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7 Attorney for Debtor-In-Possession  
8 DeLeon Enterprises, LLC

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11 **United States Bankruptcy Court**  
12 **Northern District of California**

13 In re:  
14 DeLeon Enterprises, LLC  
15 Debtor-In-Possession.

16 Case No.: 15-43472  
17 Chapter 11  
18 Date: July 26, 2016  
19 Time: 1:30  
20 Crtrm: 201

21  
22 **[PROPOSED] COMBINED PLAN OF REORGANIZATION**  
23 **AND DISCLOSURE STATEMENT**

24 May 31, 2016

25 **INTRODUCTION**

Part 1 contains the treatment of creditors with secured claims; Part 2 contains the treatment of general unsecured creditors: 15% of their allowed claims in monthly payments over 60 months. Taxes and other priority claims would be paid in full, as shown in Part 3.

Most creditors (those in impaired classes) are entitled to vote on confirmation of the Plan. Completed ballots must be received by Debtor's counsel, and objections to confirmation must be filed and served, no later than [TBD]. The court will hold a hearing on confirmation of the Plan on [TBD].

Attached to the Plan are exhibits containing financial information that may help you

1 decide how to vote and whether to object to confirmation. Exhibit 1 includes background  
 2 information regarding Debtor and the events that led to the filing of the bankruptcy petition and  
 3 describes significant events that have occurred during this Chapter 11 case. Exhibit 2 contains  
 4 an analysis of how much creditors would likely receive in a Chapter 7 liquidation. Exhibit 3  
 5 shows Debtor's monthly income and expenses. Exhibit 4 describes how much Debtor is required  
 6 to pay on the effective date of the plan.

7 Whether the Plan is confirmed is subject to complex legal rules that cannot be fully  
 8 described here. You are strongly encouraged to read the Plan carefully and to consult an  
 9 attorney to help you determine how to vote and whether to object to confirmation of the Plan.

10 If the Plan is confirmed, the payments promised in the Plan constitute new contractual  
 11 obligations that replace the Debtor's pre-confirmation debts. Creditors may not seize their  
 12 collateral or enforce their pre-confirmation debts so long as Debtor performs all obligations  
 13 under the Plan. If Debtor defaults in performing Plan obligations, any creditor can file a motion  
 14 to have the case dismissed or converted to a Chapter 7 liquidation, or enforce their non-  
 15 bankruptcy rights. Debtor will be discharged from all pre-confirmation debts (with certain  
 16 exceptions) if Debtor makes all Plan payments. Enforcement of the Plan, discharge of the  
 17 Debtor, and creditors' remedies if Debtor defaults are described in detail in Parts 5 and 6 of the  
 18 Plan.

19 **PART 1: TREATMENT OF SECURED CREDITORS**  
 20 **Debtor to Make Regular Payments and Pay Arrears Over Time**

21 Class	Name of Creditor	Collateral	Regular Monthly Payment	Est Arrears	Repayment Term (years)	Interest Rate on Arrears	Payments per year	Monthly Payment on Arrears
22 1A	Internal Revenue Service	Personal Property	\$0	\$79,500	5	3%	12	\$1,428.51

24 Debtor will pay the entire amount contractually due by making all post-confirmation  
 25 regular monthly payments, and by paying all pre-confirmation arrears (including attorney's fees

and late charges) with interest in equal monthly payments as set forth above, due the 1st day of the month, starting on the effective date on the above secured claims. To the extent arrears are determined to be other than as shown above, appropriate adjustments will be made in the number of payments. Creditors in these classes shall retain their interest in the collateral until paid in full.

Creditors in these classes may not repossess or dispose of their collateral so long as Debtor is not in material default under the Plan (defined in Part 6(c)). **These secured claims are impaired and entitled to vote on confirmation of the Plan.**

**PART 2: TREATMENT OF GENERAL UNSECURED CREDITORS**

**Class 2. General Unsecured Claims.**

Name of Creditor	Amount of Claim	Disputed Y/N	Pct Pd On Claim	Amount to be Paid	No. of Monthly Payments	Monthly Payment
Internal Revenue Service	\$100,634.85	Y	15%	\$15,095	60	\$251.59
Franchise Tax Board	\$2,643.63	N	15%	\$397	60	\$6.61
EDD	\$14,867.67	N	15%	\$2,230	60	\$37.17
Alpha Business	\$10,000.00	N	15%	\$1,500	60	\$25.00
Workmens Compensation Insurance Fund	\$32,000.00	N	15%	\$4,800	60	\$80.00
Technology Credit Union	\$9,928.63	N	15%	\$1,489	60	\$24.82
<b>Total</b>	<b>\$170,074.78</b>			<b>\$25,511.22</b>		<b>\$425.19</b>

1 Allowed claims of general unsecured creditors shall be paid as follows:

2 **Percent Plan.** Creditors will receive **15** percent of their allowed claim in equal monthly  
3 installments, due on the 15th day of the month, starting on the effective date.

4 Creditors in this class may not take any collection action against Debtor so long as  
5 Debtor is not in material default under the Plan (defined in Part 6(c)). **This class is impaired**  
6 **and is entitled to vote on confirmation of the Plan.** Debtor has indicated above whether a  
7 particular claim is disputed.

8 **PART 3: TREATMENT OF PRIORITY AND ADMINISTRATIVE CLAIMS**

9 (a) Professional Fees.

10 Debtor will pay the following professional fees in full on the Effective Date, or upon  
11 approval by the court, whichever is later.

Name and Role of Professional	Estimated Amount
Marc Voisenat, Attorney	\$5000
John Dratz	\$6,455.55

16 Professionals may not take collection action against Debtor so long as Debtor is not in  
17 material default under the Plan (defined in Part 6(c)). **Estate professionals are not entitled to**  
18 **vote on confirmation of the Plan.**

19 (b) Other Administrative Claims. Debtor will pay other allowed claims entitled to priority under  
20 section 503(b) in full on the Effective Date; except expenses incurred in the ordinary course of  
21 Debtor's business or financial affairs, which shall be paid when normally due and payable (these  
22 creditors are not listed below). All fees payable to the United States Trustee as of confirmation  
23 will be paid on the Effective Date; post-confirmation fees to the United States Trustee will be  
24 paid when due.

25 Administrative Creditors may not take any collection action against Debtor so long as

Debtor is not in material default under the Plan (defined in Part 6(c)). **Administrative claimants are not entitled to vote on confirmation of the Plan.**

Name of Administrative Creditor	Estimated Amount of Claim
Employment Development Dept.	\$550.51

(c) Tax Claims. Debtor will pay allowed claims entitled to priority under section 507(a)(8) in full over time with interest (at the non-bankruptcy statutory interest rate) in equal amortizing payments in accordance with section 511 of the Bankruptcy Code. Payments will be made monthly, due on the 15th day of the month, starting on the effective date. To the extent amounts owed are determined to be other than as shown below, appropriate adjustments will be made in the number of payments.

Priority tax creditors may not take any collection action against Debtor so long as Debtor is not in material default under the Plan (defined in Part 6(c)). **Priority tax claimants are not entitled to vote on confirmation of the Plan.**

Name of Creditor	Estimated Amount of Claim	Repay Term (Years)	Statutory Interest Rate	Pmts Per Yr	Payment Amount
Internal Revenue Service	\$111,121.87	4	4%	12	\$2,509.03
Franchise Tax Board	\$6,631.61	4	4%	12	\$149.74
Employment Development Department	\$18,210.50	4	0%	12	\$379.39
Total	\$135,963.98				\$3,038.15

**PART 4: EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

(a) Executory Contracts/Unexpired Leases Assumed. Debtor assumes the following executory contracts and/or unexpired leases upon confirmation of this Plan and will perform all pre-

1 confirmation and post-confirmation obligations thereunder.

Name of Counter-Party	Description of Contract/Lease	Estimated Total Cure Amount	Installment Amount	Number of Installments
Victor and Imelda DeLeon	Lease for 5232 Eggers Drive, Fremont, Ca.	0	\$5,000	35
Victor and Imelda DeLeon	Lease for 32463 Regents Boulevard, , Union City, California	0	\$4,500	35
Victor and Imelda DeLeon	Lease for 6185 Broadway Avenue, Newark, California	0	\$4,000	35
Victor and Imelda DeLeon	Lease for 32295 Ithaca Street Hayward, California	0	\$3,500	35

13 (b) Executory Contracts/Unexpired Leases Rejected. Debtor rejects the following executory  
14 contracts and/or unexpired leases and surrenders any interest in the affected property, and allows  
15 the affected creditor to obtain possession and dispose of its property, without further order of the  
16 court. Claims arising from rejection of executory contracts have been included in Class 2  
17 (general unsecured claims).

Name of Counter-Party	Description of Contract/Lease
None	

21 (c) Executory contracts and unexpired leases not specifically assumed or rejected above will be  
22 deemed rejected

23 **PART 5: DISCHARGE AND OTHER EFFECTS OF CONFIRMATION**

24 (a) Discharge. Debtor shall not receive a discharge of debts until Debtor makes all payments  
25 due under the Plan or the court grants a hardship discharge.

1 (b) Vesting of Property. On the Effective Date, all property of the estate and interests of the  
2 Debtor will vest in the reorganized Debtor pursuant to § 1141(b) of the Bankruptcy Code free  
3 and clear of all claims and interests except as provided in this Plan, subject to revesting upon  
4 conversion to Chapter 7 as provided in Part 6(f) below.

5 (c) Plan Creates New Obligations. Except as provided in Part 6(d) and (e), the obligations to  
6 creditors that Debtor undertakes in the confirmed Plan replace those obligations to creditors that  
7 existed prior to the Effective Date of the Plan. Debtor's obligations under the confirmed Plan  
8 constitute binding contractual promises that, if not satisfied through performance of the Plan,  
9 create a basis for an action for breach of contract under California law. To the extent a creditor  
10 retains a lien under the Plan, that creditor retains all rights provided by such lien under applicable  
11 non-Bankruptcy law.

## 12 **PART 6: REMEDIES IF DEBTOR DEFAULTS IN PERFORMING THE PLAN**

13 (a) Creditor Action Restrained. The confirmed Plan is binding on every creditor whose claims  
14 are provided for in the Plan. Therefore, even though the automatic stay terminates on the  
15 Effective Date with respect to secured claims, no creditor may take any action to enforce either  
16 the pre-confirmation obligation or the obligation due under the Plan, so long as Debtor is not in  
17 material default under the Plan, except as provided in Part 6(e) below.

18 (b) Obligations to Each Class Separate. Debtor's obligations under the Plan are separate with  
19 respect to each class of creditors. Default in performance of an obligation due to members of  
20 one class shall not by itself constitute a default with respect to members of other classes. For  
21 purposes of this Part 6, the holders of all administrative claims shall be considered to be a single  
22 class, the holders of all priority claims shall be considered to be a single class, and each non-  
23 debtor party to an assumed executory contract or lease shall be considered to be a separate class.

24 (c) Material Default Defined. If Debtor fails to make any payment, or to perform any other  
25 obligation required under the Plan, for more than 10 days after the time specified in the Plan for

1 such payment or other performance, any member of a class affected by the default may serve  
2 upon Debtor and Debtor's attorney (if any) a written notice of Debtor's default. If Debtor fails  
3 within 30 days after the date of service of the notice of default either: (i) to cure the default; (ii)  
4 to obtain from the court an extension of time to cure the default; or (iii) to obtain from the court a  
5 determination that no default occurred, then Debtor is in Material Default under the Plan to all  
6 the members of the affected class.

7 (d) Remedies Upon Material Default. Upon Material Default, any member of a class affected by  
8 the default: (i) may file and serve a motion to dismiss the case or to convert the case to Chapter  
9 7; or (ii) without further order of the court has relief from stay to the extent necessary, and may  
10 pursue its lawful remedies to enforce and collect Debtor's pre-confirmation obligations.

11 (e) Claims not Affected by Plan. Upon confirmation of the Plan, and subject to Part 5(c), any  
12 creditor whose claims are left unimpaired under the Plan may, notwithstanding paragraphs (a),  
13 (b), (c), and (d) above, immediately exercise all of its contractual, legal, and equitable rights,  
14 except rights based on default of the type that need not be cured under section 1124(2)(A) and  
15 (D).

16 (f) Effect of Conversion to Chapter 7. If the case is at any time converted to one under Chapter  
17 7, property of the Debtor shall vest in the Chapter 7 bankruptcy estate to the same extent  
18 provided for in section 348(f) of the Bankruptcy Code upon the conversion of a case from  
19 Chapter 13 to Chapter 7.

20 (g) Retention of Jurisdiction. The bankruptcy court may exercise jurisdiction over proceedings  
21 concerning: (i) whether Debtor is in Material Default of any Plan obligation; (ii) whether the  
22 time for performing any Plan obligation should be extended; (iii) adversary proceedings and  
23 contested matters pending as of the Effective Date or specifically contemplated in this Plan to be  
24 filed in this court (see Part 7(f)); (iv) whether the case should be dismissed or converted to one  
25 under Chapter 7; (v) any objections to claims; (vi) compromises of controversies under Fed. R.



1 Bankr. Pro. 9019; (vii) compensation of professionals; and (viii) other questions regarding the  
2 interpretation and enforcement of the Plan.

3 **PART 7: GENERAL PROVISIONS**

4 (a) Effective Date of Plan. The Effective Date of the Plan is the fifteenth day following the date  
5 of the entry of the order of confirmation, if no notice of appeal from that order has been filed. If  
6 a notice of appeal has been filed, Debtor may waive the finality requirement and put the Plan into  
7 effect, unless the order confirming the Plan has been stayed. If a stay of the confirmation order  
8 has been issued, the Effective Date will be the first day after that date on which no stay of the  
9 confirmation order is in effect, provided that the confirmation order has not been vacated.

10 (b) Disputed Claim Reserve. Debtor will create a reserve for disputed claims. Each time Debtor  
11 makes a distribution to the holders of allowed claims, Debtor will place into a reserve the amount  
12 that would have been distributed to the holders of disputed claims if such claims had been  
13 allowed in the full amount claimed. If a disputed claim becomes an allowed claim, Debtor shall  
14 immediately distribute to the claimant from the reserve an amount equal to all distributions due  
15 to date under the plan calculated using the amount of the allowed claim. Any funds no longer  
16 needed in reserve shall be returned to Debtor.

17 (c) Cramdown. Pursuant to section 1129(b) of the Bankruptcy Code, Debtor reserves the right  
18 to seek confirmation of the Plan despite the rejection of the Plan by one or more classes of  
19 creditors.

20 (d) Severability. If any provision in the Plan is determined to be unenforceable, the  
21 determination will in no way limit or affect the enforceability and operative effect of any other  
22 provision of the Plan.

23 (e) Governing Law. Except to the extent a federal rule of decision or procedure applies, the  
24 laws of the State of California govern the Plan.

25 (f) Lawsuits.

1 Debtor believes that causes of action for fraudulent transfers, voidable preferences, or  
 2 other claims for relief exist against the following parties:

Party	Creditor Y/N	Nature of Claim	Amount of Claim	Will Debtor Prosecute Action? Y/N

7 (g) Notices. Any notice to the Debtor shall be in writing, and will be deemed to have been given  
 8 three days after the date sent by first-class mail, postage prepaid and addressed as follows:

9 DeLeon Enterprises, LLC  
 10 C/O Imelda DeLeon – Managing Member  
 11 1350 Country Club Drive  
 12 Milpitas, California

13 (h) Post-Confirmation United States Trustee Fees. Following confirmation, Debtor shall  
 14 continue to pay quarterly fees to the United States Trustee to the extent, and in the amounts,  
 15 required by 28 U.S.C. § 1930(a)(6). So long as Debtor is required to make these payments,  
 16 Debtor shall file with the court quarterly reports in the form specified by the United States  
 17 Trustee for that purpose.

18 (i) Deadline for § 1111(b) Election. Creditors with an allowed secured claim can make a timely  
 19 election under section 1111(b) no later than 14 days before the first date set for the hearing on  
 20 confirmation of the Plan.

21 Dated: May 31, 2016

22 \_\_\_\_\_  
 23 /s/ Imelda DeLeon  
 24 Managing Member for  
 25 DeLeon Enterprises, LLC - Debtor

26 \_\_\_\_\_  
 27 /s/ Marc Voisenat  
 28 Marc Voisenat, Attorney for  
 29 Debtor

1 **Attorney Certification**

2 I, Marc Voisenat, am legal counsel for the Debtor(s) in the above-captioned case and  
3 hereby certify the following: (i) the foregoing plan is a true and correct copy of the Individual  
4 Chapter 11 Combined Plan and Disclosure Statement promulgated by the Northern District of  
5 California, San Francisco Division, on July 30, 2012 (the “Standard-Form Plan”); and (ii) except  
6 as specified below, there have been no alterations or modifications to any provision of the  
7 Standard-Form Plan.

8 The following provisions of the Standard-Form Plan have been altered or otherwise  
9 modified.

10 Removed language related to Exhibit 5

11 Imbedded Excel tables for Part 1: Treatment of Secured Creditors, Part 2: Treatment of  
12 General Unsecured Creditors and Priority Tax Claimants

13 I declare that the foregoing is true and correct. Executed this 31st day of May 31, 2016.

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15 \_\_\_\_\_ /s/ Marc Voisenat  
16 Marc Voisenat, Attorney for  
17 Debtor

1 **Exhibit 1 - Events That Led To Bankruptcy**

2           The debtor operates four (4) residential care facilities. The debtor runs these care  
3 facilities from the real properties, three of which are owned by members Victor and Imelda  
4 DeLeon and one owned by the member's daughter. All real properties are single-family  
5 residences. The care homes house developmentally disabled people. In 2010, the debtor owned  
6 another residential care facility. Unfortunately, two patients got into a fight in which one of the  
7 patients died. As a result, the Department of Social Services shut down that care facility. That  
8 alone resulted in a \$30,000 a month loss.

9           The debtor also suffered vacancies in the other care facilities. Due to the housing market  
10 crash, Patients were taken out of the homes and taken care off by family. This resulted in a  
11 dramatic decrease in income.

12           During that same time, the debtor's members were not generating as much income from  
13 their real estate business due to the market crash and had to rely on the income they received  
14 from the business.

15           The debtor was unable to meet all its financial obligations and did not pay its payroll  
16 taxes for several years.

17           The debtor adjusted its business model and now only accept less risky patients. In  
18 February 2016, the debtor received an increase in client rates. There debtor now has a full  
19 occupancy rate and will gross approximately \$62,000 a month.  
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**Exhibit 2 - What Creditors Would Receive if the Case Were Converted to a Chapter 7**

Real Property N/A

Fair Market Value	Liens	Cost of Sale	Resulting Income Tax	Amt of Exemption	Net Proceeds

Personal Property:

Description	Liquidation Value	Secured Claim	Amt of Exemption	Net Proceeds
Checking	5000	0	0	5000
Furnishings	20000	0	0	20,000
<b>TOTAL</b>				<b>25,000</b>

Net Proceeds of Real Property and Personal Property	25000
Recovery from Preferences / Fraudulent Conveyances	0
Chapter 7 Administrative Claims	0.00
Chapter 11 Administrative Claims	12000.00
Priority Claims	150831.74
Chapter 7 Trustee Fees	65.00
Chapter 7 Trustee's Professionals	2,275
<b>NET FUNDS AVAILABLE FOR DISTRIBUTION TO UNSECURED CREDITORS</b>	<b>\$0</b>

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Estimated Amount of General Unsecured Claims	\$170,074.78
Percent Distribution to General Unsecured Creditors Under Proposed Plan	15%
Percent Distribution to General Unsecured Creditors Under Liquidation Analysis	0%

**Exhibit 3 - Monthly Income and Expenses**

<b>Income</b>	<b>Amount</b>
Gross Income	\$62,000
<b>A. Total Monthly Income</b>	<b>\$62,000</b>

<b>Expenses</b>	<b>Amount</b>
Payroll, Taxes and Related Withholdings	21800
Supplies	3600
Rents (Eggers \$5000, Regents \$4,500, Broadway \$4,000, Ithaca \$3,500)	17000
Utilities	1400
Transportation Expenses (car payments, insurance, fuel)	1200
Insurance	1000
Member Draws	11000
<b>B. Total Monthly Expenses</b>	<b>57000</b>

<b>C. Disposable Income</b> (Line A - Line B)	<b>\$5000</b>
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<b>Plan Payments Plan Payments Not Included in Calculating Disposable Income</b>	<b>Amount</b>
Administrative Claims	0
Priority Claims	\$3038.15
Class 1A payment	\$1428.51
General Unsecured Creditors	\$425.19
<b>D. Total Plan Payments</b>	<b>\$4891.85</b>

<b>E. Plan Feasibility</b> (Line C - Line D) (Not feasible if less than zero)	<b>\$108.15</b>
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**Exhibit 4 - Effective Date Feasibility**

Can the Debtor Make the Effective Day Payments?

	Amount	Amount
A. Projected Total Cash on Hand on Effective Date		17500
Payments on Effective Date		
Unclassified Claims	0	
Administrative Expense Claims	\$12606.06	
Priority Claims	\$3038.15	
Plan Payment General Unsecured	\$425.19	
Plan Payment Class 1A	\$1428.51	
U.S. Trustee Fees	0	
B. Total Payments on Effective Date		\$17,497.91
C. Net Cash on Effective Date (Line A - Line B) (Not feasible if less than zero)		\$2.09