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6 UNITED STATES BANKRUPTCY COURT
7 NORTHERN DISTRICT OF CALIFORNIA

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9 IN RE: CASE No. 16-11036
10 SEQUOIA SENIOR SOLUTIONS, INC., CHAPTER 11
11 Debtor. / AMENDED DISCLOSURE STATEMENT

12 A. INTRODUCTION.

13 SEQUOIA SENIOR SOLUTIONS, INC., hereafter referred to as
14 "Debtor" submits this Disclosure Statement to all of its known
15 creditors and interest holders entitled to same pursuant to section
16 1125 of the United States Bankruptcy Code 11 U.S.C. Section 101, et
17 seq. ("the bankruptcy code"). The purpose of this Disclosure
18 Statement is to provide creditors of the Debtor with such
19 information as may be deemed material, important and necessary in
20 order to make a reasonably informed decision in exercising the right
21 to vote on the Debtor's Chapter 11 Plan(the "Plan") described below.
22 The Debtor's Chapter 11 Plan has been filed with this Court.

23 NO REPRESENTATIONS CONCERNING THE DEBTOR (INCLUDING THE VALUE
24 OF ASSETS, ANY PROPERTY AND CREDITORS CLAIMS)INCONSISTENT WITH
25 ANYTHING CONTAINED HEREIN HAVE BEEN AUTHORIZED. Except as otherwise
26 expressly stated, the portions of this Disclosure Statement
27 describing the Debtor and the Plan have been prepared from
28

1 information obtained from the Debtor.

2 Under the Plan, Secured claims, to the extent allowed and not
3 otherwise avoidable will be paid in full. Allowed unsecured Class
4 8 Claims shall be paid the aggregate sum of \$12,500 in thirty six
5 (36) quarterly installments of principal and interest at the Federal
6 Judgment Rate commencing on the Effective Date of the Plan. Allowed
7 unsecured claims opting out of Class 1, Class 4, Class 5, Class 6,
8 Class 8 or Class 9 will be paid \$200.00 on the Effective Date. All
9 other Allowed Class 9 Claims shall be paid the lesser of \$144,755.55
10 or the aggregate amount of all allowed unsecured claims in sixty
11 (60) monthly installments together with interest at the note rate or
12 the Federal Judgment Rate. Debtor estimates that payment to Class
13 7, Class 8 and Class 9 Claims will be 100%. The estimate is based
14 upon Claims actually filed to date and in the Related Case and
15 perspective as to Claims which could be filed and allowability of
16 such Claims.

17 A Chapter 7 liquidation could take up to three years before
18 distribution is made, if any, and additional Administrative expenses
19 would be incurred. Tax consequences of liquidation, expenses of
20 sale, professional fees and trustee's fees are administrative
21 expenses incurred in Chapter 11 and in a Chapter 7 liquidation are
22 paid before prepetition claims are paid. Administrative expenses of
23 Chapter 11 are also paid prior to payment of prepetition claims.
24 Debtor is a service business and has little in fixed assets. Return
25 to unsecured creditors is entirely dependent upon continued
26 operation of the business. Debtor estimates that the percentage
27 distribution which would be available to unsecured creditors upon
28 liquidation of the assets of Debtor in a Chapter 7 case is 0%. The

1 estimate is based upon Debtor's analysis of liquidation which is set
2 forth in Exhibit A hereto. The analysis is based upon the Debtor's
3 opinion of asset value, the financial records of the Debtor, and the
4 collective opinions and experience of professionals retained in the
5 case. However, creditors who accept the Plan will be waiving rights
6 to have an independent trustee evaluate Debtor's represented
7 valuation.

8 B. FILING OF REORGANIZATION CASE.

9 On December 7, 2016, the Debtor filed its petition pursuant to
10 Chapter 11 of the Bankruptcy Code. Since that time the Debtor has
11 remained in possession of property of the estate as debtor in
12 possession and continued to operate its business of providing
13 personal in home care primarily to elderly clients.

14 C. MANNER OF VOTING.

15 All creditors entitled to vote on the Plan may cast their votes
16 for or against the Plan by completing, dating, signing and causing
17 the Ballot Form accompanying this Disclosure Statement to be sent to
18 the Debtor's counsel prior to the date set by the Court for the
19 filing of such ballots.

20 D. CONFIRMATION OF THE PLAN.

21 1. Solicitation of Acceptance.

22 This Disclosure Statement has been approved by the Bankruptcy
23 Court in accordance with §1125 of the Bankruptcy Code and is
24 provided to each creditor whose claim has been scheduled by the
25 Debtor or who has filed a Proof of Claim against the Debtor and to
26 each interest holder of record as of the date of approval of this
27 Disclosure Statement. The Disclosure Statement is intended to
28 assist creditors and interest holders in evaluating the Plan and in

1 determining whether to accept the Plan. Under the Bankruptcy Code,
2 acceptance of the Plan may not be solicited unless a copy of this
3 Disclosure Statement is received prior to or concurrently with such
4 solicitation.

5 2. Persons Entitled to Vote on Plan.

6 Only the votes of Classes of claimants and interest holders
7 which are impaired by the Plan are counted in connection with
8 confirmation of the Plan. Generally and subject to the specific
9 provisions of Bankruptcy Code section 1124, this includes creditors
10 who, under the Plan, will receive less than payment in full of their
11 creditor's claims.

12 In determining acceptance of the Plan, votes will only be
13 counted if submitted by a creditor whose claim is duly scheduled by
14 the debtor as undisputed, non-contingent and unliquidated, or who,
15 prior to the hearing on confirmation, has filed with the court a
16 Proof of Claim which has not been disallowed or suspended prior to
17 computation of the votes on the Plan. The Ballot form which you
18 receive does not constitute a Proof of Claim. If you are in any way
19 uncertain whether or not your claim has been correctly scheduled,
20 you should review the Debtor's schedules which are on file in the
21 Bankruptcy Court. The clerk of the Bankruptcy Court will not
22 provide this information by telephone.

23 3. Hearing on Confirmation of the Plan.

24 The Bankruptcy Court will set a hearing to determine whether
25 the Plan has been accepted by the requisite number of creditors and
26 interest holders and whether the other requirements of confirmation
27 of the Plan have been satisfied. Each creditor and interest holder
28 will receive, either with this Disclosure Statement or separately,

1 the Bankruptcy Court's Notice of Hearing on Confirmation of the
2 Plan.

3 4. Acceptance Necessary to Confirm Plan.

4 At the scheduled hearing, the Bankruptcy Court must determine,
5 among other things, whether the Plan has been accepted by each
6 impaired Class. Under bankruptcy code section 1125 an impaired
7 Class is deemed to have accepted the Plan if at least two thirds in
8 amount and more than one-half in number of the allowed claims or
9 interest of Class members who have voted to accept or reject the
10 Plan have voted for acceptance of the Plan. Further, unless there
11 is unanimous acceptance of the Plan by an impaired Class, the
12 Bankruptcy Court must also determine that under the Plan Class
13 members will receive property of a value, as of the effective date
14 of the Plan, that is not less than the amount that such Class
15 members would receive or retain if the Debtor was liquidated under
16 Chapter 7 of the Bankruptcy Code on the effective date of the Plan.

17 5. Confirmation of the Plan Without Necessary
18 Acceptance.

19 The Plan may be confirmed even if it is not accepted by one or
20 all of the impaired Classes, if the Bankruptcy Court finds that the
21 Plan does not discriminate unfairly against and is fair and
22 equitable as to such Class or Classes.

23 II

24 A. DESCRIPTION OF DEBTOR AND HISTORICAL BACKGROUND.

25 The Debtor is a California Corporation operated by Stanton
26 Lawson and Gabriella Ambrosi, husband and wife. The business was
27 started in 2003 by Stanton Lawson and Gabriella Ambrosi. In 2007,
28 Steve Everhart acquired a 33% ownership interest in the company from

1 Stanton Lawson and Gabriella Ambrosi in exchange for investment of
2 capital required to implement the business plan. In 2015, Steven
3 Everhart's equity interest in the Debtor was re-acquired by Stanton
4 Lawson and Gabriella Ambrosi utilizing cash and notes. There
5 remains due to Steven Everhart from Lawson and Ambrosi the sum of
6 \$504,193 secured by 33% of the stock of the Debtor.

7 Stanton Lawson, CFO, and Gabriella Ambrosi, CEO, continue to be
8 employed by the Debtor directing its day to day operations,
9 planning, and corporate business. They are responsible for
10 supervising 130 employees. The two executives are each paid an
11 annual salary of \$90,000. Stanton Lawson's background is in finance
12 and accounting. Gabriella Ambrosi's background is in marketing and
13 nursing.

14 The company provides in home care services to persons requiring
15 personal assistance in their day to day living environment. The
16 contracts with clients typically provide for a specified level of
17 care, hourly billing rates, billing intervals and at will
18 termination on notice. The care levels and rates change as the
19 client's needs change. Any amounts pre-paid on the contracts are
20 applied to the final interval of service, typically a month, in
21 order to avoid a final balance receiveable recoverable by lengthy
22 process through probate or trust administration.

23 The demand is somewhat seasonal with the lowest demand
24 occurring January through May with the exception of holiday periods.
25 Approximately 92% of the services are provided in Sonoma, Lake and
26 Mendocino counties.

27 Employees are typically employed part time and are provided
28 benefits which exceed those available from other employers in the

1 industry. Debtor has taken precautionary steps to insure compliance
2 with all wage and hour standards as mandated by State and Federal
3 Statute and regulation.

4 A former employee filed suit in the Superior Court, County of
5 Sonoma, Case No. SCV 258357 based upon alleged *wage and hour*
6 *violations*. Scott Russell, the sole employee making the claim
7 contends that he was not paid time and a half for sleeping time for
8 a specified period. The claimant articulates his claim as follows:

9 "Plaintiff alleges, on behalf of himself and all similarly situated
10 employees of Defendants, that Defendants failed to pay its caregiver
11 employees accurately and in accordance with California wage and hour
12 laws. Specifically, Plaintiff alleges that Defendants had a
13 practice and policy of not paying caregivers for time designated as
14 "sleeptime" hours in violation of the California Labor Code and
15 applicable Wage Orders. Plaintiff further alleges that Defendants
16 maintained a policy and practice of not paying overtime rates as
17 required under California law for time its caregivers worked in a
18 hospital, convalescent home, nursing home, assisted living facility
19 or other facilities. Plaintiff also alleges that Defendants failed
20 to pay overtime to its caregivers working in private homes who
21 worked over 9 hours in a day or over 45 week, as required by
22 California law since January 1, 2014 to the present. Plaintiff
23 seeks related statutory damages and penalties for not providing
24 accurate paystubs of hours worked, wage rates and wages earned and
25 not timely paying final wages upon separation from employment.
26 Plaintiff also seeks to recover civil penalties for Defendants
27 violations of the Labor Code, including penalties under Labor Code
28 §§ 201, 202, 204, 226, 510, 1194 and 1197 pursuant to, inter alia,
Labor Code §§ 210, 226.3, 558, 2699 and 2699.3"

19 The Debtor contends that it has defenses to the claims of Scott
20 Russell and will prevail on most, or all, of Mr. Russell's claims.
21 The Debtor's calculation of the value of employee's claim is less
22 than \$5,000.00. Debtor, in an effort to settle the claim, provided
23 to Mr. Russell, through his counsel, a full and complete financial
24 disclosure including all financial records of the Debtor. There was
25 no proposal forthcoming from or on behalf of Mr. Russell through his
26 attorneys. Prior to commencement of the case, Debtor offered Mr.
27 Russell the sum of \$20,000 to settle the claim. Counsel for the
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1 Claimant employee did not respond to the offer. Mr. Russell and his
2 counsel purport to assert a *class action* claim on behalf of all of
3 the employees within a given parameter of time and to calculate
4 damages, penalties and attorney's fees which are projected to far
5 exceed any possible damage which the employees could have suffered.
6 Each of the employees have been provided notice of the commencement
7 of this case. No former employee, except Scott Russell, has
8 indicated that he/she is remotely interested in pursuing any claim.
9 Any employee, former or current, may submit a proof of claim as
10 provided in Rule 3001 of the Federal Rules of Bankruptcy Procedure.
11 The projected legal and related cost of defense of the alleged *class*
12 *claim* would, even if the Debtor prevailed on every issue, require
13 the Debtor to liquidate and cease operation.

14 B. THE PLAN.

15 The Plan divides claims and interests into eleven (11)
16 classes. The classes consist of the following:

17 Class 1 Claims. Allowed claims entitled to priority pursuant
18 to Section 507(a)(4) and (5) of the Code.

19 Class 2 Claims. Allowed claims entitled to priority pursuant
20 to Section 507(a)(7) of the Code.

21 Class 3 Claims. Allowed claims entitled to priority pursuant
22 to Section 507(a)(8) of the Code.

23 Class 4 Claims. Allowed claim of Ford Credit secured by a 2015
24 Ford F-350 vehicle.

25 Class 5 Claims. Allowed claim of Honda Financial Services
26 secured by a 2013 Honda CRV vehicle.

27 Class 6 Claims. Allowed claim of US Bank Equipment Financing
28 secured by a 2015 Toyota Sienna vehicle.

1 Class 7 Claims. Allowed claims of creditors opting out of
2 Class and opting to accept the sum of \$200.00 in satisfaction of
3 such holder's allowed claim.

4 Class 8 Claims. Allowed claim of Scott Russell, individually
5 or as class representative, if applicable.

6 Class 9 Claims. Allowed claims of creditors other than those
7 holding allowed Class 1 Claims, Class 2 Claims, Class 3 Claims,
8 Class 4 Claims, Class 5 Claims, Class 6 Claims, Class 7 Claims, and
9 Class 8 Claims, including, but not limited to, creditors whose
10 claims may arise out of the rejection of executory contracts and
11 secured creditors to the extent that the Court finds the same
12 unsecured in whole or in part.

13 Class 10 Interests. Allowed interests of Debtor.

14 Class 11 Interests. Allowed interests of the shareholders of
15 the Debtor and persons secured by such interests.

16 The Plan treats the classes as follows:

17 Class 1 Claims are impaired. Allowed Class 1 Claims shall be
18 paid in equal monthly installments of principal and interest at the
19 Federal Judgment rate, over thirty sixty (36) consecutive months
20 commencing on the Effective Date of the Plan.

21 Class 2 Claims are not impaired. The contracts of holders of
22 allowed Class 2 Claims shall be assumed by the Debtor and shall be
23 fully performed under the terms of the Plan. The terms of the
24 contract require that any contractual deposit be applied to services
25 provided or refunded to the contracting customer upon termination of
26 services. To the extent that such services are not rendered and the
27 deposit not refunded to the holder, such holder shall be entitled to
28 a Class 2 Claim and priority for an amount up to and including the

statutory limit as provided in §507(a)(7).

1 Class 3 Claims are not impaired. Allowed Class 3 Claims will
2 be paid when due under the applicable provision of law.

3 Class 4 Claims are not impaired. Allowed Class 4 Claims will
4 be paid pursuant to the terms of the Note secured by the collateral
5 and shall retain such Holders' interest in said collateral.

6 Class 5 Claims are not impaired. Allowed Class 5 Claims will
7 be paid pursuant to the terms of the Note secured by the collateral
8 and shall retain such Holders' interest in said collateral.

9 Class 6 Claims are impaired. Allowed Class 6 Claims will be
10 paid pursuant to the terms of the Note secured by the collateral and
11 shall retain such Holders' interest in said collateral.

12 Class 7 Claims are not impaired. Allowed Class 7 Claims will
13 be paid the sum of \$200.00 cash upon the Effective Date of the Plan
14 in full satisfaction of such allowed claim(s).

15 Class 8 Claims are impaired. Allowed Class 8 Claims shall be
16 paid the aggregate sum of \$12,500.00 in thirty six (36) quarterly
17 installments of principal and interest at the Federal Judgment Rate.
18 Penalties and punitive damages shall be subordinated to all claims
19 for principal and interest and shall be capped at \$3,800.00. To the
20 extent that any person, entity, or Trustee in the Related Case makes
21 a payment outside of the Plan to the holder of any Allowed Class 8
22 Claim, such payment shall be credited against the total amount
23 payable to holders of Allowed Class 8 Claims.

24 Class 9 Claims are impaired. Allowed Class 9 Claims shall be
25 paid the lesser of \$140,755.55 or the aggregate amount of all duly
26 filed and allowed unsecured claims in sixty (60) monthly
27 installments. To the extent that any person, entity, or Trustee in
28

1 the Related Case makes a payment outside of the Plan to the holder
2 of any Allowed Class 9 Claim, such payment shall be credited against
3 the total amount payable to holders of Allowed Class 9 Claims.

4 Class 10 Interests are impaired. Allowed Class 10 Interests
5 shall retain such interests subject to the terms of the Plan.

6 Class 11 Interests are impaired. Allowed Class 11 Interests
7 shall retain such interests subject to the terms of the Plan.

8 THE PLAN PROVIDES FOR THE MEANS OF EXECUTION AS FOLLOWS:

9 1. Debtor shall continue to operate its business providing in
10 home personal care services pursuant to existing and post petition
11 contracts.

12 2. The administrative operations shall continue to be
13 conducted from the leased office space under the existing terms of
14 the leases. Debtor shall continue to perform as required by the
15 terms, covenants and conditions of the said leases. The pre-
16 petition lease for office space in Lakeport expired post petition.
17 Debtor has leased alternative office space in Lakeport and has
18 applied for an order of the the Bankruptcy Court authorizing Debtor
19 to enter into the new lease. Debtor has entered into an agreement
20 to expand the size of the leased office space in Petaluma. Debtor
21 will request authority of the Bankruptcy Court to enter into such
22 new lease.

23 3. The vehicles which are the collateral of holders of Class
24 4, Class 5 and Class 6 Claims shall be retained by the Debtor
25 subject to the validly perfected security interests. Debtor shall
26 continue to pay the payments as provided in the existing notes
27 evidencing each of the three obligations.

28 4. Debtor shall continue to pay its semi-monthly payroll

1 through a payroll service where taxes and other deductions are made
2 by such payroll service. All employee benefits shall be paid by
3 Debtor to the employee when due.

4 5. All penalty and punitive damage portions of the Class 8
5 and Class 9 Claims shall be subordinated to all other claims in the
6 case.

7 6. Allowed Class 9 Claims shall be paid on the same priority
8 as allowed Class 8 Claims but subject to the specific payment
9 limitations and payment terms as set forth in the Plan.

10 7. Any holder of an allowed Class 1, Class 5, Class 6, Class
11 7, Class 8 or Class 9 claim who affirmatively elects in writing on
12 or before fifteen days following the effective date of the Plan to
13 receive the sum of \$200.00 in full satisfaction of such allowed
14 claim, shall be paid said amount in full satisfaction of such
15 allowed claim within fifteen (15) days of such election.

16 8. No party shall take any action against the Debtor, its
17 assets, or assets of the estate, inconsistent with the terms of the
18 within Plan.

19 9. The Debtor shall comply with post confirmation reporting
20 requirements to the U.S. Trustee and payment of U.S. Trustee fees
21 post confirmation until entry of Final Order as required by law.
22 Nothing contained in the Plan shall impose or expand the
23 requirements for reporting and payment of fees as set forth by
24 statute and/or case law. In the event the case is converted to a
25 case under Chapter 7, the assets shall revert in the Chapter 7
26 estate.

27 10. Debtor reserves rights to object to any claim filed in the
28 case and to assert any and all counterclaims against any party

filing such a claim.

III

The assets and liabilities of the Debtor are set forth in the Debtor's Schedules, on file with the Court. The Debtor contends that the Plan is feasible as proposed, and that it will be able to perform under the Plan. The Debtor requests confirmation of the Plan.

Dated: 3/24/17

DAVID N. CHANDLER, p.c.

By: /s/David N. Chandler

DAVID N. CHANDLER

Attorney for Debtor

Exhibit A

LIQUIDATION ANALYSIS
(Sequoia Senior Solutions, Inc.)

<u>Asset</u>	<u>Value</u>	<u>Encumbrance</u>	<u>Net</u>
Cash-Operating Account	\$79,000	-0-	79,000
Gift cards (Client)	5,967.34	-0-	-0-
Lease Deposits	9,779.00	9,779.00	-0-
Worker's Comp Deposit	30,413.40	30,413.40	-0-
Pre-Paid Employee Benefits	12,789.66	12,789.66	-0-
Prepaid Employee Training	3,206.25	3,206.25	-0-
Pre-paid Worker's Comp Taxes	8,373.75	8,373.75	-0-
Software Licenses	-0-	Non-Transferable	-0-
Accounts Receivable	178,679.74		
Office Furniture	2,741.74	-0-	2,741.74
Office Equipment	1,500.00	-0-	1,500.00
Vehicles	151,125.06	121,048.00	30,077.06
Home Care Options	-0-	-0-	-0-
Loan to Shareholders	30,000.00	-0-	<u>Unknown</u>
Liquidation Value			113,318.80

Exhibit A

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Liquidation Value \$113,318

Expenses of Administration:

Chapter 11 (Est)	
Attorneys fee	\$45,000
Accounting fees	15,000
Leases	Unknown
	\$60,000
Chapter 7	
Attorneys fees	\$65,000
Trustee fees	37,000
Accounting fees	17,000
OUST fees	6,000
	\$109,700

Priority Claims

§507(a)(4) and (5)	33,000
§507(a)(7)	\$370,500
§507(a)(8)	-0-
	<u>\$403,500</u>

<\$572,200>

Net Available for Distr. <\$458,882>