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14 UNITED STATES BANKRUPTCY COURT
15 DISTRICT OF NEVADA

16 —ooOoo—

17 In Re:
18 DHILLON PROPERTIES, LLC,
a Nevada limited liability company,
19 Debtor.
20 _____ /

Case No. BK-N-09-54640-GWZ
Chapter 11

Hearing Date: TBD
Hearing Time: TBD

23 **DEBTOR'S THIRD AMENDED**
24 **DISCLOSURE STATEMENT**
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27
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1 **1. INTRODUCTION**

2 This Third Amended Disclosure Statement (hereinafter the "Disclosure Statement")
3 is provided to creditors by the connection with the solicitation of acceptances of the Debtor's
4 Third Amended Plan of Reorganization (the "Plan"¹), filed on **June 11, 2012**, or any
5 subsequent amended plan of reorganization. The Debtor's reorganization case is under
6 Chapter 11 of the United States Code, and was initiated on **December 31, 2009**, in the
7 United States Bankruptcy Court for the District of Nevada, as **Case No. BK-N-09-54640-**
8 **GWZ**. The Plan provides for the treatment of claims of creditors and interest of the equity
9 security holders².

10 The objective of a Chapter 11 bankruptcy case is to obtain Bankruptcy Court approval
11 of a plan of reorganization. This process is referred to as confirmation of a plan. A plan
12 describes in detail (and in language appropriate for a legal contract) the means for satisfying
13 the claims against, and equity interests in, a Debtor. After a plan has been filed, the holders
14 of such claims and equity securities that are "impaired" (a term defined in Bankruptcy Code
15 Section 1124 and discussed in detail below) are permitted to vote to accept or reject the plan.
16 Before a Debtor or other plan proponent can solicit acceptances of a plan, Bankruptcy Code
17 Section 1125 requires the Debtor or other plan proponent(s) to prepare a disclosure statement
18 containing adequate information of a kind, and in sufficient detail, to enable those parties
19 entitled to vote on the plan to make an informed judgment about the plan and whether they
20 should accept or reject the plan.

21 **1.1 Purpose of the Disclosure Statement**

22 The purpose of this Disclosure Statement is to ensure that claimants have adequate
23 information to enable each class to make an informed judgment about the Plan. The assets
24

25 ¹ Capitalized terms not otherwise defined herein will have the same meaning as are
26 ascribed to such terms in the Plan which is filed contemporaneously herewith.

27 ² An equity security of the Debtor as the term is defined in Section 101(16) of the
28 Bankruptcy Code includes any ownership interest in the Debtor, including membership
interests.

1 and liabilities of the Debtor are summarized herein. To the extent the information contained
2 in this Disclosure Statement may be inconsistent with the Debtor's Statement of Financial
3 Affairs and (Amended) Schedule of Assets and Liabilities filed on December 31, 2009, or
4 subsequent amendments thereto, this Disclosure Statement shall supersede such Statements
5 and Schedules (as may have been amended).

6 This Disclosure Statement describes the business background and operating history
7 of the Debtor before the filing of the case. It also summarizes certain significant events that
8 have taken place during the case and describes the terms of the Plan, which divides creditor
9 claims and the interests of shareholders into classes and provides for the satisfaction of
10 allowed claims and interests.

11 The Court will set a time and date as the last day to file acceptances or rejections of
12 the Plan. Thereafter, a hearing on confirmation of the Plan will be held in the United States
13 Bankruptcy Court for the District of Nevada, located at the U.S. Federal Building &
14 Courthouse, 300 Booth Street, Reno, Nevada. Creditors may vote on the Plan by filling out
15 and mailing a special form of ballot. The form of ballot and special instructions for voting
16 will be forthcoming upon approval of the Disclosure Statement by the Court. Creditors are
17 urged to carefully read the contents of this Disclosure Statement before making a decision
18 to accept or reject the Plan.

19 **1.2 Acceptance and Confirmation**

20 In order for the Debtor's Plan to be confirmed, each impaired class of claims or
21 interests must accept the Plan, except as set forth below. In order for the Plan to be deemed
22 accepted, a majority in number and two-thirds in dollar amount of the claims of each class
23 of creditors impaired under the Plan of those that actually vote, must vote for acceptance of
24 the Plan. Holders of claims who fail to vote are not counted as either accepting or rejecting
25 the Plan.

26 Classes of claims that are not "impaired" under a Plan are deemed to have accepted
27 the Plan. Acceptances of the Plan are being solicited only from those persons who hold
28 claims or interests in impaired classes. A class is "impaired" if the legal, equitable or

1 contractual rights attaching to the claims or interests of that class are modified, other than by
2 curing defaults and reinstating maturities, or by payment in full in cash.

3 **1.3 Confirmation Without Acceptance By All Impaired Classes**

4 The Bankruptcy Code contains provisions for confirmation of a Plan even if the Plan
5 is not accepted by all impaired classes, as long as at least one impaired class of claims has
6 accepted the Plan. These “cram-down” provisions for confirmation of a Plan, despite the
7 non-acceptance of one or more impaired classes of claims or interest, are set forth in
8 § 1129(b) of the Bankruptcy Code.

9 If a class of unsecured claims rejects the Plan, it may still be confirmed so long as the
10 Plan provides that (i) each holder of a claim included in the rejecting class receive or retain
11 on account of that claim property which has a value, as of the Effective Date, equal to the
12 allowed amount of such claim; or that (ii) the holder of any claim or interest that is junior to
13 the claims of such class will not receive or retain on account of such junior claim or interest
14 any property at all.

15 If a class of secured claims rejects the Plan, it may still be confirmed so long as the
16 Plan provides (i) the holders of such claims retain the lien securing such claim; (ii) the
17 holders of such claims receive on account of such claims deferred cash payments totaling at
18 least the allowed amount of such claims, of a value, as of the Effective Date of the Plan, of
19 at least the value of such claimant’s interest in the estate’s interest in such property; (iii) for
20 the sale of the property in accordance with § 1129(b)(2)(A)(ii); or (iv) for the realization by
21 such claimants of the indubitable equivalent of the claim.

22 **1.4 Disclaimer**

23 No representations concerning the Debtor is authorized by the Debtor except as set
24 forth in this Disclosure Statement. Any representations or inducements made to secure your
25 acceptance or rejection of the Plan other than as contained herein have not been authorized
26 and should not be relied upon by you in making your decision, and such additional
27 representations and inducements should be reported to counsel for the Debtor, who in turn
28 should deliver such information to the Court for such action as may be deemed appropriate.

1 The information contained herein has not been subjected to a certified audit. The records
2 kept by the Debtor and other information relied on herein are dependent upon investigations
3 and accounting performed by the Debtor and others employed by the Debtor. The Debtor is
4 unable to warrant that the information contained herein is without inaccuracy, although a
5 great effort has been made to be accurate, and the Debtor believes that the information
6 contained herein is, in fact, accurate.

7 **2. INFORMATION REGARDING THE CHAPTER 11 ESTATE**

8 **2.1 History of the Debtor and Events Leading to the Filing of the Chapter 11**
9 **Case**

10 The Debtor purchased the property known as the Holiday Inn Express located at 3019
11 Idaho Street, Elko, Nevada (the "Property") in February of 2006. The purchase price was
12 the sum of \$5,000,000.00. The Property was subsequently refinanced, which led to a new
13 loan from Column Financial, Inc., in the original amount of \$8,900,000.00, which
14 subsequently assigned its promissory note and deed of trust to Wells Fargo Bank.

15 The Debtor successfully operated its business until early 2009, when it began to
16 experience a decline in occupancy generally associated with the decline in the overall
17 national economy and the local economy. As a result, the Debtor became delinquent in its
18 mortgage payments, which ultimately lead to a foreclosure proceeding being commenced
19 against the Property. The filing of this Chapter 11 case stayed the sale of the Property.

20 Since filing the petition, the Debtor has generally experienced increased revenues.
21 This is due to certain improvements, including new signs, more marketing, cosmetic
22 improvements including lobby music system, better customer service, a new management
23 team, and a slight improvement of the local economy.

24 **2.2 Ownership of Debtor and Its Management.**

25 The sole member of the Debtor is Dhillon Holdings, Inc. The Debtor manages its own
26 operations through Jagmohan Dhillon, Bawa Dhillon, Scott Nadel (General Manager) and
27 JB Abbas (Bookkeeper).

28 ///

1 **2.3 Co-Debtors**

2 The obligation to Holiday Hospitality Franchising, Inc. (“HHFI”) is guaranteed by
3 Ebawa Singh Dhillon, Mandeep Dhillon and Mr. and Mrs. Harwant Dhillon.

4 **3. DEVELOPMENTS DURING THE COURSE OF THIS CHAPTER 11 CASE**

5 **3.1 Meeting of Creditors**

6 The United States Trustee conducted a meeting of creditors pursuant to 11 U.S.C.
7 § 341 on February 1, 2010. The Debtor appeared through its principal, Bawa Dhillon.

8 **3.2 Schedules and Statement of Affairs**

9 The Debtor filed its schedule of assets and liabilities and statement of financial affairs
10 on December 31, 2009, and amended the same on February 1, 2010. Those schedules and
11 statements may be viewed online at www.nvb.uscourts.gov or may be obtained from the
12 Bankruptcy Clerk for a fee.

13 **3.3 Monthly Operating Reports**

14 Monthly operating reports reflecting the Debtor’s ongoing financial status are filed
15 with the United States Bankruptcy Court and can be viewed online at www.nvb.uscourts.gov.

16 **3.4 Employment of General Counsel**

17 On February 22, 2010, the Court entered an order authorizing the employment of
18 Kung & Associates, as general counsel for the Debtor [Dkt. 50]. On June 8, 2011, the Court
19 entered an order authorizing the employment of Law Offices Of Alan R. Smith, as general
20 co-counsel for the Debtor in this Chapter 11 case [Dkt. 205].

21 **3.5 Creditors Committee**

22 There has been no appointment in this case of a creditor’s committee pursuant to 11
23 U.S.C. § 1102.

24 **3.6 Use of Cash Collateral**

25 On March 1, 2010, the court entered its Order For Adequate Protection And Limited
26 Use Of Cash Collateral [Dkt. 54] which was modified by the Order regarding Motion For
27 Relief From Stay And Limited Use Of Cash Collateral, Granting Motion To Use Cash
28 Collateral entered on August 6, 2010 [Dkt. 150].

1 **4. DESCRIPTION OF ASSETS**

2 **4.1 Description of Real Property**

3

Description/Type	Approx. Acres	Assessor's Parcel #	Estimated Value ³
Holiday Inn Express located at 3019 Idaho Street, Elko, Nevada	1.95+/-	001-560-089	\$ 4,700,000

4

5

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7 **4.2 Description of Personal Property**

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Description	Location	Est. Current Value
Checking Account (DIP)	First Independent Bank	\$87,000.00
Furniture and Equipment in office and rooms	Holiday Inn Express, 3019 Idaho Street, Elko, Nevada	\$187,645.00 (Estimated)
TOTAL:		\$ 274,645.00

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13 **5. DESCRIPTION OF DEBTS**

14 **5.1 Administrative Claims**

15 (A) Attorneys Fees/Law Offices of Alan R. Smith. The Debtor will be

16 obligated to pay attorneys fees and costs owed to Kung & Associates and the Law Offices

17 of Alan R. Smith, subject to Court approval. The Debtor estimates that attorneys fees will

18 be incurred prior to Plan confirmation, but is unable to project the final balance at this time.

19 (B) U.S. Trustee Fees. All fees required to be paid to the United States

20 Trustee will be paid in full upon the Effective Date of the Debtor's Plan. U.S. Trustee fees

21 due in this case have been paid.

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26 ³ This is the Debtor's estimate only. The Debtor obtained an appraisal from HVS

27 Consulting and Valuation Services June 3, 2010, indicating a fair market value of

28 \$4,600,000.00. Wells Fargo obtained an appraisal from HVS Consulting and Valuation

Services May 11, 2010, indicating a fair market value of \$6,300,000.00. Although from the

same appraisal firm, each appraiser may have relied upon different data in reaching his

conclusion. There has been no more recent appraisal of which Debtor is aware.

1 **5.2 Priority Claims**

2 The Debtor estimates priority claims owed as follows:

3 Nevada Department of Taxation \$944.00

4 Nevada Employment Security \$346.00

5 **5.3 Secured Claims**

6 The Debtor has scheduled against it the following secured claims:

Creditor	Nature of Lien	Est. Amount of Secured Claim
Wells Fargo Bank	Deed of Trust	\$ 11,560,809.00 ⁴
City of Elko	Statutory Lien	\$ 124,803.98
TOTAL SECURED CLAIMS		\$ 11,685,612.98

7 **5.4 Unsecured Claims**

8 The Debtor has scheduled against it the following unsecured claims.

Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
A S Hospitality	Supplier	\$247.00	
American EPAY	Equipment Rental	\$172.18	
American Hotel Register Company	Operating Supplies	\$1,537.84	
AT&T Telecommunication Svcs.	Communication	\$968.40	
AT&T Global Network Svcs.	Communication	\$754.45	
BAJA Broadband	Internet & Cable	\$2,119.53	
Budget Bookkeeping	Accounting	\$300.00	
Coast to Coast Computer Products	Office Supplies	\$1,133.28	
DEA Incorporated	Advertisement	\$1,732.00	
Ecolab	Room Operating Supplies	\$216.00	
Elko Daily Free Press	Newspaper	\$100.00	\$210.50
Elko Foods	Operating Supplies (Food)	\$14,954.29	\$15,744.43

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⁴ This secured claim may be reduced to the fair market value of the Property.

	Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
1				
2				
3	Elko Municipal Water Dept.	Water Utility	\$3,375.20	
4	Frontier	Telephone Utility	\$3,748.17	
5	Guardian Solutions	Loan Modification	\$89,000.00	
6	Heirsch Hayward Drakeley & Urbach	Legal Fees	\$5,296.26	
7	InterContinental Hotels Group	Monthly Franchise Fee	\$76,579.96	
8				
9	Malar Contract Lighting	Repair & Maintenance	\$1,219.85	
10	Micros System	Electrical & Mechanical	\$600.00	\$600.00
11	Nevada Bank and Trust	Unknown	Unknown	
12	NV Energy	Utility	\$18,000.00	
13	OTIS Elevator Company	Repair & Maintenance	\$2,379.36	
14	Persona Inc.	Fixture	\$52,781.53	
15	Platte River Trading	Toys (Suitshop)	\$510.05	
16	Play Network	Repair & Maintenance	\$4,415.35	
17				
18	Playground Consulting	Computer Networking	\$561.00	
19	Royal Cup	Operating Supplies (Food)	\$3,462.92	
20	Scent Air Technology	Operating Supplies (Room)	\$791.12	
21				
22	Simplex Grinnell	Repair & Safety	\$820.50	
23	Superior Asphalt	Ground Maintenance	\$6,138.42	
24	Sysco International Food	Operating Supplies (Food)	\$2,353.73	
25	Technology Ins. Company	Worker's Compensation	\$8,420.00	
26				
27	YESCO	Advertisement	\$6,366.90	
28	TOTAL UNSECURED CLAIMS:		\$311,055.29	

1 **5.5 Claims Deadline**

2 In accordance with the Bankruptcy Court's Notice of Chapter 11 Bankruptcy Case,
3 Meeting of Creditors, & Deadlines filed on December 31, 2009, the deadline for filing a
4 proof of claim for all creditors in this action was May 3, 2010, and June 29, 2010 for
5 governmental agencies.

6 **6. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

7 The Debtor is a party to the following executory contracts:

8

Executory Contract Name and Address	Description	Assume or Reject
Frontier P.O. Box 3609 Kingman, AZ 86402	Internet	Reject
OTIS Elevator Company P.O. Box 73579 Chicago, IL 60673	Elevator	Assume
PEA 5260 E. Idaho Elko, NV 89801	Signage	Assume
Simplex Grinnell Dept CH 10320 Palatine, IL 60055	Security	Assume
YESCO 2401 Foothill Dr. Salt Lake City, UT 84109	Signage	Assume
Holiday Hospitality Franchising, Inc. 3 Ravinia Drive, Ste. 100 Atlanta, GA 30346	HHFI has informed the Debtor that the amount needed to cure monetary defaults under the license will be approximately \$100,000, which could increase if there is litigation concerning plan confirmation. HHFI has also informed the Debtor that it intends to object to the Debtor's plan on the basis that the currently proposed cure payment schedule does not comply with the Bankruptcy Code.	Assume

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2 **7. DESCRIPTION OF PENDING AND COMPLETED LITIGATION**

3 Prior to the commencement of this bankruptcy case, the Debtor was a defendant in
4 litigation prosecuted by Wells Fargo Bank. On or about August 17, 2009, Lender filed a
5 Verified Complaint seeking equitable relief against the Debtor in Case No. 09-01542,
6 pending in the United States District Court, District of Nevada (the "Receivership
7 Action"). The Verified Complaint sought specific performance of the receivership and
8 assignment of rents and leases provisions contained in the Appointment of Receiver (the
9 "Receiver Application"). On October 1, 2009, an Order Appointing Receiver was entered.
10 However, because Lender and Debtor had commenced discussions in the meantime, Lender
11 and Debtor entered into a written Forbearance Agreement, pursuant to which the parties
12 agreed, among other things, that Lender would forbear through November 30, 2009 from
13 exercising any of its rights and remedies based upon Debtor's defaults under the Loan
14 Documents, including allowing the receiver to act pursuant to the Order, in order to allow
15 Debtor to attempt to refinance the loan. Pursuant to the terms of the Forbearance Agreement,
16 and in an effort to work with Debtor towards a resolution despite the already entered Order
17 Appointing Receiver, Lender filed a Motion to Amend the Order Appointing Receiver in the
18 Receivership Action requesting the appointment of receiver not take effect until December
19 1, 2009, unless the Debtor had met certain conditions of the Forbearance Agreement, in
20 which case the appointment of receiver should not take effect until January 1, 2010.

21 On November 2, 2009, Lender recorded a "Notice of Trustee's Sale" in Elko County,
22 Nevada (the "Recorded Notice of Sale") as Document No. 619323, scheduling the sale to
23 take place on December 2, 2009. On December 2, 2009, because Lender agreed, at Debtor's
24 request, to grant Debtor yet another extension, the Trustee orally postponed the sale to
25 January 5, 2010. Despite Lender having engaged in multiple discussions with Debtor
26 regarding possible resolution and granting Debtor at least three extra months to obtain
27 other financing, Debtor failed to meet the conditions of the Forbearance Agreement and
28 accordingly, Lender arranged for the receiver to take control of the Property on January 1,

1 2010. On December 31, 2009 (the "Petition Date"), on the eve of the receiver taking control
2 of the Property, Debtor filed its Chapter 11 bankruptcy petition.

3 **8. SUMMARY OF PLAN OF REORGANIZATION**

4 **THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN OF**
5 **REORGANIZATION WHICH IS FILED CONCURRENTLY HEREWITH (the**
6 **"Plan"), AND SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. THE**
7 **SUMMARY IS NOT COMPLETE, AND CREDITORS ARE URGED TO READ THE**
8 **PLAN IN FULL. A COPY OF THE PLAN OF REORGANIZATION WILL BE**
9 **PROVIDED TO ALL CREDITORS. TO THE EXTENT THE FOLLOWING**
10 **SUMMARY INCLUDES DEFINED TERMS, THOSE DEFINITIONS ARE**
11 **INCLUDED IN THE PLAN FILED CONCURRENTLY HEREWITH. ALL**
12 **CAPITALIZED TERMS HEREINAFTER HAVE THE MEANINGS SET FORTH IN**
13 **THE PLAN.**

14 **8.1 Classification and Treatment of Claims**

15 The Plan designates six (6) classes of claims. Those classes take into account the
16 differing nature and priority of the various classified claims under the Bankruptcy Code.

17 The following table briefly summarizes the classification and treatment of all Claims
18 under the Plan and the consideration distributable on account of such Claims under the Plan.
19 The information set forth in the following table is for convenience of reference only, and
20 each holder of a Claim should refer to the Plan for a full understanding of the classification
21 and treatment of Claims provided for under the Plan. Claims will receive designated
22 treatment within a Class only to the extent Allowed within that class. The Claim allowance
23 procedure is an ongoing process and the actual amount of the Allowed Claims may vary from
24 the estimates. For a complete description of the risks associated with the recoveries provided
25 under the Plan, see Section 11 of the Plan, entitled "Certain Risk Factors To Be Considered."

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CLASS	CLAIMS	SUMMARY OF TREATMENT
Nonclassified	Administrative Expenses	Paid in full on the latest of (a) on or before the Effective Date; (b) when due or such later date as approved by the claimant; or (c) when allowed by Final Order
Class 1	Secured Claim of Wells Fargo Bank	See Section 8.2.1 below
Class 2	Secured Claim of City of Elko	See Section 8.2.2 below
Class 3	Secured Claim of Elko Gold Mine, LLC	See Section 8.2.3 below
Class 4	Unsecured Claims	See Section 8.2.4 below
Class 5	Membership Interest	Receives no distribution until Class 1 through 4 are paid in full. See Section 8.2.5 below

8.2 Treatment of Claims and Interests

Each creditor class shall be treated as follows:

8.2.1 Class 1 (Wells Fargo Secured Claim)

The Wells Fargo Secured Claim shall be treated under the Plan as follows:

(A) Amount of the Wells Fargo Secured Claim

The amount of the Wells Fargo Secured Claim shall be the sum of \$6,706,136.13, plus additional post petition collection costs and fees subsequent to September 15, 2011, as agreed upon by the Debtor.

(B) Retention of Security Interest in Property

Wells Fargo shall retain its security interest in the Property as evidenced by the Wells Fargo Deed of Trust.

(C) Payment of the Wells Fargo Secured Claim

The Wells Fargo Secured Claim shall bear interest at the rate of 5.25% per annum from and after the Effective Date (the "Wells Fargo Interest Rate"). On or before the 11th day of each and every month, commencing on the 11th day of the next month following the Confirmation Date, the Debtor shall distribute to Wells Fargo a sum equal to the normal amortized monthly payment based upon the Wells Fargo Interest Rate and a 30-year

1 amortized mortgage term (the “Monthly Class 1 Payment”).

2 **(D) Payment of the Balance Due on the Wells Fargo Secured Claim**

3 The balance owed on the Wells Fargo Secured Claim, together with any and
4 all accrued interest, fees and costs due thereunder, shall be paid on or before May 11, 2017.

5 **(E) Loan Documents Remain In Effect**

6 The Wells Fargo Note and the Wells Fargo Deed of Trust shall be modified as
7 follows:

- 8 (1) As of the Effective Date the Debtor shall be current on insurance payments and
9 real property taxes. Following the Effective Date the Debtor shall pay directly
10 (without an escrow account) all insurance payments and real property taxes.
11 The Debtor shall provide a monthly STR report to Wells Fargo which shall
12 include the status of payments on real estate taxes and insurance, commencing
13 on the first day of the fourth month following the Effective Date, and
14 continuing on the first day of every third month thereafter.
- 15 (2) Debtor will continue to pay personal property taxes and transient lodging taxes
16 when due.
- 17 (3) The Debtor shall not make any payments to the FF&E reserve account.
- 18 (4) In the event of a Default, (as defining in this Plan), Wells Fargo shall be
19 entitled to institute the cash management program set forth in Section 2 of the
20 Cash Management Agreement dated August 2, 2007. The Debtor shall execute
21 such documents as are necessary in order to effectuate this provision.

22 **(F) Subordination of Management Fee**

23 Any management fee shall be subordinate to the payment to the Class 1 creditor as set
24 forth herein.

25 **(G) No Bankruptcy Filing for Two Years**

26 The Debtor shall be prohibited from filing another bankruptcy case for a period of two
27 (2) years following the Effective Date.

28 ///

1 **(H) Deficiency Claim**

2 The Class 1 creditor shall have a deficiency claim against the Debtor in the amount
3 of \$4,854,672.00.

4 **(I) Plan Default**

5 In the event of a default by the Debtor under the Plan, and in the event Debtor
6 fails to cure such default within fifteen (15) business days after delivery of notice to the
7 Debtor and to Debtor's counsel, there shall be a Default under this Plan, and Wells Fargo
8 shall be entitled to enforce all of the terms of the Wells Fargo Deed of Trust and the Wells
9 Fargo Note, in addition to all rights available under Nevada law, including, without
10 limitation, foreclosure upon the Property and the opportunity to credit bid the entire amount
11 of the Wells Fargo Note at any foreclosure sale.

12 **8.2.2 Class 2 (City of Elko):**

13 The Secured Claim of the City of Elko shall bear interest at the statutory rate, and
14 shall be paid by equal monthly payments over a period of 60 months, commencing on the
15 first day of the first month following the Effective Date.

16 **8.2.3 Class 3 (Elko Gold Mine, LLC Secured Claim):**

17 The Secured Claim of Elko Gold Mine, LLC shall bear interest at the rate of 3.75%,
18 and shall be paid by equal monthly payments over a period of 60 months, commencing on
19 the first day of the first month following the Effective Date.

20 **8.2.4 Class 4 (Unsecured Claims):**

21 Allowed Unsecured Claims shall receive quarterly pro rata disbursements of
22 \$3,000.00, commencing on the first day of the month at least 90 days following the Effective
23 Date, and continuing on the first day of each and every third month thereafter for a total of
24 20 quarterly payments. To the extent that the Debtor is unable to make such payment,
25 Dhillon Holdings, Inc., or an affiliate company, shall contribute to the Debtor sufficient
26 funds to make the payment.

27 **8.2.5 Class 5 (Membership Interests):**

28 The member shall retain its membership interest in the Reorganized Debtor, but shall

1 receive no distribution until Classes 1 through 4 are paid in full.

2 **8.2.6 Treatment of Unclassified Claims:**

3 **(A) Administrative Claims**

4 Claims arising during the administration of the Debtor's Chapter 11 case and entitled
5 to priority under Section 507(a)(1) of the Bankruptcy Code are not classified under the Plan.
6 Holders of such claims shall be paid in full on the latter of the Effective Date, or fifteen (15)
7 days after entry of an order creating an Allowed Administrative Claim, unless holders of an
8 Allowed Administrative Claim agree to alternative treatment.

9 **(B) Fees to the United States Trustee**

10 All fees required to be paid to the United States Trustee will be paid in full upon the
11 Effective Date of the Debtor's Plan, and shall remain current until the case is fully
12 administered, closed, converted or dismissed, whichever occurs first. Such fees may be paid
13 by cash contributions by the member of the Debtor.

14 **(C) Priority Claims**

15 Allowed Priority Claims shall be paid in full within 60 days following the Effective
16 Date.

17 **(D) Disputed Claims**

18 All payments hereunder to creditors whose claims are not liquidated or are disputed
19 shall be paid into a segregated trust account until such claims are an Allowed Claim, in which
20 case the proceeds shall be disbursed, or such claim shall be disallowed.

21 **8.3 Executory Contracts**

22 The executory contract with Frontier is rejected.

23 The executory contract with Holiday Hospitality Franchising, Inc. ("HHFI") is
24 specifically assumed. The obligation remains guaranteed by Ebawa Singh Dhillon, Mandeep
25 Dhillon, and Mr. and Mrs. Harwant Dhillon, which guarantees shall remain intact and
26 unaltered by the Plan. Any delinquent amounts owed to HHFI shall be cured by the payment
27 of \$1,000.00 per month, in addition to the regularly owed payment, until the Debtor is
28 current. Debtor reserves the right to propose a more rapid cure on or before Plan

1 Confirmation. Such cure may be made by payment prior to the Effective Date of part or all
2 of the delinquent amount funded by the Debtor's equity owners. HHFI shall be entitled to
3 enforce any breach of its agreement with the Debtor, including action against the guarantors,
4 following confirmation of the Plan.

5 All other executory contracts of the Debtor are specifically assumed.

6 **8.4 Means of Implementing and Funding The Plan**

7 a) Continued Operation of the Business

8 Debtor shall continue to operate its business of a Holiday Inn Express upon the
9 Property post-confirmation. The income generated therefrom will be used to fund the Plan.
10 Attached to the Disclosure Statement is a projection of the Monthly Net Income generated
11 from business operations.

12 b) Sale or Refinance of Property

13 The Debtor will sell or refinance the Property between 48 months and 63 months
14 following the Effective Date. The proceeds from such sale or refinance shall be used to fund
15 the Plan as set forth herein.

16 c) Contribution From Equity to Fund Plan

17 Dhillon Holdings, Inc., or an affiliate company, shall contribute such funds as are
18 necessary to implement the Plan, specifically including any sums necessary to cure executory
19 contracts as set forth in Section 6 above.

20 d) Disputed Claims

21 All sums contemplated to be paid under the Plan to creditors whose claims are not
22 liquidated or are disputed shall be paid into a segregated trust account until such claims are
23 an Allowed Claim, in which case the proceeds shall be disbursed, or such claim shall be
24 disallowed.

25 e) Revesting of Assets in the Debtor

26 Upon confirmation of the Plan, all property of the estate of the Debtor shall be
27 revested in the Debtor, pursuant to 11 U.S.C. § 1141(c), which shall retain such property as
28 the Reorganized Debtor free and clear of all claims and interests of the creditors, except as

1 set forth in the Plan.

2 f) Disbursing Agent

3 The Debtor will serve as disbursing agent and shall make all payments required under
4 the Plan. The disbursing agent may employ or contract with other entities to assist in or to
5 perform the distribution of the property and shall serve without bond.

6 **9. POST-CONFIRMATION FINANCIAL CONDITION OF THE DEBTOR**

7 Following Plan confirmation, the Debtor believes that its post-confirmation financial
8 condition shall be as set forth in the Post-Petition Balance Sheet attached hereto as
9 **Exhibit "A."**

10 **10. POST-CONFIRMATION MANAGEMENT OF THE DEBTOR**

11 The Debtor shall be managed post-confirmation by its current employees, or such new
12 employees as are obtained, under the terms set forth in Section 2.2 above, as well as by
13 Dhillon Holdings, Inc., which shall receive a management fee of 5% of gross monthly
14 revenues provided the Debtor is current in its obligations under the Plan.

15 **11. ALTERNATIVES TO THE PLAN**

16 The Debtor believes that the Plan provides its creditors with the earliest and greatest
17 possible value that can be realized on their claims.

18 Under § 1121 of the Bankruptcy Code, the Debtor has the exclusive right to file a plan
19 of reorganization during the first 120 days after commencement of its Chapter 11 case, or as
20 otherwise extended by the Court. The Plan was filed within such 120 day period. In
21 addition, if the Plan is not accepted, other parties in interest may have an opportunity to file
22 an alternative plan of reorganization.

23 Alternatively, a liquidation of the Debtor's assets could be conducted as described in
24 Section 13 of this Disclosure Statement. For the reasons described in that section, Debtor
25 believes that the distribution to each impaired class under the Plan will be greater and earlier
26 than distributions that might be received in a Chapter 7 liquidation of the Debtor's assets.

27 **12. CERTAIN RISKS TO BE CONSIDERED**

28 **HOLDERS OF CLAIMS AGAINST THE DEBTOR SHOULD READ AND**

1 CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE
2 OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE
3 DOCUMENTS ATTACHED OR DELIVERED HERewith AND/OR INCORPORATED
4 HEREIN BY REFERENCE), IN DETERMINING WHETHER OR NOT TO ACCEPT OR
5 REJECT THE DEBTOR'S PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER,
6 BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN
7 CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

8 **12.1 Risk of Non-Confirmation of the Plan**

9 Because the Plan provides for the reorganization of the Debtor as a going concern,
10 many of the common risk factors found in typical reorganizations apply with respect to the
11 Plan. These include (a) the value of the Debtor's property has suffered significantly as a
12 result of the downturn in the United States economy since the summer of 2007. There is no
13 assurance that the Debtor's projections of the stabilized income from the Property will occur,
14 or that these projections will occur within the time period projected in the Plan; (c) because
15 the Plan is dependent on continued room rentals at the Property, there is a risk that the
16 projections of net operating income, with which to pay the Allowed Claims of Creditors, may
17 not be met; (d) if Wells Fargo is not paid in accordance with the Plan, and the Debtor is
18 unable to sell the Property or to secure alternative financing, Wells Fargo may foreclose on
19 the Property. Debtor is unaware of any regulatory contingencies or risks in connection with
20 the Plan.

21 **12.2 Non-Consensual Confirmation**

22 In the event one or more impaired Classes of Claims does not accept the Plan, the
23 Bankruptcy Court may nevertheless confirm the Plan at the Debtor's request, if all other
24 conditions for confirmation have been met and at least one impaired Class has accepted the
25 Plan (such acceptance being determined without including the vote of any "insider" in such
26 Class) and, as to each impaired Class that has not accepted the Plan "does not discriminate
27 unfairly" and is "fair and equitable" with respect to the rejecting impaired classes. The
28 Debtor believes that the Plan satisfies those requirements.

1 **12.3 Tax Consequences of the Plan**

2 The Debtor believes that there are no federal income tax consequences peculiar to its
3 Plan. EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH
4 HIS/HER TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND
5 FOREIGN TAX CONSEQUENCES TO HIM/HER OF THE PLAN.

6 **12.4 Projections of Operations**

7 The Debtor's projection of its future income and expenses is set forth in **Exhibit "B"**
8 attached hereto. Those projections are based upon historical operations and projected
9 increase in room rentals up to a stabilized level.

10 **12.5 Liquidation Analysis**

11 Should the Debtor be forced to terminate its business operations or convert its case
12 to Chapter 7 and have a trustee conduct the liquidation of its assets, Debtor estimates that
13 such a liquidation will result in payment only to Wells Fargo on its secured claim (Class 1
14 creditor) and no distribution to any of the other creditors (Classes 2, 3, 4, and 5). This is
15 because Debtor will be unable to bring current existing financing, and no new financing is
16 currently available, which will lead to foreclosure on the Property and to personal property.
17 The Debtor believes the value of the Property can only be enhanced by continued operation
18 of the Property, reaching stabilized occupancy, and a more favorable economic environment.

19 **13. CONFIRMATION OF THE PLAN**

20 **13.1 Confirmation of the Plan**

21 Pursuant to Section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will
22 conduct a hearing regarding confirmation of the Plan at the United States Bankruptcy Court,
23 300 Booth Street, Reno, Nevada 89509, pursuant to separate notice provided to creditors and
24 interested parties.

25 **13.2 Objections to Confirmation of the Plan.**

26 Section 1128(b) provides that any party-in-interest may object to confirmation of a
27 plan. Any objections to confirmation of the Plan must be in writing, must state with
28 specificity the grounds for any such objections and must be filed with the Bankruptcy Court

1 and served upon the following parties so as to be received on or before the time fixed by the
2 Bankruptcy Court:

3 AJ Kung, Esq.
4 Brandy Brown, Esq.
5 Kung & Associates
6 214 S. Maryland Parkway
7 Las Vegas, Nevada 89101
8 Telephone: (702) 382-0883
9 Facsimile: (702) 382-2720
10 Email: ajkung@ajkunglaw.com

Alan R. Smith, Esq.
505 Ridge Street
Reno, Nevada 89501
Telephone: 775/786-4579
Facsimile: 775/786-3066
Email: mail@asmithlaw.com

8 For the Plan to be confirmed, the Plan must satisfy the requirements stated in Section 1129
9 of the Bankruptcy Code.

10 **DATED** this 11th day of June, 2012.

11 LAW OFFICES OF ALAN R. SMITH

12
13 By: /s/ Alan R. Smith
14 ALAN R. SMITH, ESQ.
15 Co-Counsel for Debtor
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EXHIBIT "A"

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EXHIBIT "A"

POST-PETITION BALANCE SHEET

ASSETS:

Cash	\$ 50,000.00 (estimated)
Personal Property	\$ 150,000.00 (estimated)
Real Property	<u>\$ 4,700,000.00 (estimated)</u>

TOTAL ASSETS: \$4,900,000.00

LIABILITIES:

Administrative Claims (Est. Atty. Fees)	\$ 60,000.00 (estimated)
Priority	\$ 0.00
Secured Debt	\$ 11,560,809.00 (estimated)
Bank Deficiency Claim	\$ (unknown)
Unsecured Debt	<u>\$ 110,000.00 (estimated)</u>

TOTAL LIABILITIES \$11,730,809.00

NET ASSETS OVER LIABILITIES <\$6,830,809.00>

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EXHIBIT "B"

PROJECTED MONTHLY

NET INCOME

Exhibit "B"

Dhillon Properties LLC
 * For settlement purpose
 Forecast 10 years

	1	2	3	4	5	6
	2012	2013	2014	2015	2016	2017
Gross Room Revenue	\$ 2,457,280.00	\$ 2,531,200.00	\$ 2,563,680.00	\$ 2,587,200.00	\$ 2,620,800.00	\$ 2,665,600.00
Revenue - Other	5,500.00	6,000.00	6,300.00	6,300.00	6,500.00	6,800.00
Total Gross Cash Receipts	2,462,780.00	2,537,200.00	2,569,980.00	2,593,500.00	2,627,300.00	2,672,400.00
Salaries and Wages	373,915.00	385,220.00	390,201.00	393,771.00	398,905.00	405,756.00
Payroll Taxes	43,990.00	45,320.00	45,906.00	46,326.00	46,930.00	47,736.00
Employee Benefits		100.00		100.00		100.00
Total Payroll Expense	417,905.00	430,640.00	436,107.00	440,197.00	445,835.00	453,592.00

Operational Expense

Comp Brkf Food/Supplies	109,975.00	113,300.00	114,765.00	115,815.00	117,325.00	119,340.00
Operating Supplies	87,980.00	90,640.00	91,812.00	92,652.00	93,860.00	95,472.00
Operating Services	43,990.00	45,320.00	45,906.00	46,326.00	46,930.00	47,736.00
Office Supplies	6,598.50	6,798.00	6,885.90	6,948.90	7,039.50	7,160.40
Travel Agent Commission	43,990.00	45,320.00	45,906.00	46,326.00	46,930.00	47,736.00
Guest Reward Programs	5,498.75	5,665.00	5,738.25	5,790.75	5,866.25	5,967.00
Suit Shop Supplies	4,399.00	4,532.00	4,590.60	4,632.60	4,693.00	4,773.60
Dry Cleaning	2,199.50	2,266.00	2,295.30	2,316.30	2,346.50	2,386.80
Franchise Fees	329,925.00	339,900.00	344,295.00	347,445.00	351,975.00	358,020.00
Employee Training	6,598.50	6,798.00	6,885.90	6,948.90	7,039.50	7,160.40
Travel Expense	15,396.50	15,862.00	16,067.10	16,214.10	16,425.50	16,707.60
Postage & Freight	3,299.25	3,399.00	3,442.95	3,474.45	3,519.75	3,580.20
License and Tax	2,199.50	2,266.00	2,295.30	2,316.30	2,346.50	2,386.80
Professional & Legal Fees	43,990.00	45,320.00	45,906.00	46,326.00	46,930.00	47,736.00
Management Fee	65,985.00	67,980.00	68,859.00	69,489.00	70,395.00	71,604.00
Charitable Contributions	3,601.00	3,602.00	3,603.00	3,604.00	3,605.00	3,606.00
Dues and Subscriptions	4,399.00	4,532.00	4,590.60	4,632.60	4,693.00	4,773.60
Software Comm and Internet	10,997.50	11,330.00	11,476.50	11,581.50	11,732.50	11,934.00
Bank Charges	879.80	906.40	918.12	926.52	938.60	954.72
Credit Card Merchant Fees	70,384.00	72,512.00	73,449.60	74,121.60	75,088.00	76,377.60
Insurance	43,990.00	45,320.00	45,906.00	46,326.00	46,930.00	47,736.00
Pest Control	1,759.60	1,812.80	1,836.24	1,853.04	1,877.20	1,909.44
Repair & Maintenances	21,995.00	22,660.00	22,953.00	23,163.00	23,465.00	23,868.00
Utilities	109,975.00	129,162.00	137,718.00	143,610.60	152,522.50	167,076.00

Admin & General	1,094,992.90	1,143,853.20	1,165,483.86	1,180,747.66	1,203,135.80	1,235,672.16
Property Taxes	42,000.00	45,000.00	45,000.00	45,000.00	45,000.00	45,000.00
Occupancy Tax	263,280.00	271,200.00	274,680.00	277,200.00	280,800.00	285,600.00
Total Tax Expense	305,280.00	316,200.00	319,680.00	322,200.00	325,800.00	330,600.00
Plan Payment						
Property Tax	28,967.00	28,967.00	28,967.00	28,967.00	28,967.00	28,967.00
Unsecured creditor	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00
Holiday Inn Hospitality	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00
Mortgage	444,378.38	444,378.38	444,378.38	444,378.38	444,378.38	444,378.38
Capital Improvements	74,438.88	74,438.88	74,438.88	74,438.88	74,438.88	74,438.88
Variance for uncertainties	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
	621,784.26	621,784.26	621,784.26	621,784.26	621,784.26	621,784.26
Total Job Cost	2,439,962.16	2,512,477.46	2,543,055.12	2,564,928.92	2,596,555.06	2,641,648.42
NOI	22,817.84	24,722.54	26,924.88	28,571.08	30,744.94	30,751.58