

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF ILLINOIS
BENTON DIVISION

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

AMENDED DISCLOSURE STATEMENT

I. INTRODUCTION

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

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

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

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

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

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

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

II. BACKGROUND

In 1997, Debtors purchased the Home Motel in Centralia, Illinois, for \$155,000.00. Centralia is a small town of approximately 13,000 about 60 miles east of St. Louis. The Home Motel is a classic, one story motel with 13 rooms and a 3 bedroom house where the Debtors reside. It is marketed as a budget motel with nightly rates of approximately \$35.00.

In 2004, Debtors purchased three parcels in Mattoon, Illinois: (1) the US Grant Motel which is a 36 room motel located at 1313 Lakeland Boulevard; (2) a 12 room motel located at 1821 Olive Avenue; and (3) a 50 foot by 140 foot parking lot. In 2006, Debtors purchased a duplex located at 1820 Olive Avenue. Finally, the Debtors purchased a 50 foot by 140 foot parking lot for their guests. The properties are located along US Highway 45 on the south side of Mattoon.

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

III. CURRENT SITUATION

The US Grant Motel is currently closed and the subject of an ordinance violation complaint filed by the City of Mattoon. The City is seeking demolition or renovations such as updated gas lines, electrical work, siding, and roofing. While some have estimated the cost of repairs at \$35,000.00 to \$40,000.00, Debtors estimate the actual cost at between \$10,000.00 to \$20,000.00. Once the repairs have been completed, Debtors estimate the gross annual receipts from 1313 Lake Land Boulevard will be at least \$50,000.00. At the time of the filing of this case, Debtors were renting 9 of the 12 units at 1821 Olive Avenue. Debtors have closed three of the units until repairs can be made to the roof. Debtors estimate the cost of the roof repair to be \$5,000.00. Once the repairs are completed, Debtors believe the gross annual receipts from 1821 Olive Avenue would be approximately \$50,000.00. Debtors are not renting the duplex located at 1820 Olive Avenue. Debtors estimate the cost of roof repairs to be \$5,000.00. Once the repairs have been completed, Debtors believe each 2 bedroom, 1 bath part of the duplex can be rented for \$500.00 per month for an annual gross revenue of \$12,000.00.

Since the filing of the case, Debtors have decided to simplify their lives. They have agreed to close the Mattoon rental properties and cooperate with Community Trust Bank in the orderly liquidation of those assets. Debtors are currently renting all units of the Home Motel in Centralia. The average annual gross receipt from the Home Motel is \$42,000.00. It is their goal to retain and operate the motel. By downsizing, they will be able to devote all of their attention to the Centralia motel. In addition, they will reduce costs by not needing employees.

IV. CASH FLOW ANALYSIS

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

INCOME FROM NON-BUSINESS SOURCES

PROJECTED INCOME FROM SOCIAL SECURITY	\$1,270.00
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RENTAL INCOME FROM UNITS

PROJECTED GROSS INCOME	\$3,500.00
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TOTAL PROJECTED MONTHLY INCOME FROM ALL SOURCES	\$4,770.00
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PROJECTED MONTHLY OPERATING EXPENSES

Liability/Fire insurance	\$218.58	
Inventory purchases	\$200.00	
Utilities	\$925.00	
Repairs and Maintenance	\$100.00	
Legal/Accounting/Professional Fees	\$50.00	
Community Trust Bank	\$948.95	
Real Estate Taxes (ongoing)	\$182.48	
Lawn care	\$40.00	
Telephone	\$200.00	
Trash Removal	\$52.00	
Pest Control	\$125.00	
Cable	\$217.37	
		\$3,259.38

PROJECTED MONTHLY HOUSEHOLD EXPENSES

Food and housekeeping expenses	\$320.00	
Clothing laundry and dry cleaning	\$25.00	
Personal care products and services	\$20.00	
Medical and dental expenses	\$18.00	
Transportation	\$180.00	
Life Insurance	\$179.00	
Automobile Insurance	\$150.00	
License Plates	\$10.00	
		\$1,027.00

TOTAL COMBINED EXPENSES		\$4,286.38
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AVAILABLE PROCEEDS TO FUND CLASS 6:	\$483.62
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V. PENDING CLAIMS AND LITIGATION

The Debtors in possession are involved in two pending claims. One matter is a personal injury claim filed as a counterclaim to an eviction matter filed by the debtors in Marion County, Illinois. *Yadav v. Smith*, Marion County Case 2016-LM-21. Smith has petitioned the Bankruptcy Court to proceed with either a worker's compensation before the Illinois Workers Compensation Commission or personal injury claim against Debtors in Marion County, Illinois. Smith will only

seek recovery from Debtors' insurance coverage. Debtors do not oppose the motion and believe that this resolution is in the best interest of the creditors.

The Debtors in Possession are also involved in an ordinance violation case filed by the City of Mattoon regarding the US Grant Motel located at 1313 Lake Land Boulevard. *City of Mattoon v. Yadav*, Coles County Case 16-OV-493. The City of Mattoon is seeking demolition of the property. This matter is stayed pending the bankruptcy proceeding. Debtors have decided to surrender the Mattoon properties to the lienholder, Community Trust Bank. Debtors and the Bank are seeking a buyer for the properties.

VI. SUMMARY OF PROPOSED PLAN OF REORGANIZATION

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

Class 2 – **Coles County Real Estate Taxes**. **Coles County Treasurer**, holds a claim secured by a statutory lien for 2015 real estate taxes in the amount of approximately \$9,304.77 encumbering Debtors' real estate located at 1313 Lake Land Boulevard, 1820 Olive Avenue, 1821 Olive Ave, and an adjacent lot in Mattoon, Coles County, Illinois. **Raven Securities, Inc., Coles County Trustee, Realtax Dev, Ltd.**, and **FRHL, LLC**, the purchasers of delinquent 2014 real estate taxes encumbering the real estate located at 1313 Lake Land Boulevard, 1820 Olive Avenue, 1821 Olive Avenue, and adjacent lot in Mattoon, Coles County, Illinois, who hold claims totaling approximately \$10,748.63. Holders of these claims will be paid 100% of their allowed claims from the sale of the real estate.

Class 3 – **Community Trust Bank**, which holds a claim secured by a mortgage encumbering Debtors' real estate located at 326 W. Noleman Street, Centralia, Marion County, Illinois, with a fair market value of \$120,000.00, shall be paid 100% of its allowed secured claim of \$120,000.00 with 5% interest by means of 180 monthly payments of \$948.95. Payments shall begin no later than 30 days after the effective date of the Plan. Any deficiency of this claim shall be paid as Class 6 claim.

Class 4 – **Community Trust Bank**, which holds a claim secured by a mortgage encumbering Debtors' real estate located at: (1) 1313 Lake Land Boulevard, Mattoon, Coles County, Illinois; (2) 1820 Olive Avenue, Mattoon, Coles County, Illinois; (3) 1821 Olive Avenue, Mattoon, Coles County, Illinois; and (4) adjacent parking lot in Mattoon, Coles County, Illinois, shall receive a surrender of the collateral. After sale of the collateral, any deficiency shall be treated as a Class 6 claim.

Class 5 – **Regions Bank**, who holds a claim secured by pledge of certificates of deposit shall receive a surrender of the collateral. Any surplus shall be tendered to the Debtors.

Class 6 – All non-priority, non-contingent, undisputed, liquidated, unsecured debts shall receive approximately 40% of their allowed claims with 0% interest by means of 60 monthly payments of \$483.62 for a total to the Class of \$29,017.20 to be paid on a pro rata basis. **Dwayne Quast Electric**, which holds a completely, unsecured judicial lien encumbering real estate in Coles County, Illinois, shall be treated as a Class 6 claim. The first payment will be no later than 120 days after the effective date of the Plan.

Class 7 – All non-priority, disputed, unsecured, unliquidated claims shall receive nothing.

VII. HYPOTHETICAL CHAPTER 7 LIQUIDATION ANALYSIS

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

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

Asset Description	Value	Liens	Non-Exempt Equity
326 W. Noleman 1313 Lake Land Blvd 1820 Olive Avenue 1821 Olive Avenue 50x140 parking lot	\$470,982.00	\$482,955.59	0.00
1999 Toyota Sienna	\$690.00	0.00	0.00
2003 Mercedes Benz	\$1,805.00	0.00	0.00
1987 Chevrolet S-10	\$1,000.00	0.00	0.00
Household Goods	\$2,500.00	0.00	0.00
Electronics	\$700.00	0.00	\$200.00
Clothing	\$600.00	0.00	0.00
Jewelry	\$3,000.00	0.00	0.00
Deposits	\$40,805.49	\$30,596.20	\$10,209.29
Retirement Accounts	\$50,023.03	0.00	0.00

Ameren Security Dep	\$2,068.00	\$2,004.38	0.00
Life Ins. Cash Value	\$5,451.27	0.00	0.00
Business Equipment	\$12,950.00	0.00	\$12,950.00
			\$19,256.65
15% liquidation expense			-\$2,888.50
Liquidation value of the bankruptcy estate			\$16,368.15

VIII. BENEFITS OF THE PLAN OVER LIQUIDATION

The Plan is based on the belief of the Debtors in Possession that the present liquidation value of the Debtors' assets would be sufficient to pay general unsecured creditors a dividend of 28% of their debts. The values which the Debtors used in the foregoing liquidation analysis assume the assets are sold for their full fair market value. It is the Debtors' belief that in a forced liquidation of the Debtors' assets may bring substantially less than the market value used in the liquidation analysis.

The intent of the Plan is to enable the Debtors to use future income to make payments to creditors which possibly could not be made through the liquidation of the Debtors' assets. Debtors estimate a dividend of approximately 40%.

IX. CONCLUSION

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

X. VERIFICATION

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

Dated: __November 17, 2016 __ _/s/ Bhup N. Yadav _____
Bhup N. Yadav

Dated: __November 17, 2016__ _/s/ Rita D. Yadav _____
Rita D. Yadav

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

Dated: __November 17, 2016__ By: __/s/ Roy Jackson Dent _____
Of Orr Law, LLC

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