

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

In re:

Case No. 15-42296
Chapter 11

Gary Eugene Collins &
Sharon Eileen Collins

SSN: XXX-XX-5077
SSN: XXX-XX-0065

Debtors.

_____ /

**FIRST AMENDED COMBINED PLAN OF REORGANIZATION
AND DISCLOSURE STATEMENT**

INTRODUCTION

This is Debtors' First Amended 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 who will receive 100% of their allowed claims at 0% interest in monthly payments over seventy-two (72) 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 Debtors' counsel, and objections to confirmation must be filed and served, no later than [date to be determined]. The court will hold a hearing on confirmation of the Plan on [date to be determined].

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

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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. Exhibit 6 provides a summary of the Debtors' monthly operating reports. Exhibit 7 provides information about the pending appeal. Exhibit 8 provides information as to feasibility of the Plan.

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

Creditors' Rights Remain Unchanged.

Class	Name of Creditor	Description of Collateral
1A	J.P. Morgan Chase	Residence located at 2448 Paddock Drive, San Ramon, CA
1B	J.P Morgan Chase	Rental located at 26 Palamos Court, San Ramon, CA

These creditors' legal, equitable, and contractual rights remain unchanged with respect to the above collateral. The confirmation order will constitute an order for relief from stay. Creditors in these classes shall retain their interest in the collateral until paid in full. **These secured claims are not impaired and are not entitled to vote on confirmation of the Plan.**

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

Class	Name of Creditor	Collateral	Amount Due	Interest Rate	Monthly Payment	Term
1C	Fifth Third Bank	2015 Honda Accord	\$28,882	2.9%	\$440	72
1D	Kevin Frye, Jesse Frye, Kyle Frye, and Shane Frye	26 Palomas Court, San Ramon, CA and 2448 Paddock Drive, San Ramon, CA	\$113,510	See Attachment 1	See Attachment 1	See Attachment 1
1E	Elizabeth Soloway, Trustee of the Austin Leslie Frye and Joyce Eileen Alys Frye Living Trust	26 Palomas Court, San Ramon, CA and 2448 Paddock Drive, San Ramon, CA	\$896,596	See Attachment 1	See Attachment 1	See Attachment 1

In reference to Fifth Third Bank (Class 1C) Debtors will pay the entire amount contractually due with interest through 72 equal monthly payments of \$440.00, due the fifteenth day of the month, starting on the Effective Date of the Plan. In reference to Kevin Frye, Jesse Frye, Kyle Frye, and Shane Frye and Elizabeth Soloway, Trustee of the Austin Leslie Frye and Joyce Eileen Alys Frye Living Trust (Classes 1D and 1E), the treatment of their claims is set forth in the Attachment 1 to this Plan. Creditors in these classes shall retain their interest in the collateral until Debtors make all payments on the allowed secured claims specified in the Plan.

Creditors in these classes may not repossess or dispose of their collateral so long as Debtors are 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). General Unsecured Claims.

Name of Creditor	Amount of Claim	Disputed Y/N	Amount to be Paid	Monthly Payment
Amber Haskett, Esq	17,000	N	17,000	\$240.00
Capital One Bank	1,242	N	1,200	\$20.00

Allowed claims of general unsecured creditors (including allowed claims of creditors whose executory contracts or unexpired leases are being rejected under this Plan) shall be paid as follows:

Percent Plan. Creditors will receive 100 percent of their allowed claim with 0% interest in 72 equal monthly installments, due on the fifteenth day of the month, starting on the Effective Date of the Plan.

Creditors in this class 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)). **This class is impaired and is entitled to vote on confirmation of the Plan.** Debtors have indicated above whether a particular claim is disputed.

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
David A. Arietta, Esq.	\$15,000

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

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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

(c) Tax Claims. Debtors 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 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

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. 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. 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

(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 debts until Debtors make 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 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 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 undertake 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 fail 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 a written notice of Debtors' default. If Debtors fail 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 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 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 make 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, 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 do not believe that any causes of action for fraudulent transfers, voidable preferences, or other claims for relief exist against any parties.

(g) Notices. Any notices 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:

To Debtors: Gary and Sharon Collins 2448 Paddock Drive,
San Ramon, CA 94583.

To Debtors' attorney: David A. Arietta, Esq., 700 Ygnacio
Valley Rd. #150, Walnut Creek, CA 94596.

(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)

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no later than 14 days before the first date set for the hearing on confirmation of the Plan.

Dated: 5/26/16

/s/ Gary Eugene Collins
Gary Eugene Collins
Debtor

/s/ Sharon Eileen Collins
Sharon Eileen Collins
Debtor

/s/ David A. Arietta
David A. Arietta
Attorney for Debtors

Attorney Certification

I, David A. Arietta, am legal counsel for the Debtors 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.

"Debtor" replaced by "Debtors" where applicable
An Attachment Added and additional Exhibits
Payments to start on Effective Date

I declare that the foregoing is true and correct. Executed this 1st day of June, 2016.

/s/ DAVID A. ARIETTA
David A. Arietta,
Attorney for Debtors

Exhibit 1 - Events That Led To Bankruptcy and Significant Events During the Case

On October 1, 2014, a judgment was entered against Mrs. Collins in Contra Costa Superior Court in the approximate amount of \$939,000 (the "Judgment") in favor of Kevin L. Frye, Jesse E. Frye, Shane M. Frye, and Kyle Frye and Elizabeth Soloway, Trustee of the Austin Leslie Frye and Joyce Eileen Alys Frye Living Trust (collectively "Judgment Creditors"). On October 6, 2014, Judgment Creditors recorded an abstract of judgment in Contra Costa County. Debtors timely filed an appeal. Debtors could not obtain an appellate bond to stay of execution of the Judgment. They could not qualify for a fully secured bond as their available real estate assets were subject to the judicial lien of Judgment Creditors. Without a bond, they could not file a motion to stay the appeal. Debtors attempted several times to get the state court judge to stay enforcement pending appeal. Judgment Creditors objected and Debtors' requests were denied as the state court judge felt that she did not have authority to issue a stay. In the meantime, Judgment Creditors began taking collection actions. Debtors dealt with levies on their bank accounts and garnishments of their wages. In addition, they were dealing with the pending execution sale of their rental real property located at 26 Palamos Court, San Ramon, California.

Debtors filed for bankruptcy relief on July 23, 2015, in part, to stop the collection actions but also to deal with their other general unsecured debts and generally reorganize.

During the bankruptcy, Debtors sought and received the permission of Chase Bank to use its cash collateral each month in reference to their rental property in San Ramon. A Stipulation for the use of cash collateral was entered into on or about August 31, 2015 and an Order approving the Stipulation was duly entered thereafter.

Debtors have attended several status conferences and have generally operated as debtors-in-possession which includes filing their monthly operating reports.

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

Real Property #1: 2448 Paddock Drive, San Ramon, CA

Fair Market Value	Liens	Cost of Sale	Resulting Income Tax	Amt of Exemption	Net Proceeds
\$1,110,000	1 st \$318,000	8%	\$0	\$100,000	\$0.00
	2 nd \$896,596				

Real Property #2: 26 Palamos Court, San Ramon, CA

Fair Market Value	Liens	Cost of Sale	Resulting Income Tax	Amt of Exemption	Net Proceeds
\$880,000	1 st 362,000	8%	\$91,524	\$0	\$0.00
	2 nd \$896,596				

Personal Property:

Description	Liquidation Value	Secured Claim	Amt of Exemption	Net Proceeds
Cash- personal DIP	\$17,000			\$17,000
Automobile #1 (Honda Accord)	\$25,000	\$28,882		
Automobile #2/3 (Nissan Murano and Ford Ranger)	\$6,500		\$2,900	\$3,600
Household Furnishings	\$2,000		\$2,000	
Jewelry				
Equipment				
Stocks / Investments	\$289,435		\$289,435	
Other Personal Property (timeshare)	\$500			\$500
TOTAL				

Net Proceeds of Real Property and Personal Property	\$21,100
Recovery from Preferences / Fraudulent Conveyances [ADD]	
Chapter 7 Administrative Claims [SUBTRACT]	
Chapter 11 Administrative Claims [SUBTRACT]	\$15,000
Priority Claims [SUBTRACT]	
Chapter 7 Trustee Fees [SUBTRACT]	\$5,000

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Chapter 7 Trustee's Professionals	[SUBTRACT]	\$10,000
NET FUNDS AVAILABLE FOR DISTRIBUTION TO UNSECURED CREDITORS		\$0.00

Estimated Amount of Unsecured Claims		\$18,242
Percent Distribution to Unsecured Creditors Under Proposed Plan		100%
Percent Distribution to Unsecured Creditors Under Liquidation Analysis		0%

Exhibit 3 - Monthly Income and Expenses

Income	Amount
Gross Employment Income- Sharon (average future with cost of living increases)	\$5,300
Gross Business Income- Gary (average future, with cost of living increases)	\$7,500
Positive Cash Flow on Investment Property (Exhibit 5, Line A)	\$181
A. Total Monthly Income	\$12,981

Expenses	Amount
Includes Plan Payments on Secured Claims for Residence and Car	
Payroll Taxes and Related Withholdings	\$4,500
Retirement Contributions (401k, IRA, PSP)	\$400
Shelter Expenses (rent/mortgage, insurance, taxes, utilities) (Total Arrearages on Principal Residence are \$0.00)	\$3,220
Household Expenses (food)	\$1,300
Transportation Expenses (car payments, insurance, fuel)	\$600
Personal Expenses (e.g. recreation, clothing, laundry, medical)	\$500
Alimony / Child Support	
Other Expenses	\$250
Negative Cash Flow on Investment Property (Exhibit 5, Line B)	
B. Total Monthly Expenses	\$10,770

C. Disposable Income (Line A - Line B)	\$2,211
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Plan Payments	Amount
Plan Payments Not Included in Calculating Disposable Income	
Administrative Claims	
Priority Claims	
General Unsecured Creditors	\$260.00
Classes 1C and 1D and 1E	\$1,940.00
D. Total Plan Payments	\$2,200.00

E. Plan Feasibility (Line C - Line D) (Not feasible if less than zero)	\$0.00
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Exhibit 4 - Effective Date Feasibility

Can the Debtor Make the Effective Day Payments?

	Amount	Amount
A. Projected Total Cash on Hand on Effective Date		\$17,000
Payments on Effective Date		
Unclassified Claims		
Administrative Expense Claims	\$15,000	
Priority Claims		
Small Claims (Class 2(a))		
U.S. Trustee Fees		
B. Total Payments on Effective Date		\$15,000
C. Net Cash on Effective Date (Line A - Line B) (Not feasible if less than zero)		\$2,000

Exhibit 5 - Investment Property Analysis

Properties with Positive Monthly Cash-Flow:

Real Property #1 Income: 26 Palamos Court, San Ramon, CA

Rental Income	Mortgage	Insurance	Property Taxes	Other Expenses-homeowners dues and maintenance	Net Income
\$2,600	1 st \$2,329			\$90	\$181

A. Total Positive Cash Flow	\$181
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Exhibit 6 - Monthly Operating Report Analysis

The debtors have filed their August, 2015 - April, 2016 Monthly Operating Reports.

The reports show the following profit/loss:

	<u>Gross Income</u>	<u>Expenses</u>	<u>Net</u>
August, 2015	\$20,291	\$16,419	\$3,872
September, 2015	\$12,183	\$12,976	(\$793)
October, 2015	\$22,810	\$17,038	\$5,772
November, 2015	\$15,157	\$13,781	\$2,329
December, 2015	\$14,819	\$15,358	(\$539)
January, 2016	\$15,181	\$14,052	\$1,129
February, 2016	\$15,275	\$14,540	\$735
March, 2016	\$16,883	\$21,148	\$1,735 ¹
April, 2016	\$18,793	\$22,537	\$1,256 ²

The average net profit for the period of August, 2015 to April, 2016 was \$1,721.78.³

¹ Not including an administrative priority payment of \$6,000 to David A. Arietta, Esq.

² Not including an administrative priority payment of \$5,000 to David A. Arietta, Esq.

³ Includes car payment of \$470 per month.

Exhibit 7 - The Pending Appeal

The appeal of the Judgment is currently before the California Court of Appeal, First Appellate District, appeal number A143623. Debtors believe they have strong grounds to sustain a reversal of the Judgment. Debtors have diligently pursued the appeal both before and after the bankruptcy filing. Before the bankruptcy filing, Debtors filed their notice designating the record on appeal on November 24, 2014.

After several extensions requested by the trial court reporters, it took over five months for the trial court to finally complete and transmit the record to the appellate court. This was due in large part to the fact that the underlying matter involved two trials spaced out over several years. The transcripts consisted of proceedings from two trials, pre- and post-trial motions and briefing totaling 37 volumes. On April 27, 2015, the appellate court sent out notice that the record on appeal had been transmitted.

After the bankruptcy case was filed, Debtors attempted to get the appellate court to set an updated briefing schedule. The appellate court considered the action stayed by virtue of the bankruptcy filing and issued an order in that regard on September 11, 2015. On October 1, 2015, this court entered an order granting relief from stay to allow the appeal to go forward. On October 23, 2015, the appellate court issued a new briefing schedule. On November 17, 2015, Debtors filed their appellate brief. Judgment Creditors have filed their responsive brief and Debtors have filed their reply brief.

The appeal is considered fully briefed. The case will be placed on a "conference list" and assigned to a panel of three judges. Appeals are generally assigned in the order in which they became fully briefed.

Judgment creditors requested oral argument in April, 2016 and the parties are awaiting a hearing date. The appeal should generally be heard within 6 months (September, 2016). Once oral argument is concluded, the court has 90 days to render an opinion. A decision should be rendered sometime before yearend. If there is any extended delay with the appeal, Debtors intend to file a motion and request priority on the calendar based on the pending bankruptcy action and based on the entitlement to preference for probate proceedings.

Exhibit 8 - Feasibility

Debtors own residential real property located at 2448 Paddock Drive, San Ramon, California (the "Residence") which has a current value of approximately \$1,110,000, subject to a mortgage with a balance of approximately \$318,000. They own rental real property located at 26 Palamos Court, San Ramon, California (the "Rental") which has a current value of approximately \$880,000. Debtors have approximately \$289,000 in retirement assets (mostly IRAs).

Based on the September, 2015 to April, 2016 operating reports, Debtors are averaging approximately \$1,700 in monthly net income. Such amount includes a \$470 monthly car payment. Taking into consideration the car payment, Debtors are averaging almost \$2,200 per month in net disposable income.

Judgment creditors filed proofs of claim totaling \$1,010,106 (\$896,596 and \$113,510) secured by both the Residence and the Rental. The claims include accrued interest from date of judgment to the petition date (based on California judgment rate of 10%). Besides the judgment creditors, Debtors have two general unsecured creditors, one for approximately \$17,000 and another for approximately \$1,200 (combined approximately \$18,200). Fifth Third Bank is the car lender with a claim of \$28,882.

Debtors Chapter 11 Plan payment is \$2,200 and starts on Effective date of the plan (defined in Part 7(a) of the Plan). Of that amount, Debtors will pay \$440 per month to Fifth Third Bank and \$260 to their general unsecured creditors for a period of 72 months. The balance of \$1,500 will be paid monthly to Judgment Creditors until their allowed claims are satisfied in full with interest.

The appeal decision in regards to Judgment Creditors should occur by December, 2016, depending on hearing date. If Debtors win the appeal in full, the amount owed to Judgment Creditors would be zero and Debtors would have additional funds to pay their remaining creditors in full in a shorter amount of time. If Debtors lose the appeal in full, they would immediately list and sell both the Residence and the Rental properties and pay the net proceeds to Judgment Creditors. In that event they would need all of the net proceeds to fund the plan. If Debtors partially lose the appeal, they would first sell the Rental to

fund the plan and if necessary, sell the Residence. Attachment One details the various scenarios in more detail.

After considering the costs of sale and the homestead exemption, there would be sufficient funds available to pay Judgment Creditors in full in the event Debtors lost the appeal as follows:

Residence: Expected sales price: \$1,110,000
less 8% costs of sale (\$88,800) less mortgage balance
(\$315,000) less homestead (\$100,000) = \$606,200 net
proceeds

Rental: Expected sales price: \$880,000
less 8% costs of sale (\$70,400) less mortgage balance
(\$362,000) = \$447,600 net proceeds

Expected total net sales proceeds: \$1,053,800⁴
(\$606,200 (Res) + \$447,600 (Rental))

Secured Claims (Classes 1D and 1E): \$1,010,106⁵
(Judgment Creditors)

Estimated Accrued Post-Petition Interest
On Classes 1D and 1E (3% per annum) \$30,000

As set forth above, Debtors will have enough net sales proceeds to pay the allowed secured claims of Judgment Creditors plus interest (accrued at 3% per annum post-petition). After the sales of the properties, there might still be some unpaid post-petition interest. The exact amount of which will depend on the final amounts of the sales proceeds and how much Debtors have paid Judgment Creditors each month. After the sales of the properties, Debtors will continue to pay Judgment Creditors \$1,500 per month over a period of years to make up the difference. Separately, Debtors will be paying \$700 per month to ensure the remaining secured and general unsecured claims are paid in full within the 72 month plan timeframe.

Other factors to consider for feasibility are that the housing market in San Ramon continues to be strong with low

⁴ The actual net proceeds would be more as the mortgage balances are decreasing each month.

⁵ Post-petition interest accruing at 3% per annum would be \$2,525.27 per month or approximately \$25,252.65 through May 23, 2016.

inventory. It is expected that the net sales proceeds will be higher as housing prices continue to rise. In addition, Debtors have steady source of wage income so as to be able to make their plan payment. Mr. Collins works for AC Transit as a supervisor and expects yearly cost of living wage increases over the life of the plan. Debtors also plan to continue to minimize their monthly personal expenses.

Feasibility would also include the tax consequences of the sales. Debtors do not think there would be any capital gains for the sale of the Residence as Debtors could utilize a \$500,000 primary residence exclusion. The basis of the Residence would be approximately \$600,000. With an estimated net sales price of \$1,021,200 (\$1,110,000 - \$88,800) and then deducting the basis of \$600,000, leaves \$421,000, which would be subject to the exclusion. As for the Rental, its basis would be approximately \$200,000 (\$128,000 purchase price plus \$72,000 improvements). With an estimated net sales price of \$810,160 (\$880,000 - \$69,840) and then deducting the basis of \$200,000, leaves \$610,160 with possible capital gain taxes of \$91,524 (15% of \$610,160). Debtors could take a distribution from their retirement to cover the payment of those capital gains taxes.

Attachment 1

Combined Plan of Reorganization and Disclosure Statement

In reference to the secured claims of Kevin Frye, Jesse Frye, Kyle Frye, and Shane Frye and Elizabeth Soloway, Trustee of the Austin Leslie Frye and Joyce Eileen Alys Frye Living Trust (Classes 1D and 1E) (collectively referred to as "Judgment Creditors"), Debtors to pay the allowed secured claims of Judgment Creditors in full (\$113,510 (Frye) and \$896,596 (Soloway) respectively), with 3% interest accruing from the petition date as follows: starting on Effective Date of the Plan, monthly payments of \$1,500 per month to Judgment Creditors¹ until such time as a ruling is made on the pending appeal (California Court of Appeal, First Appellate District, appeal number A143623). Once the appellate ruling is entered, Judgment Creditors will receive payment per one of the following payment scenarios depending on the outcome of the appeal. The appellate ruling of the First Appellate District will be final; Debtors will waive their rights to appeal to a higher court.

Complete Reversal of trial court. If the appellate court reverses the lower court judgment and Debtors win their appeal, Debtors would cease making monthly payments to Judgment Creditors. Judgment Creditors would release their Abstract of Judgment that was filed in Contra Costa County and would refund any amounts received from Debtors pre- and post-petition, including, but not limited to, any amounts received by levy and garnishment.

Complete Affirmance of trial court. If the appellate court affirms the lower court judgment and Debtors lose their appeal, Debtors would continue making monthly payments of \$1,500 to Judgment Creditors and would immediately list their residential real property located at 2448 Paddock Drive, San Ramon, CA and their rental real property located at 26 Palamos Court, San Ramon, CA for sale. Close of escrow for the sale of each property would occur within 120 days of the date of entry of the appellate decision. Upon the close of each escrow, Debtors would immediately pay the entire net sales proceeds to Judgment Creditors and provide Judgment Creditors with a closing statement to evidence the amount paid. Debtors would, however, be entitled to retain their claimed homestead exemption from the sale of their residence before paying over the net sales proceeds to Judgment Creditors. If any amounts were still due

¹ Payment will be a total of \$1,500 per month and Judgment Creditors can divide it as they decide amongst themselves as their claims are related to each other.

and owing to Judgment Creditors after the sale of both real properties, Debtors will continue to make monthly payments of \$1,500 until the allowed claims of Judgment Creditors are paid in full plus interest. If Debtors fail to timely close either escrow, Judgment Creditors will have immediate relief from stay to levy execution on the real properties and obtain possession. Judgment Creditors to cooperate reasonably with the sale of any real property which includes partially releasing the applicable abstract of judgment to allow the escrow to close.

Partial reversal of trial court (less than \$450,000). If the appellate court partially reverses the lower court judgment and the amount of the underlying judgment is reduced so that the allowed amount of Judgment Creditors' claims are less than \$450,000 (representing the estimated net sales proceeds from the sale of the rental property), Debtors would continue making monthly payments of \$1,500 to Judgment Creditors and would immediately list their rental real property located at 26 Palamos Court, San Ramon, CA for sale. Close of escrow for the sale of the Palamos Court property would occur within 120 days of the date of entry of the appellate decision. Upon the close of the escrow, Debtors would pay all or as much of the sales proceeds to Judgment Creditors to pay the allowed amount of Judgment Creditors' claims and provide Judgment Creditors with a closing statement to evidence the amounts available to be paid. If Debtors fail to timely close the escrow, Judgment Creditors will have immediate relief from stay to levy execution on the real property and obtain possession. Judgment Creditors to cooperate reasonably with the sale of the real property which includes partially releasing the applicable abstract of judgment to allow the escrow to close.

Partial reversal of trial court (more than \$450,000). If the appellate court partially reverses the lower court judgment and the amount of the judgment is reduced but the allowed amount of Judgment Creditors' claim is more than \$450,000 (representing the estimated net sales proceeds from the sale of the rental property), Debtors would continue making monthly payments of \$1,500 to Judgment Creditors and would immediately list their rental real property located at 26 Palamos Court, San Ramon, CA and their residential real property located at 2448 Paddock Drive, San Ramon, CA for sale. Close of escrow for the sale of each property would occur within 120 days of the date of entry of the appellate decision. Upon the close of each escrow, Debtors would pay all or as much of the sales proceeds to Judgment Creditors to pay the allowed amount of Judgment Creditors' claims and provide Judgment Creditors with a closing

statement to evidence the amounts available to be paid. Debtors would, however, be entitled to retain their claimed homestead exemption from the sale of their residence before paying over all or a portion of the net sales proceeds to Judgment Creditors. If for some reason, any amounts were still due and owing to Judgment Creditors after the sale of both real properties, Debtors will continue to make monthly payments of \$1,500 until the allowed claims of Judgment Creditors are paid in full plus interest. If Debtors fail to timely close either escrow, Judgment Creditors will have immediate relief from stay to levy execution on the real properties and obtain possession. Judgment Creditors to cooperate reasonably with the sale of each property which includes partially releasing the applicable abstract of judgment to allow the escrow to close. In this scenario, Debtors will have the option to refinance their residence in lieu of selling it provided they pay off the allowed claims of Judgment Creditors in full and timely close escrow for the refinance (within 120 days of the date of entry of the appellate decision).

Remand to trial court. If the appellate court remands a portion of the judgment to the lower court and if the lower court makes a finding or enters a statement of decision in favor of Judgment Creditors, Debtors will at that point pay over such amount awarded to Judgment Creditors from the then remaining proceeds of the sales of one or both real properties. If any amounts are still due and owing to Judgment Creditors at that point, Debtors will continue to make monthly payments of \$1,500 until the allowed claims of Judgment Creditors are paid in full plus interest.