

UNITED STATES BANKRUPTCY COURT

Eastern District of California

**Honorable Ronald H. Sargis**

Bankruptcy Judge  
Sacramento, California

July 10, 2025 at 11:30 a.m.

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1. <a href="#">24-90528</a> -E-11	HERITAGE HOME FURNISHINGS, LLC Brian Haddix	CONFIRMATION OF AMENDED PLAN 4-29-25 [ <a href="#">89</a> ]
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**Item 2 on the 10:30 calendar**

**Tentative Ruling:** Oral argument may be presented by the parties at the scheduled hearing, where the parties shall address the issues identified in this tentative ruling and such other issues as are necessary and appropriate to the court's resolution of the matter.

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Local Rule 9014-1(f)(1) Motion—Hearing Required.

Sufficient Notice not Provided. Debtor in Possession states it served the Plan, Scheduling Order, and Ballot on all creditors in parties in interest on May 2, 2025. Certificate of Service, Docket 148. By the court's calculation, 69 days' notice was provided. 42 days' notice is required.

However, the court's scheduling order specifies the Debtor in Possession must have filed a Certificate of Service within three days after serving the Plan to document service. Order, Docket 103. Debtor filed the Certificate of Service on July 7, 2025, more than two months after it served the Plan, violating the Scheduling Order.

At the hearing, **XXXXXXX**

<b>The Confirmation of Plan of Reorganization is <b>XXXXXXX</b> .</b>
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The Plan Proponent has not complied with the Service and Filing Requirements for Confirmation. Copies of ballots and a ballot tabulation were to be filed 7 days prior to July 10, 2025, the confirmation hearing. Order, Docket 103. The proper date to file the copies of ballots and a ballot tabulation was July 3, 2025. Debtor in Possession did not file the tabulation of ballots until July 7, 2025. Docket 147.

Moreover, Debtor in Possession was to file evidence in support of confirmation by July 3, 2025. Order, Docket 103. Debtor in Possession did not file any evidence in support of confirmation. There is no Declaration of the responsible representatives on file in support of confirmation identifying how the Plan

complies with the requirements of 11 U.S.C. § 1129(a) and 11 U.S.C. § 1191(a) or (b). The court is unable to determine whether the Plan is in compliance with 11 U.S.C. § 1129(a) based on the record.

At the hearing, **XXXXXXX**

#### Table of Classes

Creditor/Class	Treatment	
Class 1: Non-Priority Tax Claims  (excluding those addressed in Article 3)	<b>Claim Amount</b>	\$0
	<b>Impairment</b>	Unimpaired
	As of the date of this Plan, no claims exist in this Class. If any such claims are subsequently allowed, they shall be paid in full in accordance with 11 U.S.C. § 1129(a)(9)(B), unless the holder agrees to different treatment.	
Class 2: Secured Claims of Santander Consumer USA	<b>Claim Amount</b>	\$61,839.50
	<b>Impairment</b>	Impaired

	<p>The allowed secured claim shall be paid in full in accordance with the original loan terms, except that post-confirmation payments shall be made by Minerva Home, Inc. as Lessee. The Lessee shall assume payment and maintenance responsibilities. Santander shall retain its lien until the secured claim is paid in full. In the event of default, Santander may exercise its rights under applicable law. The Lessee may prepay at any time without penalty.</p> <p>1. Lease Arrangement: The Lessee shall assume responsibility for making monthly payments to Santander in the same amount and on the same schedule as under the original loan. The Lessee shall also be responsible for insurance, maintenance, and all other obligations associated with the Vehicle.</p> <p>2. Co-Signer Liability: Jorge Sanchez shall remain jointly liable on the loan in accordance with the original agreement. If the Lessee remains current, the co-signer shall not be required to make payments.</p> <p>3. No Alteration of Loan Terms: Except for substitution of payor, the loan terms shall remain unchanged.</p> <p>4. Default: If the Lessee defaults, Santander may exercise its rights under applicable nonbankruptcy law, including repossession, subject to notice and any Bankruptcy Court requirements.</p> <p>5. Prepayment: The Lessee or any party may prepay the secured claim in full at any time without penalty.</p>	
Class 3: Secured Claims of Isuzu Finance of America, Inc.	<b>Claim Amount</b>	\$22,000
	<b>Impairment</b>	Impaired

	<p>The allowed secured claim shall be paid in full in accordance with the original loan terms, except that post-confirmation payments shall be made by Minerva Home, Inc. (the “Lessee”), a corporation formed to continue the Debtor’s business operations. Isuzu Finance shall retain its lien on the Vehicle until the secured claim is paid in full.</p> <p>1. Lease Arrangement: The Lessee shall assume responsibility for making monthly payments to Isuzu Finance in the same amount and on the same schedule as under the original loan. The Lessee shall also be responsible for all insurance, maintenance, and other obligations associated with the Vehicle.</p> <p>2. No Alteration of Terms: Except for substitution of the payor, the original loan terms shall remain unchanged.</p> <p>3. Default: In the event of default by the Lessee, Isuzu Finance shall retain all rights under applicable nonbankruptcy law, including repossession, subject to Bankruptcy Court approval where required.</p> <p>4. Prepayment: The Lessee or any party may prepay the secured claim in full at any time without penalty.</p>	
Class 4: Secured Claims of U.S. Small Business Administration	<b>Claim Amount</b>	\$119,549
	<b>Impairment</b>	Impaired

	<p>1. Sale of Collateral: On the entry of an order granting a Motion to Sell Assets, the Collateral shall be transferred to Minerva's Home, Inc. (the "Successor Corporation") in exchange for assumption of the obligation to pay the secured portion of the SBA's claim under the terms of this Class.</p> <p>2. Payment Terms: The Successor corporation Minerva Home, Inc. shall pay the SBA in 60 equal monthly installments of \$2,324.56, beginning on the first business day of the month following the Effective Date.</p> <p>3. Total Payments: The total amount paid under this Class shall be \$119,548.20, in full satisfaction of the secured portion of the SBA's claim.</p> <p>4. Interest: Interest shall accrue on the secured portion of the claim at a rate of 6.24%.</p> <p>5. Lien Retention and Release: In lieu of retaining its lien on the transferred Collateral, SBA may agree to a replacement lien on the stream of payments received from the Successor corporation Minerva Home, Inc.</p> <p>6. Prepayment: The Successor corporation Minerva Home, Inc. may prepay the claim in full at any time without penalty.</p> <p>7. Unsecured Deficiency: The unsecured portion of the SBA's claim shall be treated as a general unsecured claim and included in Class 8.</p>	
Class 5: Unsecured Claim of American Express, National Bank (Guaranteed by Member Fabiola Sandoval Sanchez)	<b>Claim Amount</b>	\$34,933
	<b>Impairment</b>	Impaired

	<p>1. Payment Percentage: The Claimant shall receive payment of eighty percent (80%) of the aggregate allowed claims through the Plan.</p> <p>2. Payment Terms: Payments shall be made in sixty (60) equal monthly installments, each representing one-sixtieth (1/60th) of the total eighty percent (80%) of the aggregate allowed claims. Payments shall commence on the first business day of the month following the Effective Date and continue monthly thereafter.</p> <p>3. No Post-Petition Interest or Penalties: No interest, penalties, or other charges shall accrue on the Claimant's unsecured claims after the Petition Date.</p> <p>4. Satisfaction of Claims: Payment of eighty percent (80%) of the aggregate allowed claims shall constitute full and final satisfaction, release, and discharge of the Debtor LLC's liability under the Plan and 11 U.S.C. § 1141(d). This treatment does not affect the Claimant's rights, if any, against guarantor Fabiola Sandoval Sanchez.</p>	
Class 6: Unsecured Claim of American Express, National Bank, (Guaranteed by Member Carlos Padilla Sandoval)	<b>Claim Amount</b>	\$43,142
	<b>Impairment</b>	Impaired
	<p>1. No payments shall be made by the Debtor LLC on these claims under this Plan.</p> <p>2. The Claimant's recovery shall occur through Carlos Padilla Sandoval's Chapter 13 plan.</p> <p>3. Any unpaid deficiency shall be included in Class 8 as a general unsecured claim.</p> <p>4. Payment through the Chapter 13 plan, together with any deficiency treatment, shall fully satisfy these claims against the Debtor LLC.</p>	

Class 7: Unsecured Claim of ODK Capital, LLC (Guaranteed by Member Carlos Padilla Sandoval)	<b>Claim Amount</b>	\$236,783
	<b>Impairment</b>	Impaired
	<p>1. No payments shall be made by the Debtor LLC on this claim under this Plan.</p> <p>2. The Claimant's recovery shall occur through Carlos Padilla Sandoval's Chapter 13 plan.</p> <p>3. Any unpaid deficiency shall be included in Class 8 as a general unsecured claim.</p> <p>4. Payment through the Chapter 13 plan, together with any deficiency treatment, shall fully satisfy this claim against the Debtor LLC.</p>	
Class 8: General Unsecured Claims	<b>Claim Amount</b>	\$116,651
	<b>Impairment</b>	Impaired
	<p>Holders of Class 8 claims shall receive no distribution under the Plan. The unpaid balance of such claims shall be discharged upon confirmation of the Plan pursuant to 11 U.S.C. § 1141(d), except as otherwise provided by law.</p>	
Class 9: Equity Interests in the Debtor LLC	<b>Claim Amount</b>	
	<b>Impairment</b>	Impaired
	<p>1. Retention of Interests: Holders of Class 9 interests shall retain their existing equity interests in the Debtor LLC. No distribution, payment, or other recovery shall be made to equity holders under the Plan.</p> <p>2. Rights and Ownership: Equity holders shall continue to hold all rights, claims, and interests in the Debtor LLC following confirmation of the Plan, subject to the terms of the Plan.</p>	

**Tabulation of Ballots:**

Class	Voting	Ballot Percentage Calculation	Claim Percentage Calculation
Class 1 (Unimpaired)	For: 0 Against: 0	0%	0%
Class 2 (Impaired)	For: 0 Against: 1	100%	100%
Class 3 (Impaired)	For: 0 Against: 0	0%	0%
Class 4 (Impaired)	For: 0 Against: 0	0%	0%
Class 5 (Impaired)	For: 0 Against: 0	0%	0%
Class 6 (Impaired)	For: 0 Against: 0	0%	0%
Class 7 (Impaired)	For: 0 Against: 0	0%	0%
Class 8 (Impaired)	For: 0 Against: 0	0%	0%
Class 9 (Impaired)	For: 0 Against: 0	0%	0%

This Plan is not a consensual Plan, no class of creditors voting in favor of the Plan and the sole class to vote at all voted against confirmation of the Plan. The court would need to confirm the Plan pursuant to 11 U.S.C. § 1191(b). 11 U.S.C. § 1191(b) states:

(b)Exception.—

Notwithstanding section 510(a) of this title, if all of the applicable requirements of section 1129(a) of this title, other than paragraphs (8), (10), and (15) of that section, are met with respect to a plan, the court, on request of the debtor, shall confirm the plan notwithstanding the requirements of such paragraphs if the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan.

The court has entered orders valuing the secured claims of the following Creditors:

A. United States Small Business Administration:

1. Secured Claim.....\$119,548.52, and



2. Unsecured Claim.....the balance of the SBA Claim.

Order; Dckt. 123.

B. ODK Capital, LLC

1. Secured Claim.....\$0.00, and
2. Unsecured Claim.....the entire Claim of ODK.

Order; Dckt. 124.

However, as noted above, there is no evidence filed in support of the Plan the would permit the court to make a finding that the Plan does not discriminate unfairly and is fair and equitable with respect to each class of claims or interests that is impaired under, and has not accepted, the Plan.

The Plan calls for a liquidation of essentially all assets of the Debtor in Possession and to work closely with the Chapter 13 Plan in Carlos Padilla Sandoval's individual case to repay creditors.

At the hearing, **XXXXXXX**

The court shall issue an order substantially in the following form holding that:

Findings of Fact and Conclusions of Law are stated in the Civil Minutes for the hearing.

The Confirmation of Plan of Reorganization, having been presented to the court, and upon review of the pleadings, evidence, arguments of counsel, and good cause appearing,

**IT IS ORDERED** that the Confirmation of Plan of Reorganization is **XXXXXXX** .

**SUBCHAPTER V**

Debtor's Atty: Brian S. Haddix

Notes:  
Continued from 5/1/25.

Operating Reports filed: 5/1/25; 5/9/25

[BSH-5] Order granting Motion to Value Collateral and Secured Claim [United States Business Administration] filed 5/29/25 [Dckt 123]

[BSH-6] Order granting Motion to Value Collateral and Secured Claim [ODK Capital, LLC] filed 5/29/25 [Dckt 124]

[BSH-7] Order granting Motion to Approve Bid Procedures and Designate Stalking Horse Bidder filed 6/2/25 [Dckt 126]

[BSH-9] Debtor and Debtor in Possession's Motion for Order Approving Sale of Estate Property Free and Clear of Liens filed 6/26/25 [Dckt 138]; set for hearing 7/10/25 at 10:30 a.m.

[BSH-3] Order granting use of cash collateral and continuing hearing to 10:30 a.m. on 7/31/25 filed 6/27/25 [Dckt 145]

<b>The Status Conference is <span style="color: red;">XXXXXXX</span></b>
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**JULY 10, 2025 STATUS CONFERENCE**

The hearings on the Motion to Sell substantially all of the Bankruptcy Estate Assets and for the Confirmation of the proposed Subchapter V Plan were conducted on July 10, 2025.

At the Status Conference, XXXXXXX

**MAY 1, 2025 STATUS CONFERENCE**

On April 29, 2025, the Debtor in Possession filed an updated Status Report. It is reported that the Subchapter Plan (Dckt. 89) has been filed at the same time as the Status Report. The Plan provides for selling substantially all of the property of the Bankruptcy Estate. The Debtor in Possession anticipates filing several motions to value secured claims.

At the Status Conference, counsel for the Debtor in Possession reported that they are proceeding with the confirmation process. Two motions to value secured claims are set for May 22, 2025. The anticipated sale will be to an insider related corporation, with the initial hearing set for May 22, 2025.

The continued hearing for use of cash collateral is set for June 12, 2025. The March 2025 Monthly Operating Report was filed on May 1, 2025.

The Subchapter V Trustee recognized Debtor in Possession counsel staying in contact with the Trustee and seeking her input

## **OCTOBER 31, 2024 STATUS CONFERENCE**

Heritage Home Furnishing, LLC commenced this voluntary Subchapter V Case on September 10, 2024. As of the filing of this Bankruptcy Case the Debtor's major assets were its inventory of furniture and two vehicles. Schedule A/B; Dckt. 18. Looking at Schedule D, the vehicles appear to be fully encumbered and the SBA is the creditor encumbering the inventory. *Id.* There also appears to be a substantial unsecured priority claim. *Id.*; Schedule E/F. The Statement of Financial Affairs indicates that the Debtor had robust gross income in 2022, 2023, and 2024 prior to the filing of this Bankruptcy Case.

At the Status Conference, counsel the Debtor/Debtor in Possession reported that there is a cash collateral issue, with the SBA. The assets of the estate do not exceed in value the secured claim of the SBA. The Plan in this case is likely to be a liquidating Plan. The Subchapter V Trustee concurred with the counsel for the Debtor/Debtor in Possession.

The Status Conference is continued to 2:00 p.m. on January 30, 2025