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6 **UNITED STATES BANKRUPTCY COURT**  
7 **CENTRAL DISTRICT OF CALIFORNIA**  
8 **SAN FERNANDO VALLEY DIVISION**

9 In re

Case No. 1:11-bk-19800-AA

10 SUMMER VIEW SHERMAN OAKS, LLC

Chapter 11

11 Debtor and Debtor-in-Possession

**NOTICE OF FILING AMENDED  
REDLINE VERSION OF DEBTOR  
SUMMER VIEW SHERMAN OAKS,  
LLC'S FIRST AMENDED DISCLOSURE  
STATEMENT AND PLAN OF  
REORGANIZATION FOR DEBTOR**

15 TO CREDITORS, EQUITY SECURITY HOLDERS, AND PARTIES IN INTEREST:

16 On January 16, 2012, Summer View Sherman Oaks, LLC, the Debtor and Debtor in  
17 Possession in the above referenced Chapter 11 bankruptcy case (the "Debtor"), filed its First  
18 Amended Disclosure Statement and Plan of Reorganization for Debtor with attached redline  
19 version of the Disclosure Statement showing changes from the Disclosure Statement filed on  
20 November 15, 2011.

21 The redline version of the First Amended Disclosure Statement filed on January 16, 2012  
22 did not reflect all changes from the Disclosure Statement filed on November 15, 2011, namely  
23 changes in the Sections IX.

24 On January 17, 2012, the Debtor filed its Amended Redline Version of the First Amended  
25 Disclosure Statement reflecting all changes from the Disclosure Statement filed on November 15,  
26 2011.

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1 A true and correct copy of the redline version of the Amended Redline Version of Debtor  
2 Summer View Sherman Oaks, LLC's First Amended Disclosure Statement is attached as **Exhibit**  
3 **"A"** to this Notice.  
4

5 Dated: January 17, 2012

KARASIK LAW GROUP, LLP

6 By:                     /s/ Terry D. Shaylin                    

7 Terry D. Shaylin, Esq.  
8 Attorney for Debtor and Debtor In  
9 Possession Summer View Sherman Oaks,  
10 LLC  
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# **EXHIBIT “A”**



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## I. INTRODUCTION

On August 15, 2011 (the "Petition Date"), Summer View Sherman Oaks, LLC ("Debtor" or "Proponent"), filed a bankruptcy petition under Chapter 11 of the Bankruptcy Code ("Code"). The document you are reading is both the Plan of Reorganization ("Plan") and the Disclosure Statement ("Disclosure Statement"). The Debtor has proposed the Plan to treat the claims of the Debtor's creditors and, if applicable, the interests of shareholders or partners and to reorganize the Debtor's business affairs. The Debtor proposes to provide distributions to general unsecured claims from the proceeds of the sale of the Debtor's assets or from income generated from operation of the Debtor, as that term is defined below, whichever is earlier. A disclosure statement describes the assumptions that underlie the Plan and how the Plan will be executed. The Bankruptcy Court ("Court") has approved the form of this document as an adequate disclosure statement, containing enough information to enable parties affected by the Plan to make an informed judgment about the Plan. The Court has not yet confirmed the Plan, which means the terms of the Plan are not now binding on anyone.

The Proponent has reserved February 22, 2012 at 10:00 a.m. in Courtroom 303 for a hearing to determine whether the Court will confirm the Plan.

Any interested party desiring further information should contact:

Karasik Law Group, LLP, 555 W. 5<sup>th</sup> Street, Suite 3100, Los Angeles, CA 90013 Tel: (213) 623-9200 Fax: (213) 623-9323 Attention: Terry D. Shaylin.

## II. GENERAL DISCLAIMER AND VOTING PROCEDURE

PLEASE READ THIS DOCUMENT, INCLUDING THE ATTACHED EXHIBITS, CAREFULLY. IT EXPLAINS WHO MAY OBJECT TO CONFIRMATION OF THE PLAN.

IT EXPLAINS WHO IS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.

IT

ALSO TELLS ALL CREDITORS AND ANY SHAREHOLDERS OR PARTNERS

1 WHAT TREATMENT THEY CAN EXPECT TO RECEIVE UNDER THE PLAN, SHOULD  
2 THE PLAN BE CONFIRMED BY THE COURT.

3 THE SOURCES OF FINANCIAL DATA RELIED UPON IN FORMULATING THIS  
4 DOCUMENT ARE SET FORTH IN THE DECLARATION APPENDED HERETO. ALL  
5 REPRESENTATIONS ARE TRUE TO THE PROPONENT'S BEST KNOWLEDGE.

6 NO REPRESENTATIONS CONCERNING THE DEBTOR THAT ARE  
7 INCONSISTENT WITH ANYTHING CONTAINED HEREIN ARE AUTHORIZED EXCEPT  
8 TO THE EXTENT, IF AT ALL, THAT THE COURT ORDERS OTHERWISE.

9 After carefully reviewing this document and the attached exhibits, please vote on the  
10 enclosed ballot and return it in the enclosed envelope.

11 The Proponent has reserved a hearing date for a hearing to determine whether the Court  
12 will confirm the Plan. Please refer to Section I above for the specific hearing date. If, after  
13 receiving the ballots, it appears that the Proponent has the requisite number of votes required by  
14 the Code, the Proponent will file a motion for an order confirming the Plan.

15 The Motion shall at least be served on all impaired creditors and partners or shareholders  
16 who reject the Plan and on the Office of the United States Trustee. Any opposition to the Motion  
17 shall be filed and served on the Proponent and the Committee no later than eleven days prior to  
18 the hearing date. Failure to oppose the confirmation of the Plan may be deemed consent to the  
19 Plan's confirmation.

20

21 **III. WHO MAY OBJECT TO CONFIRMATION OF THE PLAN**

22

23 Any party in interest may object to confirmation of the Plan, but as explained below not  
24 everyone is entitled to vote to accept or reject the Plan.

25

26

27

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1                                   **IV. WHO MAY VOTE TO ACCEPT OR REJECT THE PLAN**

2  
3           It requires both an allowed and impaired claim or interest in order to vote either to accept  
4 or reject the Plan. A claim is defined by the Code to include a right to payment from the Debtor.  
5 An interest represents an ownership stake in the Debtor.

6           In order to vote a creditor or interest-holder must first have an allowed claim or interest.  
7 With the exceptions explained below, a claim is allowed if proof of the claim or interest is  
8 properly filed before any bar date and no party in interest has objected, or if the court has entered  
9 an order allowing the claim or interest. Please refer to Section VI below for specific information  
10 regarding bar dates in this case.

11           Under certain circumstances a creditor may have an allowed claim even if a proof of  
12 claim was not filed and the bar date for filing a proof of claim has passed. A claim is deemed  
13 allowed if the claim is listed on the Debtor's schedules and is not scheduled as disputed,  
14 contingent, or unliquidated. **Exhibit "A"** contains a list of claims that are not scheduled as  
15 disputed, contingent, or unliquidated.

16           Similarly, an interest is deemed allowed if it is shown on the list of equity security holders  
17 filed by the Debtor with the court and is not scheduled as disputed.

18           In order to vote, an allowed claim or interest must also be impaired by the Plan.

19           Impaired creditors include those whose legal, equitable, and contractual rights are altered  
20 by the Plan, even if the alteration is beneficial to the creditor. A contract provision that entitles a  
21 creditor to accelerated payment upon default does not, however, necessarily render the claimant  
22 impaired, even if the Debtor defaulted and the Plan does not provide the creditor with accelerated  
23 payment. The creditor is deemed unimpaired so long as the Plan cures the default, reinstates the  
24 maturity of such claim as it existed before default, compensates for any damages incurred as a  
25 result of reasonable reliance upon the acceleration clause, and (except for a default arising from  
26 failure to operate a nonresidential lease subject to 11 U.S.C. § 365(b)(1)(A)) compensates for any  
27 actual pecuniary loss incurred as a result of any failure to perform a non-monetary obligation.



1        Impaired interest-holders include those whose legal, equitable, and contractual rights are  
2 altered by the Plan, even if the alteration is beneficial to the interest holder.

3        There are also some types of claims that the Code requires be treated a certain way. For  
4 that reason they are considered unimpaired and therefore holders of these claims cannot vote.

5        To summarize, there are two prerequisites to voting: a claim or interest must be both  
6 allowed and impaired under the Plan.

7        If a creditor or interest-holder has an allowed and impaired claim or interest, then he or  
8 she may vote either to accept or reject the Plan (unimpaired claimants or interest-holders are  
9 deemed to have accepted the Plan). Impaired claims or interests are placed in classes and it is the  
10 class that must accept the Plan. Members of unimpaired classes do not vote, although as stated  
11 above, they may object to confirmation of the Plan. Even if all classes do not vote in favor of the  
12 Plan, the Plan may nonetheless be confirmed if the dissenting classes are treated in a manner  
13 prescribed by the Code. Please refer to Section VI below for information regarding impaired and  
14 unimpaired classes in this case.

15        Section IX sets forth which claims are in which class. Secured claims are placed in  
16 separate classes from unsecured claims. Fed. R. Bankr. P. 3018(d) provides: "A creditor whose  
17 claim has been allowed in part as a secured claim and in part as an unsecured claim shall be  
18 entitled to accept or reject a plan in both capacities."

19

20                                    **V.        VOTES NECESSARY TO CONFIRM THE PLAN**

21

22        The Court may confirm the Plan if at least one noninsider impaired class of claims has  
23 accepted and certain statutory requirements are met as to both nonconsenting members within a  
24 consenting class and as to dissenting classes. A class of claims has accepted the Plan when more  
25 than one-half in number and at least two-thirds in amount of the allowed claims actually voting,  
26 vote in favor of the Plan. A class of interests has accepted the Plan when at least two-thirds in  
27 amount of the allowed interests of such class actually voting have accepted it. It is important to  
28 remember that even if the requisite number of votes to confirm the Plan are obtained, the Plan

1 will not bind the parties unless and until the Court makes an independent determination that  
2 confirmation is appropriate. That is the subject of any upcoming confirmation hearing.

3

4 **VI. INFORMATION REGARDING VOTING IN THIS CASE**

5

6 The bar date for filing a proof of claim in this case is November 1, 2011.

7 No bar date for filing objections to a proof of claim has been set.

8 In this case, and based on the descriptions provided above, the Proponent believes that  
9 classes 1, 2, 5, and 7 are impaired and therefore entitled to vote. A party that disputes the  
10 Proponent's characterization of its claim or interest as unimpaired may request a finding of  
11 impairment from the Court in order to obtain the right to vote.

12 Ballots must be received by the Proponent, addressed to Karasik Law Group, LLP, 555  
13 W. 5<sup>th</sup> Street, Suite 3100, Los Angeles, CA 90013, Attention: Terry D. Shaylin , by 5:00 p.m. on

14

15 **VII. DESCRIPTION OF DEBTOR'S PAST AND FUTURE BUSINESS AND EVENTS**  
16 **PRECIPITATING BANKRUPTCY FILING**

17

18 The Debtor is a Delaware limited liability company which is qualified to do business in  
19 California as Summer View Sherman Oaks Apartments, LLC.

20 The single asset of the Debtor is a 169 unit apartment building located in at 15353  
21 Weddington Ave, Sherman Oaks, CA 91411. The Debtor derives its revenue and income from  
22 the rent and other fees of the Property. During the entire time that Debtor has owned the Property,  
23 the Property has been managed by professional management companies.

24 The Debtor acquired the Property in 2005 for approximately \$25,500,000 million. The  
25 Debtor was formed as a single asset LLC.

26 The sole member of the Debtor is the Efim Sobol Family Trust Dated November 18, 1995  
27 (the "Efim Sobol Trust"). At the time of acquisition of the Property, Dr. Efim Sobol was the  
28 trustee of the trust. In February 2007, Dr. Efim Sobol suddenly passed away. His mother, Sonia

1 Sobol, a Nazi concentration camp survivor, was left to deal with her son's estate. Ms. Sobol is  
2 currently 88 years old.

3 The Efim Sobol Trust was subject to a lengthy probate proceeding. In February 2008, Ms.  
4 Sobol's husband, Efim's father, Alexy Sobol, suddenly passed away. Ms. Sobol was left to deal  
5 with the estate of both her son and her husband. Only in November 2010 Ms. Sobol was finally  
6 confirmed as the sole trustee and beneficiary of the Efim Sobol Trust.

7 The Property was acquired by the Debtor through assumption of the Wachovia Bank loan  
8 of the seller of the Property (the "Loan"). At the time of the assumption the principal amount was  
9 \$16,000,000.00. The interest rate of the loan is 5.9%. The maturity date of the loan is July 11,  
10 2014 ("Maturity Date"). At the time of the assumption through July 11, 2007, the borrower was  
11 obligated to pay interest only in the approximate amount of \$75,500. Starting from August 11,  
12 2007, in addition to the interest payments, the borrower had to make monthly payments toward  
13 principal in the approximate amount of \$15,500. The Loan has a pre-paid penalties yield to  
14 maintenance provision providing that pre-payment of the loan prior to three months preceding the  
15 Maturity Date of July 11, 2014 would results in pre-paid penalties calculated in accordance with  
16 the formula provided in the loan documents. As of August 15, 2011, the lender calculated pre-  
17 paid penalties in the amount of \$2,362,164.85.

18 At the time the Debtor purchased the Property, the Property was under the management of  
19 Stratus Real Estate, Inc. ("Stratus"). The president of Stratus at that time was Steven Heimler.  
20 Prior to Debtor's acquisition of the Property, the Property undertook major renovation under  
21 Stratus management. The Property remained under the management of Stratus after the Debtor  
22 purchased it. The Deed of Trust, which is part of the Loan, has a provision that the management  
23 company of the Property cannot be changed without the approval of the lender. From the date  
24 Debtor purchased the Property to present date, all revenues generated by the Property has been  
25 deposited and kept in trust accounts under the direct control and custody of the companies that  
26 have managed the Property. From these accounts, management companies have paid all Property  
27 related expenses, including all debt servicing payments, operating expenses, property taxes, and  
28 property insurance premiums.

1 For the period that the Property was managed by Stratus, the Property generated revenues  
2 sufficient to pay all property related expenses, including loan payments, property insurance,  
3 property taxes, and operating and maintenance expenses, pursuant to the terms of the note. At  
4 that time, the occupancy rate on the Property was consistently around 95-98%.

5 In April 2007, Stratus was acquired by Riverstone Management Company (“Riverstone”).  
6 Stratus’s team, including Heimler, left Riverstone after a merger, and was replaced by Riverstone  
7 personnel. Over time, after Riverstone’s acquisition of Stratus and its assumption of management  
8 duties of Debtor’s Property under the Stratus agreement with Debtor, the quality of management  
9 decreased. In November–December 2008, the occupancy rate went below 90% for the first time  
10 since 2005 and started fluctuating at around 90%. The rental income generated by the Property  
11 started slowly decreasing and declined from 2,396,017 in 2007 to \$2,189,651 in 2009. Operating  
12 expenses meanwhile increased from \$863,012 in 2007 to \$1,080,530 without any substantial  
13 capital improvement being done. In addition to that, the cost of servicing loan increased by  
14 \$186,000 per year from August 11, 2007. After Efim Sobol’s death, Ms. Sobol’s ability to deal  
15 with Riverstone was very limited. The Efim Sobol Trust was subject to a lengthy probate court  
16 proceedings. Without confirmation of Ms. Sobol’s status by the probate Court allowing her to  
17 administer the estate of her son, she was not able to manage affairs of her son’s Property. Ms.  
18 Sobol wanted to replace Riverstone and was waiting for confirmation of the status as the Trustee  
19 of the Efim Sobol Trust. In December 2009, upon Ms. Sobol’s request, the lender approved the  
20 employment of the replacement of Riverstone with Mashcole Property Management.

21 When Ms. Sobol replaced Riverstone with Mashcole, her objective was that Mashcole  
22 would promptly take care of the Property, increase occupancy rate, take expenses under control  
23 and bring the Property back to the stable financial condition with the occupancy rate about 94%  
24 as the Property was under Stratus management.

25 Unfortunately, Mashcole did not fit the job. It turned out to be neither competent, nor  
26 diligent, nor reliable. Mashcole immediately increased administrative expenses, started making  
27 payments to its affiliated construction companies and vendors, and failed to competently manage  
28 the Property. Under Mashcole’s management the occupancy rate dropped to 84-89%. The

1 revenue in 2010 declined to \$2,032,675, while annual operating expenses remained at the level of  
2 \$1,054,073 while apparent necessary maintenance was deferred.

3 As cumulative result of Riverstone poor management and Mashcole mismanagement all  
4 funds accumulated by Stratus at the time when the Property consistently operated with positive  
5 cash flow were depleted. In addition to that, Mashcole claimed that Riverstone left the Property  
6 with \$200,000 worth of unpaid vendors invoices. Mashcole asked Ms. Sobol to provide  
7 additional funds to pay the vendors, which she did.

8 In December 2010, Mashcole did not pay principal and interest to the lender. The last  
9 time Mashcole paid the lender was in January 2011, but at the time, according to the lender's  
10 accounting, there was already one month in arrearages.

11 In February, 2011, Mashcole notified Ms. Sobol that there were not sufficient funds in the  
12 trust account for the Property to make loan service payments to the lender. Ms. Sobol became  
13 extremely concerned that the expenses being paid by Mashcole were overly high and seemed  
14 inflated. Subsequent events showed that she was right. On February 25, 2011, the lender gave the  
15 Debtor a notice of default.

16 In February-March 2011, Ms. Sobol began looking for a new management company to  
17 immediately replace Mashcole in order to prevent any further possible mismanagement and/or  
18 misuse of Debtor's revenue generated from the Property. She contacted Steven Heimler, who, as  
19 the president of Stratus, successfully managed the Property from 2004-2007. After Stratus was  
20 acquired by Riverstone, Mr. Heimler formed another management company, Cirrus Assets  
21 Management, Inc. ("Cirrus"). Cirrus is located in Calabasas, California, and has at least nine  
22 apartment buildings located in San Fernando Valley under its management including a 475-unit  
23 building in Northridge, a 236-unit building in North Hollywood, and a 140-unit apartment  
24 building in Chatsworth. Mr. Heimler advised Ms. Sobol that Cirrus would immediately be able  
25 to take over the management of the Property and that because he and his team were personally  
26 familiar with the Property, the transition should be very quick and smooth and he would be able  
27 to quickly bring the Property back into good condition, as it was under Stratus's management.

28

1 At that time, U.S. Bank through the chain of acquisition and assignment became the  
2 holder of the promissory note and beneficiary of the Deed of Trust. On March 22, 2011, the  
3 Debtor submitted to the lender a letter requesting approval to terminate Mashcole's management  
4 of the Property and to hire Cirrus as the management company for the Property. This request was  
5 immediately denied by U.S. Bank on the grounds that since the Debtor was in default pursuant to  
6 the loan documents, the appointment of a management company was at the discretion of U.S.  
7 Bank; U.S Bank exercised its right by rejecting Cirrus's appointment. U.S. Bank further advised  
8 the Debtor that it would seek to have a Receiver appointed for the Property. U.S. Bank did not  
9 obtain a court order to appoint a Receiver until April 28, 2011. On August 28, 2011, the Los  
10 Angeles Superior Court in its Order appointed Clyde Holland of Holland Residential, Inc as the  
11 Receiver over the Property. The Receiver then immediately hired its own management company  
12 Holland Residential to manage the Property. Both Clyde Holland and Holland Residential are  
13 located and operate their business from the City of Vancouver, State of Washington.

14 Holland Residential took over the management of the Property on May 4, 2011, left the  
15 Property under the management of Mashcole for another six days and another rent cycle, and thus  
16 allowed Mashcole to collect May 2011 rent contrary to the terms of the Order. Even after Holland  
17 Residential took over the management of the Property, Mashcole continued transferring Debtor's  
18 money to itself and its affiliated vendors. After April 28, 2011, Mashcole continued to write  
19 checks from the Summer View bank account until May 12, 2011, and made twenty withdrawals  
20 from the bank account in the total amount of \$52,043.52, including the last \$18,649 payment to  
21 Mashcole on May 9, 2011. Only on May 12, 2011, Mashcole turned over \$185,250.75, which  
22 was what left of Debtor's funds, to the Receiver.

23 After Holland Residential took over the management of the Property, it was discovered by  
24 Holland Residential that several tenants paid May 2011 rent in cash to the Mashcole on-site  
25 manager. That rent has never been reported by Mashcole. Subsequently, Debtor discovered that  
26 from December 2010 to May 2011, Mashcole disbursed from the Summer View bank account  
27 \$550,345.04, before the turning over \$185,250.75 to Holland Residential on May 12, 2011. Some  
28 of Mashcole's expenses during the last five months it managed the Property appear to be

1 extraordinary and at odds with the previous history of operation expenses of the Property,  
2 including \$82,676.82 paid to Good Luck Construction company over the period of time from  
3 January to May 2011, while there was no major capital improvement, reconstruction or  
4 renovation on the Property and \$145,613.79 total paid to Mashcole itself.

5 In addition to that, the Receiver reported that approximately \$28,000 worth of security  
6 deposits held by Mashcole was missed.

7 As a result, 2011 became the worst year in the history of operation of the Property from  
8 the prospective of occupancy, management, and income and cash flow. The Receiver added to  
9 the expensed incurred by the Debtor Receiver's fee and legal fee incurred by Receiver's  
10 attorneys. On July 28, 2011, the Lender gave the Debtor Notice of the Trustee's Sale. The  
11 Trustee's sale was set for August 16, 2011. The Debtor determined that the commencement of  
12 this case was necessary and proper. On August 15, 2011, at approximately 7:04 p.m. Debtor filed  
13 Chapter 11 petition.

14 After filing Chapter 11 Petition, U.S. Bank wanted to keep the Property under the  
15 management of Receiver's management company Holland Residential and to keep the Receiver  
16 as a custodian for the Estate. The Debtor wanted to follow its initial plan of appointing Cirrus as  
17 a management company of the apartment building, since Cirrus's team successfully managed in  
18 the Property for many years at a 96% and higher occupancy rate and was closely familiar with the  
19 Property and managing rent controlled buildings. The Debtor also wanted to terminate the  
20 receivership and efficiently reorganize the estate.

21 The Debtor and U.S. Bank filed competitive motions pertaining to disposition of the  
22 receivership and management of the Property. The motions were heard on October 5, 2011. Until  
23 the hearing of the receivership motions, the Property remained under the receivership and  
24 management of Holland Residential.

25 On October 5, 2011, the Court granted Debtor's motions to compel the Receiver to Turn  
26 Over the Property and Motion to Appoint Cirrus as a management company of the Debtor's  
27 apartment building. The orders terminating the receivership and appointing Cirrus was entered  
28

1 on October 17, 2011. On October 19, 2011, Cirrus took over the management of the Property  
2 from Holland Residential.

3 On October 25, 2011, the Receiver turned over cash from operating and security deposits  
4 accounts to the Debtor's respective DIP accounts for operating expenses and security deposits.

5 Cirrus promptly inspected and assessed condition of the property and determined what  
6 work needs to be done within the following three months to bring all units in the rentable  
7 condition, what safety issues has to be immediately addressed; what needs to be done to make the  
8 property attractive to prospective tenants and what steps should be immediately taken to preserve  
9 the Property. Based on the assessment, Cirrus together with the Debtor prepared a proposed  
10 budget for October/November 2011-February 2012. The Debtor and U.S. Bank entered into a  
11 cash collateral stipulation based on the proposed budget. The Debtor and U.S. Bank stipulated to  
12 the monthly adequate proportion payment to the lender in the amount \$78,584 starting November  
13 15, 2011.

14 On November 16, 2011, Receiver filed a Motion for Reimbursement of Administrative  
15 Expenses seeking payment for the amount of \$80,607.51 to the Receiver and \$72,544.34 to  
16 Receiver's counsel Duane Morris. On December 20, 2011, the Court entered an Order granting  
17 Receiver's Motion for Allowance of Administrative Expenses in the amount of \$80,607.51 to  
18 Receiver and \$72,544.34 to Receiver's counsel Duane Morris. Pursuant to the Order, on  
19 December 23, 2011, the Debtor paid to the Receiver \$80,607.51 from its cash collateral and on  
20 January 3, 2012 the Debtor paid to Receiver's counsel Duane Morris \$72,544.34 from its cash  
21 collateral.

22 Pursuant to the terms of the loan, Efim Sobol Family Trust is the guarantor of the  
23 Debtor's obligations under the loan. On October 28, 2011, U.S. Bank filed a breach of warranty  
24 lawsuit against Efim Sobol Trust in Los Angeles superior Court. (Case Number BC472138).  
25 U.S. Bank seeks \$18,323,199.85 in damages against Efim Sobol Trust for breach of guarantee.

26 Through this case, the Debtor intends to reorganize its financial affairs and provide a  
27 distribution to all creditors.

28



1 What follows is a **brief** description of the Debtor's business and future business plans.  
2 Further details relating to the Debtor's financial condition and post-confirmation operation of the  
3 Debtor are found in sections X, XI, XII, XVI, and XV.

4 Debtor is in the business of renting real estate.

5 The Property of the Debtor is located at 15454 Weddington St., Sherman Oaks,  
6 CA 91411, the Property was built in 1964.

7 Rentable square footage of the building is 99,948, with the total lot size of 3.81  
8 acres. The Property consists of four three story buildings, "A", "B", "C" and "D".

9 The total amount of units is 169, including two studio and 167 one bedroom units,  
10 the building was built in 1964.

11 Property amenities include covered parking, secured and gated entrance, fitness  
12 center, two swimming pools, basketball and tennis court, barbecues.

13 Current occupancy rate is 84%.

14 The Debtor intends to continue to lease its real estate while concurrently contemplating  
15 and preparing for the sale of the Property as a part of reorganization plan. The goal is to sell the  
16 Property prior to July 2012-September 2012 (the Maturity Date is July 11, 2014). The Debtor  
17 intends to start making payments to the creditors on the Effective date and pay off the Loan and  
18 all the creditors from the proceeds of sale. The Debtor is in the process of filing its application to  
19 employ and to enter into an exclusive listing agreement with Marcus and Millichap as the real  
20 estate broker for the Debtor. The proposed listing price is \$21,000,000, with the proposed  
21 broker's commission at 2%. Once employment is approved, Marcus and Millichap will  
22 effectively market the Property nationwide with the plan to generate interest in the Property and  
23 obtain the best offer from a qualified buyer. Any sale contemplated prior to April 2014 should be  
24 consummated as a part of the reorganization plan by finding a qualified buyer for assumption of  
25 the Loan, unless the Lender agrees to waive its right to pre-paid penalties, or the Court orders it.  
26 Marcus and Millichap anticipate to find a qualify buyer for the Property within four months after  
27 approval of their employment and to close escrow by September 1, 2012.

28 During reorganization and prior to the sale of the Property, the Debtor continues to work

1 on: 1) capital improvements; 2) increasing the occupancy rate; and 3) increasing revenues  
2 generated by the Property for greater profitability. The Debtor along with Cirrus will continue to  
3 use best efforts to improve the Property's operating efficiency and to preserve and increase the  
4 ~~the~~ value of the Property.

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6 **VIII. CRITICAL PLAN PROVISIONS**

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8 Critical plan provisions are:

- 9 a. Continuing operation the Property, capital improvements of the Property, income  
10 and occupancy rate;
- 11 b. Listing the Property for sale immediately after the application to employ a real  
12 estate broker and enter into a listing agreement is granted with the target of closing escrow by  
13 September 2012. The sale should be completed through the assumption of the existing loan;
- 14 c. Contingency plan of operating the Property until the Maturity Date (July 11, 2014)  
15 in the event that the sale does not go through as planned;
- 16 d. Contingency plan to sell the Property to conventional sale prior to the Maturity  
17 Date without incurring yield to maintenance pre-paid penalties; and
- 18 e. Contingency provision that the Efim Sobol Trust, the member of the Debtor, will  
19 provide the Debtor with an unsecured line of credit to cover any cash shortfall during the time of  
20 operation of the Property in the amount of up to \$500,000.

21 General unsecured creditors can expect to have their claims paid as follows:  
22 Commencing with the effective date, general unsecured creditors will be receive \$24,339.32  
23 (100% of their claims) in 8 equal quarterly payments.

24 Listed below are the sources of money earmarked to pay creditors and interest-holders:

- 25 a. Proceeds from the sale of the Property;
- 26 b. Debtor's cash on hand as of the Effective Date of the Plan;
- 27 c. Payment reserve held by the Lender; and
- 28 d. Post-confirmation income.

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**IX. DESCRIPTION AND TREATMENT OF CLAIMS**

a. Overview of Plan Payments

Below is a summary of who gets paid what and when and from what source. The identity of members within a particular class is explained beginning on the next page. The second column lists two amounts. First, the amount of each payment, or if only one is to be made, then that amount; second, the total amount that will be paid. The Proponent is usually not required by law to pay an unsecured creditor or interest holder everything it would otherwise be entitled to, had a bankruptcy case not commenced. The “Payment Due Date” column states the frequency with which payments will be made and the starting and ending dates. Look at the starting date to figure out who will be paid before and after you and in what amount. The “Source of Payment” column describes the expected source of payment. Further details regarding the source of payment are found in sections X and XI.

The timing of payments to many creditors is determined by the “Effective Date.” Administrative claims, unless otherwise stated, must be paid by the Effective Date. In this case, the Effective Date of the Plan (the “Effective Date”) will be March 1, 2012, assuming that the Bankruptcy Court has entered an order confirming the Plan (the “Plan Confirmation Order”) at least 14 days prior to March 1, 2012 and there is no stay in effect. If there is a stay in effect, the Effective Date shall be the first business day after the stay is no longer in effect with respect to the Plan Confirmation Order. The Debtor, following the Effective Date, will be referred to herein as the “Reorganized Debtor.”

ADMINISTRATIVE CLAIMS

Payment Recipient	Amount of each Payment and Total Amount to be paid	Payment Due Date	Source of Payment
Karasik Law Group, LLP (proposed bankruptcy counsel to the Debtor)	<p>Total amount of approximately <del>\$60,000</del> <u>133,624.37</u>* to be paid in full upon entry of order approving employment of KLG as Debtor's bankruptcy counsel and upon entry of order allowing KLG's fees and costs.</p> <p>*estimated unpaid fees and expenses in excess of \$20,000 pre-petition retainer and post petition \$20,000 payment toward fee and costs. Upon approval of employment, KLG may file an application for approval of interim compensation.</p>	<p>Payment shall be made upon the later of (1) Effective Date, and (2) 14 days after date of entry of order allowing the final application, provided that payments will be funded into KLG's trust account not later than seven (7) days prior to the Plan confirmation hearing</p>	<p>(1) Reorganized Debtor's cash on hand available on Payment Due Date, (2) Payment Reserve held by Lender on the Payment Due Date</p>
Receiver Clyde Holland, Debtor's pre- and post-petition receiver (including claim by Holland Residential)	<p><del>\$1<sup>+</sup> Additional claim in estimated amount of \$80,607.51, subject to Court's approval. Receiver indicated in his October 2011 report that he is planning to file a Motion for Reimbursement of Administrative Expenses, Subject to Court Approval; Receiver's Counsel Duane Morris indicated that they will be filing a Motion for Approval of Attorney's fee as a part of the Receiver's administrative claim, but were not able to provide the estimated amount of their</del></p>	<p>Effective Date</p>	<p>Reorganized Debtor's cash on hand available on Payment Due Date</p>

<sup>1</sup> Receiver Clyde Holland filed a proof of claim on October 25, 2011 for \$1.00 of priority debt. The proof of claim had no information other than the amount (\$1) and the priority classification.

1	Payment Recipient	Amount of each Payment and Total Amount to be paid	Payment Due Date	Source of Payment
2		<del>claim</del> Total amount of approximately \$153,151.85.		
3		<u>\$1<sup>2</sup> Proof of Claim</u>		
4		<u>On December 20, 2011, the Court entered an Order granting Receiver's Motion for Allowance of Administrative Expenses in the amount of \$80,607.51 to Receiver and \$72,544.34 to Receiver's counsel Duane Morris. Pursuant to the Order, on December 23, 2011, the Debtor paid to the Receiver \$80,607.51 from its cash collateral and on January 3, 2012 the Debtor paid to Receiver's counsel Duane Morris \$72,544.34 from its cash collateral.</u>		
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**PRIORITY TAX CLAIMS**

14	Payment Recipient	Amount of each Payment and Total Amount to be paid	Payment Due Date	Source of Payment
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16	Los Angeles Housing Department	\$ 9,164.87 <sup>3</sup> (RSO Fee)	ASAP, before the Effective Date	Reorganized Debtor's cash on hand available on Payment Due Date,
17		5,367 (Late Fee)	Effective Date unless Debtor's request for waiver is granted	
18	Claim Amount:	8,369 (Delinquent Fee)		
19	\$ 13,736 (RSO Fee)			
20	5,367 (Late Fee)			
21	8,369 (Delinquent Fee)			
22	Unimpaired			
23	City of Los Angeles, Office of Finance	\$5,027	Effective Date	Reorganized Debtor's cash on

<sup>2</sup> Receiver Clyde Holland filed a proof of claim on October 25, 2011 for \$1.00 of priority debt. The proof of claim had no information other than the amount (\$1) and the priority classification.

<sup>3</sup> Debtor has asked the Los Angeles Housing Department to waive the Late Fee and the Delinquent Fee. The Department occasionally waives such fees and promised to consider doing so in this case, but only after the base fee has been paid. For this reason Debtor needs to pay the base fee immediately. If the Department decides to waive the Fees, the Debtor will not pay this claim.

1	(Business Tax)			hand available on
2	Claim Amount:			Payment Due Date,
3	\$5,027			
4	Unimpaired			
5	Los Angeles Property	\$177,805.48	Prior to	Reorganized Debtor's
6	Tax Bill		December 1,	cash on hand available
7			2011 (in order to	on Payment Due Date.
8			avoid penalties	
9			from the cash	
10			collateral)	

**SECURED CLAIMS**

10	Payment Recipient	Amount of each Payment and Total Amount to be paid	Payment Due Date	Source of Payment
11				
12	Class 1 –	Debtor will make monthly payments of \$78,584 <sup>4</sup> until the property is sold without triggering a prepayment penalty or through the assumption of the existing loan.	Monthly Payments: 11 <sup>th</sup> of every calendar month that begins after the Effective Date. The last payment is on June 11, 2014.	Reorganized Debtor's
13	Allowed Secured Claim of			(1) cash on hand;
14	U.S. Bank			(2) postconfirmation income;
15	Claim Amount:			(3) payment reserve held by the Lender.
16	\$18,118,041			(4) proceeds from the sale
17	Oversecured	According to loan documents, the loan must be paid off on July 11, 2014 with a balloon payment. By the maturity of the loan, the property should be sold with proceeds going to pay off the mortgage loan amount in full without \$2,263,164.85 prepayment penalties included in the claim. If the property is sold before April 2014, the buyer has to assume the mortgage loan	The sale should be completed and escrow closed before July 11, 2014	(5) assumption of the existing obligation by the buyer
18	Impaired			
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<sup>4</sup> This includes interest payments of \$75,548.30 and principal payments of \$3,381.73. The principal balance on the US Bank's proof of claim is \$15,339,756.46. The note rate is 5.91%. The annual interest payment is \$906,580 (= \$15,339,756.46 \* 5.91%). The monthly interest payment is 1/12th of that or \$75,548.30.

1 2 3 4 5 6 7 8 9 10 11 12 13 14	<b>Payment Recipient</b>	<b>Amount of each Payment and Total Amount to be paid</b>	<b>Payment Due Date</b>	<b>Source of Payment</b>
		<p>subject to lender's approval to avoid prepayment penalties.<sup>5</sup></p> <p>Treatment of impounded property taxes, property insurance, and capital improvement accounts established with the lender is explained in Section IX(c).</p> <p><u>The lender disputes certain aspects of this treatment but has indicated an intention to vote in favor of the Plan conditioned upon entry of a confirmation order in form and substance acceptable to Lender, as explained in Section IX(c) below.</u></p>		
	<p>15 Class 2 –</p> <p>16 Allowed Secured Claim of</p> <p>17 E Rojas</p> <p>18 Landscape Inc, secured with a</p> <p>19 mechanic's lien</p> <p>20 Claim Amount:</p> <p>21 \$12,078</p> <p>22 Impaired</p>	<p>\$12,078 paid in 12 quarterly payments of \$1,007. (Without Interest)</p> <p>Claimant shall retain its lien on the Debtor's property. The treatment proposed herein shall be in full and complete satisfaction of all Class 1 claims.</p>	<p>Twelve quarterly payments commencing on the Effective Date, or from the proceeds of the sale if the Property is sold before the creditor is paid in full through the quarterly payments</p>	<p>Reorganized Debtor's</p> <p>(1) cash on hand;</p> <p>(2) postconfirmation income;</p> <p>(3) payment reserve held by the Lender;</p> <p>(4) Proceeds of the sale.</p>

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<sup>5</sup> The lender will not refuse to allow assumption by a qualified buyer unreasonably. Assumption will not trigger a prepayment penalty.

**1 Mechanic’s Liens:**

2 The title report shows the following pre-petition mechanic’s liens recorded against the  
3 Property:

4 \$3,367.50 lien recorded by PMR Flooring Corporation on September 1, 2010;

5 \$24,528.00 lien recorded by E. Rojas Landscape on November 29, 2010;

6 \$52,680 lien recorded by GAC Corp/Ocean Front on December 4, 2009

7 Debtor’s counsel contacted all lienholders and determined that PMR Flooring Corp and  
8 GAC Corp claims had been satisfied pre-petition. Both lienholders will take steps necessary to  
9 release their liens.

10 E. Rojas confirmed that he received \$12,450 payment toward his secured claim pre-  
11 petition, and that the balance of his secured claim is \$12,078.

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**PRIORITY CLAIMS**

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<b>Payment Recipient</b>	<b>Amount of each Payment and Total Amount to be paid</b>	<b>Payment Due Date</b>	<b>Treatment</b>
Class 3 –  Priority claims for tenant security deposits (deposits by individuals) that are not currently due.  Claim Amount: \$76,314.03	Pay when due	Pay when due	\$56,375.80 held in specially designated for security deposits bank account of the Debtor, cash from operations of the debtor, reserve held by lender, proceeds of the sale
Class 4 –  Priority claims for tenant security deposits (deposits by individuals) that became due prepetition. <sup>6</sup>  Claim Amount: \$590	One payment of \$ 590	For humanitarian reasons, the payment will be made, with mortgage lender’s consent, before the effective date.	Paid in full at the earliest opportunity from \$56,375.80 held in specially designated for security deposits bank account of the Debtor

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<sup>6</sup> There are three such tenants who have moved out before the filing date of August 15, 2011 and have made requests for security deposits.



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**GENERAL UNSECURED CLAIMS**

<b>Payment Recipient</b>	<b>Amount of each Payment and Total Amount to be paid</b>	<b>Payment Due Date</b>	<b>Treatment</b>
Class 5 – Allowed Unsecured Claims, excluding Insiders  Claim Amount: \$24,340.76  Impaired	Paid in 8 quarterly payments of \$3,042.59 (Without Interest)	Eight quarterly payments commencing on the Effective Date, or from the proceeds of the sale, if sale occurred before paid in full	Reorganized Debtor’s (1) cash on hand; (2) postconfirmation income; (3) payment reserve held by the Lender; (4) proceeds of the sale

**EQUITY**

<b>Payment Recipient</b>	<b>Amount of each Payment and Total Amount to be paid</b>	<b>Payment Due Date</b>	<b>Treatment</b>
Class 6 –  100% Interest Holder Yefim Efim Sobol Family Trust Dated November 18, 1995 (the “Trust”)  Impaired	The balance of the proceeds of sale after payments to all creditors	Upon closing of escrow	The balance of the proceeds of sale after payment to all creditors

All claims listed in **Exhibit “A”** attached hereto are undisputed. On the Effective Date (and on the payment dates as the case may be, including the date of closing of escrow upon sale of the Property), the Disbursing Agent will deposit into segregated account (the “Disbursement Account”) an amount of cash equal to 100% of the estimated distribution to be paid on the disputed portion of any claim. Cash together with interest accruing thereon will be held in trust for the benefit of holders of disputed claims. No claimant or interest holder is an affiliate of the Debtor.

1 Below is a detailed description and treatment of administrative expenses, claims and  
2 interests

3 a. Administrative Expenses

4 i. These include the "actual, necessary costs and expenses of preserving the estate"  
5 as determined by the Court after notice to creditors of a request for payment and after a hearing  
6 thereon. These also include the fees and expenses incurred by professionals employed in this  
7 case at the expense of the estate which have been approved by the Court on a final basis.

8 ii. The Code requires that allowed administrative expenses be paid on the effective  
9 date unless the party holding the administrative expense agrees otherwise. The claimants have not  
10 agreed otherwise.

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12 Administrative Expense #1. Claimant: Karasik Law Group L.L.P., bankruptcy counsel  
13 to the Debtor (pending court approval of employment) \$~~60,000~~133,624.37 (estimated unpaid fees  
14 and expenses in excess of pre-petition retainer and post petition payment made by the Debtor's  
15 insider paid in the aggregate amount of \$40,000), subject to court approval.

16 Administrative Expense #2. Claimant: Clyde Holland, state court appointed receiver  
17 (including the claims of Holland Residential and Duane Morris LLP). Receivership was  
18 terminated by the Bankruptcy Court on October 17, 2011. \$1, the amount of claim stated in the  
19 proof of claim filed by Clyde Holland. On November 16, 2011, Receiver indicated in his October  
20 2011 report that he is planning to file~~filed~~ a Motion for Reimbursement of Administrative  
21 Expenses, ~~subject to Court Approval in seeking payment for~~ the amount of \$80,607.51 ~~to the~~  
22 Receiver and \$72,544.34 to Receiver's Counsel~~counsel~~ Duane Morris ~~indicated that they will be~~  
23 filed a. On December 20, 2011, the Court entered an Order granting Receiver's Motion for  
24 Approval~~Allowance of Attorney's Fees as a part of the Receiver's administrative claim, but were~~  
25 not able to provide the estimated~~Administrative Expenses in the~~ amount of ~~their claim~~\$80,607.51  
26 to Receiver and \$72,544.34 to Receiver's counsel Duane Morris. Pursuant to the Order, on  
27 December 23, 2011, the Debtor paid to the Receiver \$80,607.51 from its cash collateral and on

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1 January 3, 2012 the Debtor paid to Receiver's counsel Duane Morris \$72,544.34 from its cash  
2 collateral.

3 **TOTAL ADMINISTRATIVE CLAIMS: \$~~60,001~~286,776.22 (estimated)**

4 a. \$153,151.85 of the total estimated claims amount paid to Receiver and Receiver's  
5 motion counsel for reimbursement fees and expenses pursuant to the December 23,  
6 2011 Court Order

7 b. \$133,624.37 of total administrative expenses anticipated claims amount subject to  
8 Court approval of Debtor's Application for Compensation of Attorneys' Fees and  
9 Reimbursement of Expenses by Karasik Law Group, LLP, Attorneys for Debtor  
10 and Debtor in Possession.

11 **b.a. Unsecured Tax Claims**

12 i. These include certain types of property, sales, income, and other taxes.

13 ii. The Code requires that the holders of such claims receive on account of such claim  
14 regular installment payments in cash (i) of a total value, as of the Effective Date of the Plan,  
15 equal to the allowed amount of such claim;

16 Over a period ending not later than 5 years after the date of the order for relief under  
17 section 301, 302 or 303 of the Bankruptcy Code; and (iii) in a manner not less favorable than the  
18 most favored nonpriority unsecured claim provided for by the Plan (other than cash payments  
19 made to a class of creditors under section 1122(b) of the Bankruptcy Code). The amount of the  
20 allowed claim includes the amount of tax owed plus interest of eight percent (5%). The present  
21 value is calculated as of the Effective Date.

22 **Claimant: Los Angeles Housing Department**

23 • \$ 9,165 Rent Stabilization Fee will be paid at the earliest possible date to induce  
24 the Los Angeles Housing Department to waive the penalty fee (\$5,367) and delinquent fee  
25 (\$8,369) and to maintain rental registration. The Los Angeles Housing Department has indicated  
26 that once the Rent Stabilization Fee is paid, it may consider waiving the penalty and delinquent  
27 fees. The Debtor has applied for waiver of the penalty and delinquent fees.

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1           •       \$13,736 – Rent Stabilization Penalty Fee (\$5,367) and Delinquent Fees (\$8,369)  
2 will be paid on the Effective Date, unless the Los Angeles Housing Department waives these fees  
3 before the Effective Date.

4           **Claimant: City of Los Angeles, Office of Finance**

5           •       \$ 5,027.43 Business Tax will be paid on the Effective Date.

6           **Claimant: Los Angeles County Tax Collector**

7           •       \$ 177,805.48 Los Angeles Property Tax will be paid prior to December 1, 2011  
8 from the cash collateral to avoid accruing penalties and delinquent fees.

9           **e.b. CLASS ONE**

10           **Secured Claim of U.S. Bank (claim is oversecured)**

11 Total amount of allowed secured claim:	US Bank filed a claim for \$ 18,118,041, which includes \$2,362,164 liquidated pre-paid penalties.
13 Total amount of payments (over time) to satisfy the secured claim:	<p>14 Debtor will make monthly payments of \$78,584<sup>7</sup> until the property is sold without triggering a prepayment penalty. The proceeds will be used to pay off the mortgage debt.</p> <p>15</p> <p>16 According to loan documents, the loan must be paid off on July 11, 2014 with a balloon payment. By the maturity of the loan, the property should be sold with proceeds going to pay off the mortgage loan in full or the loan should be assumed by the buyer of the loan without pre-paid penalties.</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p>
21 Treatment of impounded accounts – Replacement reserve	<p>22 Pursuant to Section 9 (c) of the Loan Assumption and Substitution Agreement the debtor shall pay to the lender a deposit to a replacement reserve in the amount equal to \$4,225 per month. Replacement reserve is a repair reserve for payment for certain non-</p> <p>23</p> <p>24</p>

25 <sup>7</sup> This includes interest payments of \$75,548.30 and principal payments of \$3,381.73. The  
26 principal balance on the US Bank’s proof of claim is \$15,339,756.46. The note rate is 5.91%.  
27 The annual interest payment is \$906,580 (= \$15,339,756.46 \* 5.91%). The monthly interest  
28 payment is 1/12th of that or \$75,548.30.

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	<p>recurring types of costs for interior and exterior work to the property.  <u>Treatment in the Plan</u>                  No payments will be made to the replacement reserve. Instead, The Debtor included in the proposed operating budget \$20,025 turn over costs and \$467,369 capital improvement expenses, including exterior and interior work. In addition, per request of Steve Heimler of Cirrus, the Debtor will establish a separate contingency fund in the annual amount of \$40,000. The Debtor will open a separate bank account for the contingency fund. The fund will be used for plumbing, roofs, water penetration issues, utility interruptions, water heaters replacements, tree damage, and other non-recurring costs.</p>
<p>Treatment of impounded accounts – Impound for Taxes</p>	<p>Pursuant to the term of the loan, the Debtor shall pay the lender a sum equal to one-twelfth estimated by lender to be sufficient to pay all taxes, levies and other similar charges levied against the property for.  <u>Treatment in the Plan</u>                  Prior to the effective date, the debtor will establish a separate account for taxes and will make monthly deposits of a sum equal to 1/12 of the amount stated in the tax bill. On or before the due date the Debtor will pay property taxes from Debtor’s designated tax account and provide the lender with the proof of payment.</p>
<p>Treatment of impounded accounts – Reserve for Insurance</p>	<p>The lender maintains an impounded account for property insurance for the Debtor.  <u>Treatment in the Plan</u>                  Prior to the effective date, the debtor will establish a separate account for property insurance and will make monthly deposits of a sum equal to 1/12 of the amount of the annual premium for insurance coverage required by the lender. On or before the due date the Debtor will pay property insurance premium from Debtor’s designated insurance account and provide the lender with the proof of insurance.</p>
<p>Interest rate:</p>	<p>5.91 % per annum</p>
<p>Impaired</p>	<p>Yes</p>

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First payment date:	11 <sup>th</sup> day of the first calendar month commencing after the effective date
Amount of each installment	\$78,584 per month
Frequency of payments	Monthly
Total yearly payments:	\$ 906,580, unless the Property is sold through the assumption of the loan before the end of the year
Final payment date:	July 11, 2014, or at the closing of escrow after the sale of the Property through the assumption of the loan or through the conventional sale by the maturity date
Lien is not modified in any way by the Plan	No lien modification
Description of Collateral:	Debtor's real property – apartment building
Additional Comments:	Such treatment shall be in full and complete satisfaction of all claims of this class.
<u>CONDITIONAL ACCEPTANCE:</u>	<p><u>The Lender disputes certain aspects of this treatment of its claim with respect to the terms of the remaining loan in the event the sale of the Property is not consummated shortly after confirmation as contemplated by the parties. Nevertheless, the Lender has indicated an intention to vote in favor of the Plan conditioned on the confirmation order containing provisions substantially as follows:</u></p> <p><u>If the sale of the Property is not consummated within forty-five (45) days after the effective date of the Plan, and the Debtor and the Lender have not reached complete agreement as to the terms of the remaining loan, then upon request of either party the confirmation order shall be vacated and the Bankruptcy Court shall set a new confirmation hearing respecting the terms of the remaining loan (at which new confirmation hearing the Debtor may attempt a "cramdown" of the Lender's claim and Lender may dispute such attempt). Debtor and Lender may agree to extend such forty-five (45) day period without further order of the Bankruptcy Court, but such agreement shall be filed with the Court.</u></p>

1 **d.c. CLASS TWO**

2 Allowed Secured Claim of E Rojas Landscape Inc (claim is oversecured)

3	Total amount of allowed claim:	\$ 12,078
4	Total amount of payments (over time) to satisfy the secured claim:	\$ 12,078
5	Interest rate (to compensate creditor because claim is paid over time):	0%
6	Impaired	Yes
7	First payment date:	Effective Date
8	Amount of each installment:	\$ 1,509.75
9	Frequency of payments:	Quarterly
10	Total yearly payments:	\$ 6,039
11	Final payment date:	March 1, 2014 (assuming the Effective Date is March 1, 2012) or the day of closing of escrow of the sale of the Property, whichever comes earlier.
12		
13	Lien is not modified in any way by the Plan	No lien modification as to lien rights.
14	Description of Collateral:	Debtor's real property – apartment building
15	Additional Comments:	The Debtor shall have the right to prepay this claim prior to maturity without penalty or fee. Such treatment shall be in full and complete satisfaction the claims.
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18 **e.d. CLASS THREE**

19 Allowed Priority Claims of Tenants for security deposits that are not currently due.

21	Total amount of allowed claim:	\$ 75,724
22	Total amount of payments (over time) to satisfy the claim:	\$ 75,724 will be placed in specially designated for security deposits bank account of the Debtor, and paid to Tenants who are moving out when due.
23	Interest rate (to compensate creditor because claim is paid over time):	0%
24	Impaired	No
25	First payment date:	Placed in a specially designated account: at the earliest possible date
26		
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1		Paid to Tenants: when due
2	Amount of each installment:	Not applicable
3	Frequency of payments:	Not applicable
4	Total yearly payments:	Not applicable
5	Final payment date:	Unknown
6	<b><u>f.e. CLASS FOUR</u></b>	
7	<u>Allowed Priority Claims of Tenants for security deposits that became due prepetition.</u>	
8		
9	Total amount of allowed claim:	\$ 590
10	Total amount of payments (over time) to satisfy the claim:	\$ 590
11	Interest rate (to compensate creditor because claim is paid over time):	0%
12	Impaired	No
13	First payment date:	At the earliest possible date
14	Amount of each installment:	\$ 590
15	Frequency of payments:	Not applicable
16	Total yearly payments:	Not applicable
17	Final payment date:	Not applicable
18	Additional Comments:	Such treatment shall be in full and complete satisfaction of all claims in this class
19	<b><u>g.f. CLASS FIVE</u></b>	
20	<u>All General Unsecured Claims</u>	
21	See <b>Exhibit "A"</b> for list of claimants and amount owed each	
22	Total amount of allowed claim:	\$ 24,339.32
23	Total amount of payments (over time) to satisfy the claim:	\$ 24,339.32
24	Interest rate:	None
25	Impaired	Yes
26	First payment date:	On the Effective Date
27	Amount of each installment:	\$ 3,042.42
28	Frequency of payments:	Quarterly, or at the time of closing of escrow



1	Total yearly payments:	\$ 12,169.66
2	Final payment date:	March 1, 2014
3		(assuming the Effective Date is March 1, 2012) Or upon the sale of the Property, whichever is earlier
4	Additional Comments:	The Debtor shall have the right to prepay this claim prior to maturity without penalty or fee. Such treatment shall be in full and complete satisfaction the claims.
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8 **h.g. CLASS SIX**

9 Equity Interests

10 The equity holder shall retain its existing equity interest. Equity holder shall receive under  
11 the Plan only the proceeds from the sale of the Property upon satisfaction of all claims.

12  
13 **X. SOURCE OF MONEY TO PAY CLAIMS AND INTEREST-HOLDERS**

14  
15 The Plan cannot be confirmed unless the Court finds that it is "feasible," which means that  
16 the Proponent has timely submitted evidence establishing that the Debtor will have sufficient  
17 funds available to satisfy all expenses, including the scheduled creditor payments discussed  
18 above. What follows is a statement of projected cash flow for the duration of the Plan. The focus  
19 is on projected cash receipts and cash disbursements. All non-cash items such as depreciation,  
20 amortization, gains and losses are omitted. A positive number reflects a source of cash; a  
21 (negative number) reflects a use of cash. A detailed statement of cash flow projections for the  
22 duration of Plan payments is attached as **Exhibit "B"** Section XV(c). It states the assumptions  
23 and details surrounding the statement of projected cash flow.

24 On the Effective Date, the Plan pays the amount of \$ 156,643, which is comprised of the  
25 following:

26	Administrative claims *	\$ <del>60,001</del> 286,776.22
	Priority Tax Claims	\$ 13,736
27	Class 1	\$ 78,584
	Class 2	\$ 1,007
28	Class 3	\$

1	Class 4	\$
	Class 5	\$ 3,315
2	Class 6	\$
	TOTAL	\$ 156,643

3  
4 ~~\* Debtor has not yet received Receiver's Administrative claim other than the stated \$1 on Clyde~~  
5 ~~Holland's proof of claim.~~

6 \* On December 20, 2011, the Court entered an Order granting Receiver's Motion for  
7 Allowance of Administrative Expenses in the amount of \$80,607.51 to Receiver and \$72,544.34  
8 to Receiver's counsel Duane Morris. Pursuant to the Order, on December 23, 2011, the Debtor  
9 paid to the Receiver \$80,607.51 from its cash collateral and on January 3, 2012 the Debtor paid to  
10 Receiver's counsel Duane Morris \$72,544.34 from its cash collateral. On December 28, 2011,  
11 counsel for the Debtor Karasik Law Group, LLP filed its Application for Compensation of  
12 Attorneys' Fees and Expenses seeking payment of \$129,335.27 in fees and \$4,289.10 in expenses  
13 subject to Court approval.

14  
15 The Effective Date is projected to occur on March 1, 2011. As shown by the projected  
16 cash flow, the Reorganized Debtor will have the following cash on hand under each of the  
17 options attached hereto as **Exhibit "B"**:

- 18 1. (Version 1) The Reorganized Debtor will have cash on hand of approximately  
19 \$513,695 on March 1, 2012 (assumption that the Reserve in the amount \$216,738.50  
20 will remain the property of the estate);
- 21 2. (Version 2) The Reorganized Debtor will have cash on hand of approximately  
22 \$1,387,045 (assumption that the Reserve in the amount \$1,090,088.92 and will remain  
23 in the property of the estate);
- 24 3. (Version 3) The Reorganized Debtor will have cash on hand of approximately  
25 \$296,956 (assumption that the there will be no reserve).

26 Therefore, under all three options the Debtor is expected to have sufficient cash on hand  
27 on the Effective Date to make the payments required to be made on the Effective Date.

1 Subsequent quarterly payments until March 1, 2014 or in full upon the sale of the Property,  
2 whichever is earlier.

3

4 **XI. FINANCIAL RECORDS TO ASSIST IN DETERMINING WHETHER**  
5 **PROPOSED PAYMENT PLAN IS FEASIBLE**

6

7 As discussed above, cash flow projections Version “1,” Version “2,” and Version “3” for  
8 the Plan repayment period until July 11, 2014, the Maturity Date of the Loan, are attached hereto  
9 as **Exhibit “B”**. **Exhibit “B”** also contains a detailed projected capital improvement budget for  
10 the years 2013. Attached as **Exhibit “C”** are:

- 11 a. Balance sheets for the period of time from January 1, 2011 to October 22, 2011;  
12 b. Income and expense statements for the period of time from January 1, 2011 to  
13 October 22, 2011;  
14 c. A summary of the Property occupancy rate from January 2006 to October 2011;  
15 and  
16 d. Twelve months income statements for the Property for years 2009 and 2010  
17 prepared by the management companies.

18 The Summary of Occupancy Rate was prepared by the Debtor based on the monthly rent  
19 rolls from 2005 to October 2011 provided by Stratus, Riverstone, Mashcole and Holland  
20 Residential. The 2009 twelve months income statement were prepared by Riverstone Property  
21 Management, and the 2010 twelve month statement were prepared by Mashcole Property  
22 Management. The May-October 2011 financial data used in the balance sheets was prepared by  
23 Holland Residential. The summary of the Property occupancy rate was prepared by the Debtor  
24 based on the monthly rent rolls from 2005 to October 2011 provided by Stratus, Riverstone,  
25 Mashcole and Holland Residential.

26 Projected income, occupancy rate, operating expenses, and capital improvement expenses  
27 of the cash flow and projected capital improvement budget were prepared and provided to the  
28

1 Debtor by Cirrus's president Steve Heimler and Cirrus Regional Manager Gregory Karp, who is  
2 in charge for day-to-day operations of the Property.

3 Mr. Heimler and Mr. Karp made their projections of the occupancy rate, revenue and  
4 expenses, and capital improvement required based on Cirrus's team and Mr Heimler's personal  
5 experience of operating the Property from 2004 to 2007 at an average 96% occupancy rate, based  
6 on the review of monthly financial reports of Riverstone, Mashcole and Holland provided by the  
7 Debtor, personal inspections of the Property and careful assessment of the present condition and  
8 operations of the Property, and Mr. Heimler's years of experience in operating rent controlled  
9 properties like Summer View in the San Fernando Valley.

10 For capital improvement budget Mr. Karp obtained competitive bids from experienced,  
11 competent and reliable vendors.

12 Proposed listing price and anticipated sale price are based on the appraisal of the Property,  
13 BPO opinion of Mr. Lee, and opinion of a proposed listing broker Tony Azzi of Marcus and  
14 Millichap.

15

16 **XII. ASSETS AND LIABILITIES OF THE ESTATE**

17

18 **a. Assets**

19 **The Property**

20 The latest available appraisal report of the Property of the Debtor, which encompasses  
21 substantially all of the Debtor's assets, is attached hereto as **Exhibit "D1"**. The appraisal report  
22 dated November 2011 values the assets at \$20,000,000. In evaluating its option of sale of the  
23 Property, the Debtor contacted with several brokers specializing in the sale of the apartment  
24 buildings of the debtor's and financial consultants, including the firm that the Debtor is applying  
25 to employ as a real estate broker subject to the Court's approval, Marcus and Millichap, and Lee  
26 and Associates. Robert Leveen of Lee and Associates provided the Debtor with a broker's  
27 Opinion of Value upon Debtor's request, attached hereto as **Exhibit "D2"**. Mr. Leveen provided  
28 the Opinion of the price between \$20,000,000 and \$21,000,000. Marcus and Millichap, the

1 realtor commercial real estate brokerage firm that was a sale agent for the same building in 2004,  
2 provided the Debtor with its analysis of the listing price of \$21,000.

3 **Payment Reserve**

4 At the time when the Debtor purchased the Property through assumption of the existing  
5 loan, the Lender requested the Debtor to establish with the Lender a reserve in the amount equal  
6 to eighteen monthly installment of principal and interest and all required deposits and impounds  
7 in the amount \$1,442,040.44 (80,114 x 18). Loan Assumption and Substitution Agreement  
8 provided that if: (1) No default has occurs; and (2) certain litigation involving Efim Sobol has  
9 been resolved to the satisfaction of the Lender, the beneficiary shall advance an amount equal to  
10 six monthly installment of reserve.

11 The Loan Assumption and Substitution Agreement further provided that if (1) no default  
12 has occurred; (2) the debt service coverage ratio for the property equals or exceeds 1.20:1.00,  
13 based in part upon net cash flow, for the then most-recently ended twelve month period, (3)  
14 certain litigation involving Efim Sobol has resolved to the satisfaction of beneficiary, and 4) at  
15 least 90% of all apartment units located on the Property are leased and occupied for then most  
16 recently ended twelve month period, the Lender shall advance the then remaining Payment  
17 Reserve to the Debtor.

18 Even though all litigation involving Efim Sobol had been successfully resolved, the  
19 property operated at 90% and higher occupancy rate for at least three and a half years and the  
20 debt service coverage ratio for the property equaled or exceeded 1.2:1.00, the Lender has not  
21 released the Reserve to the Debtor.

22 According to the proof of claim filed by the Lender on the date of filing the petition the  
23 reserve held by the Lender was \$1,090,088.92. The Debtor included \$1,090,088.92 to the list of  
24 its assets. The Lender claims that it applied \$873,350 of the reserve to past due interest and  
25 principal on August 15, 2011, just a few hours before the Debtor filed its petition and that the  
26 amount of the Reserve help by Lender is \$216,738.50. Debtor filed Motion to Enforce Automatic  
27 Stay in connection with the Reserve. Lender filed its opposition. The Motion to Enforce  
28 Automatic Stay is scheduled to be heard on November 16, 2011. Pending disposition of the issue

1 of Reserve, Debtor prepared its cash flow projections based on three different assumptions: the  
2 assumption that the \$1,090,088.92 is a part of the cash available for reorganization; the  
3 assumption that \$216,738.50 part of the reserve is a part of the cash available for reorganization  
4 and the assumption that there is no reserve funds available for reorganization.

5 The Debtor also has cash in the operating DIP account in the amount \$775,316.03 as of  
6 the date of filing of this Disclosure Statement, and \$56,375.8 of tenants' security deposits in the  
7 Debtor's security deposits account, as reflected in liability.

8 **b. Liabilities**

9 **Exhibit "A"** shows all claims asserted against the estate, claims whose treatment is  
10 explained in detail by section IX.

11 **c. Summary**

12 The fair market value of all assets equals approximately \$20,000,000 excluding reserve  
13 and \$21,590,000 including reserve. Total liabilities equal approximately \$15,755,876 excluding  
14 liquidating pre-paid penalties claimed by the lender and \$18,118,040.75 with liquidating pre-paid  
15 penalties claimed by the lender.

16

17 **XIII. TREATMENT OF NONCONSENTING CLASSES**

18

19 As stated above, even if all classes do not consent to the proposed treatment of their  
20 claims under the Plan, the Plan may nonetheless be confirmed if the dissenting classes are treated  
21 in a manner prescribed by the Code. The process by which dissenting classes are forced to abide  
22 by the terms of a plan is commonly referred to as "cramdown." The Code allows dissenting  
23 classes to be crammed down if the Plan does not "discriminate unfairly" and is "fair and  
24 equitable." The Code does not define discrimination, but it does provide a minimum definition of  
25 "fair and equitable." The term can mean that secured claimants retain their liens and receive cash  
26 payments whose present value equals the value of their security interest. For example, if a  
27 creditor lends the Debtor \$100,000 and obtains a security interest in property that is worth only  
28 \$80,000, the "fair and equitable" requirement means that the claimant is entitled to cash payments

1 whose present value equals \$80,000 and not \$100,000. The term means that unsecured claimants  
2 whose claims are not fully satisfied at least know that no claim or interest that is junior to theirs  
3 will receive anything under the Plan, except where the Debtor is an individual, has elected to  
4 retain property included in the Estate under 11 U.S.C. § 1115 and has satisfied 11 U.S.C. §  
5 1129(b)(2)(B)(ii). "Fair and equitable" means that each holder of an interest must receive the  
6 value of such interest or else no junior interest is entitled to receive anything. Therefore, if a class  
7 of general unsecured claims votes against the Plan, the Plan cannot be confirmed where the  
8 Debtor or a class of interest holders (e.g. shareholders or partners) will receive or retain any  
9 property under the Plan, unless the Plan provides that the class of general unsecured claims shall  
10 be paid in full with interest. If a class of interest holders votes against the Plan, the Plan cannot be  
11 confirmed where the Debtor will receive or retain any property under the Plan, unless the Plan  
12 provides that the class of interest holders shall be paid in full with interest. These are complex  
13 statutory provisions and the preceding paragraphs do not purport to state or explain all of them.

14

15 **XIV. TREATMENT OF NONCONSENTING MEMBERS OF CONSENTING CLASS**  
16 **(CHAPTER 7 LIQUIDATION ANALYSIS)**

17

18 The Plan must provide that a nonconsenting impaired claimant or interest holder of a  
19 consenting class receive at least as much as would be available had the Debtor filed a Chapter 7  
20 petition instead.

21 In a Chapter 7 case the general rule is that the Debtor's assets are sold by a trustee.

22 Unsecured creditors generally share in the proceeds of sale only after secured creditors  
23 and administrative claimants are paid. Certain unsecured creditors get paid before other  
24 unsecured creditors do. Unsecured creditors with the same priority share in proportion to the  
25 amount of their allowed claim in relationship to the total amount of allowed claims.

26 A creditor would recover from the assets of the bankruptcy estate less under Chapter 7  
27 than under Chapter 11 for at least three reasons. First, the recovery by unsecured creditors in a  
28 liquidation would be less than the recovery proposed under the Plan because the trustee would in

1 all probability be unable to realize the full value of all of the Debtor's assets, including the  
2 inventory. Upon liquidation, a trustee would face the difficulties of processing, marketing and  
3 obtaining value for the Debtor's assets on a distressed sale basis. Thus, in a liquidation, the value  
4 of the Debtor's assets would, in all likelihood, decrease considerably from the current market  
5 values.

6 Second, in a chapter 7 case, a trustee is appointed and is entitled to compensation from the  
7 bankruptcy estate in an amount no more than 25% of the first \$5,000 of all moneys disbursed,  
8 10% on any amounts over \$5,000 and up to \$50,000, 5% on all amounts over \$50,000 and up to  
9 \$1,000,000, and such reasonable compensation no more than 3% of moneys over \$1,000,000.  
10 Therefore, the distribution to creditors will be diluted further by the trustee's compensation.

11 Third, the current economic market would further depress the value of the Debtor in a  
12 liquidation. To the extent that foreclosure sales do occur, they are for depressed amounts,  
13 substantially less than appraised values. While the Debtor believes that the foregoing factors  
14 would result in a liquidation value which is less than the appraised value, for purposes of this  
15 liquidation analysis, such a factor is irrelevant. If the Property sells for 100% of its current  
16 valuation (i.e., \$20,500,000), after applying cost of sale of 3% (\$600,000), the net proceeds to the  
17 estate total \$19,400,000. Liquidating sale will entitle U.S. Bank to the pre-paid penalties, which  
18 will result in paying the entire proceeds to one creditor, U.S. Bank, and no other creditors would  
19 receive any distribution. The Debtor is confident that all creditors will receive substantially more  
20 under the Plan than they would receive in a liquidation, as set forth below.

	Chapter 7	Chapter 11
22 Value of Assets	\$19,400,000	\$20,000,000 (See Exhibit "D")
23 Additional Expected Administrative Expenses	\$80,000	\$80,000
24 Administrative Expenses	\$60,001 (est.)	\$60,001 (est.)
25 Class 1 Secured Claim	\$18,118,040.75	\$16,105,312.57
Class 2 Secured Claim	\$12,078	\$12,078
Priority Unsecured Claims	\$ 282,048.13	\$ 282,048.13
26 Chapter 7 Trustee Fee	\$623,250	N/A
Exemption(s)	N/A	N/A
27 TOTAL AVAILABLE FOR DISTRIBUTION TO	\$224,582	\$3,460,560.90

28



1 GENERAL UNSECURED  
2 CREDITORS

3  
4 **XV. FUTURE DEBTOR**

5 **a. Management of Debtor**

6 1. i. *Names of persons who will manage the Debtor's business affairs:* The  
7 management of the Debtor will be performed by Cirrus Assets Management, Inc., the property  
8 management company appointed by the Court's Orders of October 17, 2011 to manage the  
9 apartment building of the Debtor. Cirrus took over the management of the Property on October  
10 19, 2011.

11 ii. *Proposed compensation to persons listed above:* The compensation of the  
12 management company will remain the same as stated in the Debtor's application to employ  
13 management company - \$4,600 monthly management fee or 3% of gross revenue, whichever is  
14 greater.

15 2. *Qualifications:* Cirrus Property Management team served as the Debtor's  
16 management company in 2004-2007, when the Property was under the management of Stratus.  
17 Under management of Cirrus team the Property successfully operated at 96-99% occupancy rate  
18 with consistent positive cash flow and stable net operating income in 2004-2007. Cirrus has  
19 great deal of experience of management multi family residence in Valley and great experience in  
20 dealing with rent control properties, as Debtor's. Presently, Cirrus has fifteen apartment buildings  
21 in Southern California under its management. Cirrus is specializing in management of rent  
22 control buildings, like the Property. About 80% of the Cirrus apartment building portfolio  
23 consists of the rent control buildings. Among the buildings which Cirrus presently manages in  
24 Southern California are nine buildings located in the San Fernando Valley, the area where the  
25 Property is located. Cirrus has extensive experience in managing, preserving and protecting  
26 residential apartment buildings. Mr. Heimler, the president of Cirrus have managed and operated  
27 numerous distressed assets including Class "B" and "C" apartment communities comprising  
28

1 23,000 apartments at sale. One of the factors contributing to Cirrus's continuous success in  
2 managing buildings is Cirrus's mission statement and vision statement placed by Cirrus in each  
3 of the properties under Cirrus's management, which Cirrus's team follows by the letter. Cirrus's  
4 vision statement is "To be the most trusted, respected and innovated company in the rental  
5 housing industry". Cirrus's mission statement is "to enhance the life experience of clients and  
6 customers through superior property performance achieved by dedicated and passionate  
7 associates".

8       3.     ***Job description:*** Cirrus Property Management will continue to manage the  
9 Property of the Debtor the general operations of Debtor and takes all steps and actions necessary  
10 to ensure and maintain the smooth and successful operation of the business. The goal is to  
11 increase the occupancy rate to 90% by March 2011, remain above a 90% occupancy rate  
12 thereafter while achieving a 95% occupancy rate in September 2012. Upon achieving the target  
13 occupancy rate of 95% and a stable performance at an occupancy rate of 95% for several months,  
14 Cirrus plans to gradually increase the effective rent rate by \$100-150 per unit.

15  
16                   **b. Disbursing Agent**

17       Cirrus Property Management will be responsible for collecting rent payments and security  
18 deposits and depositing them into the Debtor's operating account and security deposit accounts.  
19 Terry D. Shaylin, Esq., the Debtor's counsel, will be responsible for distribution to claimants and  
20 transmitting funds to them.

21       The address of Terry D. Shaylin, Esq. is 555 W. 5<sup>th</sup> Street, Suite 3100, Los Angeles, CA  
22 90017.

23       i.     ***Proposed compensation to person listed above:*** With the exception of its attorney  
24 fee for legal services provided to the Debtor per court's approval, Terry D. Shaylin, Esq. shall  
25 serve as the disbursing agent under the Plan without compensation or bond.

26       ii.    ***Qualifications:*** Given that the primary source of the payments required to be made  
27 under this Plan is the Debtor's cash on hand as of the Effective Date and proceeds from the sale  
28 of the Property from the escrow, the Debtor believes that Terry D. Shaylin, Esq., as counsel of the

1 Debtor, is the best qualified to serve as the disbursing agent. Terry D. Shaylin, Esq. is familiar  
2 with the claims in this case and the terms of the Plan; thus, she is qualified to implement the  
3 Plan's provisions and make the necessary disbursements.

4 iii. *Affiliation of person to Debtor:* Terry D. Shaylin is an attorney for the Debtor.  
5 She is intimately familiar with the Debtor's operations and the provisions of the Plan.

6 iv. *Job description:* The disbursing agent shall make all distributions in accordance  
7 with the provisions of the Plan. Terry D. Shaylin shall be the disbursing agent responsible for  
8 transmitting the money intended for distribution to the Debtor's claimants from the Debtor's  
9 operating and security deposits accounts. In the event that the Property is sold, the escrow holder  
10 will be responsible for disbursement of the funds from the proceeds of sale in accordance with the  
11 Plan as per the Court's order approving sale and written escrow instructions.

12 c. **Future Financial Outlook**

13 The Proponent believes that under Cirrus's management the Debtor's economic health  
14 will rapidly improve from its pre-bankruptcy state and within several months, the debtor will be  
15 able to return to above 90% occupancy rate. With necessary repair and capital improvements  
16 reserved in the budget, all units will be ready for occupancy by January 1, 2012. Once the  
17 occupancy rate achieves its target zone, Cirrus will gradually increase the rent and revenue.  
18 Cirrus clearly defined middle term, short term and terms goals for stabilizing the Property and  
19 bringing it to the 2006-07 occupancy rate and revenue. Cirrus is working on several aspects of  
20 making the Property more attractive to the tenants. Cirrus is working on replacing old washers  
21 and dryers –a very important factor for consideration for new tenants, on trimming trees which  
22 will make the property safe, better looking and attractive, on repairing and replacing gym  
23 equipment. In addition to that, Cirrus prepared to launch an aggressive marketing campaign, and  
24 most importantly to provide current tenants with high quality of service, attention and care.

25 Another area of Cirrus focus is re-paving the parking lot, thus, resolving two issues –  
26 improving safety and security, operations of the Property and improving Property look.

27 Replacement of the water pressure device will improve living conditions of all tenants,  
28 thus will make the Property far more attractive for present and future tenants. Methodical and

1 systematic improvements of condition of the Property, continuous showing to the tenants that  
2 management really care of their wellbeing and not only collecting rent, and diligent enforcement  
3 of the terms of the lease with a zero tolerance policy to late payments and delinquent accounts  
4 will return the Property to the good reputation it had under Stratus's management in 2004-2007.  
5 The Property is unique and has wonderful amenities such as tennis court, two pools, gym. The  
6 Property has a great potential of attracting tenants. Cirrus will be able to realize that potential.

7 Section X under Versions 1, 2, and 3 provides a summary of the projected cash flow of  
8 the Debtor for the duration of the Plan. The assumptions that underlie the projections are set  
9 forth in **Exhibit "B"** attached hereto. As previously stated, the Plan payments will primarily  
10 come from the continued operation of the Debtor's business and payment reserve, if allowed by  
11 the Court, and from the proceeds from the sale of the Property. The Efim Sobol Trust will  
12 establish an unsecured line of credit up to \$500,000, with the funds deposited into a separate  
13 account for the Debtor to cover the shortfall in cash flow until the sale of the Property. The line of  
14 credit will be unsecured and be repaid only after all unsecured claims are paid in full.

15 At the same time, the Reorganized Debtor will pursue the sale of the Property to the  
16 qualified buyer through the assumption of existing loan or through a conventional sale with the  
17 goal to close escrow by September 1, 2013. The Debtor is filing an application to employ a  
18 nationwide broker Marcus and Millichap, a broker that has a great deal of experience of selling  
19 apartment buildings in the area. The listing price will be set at \$21,000,000. Once the broker is  
20 employed and the Court approves the listing agreement, the broker will aggressively market the  
21 Property nationwide to insure that the Property will be able to generate offers from qualified  
22 buyers with the target of closing escrow by September 1, 2012. Simultaneous improvement of the  
23 Property's performance and capital improvements contemplated by Cirrus will make the Property  
24 more attractive for prospective buyers. In a few months the Property will be turning from a  
25 distress asset to a rehabilitated asset on the way to full recovery. Increased revenue and increased  
26 occupancy rate will contribute to increase of the property fair market value.

27 In the event the Debtor is not able to sell the Property until July 11, 2014, the Property  
28 will be sold by public auction, to be held on or before September 11, 2014.

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**XVI. SALE ~~OR TRANSFER OF~~ THE PROPERTY; THROUGH ASSUMPTION OF  
~~CONTRACTS AND LEASES; OTHER PROVISIONS~~ EXISTING LOAN BY THE  
BUYER**

This Section represents the agreement between the Debtor and Secured Creditor U.S. Bank as Trustee regarding the procedure for the sale of the Property through the assumption of the loan by the buyer. The Plan provides for the sale of the Property ~~either~~ through assumption of the existing loan or through a conventional sale.

In the event that the Property is sold through assumption of the existing loan, the following provisions apply:

1. The assumption should be subject to the provisions set forth in the §1.13(b) of the Deed of Trust;
2. At the time of close of escrow the Debtor has to cure the default in the amounts agreed upon by the Lender;
3. Prior to closing the buyer has to present to the Lender Buyer's budget for operations of the Property for the term of the Loan,
4. Prior to closing the Buyer has to present to the Lender Buyer's budget for capital repairs of the Property.
5. Prior to closing the Buyer has to present to the Lender and obtain Lender's consent to the individuals or company which will be responsible for management the Property. The Buyer has to provide the Lender detailed CV and overview of the proposed managers.
6. The Buyer and the Lender will negotiate and agree upon the amount and the term of use of Reserves the Lender requests the Buyer to maintain as a part of the loan assumption.
7. In addition to the Reserves specified in the loan documents subject to assumption, as stated in Paragraph 6 of this Section, as a part of the assumption, the Buyer has to establish a special escrow account with the Lender for the purpose of covering any cash flow shortfalls from the date of assumption to the maturity date of the loan. ("Cash Flow Reserve"). The amount of

1 Cash Flow Reserve will be decided by the Lender based on history of operations of the Property  
2 and operating and capital improvement budgets provided by the Buyers.

3 8. The following loan documents will be subject to assumption:

4 a) Promissory Note dated June 24, 2005;

5 b) Loan Assumption and Substitution Agreement dated July 18, 2005;

6 c) Deed of Trust dated June 25, 2004;

7 d) Indemnity and Guarantee Agreement dated June 24, 2004.

8 9. The parties contemplate the following procedure for assumption:

9 a) Within fifteen (15) days after the acceptance of the offer, the buyer has to  
10 submit to the lender an application for an assumption of the loan in the form provided by the  
11 lender accompanied by supported documents stated in the application;

12 b) The Lender will not unreasonably delay the process of approval or dis-  
13 approval of the prospective buyer;

14 c) Within ten days upon approval of the buyer for assumption, the Buyer will  
15 submit with the Lender a proposed operating budget, capital expenditure budget, and CV and  
16 overview of the proposed managers of the Property;

17 d) Within ten days upon submission of the documents specified in  
18 Paragraph 9(c), the Lender will provide the Buyer with the amounts of reserves and cash flow  
19 reserve required for completion of the assumption;

20 e) Closing of escrow should occur after confirmation of the Plan.

21  
22 **XVII. ASSUMPTION OF CONTRACTS AND LEASES; OTHER PROVISIONS**

23  
24 With regard to contracts and leases, the Debtor shall file, by not later than 14 days prior to  
25 the confirmation hearing, a list identifying the unexpired leases and executory contracts that it  
26 intends to assume in connection with confirmation of the Plan (the "Assumption List").

27 As of the date of filing this document, the Debtor intends to assume the following  
28 executory contracts and unexpired leases:

1 All leases for tenants in the apartment building.

2 On the Effective Date of the Plan, the Debtor shall assume all unexpired leases and  
3 executory contracts that are identified on the Assumption List. All unexpired leases and  
4 executory contracts that are not identified on the Assumption List, and that have not been  
5 previously rejected by the Debtor, shall be deemed rejected as of the Effective Date.

6 The Court must make certain findings of fact before approving the aforementioned  
7 provisions as part of the Plan. The Proponent will request that the Court make the appropriate  
8 findings at the confirmation hearing, based upon evidence submitted in support of the  
9 confirmation motion.

10

11

~~XVII~~XVIII. **BANKRUPTCY PROCEEDINGS**

12

13 Following the Petition Date the following orders have been entered by the Court:

14 **Date**

**Docket  
No.**

**Description**

15 08/29/2011

17

ORDER granting emergency motion for order authorizing extensin of time to file schedules, statement of affairs, and list of equity security holders  
16 Order Granting Motion To Extend Deadline to File Schedules or Provide  
Required Information to 9/30/2011

17 09/21/2011

58

Order Granting Stipulation for (1) Continuance of hearing date on secured  
18 creditor US Bank National Association Motion for 11 USC 543(a)(1)  
relief from turnover and debtor Summer View Sherman Oaks LLC's  
19 motion to compel the receiver to turn over the property of the debtor to  
10/5/2011 @ 10:00 AM and (2) Continuance of the Status Conference to  
10/5/2011 @ 10:30 AM

20 10/11/2011

110

Order following Chapter 11 status conference

21 10/17/2011

114

Order to compel the State Court Appointed Receiver Clyde Holland of  
Holland Residential to turnover the property of the debtor pursuant to  
U.S.C. 543(a) and (b)

22 10/17/2011

115

Order Granting Application to Employ Cirrus Asset Management, Inc. as  
the management company for debtor's property

23 10/17/2011

116

Order Denying U.S. Bank National Association's Motion for 11 U.S.C.  
543(d)(1) relief from turnover of property (and to the extent necessary for  
relief from automatic stay)

25 11/21/2011

140

Order Granting Application to Employ Karasik Law Group LLP as  
General Bankruptcy Counsel for Debtor

26 11/22/2011

144

Order Granting application and setting hearing on shortened notice

27 12/05/2011

150

Order Granting Debtor's Emergency Motion for an Order Authorizing  
Interim Use of Cash Collateral in Accordance with the Stipulation for Use  
of Cash Collateral

28

1 [12/07/2011](#) [151](#) [Order Denying Motion For Contempt](#)  
2 [12/20/2011](#) [157](#) [Order Granting Receiver's Motion for allowance of administrative](#)  
3 [expenses](#)

4 ~~XVIII.~~ XIX. TAX CONSEQUENCES OF PLAN

5  
6 The tax consequences of the Plan are in many cases uncertain and many vary depending  
7 on the individual circumstances of the holders of claims and interests. The tax consequences of  
8 the Plan to a holder of a claim will depend, in part, on the type of consideration received for the  
9 claim, whether the holder is a resident of the United States for tax purposes, and whether the  
10 holder reports income on the accrual or cash basis method. Holders of claims likely will recognize  
11 gain or loss, as the case may be, equal to the difference between the amount realized under the  
12 Plan in respect of their claims and their respective tax basis in their claims. The amount realized  
13 for this purpose generally will equal the sum of cash and the fair market value of any other  
14 consideration received under the Plan in respect of their claims. Any gain or loss recognized in  
15 the exchange will be capital or ordinary depending on the status of the claim in the holder's  
16 hands.

17 PERSONS CONCERNED WITH THE TAX CONSEQUENCES OF THIS PLAN  
18 SHOULD CONSULT THEIR OWN ACCOUNTANTS, ATTORNEYS AND/OR ADVISORS.

19 THE PROPONENTS MAKE THE AFOREMENTIONED DISCLOSURE OF  
20 POSSIBLE TAX CONSEQUENCES FOR THE SOLE PURPOSE OF ALERTING READERS  
21 OF TAX ISSUES THEY MAY WISH TO CONSIDER. THE PROPONENTS CANNOT AND  
22 DO NOT REPRESENT THAT THE TAX CONSEQUENCES MENTIONED ABOVE ARE  
23 COMPLETELY ACCURATE BECAUSE THE TAX LAW EMBODIES MANY  
24 COMPLICATED RULES, WHICH MAKE IT DIFFICULT TO ACCURATELY STATE  
25 WHAT THE TAX IMPLICATIONS OF ANY ACTION MIGHT BE.



1 ~~XIX.XX.~~            **EFFECT OF CONFIRMATION OF PLAN**

2  
3 **a. General comments**

4 The provisions of a confirmed Plan bind the Debtor, any entity acquiring property under  
5 the Plan, and any creditor, interest holder, or general partner of the Debtor, even those who do not  
6 vote to accept the Plan.

7 The confirmation of the Plan vests all property of the estate in the Reorganized Debtor.

8 The automatic stay is lifted upon confirmation as to property of the estate. However, the  
9 stay continues to prohibit collection or enforcement of pre-petition claims against the Debtor or  
10 the Debtor's property until the date the Debtor receives a discharge, if any. If the Debtor does not  
11 seek a discharge, the discharge is deemed denied, and the stay as to the Debtor and the Debtor's  
12 property terminates upon entry of the order confirming the Plan.

13 **b. Discharge of liability for payment of debts; status of liens; equity security**  
14 **holders**

15 Unless the Debtor is not entitled to receive a discharge pursuant to 11 U.S.C. 1141(d)(3),  
16 the debtor may obtain a discharge only upon specific order of the Court. The confirmation of the  
17 Plan does not discharge the Debtor from any debt of a kind specified in Sections 523(a)(2)(A)-  
18 (B) of the Bankruptcy Code (West 2004 & Supp 2006) that is owed to a domestic governmental  
19 unit, or owed to a person as the result of an action filed under subchapter III of chapter 37 or title  
20 31 or any similar State statute or for a tax or customs duty with respect to which the debtor made  
21 a fraudulent tax return or willfully attempted in any manner to evade or to defeat such tax or such  
22 customs duty.

23 **c. Modification of the Plan**

24 The Proponent may modify the Plan pursuant to 11 U.S.C. § 1127.

25 **d. Post-Confirmation Causes of Action**

26 Debtor is in the process of investigation of its claim against Mashcole Property  
27 Management for breach of contract, breach of fiduciary duty and conversion. Debtor is  
28 continuing to collect evidence supporting its potential claims against Mashcole.

1 Debtor is in the process of investigation of its claim against Riverstone in connection with  
2 missing security deposits.

3 Debtor is researching implications of U.S. Bank's claims against Debtor's sole member  
4 the Efim Sobol Trust for breach of guarantee in Los Angeles Superior Court. Initiation of  
5 adversarial proceeding against U.S. Bank in the Bankruptcy Court and cross-complaint in  
6 intervention in the state court might be necessary to protect Debtor's rights.

7 Debtor is investigating cause of action for breach of fiduciary duty, negligence and breach of  
8 covenant of good faith and fair dealing against U.S. Bank when U.S. Bank refused to terminate  
9 Mashcole's employment and approve employment of Cirrus and forcefully keep the Property  
10 under Mashcole's management for the following two rent cycles, thus facilitating further  
11 mismanagement and misappropriation of Debtor's funds. While ordinary lending institutions do  
12 not owe fiduciary duty and duty of care to the borrower, this case appears to be an exception  
13 because the lender arbitrarily refused to appoint a prudent management company and forcefully  
14 kept the Property in the hands of unscrupulous managers and caused significant damage to  
15 Debtor. It appears that the Debtor has a valid cause of action for breach of covenant of good faith  
16 and fair dealing against U.S. Bank, because the lender arbitrary exercised its discretionary power  
17 to deny appointment of Cirrus.

18 Debtor is in the process of investigation of pre-petition transfer of \$82,676.82 of Debtor's funds  
19 to Good Luck construction to Mashcole Property Management . Debtor is investigating the value  
20 provided by Good Luck Construction to the Debtor for the payments received.

21 Debtor is in the process of investigation of claim for conversion against Mashcole on site  
22 manager Ami Estrada, who allegedly received unreported cash from the tenants in May 2011.

23 e. **Final Decree**

24 Once the Plan has been consummated, a final decree may be entered upon motion of the  
25 Proponent. The effect of the final decree is to close the bankruptcy case. After such closure, a  
26 party seeking any type of relief relating to a Plan provision can seek such relief in a state court of  
27 general jurisdiction.

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Dated: ~~November 15, 2011~~ January 16, 2012

SUMMER VIEW

SHERMAN OAKS, LLC

By: \_\_\_\_\_ /s/ Terry D. Shaylin \_\_\_\_\_

Terry D. Shaylin, Esq. (proposed)  
attorney for Debtor Summer View

In re:  Summer View Sherman Oaks, LLC  Debtor(s) and Debtor-in-Possession.	CHAPTER: 11  CASE NUMBER: 1:11-bk-19800-AA
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**NOTE:** When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

**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: 555 West 5<sup>th</sup> Street, Floor 31, Los Angeles, CA 90013.

A true and correct copy of the foregoing document described as **NOTICE OF FILING AMENDED REDLINE VERSION OF DEBTOR SUMMER VIEW SHERMAN OAKS, LLC'S FIRST AMENDED DISCLOSURE STATEMENT AND PLAN OF REORGANIZATION FOR DEBTOR** 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 indicated below:

I. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")** – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On January 17, 2012, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

Service information continued on

Margaux Ross	margaux.ross@usdoj.gov
United States Trustee (SV)	ustpreion16.wh.ecf@usdoj.gov
Alan D Smith	adsmith@perkinscoie.com
Phillip K Wang	pwang@duanemorris.com, jnazzal@duanemorris.com
Jeffrey S Goodfried	jgoodfried@perkinscoie.com
Alik Segal	alick.segal@gmail.com

II. **SERVED BY U.S. MAIL OR OVERNIGHT MAIL**(indicate method for each person or entity served) **On January 17, 2012** I served the following person(s) and/or entity(ies) at the last known address(es) 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/or with an overnight mail service 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

The Honorable Alan M. Ahart  
United States Bankruptcy Court - Central District of California  
21041 Burbank Boulevard, Suite 342  
Woodland Hills, CA 91367

III. **SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL** (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on \_\_\_\_\_, I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows.

Service information continued on

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

January 17, 2012

Jennifer Min

/s/ Jennifer Min

In re:  Summer View Sherman Oaks, LLC  Debtor(s) and Debtor-in-Possession.	CHAPTER: 11  CASE NUMBER: 1:11-bk-19800-AA
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**ADDITIONAL SERVICE INFORMATION**

**Served by U.S. Mail**

Securities Exchange Commission  
5670 Wilshire Blvd., 11th Floor  
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**EQUITY HOLDER:**

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Sobol Trust  
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**DEBTOR**

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