of allowed Class 11
23 Claims shall retain the real property collateral to such holder in
24 full satisfaction of the allowed claim. Such holder shall retain
25 the lien securing said allowed claim and shall, on the effective
26 date, be entitled to enforce its rights to the real property
27 collateral.

28 Class 12 Claims are impaired. Holders of allowed Class 12

1 Claims shall retain the real property collateral to such holder in
2 full satisfaction of the allowed claim. Such holder shall retain
3 the lien securing said allowed claim and shall, on the effective
4 date, be entitled to enforce its rights to the real property
5 collateral.

6 Class 13 Claims are impaired. Holders of allowed Class 13
7 Claims shall retain the real property collateral to such holder in
8 full satisfaction of the allowed claim. Such holder shall retain
9 the lien securing said allowed claim and shall, on the effective
10 date, be entitled to enforce its rights to the real property
11 collateral.

12 Class 14 Claims are impaired. Holders of allowed Class 14
13 Claims shall retain the real property collateral to such holder in
14 full satisfaction of the allowed claim. Such holder shall retain
15 the lien securing said allowed claim and shall, on the effective
16 date, be entitled to enforce its rights to the real property
17 collateral.

18 Class 15 Claims are impaired. Holders of allowed Class 15
19 Claims shall be paid up to the amount of \$67,000 in seventy two
20 equal monthly installments on a prorata basis. Distributions shall
21 be made at intervals no less frequently than quarterly. Such
22 payments shall commence on the effective date of the Plan.

23 Class 16 Interests are impaired. Holders of allowed Class 16
24 Interests shall retain such interests subject to the terms and
25 conditions of the Plan. Such holders shall contribute up to the
26 sum of \$38,000 required for payment of expenses of administration
27 and payment of Class 1 Claims and the initial installment on Class
28 1, 2 e and f Claims as provided herein.

1 THE PLAN PROVIDES FOR THE MEANS OF EXECUTION AS FOLLOWS:

2 1. Debtors shall surrender the real property collateral to
3 the following classes of creditors in full satisfaction of the
4 Debtor's liability to the respective holders upon the effective
5 date of the Plan:

- 6 a. Holders of Class 3 Claims;
- 7 b. Holders of Class 4 Claims;
- 8 c. Holders of Class 8 Claims;
- 9 d. Holders of Class 9 Claims;
- 10 e. Holders of Class 10 Claims;
- 11 f. Holders of Class 11 Claims;
- 12 g. Holders of Class 12 Claims;
- 13 h. Holders of Class 13 Claims; and
- 14 i. Holders of Class 14 Claims.

15 2. Debtor shall continue to collect the monthly rents from
16 retained properties and apply same to expenses of operation and to
17 the debt secured by the properties. Debtor may elect to apply
18 excess revenue from one property to secured indebtedness on another
19 property or unsecured indebtedness so long as not in default under
20 the terms of the within Plan.

21 3. Debtor will place any defaulted secured real property
22 taxes as described in Class 2 e and f on a five year payment plan
23 with the County of Marin unless the property is sold or refinanced
24 in which instance, such claims shall be paid on the closing date of
25 such sale or refinance. Class 2 a through d Claims will not be
26 placed on a five year plan and will not be paid by the reorganized
27 Debtor.

28 4. Unsecured creditors shall be paid the aggregate sum of

1 \$67,000 in 18 quarterly installments. Debtor may elect to pay more
2 or on more frequent intervals based upon cash available.
3 Distributions to holders of allowed Class 15 Claims shall be paid
4 on intervals no less frequent than quarterly. Debtors shall pay
5 from excess rents, sale or refinance proceeds of any one or more of
6 the properties, or additional cash contributions from Class 25
7 Interests. Deposits into a disbursing account shall commence on
8 the effective date of the Plan and shall be made monthly.

9 5. Pre-confirmation defaults as to Class 5 shall be cured by
10 monthly payments equal to 1/60th of the arrearage paid each month
11 to such holder.

12 6. Debtor shall commence payments to holders of allowed
13 Class 6 Claims pursuant to the terms of the plan on the effective
14 date of the Plan. Debtor's affiliate may sell the business
15 operated on the real property collateral without acceleration or
16 default. The share of Jyoti, Inc. may be sold or transferred
17 without acceleration or default.

18 7. Debtor reserves the right to bring Motions pursuant to
19 11 U.S.C. Section 506 to determine the value of the real property
20 collateral. Such Motion(s) shall be brought within 90 days of the
21 effective date of the Plan. The said limit shall be subject to
22 extension by order of the Court upon motion by the Debtor.

23 8. All claims and causes of action against Elbert Branscomb,
24 Kirt Menon, Elbert Branscomb, agents and attorneys, and Cal Land
25 Title are specifically reserved.

26 9. No party shall take any action against the Debtor, its
27 assets, or assets of the estate inconsistent with the terms of the
28 within Plan.

1 provided the following additional information which it insists upon
2 adding to the within Disclosure, some, or all, of which does not
3 express the opinion of the Debtor and/or is disputed by the Debtor
4 and is insisted upon to serve the sole interests of Circle Bank
5 which interest is not necessarily consistent with the interests of
6 other creditors:

7 "1. Debtor is not providing any projections, budgets or
8 pro forma statements which would allow the creditors to determine
9 whether the Plan is feasible.

10 "2. Debtor's proposal to modify any existing notes to a
11 "market rate" will require an evidentiary hearing and may require
12 the parties affected by a "market rate" adjustment to engage
13 experts to provide opinion testimony in order to facilitate the
14 Court's determination of "market rate" as required in *Till* and
15 applicable law.

16 "3. The Debtor is not offering any opinion as to the
17 merits, the magnitude, or collectability of any claims or
18 prospective litigation against Messers. Menon, Banscomb or any
19 other third parties."

20 V

21 The assets and liabilities of the Debtor are set forth in the
22 Debtor's Schedules, on file with the Court. The Proponent believes
23 that the terms of the Plan are feasible, and that it will be able
24 to perform under the Plan. The Debtor requests confirmation of the
25 Plan.

26 Dated: 9/3/10

27 DAVID N. CHANDLER, p.c.

28 By: /s/David N. Chandler
DAVID N. CHANDLER
Attorney for Debtor

LIQUIDATION ANALYSIS
(Exhibit A)

<u>Asset</u>	<u>Value</u>	<u>Encumbrance</u>	<u>Net</u>
335 Canal St. San Rafael, CA	6,450,000*	6,420,086**	29,914*
714-716 Fourth St. San Rafael, CA	1,050,000	631,254**	418,746**
901 Lincoln St. San Rafael, CA	850,000	1,399,228	-0-
897 Grant St. Novato, CA	1,450,000	1,210,256	239,744
809, 811, 813 Grant St., Novato	1,270,000	1,272,232	-0-
Navjot v. Menon	Unknown	-0-	<u>Unknown</u>
Total			\$239,744

Expenses of Administration:

Chapter 11:

Attorneys fees	\$38,000
Accounting Exp.	10,000
OUST Fees	3,000
Brokerage Comm	87,000
Expenses of Sale	10,000
Secured Taxes	22,000

Chapter 7:

Trustee Fees	20,000
Attorneys Fees	25,000
Accounting Fees	<u>10,000</u>

<225,000>

Net Available for Distr. \$14,744

\$14,744 = 3% Estimated Chapter 7 dividend
561,820

* Priority and extent of secured claims in dispute. Costs of litigation have been determined to be impractical.

** Cross collateralized in favor of Marin Mortgage securing over \$1M.