

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

In re: **DEAN VERHEIDEN
JUNG VERHEIDEN**

Case No. 16-30102-HLB
Chapter 11

**[PROPOSED] COMBINED PLAN OF REORGANIZATION
AND DISCLOSURE STATEMENT
dated June 8, 2016**

INTRODUCTION

This is Debtors' 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; Debtors do not have any unsecured creditors. 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 Debtors' counsel, and objections to confirmation must be filed and served, no later than **August 4, 2016**. The court will hold a hearing on confirmation of the Plan on **August 18, 2016 at 10:00am**.

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 Debtors 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 Debtors' monthly income and expenses. Exhibit 4 describes how much Debtors are required to pay on the effective date of the plan. Exhibit 5 shows Debtors' monthly income and expenses related to each investment property.

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 Debtors' pre-confirmation debts. Creditors may not seize their collateral or enforce their pre-confirmation debts so long as Debtors perform all obligations under the Plan. If Debtors default 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. Debtors will be discharged from all pre-confirmation debts (with certain exceptions) if Debtors make all Plan payments. Enforcement of the Plan, discharge of the Debtors, and creditors' remedies if Debtors default 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	Amount Due	Interest Rate	Monthly Payment	Term
1(b)	Chase Mortgage	1364 La Jolla Rancho Road, La Jolla, CA 92037	\$1,511,154.78	4.00%	\$7,214.00	360 Months

Debtors will pay the entire amount contractually due with interest through 360 equal monthly payments, due the 20th day of the month, starting the month following the Effective Date of the Plan on the above secured claims. Creditors in these classes shall retain their interest in the collateral until Debtors make all payments on the allowed secured claim specified in the Plan.

Creditor shall apply monthly payments to interest and principal on a 30-year amortization schedule. Creditor will not maintain an impound account for the payment of property taxes and insurance and Debtors shall pay property taxes and insurance directly to the appropriate entities.

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 Debtors obtain 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). Small Claims.

Name of Creditor	Amount of Claim	Amount to be Paid
None		
TOTAL	\$0.00	\$0.00

Class 2(b). [Other] General Unsecured Claims.

Individual Chapter 11
 Combined Plan & Disclosure Statement
 June 8, 2016

(Version: 7/30/12)

Name of Creditor	Amount of Claim	Disputed Y/N	Amount to be Paid	Monthly Payment
None				
TOTAL	\$0.00		\$0.00	\$ 0.00

PART 3: TREATMENT OF PRIORITY AND ADMINISTRATIVE CLAIMS

(a) Professional Fees.

Debtors 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
Sagaria Law, PC	\$4,000.00 ¹

Professionals may not take collection action against Debtors so long as Debtors are 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. Debtors 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 Debtors' 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 Debtors so long as Debtors are 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 the United States Trustee	\$650.00

(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. To the extent amounts owed are determined to be other than as shown below, appropriate adjustments will be made in the number of payments.

¹ This amount is an estimate of professional fees that are net of the pre-petition retainer.

Priority tax creditors may not take any collection action against Debtors so long as Debtors are 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 (Claim 1)	\$33,790.30 ²	3.00%	\$607.16	60

PART 4: EXECUTORY CONTRACTS AND UNEXPIRED LEASES

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

Name of Counter-Party	Description of Contract/Lease	Estimated Total Cure Amount	Installment Amount	Number of Installments
NONE				

(b) Executory Contracts/Unexpired Leases Rejected. Debtors reject 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 rejected.

PART 5: DISCHARGE AND OTHER EFFECTS OF CONFIRMATION

(a) Discharge. Debtors shall not receive a discharge of their debts.

(b) Vesting of Property. On the Effective Date, all property of the estate and interests of the Debtors 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

² /Debtors’ dispute the IRS liability. Debtors will place payments in a disputed claims reserve until resolution of the IRS claim. Debtor expects the IRS claim to be \$0.00.

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 Debtors undertakes in the confirmed Plan replace those obligations to creditors that existed prior to the Effective Date of the Plan. Debtors' 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 Debtors are not in material default under the Plan, except as provided in Part 6(e) below.

(b) Obligations to Each Class Separate. Debtors' 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 Debtors 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 Debtors and Debtors' attorney (if any) a written notice of Debtors' default. If Debtors 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 Debtors are 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 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 Debtors' 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 Debtors 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 Debtors are 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, Debtors 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. Debtors will create a reserve for disputed claims. Each time Debtors makes a distribution to the holders of allowed claims, Debtors 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, Debtors 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 returned to Debtors.

(c) Cramdown. Pursuant to section 1129(b) of the Bankruptcy Code, Debtors reserve 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.

Debtors believes that causes of action against Chase mortgage exist regarding a violation of California Civil Codes §§2923.5, 2923.6, 2923.7, and 2923.8; an Unfair Competition Claim under California's Business and Professions Code §17200 et seq., negligent misrepresentation, negligence, breach of implied covenant of good faith and fair dealing, promissory estoppel, 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
Chase Mortgage	Y	Civil	\$Unknown.	No.

(g) Notices. Any notice to the Debtors 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:

Sagaria Law, PC
2033 Gateway Place, Fifth Floor
San Jose, CA 95110

Dean and Jung Verheiden
680 Mission Street, 35T
San Francisco, CA 94105

(h) Post-Confirmation United States Trustee Fees. Following confirmation, Debtors 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 Debtors are required to make these payments, Debtors 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 8, 2016

/s/ Dean Verheiden
Debtor

/s/ Jung Verheiden
Debtor

/s/ Joe Angelo
Attorney for Debtor

Attorney Certification

I, Joe Angelo, 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.

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

Page 2/Part 1: Class 1(b): Added provision for amortization of claim and payment of property taxes and insurance. Adjusted claim to match Claim 2. Deleted Class 1(a) references to surrender of property, creditors whose rights remain unchanged, the stripping off of liens, payment of arrears, and property to be sold.

Page 2/Part 2: Deleted pot plan/percentage plan language and indicated "None" for unsecured creditors.

Page 3/Part 3(c): Deleted provision for terms of repayment of priority claims; added footnote and IRS claim based on Claim 1.

Page 3/Footnote 1: Added explanation that professional fees are net of retainer.

Page 5/Part 5(a): Changed to indicate Debtors are not to receive a discharge.

Page 11/Footnote 2: Added explanation for source of post confirmation quarterly US Trustee fees.

Page 13: Deleted section for properties with negative cash flow.

I declare that the foregoing is true and correct. Executed this 8th day of June, 2016 in Mill Valley, California.

/s/ Joe Angelo
Attorney for Debtors

Exhibit 1 - Events That Led To Bankruptcy

Debtors filed the instant chapter 11 case on January 29, 2016 in order to prevent their rental property, located at 1364 La Jolla Rancho Rd., La Jolla, California 92037 (hereinafter “Property”), from going into foreclosure. Debtors have been working with their lender, Chase Bank, for several years in an attempt to modify the loan. Debtors previously considered the Property their primary residence until Debtor Dean Verheiden relocated to San Francisco, California to pursue a job opportunity. While in San Diego Debtors tried no less than six times to modify their loan with Chase.

There were several financial setback suffered by Debtors while residing in the Property. The financial problems began in 2011/2012, which resulted in several prior bankruptcy filings. As disclosed on their voluntary petition and appearing as a February 1, 2016 entry on the Court’s docket, Debtors previously attempted to seek relief under chapter 11, although the case was ultimately converted to one under chapter 7. After Debtors obtained their chapter 7 discharge Chase was still unwilling to review Debtors’ loan modification paperwork, despite the improvement in Debtors financial situation due to the discharge of their unsecured debt.

Debtors subsequently filed a lawsuit against Chase alleging, among several causes of action, that Chase did not fairly consider Debtors loan modification application. While the lawsuit was pending Debtor Dean Verheiden moved to San Francisco to take a well-paying job and Joint Debtor Jung Verheiden started her own business in an attempt to increase the household income to allow for payments to be made on the property. Debtors do not plan on pursuing the lawsuit against Chase.

Debtors also believed that renovating the Property would allow them to rent it and, in turn, present Chase with updated modification paperwork that would allow the loan to be modified and the loan to be removed from its defaulted status.

Ultimately, Chase was unwilling to work with Debtors and Debtors realized that their only option in order to work out some type of repayment arrangement on the loan would be under chapter 11. Debtors held off on filing until the Property was renovated and Dean Verheiden’s job was relatively secure. Jung Verheiden plans on returning to the workforce – she has previously held high paying software development jobs and believes that she can re-enter at her prior salary level.

Mr. Verheiden is currently employed as a software engineer and earns a stable income. Furthermore, Debtors anticipate receiving rental income from the La Jolla property and Debtors believe the lease agreement will be stable enough to consistently supplement the household employment income. Mrs. Verheiden located prospective tenants and expects to begin receiving rental income in May of 2016, which will go towards payment of Chase’s claim.

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

Real Property: 1364 La Jolla Rancho Road, La Jolla California, 92037

Fair Market Value	Liens	Cost of Sale	Resulting Income Tax	Amt of Exemption	Net Proceeds
\$2,225,000.00	1 st 1,611,860.00	\$155,750.00	\$0.00	\$11,125.00	\$446,265.00

Personal Property:

Description	Liquidation Value	Secured Claim	Amt of Exemption	Net Proceeds
Cash	\$4,600.00	0.00	\$4,600.00	\$0.00
Automobile #1	\$4,500.00	0.00	\$4,500.00	\$0.00
Household Furnishings	\$6,500.00	0.00	\$6,500.00	\$0.00
Jewelry	\$400.00	0.00	\$400.00	\$0.00
Misc. possessions	\$900.00	0.00	\$900.00	\$0.00
Stocks / Investments (401(k))	\$23,000	0.00	\$23,000.00	\$0.00
Time Share – Marriott	\$5,000.00	0.00	\$5,000.00	\$0.00
TOTAL				0.00

Net Proceeds of Real Property and Personal Property	\$446,265.00
Chapter 11 Administrative Claims	[SUBTRACT] \$4,000.00
Priority Claims	[SUBTRACT] \$33,790.30
NET FUNDS AVAILABLE FOR DISTRIBUTION TO UNSECURED CREDITORS	\$408,474.70

Estimated Amount of Unsecured Claims	\$0.00
Percent Distribution to Unsecured Creditors Under Proposed Plan	0.00%
Percent Distribution to Unsecured Creditors Under Liquidation Analysis	0.00%

Exhibit 3 - Monthly Income and Expenses

Income	Amount
Gross Employment Income	\$12,402.00
Positive Cash Flow on Investment Property (Exhibit 5, Line A)	\$5,868.53
Social Security Income	\$1887.00
Pension	\$111.00
A. Total Monthly Income	\$20,268.53

Expenses	Amount
Includes Plan Payments on Secured Claims for Residence and Car	
Payroll Taxes and Related Withholdings	\$3,643.00
Retirement Contributions (401k, IRA, PSP)	\$897.00
Shelter Expenses (rent/mortgage, insurance, taxes, utilities)	\$4,425.00
Household Expenses (food)	\$800.00
Transportation Expenses (car payments, insurance, fuel)	\$787.00
Personal Expenses (e.g. recreation, clothing, laundry, medical)	\$725.00
Alimony / Child Support	\$0.00
Health Insurance	\$680.00
Timeshare Fee	\$150.00
B. Total Monthly Expenses	\$12,107.00

C. Disposable Income (Line A - Line B)	\$8,161.53
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Plan Payments	Amount
Plan Payments Not Included in Calculating Disposable Income	
Administrative Claims	\$0.00 ³
Payments to Chase Mortgage	\$7,214.00
Priority Claims	\$607.16
General Unsecured Creditors	\$0.00
D. Total Plan Payments	\$7,821.16

E. Plan Feasibility (Line C - Line D) (Not feasible if less than zero)	\$340.37
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³ Payments for Post-Confirmation Quarterly US Trustee fees shall be made from effective date cash on hand.

Exhibit 4 - Effective Date Feasibility

Can the Debtor Make the Effective Day Payments?

	Amount	Amount
A. Projected Total Cash on Hand on Effective Date		\$5,200.00
Payments on Effective Date		
Unclassified Claims	\$0.00	
Administrative Expense Claims	\$4,000.00	
Priority Claims	\$0.00	
Small Claims (Class 2(a))	\$0.00	
U.S. Trustee Fees	\$650.00	
B. Total Payments on Effective Date		\$4,650.00
C. Net Cash on Effective Date (Line A - Line B) (Not feasible if less than zero)		\$550.00

Exhibit 5 - Investment Property Analysis

Properties with Positive Monthly Cash-Flow:

Real Property Income: 1364 La Jolla Rancho Road, La Jolla California, 92037

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses (Maintenance)	Net Income
\$6,800.00	1 st \$(see treatment in 1(b))	\$94.66	\$636.81	\$200.00	\$5,868.53