

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

In re:

Case No. **17-31106**

PREFERRED VINTAGE, LLC,

Chapter 11

Debtor.

**[PROPOSED] COMBINED PLAN OF REORGANIZATION
AND [APPROVED] [TENTATIVELY APPROVED] DISCLOSURE STATEMENT
(date)**

INTRODUCTION

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

Part 1 contains the treatment of creditors with secured claims; Part 2 contains the treatment of general unsecured creditors: 100% of their allowed claims in monthly payments over 12 months. Taxes and other priority claims would be paid in full, as shown in Part 3.

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

Attached to the Plan are exhibits containing financial information that may help you decide how to vote and whether to object to confirmation. Exhibit 1 includes background information regarding Debtor and the events that led to the filing of the bankruptcy petition and describes significant events that have occurred during this Chapter 11 case. Exhibit 2 contains an analysis of how much creditors would likely receive in a Chapter 7 liquidation. Exhibit 3 shows Debtor's monthly income and expenses. Exhibit 4 describes how much Debtor is required to pay on the effective date of the plan. Exhibit 5 shows Debtor's monthly income and expenses related to each investment property.

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

If the Plan is confirmed, the payments promised in the Plan constitute new contractual obligations that replace the Debtor's pre-confirmation debts. Creditors may not seize their

collateral or enforce their pre-confirmation debts so long as Debtor performs all obligations under the Plan. If Debtor defaults in performing Plan obligations, any creditor can file a motion to have the case dismissed or converted to a Chapter 7 liquidation, or enforce their non-bankruptcy rights. Debtor will be discharged from all pre-confirmation debts (with certain exceptions) if Debtor makes all Plan payments. Enforcement of the Plan, discharge of the Debtor, and creditors' remedies if Debtor defaults are described in detail in Parts 5 and 6 of the Plan.

PART 1: TREATMENT OF SECURED CREDITORS

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

Class	1.1	1.2	1.3
Name of Creditor	USI	McCormick & Co	Sal S. Zagari
Collateral	16490 Arnold Dr	16490 Arnold Dr	16490 Arnold Dr
Amount Due	\$2,547,446 (Estimated. Court to determine the Allowed Claim)	\$250,000	\$300,000
Interest Rate	5.5%	10%	5%
Monthly Payment	\$14,464	\$2,083	No Payment; payment in full upon sale or refinance
Term	30 year amortization due on the 3 rd Anniversary of the Effective Date	Interest only due on 3 rd Anniversary of Effective Date	Interest only due on 3 rd Anniversary of Effective Date

Debtor will pay the entire amount contractually due with interest through 36 equal monthly payments, due the 1st day of the month, starting the first day of the month following the Effective Date on the above secured claims, with the entire principal, interest, late charges, allowed costs all due and payable on the third anniversary of the Effective date from either the sale of Arnold Drive or the refinancing of the secured debt. Creditors in these classes shall retain their interest in the collateral until Debtor makes all payments on the allowed secured claim specified in the Plan.

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

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

PART 2: TREATMENT OF GENERAL UNSECURED CREDITORS

Class 2. General Unsecured Claims.

Name of Creditor	Amount of Claim	Disputed Y/N	Amount to be Paid	[Monthly] [Quarterly] Payment
Leonard Paul	\$138,000	N	\$138,000	Due Upon Sale
Rita Besikof	\$ 29,000	N	\$ 29,000	Due Upon Sale
St James Law, PC	Unknown	N	100%	Due Upon Sale
Michael Woods	\$3,900	N	\$3,900	Due Upon Sale

PART 3: TREATMENT OF PRIORITY AND ADMINISTRATIVE CLAIMS

(a) Professional Fees.

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

Name and Role of Professional	Estimated Amount
Michael Fallon, Attorney	\$20,000
Patrick Kilkenny, Expert	\$ 5,000

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

(b) Other Administrative Claims.

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

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

Name of Administrative Creditor	Estimated Amount of Claim
None	

(c) Tax Claims.

Debtor will pay allowed claims entitled to priority under section 507(a)(8) in full over time with interest (at the non-bankruptcy statutory interest rate) in equal amortizing payments in accordance with section 511 of the Bankruptcy Code. Payments will be made monthly/quarterly], due on the [number] day of the [month/quarter], starting [month & year]. To the extent amounts owed are determined to be other than as shown below, appropriate adjustments will be made in the number of payments.

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

Name of Creditor	Estimated Amount of Claim	Statutory Interest Rate	Payment Amount	Number of Payments
None				

PART 4: EXECUTORY CONTRACTS AND UNEXPIRED LEASES

(a) Executory Contracts/Unexpired Leases Assumed. Debtor assumes the following executory contracts and/or unexpired leases upon confirmation of this Plan and will perform all pre-confirmation and post-confirmation obligations thereunder. Post-confirmation obligations will be paid as they come due. Pre-confirmation arrears will be paid [select one] [in full on the Effective Date] in [number] equal [monthly/quarterly] installments beginning on the first day of [month & year].

Name of Counter-Party	Description of Contract/Lease	Estimated Total Cure Amount	Installment Amount	Number of Installments

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

Name of Counter-Party	Description of Contract/Lease
None	

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

PART 5: DISCHARGE AND OTHER EFFECTS OF CONFIRMATION

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

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

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

PART 6: REMEDIES IF DEBTOR DEFAULTS IN PERFORMING THE PLAN

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

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

class, the holders of all priority claims shall be considered to be a single class, and each non-debtor party to an assumed executory contract or lease shall be considered to be a separate class.

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

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

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

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

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

PART 7: GENERAL PROVISIONS

(a) Effective Date of Plan. The Effective Date of the Plan is the fifteenth day following the date of the entry of the order of confirmation, if no notice of appeal from that order has been filed. If a notice of appeal has been filed, Debtor may waive the finality requirement and put the Plan into effect, unless the order confirming the Plan has been stayed. If a stay of the confirmation order

has been issued, the Effective Date will be the first day after that date on which no stay of the confirmation order is in effect, provided that the confirmation order has not been vacated.

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

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

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

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

(f) Lawsuits.

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

Party	Creditor Y/N	Nature of Claim	Amount of Claim	Will Debtor Prosecute Action? Y/N
Lenders holding first deed of trust that is serviced by USI Servicing	Y	Declaration of rights as to default interest and penalties that have been charged to the debtor.	Unknown	Y

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

Preferred Vintage, LLC
c/o Gregory Hoffman
336 Bon Air Center, No. 517
Greenbrae, CA 94904

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

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

Dated: November 17, 2017

Preferred Vintage, LLC

/s/ Gregory Hoffman

By _____
Gregory Hoffman
Its Managing Member

/s/ Michael C. Fallon

Michael C. Fallon
Attorney for Debtor

Attorney Certification

I, Michael C. Fallon, am legal counsel for the Debtor 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.

Exhibit 3 has been removed.

Exhibits 4 and 5 have been numbered Exhibits 3 and 4.

I declare that the foregoing is true and correct. Executed this 17th day of November, 2017.

/s/ Michael C. Fallon

Michael C. Fallon
Attorney for the Debtor

Exhibit 1 - Events That Led To Bankruptcy

In March of 2016, Debtor executed a Promissory Note in the principal amount of Two Million Three Hundred Thousand dollars (\$2,300,000) from an investor group represented by USI Servicing, Inc. , a Nevada corporation (“USI”). The Promissory Note is secured by a deed of trust of the same date that was recorded in the Official Records of the County of Sonoma and is a lien against the real property described as 16490 Arnold Drive, Sonoma, California 95476. The terms of the Promissory Note provide for interest only payments of \$19,166.67 per month.

Debtor did not make the payment to USI for the months of October and November of 2016. In November of 2016, the parties entered a Forbearance Agreement to allow for the cure of the defaulted payments; the Forbearance Agreement terminated in March of 2017.

When the original loan matured in April of 2017, the parties entered a Second Forbearance Agreement that extended the maturity date to May of 2017, conditioned on Debtor’s agreement to pay 25% interest on the October and November missed payments.

When Debtor was not successful in negotiating any further extensions, USI initiated a foreclosure of the deed of trust. It was that foreclosure that brought the Debtor to this court.

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

Real Property #1: 16490 Arnold Drive, Sonoma, California

Fair Market Value	Liens	Cost of Sale	Resulting Income Tax	Amt of Exemption	Net Proceeds
\$4,375,000	1 st \$2,547,446	\$262,500	-0-	-0-	\$1,015,054
	2 nd \$ 250,000				
	3 rd \$ 300,000				

Personal Property:

Description	Liquidation Value	Secured Claim	Amt of Exemption	Net Proceeds
Cash	\$ 6,700			\$ 6,700
Household Furnishings	\$125,000			\$125,000
Equipment	\$ 5,000			\$ 5,000
Other Personal Property				
TOTAL				

Net Proceeds of Real Property and Personal Property	\$1,151,754
Recovery from Preferences / Fraudulent Conveyances [ADD]	\$ 000
Chapter 7 Administrative Claims [SUBTRACT]	\$ 000
Chapter 11 Administrative Claims [SUBTRACT]	\$ 25,000
Priority Claims [SUBTRACT]	\$ 000
Chapter 7 Trustee Fees [SUBTRACT]	\$ 50,000
Chapter 7 Trustee's Professionals [SUBTRACT]	\$ 20,000
NET FUNDS AVAILABLE FOR DISTRIBUTION TO UNSECURED CREDITORS	\$1,066,754
Estimated Amount of Unsecured Claims	\$200,000
Percent Distribution to Unsecured Creditors Under Proposed Plan	100%
Percent Distribution to Unsecured Creditors Under Liquidation Analysis	100%

Exhibit 3- Effective Date Feasibility

Can the Debtor Make the Effective Day Payments?

	Amount	Amount
A. Projected Total Cash on Hand on Effective Date		\$30,000
Payments on Effective Date		
Unclassified Claims	\$ 000	
Administrative Expense Claims	\$ 25,000	
Priority Claims	\$ 000	
Small Claims (Class 2(a))	\$ 000	
U.S. Trustee Fees	\$ 650	
B. Total Payments on Effective Date		\$ 25,000
C. Net Cash on Effective Date (Line A - Line B) (Not feasible if less than zero)		

Exhibit 4- Investment Property Analysis

Properties with Positive Monthly Cash-Flow:

Real Property #1 Income: 16490 Arnold Drive, Sonoma, California

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses	Net Income
\$25,000	1 st \$14,464	\$232	\$1,700	\$5,000	\$1,521
	2 nd \$ 2,083				
	3 rd \$ 0				

A. Total Positive Cash Flow	\$1,521
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Properties with Negative Monthly Cash-Flow: None

B. Total Negative Cash Flow	\$ 000
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