

United States Bankruptcy Court  
Northern District of California

In re:

BEVERLY HARDINA SHEPARD  
and  
LEON BENWAR SHEPARD

Case No. 13-52321-RLE  
Chapter 11

PROPOSED COMBINED PLAN OF REORGANIZATION

AND DISCLOSURE STATEMENT

June 7, 2016

INTRODUCTION

This is Debtor's Combined Chapter 11 Plan of Reorganization and Disclosure Statement (the Plan). The Plan identifies each known creditor by name and describes how each claim will be treated if the Plan is confirmed.

Part 1 contains the treatment of creditors with secured claims; Part 2 contains the treatment of general unsecured creditors: 10% of their allowed claims in quarterly payments over ten (10) years. Taxes and other priority claims would be paid in full, as shown in Part 3.

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

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

Exhibit 5 shows Debtor's monthly income and expenses related to each investment property. Exhibit 6 is Amended Stipulation for Plan Treatment on First Lien Secured by Real Property Located at 1 Surf Way #222, Monterey, CA 93940. Exhibit 7 is Stipulation Resolving Debtors' Motion to Value Collateral and Resolving Chapter 11 Plan Treatment, which stipulation sets forth the agreed-upon terms for the secured claim secured by the real property located at 5912 Winterham Way, Sacramento, California 95823. Exhibit 8 is Debtors' proposed ballot form.

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

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

**PART 1: TREATMENT OF SECURED CREDITORS**

**Debtor to Adjust Terms and Pay Amount Due in Full Over Time.**

Class	Name of Creditor	Collateral	Value	Interest Rate	Monthly Payment
1A	Bank of New York Mellon, as Trustee for CWALT, Inc. Trust 2006 OA2	Real property commonly described as 1 Surf Way #222, Monterey, California 93940	\$700,000.00 [see DKT 218-1, p.8, see also DKT 218-2, Exhibit 1]	3.00%	[1] \$2,951.19 principal and interest; [2] creditor shall place an impound escrow, in an additional monthly amount, for property taxes.

Debtor will pay the entire amount due pursuant to the terms of stipulation between Debtors and Creditor [see Exhibit 6 to this Plan; also see DKT 225-1, Exhibit 1], through 360 equal monthly payments, due the 15th day of the month, starting May 1, 2016 on the above secured claim, and Debtor will pay the approximately \$178,024.39 "balloon payment" concurrently with the last [payment no. 360] of these monthly payments.

The above-referenced Stipulation is attached as Exhibit 6 of the Plan (the "Bank of New York Stipulation") and is hereby incorporated by reference and will control over any inconsistent terms in the Plan. Because the Bank of New York Stipulation will control in the event of any of inconsistency(s) with the Plan, specifically including, although not limited to, inconsistency with Plan provisions in Parts 6(c) and 6(d), even though the Bank of New York Stipulation is attached and incorporated herein as Exhibit 6, the material terms (number 1 through 17) of the Bank of New York Stipulation are reproduced and included herein, as follows:

1. Secured Creditor holds a fully secured first lien on the Subject Property which totals approximately \$878,024.39. Debtors' pre-confirmation payments to Secured Creditor will be based on the unpaid principal balance of \$700,000.00, with all amounts above \$700,000.00 deferred in a non-interest bearing account and due on the maturity date. Permanent adjustments to loan will be completed post-confirmation based on the total debt at the time the permanent adjustments are made. Debtor agrees to make payments as stated in this stipulation until the permanent loan adjustments are made and post-confirmation mortgage statement is received reflecting the Chapter 11 Plan adjustments and new monthly payment. Post-confirmation Debtors agree to pay the amounts reflected in those monthly statements.

2. The interest bearing debt of \$700,000.00 will be paid at a 3% fixed interest rate with payments calculated on a 360 month amortization schedule with all outstanding amounts, including the deferred amount of approximately \$178,024.39, due as a balloon upon the maturity date of the loan.

3. The maturity date of the loan will be 4/1/2046, and all amounts still outstanding and owing as of 4/1/2046, will be due in full on the maturity date.

4. Secured Creditor will continue to impound this loan for taxes related to the Subject Property and charge a monthly escrow payment in addition to Debtors' monthly principal and interest payment. Debtors are obligated to make the monthly escrow payment in addition to principal and interest payments. The current escrow payment is \$558.90. Debtors understand that these amounts may fluctuate.

5. Debtors agree to obtain flood insurance for the Subject Property within 30 days of entering into this stipulation and provide evidence of this flood insurance to Secured Creditor to remove the lender placed flood insurance currently on the loan.

6. Debtors will maintain all necessary insurance directly, and if there is a default on these obligations Secured Creditor may exercise its remedies as described in the deed of trust and note. Debtors also agree to provide proof of insurance to Secured Creditor within 30 days upon request.

7. On or before 5/1/2016, Debtors will make a down payment of \$18,836.48 toward the post-petition escrow advances. All other post-petition escrow advances will remain due and owing on the loan and will be and will be repaid through an escrow shortage payment post confirmation.

8. The pre-confirmation principal and interest payment under these agreed terms is \$2,951.19, per month.

9. The first payment of under this agreement is due 5/1/2016 in the amount of \$3,510.09 per month (principal and interest \$2,951.19 + escrow for taxes and flood insurance of \$558.90). Debtors agree to make payments in this amount until the permanent loan adjustments are made and post confirmation mortgage statement is sent out reflecting the new loan terms and monthly payment amount. Debtors agree to pay the amounts reflected in those post confirmation mortgage statements.

10. Payments shall be made directly to Secured Creditor, Select Portfolio Servicing, Inc., at Select Portfolio Servicing, Inc., Attn: Remittance Processing, P.O. Box 65450, Salt Lake City, UT 84165-0450, with reference to the last four digits of the Loan Number 9417, or as otherwise directed.

11. All other terms of the Deed of Trust and Note not directly altered by this agreement will remain in full force and effect.

12. Secured Creditor continues to have relief from the automatic stay as to the Subject Property upon confirmation of Debtors' Chapter 11 Plan.

13. In the event of a default on payments to Secured Creditor under the terms of this stipulation prior to the entry of the confirmation order, Secured Creditor shall notify Debtors and Debtors' counsel of the default in writing. Debtors shall have ten (10) calendar days from the date of the written notification to cure the default, and Debtors agree to pay an additional \$100.00 for attorneys' fees for each occurrence. If Debtors fail to cure the default, Secured Creditor may proceed with its state law remedies, as the automatic stay as previously terminated by Court order, including but not limited to, holding a trustee's sale of the Subject Property, pursuant to applicable state law and without further Court Order or proceeding being necessary, including any action necessary to obtain complete possession of the Subject Property, including unlawful detainer.

14. In the event of a default on payments to Secured Creditor under the terms of this stipulation after the entry of the confirmation order, Secured Creditor shall may proceed pursuant to the terms of the underlying Note and Deed of Trust, and state and federal law, to obtain complete possession of the Subject Property, including unlawful detainer, without further Court Order or proceeding being necessary. Any and all default provisions included in Debtors' Chapter 11 Plan are not applicable to Secured Creditor with regard to the Subject Property, and Secured Creditor is only bound by the terms included in this stipulation.

15. Debtors agree to incorporate the above agreed terms of lien treatment into any and all existing and future proposed Chapter 11 Plans and, if any terms in Debtors' Chapter 11 Plan conflict with the terms of this stipulation the terms of this stipulation will control. In the event that Debtors' Chapter 11 Plan does not reflect the language of this stipulation it will be incorporated into the confirmation order through exact language, attachment of a copy of the stipulation, or by reference of the filed stipulation with docket number.

16. Secured Creditor agrees to vote for Debtors' Chapter 11 Plan provided it reflects the agreed plan treatment contained in this stipulation, or the terms of the stipulation are incorporated into the confirmation order through exact language, attachment of a copy of the stipulation, or by reference of the filed stipulation with docket number.

17. If this Chapter 11 bankruptcy is dismissed or converted to another chapter under title 11, Secured Creditor's lien shall remain a valid secured lien for the full amount due under the original Promissory Note and all payments received under this agreement will be applied contractually under the original terms of the Deed of Trust and original Promissory Note.

Creditors in these classes shall retain their interest in the collateral until Debtor makes all payments on the allowed secured claim specified in the Plan.

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

Payments to claimants in these classes may continue past the date Debtor obtains a discharge. The claimants' rights against its collateral shall not be affected by the entry of discharge, but shall continue to be governed by the terms of this Plan.

**Debtor to Adjust Terms and Pay Amount Due in Full Over Time.**

Class	1B
Name of Creditor	U.S. Bank National Association, as Trustee for the LXS 2006-16N
Collateral	Real property commonly described as 5912 Winterham Way, Sacramento, California 95823
Amount Due	\$555,701.75
Interest Rate	5.00%
Monthly Payment	[1] \$1,358.16 per month, with one-time \$66,764.15 balloon payment upon maturity; [2] creditor shall place an impound escrow, in an additional monthly amount, for property taxes and insurance.
Term	360 months; balloon payment due upon maturity, at time of last payment, for month number 360 of Term.

Debtor will pay the entire amount due pursuant to the terms of stipulation between Debtors and Creditor [see Exhibit 7; DKT 95], through 360 equal monthly payments, due the 15th day of the month, starting the first full month following the Effective Date of the Plan on the above secured claims, and Debtor will pay the \$66,764.15 "balloon payment" concurrently with the last [payment no. 360] of these monthly payments.

The above-referenced Stipulation is attached as Exhibit 7 of the Plan (the "U.S Bank Stipulation") and is hereby incorporated by reference and will control over any inconsistent terms in the Plan. Paragraph 10 of the U.S. Bank Stipulation expressly requires incorporation of the terms of the U.S. Bank Stipulation in the Plan, specifically including, although not limited to, that Paragraph 7 of the U.S. Bank Stipulation will control over the Plan provisions in Parts 6(c) and 6(d), which deviate materially from the agreed upon default provision in Paragraph 7 of the U.S. Bank Stipulation. Because the U.S. Bank Stipulation will control in the event of any of inconsistency(s) with the Plan, the material terms (number 1 through 17) of the U.S. Bank Stipulation are reproduced and included herein, as follows:

1. The Subject Property is valued at \$253,000.00 for purposes of the Motion to Value Collateral.
2. The Lender has timely elected to have its claim be treated as a fully secured claim pursuant to 11 U.S.C. § 1111(b) (2). Based on the § 1111(b) (2) election, the Lender's claim is fully secured to the extent of

\$555,701.75. This amount represents the amount of the Lender's Proof of Claim (\$542,728.08) plus the post-petition escrow advances made by the Lender thus far (\$12,873.67). If the Lender incurs additional post-petition escrow advances, the additional advances will be due and payable on the Effective Date of the Chapter 11 Plan unless an alternative agreement is reached with the Lender.

3. After the Effective Date of the Chapter 11 Plan, the Lender shall set the principal balance of the loan that is the subject of this Stipulation to \$253,000.00. This amount will be amortized at a fixed annual interest rate of 5% over 30 years with monthly principal and interest payments of \$1,358.16. Upon maturity, the Debtor shall pay the Lender a balloon payment of \$66,764.15 to satisfy the Lender's § 1111(b)(2) requirement since the \$1,358.16 monthly principal and interest payment over 30 years falls \$66,764.15 short of paying off the \$555,701.75 secured claim amount. The Lender will also continue to impound the account for property taxes and insurance until the Effective Date of the Chapter 11 Plan. Accordingly, the Debtors' monthly payment to the Lender until the Effective Date of the Chapter 11 Plan will include principal, interest, property taxes and insurance ("PITI payments" herein). The monthly escrow will be subject to change due to periodic fluctuations in the price of insurance and property taxes. After the Effective Date of the Chapter 11 Plan, the Lender will REMOVE the impound for taxes and insurance.

4. The PITI payments shall commence on the first day of the full month following the filing of this Stipulation as adequate protection payments until the Effective Date of the Chapter 11 Plan. The PITI payments will be due on the first of each month and late on the fifteenth of each month. For purposes of amortization of the principal and interest payments, the 30 year amortization period will begin on the first day of the full month following the Effective Date of the Chapter 11 Plan. After the Effective Date of the Chapter 11 Plan, the Lender will reverse and reapply the principal and interest payments payments it received before the Effective Date of the Chapter 11 Plan towards the amortization of the loan.



5. If the Subject Property is sold or refinanced before the loan has matured under the terms of this Stipulation, the Lender's lien shall not be released until the Lender is paid the full amount of its secured claim (\$555,701.75) per the §1111(b)(2) election less any payments applied to principal during pursuant to the terms of this Stipulation.

6. Except as modified herein, the remaining terms of the original Note and Deed of Trust will remain viable and in full force and effect.

7. In the event the Debtors default as to any of the provisions contained in this Stipulation, the Lender may file and serve upon Debtors and Debtors' counsel, a fifteen (15) Day Notice Declaration Re Breach of Condition. For each such Declaration Re Breach of Condition filed, there shall be an assessed attorneys' fee of \$100.00 to be paid directly to Lender's counsel (Prober & Raphael, A Law Corporation, PO Box 4365, Woodland Hills, CA 91365-4365) upon reinstatement. If upon the sixteenth (16th) day Debtors have failed to cure the delinquency which must include said \$100.00 in attorneys' fees, then Lender may submit to this Court an Affidavit of Default with an Order vacating the automatic stay as to Lender, which shall be granted allowing Lender to proceed with foreclosure proceedings upon the subject Property, pursuant to applicable state law, and take any action necessary to obtain complete possession thereof. If the Chapter 11 case is closed when the Debtors defaults, the Lender will simply proceed with its non-bankruptcy remedies, including foreclosure, after the sixteenth (16th) day without seeking approval of the Bankruptcy Court. Alternatively, the Lender may file a Motion to Reopen the Chapter 11 case and an Affidavit of Default with an Order vacating the automatic stay as to Lender. The filing fees for the Motion to Reopen shall be waived.

8. In the event that Lender is granted relief from the automatic stay, the Parties hereby stipulate that the 14-day stay provided by Bankruptcy Rule 4001(a)(3) is waived.

9. At the request of the Lender, the Debtors shall execute such documents and instruments as are

reasonably necessary to reflect the Debtors as the borrowers of the Secured Claim, and to modify the terms of the obligation to conform with the provisions of this Stipulation.

10. The terms of this Stipulation may not be modified, altered, or changed by the Debtors' Chapter 11 Plan, any confirmation order thereon, any subsequently filed Amended Chapter 11 Plan and confirmation order thereon without the express written consent of the Lender. The terms of this Stipulation shall be incorporated into the Debtors' Chapter Plan and/or any subsequently filed Amended Chapter 11 Plan.

11. In the event the Debtors' case is dismissed or converted to any other chapter under Title 11 of the United States Bankruptcy Code, or in the event Lender obtains a Relief from Stay order based on Debtors' default hereunder, Lender shall retain its lien in the full amount due under the Note, all terms on Lender's claim shall revert to the original terms of the Note and Deed of Trust and the automatic stay shall be terminated without further notice, order, or proceeding of the court.

12. In the event the Debtors sell or transfer the Subject Property prior to confirming this Chapter 11 Plan, Lender shall be entitled to proceeds from the sale in an amount not less than the outstanding balance owing under the terms of the Note. If the proposed sale for the Property is less than the outstanding balance owing under the Note, then Lender's written consent must be obtained.

13. The acceptance by Lender of a late or partial payment shall not act as a waiver of Lender's right to proceed by motion hereunder.

14. The Debtors will pay off any post-petition advances by the Lender in full on the Effective Date of the Plan.

Creditors in these classes shall retain their interest in the collateral until Debtor makes all payments on the allowed secured claim specified in the Plan.

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

Payments to claimants in these classes may continue past the date Debtor obtains a discharge. The claimants' rights against its collateral shall not be affected by the entry of discharge, but shall continue to be governed by the terms of this Plan.

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

**Class 2(a).**

**Claims Not Dischargeable Pursuant to 11 U.S.C. § 523(a)(8).**

Name of Creditor	Amount of Claim	Amount to be Paid
Sallie Mae ECFC	\$39,970.35	\$39,970.35

Allowed claims in this class are not dischargeable pursuant to 11 U.S.C. 523(a)(8), and as such these claims shall be paid a one hundred percent (100%) dividend.

These claims shall be paid strictly pursuant to their contractual terms, without any alteration or impairment whatsoever by this plan. Consequently, Debtors shall pay to Sallie Mae ECFC such amount(s) at such times that are in accordance with the governing contractual agreements between Debtors and Sallie Mae ECFC.

These creditors' legal, equitable, and contractual rights remain unchanged. The confirmation order will constitute an order for relief from stay. **These claims are not impaired and are not entitled to vote on confirmation of the Plan.**

**Class 2(b).**

**Claims Not Dischargeable Pursuant to 11 U.S.C. § 523(a)(16).**

Name of Creditor	Amount of Claim	Amount to be Paid
Ocean Harbor House Homeowners Association	\$46,200.00	\$46,200.00

Allowed claims in this class are not dischargeable pursuant to 11 U.S.C. 523(a)(16), and as such these claims shall be paid

a one hundred percent (100%) dividend. Claims in this class are to be paid at no (0%) interest, paid in one-hundred-twenty (120) equal installments, due on the 15th day of the month, starting the first full month following the Effective Date of the Plan.

Consequently, Debtors shall pay to Ocean Harbor House Homeowners Association, as Debtors' provision for its nondischargeable unsecured claim, over the course of 120 months, a total of \$385.00 per month. Please note, this herein listed claim is the pre-petition arrears amount, and thus this \$385.00 monthly payment is to provide for this pre-petition arrears claim. Along with and at the same time as this claim provision payment, Debtors will continue making their ongoing monthly HOA fee payments as each comes due, which is presently (effective as of January 1, 2016) at the amount of \$849.00 (see Exhibit 5).

Creditors in this class may not take any collection action against Debtor so long as Debtor is not in material default under the Plan (defined in Part 6(c)). **This class is impaired and is entitled to vote on confirmation of the Plan.**

**Class 2(c). Other General Unsecured Claims.**

Name of Creditor	Amount of Claim	Disputed Y/N	Amount to be Paid	Quarterly Payment
City of Sacramento	\$2,750.00	N	\$275.00	\$6.88
County of Sacramento	\$1,000.00	N	\$100.00	\$2.50
Internal Revenue Service	\$4,313.08	N	\$431.31	\$10.78

Allowed claims of general unsecured creditors (including allowed claims of creditors whose executory contracts or unexpired leases are being rejected under this Plan) shall be paid as follows:

Percent Plan. Creditors will receive **ten [10%] percent** of their allowed claim in 40 equal quarterly installments, due on the 15th day of the start of a calendar quarter, starting the first full calendar quarter following the Effective Date of the Plan.

Creditors in this class may not take any collection action against Debtor so long as Debtor is not in material default under the Plan (defined in Part 6(c)). **This class is impaired**

and is entitled to vote on confirmation of the Plan. Debtor has indicated above whether a particular claim is disputed.

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

(a) Professional Fees.

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

Name and Role of Professional	Estimated Amount
None.	

The following professionals have agreed to accept payment over time as follows. Payments will be made [monthly/quarterly], due on the [number] day of the [month/quarter], starting [month & year] or upon approval by the court, whichever is later.

Name and Role of Professional	Estimated Amount	Payment Amount	Number of Payments
None.			

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

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

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

Name of Administrative Creditor	Estimated Amount of Claim
Office of United States Trustee	\$977.70

(c) Tax Claims. Debtor will pay allowed claims entitled to priority under section 507(a)(8) in full over time with interest (at the non-bankruptcy statutory interest rate) in equal amortizing payments in accordance with section 511 of the Bankruptcy Code. Payments will be made monthly, due on the 15th day of the month, starting the first full month following the Effective Date of the Plan. The number of payments of 20 is utilized to ensure that Debtors complete payment of this tax claim in full prior to the date that is five years following Debtors' petition date. This number of monthly payments, 20, is based upon the current plan confirmation deadline in July 2016 and so assumes an Effective Date resulting in first payment due August 15, 2016. To the extent the number of monthly payments and/or amounts owed are determined to be other than as shown below, appropriate adjustments will be made in the payment amount(s).

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

Name of Creditor	Estimated Amount of Claim	Statutory Interest Rate	Payment Amount	Number of Payments
Internal Revenue Service	\$14,671.52	3.00%	\$753.01	20

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

(a) Executory Contracts/Unexpired Leases Assumed. Debtor assumes the following executory contracts and/or unexpired leases upon confirmation of this Plan and will perform all pre-confirmation and post-confirmation obligations thereunder. Post-confirmation obligations will be paid as they come due. Pre-confirmation arrears will be paid in full on the Effective Date.

Name of Counter-Party	Description of Contract/Lease	Estimated Total Cure Amount	Installment Amount	Number of Installments
Grisel Maldonado	Lease of 1 Surf Way #222, Monterey property [Debtors are lessors]	\$0.00	\$2,950.00	Monthly lease of real property.
Sandra Williams	Lease of 5912 Winterham Way, Sacramento property [Debtors are lessors]	\$0.00	\$400.00	Monthly lease of real property.

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

Name of Counter-Party	Description of Contract/Lease
None.	

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

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

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

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

(c) Plan Creates New Obligations. Except as provided in Part 6(d) and (e), the obligations to creditors that Debtor undertakes in the confirmed Plan replace those obligations to

creditors that existed prior to the Effective Date of the Plan. Debtor's obligations under the confirmed Plan constitute binding contractual promises that, if not satisfied through performance of the Plan, create a basis for an action for breach of contract under California law. To the extent a creditor retains a lien under the Plan, that creditor retains all rights provided by such lien under applicable non-Bankruptcy law.

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

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

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

(c) Material Default Defined. If Debtor fails to make any payment, or to perform any other obligation required under the Plan, for more than 10 days after the time specified in the Plan for such payment or other performance, any member of a class affected by the default may serve upon Debtor and Debtor's attorney (if any) a written notice of Debtor's default. If Debtor fails within 30 days after the date of service of the notice of default either: (i) to cure the default; (ii) to obtain from the court an extension of time to cure the default; or (iii) to obtain from the court a determination that no default occurred, then Debtor is in Material Default under the Plan to all the members of the affected class.

(d) Remedies Upon Material Default. Upon Material Default, any member of a class affected by the default: (i) may file and serve a motion to dismiss the case or to convert the case to Chapter 7; or (ii) without further order of the court has relief



from stay to the extent necessary, and may pursue its lawful remedies to enforce and collect Debtor's pre-confirmation obligations.

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

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

(g) Retention of Jurisdiction. The bankruptcy court may exercise jurisdiction over proceedings concerning: (i) whether Debtor is in Material Default of any Plan obligation; (ii) whether the time for performing any Plan obligation should be extended; (iii) adversary proceedings and contested matters pending as of the Effective Date or specifically contemplated in this Plan to be filed in this court (see Part 7(f)); (iv) whether the case should be dismissed or converted to one under Chapter 7; (v) any objections to claims; (vi) compromises of controversies under Fed. R. Bankr. Pro. 9019; (vii) compensation of professionals; and (viii) other questions regarding the interpretation and enforcement of the Plan.

## **PART 7: GENERAL PROVISIONS**

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

(b) Disputed Claim Reserve. Debtor will create a reserve for disputed claims. Each time Debtor makes a distribution to the holders of allowed claims, Debtor will place into a reserve the

amount that would have been distributed to the holders of disputed claims if such claims had been allowed in the full amount claimed. If a disputed claim becomes an allowed claim, Debtor shall immediately distribute to the claimant from the reserve an amount equal to all distributions due to date under the plan calculated using the amount of the allowed claim. Any funds no longer needed in reserve shall be [select one] [returned to Debtor] [distributed pro-rata among allowed claims in this class].

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

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

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

(f) Lawsuits.

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

Party	Creditor Y/N	Nature of Claim	Amount of Claim	Will Debtor Prosecute Action? Y/N
None.				

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

(h) Post-Confirmation United States Trustee Fees. Following confirmation, Debtor shall continue to pay quarterly fees to the United States Trustee to the extent, and in the amounts,

required by 28 U.S.C. § 1930(a)(6). So long as Debtor is required to make these payments, Debtor shall file with the court quarterly reports in the form specified by the United States Trustee for that purpose.

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

Dated: June 7, 2016

/s/ Beverly Hardina Shepard  
Debtor

/s/ Leon Benward Shepard  
Debtor

/s/ Judson H. Henry  
Attorney for Debtor

## Attorney Certification

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

Within the most recent previous version of Debtors's Plan, dated and filed June 7, 2016, the following provisions of the Standard-Form Plan were altered or otherwise modified, as follows:

Page 3, last paragraph: A sentence is added, regarding a \$66,764.15 "balloon payment" to be paid by Debtors, per stipulation between the parties, due at the maturity of the claim [month no. 360].

Page 4, 1<sup>st</sup> paragraph: Related to the immediately foregoing, a paragraph is added, as follows:

The above-referenced Stipulation is attached as Exhibit 6 of the Plan (the "Stipulation") and is hereby incorporated by reference and will control over any inconsistent terms in the Plan. Paragraph 10 of the Stipulation expressly requires incorporation of the terms of the Stipulation in the Plan, specifically including, although not limited to, that Paragraph 7 of the Stipulation will control over the Plan provisions in Parts 6(c) and 6(d), which deviate materially from the agreed upon default provision in Paragraph 7 of the Stipulation.

Page 4, table and following 3 paragraphs, a class of claims is added to the Standard-Form Plan, labeled Class 2(a), which is to provide for claims not dischargeable pursuant to 11 U.S.C. § 523(a)(8).

Page 5, first table on page and following 3 paragraphs, a class of claims is added to the Standard-Form Plan, labeled Class 2(b), which is to provide for claims not dischargeable pursuant to 11 U.S.C. § 523(a)(16)

Page 5, second table on page and last paragraph, the label for the label for the other general unsecured claims is changed to 2(c).

Within the present Plan dated and filed June 7, 2016, the provisions of the standard-form plan that were altered or otherwise modified are minor. Nonetheless, in lieu of listing the same alterations/modifications, I have prepared a redline version, which clearly indicates each addition, deletion, and other alteration or modification I have made in editing from the April 19, 2016 version of the Plan to this present Plan dated June 7, 2016. Please see Redline Version Addendum appended to the end of the Plan (following Exhibit 8).

I declare that the foregoing is true and correct. Executed this 7<sup>th</sup> day of June, 2016.

/s/ Judson H. Henry  
Attorney for Debtor(s)

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

Debtor Beverly Shepard is in the real estate loan brokerage business, and Debtors further derive income from the rental of their two real properties. Debtors experienced a severe reduction in business and revenues starting approximately 2009 and 2010, which remained severe throughout 2012. This was essentially due to the generally poor economic and business conditions that have existed over the past few years, particularly within the real estate sector, consequently directly impacting Debtors' business activities and financial and cash flow situation. Specifically, bot of Debtors' business activities, real estate loan brokerage and real estate rentals, are directly related to real estate sales market conditions, and thus Debtors' were especially hard hit. Nonetheless, in the latter part of 2012 and into early 2013, Debtors' business substantially began to improve, and it was this reason, as well as Debtors' desire to reorganize their debts secured by their two real properties and keep their two real properties that led Debtor to seek protection and reorganization under Chapter 11.

As of the petition date as well as at present, Debtors own two real properties, namely [1] the real property commonly described as 1 Surf Way #222, Monterey, California (the "Monterey Property"), and [2] the \real property commonly described as 5912 Winterham Way, Sacramento, California (the "Sacramento Property"). Throughout the time-period of this case, Debtors' major focus was directed toward the value of each real property and working out feasible/agreeable budgets and terms with the impacted creditors for use in plan preparation.

At the present time, Debtors have worked out and entered a stipulation with the secured creditor (U.S. Bank) holding a claim secured by the Sacramento Property (see Exhibit 7). Further, Debtors have worked out and entered a stipulation with the secured creditor (Bank of New York) holding a claim secured by the Monterey Property (see Exhibit 6). Finally, Debtors' have maintained stability in their rental income, and increased their total non-rental income from \$3,933.00 per month (average during pre-petition portion of 2013) to \$6,629.43 by 2014 (average per MORs). Based on this, Debtors anticipate being able to confirm this Plan.

The liquidation analysis (Exhibit 2) is per February 2016 MOR and otherwise most recent data. Expense and income data (Exhibit 3) utilizes MOR averages. Of note, while "other expenses" has

Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.

averaged \$1,500 during the course of this bankruptcy case up to the present, \$1,200 of this has been rental expense and other expenses of Debtor Leon Shepard due to travel to Los Angeles for medical treatment; this expense cease/greatly diminish in the very near future, and thus "other expenses" (in Exhibit 3) are now estimated at \$300 per month, which is the average monthly business expenses incurred by Debtor Beverly Shepard. February 2016 MOR is utilized for Effective Date feasibility (Exhibit 4). Investment property analysis (Exhibit 5) utilizes most recently known data available.

Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.

**Exhibit 2 - What Creditors Would Receive if the Case Were Converted to a Chapter 7**

Real Property #1: 1 Surf Way #222, Monterey, CA 93940

Fair Market Value	Liens	Cost of Sale	Resulting Income Tax	Amt of Exemption	Net Proceeds
\$700,000.00	\$513,759.23				\$0.00
	2 <sup>nd</sup>				

Real Property #2: 5912 Winterham Way, Sacramento, CA 95823

Fair Market Value	Liens	Cost of Sale	Resulting Income Tax	Amt of Exemption	Net Proceeds
\$253,000.00	\$555,701.75				\$0.00
	2 <sup>nd</sup>				

Personal Property:

Description	Liquidation Value	Secured Claim	Amt of Exemption	Net Proceeds
Cash	\$60,830.00	\$54,352.00	\$8,370.00	\$0.00
Automobile #1	\$3,500.00		\$3,500.00	\$0.00
Automobile #2	\$1,000.00		\$1,000.00	\$0.00
Household Furnishings	\$3,800.00		\$3,800.00	\$0.00
Jewelry	\$2,000.00		\$2,000.00	\$0.00
Equipment				
Stocks / Investments				
Other Personal Property	\$5,800.00		\$5,800.00	\$0.00
TOTAL				\$0.00
Net Proceeds of Real Property and Personal Property				\$0.00
Recovery from Preferences / Fraudulent Conveyances [ADD]				
Chapter 7 Administrative Claims [SUBTRACT]				
Chapter 11 Administrative Claims [SUBTRACT]				
Priority Claims [SUBTRACT]				
Chapter 7 Trustee Fees [SUBTRACT]				
Chapter 7 Trustee's Professionals [SUBTRACT]				
NET FUNDS AVAILABLE FOR DISTRIBUTION TO UNSECURED CREDITORS				\$0.00
Estimated Amount of Unsecured Claims				\$8,063.08
Percent Distribution to Unsecured Creditors Under Proposed Plan				10.00%
Percent Distribution to Unsecured Creditors Under Liquidation Analysis				0.00%

Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.



**Exhibit 3 - Monthly Income and Expenses**

<b>Income</b>	<b>Amount</b>
Gross Employment Income	
Gross Business Income	\$6,000.00
OTHER INCOME - Social Security	\$1,436.00
Positive Cash Flow on Investment Property (Exhibit 5, Line A)	
<b>A. Total Monthly Income</b>	<b>\$7,436.00</b>

<b>Expenses</b>	<b>Amount</b>
Includes Plan Payments on Secured Claims for Residence and Car	
Payroll Taxes and Related Withholdings	\$200.00
Retirement Contributions (401k, IRA, PSP)	\$0.00
Shelter Expenses (rent/mortgage, insurance, taxes, utilities) (Total Arrearages on Principal Residence are \$_____)	\$0.00
Household Expenses (food)	\$500.00
Transportation Expenses (car payments, insurance, fuel)	\$318.57
Personal Expenses (e.g. recreation, clothing, laundry, medical)	\$1,788.57
Alimony / Child Support	\$0.00
Other Expenses	\$300.00
Negative Cash Flow on Investment Property (Exhibit 5, Line B)	\$2,653.08
<b>B. Total Monthly Expenses</b>	<b>\$5,760.22</b>

<b>C. Disposable Income</b> (Line A - Line B)	<b>\$1,675.78</b>
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<b>Plan Payments</b>	<b>Amount</b>
Plan Payments Not Included in Calculating Disposable Income	
Administrative Claims	
Priority Claims	\$753.01
General Unsecured Creditors	\$6.72
OTHER PLAN PAYMENTS - HOA claim of \$46,200	\$385.00
OTHER PLAN PAYMENTS - student loan claim of \$39,970.35	\$35.00
<b>D. Total Plan Payments</b>	<b>\$1,173.73</b>

<b>E. Plan Feasibility</b> (Line C - Line D) (Not feasible if less than zero)	<b>\$502.05</b>
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Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.

**Exhibit 4 - Effective Date Feasibility**

Can the Debtor Make the Effective Day Payments?

	Amount	Amount
A. Projected Total Cash on Hand on Effective Date		\$58,088.00
Payments on Effective Date		
Property tax and insurance escrow deficiency to cure pre-confirmation arrears - [1] 1 Surf Way #222, Monterey, CA 93940 real property at \$18,836.48 per March 22, 2016 Bank of New York Stipulation; the impact on the Bank of New York claim of this payment will be a \$18,836.48 reduction of the approximately \$178,024.39 due as a balloon upon the maturity date of the loan. [2] 5912 Winterham Way, Sacramento, CA 95823 real property at \$12,873.67 per May 13, 2014 U.S. Bank Stipulation, plus estimated additional 26 months (through July 2016) at \$285.83 * 26 = \$7,431.58, for total estimate at \$20,305.25; the impact on the U.S. Bank claim of this payment will be an approximately \$20,305.25 reduction of the \$66,764.15 due as a balloon upon the maturity date of the loan.	\$39,141.73	
Administrative Expense Claims		
Priority Claims		
Small Claims (Class 2(a))		
U.S. Trustee Fees	\$977.70	
B. Total Payments on Effective Date		\$40,119.43
<b>C. Net Cash on Effective Date</b> (Line A - Line B) (Not feasible if less than zero)		\$17,968.57

Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.

**Exhibit 5 - Investment Property Analysis**

**Properties with Positive Monthly Cash-Flow:**

Real Property #1 Income: N/A

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
	1 <sup>st</sup>				
	2 <sup>nd</sup>				
	3 <sup>rd</sup>				

Real Property #2 Income: N/A

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
	1 <sup>st</sup>				
	2 <sup>nd</sup>				
	3 <sup>rd</sup>				

<b>A. Total Positive Cash Flow</b>	\$0.00
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**Properties with Negative Monthly Cash-Flow:**

Real Property #3 Income: 1 Surf Way #222, Monterey, CA

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
\$2,950.00	\$2,951.19	\$0.00	\$558.90	\$849.00 [HOA fees]	-\$1,409.09
	2 <sup>nd</sup>	The Other Expenses "HOA fees" amount is the present monthly fee, as of January 1, 2016.			
	3 <sup>rd</sup>				

Real Property #4 Income: 5912 Winterham Way, Sacramento, CA 95823

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
\$400.00	\$1,358.16	\$75.00	\$210.83		-\$1,243.99
	2 <sup>nd</sup>				
	3 <sup>rd</sup>				

<b>B. Total Negative Cash Flow</b>	-\$2,653
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Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.

Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.

# REDLINE VERSION ADDENDUM

RED text is text that has been added.

YELLOW HIGHLIGHTED text is text that has been altered.

GREEN HIGHLIGHTED text is test that has been deleted.

All three categories of changes (additions/alterations/deletions) are updates of, as the starting point, the most recent previous version of Debtors' Combined Plan and Disclosure Statement, which was dated and filed April 19, 2016.

United States Bankruptcy Court  
Northern District of California

In re:

BEVERLY HARDINA SHEPARD  
and  
LEON BENWAR SHEPARD

Case No. 13-52321-RLE  
Chapter 11

PROPOSED COMBINED PLAN OF REORGANIZATION

AND DISCLOSURE STATEMENT

June 7, 2016

INTRODUCTION

This is Debtor's Combined Chapter 11 Plan of Reorganization and Disclosure Statement (the Plan). The Plan identifies each known creditor by name and describes how each claim will be treated if the Plan is confirmed.

Part 1 contains the treatment of creditors with secured claims; Part 2 contains the treatment of general unsecured creditors: 10% of their allowed claims in quarterly payments over ten (10) years. Taxes and other priority claims would be paid in full, as shown in Part 3.

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

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

Exhibit 5 shows Debtor's monthly income and expenses related to each investment property. Exhibit 6 is Amended Stipulation for Plan Treatment on First Lien Secured by Real Property Located at 1 Surf Way #222, Monterey, CA 93940. Exhibit 7 is Stipulation Resolving Debtors' Motion to Value Collateral and Resolving Chapter 11 Plan Treatment, which stipulation sets forth the agreed-upon terms for the secured claim secured by the real property located at 5912 Winterham Way, Sacramento, California 95823. Exhibit 8 is Debtors' proposed ballot form.

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

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

**PART 1: TREATMENT OF SECURED CREDITORS**

**Debtor to Adjust Terms and Pay Amount Due in Full Over Time.**

Class	Name of Creditor	Collateral	Value	Interest Rate	Monthly Payment
1A	Bank of New York Mellon, as Trustee for CWALT, Inc. Trust 2006 OA2	Real property commonly described as 1 Surf Way #222, Monterey, California 93940	\$700,000.00 [see DKT 218-1, p.8, see also DKT 218-2, Exhibit 1]	3.00%	[1] \$2,951.19 principal and interest; [2] creditor shall place an impound escrow, in an additional monthly amount, for property taxes.

Debtor will pay the entire amount due pursuant to the terms of stipulation between Debtors and Creditor [see Exhibit 6 to this Plan; also see DKT 225-1, Exhibit 1], through 360 equal monthly payments, due the 15th day of the month, starting May 1, 2016 on the above secured claim, and Debtor will pay the approximately \$178,024.39 "balloon payment" concurrently with the last [payment no. 360] of these monthly payments.

The above-referenced Stipulation is attached as Exhibit 6 of the Plan (the "Bank of New York Stipulation") and is hereby incorporated by reference and will control over any inconsistent terms in the Plan. Because the Bank of New York Stipulation will control in the event of any of inconsistency(s) with the Plan, specifically including, although not limited to, inconsistency with Plan provisions in Parts 6(c) and 6(d), even though the Bank of New York Stipulation is attached and incorporated herein as Exhibit 6, the material terms (number 1 through 17) of the Bank of New York Stipulation are reproduced and included herein, as follows:

1. Secured Creditor holds a fully secured first lien on the Subject Property which totals approximately \$878,024.39. Debtors' pre-confirmation payments to Secured Creditor will be based on the unpaid principal balance of \$700,000.00, with all amounts above \$700,000.00 deferred in a non-interest bearing account and due on the maturity date. Permanent adjustments to loan will be completed post-confirmation based on the total debt at the time the permanent adjustments are made. Debtor agrees to make payments as stated in this stipulation until the permanent loan adjustments are made and post-confirmation mortgage statement is received reflecting the Chapter 11 Plan adjustments and new monthly payment. Post-confirmation Debtors agree to pay the amounts reflected in those monthly statements.

2. The interest bearing debt of \$700,000.00 will be paid at a 3% fixed interest rate with payments calculated on a 360 month amortization schedule with all outstanding amounts, including the deferred amount of approximately \$178,024.39, due as a balloon upon the maturity date of the loan.



3. The maturity date of the loan will be 4/1/2046, and all amounts still outstanding and owing as of 4/1/2046, will be due in full on the maturity date.

4. Secured Creditor will continue to impound this loan for taxes related to the Subject Property and charge a monthly escrow payment in addition to Debtors' monthly principal and interest payment. Debtors are obligated to make the monthly escrow payment in addition to principal and interest payments. The current escrow payment is \$558.90. Debtors understand that these amounts may fluctuate.

5. Debtors agree to obtain flood insurance for the Subject Property within 30 days of entering into this stipulation and provide evidence of this flood insurance to Secured Creditor to remove the lender placed flood insurance currently on the loan.

6. Debtors will maintain all necessary insurance directly, and if there is a default on these obligations Secured Creditor may exercise its remedies as described in the deed of trust and note. Debtors also agree to provide proof of insurance to Secured Creditor within 30 days upon request.

7. On or before 5/1/2016, Debtors will make a down payment of \$18,836.48 toward the post-petition escrow advances. All other post-petition escrow advances will remain due and owing on the loan and will be and will be repaid through an escrow shortage payment post confirmation.

8. The pre-confirmation principal and interest payment under these agreed terms is \$2,951.19, per month.

9. The first payment of under this agreement is due 5/1/2016 in the amount of \$3,510.09 per month (principal and interest \$2,951.19 + escrow for taxes and flood insurance of \$558.90). Debtors agree to make payments in this amount until the permanent loan adjustments are made and post confirmation mortgage statement is sent out reflecting the new loan terms and monthly payment amount. Debtors agree to pay the amounts reflected in those post confirmation mortgage statements.

10. Payments shall be made directly to Secured Creditor, Select Portfolio Servicing, Inc., at Select Portfolio Servicing, Inc., Attn: Remittance Processing, P.O. Box 65450, Salt Lake City, UT 84165-0450, with reference to the last four digits of the Loan Number 9417, or as otherwise directed.

11. All other terms of the Deed of Trust and Note not directly altered by this agreement will remain in full force and effect.

12. Secured Creditor continues to have relief from the automatic stay as to the Subject Property upon confirmation of Debtors' Chapter 11 Plan.

13. In the event of a default on payments to Secured Creditor under the terms of this stipulation prior to the entry of the confirmation order, Secured Creditor shall notify Debtors and Debtors' counsel of the default in writing. Debtors shall have ten (10) calendar days from the date of the written notification to cure the default, and Debtors agree to pay an additional \$100.00 for attorneys' fees for each occurrence. If Debtors fail to cure the default, Secured Creditor may proceed with its state law remedies, as the automatic stay as previously terminated by Court order, including but not limited to, holding a trustee's sale of the Subject Property, pursuant to applicable state law and without further Court Order or proceeding being necessary, including any action necessary to obtain complete possession of the Subject Property, including unlawful detainer.

14. In the event of a default on payments to Secured Creditor under the terms of this stipulation after the entry of the confirmation order, Secured Creditor shall may proceed pursuant to the terms of the underlying Note and Deed of Trust, and state and federal law, to obtain complete possession of the Subject Property, including unlawful detainer, without further Court Order or proceeding being necessary. Any and all default provisions included in Debtors' Chapter 11 Plan are not applicable to Secured Creditor with regard to the Subject Property, and Secured Creditor is only bound by the terms included in this stipulation.

15. Debtors agree to incorporate the above agreed terms of lien treatment into any and all existing and future proposed Chapter 11 Plans and, if any terms in Debtors' Chapter 11 Plan conflict with the terms of this stipulation the terms of this stipulation will control. In the event that Debtors' Chapter 11 Plan does not reflect the language of this stipulation it will be incorporated into the confirmation order through exact language, attachment of a copy of the stipulation, or by reference of the filed stipulation with docket number.

16. Secured Creditor agrees to vote for Debtors' Chapter 11 Plan provided it reflects the agreed plan treatment contained in this stipulation, or the terms of the stipulation are incorporated into the confirmation order through exact language, attachment of a copy of the stipulation, or by reference of the filed stipulation with docket number.

17. If this Chapter 11 bankruptcy is dismissed or converted to another chapter under title 11, Secured Creditor's lien shall remain a valid secured lien for the full amount due under the original Promissory Note and all payments received under this agreement will be applied contractually under the original terms of the Deed of Trust and original Promissory Note.

Creditors in these classes shall retain their interest in the collateral until Debtor makes all payments on the allowed secured claim specified in the Plan.

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

Payments to claimants in these classes may continue past the date Debtor obtains a discharge. The claimants' rights against its collateral shall not be affected by the entry of discharge, but shall continue to be governed by the terms of this Plan.

**Debtor to Adjust Terms and Pay Amount Due in Full Over Time.**

Class	1B
Name of Creditor	U.S. Bank National Association, as Trustee for the LXS 2006-16N
Collateral	Real property commonly described as 5912 Winterham Way, Sacramento, California 95823
Amount Due	\$555,701.75
Interest Rate	5.00%
Monthly Payment	[1] \$1,358.16 per month, with one-time \$66,764.15 balloon payment upon maturity; [2] creditor shall place an impound escrow, in an additional monthly amount, for property taxes and insurance.
Term	360 months; balloon payment due upon maturity, at time of last payment, for month number 360 of Term.

Debtor will pay the entire amount due pursuant to the terms of stipulation between Debtors and Creditor [see Exhibit 7; DKT 95], through 360 equal monthly payments, due the 15th day of the month, starting the first full month following the Effective Date of the Plan on the above secured claims, and Debtor will pay the \$66,764.15 "balloon payment" concurrently with the last [payment no. 360] of these monthly payments.

The above-referenced Stipulation is attached as Exhibit 7 of the Plan (the "U.S Bank Stipulation") and is hereby incorporated by reference and will control over any inconsistent terms in the Plan. Paragraph 10 of the U.S. Bank Stipulation expressly requires incorporation of the terms of the U.S. Bank Stipulation in the Plan, specifically including, although not limited to, that Paragraph 7 of the U.S. Bank Stipulation will control over the Plan provisions in Parts 6(c) and 6(d), which deviate materially from the agreed upon default provision in Paragraph 7 of the U.S. Bank Stipulation. Because the U.S. Bank Stipulation will control in the event of any of inconsistency(s) with the Plan, the material terms (number 1 through 17) of the U.S. Bank Stipulation are reproduced and included herein, as follows:

1. The Subject Property is valued at \$253,000.00 for purposes of the Motion to Value Collateral.
2. The Lender has timely elected to have its claim be treated as a fully secured claim pursuant to 11 U.S.C. § 1111(b)(2). Based on the § 1111(b)(2) election, the Lender's claim is fully secured to the extent of

\$555,701.75. This amount represents the amount of the Lender's Proof of Claim (\$542,728.08) plus the post-petition escrow advances made by the Lender thus far (\$12,873.67). If the Lender incurs additional post-petition escrow advances, the additional advances will be due and payable on the Effective Date of the Chapter 11 Plan unless an alternative agreement is reached with the Lender.

3. After the Effective Date of the Chapter 11 Plan, the Lender shall set the principal balance of the loan that is the subject of this Stipulation to \$253,000.00. This amount will be amortized at a fixed annual interest rate of 5% over 30 years with monthly principal and interest payments of \$1,358.16. Upon maturity, the Debtor shall pay the Lender a balloon payment of \$66,764.15 to satisfy the Lender's § 1111(b)(2) requirement since the \$1,358.16 monthly principal and interest payment over 30 years falls \$66,764.15 short of paying off the \$555,701.75 secured claim amount. The Lender will also continue to impound the account for property taxes and insurance until the Effective Date of the Chapter 11 Plan. Accordingly, the Debtors' monthly payment to the Lender until the Effective Date of the Chapter 11 Plan will include principal, interest, property taxes and insurance ("PITI payments" herein). The monthly escrow will be subject to change due to periodic fluctuations in the price of insurance and property taxes. After the Effective Date of the Chapter 11 Plan, the Lender will REMOVE the impound for taxes and insurance.

4. The PITI payments shall commence on the first day of the full month following the filing of this Stipulation as adequate protection payments until the Effective Date of the Chapter 11 Plan. The PITI payments will be due on the first of each month and late on the fifteenth of each month. For purposes of amortization of the principal and interest payments, the 30 year amortization period will begin on the first day of the full month following the Effective Date of the Chapter 11 Plan. After the Effective Date of the Chapter 11 Plan, the Lender will reverse and reapply the principal and interest payments payments it received before the Effective Date of the Chapter 11 Plan towards the amortization of the loan.

5. If the Subject Property is sold or refinanced before the loan has matured under the terms of this Stipulation, the Lender's lien shall not be released until the Lender is paid the full amount of its secured claim (\$555,701.75) per the §1111(b)(2) election less any payments applied to principal during pursuant to the terms of this Stipulation.

6. Except as modified herein, the remaining terms of the original Note and Deed of Trust will remain viable and in full force and effect.

7. In the event the Debtors default as to any of the provisions contained in this Stipulation, the Lender may file and serve upon Debtors and Debtors' counsel, a fifteen (15) Day Notice Declaration Re Breach of Condition. For each such Declaration Re Breach of Condition filed, there shall be an assessed attorneys' fee of \$100.00 to be paid directly to Lender's counsel (Prober & Raphael, A Law Corporation, PO Box 4365, Woodland Hills, CA 91365-4365) upon reinstatement. If upon the sixteenth (16th) day Debtors have failed to cure the delinquency which must include said \$100.00 in attorneys' fees, then Lender may submit to this Court an Affidavit of Default with an Order vacating the automatic stay as to Lender, which shall be granted allowing Lender to proceed with foreclosure proceedings upon the subject Property, pursuant to applicable state law, and take any action necessary to obtain complete possession thereof. If the Chapter 11 case is closed when the Debtors defaults, the Lender will simply proceed with its non-bankruptcy remedies, including foreclosure, after the sixteenth (16th) day without seeking approval of the Bankruptcy Court. Alternatively, the Lender may file a Motion to Reopen the Chapter 11 case and an Affidavit of Default with an Order vacating the automatic stay as to Lender. The filing fees for the Motion to Reopen shall be waived.

8. In the event that Lender is granted relief from the automatic stay, the Parties hereby stipulate that the 14-day stay provided by Bankruptcy Rule 4001(a)(3) is waived.

9. At the request of the Lender, the Debtors shall execute such documents and instruments as are

reasonably necessary to reflect the Debtors as the borrowers of the Secured Claim, and to modify the terms of the obligation to conform with the provisions of this Stipulation.

10. The terms of this Stipulation may not be modified, altered, or changed by the Debtors' Chapter 11 Plan, any confirmation order thereon, any subsequently filed Amended Chapter 11 Plan and confirmation order thereon without the express written consent of the Lender. The terms of this Stipulation shall be incorporated into the Debtors' Chapter Plan and/or any subsequently filed Amended Chapter 11 Plan.

11. In the event the Debtors' case is dismissed or converted to any other chapter under Title 11 of the United States Bankruptcy Code, or in the event Lender obtains a Relief from Stay order based on Debtors' default hereunder, Lender shall retain its lien in the full amount due under the Note, all terms on Lender's claim shall revert to the original terms of the Note and Deed of Trust and the automatic stay shall be terminated without further notice, order, or proceeding of the court.

12. In the event the Debtors sell or transfer the Subject Property prior to confirming this Chapter 11 Plan, Lender shall be entitled to proceeds from the sale in an amount not less than the outstanding balance owing under the terms of the Note. If the proposed sale for the Property is less than the outstanding balance owing under the Note, then Lender's written consent must be obtained.

13. The acceptance by Lender of a late or partial payment shall not act as a waiver of Lender's right to proceed by motion hereunder.

14. The Debtors will pay off any post-petition advances by the Lender in full on the Effective Date of the Plan.

Creditors in these classes shall retain their interest in the collateral until Debtor makes all payments on the allowed secured claim specified in the Plan.

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

Payments to claimants in these classes may continue past the date Debtor obtains a discharge. The claimants' rights against its collateral shall not be affected by the entry of discharge, but shall continue to be governed by the terms of this Plan.

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

**Class 2(a).**

**Claims Not Dischargeable Pursuant to 11 U.S.C. § 523(a)(8).**

Name of Creditor	Amount of Claim	Amount to be Paid
Sallie Mae ECFC	\$39,970.35	\$39,970.35

Allowed claims in this class are not dischargeable pursuant to 11 U.S.C. 523(a)(8), and as such these claims shall be paid a one hundred percent (100%) dividend.

These claims shall be paid strictly pursuant to their contractual terms, without any alteration or impairment whatsoever by this plan. Consequently, Debtors shall pay to Sallie Mae ECFC such amount(s) at such times that are in accordance with the governing contractual agreements between Debtors and Sallie Mae ECFC.

These creditors' legal, equitable, and contractual rights remain unchanged. The confirmation order will constitute an order for relief from stay. **These claims are not impaired and are not entitled to vote on confirmation of the Plan.**

**Class 2(b).**

**Claims Not Dischargeable Pursuant to 11 U.S.C. § 523(a)(16).**

Name of Creditor	Amount of Claim	Amount to be Paid
Ocean Harbor House Homeowners Association	\$46,200.00	\$46,200.00

Allowed claims in this class are not dischargeable pursuant to 11 U.S.C. 523(a)(16), and as such these claims shall be paid



a one hundred percent (100%) dividend. Claims in this class are to be paid at no (0%) interest, paid in one-hundred-twenty (120) equal installments, due on the 15th day of the month, starting the first full month following the Effective Date of the Plan.

Consequently, Debtors shall pay to Ocean Harbor House Homeowners Association, as Debtors' provision for its nondischargeable unsecured claim, over the course of 120 months, a total of \$385.00 per month. Please note, this herein listed claim is the pre-petition arrears amount, and thus this \$385.00 monthly payment is to provide for this pre-petition arrears claim. Along with and at the same time as this claim provision payment, Debtors will continue making their ongoing monthly HOA fee payments as each comes due, which is presently (effective as of January 1, 2016) at the amount of \$849.00 (see Exhibit 5).

Creditors in this class may not take any collection action against Debtor so long as Debtor is not in material default under the Plan (defined in Part 6(c)). **This class is impaired and is entitled to vote on confirmation of the Plan.**

**Class 2(c). Other General Unsecured Claims.**

Name of Creditor	Amount of Claim	Disputed Y/N	Amount to be Paid	Quarterly Payment
Bank of New York Mellon, as Trsutee for CWALT, Inc. Trust 2006 OA2	\$63,759.23	N	\$6,375.92	\$159.40
City of Sacramento	\$2,750.00	N	\$275.00	\$6.88
County of Sacramento	\$1,000.00	N	\$100.00	\$2.50
Internal Revenue Service	\$4,313.08	N	\$431.31	\$10.78

Allowed claims of general unsecured creditors (including allowed claims of creditors whose executory contracts or unexpired leases are being rejected under this Plan) shall be paid as follows:

Percent Plan. Creditors will receive **ten [10%] percent** of their allowed claim in 40 equal quarterly installments, due on the 15th day of the start of a calendar quarter, starting the first full calendar quarter following the Effective Date of the Plan.

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

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

(a) Professional Fees.

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

Name and Role of Professional	Estimated Amount
None.	

The following professionals have agreed to accept payment over time as follows. Payments will be made [monthly/quarterly], due on the [number] day of the [month/quarter], starting [month & year] or upon approval by the court, whichever is later.

Name and Role of Professional	Estimated Amount	Payment Amount	Number of Payments
None.			

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

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

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

Name of Administrative Creditor	Estimated Amount of Claim
Office of United States Trustee	\$977.70

(c) Tax Claims. Debtor will pay allowed claims entitled to priority under section 507(a)(8) in full over time with interest (at the non-bankruptcy statutory interest rate) in equal amortizing payments in accordance with section 511 of the Bankruptcy Code. Payments will be made monthly, due on the 15th day of the month, starting the first full month following the Effective Date of the Plan. The number of payments of 20 is utilized to ensure that Debtors complete payment of this tax claim in full prior to the date that is five years following Debtors' petition date. This number of monthly payments, 20, is based upon the current plan confirmation deadline in July 2016 and so assumes an Effective Date resulting in first payment due August 15, 2016. To the extent the number of monthly payments and/or amounts owed are determined to be other than as shown below, appropriate adjustments will be made in the payment amount(s).

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

Name of Creditor	Estimated Amount of Claim	Statutory Interest Rate	Payment Amount	Number of Payments
Internal Revenue Service	\$14,671.52	3.00%	\$753.01	20

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

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

Post-confirmation obligations will be paid as they come due. Pre-confirmation arrears will be paid in full on the Effective Date.

Name of Counter-Party	Description of Contract/Lease	Estimated Total Cure Amount	Installment Amount	Number of Installments
Grisel Maldonado	Lease of 1 Surf Way #222, Monterey property [Debtors are lessors]	\$0.00	\$2,950.00	Monthly lease of real property.
Sandra Williams	Lease of 5912 Winterham Way, Sacramento property [Debtors are lessors]	\$0.00	\$400.00	Monthly lease of real property.

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

Name of Counter-Party	Description of Contract/Lease
None.	

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

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

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

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

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

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

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

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

(c) Material Default Defined. If Debtor fails to make any payment, or to perform any other obligation required under the Plan, for more than 10 days after the time specified in the Plan for such payment or other performance, any member of a class affected by the default may serve upon Debtor and Debtor's attorney (if any) a written notice of Debtor's default. If Debtor fails within 30 days after the date of service of the notice of default either: (i) to cure the default; (ii) to obtain from the court an extension of time to cure the default; or (iii) to obtain from the court a determination that no default occurred, then Debtor is in Material Default under the Plan to all the members of the affected class.

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

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

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

(g) Retention of Jurisdiction. The bankruptcy court may exercise jurisdiction over proceedings concerning: (i) whether Debtor is in Material Default of any Plan obligation; (ii) whether the time for performing any Plan obligation should be extended; (iii) adversary proceedings and contested matters pending as of the Effective Date or specifically contemplated in this Plan to be filed in this court (see Part 7(f)); (iv) whether the case should be dismissed or converted to one under Chapter 7; (v) any objections to claims; (vi) compromises of controversies under Fed. R. Bankr. Pro. 9019; (vii) compensation of professionals; and (viii) other questions regarding the interpretation and enforcement of the Plan.

## **PART 7: GENERAL PROVISIONS**

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

(b) Disputed Claim Reserve. Debtor will create a reserve for disputed claims. Each time Debtor makes a distribution to the holders of allowed claims, Debtor will place into a reserve the amount that would have been distributed to the holders of disputed claims if such claims had been allowed in the full amount claimed. If a disputed claim becomes an allowed claim, Debtor shall immediately distribute to the claimant from the reserve an amount equal to all distributions due to date under the plan calculated using the amount of the allowed claim. Any funds no longer needed in reserve shall be [select one] [returned to Debtor] [distributed pro-rata among allowed claims in this class].

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

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

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

(f) Lawsuits.

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

Party	Creditor Y/N	Nature of Claim	Amount of Claim	Will Debtor Prosecute Action? Y/N
None.				

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

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

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

Dated: June 7, 2016

/s/ Beverly Hardina Shepard  
Debtor

/s/ Leon Benward Shepard  
Debtor

/s/ Judson H. Henry  
Attorney for Debtor



## Attorney Certification

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

Within the most recent previous version of Debtors's Plan, dated and filed **June 7**, 2016, the following provisions of the Standard-Form Plan were altered or otherwise modified, as follows:

Page 3, last paragraph: A sentence is added, regarding a \$66,764.15 "balloon payment" to be paid by Debtors, per stipulation between the parties, due at the maturity of the claim [month no. 360].

Page 4, 1<sup>st</sup> paragraph: Related to the immediately foregoing, a paragraph is added, as follows:

The above-referenced Stipulation is attached as Exhibit 6 of the Plan (the "Stipulation") and is hereby incorporated by reference and will control over any inconsistent terms in the Plan. Paragraph 10 of the Stipulation expressly requires incorporation of the terms of the Stipulation in the Plan, specifically including, although not limited to, that Paragraph 7 of the Stipulation will control over the Plan provisions in Parts 6(c) and 6(d), which deviate materially from the agreed upon default provision in Paragraph 7 of the Stipulation.

Page 4, table and following 3 paragraphs, a class of claims is added to the Standard-Form Plan, labeled Class 2(a), which is to provide for claims not dischargeable pursuant to 11 U.S.C. § 523(a)(8).

Page 5, first table on page and following 3 paragraphs, a class of claims is added to the Standard-Form Plan, labeled Class 2(b), which is to provide for claims not dischargeable pursuant to 11 U.S.C. § 523(a)(16)

Page 5, second table on page and last paragraph, the label for the label for the other general unsecured claims is changed to 2(c).

Within the present Plan dated and filed June 7, 2016, the provisions of the standard-form plan that were altered or otherwise modified are minor. Nonetheless, in lieu of listing the same alterations/modifications, I have prepared a redline version, which clearly indicates each addition, deletion, and other alteration or modification I have made in editing from the April 19, 2016 version of the Plan to this present Plan dated June 7, 2016. Please see Redline Version Addendum appended to the end of the Plan (following Exhibit 8).

I declare that the foregoing is true and correct. Executed this 7<sup>th</sup> day of June, 2016.

/s/ Judson H. Henry  
Attorney for Debtor(s)

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

Debtor Beverly Shepard is in the real estate loan brokerage business, and Debtors further derive income from the rental of their two real properties. Debtors experienced a severe reduction in business and revenues starting approximately 2009 and 2010, which remained severe throughout 2012. This was essentially due to the generally poor economic and business conditions that have existed over the past few years, particularly within the real estate sector, consequently directly impacting Debtors' business activities and financial and cash flow situation. Specifically, bot of Debtors' business activities, real estate loan brokerage and real estate rentals, are directly related to real estate sales market conditions, and thus Debtors' were especially hard hit. Nonetheless, in the latter part of 2012 and into early 2013, Debtors' business substantially began to improve, and it was this reason, as well as Debtors' desire to reorganize their debts secured by their two real properties and keep their two real properties that led Debtor to seek protection and reorganization under Chapter 11.

As of the petition date as well as at present, Debtors own two real properties, namely [1] the real property commonly described as 1 Surf Way #222, Monterey, California (the "Monterey Property"), and [2] the \real property commonly described as 5912 Winterham Way, Sacramento, California (the "Sacramento Property"). Throughout the time-period of this case, Debtors' major focus was directed toward the value of each real property and working out feasible/agreeable budgets and terms with the impacted creditors for use in plan preparation.

At the present time, Debtors have worked out and entered a stipulation with the secured creditor (U.S. Bank) holding a claim secured by the Sacramento Property (see Exhibit 7). Further, Debtors have worked out and entered a stipulation with the secured creditor (Bank of New York) holding a claim secured by the Monterey Property (see Exhibit 6). Finally, Debtors' have maintained stability in their rental income, and increased their total non-rental income from \$3,933.00 per month (average during pre-petition portion of 2013) to \$6,629.43 by 2014 (average per MORs). Based on this, Debtors anticipate being able to confirm this Plan.

The liquidation analysis (Exhibit 2) is per February 2016 MOR and otherwise most recent data. Expense and income data (Exhibit 3) utilizes MOR averages. Of note, while "other expenses" has

**Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.**

averaged \$1,500 during the course of this bankruptcy case up to the present, \$1,200 of this has been rental expense and other expenses of Debtor Leon Shepard due to travel to Los Angeles for medical treatment; this expense cease/greatly diminish in the very near future, and thus "other expenses" (in Exhibit 3) are now estimated at \$300 per month, which is the average monthly business expenses incurred by Debtor Beverly Shepard. February 2016 MOR is utilized for Effective Date feasibility (Exhibit 4). Investment property analysis (Exhibit 5) utilizes most recently known data available.

Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.

**Exhibit 2 - What Creditors Would Receive if the Case Were Converted to a Chapter 7**

Real Property #1: 1 Surf Way #222, Monterey, CA 93940

Fair Market Value	Liens	Cost of Sale	Resulting Income Tax	Amt of Exemption	Net Proceeds
\$700,000.00	\$513,759.23				\$0.00
	2 <sup>nd</sup>				

Real Property #2: 5912 Winterham Way, Sacramento, CA 95823

Fair Market Value	Liens	Cost of Sale	Resulting Income Tax	Amt of Exemption	Net Proceeds
\$253,000.00	\$555,701.75				\$0.00
	2 <sup>nd</sup>				

Personal Property:

Description	Liquidation Value	Secured Claim	Amt of Exemption	Net Proceeds
Cash	\$60,830.00	\$54,352.00	\$8,370.00	\$0.00
Automobile #1	\$3,500.00		\$3,500.00	\$0.00
Automobile #2	\$1,000.00		\$1,000.00	\$0.00
Household Furnishings	\$3,800.00		\$3,800.00	\$0.00
Jewelry	\$2,000.00		\$2,000.00	\$0.00
Equipment				
Stocks / Investments				
Other Personal Property	\$5,800.00		\$5,800.00	\$0.00
TOTAL				\$0.00
Net Proceeds of Real Property and Personal Property				\$0.00
Recovery from Preferences / Fraudulent Conveyances [ADD]				
Chapter 7 Administrative Claims [SUBTRACT]				
Chapter 11 Administrative Claims [SUBTRACT]				
Priority Claims [SUBTRACT]				
Chapter 7 Trustee Fees [SUBTRACT]				
Chapter 7 Trustee's Professionals [SUBTRACT]				
NET FUNDS AVAILABLE FOR DISTRIBUTION TO UNSECURED CREDITORS				\$0.00
Estimated Amount of Unsecured Claims				\$8,063.08
Percent Distribution to Unsecured Creditors Under Proposed Plan				10.00%
Percent Distribution to Unsecured Creditors Under Liquidation Analysis				0.00%

Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.

**Exhibit 3 - Monthly Income and Expenses**

<b>Income</b>	<b>Amount</b>
Gross Employment Income	
Gross Business Income	\$6,000.00
OTHER INCOME - Social Security	\$1,436.00
Positive Cash Flow on Investment Property (Exhibit 5, Line A)	
<b>A. Total Monthly Income</b>	<b>\$7,436.00</b>

<b>Expenses</b>	<b>Amount</b>
Includes Plan Payments on Secured Claims for Residence and Car	
Payroll Taxes and Related Withholdings	\$200.00
Retirement Contributions (401k, IRA, PSP)	\$0.00
Shelter Expenses (rent/mortgage, insurance, taxes, utilities) (Total Arrearages on Principal Residence are \$_____)	\$0.00
Household Expenses (food)	\$500.00
Transportation Expenses (car payments, insurance, fuel)	\$318.57
Personal Expenses (e.g. recreation, clothing, laundry, medical)	\$1,788.57
Alimony / Child Support	\$0.00
Other Expenses	\$300.00
Negative Cash Flow on Investment Property (Exhibit 5, Line B)	\$2,653.08
<b>B. Total Monthly Expenses</b>	<b>\$5,760.22</b>

<b>C. Disposable Income</b> (Line A - Line B)	<b>\$1,675.78</b>
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<b>Plan Payments</b>	<b>Amount</b>
Plan Payments Not Included in Calculating Disposable Income	
Administrative Claims	
Priority Claims	\$753.01
General Unsecured Creditors	\$6.72
OTHER PLAN PAYMENTS - HOA claim of \$46,200	\$385.00
OTHER PLAN PAYMENTS - student loan claim of \$39,970.35	\$35.00
<b>D. Total Plan Payments</b>	<b>\$1,173.73</b>

<b>E. Plan Feasibility</b> (Line C - Line D) (Not feasible if less than zero)	<b>\$502.05</b>
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Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.

**Exhibit 4 - Effective Date Feasibility**

Can the Debtor Make the Effective Day Payments?

	Amount	Amount
A. Projected Total Cash on Hand on Effective Date		\$58,088.00
Payments on Effective Date		
Property tax and insurance escrow deficiency to cure pre-confirmation arrears - [1] 1 Surf Way #222, Monterey, CA 93940 real property at \$18,836.48 per March 22, 2016 Bank of New York Stipulation; the impact on the Bank of New York claim of this payment will be a \$18,836.48 reduction of the approximately \$178,024.39 due as a balloon upon the maturity date of the loan. [2] 5912 Winterham Way, Sacramento, CA 95823 real property at \$12,873.67 per May 13, 2014 U.S. Bank Stipulation, plus estimated additional 26 months (through July 2016) at \$285.83 * 26 = \$7,431.58, for total estimate at \$20,305.25; the impact on the U.S. Bank claim of this payment will be an approximately \$20,305.25 reduction of the \$66,764.15 due as a balloon upon the maturity date of the loan.	\$39,141.73	
Administrative Expense Claims		
Priority Claims		
Small Claims (Class 2(a))		
U.S. Trustee Fees	\$977.70	
B. Total Payments on Effective Date		\$40,119.43
<b>C. Net Cash on Effective Date</b> (Line A - Line B) (Not feasible if less than zero)		\$17,968.57

Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.

**Exhibit 5 - Investment Property Analysis**

**Properties with Positive Monthly Cash-Flow:**

Real Property #1 Income: N/A

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
	1 <sup>st</sup>				
	2 <sup>nd</sup>				
	3 <sup>rd</sup>				

Real Property #2 Income: N/A

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
	1 <sup>st</sup>				
	2 <sup>nd</sup>				
	3 <sup>rd</sup>				

<b>A. Total Positive Cash Flow</b>	\$0.00
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**Properties with Negative Monthly Cash-Flow:**

Real Property #3 Income: 1 Surf Way #222, Monterey, CA

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
\$2,950.00	\$2,951.19	\$0.00	\$558.90	\$849.00 [HOA fees]	-\$1,409.09
	2 <sup>nd</sup>	The Other Expenses "HOA fees" amount is the present monthly fee, as of January 1, 2016.			
	3 <sup>rd</sup>				

Real Property #4 Income: 5912 Winterham Way, Sacramento, CA 95823

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
\$400.00	\$1,358.16	\$75.00	\$210.83		-\$1,243.99
	2 <sup>nd</sup>				
	3 <sup>rd</sup>				

<b>B. Total Negative Cash Flow</b>	-\$2,653.08
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Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.



Secured claim on cash is cash collateral of lenders on real property, not available to general unsecured creditors in chapter 7.