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**UNITED STATES BANKRUPTCY COURT  
 CENTRAL DISTRICT OF CALIFORNIA**

In re:  
 SHILO INN, TWIN FALLS, LLC, et al

CASE NO.: 2:13-bk-21601-V

Debtor(s).

**NOTICE OF SALE OF ESTATE PROPERTY**

**Sale Date:** 9/23/14

**Time:** 11:00 a.m.

**Location:** 255 E. Temple St, Ctrm 1368, Los Angeles, CA 90012

Type of Sale: ☒ Public ☐ Private

Last date to file objections:

9/9/14

Description of Property to be Sold: (1) 61-room, two-story, limited-service hotel in Nampa, Idaho

(2) 61-room, all-suites, three-story, limited-service hotel in Newberg, Oregon

Terms and Conditions of Sale:

Free and clear of liens and interests, subject to Bankruptcy Court approval.

Proposed Sale Price: Nampa hotel - sale price \$1,350,000; Newberg hotel - sale price \$3,175,000

Overbid Procedure (If Any): None

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:

Contact Person for Potential Bidders (include name, address, telephone, fax and/or e:mail address):

David B. Golubchik, Esq.

Levene, Neale, Bender, Yoo & Brill LLP

10250 Constellation Bl., Suite 1700

Los Angeles, CA 90067

(310) 229-1234; dbg@lnbyb.com

Date: 9/2/14

DAVID B. GOLUBCHIK (State Bar No. 185520)  
KURT RAMLO (State Bar No. 166856)  
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Attorneys for Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
LOS ANGELES DIVISION**

In re: ) Lead Case No.: 2:13-bk-21601-VZ  
) Jointly administered with:  
SHILO INN, TWIN FALLS, LLC, ) Case No. 2:13-bk-21603-VZ  
) Case No. 2:13-bk-21604-VZ  
Debtor and Debtor in Possession. ) Case No. 2:13-bk-21605-VZ  
) Case No. 2:13-bk-21606-VZ  
In re: ) Case No. 2:13-bk-21607-VZ  
) Case No. 2:13-bk-21608-VZ

SHILO INN, BOISE AIRPORT, LLC, ) Chapter 11 Cases  
SHILO INN, NAMPA BLVD, LLC, )  
SHILO INN, NEWBERG, LLC, )

SHILO INN, SEASIDE EAST, LLC, ) **NOTICE OF HEARING ON MOTION**  
SHILO INN, MOSES LAKE, INC., ) **FOR ORDER (A) AUTHORIZING**  
SHILO INN, ROSE GARDEN, LLC, ) **SALE OF ASSETS OF NAMPA BLVD.,**  
) **LLC AND NEWBERG, LLC FREE AND**  
) **CLEAR OF ALL LIENS, CLAIMS,**  
) **ENCUMBRANCES AND OTHER**  
Debtors and Debtors in Possession. ) **INTERESTS PURSUANT TO 11 U.S.C.**

) **§ 363 (B) APPROVING THE**  
) **ASSUMPTION AND ASSIGNMENT OF**  
) **CERTAIN LEASES AND EXECUTORY**  
) **CONTRACTS; AND (C)**  
) **AUTHORIZING DEBTORS TO**  
) **EMPLOY AND COMPENSATE REAL**  
) **ESTATE BROKERS**

☐ Affects All Debtors

☐ Affects SHILO INN, TWIN FALLS, LLC

☐ Affects SHILO INN, BOISE AIRPORT, LLC

☒ Affects SHILO INN, NAMPA BLVD, LLC

☒ Affects SHILO INN, NEWBERG, LLC

☐ Affects SHILO INN, SEASIDE EAST, LLC

☐ Affects SHILO INN, MOSES LAKE, INC.

☐ Affects SHILO INN, ROSE GARDEN, LLC

Debtors and Debtors in Possession

) Hearing

) Date: September 23, 2014

) Time: 11:00 a.m.

) Place: Courtroom 1368

) 255 East Temple Street

) Los Angeles, CA 90012

1           **PLEASE TAKE NOTICE** that, on September 23, 2014, at 11:00 a.m. the Honorable  
2 Vincent Zurzolo, United States Bankruptcy Judge for the Central District of California (the  
3 “Court”), will hold a hearing (the “Hearing”) on regular notice in Courtroom 1368 of the United  
4 States Bankruptcy Courthouse located at 255 East Temple Street, Los Angeles, California to  
5 consider the Motion For Order (A) Authorizing Sale Of Assets Of Nampa Blvd., LLC and  
6 Newberg, LLC Free And Clear Of All Liens, Claims, Encumbrances And Other Interests  
7 Pursuant To 11 U.S.C. § 363 (B) Approving The Assumption And Assignment Of Certain  
8 Leases And Executory Contracts; and (C) Authorizing Debtors To Employ And Compensate  
9 Real Estate Brokers, filed by Shilo Inn, Nampa Blvd, LLC (“Nampa”), and Shilo Inn, Newberg,  
10 LLC (“Newberg”), (collectively, the “Debtors”), two of the debtors and debtors in possession in  
11 the above-captioned, jointly administered chapter 11 bankruptcy cases.  
12

13  
14           Nampa operates a 61-room, two-story, limited-service hotel in Nampa, Idaho (the  
15 “Nampa Blvd Hotel”), on fee title land, operated pursuant to a franchise agreement with Shilo  
16 Franchise International, Inc. (“SFI”) and managed by Shilo Management Corporation (“SMC”).  
17 The Nampa property has an outdoor pool, spa, and steam and sauna room. The Nampa Blvd  
18 Hotel has 10 employees. During the Debtors’ bankruptcy cases, for purposes of plan  
19 confirmation and the Disclosure Statement, the Debtors’ stipulated to use a neutral appraiser’s  
20 valuation of the Nampa Blvd Hotel at \$1,150,000<sup>1</sup>.  
21

22           Newberg operates a 61-room, all-suites, three-story, limited-service hotel in Newberg,  
23 Oregon (the “Newberg Hotel”), on fee title land, operated pursuant to a franchise agreement  
24 with SFI and managed by SMC. The Newberg property has an outdoor pool, spa, steam and  
25 sauna room, fitness and business center, and meeting room. The Newberg Hotel has 14  
26

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27 <sup>1</sup> CBT’s asserted valuation was \$1,000,000.  
28

1 employees. During the Debtors' bankruptcy cases, for purposes of plan confirmation and the  
2 Disclosure Statement, the Debtors' stipulated to use CBT's appraiser valuation of the Newberg  
3 Hotel at \$2,450,000. However, the Debtors maintain that the real value of the Newberg Hotel is  
4 much higher.

5  
6 During the pendency of these cases, the Debtors have been working diligently to  
7 effectuate successful reorganizations to allow for preservation of jobs for the Debtors'  
8 employees, preservation of affordable quality lodging for guests and to provide for repayment to  
9 creditors. Such efforts included formulating plans of reorganizations while, at the same time,  
10 marketing the properties for sale. Based on prior experience, the Debtors determined that it  
11 would impair values if it was made public that the Debtors' assets are for sale in connection with  
12 their bankruptcy cases, which would result in expressions of interests primarily from distressed  
13 investors and not allow the properties to generate true market values. Based on the foregoing,  
14 the Debtors worked with their extensive network of contacts, including investors, operators and  
15 brokers, to expose their assets to the marketplace. Based on such extensive and focused efforts,  
16 the Debtors began receiving expressions of interest in their properties. After extensive  
17 negotiations between the interested parties and Mr. Hemstreet, relying on his decades of  
18 experience in buying hotel properties and, more importantly, selling hotel properties at values  
19 substantially higher values than opined by lenders and appraisers, agreements were reached, as  
20 discussed below.

21  
22  
23 Avtar Jassal ("Nampa Buyer") and Nampa have entered into a Real Estate Sales  
24 Agreement with respect to the sale of the Nampa Blvd Hotel ("Nampa Contract"). Pursuant to  
25 the Nampa Contract, Nampa Buyer has agreed to pay to Nampa \$1,350,000 for the Nampa Blvd  
26 Hotel and related property, subject to the provisions in the Nampa Contract and approval of the  
27 Bankruptcy Court. The proposed purchase price is \$200,000 more than opined by the neutral  
28

1 appraiser and \$350,000 more than opined by CBT, equating to an increase of 17% and 35%,  
2 respectively, in value over such valuations.

3 The foregoing transaction was brought to the Debtors by Abe Bhagat of Western U.S.  
4 Hotel Broker & Developer, Inc. (the "Nampa Broker"). A condition of the Nampa Contract is  
5 that a commission of 4% of the sale price be paid to the Nampa Broker.  
6

7 Buggsi Hospitality Group, LLC (Newberg Buyer") and Newberg have entered into a  
8 Real Estate Sales Agreement with respect to the sale of the Newberg Hotel ("Newberg  
9 Contract"). Pursuant to the Newberg Contract, Newberg Buyer has agreed to pay to Newberg  
10 \$3,175,000 for the Newberg Hotel and related property, subject to the provisions in the Newberg  
11 Contract and approval of the Bankruptcy Court. The proposed purchase price is \$725,000 more  
12 than opined by CBT's appraiser, equating to an increase of approximately 30% in value over  
13 such valuation.  
14

15 The foregoing transaction was brought to the Debtors by Brian Resendez of Sperry Van  
16 Ness (the "Newberg Broker"). A condition of the Newberg Contract is that a commission of 4%  
17 of the sale price be paid to the Newberg Broker.

18 As discussed above, the Debtors determined, based on prior experience, that public  
19 retention of a broker to market properties in pending bankruptcies undermines the ability to  
20 generate a true market price. Although a broker was not formally retained, the Debtors  
21 continued to work with their network of professionals to generate interest in the properties,  
22 which have resulted in the current Nampa Contract and the Newberg Contract.  
23

24 Both contracts provide for a commission to the brokers of 4% of the sale prices. As part  
25 and parcel of this Motion, the Debtors seek authority to employ the Nampa Broker and the  
26 Newberg Broker provided that the two transactions discussed herein close.

27 The Debtors understand that CBT asserts a secured claim against both Debtors in the  
28

1 approximate amount of \$3,696,106, based on the fact that the obligation is cross-collateralized  
2 by both the Nampa Blvd Hotel and the Newberg Hotel, which amount is strongly disputed by  
3 the Debtors and the Debtors believe should be \$2,828,885. In addition, senior statutory property  
4 taxes for Nampa and Newberg total approximately \$15,461.00 and \$8,207.00, respectively.  
5 Finally, the Hemstreet Loan was also collateralized by the Debtors' properties. The status of  
6 such loan is uncertain at this time based on the fact that there is an adversary proceeding to  
7 avoid the transfer of the security interest and CBT only recently filed its answer to the  
8 complaint.  
9

10 Based on a Nampa sale price of \$1,350,000 and Newberg sale price of \$3,175,000, the  
11 gross consideration to be received by the estates totals \$4,525,000, The Debtors anticipate that  
12 the sale proceeds will be utilized as follows:

14	Gross proceeds	-	\$4,525,000
15	Less cost of sales (approx. 5%)	-	<\$226,250>
16	Subtotal	-	\$4,298,750
17	Less Property Taxes (est.)	-	<\$\$23,668>
18	Subtotal	-	\$4,275,082
19	Less Undisputed CBT Obligation	-	<\$2,828,885>
20	Subtotal	-	\$1,446,197

21  
22 Subject to resolution of the disputes with respect to the secured claims, these funds will  
23 be available for distribution to unsecured creditors. In order to maximize value for unsecured  
24 creditors, as set forth in the accompanying Declaration of Mark S. Hemstreet, the insiders of the  
25 Debtors have agreed to subordinate their interest in the proceeds of the sale to all other non-  
26 insider creditors of the Debtors' estates.

27 **PLEASE TAKE FURTHER NOTICE** that any party wishing to receive a copy of the  
28

1 Motion may make a request in writing to counsel for the Debtors, whose name, address,  
2 telephone number, facsimile number, and email address appears in the upper, left-hand corner of  
3 the first page of this Notice. The Motion is on file with the Bankruptcy Court and may be  
4 accessed and copied at the courthouse during regular business hours or accessed online through  
5 the court's website.  
6

7 **PLEASE TAKE FURTHER NOTICE** that, pursuant to Local Rule 9013-1(f), any  
8 opposition or response to the Motion must be filed with the Clerk of the United States Bankruptcy  
9 Court and served upon the United States Trustee as well as counsel for the Debtors at the address  
10 located in the upper left-hand corner of the first page of this Notice by no later than fourteen (14)  
11 days before the hearing on the Motion. Pursuant to Local Rule 9013-1(h), failure to file a timely  
12 opposition or response may be deemed by the Court to be consent to the granting of the relief  
13 requested in the Motion.  
14

15 Dated: September 2, 2014

SHILO INN, TWIN FALLS, LLC;  
SHILO INN, BOISE AIRPORT, LLC;  
SHILO INN, NAMPA BLVD, LLC;  
SHILO INN, NEWBERG, LLC;  
SHILO INN, SEASIDE EAST, LLC;  
SHILO INN, MOSES LAKE, INC.;  
SHILO INN, ROSE GARDEN, LLC

20 By: /s/ David B. Golubchik  
21 DAVID B. GOLUBCHIK  
22 J.P. FRITZ  
23 LEVENE, NEALE, BENDER, YOO  
& BRILL L.L.P.  
24 Attorneys for Debtors and  
Debtors in Possession  
25  
26  
27  
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**PROOF OF SERVICE OF DOCUMENT**

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled: **NOTICE OF SALE OF ESTATE PROPERTY** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **September 2, 2014**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Natalie B. Dagbandan natalie.dagbandan@bryancave.com, raul.morales@bryancave.com;theresa.macaulay@bryancave.com
- John-Patrick M Fritz jpf@lnbrb.com
- David B Golubchik dbg@lnbyb.com, dbg@ecf.inforuptcy.com;stephanie@lnbyb.com
- Mary D Lane mal@msk.com, mec@msk.com
- Hal M Mersel mark.mersel@bryancave.com, ginny.hamel@bryancave.com
- Kelly L Morrison kelly.l.morrison@usdoj.gov
- Kerry A. Moynihan kerry.moynihan@bryancave.com, apameh.vaziri@bryancave.com;raul.morales@bryancave.com
- Terence A Pruitt terryp@atg.wa.gov
- Kurt Ramlo kr@lnbyb.com
- United States Trustee (LA) ustpregion16.la.ecf@usdoj.gov
- Sharon Z. Weiss sharon.weiss@bryancave.com, raul.morales@bryancave.com

**2. SERVED BY UNITED STATES MAIL:** On **September 2, 2014**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **September 2, 2014**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

**Served via Attorney Service**

The Honorable Vincent P. Zurzolo  
United States Bankruptcy Court  
Edward R. Roybal Federal Building and Courthouse  
255 E. Temple Street, Suite 1360 / Courtroom 1368  
Los Angeles, CA 90012

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

September 2, 2014

Stephanie Reichert

/s/ Stephanie Reichert

Date

Type Name

Signature