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19 UNITED STATES BANKRUPTCY COURT
20 NORTHERN DISTRICT OF CALIFORNIA
21 SAN FRANCISCO DIVISION

22 In re
23
24 SUSANNA SHAW,
25
26 Debtor.

27 Case No. 14-31819 DM
28 Chapter 11
Hon. Dennis Montali

**DISCLOSURE STATEMENT FOR
TRUSTEE'S AND DEBTOR'S FIRST
AMENDED JOINT PLAN OF
REORGANIZATION
(Dated June 7, 2016)**

Date: June 10, 2016
Time: 11:00 a.m.
Place: 450 Golden Gate Avenue, 16th Floor
Courtroom 17
San Francisco, CA 94102

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1 Janina M. Hoskins, Chapter 11 Trustee of the Estate¹ of Susanna Shaw and Susanna
2 Shaw, the Debtor in this case, hereby present this Disclosure Statement for purposes of providing
3 parties in interest with information related to the Trustee's and Debtor's Plan of Reorganization
4 (as it may be amended or modified hereafter) (the "Plan") dated May 20, 2016 by the Trustee and
5 the Debtor.

6 As will be explained more thoroughly below, the Plan provides for a mechanism to pay all
7 allowed unsecured creditors in full, with interest, on the effective date of the Plan (as will be
8 explained). The Plan's provisions primarily address secured claims represented by liens
9 collateralized by property of this Estate and claims asserted by the City and County of San
10 Francisco. All lien claimants, likewise, will be paid in full over time, with the exception of the
11 City, which will be paid on the Effective Date or pursuant to an agreement.

12 CREDITORS AND HOLDERS OF CLAIMS AGAINST THE DEBTOR ARE
13 ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN. ALL
14 CREDITORS AND HOLDERS OF CLAIMS IN THIS CASE SHOULD READ CAREFULLY
15 AND CONSIDER FULLY THE DISCLOSURE STATEMENT AND PLAN BEFORE VOTING
16 FOR OR AGAINST THE PLAN.

17 The Trustee and the Debtor believe that confirmation of the Plan is in the best interest of
18 the Estate and its creditors. The Plan is the result of negotiations between the Trustee, the Debtor,
19 a lienholder and the City and County of San Francisco (the "City"), a principal creditor and
20 interested party in this case. The Trustee and the Debtor therefore recommend that all creditors
21 vote to accept this Plan.

22 THE BANKRUPTCY COURT HAS APPROVED THIS DISCLOSURE STATEMENT;
23 HOWEVER, THE APPROVAL DOES NOT CONSTITUTE A DETERMINATION OF THE
24 MERITS OF THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. THE
25 APPROVAL OF THE DISCLOSURE STATEMENT MEANS THAT THE BANKRUPTCY
26 COURT HAS FOUND THAT IT CONTAINS ADEQUATE INFORMATION TO PERMIT
27 CREDITORS AND HOLDERS OF CLAIMS IN THIS CASE TO MAKE AN INFORMED

28

¹ All capitalized terms not otherwise defined will have the meaning ascribed to them in the Plan.

1 DECISION IN EXERCISING THEIR RIGHT TO VOTE ON THE PLAN.

2 The Trustee and the Debtor are unable to warrant or represent that all information
3 contained in this Disclosure Statement or in any exhibits attached or incorporated is without error,
4 although all reasonable efforts under the circumstances have been made to be accurate.

5 **I. INTRODUCTION**

6 **A. Filing of the Plan**

7 The Trustee and the Debtor (collectively, the "Plan Proponents") have filed the Plan and
8 Disclosure Statement with the Bankruptcy Court pursuant to the provisions of Section 1125 of the
9 Bankruptcy Code to provide for distribution to holders of Claims against and interest in the assets
10 of the Debtor in connection with (i) the solicitation of acceptances of the Plan and (ii) a hearing to
11 consider confirmation of the Plan (the "Confirmation Hearing"), which will be scheduled by the
12 Bankruptcy Court. The purpose of the Disclosure Statement is to enable creditors to make an
13 informed decision on voting on the Plan. Under the Plan, the Trustee will distribute cash to
14 unsecured creditors, continue to make certain repairs that are necessary to property owned by the
15 Estate so as to remove any Health and Safety Code violations and/or Municipal Code violations
16 asserted by the City. Unsecured creditors will be paid in full soon after the Effective Date.
17 Secured creditors with trust deeds against property of the Estate will be paid in full over time
18 under the terms of the Plan and their notes.

19 For the Court to confirm the Plan, enough creditors must vote in favor of it. A plan is
20 deemed accepted when two-thirds in dollar amount in a class and more than fifty percent of the
21 number in that class vote for acceptance of the plan. Under certain circumstances, the Court may
22 confirm a plan despite the rejection of a class of claims or interests that is impaired and has not
23 accepted the plan.

24 Since this is an individual case, under Bankruptcy Code §1141(d)(5) the Debtor shall
25 receive her discharge only after completion of the Plan payments or on certain conditions as
26 ordered by the Court after notice and a hearing.

27 **B. Bankruptcy Filing**

28 On December 20, 2014, the Debtor filed a Voluntary Petition under Chapter 11 of the

1 Bankruptcy Code. On January 29, 2015, the City objected to the Debtor's motion to use cash
2 collateral and filed a counter-motion for appointment of a Chapter 11 trustee. The Bankruptcy
3 Court granted the City's counter-motion at a hearing on February 12, 2015. The order approving
4 the appointment of Janina M. Hoskins as Chapter 11 Trustee was signed on February 23, 2015.
5 The Trustee has been acting as Trustee of the Debtor's Estate since that date. Although the
6 Trustee is the representative of the Estate, as noted, the Plan is a joint Plan proposed by the
7 Trustee and the Debtor.

8 **C. General**

9 The Plan is the vehicle that will be used to pay dividends, i.e., distribute cash to creditors
10 as soon as practicable.

11 The Plan is summarized below but all summaries are qualified by the terms of the Plan
12 itself, which are controlling. As noted, the purpose of this Disclosure Statement is to provide
13 creditors with information in order for them to make a reasonably informed decision in exercising
14 their right to vote on the Plan. As noted, unsecured creditors are being paid in full with interest.

15 **II. VOTING PREREQUISITES AND PROCEDURES**

16 **A. Persons Entitled to Vote**

17 Pursuant to the provisions of the Bankruptcy Code, only holders of allowed Claims and
18 classes of Claims that are impaired under the terms of the provisions of a Chapter 11 plan are
19 entitled to vote to accept or reject that plan. Impaired classes of Claims or interests that receive no
20 distributions under a plan are not entitled to vote on a plan and are deemed to have rejected the
21 plan. Holders of allowed Claims and classes of Claims that are unimpaired under the terms and
22 provisions of a Chapter 11 plan are conclusively presumed to have accepted the plan and
23 therefore not entitled to vote on the plan. Holders of Claims in Class 2 are unimpaired, are
24 presumed to have accepted the Plan and therefore do not have the right to vote on the Plan.
25 Holders of Claims in Classes 3, 4, 5, 6 and 7 and all subclasses designated therein are impaired
26 and therefore entitled to vote to accept or reject the Plan.

27 The Bankruptcy Code defines "acceptance" of the Plan by a Class of Claims as acceptance
28 by Creditors in that Class that hold at least two-thirds in dollar amount, and more than one-half in

1 the number, of Claims within that Class that cast ballots for acceptance or rejection of the Plan.

2 Creditors whose Claims are the subject of a filed objection are not eligible to vote, unless
3 the objection is resolved in their favor or, pursuant to Bankruptcy Rule 3018(a), the Court allows
4 the Claim for purposes of voting to accept or reject the Plan. No Claim objections are anticipated
5 to be filed.

6 If a Class of Claims rejects the Plan or is deemed to reject the Plan, the Plan Proponents
7 have the right and intend to request confirmation of the Plan pursuant to the "cramdown"
8 provisions of Section 1129 of the Bankruptcy Code. Section 1129 permits the confirmation of a
9 Plan in spite of the non-acceptance of such a Plan by one or more Classes of Claims if the Plan
10 Proponent thereof complies with that provision of that section. That section requires that a Plan
11 may be confirmed by a Bankruptcy Court if it does not "discriminate unfairly" and is "fair and
12 equitable" with respect to each non-accepting Class.

13 The Plan Proponents believe that, through the Plan, Creditors will receive a recovery upon
14 their Claims that is equal to the amount they would receive in a liquidation; however, the
15 payments will be received substantially faster, without any risks that might occur by virtue of the
16 delays that might be forthcoming if this case were converted to a case under Chapter 7 of the
17 Bankruptcy Code. Therefore, the Plan Proponents believe that, after reviewing the Plan and this
18 Disclosure Statement, each holder of an allowed Claim that is entitled to vote with respect to the
19 Plan should vote to accept the Plan. As noted, while there is no unsecured creditors committee
20 appointed to represent the Creditors in this case, Creditors will be paid in full. Since the outset of
21 this case, there has been no doubt that unsecured Creditors with allowed Claims shall be paid in
22 full.

23 **B. Voting Instructions**

24 A ballot to be used to accept or reject the Plan is enclosed, with a copy of the Disclosure
25 Statement transmitted to each Creditor in the impaired Classes eligible to vote on the Plan.
26 Creditors in impaired Classes entitled to vote on the Plan are entitled to indicate on the enclosed
27 ballot whether the Creditor accepts or rejects the Plan, sign and date the ballot and indicate the
28 name of the Creditor. Any such Creditor must then mail the ballot, in accordance with the

1 instructions on the ballot and instructional materials delivered with the Disclosure Statement.

2 **A Creditor's vote will not be counted unless the ballot is properly completed, signed,**
3 **dated and returned so that it is received no later than 5:00 p.m. Pacific Daylight Time on**
4 **July _____, 2016 by counsel for the Trustee at the following address: Dentons US LLP, One**
5 **Market Plaza, Spear Tower, 24th Floor, San Francisco, CA 94105, Attn: Alissa Worthing**
6 **(alissa.worthing@dentons.com). Ballots will be accepted by e-mail if returned in conformity**
7 **with the above. If a ballot is damaged or lost or the recipient thereof has questions**
8 **regarding voting procedures, each recipient should contact Alissa Worthing by e-mail at**
9 **alissa.worthing@dentons.com or by phone at 415.356.4608.**

10 A ballot, once submitted, cannot be changed or withdrawn except for cause shown to the
11 Bankruptcy Court within the time set for voting on the Plan.

12 **III. PRE-BANKRUPTCY FILING BACKGROUND**

13 The Debtor is a long term real estate investor. At the time she filed for Chapter 11
14 bankruptcy relief, she owned seven condominium units and two three-unit buildings in San
15 Francisco (the "Properties") that she rented to tenants, not including the unit she occupies as her
16 home. Those properties were as follows:

- 17 **A. 1016A, 1016B, 1018, 1020 and 1022 Noe Street, San Francisco, CA**
- 18 **B. 3825, 3827 and 3829 24th Street, San Francisco, CA**
- 19 **C. 3831, 3833 and 3835 24th Street, San Francisco, CA (the "Condos")**
- 20 **D. 3356 - 3360 24th Street, San Francisco, CA (the "Flats")**

21 The Debtor asserts that it was a fire at the Flats and the litigation with the City regarding
22 numerous violations of state and local health and safety codes that brought her to Chapter 11.

23 The fire led to at least six lawsuits by and against the Debtor (all settled) and thousands of
24 fees paid to lawyers. Over the three years prior to filing Chapter 11, the Debtor asserts she
25 experienced overwhelming difficulties from the fire. It started with Travelers Insurance Company
26 asserting the Debtor did not have the insurance limits necessary to cover tenants' claims. Her
27 insurance lawyer helped her prove that she had \$6.5 million of coverage. Per the Debtor, the
28 tenants eventually received \$1,765,000 in proceeds. The Debtor asserts that difficulties continued

1 with Travelers paying the casualty insurance proceeds to Wells Fargo, the lender on the Flats,
2 who then paid money to the Debtor, which had the effect of slowing the restoration of the Flats.
3 The Debtor asserts that her struggle with her mortgage holder to release funds for reconstruction
4 of the Flats hampered her economic recovery from the fire.

5 In 2012, the City sued the Debtor alleging violations of state and local health and safety
6 laws and for maintaining a public nuisance in connection with her operation of 3825-3835 24th
7 Street and 3356-3360 24th Street. The City sought injunctive relief, civil penalties, attorney's fees
8 and costs. The City also sought appointment of a receiver in the event the Debtor failed to abate
9 the alleged violations.

10 In January, 2014, the Debtor and the City entered into a Stipulated Permanent Injunction
11 (the "Stipulated Injunction") which set forth specific work to be done on the Properties subject of
12 the litigation. At the same time, the parties stipulated to appointment of the Honorable James L.
13 Warren (ret.) as referee to hear issues concerning enforcement of the Stipulated Injunction and to
14 decide the amount of civil penalties, attorney's fees and costs to be paid by the Debtor, if any. A
15 subsequent decision by Judge Warren provided for possible imposition of \$1,000 per day
16 penalties if certain deadlines for completing the work required by the Stipulated Injunction were
17 not met. The deadlines were not met. Therefore, the \$1,000 per day penalty continued to accrue.

18 On July 15 and August 15, 2014 Judge Warren conducted hearings on the civil penalty
19 and attorney's fees/costs issues. He rendered an interim decision October 27, 2014 awarding the
20 City \$300,000 in civil penalties and \$252,081 in attorney's fees/costs. The Debtor believed she
21 needed immediate protection from such acts so she filed Chapter 11 Case No. 14-31557 on
22 October 28, 2014 in pro per without consulting an attorney thinking she would find one after
23 filing. The Debtor indicates that she decided to let her Chapter 11 be dismissed and to file a new
24 case after the final decision came down. The bankruptcy court dismissed Case No. 14-31557 on
25 November 7, 2014.

26 **IV. BANKRUPTCY BACKGROUND**

27 The Debtor filed this Chapter 11 case on December 20, 2014, three days before Judge
28 Warren, probably not knowing about the new Chapter 11, issued a judgment for \$300,000 in

1 penalties and \$271,318 in attorney's fees/costs (the "Judgment").

2 Within weeks after the filing, the Debtor and the City entered into a Stipulation for Relief
3 from the Automatic Stay ("RS Stipulation") wherein the Debtor waived any stay violation from
4 issuance of the Judgment. In the RS Stipulation, the Debtor also agreed to entry of the Judgment
5 in the Superior Court docket, which occurred on March 4, 2015. The Bankruptcy Court approved
6 the RS Stipulation in an order dated February 11, 2015. Therefore, the Judgment is a final
7 judgment.

8 As mentioned briefly above, on January 29, 2015, the City objected to the Debtor's
9 motion to use cash collateral and filed a counter-motion for appointment of a Chapter 11 trustee.
10 The court granted the City's counter-motion at a hearing on February 12, 2015. The order
11 approving appointment of Janina Hoskins as Chapter 11 Trustee was signed on February 23,
12 2015.

13 At the hearing on the City's counter-motion to appoint a trustee, an alternative discussed
14 related to the Debtor refinancing assets of the estate to pay her creditors in order to re-gain control
15 of her estate. The Debtor worked on obtaining a loan to pay her creditors through a refinance. On
16 June 5, 2015, the Debtor filed a motion to dismiss planning to pay her creditors with a loan to
17 close simultaneously with dismissal of the case. This motion eventually was unsuccessful. The
18 Debtor's attempt to refinance out of Chapter 11 failed for various reasons.

19 As of this date, the work required by the Stipulated Injunction has not been finalized, but
20 is substantially complete. The required repairs are being completed for the Debtor's properties at
21 3825-3829 24th Street, her former properties at 3831-3833 24th Street (i.e., the Condos that were
22 sold) and 3356-60 24th Street, i.e., the Flats (damaged by a fire on December 1, 2011). The
23 Trustee has hired contractors to do the necessary work to cure the violations. Curing the
24 violations has been problematic. Repairs that needed to be done at 1016A, 1016B, 1018, 1020 and
25 1022 Noe Street, have been completed. Except as explained in Section XI.B, the Trustee is
26 assuming responsibility for curing all Code violations identified in writing by the City as of the
27 Effective Date.

28 As soon as repairs are completed, the Trustee will seek removal of all notices of violation

1 recorded against the Debtor's properties and either seek a Certificate of Final Completion
2 ("CFC") for 3356-3360 24th Street or obtain authority to allow occupancy of this property.
3 Section 12.19 of the San Francisco Residential Rent Stabilization and Arbitration Board Rules
4 and Regulations must be complied with before the units in that property may be rented. Section
5 12.19 states the landlord, within 30 days of completion of repairs to the unit, must offer the same
6 unit to the tenant occupying the unit at the time of the fire under the same terms and conditions as
7 existed prior to the fire. The tenant has 30 days from receipt of the landlord's offer to accept or
8 reject the offer, and if accepted, 45 days from receipt of the offer to reoccupy the unit. The rules
9 also provide for an increased rent through rent board petition to the extent the landlord has not
10 been fully reimbursed for the costs of repair.

11 Obtaining the CFC is crucial to the Debtor's ability to service secured debt in the future.

12 **V. ASSETS OF THE ESTATE**

13 **A. Overview**

14 Among other issues, the presentation of this Disclosure Statement and related Plan were
15 dependent upon two events, as follows:

16 (1) the sale of real property located at 3831, 3833 and 3835 24th Street, San Francisco,
17 California (the "Condos") which occurred; and

18 (2) a loan commitment whereby \$100,000 would be borrowed, collateralized by real
19 property of this estate, as explained. The loan commitment will be from the current holder of a
20 second trust deed against certain property of this estate. That second trust deed will, at the
21 discretion of the lender, be paid off and a new loan obtained, paying off the existing second trust
22 deed and creating a new second trust deed against the property at issue.

23 **B. The \$834,202 in Cash From the Sale of the Condos**

24 On January 22, 2016, the Court entered its Order Partially Granting Motion: (1) To Sell
25 Real Property; (2) To Pay Real Estate Commission and Voluntary Deeds of Trust and Standard
26 Closing Costs Out of Escrow; and (3) To Pay Other Liens (3831, 3833 and 3835 24th Street, San
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1 Francisco, California 94114) as Docket Entry No. 217², whereby the Condos were sold for the
2 sum of \$2,600,000. Complications related to the completion of certain repairs at the Condos and a
3 reserve fund of \$30,000 remains in escrow that is being utilized to complete certain repairs
4 necessary in order to complete the sale of the Condos. However, excluding the \$30,000 in escrow,
5 which the Trustee believes will most likely be utilized to make repairs, the Trustee currently
6 holds the sum of \$834,202 in a locked account, subject to a lien in favor of the City, which lien
7 will be released upon confirmation of this Plan and certain payments being made to the City.

8 **C. Loan Commitment**

9 The Trustee is in the process of obtaining a loan commitment from Saxe Mortgage in the
10 sum of \$635,000. After paying the existing loan of approximately \$423,000, fees, costs, points
11 and a one-year interest reserve of \$78,000, the sum of \$100,000 will be available to assist in
12 funding the Plan. This loan will occur in order for the Trustee to obtain adequate cash to
13 accomplish the payments that need to be made under the terms of the Plan and leave the Debtor
14 with a reserve. The loan will be collateralized by the real property located at 1018 and 1022 Noe
15 Street and will refinance an existing second deed of trust. This loan may be obtained prior to the
16 entry of the Confirmation Order, if possible. Further, the Trustee will authorize the Debtor to
17 execute all relevant loan documents.

18 **D. Other Cash On Hand**

19 In addition to the cash on hand from the sale proceeds of the Condos, the Trustee also
20 holds the sum of \$45,377. However, the Trustee estimates that with debt service, payment to the
21 Debtor of a \$2,500 per month living allowance and other expenses, these funds will be exhausted.

22 **E. Remaining Real Properties of the Estate, Debtor's Opinion of Value and**
23 **Liens**

- 24 1. Real Property #1: 1016A Noe Street, San Francisco, CA
25 a) Fair Market Value \$700,000
26 b) Liens: 1st - \$260,000

27 _____
28 ² An Amended Order Granting Motion: (1) To Sell Real Property; (2) To Pay Real Estate Commission and
Voluntary Deeds of Trust and Standard Closing Costs Out of Escrow; and (3) To Pay Other Liens (3831, 3833 and
3835 24th Street, San Francisco, California 94114) was entered February 11, 2016 as Docket Entry No. 221.

- 1 2. Real Property #2: 1016B Noe Street, San Francisco, CA
- 2 a) Fair Market Value \$750,000
- 3 b) Liens: 1st \$277,000
- 4 3. Real Property #3: 1018 and 1022 Noe Street, San Francisco, CA
- 5 a) Fair Market Value \$1,800,000
- 6 b) Liens: 1st \$455,000; 2nd \$400,000
- 7 4. Real Property #4: 1020 Noe Street, San Francisco, CA
- 8 a) Fair Market Value \$700,000
- 9 b) Liens: 1st \$238,000
- 10 5. Real Property #5: 3825-3829 24th Street, San Francisco, CA
- 11 a) Fair Market Value \$2,200,000
- 12 b) Liens: 1st \$693,000
- 13 6. Real Property #6: 3356-3360 24th Street, San Francisco, CA
- 14 a) Fair Market Value \$2,300,000
- 15 b) Liens: 1st \$790,000
- 16 c) As noted, obtaining a CFC will allow the Debtor to re-let the
- 17 building that was damaged by a fire. That building remains unoccupied at
- 18 this time.

19 **F. Lawsuits**

20 The Debtor believes that claims exist against the following parties. The Debtor reserves

21 the right to pursue these claims:

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Party	Creditor Y/N	Nature of Claim	Amount of Claim	Will Debtor Prosecute Action? Y/N
Travelers Indemnity Company of Connecticut and Travelers Property Casualty Company of America	N	Breach of the Implied Covenant of Good Faith and Fair Dealing; Negligence; Fraud; Breach of Contract	unknown	Y
Lewis Brisbois Bisgaard & Smith LLP	N	Professional Malpractice; Breach of Fiduciary Duty	unknown	Y

The Debtor shall have 60 days from the Effective Date to determine if such claims shall be pursued. Upon the filing of such claims, which the Debtor is authorized to do, they shall be deemed abandoned by the Trustee without further notice, assuming by that date the Trustee has not authorized property to re-vest in the Debtor. If no claims are filed within the foregoing time period, such claims will likewise be abandoned.

G. Summary of Assets at the Petition Date

At the time of the Debtor's bankruptcy filing, she listed assets totaling \$10,665,892, with secured claims totaling \$3,958,651, no unsecured priority claims and general unsecured claims of \$638,255. The Debtor later amended her Schedules E and F to list \$13,927 in unsecured priority claims and \$629,825 in general unsecured claims.

VI. CLAIMS OF THE ESTATE

A summary of the liabilities of the Debtor for purposes of the Plan and a summary of treatment of each Class is noted below.

A. Unclassified Claims

The unpaid Administrative Claims and related expenses as of May 20, 2016 are as follows:

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Name and Role of Professional	Estimated Amount³
Janina Hoskins, Chapter 11 Trustee (est.)	\$90,000 ⁴
Dentons US LLP, Attorneys for Chapter 11 Trustee (est.)	\$250,000
Bachecki, Crom & Co. LLP (est.)	\$54,000
Joan M. Chipser, Attorney for Debtor-in-Possession (Est.)	\$0 ⁵
J. Harmond Hughey, Special Counsel for Debtor-in-Possession	\$26,000
Joan M. Chipser, Counsel for Debtor	\$35,000 ⁶
J. Harmond Hughey, Counsel for Debtor	\$45,000
United States Trustee	Paid or to be Paid

B. Unsecured Priority Tax Claims

Name of Creditor	Amount of Claim	Statutory Interest Rate	Payment Amount	Number of Payments
IRS	\$1,057.85	3% (4% after March 31, 2016)	Allowed Amount of Claim	1

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³ These are the Trustee's and the Debtor's best estimates as of the filing date of the Plan. The actual amounts may differ significantly from the estimated amounts.

⁴ In addition, the Trustee will seek expense reimbursement for certain expenses she incurred.

⁵ Fees netted against pre-petition retainer of \$31,717. To the extent Ms. Chipser's fees exceed the pre-petition retainer; such fees shall be paid pursuant to entry of an order approving such fees after a noticed hearing on Ms. Chipser's fee application.

⁶ Payment of Ms. Chipser's and Mr. Hughey's fees as counsel for Debtor (and not as counsel for Debtor in Possession) are not administrative fees, but it is anticipated they shall be paid within 15 calendar days of the Effective Date or at the same time as other professionals, whichever is later, but subject to the priorities established by the Bankruptcy Code.

1 **C. Claims on File / Scheduled**

2 Below is a list of the seven claims and their status.

3

Name of Creditor	Amount of Claim	Disputed Y/N	Amount to be Paid	General Unsecured
SF General Hospital	\$2,538	N	\$2,538	\$2,538
JAMS	\$20,255.34	N	\$20,255.34	\$20,255.34
Mannion & Lowe	\$12,332.14	N	\$12,332.14	\$12,332.14
Atkinson Baker	\$4,253	N	\$4,253	\$4,253
Goldstein Gellman	\$1,302	N	\$1,302	\$1,302
J.Harmond Hughey	\$2,075	N	\$2,075	\$2,075
Phillip Soderquist	\$1,557	N	\$1,557	\$1,557

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16 (The above are all unsecured claims - both scheduled and filed.)

17 **D. Secured Claims**

- 18 1. 1016A, 1016B, 1018, 1020 and 1022 Noe Street, San Francisco, CA
- 19 a) Secured Parties: East West Bank, Wells Fargo Home Mortgage and
- 20 Saxe Mortgage.
- 21 2. 3825, 3827 and 3829 24th Street, San Francisco, CA
- 22 a) Secured Party: Wells Fargo Home Mortgage
- 23 3. 3356 - 3360 24th Street, San Francisco, CA
- 24 a) Secured Party: America's Servicing Company

25 **E. Debtor's Equity**

26 The Plan is structured so that after all outstanding Health and Safety and City Municipal

27 Code violations are cured and the resolution complete with the City, property will re-vest in the

28 Debtor and the Trustee's services will be ended. However, the Trustee will file tax returns on

1 behalf of the Bankruptcy Estate and make disbursements called for under the Plan prior to turning
2 over property to the Debtor.

3 **F. Tenant Deposit Claims**

4 Any tenant deposit Claims will remain obligations of the Bankruptcy Estate and, after
5 Confirmation, obligations of the Debtor pursuant to the Plan. When tenants vacate properties,
6 deposits shall be returned or retained in conformity with state law and City requirements.

7 **G. Claim of the City and County of San Francisco**

8 As will be explained more thoroughly in Paragraph VII.D below, Class 7 consists of the
9 Claim filed and asserted by the City. The Claim of the City is comprised of the Stipulated
10 Injunction, a Judgment and further requirements and assessments that must be met prior to notice
11 of abatement and other encumbrances against the Debtors Properties being removed. This Claim
12 has been compromised, whereby the City has agreed to accept the sum of \$250,000 on the
13 Effective Date, together with the payment of certain assessments totaling approximately \$49,950,
14 plus \$571,317.81 already paid, in full and complete satisfaction of its Claim. However, the
15 Stipulated Injunction will remain against Properties of the Debtor as they currently exist, subject
16 only to the lifting or subordination of the Stipulated Injunction in the event that a refinance is
17 necessary in the future.

18 **VII. TREATMENT OF CERTAIN CLAIMS**

19 **A. The treatment of claims is explained in the Plan.**

20 **B. Secured Claims**

21 As provided for in the Plan, all secured Claims, i.e., Class 3 in the Plan, other than the
22 Claim in favor of the City, will be paid in full⁷ over the same time period and at the same interest
23 rate as called for in the applicable contract. The existing arrearages are noted below; however,
24 because certain payments have not been made (if no rent was collected), total amount owed will
25 be determined. Any and all arrearages, together with interest, penalties, attorneys' fees (assuming
26 they are reasonable) and expenses, will be added to or subtracted from the arrearages noted below
27

28 ⁷ The Secured Claims against 3831, 3833 and 3835 24th Street, San Francisco, CA were paid from the sale of the
Condos, including \$571,317.81 paid to the City.

1 to reflect the correct amount of arrearages, which will be added to principal as of the Effective
 2 Date and will be cured over time, in conformity with the existing contracts.

Name of Creditor	Collateral	Estimated Arrears Through March, 2016	Interest Rate to be Paid
Wells Fargo Home Mortgage	1016A Noe Street, San Francisco, CA	\$7,098	contract rate
Wells Fargo Home Mortgage	1016B Noe Street, San Francisco, CA	\$17,586	contract rate
East West Bank	1018 Noe Street and 1022 Noe Street, San Francisco, CA	\$9,575	contract rate
Saxe Mortgage	1018 Noe Street and 1022 Noe Street, San Francisco, CA	\$50,050	contract rate ⁸
East West Bank	1020 Noe Street, San Francisco, CA	\$7,097	contract rate
Wells Fargo Home Mortgage	3825-3829 24 th Street, San Francisco, CA	\$19,535	contract rate
America's Servicing Company	3356-3360 24 th Street, San Francisco, CA	\$62,783	contract rate

21 **C. Tenant Deposit Claims**

22 Class 6 in the Plan is comprised of tenant deposits paid to the Debtor or as may be paid to
 23 the Trustee. Tenant deposits will be unaffected by the Plan and shall remain in place, if and to the
 24 extent valid and not disputed by the Debtor. If disputed by the Debtor, any such dispute shall be
 25 resolved by the Debtor in the future and be unaffected by the terms of the Plan or any discharge
 26 that may be authorized pursuant to the terms of the Plan or Bankruptcy Court order.

27 _____
 28 ⁸ As described more thoroughly in Section V.C above, this debt will be refinanced. Saxe Mortgage will make a loan to the Debtor to refinance the existing debt and loan an additional sum of \$100,000, which will be used by the Plan Proponents to assist in funding the Plan.

Name of Tenant	Amount of Deposit	Amount with Priority
Alan Elms	\$1,675	\$1,675
Ali Gehren	\$1,475	\$1,475
Alyssa Ananag	\$863	\$863
Anya Lamb	\$2,638 (disputed)	\$2,638 (disputed)
Brian Margolin	\$1,425	\$1,425
Dani Cumorford	\$1,675	\$1,675
Grace Sun	\$863	\$863
Greg Rice	\$825	\$825
Jodee Virgo & Aram Hauslaib	\$1,125	\$1,125
Nicole Burnhard	\$1,200	\$1,200
Randy Redig	\$975	\$975
Sophie Asher	\$2,638 (disputed)	\$2,638 (disputed)

Tenant deposit creditors may not take any collection action against Debtor or the Trustee so long as the Plan Proponents are not in material default under the Plan. The Plan Proponents will not return the tenant deposits to any existing tenant because these tenants have not indicated any intention to move.

Tenant deposit creditors are not entitled to vote on confirmation of the Amended Plan.

D. Claim of the City and County of San Francisco

Any Claims asserted by the City will be classified in Class 7. As explained more thoroughly below, pursuant to a compromise with the City, among others, the City's Claim will be satisfied by the payment of \$571,317.81 (already paid), plus an additional payment upon the Effective Date of the Plan of \$250,000. Further, the Trustee anticipates paying the sum of \$49,950 in fees and assessments owed to the City, in order to "clear" all violations or notices of abatement against the Flats. Other nominal assessments might also need to be paid.

The Stipulated Injunction in favor of the City, and any liens or encumbrances based on unpaid assessments or notices of violation or abatement that have not been cured, shall remain on

1 Properties owned by the estate, pending final removal of such liens and payment of any
2 assessments related thereto.

3 **VIII. TRUSTEE'S RIGHT TO OBJECT TO CLAIMS**

4 The Trustee reserves all right to object to, seek subordination of and dispute the
5 allowance, amount, validity, classification and priority of all filed and scheduled Claims or any
6 Claims that may be filed.

7 **IX. COMPROMISE BY AND AMONG THE CITY, DEBTOR, DEBTOR'S COUNSEL,**
8 **TRUSTEE AND TRUSTEE'S PROFESSIONALS**

9 The Debtor's history with the City is long and contentious, resulting in the Stipulated
10 Injunction and a Judgment entered against the Debtor and in favor of the City, which called not
11 only for payment of \$571,317.81 (paid from the sale of the Condos), but also for additional sums
12 which the City believes, now, with continued interest accruing and penalties, would total in
13 excess of \$1,100,000.

14 In addition to the dispute with the City, the Debtor has raised numerous complaints about
15 the Trustee's services rendered in this case, including but not limited to the Trustee's business
16 judgment concerning pursuing tenants, renting property, allowing tenants to move from one unit to
17 another and related to the sale of the Condos, among other things. The Trustee has replied to
18 issues raised by the Debtor and believes that the Debtor's comments are unsubstantiated,
19 inappropriate and without merit.

20 Because of issues raised by the Debtor regarding the Trustee's actions in this case and
21 complaints against the City, an agreement has been reached among the Trustee (and her
22 professionals), the City and the Debtor, resulting in a reduction in what would otherwise be valid
23 and allowable administrative claims in this estate and amounts owed to the City. The
24 compromise, which is more thoroughly described in the Plan, provides for a "freeze" of
25 administrative expenses incurred in this case as of May 18, 2016, including a reduction in what
26 the Trustee could otherwise claim pursuant to Bankruptcy Code §326(a) as a commission for
27 disbursing funds and selling the Condos and a reduction in fees and expenses asserted by the
28 Trustee's counsel and accountants. Additionally, the City has agreed to cap the amount owed to it

1 at the sum that was already received (\$571,317.81), plus an additional payment upon the
2 Effective Date of the Plan of \$250,000 and the approximate sum of \$49,950 in fees and
3 assessments owed under the terms of the Stipulated Injunction and/or related Judgment, based
4 upon unpaid assessments asserted by the City. By virtue of the agreement of the Trustee, her
5 professionals and the City, the Plan will provide for payment of all unsecured creditors in full,
6 plus provide for a reserve to remain with the Debtor to complete addressing any Health and
7 Safety or City Municipal Code violations that are not addressed prior to the Trustee's departure in
8 this case.

9 In addition to the Trustee and her professionals agreeing to "cap" further fees and
10 expenses in this case, Debtor's counsel, i.e., Joan Chipser and J. Harmond Hughey, have likewise
11 agreed to cap their fees at the amounts noted in Section XI.D below. Therefore, Debtor's counsel
12 will likewise be included in mutual and general releases. The cap on Debtor's counsel's fees is
13 only through the Effective Date and not thereafter.

14 During the case, the Debtor also asserted claims of professional malpractice against her
15 bankruptcy counsel, Joan Chipser. As a result, Ms. Chipser reported the claims to her professional
16 liability insurance carrier, who required that Ms. Chipser withdraw as counsel to the Debtor.
17 When Ms. Chipser stated her intent to withdraw, the Debtor recanted her claims and asked Ms.
18 Chipser to stay on as Debtor's counsel in the case. In order to stay in the case, Ms. Chipser's
19 insurance carrier required that the Debtor sign a Release/Waiver, which the Debtor signed on
20 April 14, 2016 after review and advice by her general attorney, J. Harmond Hughey, who also
21 signed the document. Through confirmation of the Plan, Ms. Chipser seeks approval of this
22 compromise with the Debtor.

23 **X. PLAN OF REORGANIZATION**

24 **A. Effective Date**

25 The Effective Date of the Plan will be 14 days after the entry of the Confirmation Order.

26 **B. Overview of the Plan's Provisions**

27 The Plan provides for: (1) the distribution of money, (2) the completion of certain repairs
28 in order to address Health and Safety and City Municipal Code violations, (3) payment of all

1 secured Claims in full at their contract rates, and (4) refinance of a loan to generate cash to be
2 used to fulfill obligations under the Plan.

3 **XI. PLAN IMPLEMENTATION**

4 **A. Anticipated Distribution**

5 It is anticipated that all general unsecured creditors with Allowed Claims or Scheduled
6 Debt will be paid in full, along with the costs of administration and any priority or tax debt.
7 Further, payments to Debtor's counsel shall be made in conformity with the Plan. The Trustee
8 will file estate tax returns, both federal and state, and pay any taxes that are due based upon the
9 sale of the Condos or otherwise. To the extent any refunds are received, they will be utilized by
10 the Trustee or disbursed to the Debtor, depending on the timing of receipt.

11 **B. Trustee's Continued Involvement**

12 Upon confirmation of the Plan, the Trustee will continue as Trustee, pending: (1) the
13 Effective Date, payment of all disbursements and the filing of necessary tax returns, and (2) an
14 agreement with the City that any remaining issues that need to be addressed pursuant to Health
15 and Safety and Municipal Code violations, the Stipulated Injunction or the Judgment or otherwise
16 can be addressed by the Debtor on an ongoing basis. At that point, the Trustee will resign from
17 her duties and all property will vest in the Debtor.

18 While the Plan Proponents believe that matters with the City will be resolved, in the event
19 no such resolution occurs, the Plan will authorize the Trustee to have the powers of a Chapter 7
20 trustee and to continue to act as a Trustee, including further liquidation of property, if required.

21 **C. Liquidation Analysis**

22 The Trustee believes that payments in a Chapter 7 would be approximately equal to
23 payments that will be made pursuant to the Plan. However, if the case were converted to a case
24 under Chapter 7 of the Bankruptcy Code, a new claim deadline could occur; possibly resulting in
25 additional administrative expenses and additional Claims being filed. If additional Properties
26 were sold, substantial tax debt would be incurred. Further, it is possible that there could be new
27 professionals involved and further administrative expenses incurred. The Trustee and the Debtor
28 believe that acceptance of the Plan and distributions under the Plan will occur faster than would

1 occur if the case were converted to a case under Chapter 7 of the Bankruptcy Code.

2 **D. Feasibility**

3 The Trustee currently holds the sum of \$45,377, plus approximately \$15,000 held in
4 escrow to complete repairs to the Condos that were sold. However, she anticipates that that cash
5 will be consumed by payment of ongoing expenses prior to Confirmation. Below you will see the
6 Trustee's best estimate of money to be paid at Confirmation or thereafter. Upon payment of all
7 anticipated amounts listed, the sum of approximately \$43,021 will remain with the Debtor on the
8 Effective Date, assuming that the Trustee turns over all responsibility to the Debtor at that time.

9

Cash on Hand at May 1, 2016	\$834,000
Additional Cash Anticipated Prior to Confirmation	\$100,000
Total Cash Available at Confirmation	\$934,000
Less Federal Income Tax	(\$70,339)
Less IRS Claim	(\$1,058)
Less Pre-Petition General Unsecured Claims	(\$47,000)
Less City and County of San Francisco	(\$250,000)
Less Trustee and Trustee's Professionals	(\$394,000)
Less Debtor's Attorney (Hughey)	(\$45,000)
Less Debtor's Attorney (Chipser)	(\$35,000)
Less Special Counsel for Debtor-In-Possession	(\$26,000)
Less City and County of San Francisco Assessments	(\$49,950) ⁹
Subtotal of Cash Remaining at Confirmation	\$15,653
Anticipated Refund from Franchise Tax Board (~ 7/2016)	\$32,368
TOTAL	\$48,021

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26 In addition to the sum noted above, as indicated in Section V.F above, i.e., Lawsuits, the
27 Debtor believes that she has certain claims against parties. No value has been placed on the

28 ⁹ Paid or set aside for the benefit of the City.

1 Debtor's right to pursue actions, as noted. Further, upon issuance by the City of a CFC or other
2 authority, the Debtor believes she can rent the Flats for an amount substantially in excess of the
3 debt service on that property. This cash will be available to fund the Debtor's post Effective Date
4 operations and to service debt of secured claimants. The Debtor asserts that rents available, before
5 debt service, from the Flats should exceed \$20,000 per month. Further, as described above, the
6 current holder of a second trust deed collateralized by the property at 1018 and 1022 Noe Street,
7 San Francisco, California, will refinance the existing debt and loan an additional \$100,000 (net of
8 approximately \$95,000), which will be utilized to fund the disbursements called for under the
9 Plan.

10 **E. Post-Confirmation Compensation**

11 Compensation to the Trustee is determined by Bankruptcy Code §326. Accordingly,
12 Trustee compensation, if and to the extent she provides services 30 days beyond the Effective
13 Date, will be based upon an hourly rate of \$425 per hour for services rendered 30 days after the
14 Effective Date.

15 With respect to the Trustee's professionals, to the extent they render services to the estate
16 beyond 30 days past the Effective Date, they will be compensated without further Bankruptcy
17 Court involvement; provided, however that notice of any fees requested post-confirmation is
18 circulated to the United States Trustee and any representatives of the Debtor. If an objection is
19 received within 10 days after the notice, the Trustee will schedule a hearing before the
20 Bankruptcy Court to resolve the matter. The Trustee will be authorized to pay any undisputed
21 portion of the fees and expenses requested pending the hearing.

22 **F. United States Trustee Fees**

23 Under the terms of applicable law, minimal amounts are due to the United States Trustee
24 program, together with a small percentage based upon disbursements. Those quarterly fees will
25 continue to be paid Post-Confirmation until a Final Decree is entered.

26 **G. Expedited Procedure For Compromises**

27 In the event the Trustee proposes or authorizes the Debtor to propose a compromise Post-
28 Confirmation, they may do so by circulating a notice to interested parties. If no objection is filed

1 within 10 days of the notice, the Trustee may complete the compromise and it will have the same
2 force and effect as if an order of the Bankruptcy Court had been requested and entered.

3 **H. Unclaimed Distributions**

4 Once a payment becomes an Unclaimed Distribution, the funds shall be available for
5 distribution pursuant to this Plan and no further distributions will be made to holders of
6 Unclaimed Distributions.

7 **XII. CONCLUSION**

8 The Trustee and the Debtor believe that the Plan provides for payment in full to those
9 persons with Allowed Claims, together with interest from the December 20, 2014 date of the
10 filing of the Voluntary Petition. Accordingly, the Trustee and the Debtor believe the Plan should
11 be confirmed and that Creditors should vote for the Plan.

12
13 [signatures on following page]
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1 **SIGNATURE PAGE TO DISCLOSURE STATEMENT**
2 **FOR TRUSTEE'S AND DEBTOR'S FIRST AMENDED**
3 **JOINT PLAN OF REORGANIZATION**
4 **(Dated June 7, 2016)**

5 DATED: June 7, 2016

6 By: /s/Janina M. Hoskins
7 JANINA M. HOSKINS,
8 Chapter 11 Trustee

9 DATED: June 7, 2016

DENTONS US LLP

10 By: /s/Michael A. Isaacs, Esq., CSBN 99782
11 MICHAEL A. ISAACS
12 Attorneys for JANINA M. HOSKINS,
13 Chapter 11 Trustee

14 DATED: June _____, 2016

15 By: [Not Yet Signed]
16 SUSANNA SHAW

17 DATED: June 7, 2016

18 By: /s/Joan M. Chipser, Esq., CSBN 83192
19 JOAN M. CHIPSER
20 Attorneys for DEBTOR,
21 SUSANNA SHAW

22 DATED: June 7, 2016

23 By: /s/J. Harmond Hughey, Esq., CSBN 151196
24 J. HARMOND HUGHEY,
25 Attorney for DEBTOR,
26 SUSANNA SHAW
27
28