NONPRECEDENTIAL DISPOSITION
To be cited only in accordance with FED. R. APP. P. 32.1

United States Court of Appeals

For the Seventh Circuit
Chicago, Illinois 60604

Submitted February 10, 2026*
Decided February 18, 2026

Before

FRANK H. EASTERBROOK, *Circuit Judge*

DAVID F. HAMILTON, *Circuit Judge*

DORIS L. PRYOR, *Circuit Judge*

No. 25-1558

YANG SHAO,
Debtor-Appellant,

v.

CUSTOMERS BANK,
Creditor-Appellee.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

No. 1:23-CV-13808

Edmond E. Chang,
Judge.

O R D E R

Appellant Yang Shao was a member of Endeavor 1, LLC, and Endeavor AL, LLC, (collectively, "Endeavor"), businesses that defaulted on a loan from Customers Bank. Seeking to avoid foreclosure on real estate that secured the loan, Shao filed eight bankruptcy petitions across four judicial districts. The bankruptcy court in the present

* We have agreed to decide the case without oral argument because the briefs and record adequately present the facts and legal arguments, and oral argument would not significantly aid the court. FED. R. APP. P. 34(a)(2)(C).

case determined that Shao defrauded the Bank and filed the petition in bad faith, so after permitting the Bank to foreclose on the real estate, the court dismissed the case. Shao appealed to the district court, which affirmed the dismissal. We also affirm.

Endeavor secured its loan with real estate it owned in Scottsdale, Arizona ("the Scottsdale properties"), as well as with real estate in Chicago, Illinois ("the Chicago property"), owned by Oceanus, Inc., another of Shao's companies. Endeavor defaulted on the loan by leasing units in the Scottsdale properties through the rental platform Airbnb. In April 2023, Shao transferred the Scottsdale properties from Endeavor to herself. She then filed a bankruptcy petition under Chapter 13, disputing the validity of Endeavor's loan from the Bank. The bankruptcy court convened an evidentiary hearing to address that issue, but before Shao presented any evidence, she voluntarily dismissed the petition.

On July 24, just four days after dismissing the first case, Shao filed a second Chapter 13 petition, beginning the present case. The Chapter 13 Trustee and the Bank immediately moved to dismiss the petition because it was filed within 180 days of her first petition. *See* 11 U.S.C. §109(g)(2). The Bank also moved to prohibit Shao from continuing business operations on those properties and to lift the automatic stay shielding the properties from foreclosure. *See id.* §362.

At a hearing on August 9, the bankruptcy court ordered Shao (or any entity she controlled) to cease operations on the Scottsdale properties and determined that because Shao did not herself own the Chicago property, it was not affected by the automatic stay. Later that day, Shao transferred the Chicago property from Oceanus, Inc., to herself and her son.

On August 22, the court held a hearing on the motions to dismiss. But Shao did not appear at that hearing, purportedly for reasons of ill health, so the court deferred ruling on those motions. Instead, the Chapter 13 Trustee informed the court that Shao's debt exceeded the maximum allowed under Chapter 13. After determining that Shao was continuing to lease the Scottsdale properties in violation of the previous order, the court converted the case from a Chapter 13 reorganization to a Chapter 7 liquidation so that the Chapter 7 Trustee could protect the property.

A week later, Shao filed a third Chapter 13 case, this one in the Central District of California. Shao would go on to file five more bankruptcy petitions across the Northern District of Illinois, the District of Arizona, and the District of Rhode Island.

On September 1, the bankruptcy court in the present case convened another hearing on the motions to lift the automatic stay and to dismiss. The court found that Shao transferred the properties to herself to obtain the automatic stay, leased the properties in violation of the law and the court's orders, improperly filed new bankruptcy petitions within 180 days, and made multiple misrepresentations in her petition filed in the Central District of California. The court thus concluded that Shao filed the present petition as "part of a scheme to delay, hinder, or defraud" the Bank, allowing the court to lift the automatic stay. *See* 11 U.S.C. §362(d)(4). The court further found that she was acting in bad faith, providing cause to dismiss the case entirely. *See id.* §707(a). Finally, the court imposed a 180-day bar on further bankruptcy filings. *See id.* §109(g).

Thereafter, the California bankruptcy court also lifted the stay on the Scottsdale and Chicago properties and dismissed that case. Shao did not appeal those orders. The Bank later sold the Scottsdale properties and credited Shao with the proceeds, bringing her debt load below $2.75 million, the maximum allowed for Chapter 13 cases at that time. *See id.* §109(e) (2023).

Shao, while assisted by counsel, appealed to the district court, challenging the bankruptcy court's bad-faith dismissal as well as the orders that converted the case and lifted the automatic stay. The district court dismissed the appeal. The court first concluded that the order converting the case was moot because, now that the filing bar had expired and her debt was below the maximum allowed for Chapter 13, she was free to file a new Chapter 13 petition. The district court also concluded that the order lifting the stay was moot as to the sold Scottsdale properties because the automatic stay's protections could not apply to sold property. And as to the Chicago property, the court concluded that the California bankruptcy court's orders lifting the stay and dismissing that case precluded her from relitigating those matters. The district court added that Shao's bad faith was also sufficient to dismiss the bankruptcy appeal.

After filing her notice of appeal to this court, Shao moved in the district court to proceed in forma pauperis on appeal. The district court denied the motion because she had sufficient funds to pay the filing fee and the appeal was frivolous. Shao then paid the fee.

Shao, now proceeding pro se, first argues that the district court erred in dismissing the appeal as moot because further proceedings would allow the bankruptcy court to determine the validity of the loan and to adjust her debts. But the district court did not determine that an appeal of the order dismissing her case would be moot. The

district court's mootness ruling was limited to the conversion order and the stay-modification order regarding the sold properties. Shao does not dispute the district court's reasoning as to those orders, so any argument on that point is waived. *See Bradley v. Village of University Park*, 59 F.4th 887, 897 (7th Cir. 2023); *Cont'l W. Ins. Co. v. Country Mut. Ins. Co.*, 3 F.4th 308 (7th Cir. 2021).

Shao next argues that there is no preclusive effect from the California judgment because the case was dismissed as a sanction, not on the merits, as is required for claim preclusion to apply. *See Matrix IV, Inc. v. Am. Nat. Bank & Tr. Co. of Chi.*, 649 F.3d 539, 547, 549 (7th Cir. 2011) (noting claim preclusion requires a "final judgment on the merits."). But the California bankruptcy case was decided on the merits. During a hearing in October 2023, the California bankruptcy court first determined that it had cause to lift the stay on the Scottsdale properties because Shao filed her Chapter 13 petition in bad faith, *see* 11 U.S.C. §362(d)(1), and that she filed the petition as "part of a scheme to delay, hinder, or defraud" the bank. *See id.* §362(d)(4). A month later, the court dismissed the case based on the conclusions made at the hearing. *See* 11 U.S.C. §1307(c); *Matter of Lisse*, 921 F.3d 629, 639 (7th Cir. 2019) ("A bankruptcy court may dismiss a Chapter 13 petition for cause if it finds the petition was filed in bad faith."). A dismissal of a Chapter 13 case because the debtor petitioned in bad faith "is tantamount to a ruling that the individual does not qualify as a debtor under Chapter 13." *Marrama v. Citizens Bank of Mass.*, 549 U.S. 365, 374 (2007). In other words, it is a dismissal on the merits.

Shao also challenges the bankruptcy court's finding that she acted in bad faith. The bankruptcy court based that determination on underlying findings that Shao violated its orders, filed numerous petitions in multiple jurisdictions despite the filing bar, and made false representations in her California petition. Shao challenged none of those findings in the district court, nor does she dispute them in this appeal. Instead, she argues that those circumstances are outweighed by her purported evidence that the loan was invalid. But she said nothing about the validity of the loan when responding, with aid of counsel, to the Bank's motion to dismiss, so the argument is waived. *See Bradley*, 59 F.4th at 897. We are left, then, with an undisputed pattern of misconduct in multiple bankruptcy proceedings. Given those undisputed facts, we see no clear error in the bankruptcy court's finding that she filed her bankruptcy petition in bad faith. *See Anderson v. City of Bessemer City*, 470 U.S. 564, 577 (1985) ("inferences that may be drawn from facts in the record" are not clearly erroneous); *Matter of Lisse*, 921 F.3d 629, 639 (7th Cir. 2019) (applying clear-error review to bad-faith finding).

Shao also argues that she is not precluded from litigating the validity of the loan because that issue was not decided in the California bankruptcy case; that the bankruptcy court deprived her of due process by not permitting her to present evidence that there was no loan; and that the bankruptcy court improperly denied her an interpreter at the September 1 hearing. She presented none of these arguments to the district court, so each of them is waived. *See Bradley*, 59 F.4th at 897.

Finally, Shao disputes the district court's denial of her motion to proceed in forma pauperis. But she does not challenge the district court's determination that she could pay the filing fee, and thus her claim fails.

AFFIRMED