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10 Debtor-in-Possession  
11 Willard J. Blankenship

12 UNITED STATES BANKRUPTCY COURT  
13 EASTERN DISTRICT OF CALIFORNIA  
14 SACRAMENTO DIVISION

15 In Re: ) Case No. 15-28108-E-11  
16 Willard J. Blankenship, )  
17 ) DCN: RLC-6  
18 ) Date: July 21, 2016  
19 ) Time: 10:30 a.m.  
20 Debtor ) Dept: E  
21 ) Courtroom 34  
22 ) Hon. Ronald Sargis  
23 )

24 **REDLINE DISCLOSURE STATEMENT TO FIRST AMENDED PLAN**  
25 **OF REORGANIZATION DATED JULY 15-21, 2016**

26 **ARTICLE I**

27 **SUMMARY**

28 This is the Disclosure Statement to the *First Amended* Plan of Reorganization (the  
"Plan") under Chapter 11 of the Bankruptcy Code (the "Code") filed by Willard J.  
Blankenship (the "Debtor) in their Chapter 11 case. This Disclosure Statement contains  
information about the Debtor and describes the Plan of Reorganization filed by Debtor. A full  
copy of the Plan accompanies this Disclosure Statement.

*Your rights may be affected. You should read the Plan and this Disclosure  
Statement carefully and discuss them with your attorney. If you do not have an attorney,  
you may wish to consult one.*

The proposed distributions under the *First Amended* Plan are discussed beginning at

1 Page 8 of this Disclosure Statement. General unsecured creditors are classified in Class 3,  
2 and will receive a dividend of approximately 34.6% of their allowed claims.

3 **A. Purpose of This Document**

4 This Disclosure Statement describes:

- 5 ● The Debtor and significant events during the bankruptcy case,
- 6 ● How the Plan proposes to treat claims or equity interests of the type you hold  
7 (*i.e.*, what you will receive on your claim or equity interest if the plan is  
8 confirmed),
- 9 ● Who can vote on or object to the Plan,
- 10 ● What factors the Bankruptcy Court (the “Court”) will consider when deciding  
11 whether to confirm the Plan,
- 12 ● Why the Debtor believe the Plan is feasible, and how the treatment of your  
13 claim or equity interest under the Plan compares to what you would receive on  
14 your claim or equity interest in liquidation, and
- 15 ● The effect of confirmation of the Plan.

16 Be sure to read the Plan as well as the Disclosure Statement. This Disclosure  
17 Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your  
18 rights.

19 **B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

20 The Court has not yet confirmed the Plan described in this Disclosure Statement. This  
21 section describes the procedures pursuant to which the Plan will or will not be confirmed.

22 *1. Time and Place of the Hearing to Finally Approve This Disclosure*  
23 *Statement and Confirm the Plan*

24 The hearing at which the Court will determine whether to approve this Disclosure  
25 Statement will take place on July 21, 2016 , at ~~3:00~~ 10:30 a.m.~~p.m.~~ in Courtroom 33 at  
26 the United States Courthouse, Department E, 6<sup>th</sup> Floor, 501 I Street, Sacramento, California,  
27 95814.

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*2. Identity of Person to Contact for More Information*

If you would like additional information about the Plan please contact Stephen M. Reynolds, of Reynolds Law Corporation, 424 Second Street, Ste. A, Davis, CA 95616. Telephone 530 297 5030 and facsimile 530 297 5077.

*3. Deadline for Voting to Accept or Reject the Plan*

*If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot to Reynolds Law Corporation 424 Second Street, Suite A, Davis, CA 95616.*

*Your ballot must be received by [insert date] September 12, 2016 or it will not be counted.*

**C. Disclaimer**

*The Court has approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.*

**II. BACKGROUND**

**A. Description and History of the Debtors' Assets and Source of Income**

Dr. Blankenship is an eighty two year old retired physician. His career involved medical research and teaching. He helped found U.C. Davis School of Medicine. He was also associated with the Vanderbilt University Medical Center for a number of years. His practice was primarily concerned with research and the care of premature infants. His research, advanced studies and teaching included extended stays in England and Sweden. His home base for many years was Laguna Beach, California. Dr. Blankenship receives monthly social security benefits of \$1,627.50 and monthly annuity benefits from a TIAA-CREF account in

1 the amount of \$694.22. He also receives occasional dividends on account of an 8% interest in  
2 Apnea Analysis Center, Inc. a closely held California Corporation.

3 From October 1997 onward Mr. Charles Hoffmeister maintained Dr. Blankenship's  
4 home. This was a significant benefit to Dr. Blankenship as his career often demanded  
5 extended stays away from Laguna Beach. The agreement between Dr. Blankenship and Mr.  
6 Hoffmeister was that upon retirement Dr. Blankenship would provide Mr. Hoffmeister with a  
7 small property. After selling his Laguna Beach home Dr. Blankenship provided that property  
8 in the form of a small farm (39.83 acres) located in Spencer, Indiana. Dr. Blankenship  
9 purchased the farm in 2009 for \$135,000, subsequently made improvements to it and  
10 harvested timber. The farm does not generate crop income and the primary revenue  
11 associated with the farm is the occasional timber sales. Mr. Hoffmeister has lived on the farm  
12 since 2009 and has maintained it. Dr. Blankenship transferred title to Mr. Hoffmeister in  
13 June, 2015. Mr. Hoffmeister has deeded his interest in the Property back to Dr. Blankenship.  
14 Spencer, Indiana is a very rural community and there is not an active market for property.  
15 ~~The marketing and sale of the farm may take months or years.~~ *The Plan calls for the listing*  
16 *of the Spencer, Indiana property for sale within no later than 30 days after the Effective Date*  
17 *of the Plan and contemplates a sale within a year of the Effective Date of the Plan.*

#### 18 **B. Events Leading to the Chapter 11 Filing**

19 In 2008 Dr. Blankenship decided to leave Laguna Beach, California and move to  
20 Davis, California where his children and grandchildren live. At the time he was 74 years old.  
21 He listed and sold his residence located at 31401 Holly Drive, Laguna Beach, California to  
22 Michael Kletchko and Patrick Ruedin. Dr. Blankenship used a licensed realtor Susan Neely  
23 associated with Prudential a real estate brokerage firm. Mr. Kletchko and Mr. Ruedin sued  
24 Dr. Blankenship on a variety of tort theories regarding failures to disclose defects in Dr.  
25 Blankenship's former residence in the Superior Court for the State of California, County of  
26 Orange in 2010. A trial was held in February 2015 and a judgment in the amount of \$664,000  
27 for economic damages on theories of breach of contract, negligence, intentional  
28 misrepresentation, and concealment was entered on March 18, 2015. The jury specifically

1 found that Dr. Blankenship did not engage in the conduct with malice, oppression or fraud.  
2 The judgment was increased to include attorney's fees (\$175,000), costs (\$40,468.56) and  
3 interest (\$37,293.60) on October 30, 2015 for a total of \$916,762.16. The fees were reduced  
4 from \$312,272.27 and the costs were reduced from \$38,974.61. Mr. Kletchko and Mr.  
5 Ruedin filed an abstract of judgment against Dr. Blankenship's Davis residence on July 22,  
6 2015 within ninety days of the date the present case was filed. Dr. Blankenship is seeking the  
7 avoidance of the abstract of judgment. Kletchko and Ruedin have filed a proof of claim in  
8 this case (POC 2) on December 22, 2015 in the amount of \$1,164,436. If the claim is not  
9 reduced to the amount awarded by the Orange County Superior Court on October 30, 2015  
10 the Debtor will need to file a claim objection. *In consideration for the treatment granted*  
11 *Class 2 under this Plan, Kletchko and Ruedin have voluntarily reduced their claim to*  
12 *\$916,762.16, released the lien against the residence as well as a lien against the Indiana*  
13 *property, the parties also stipulate that the liens are being released in consideration of the*  
14 *estate's rights pursuant to 11 U.S.C. §547 and the liens are preserved for the benefit of the*  
15 *estate<sup>1</sup>, in addition to releasing their Complaint for Non-Dischargeability. Further the*  
16 *bankruptcy estate shall irrevocably assign all of the estate's legal and equitable rights and*  
17 *remedies against Prudential Realty and any other known or unknown tortfeasors relating to*  
18 *the sale of 31401 Holly Drive, Laguna Beach, California to Messrs. Kletchko and Ruedin.*

19 **C. Management Before, During, and After the Bankruptcy**

20 Dr. Blankenship intends to continue to manage his affairs during the course of this  
21 Bankruptcy Case.  
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28 <sup>1</sup> *It is anticipated that a supplemental stipulated order will be recorded at or about the time of  
Plan confirmation.*

1           **D.     Projected Recovery of Avoidable Transfers**

2           The Debtor intends to avoid the Kletchko and Ruedin lien obtained within 90 days of  
3 the filing of this case. The Debtor has recovered the transfer of the farm to Mr. Hoffmeister.  
4 *Kletchko and Ruedin have agreed to release the lien that they recorded against the Indiana*  
5 *Farm. The Indiana lien was recorded well before the present Chapter 11 case was filed and*  
6 *related to a default judgment that was set aside.*

7           **E.     Claims Objections**

8           Except to the extent that a claim is already allowed pursuant to a final non-appealable  
9 order, the Debtor reserves the right to object to claims. Therefore, even if your claim is  
10 allowed for voting purposes, you may not be entitled to a distribution if an objection to your  
11 claim is later upheld. The procedures for resolving disputed claims are set forth in Article V  
12 of the Plan. *In the event of a claim objection the deadline to object shall be the earlier of the*  
13 *hearing on a motion to close case or sixty (60) days after Plan confirmation. (Italics used in*  
14 *original Disclosure Statement.) Debtor shall assign his right to object to the claims of the*  
15 *Davis Law Firm (claims 3 and 4) and the Lieber Law Firm to Kletchko and Ruedin, including*  
16 *malpractice claims.*

17           **H.     Current and Historical Financial Conditions, Plan Feasibility**

18           The identity and fair market value of the estate’s assets are listed in Exhibit 1.

19           **I.     Liquidation Analysis**

20           The Class One secured creditor will be paid in full; the Debtor shall maintain regular  
21 monthly payments until the claim is paid in full. *The source of these payments shall not*  
22 *impact any proceeds to be paid to Kletchko and Ruedin as set forth herein.* Class two and  
23 three unsecured creditors will receive approximately 35.1 % of their allowed claims. In  
24 Chapter 7 liquidation general unsecured creditors would receive an estimated 29.8% of their  
25 allowed claims. Generally distributions to unsecured creditors take longer in Chapter 7  
26 liquidation than under the proposed Plan of Reorganization.

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28           **III.    SUMMARY OF THE PLAN OF REORGANIZATION**

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**A. What is the Purpose of the Plan of Reorganization?**

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

**B. Unclassified Claims** under 11 U.S.C. §1123(a) (1) certain types of claims are

automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor’ Chapter 11 case which are allowed under § 507(a) (2) of the Code. The Code requires that all administrative expenses be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor’ estimated administrative expenses and their proposed treatment under the Plan:

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Expenses Arising in the Ordinary Course of Business After the Petition Date	Estimated current at confirmation.	Paid in full on the Effective Date of the Plan, or according to terms of obligation if later

1			
2	Professional Fees, as approved by	Estimated to be	Paid in full upon the refinance of Debtor's
3	the Court	\$30,000 <sup>2</sup> <del>or less.</del>	residence.
4			
5	Clerk's Office Fees	Estimated none.	Paid in full on the Effective Date of the Plan
6			
7	Other administrative expenses	<del>Estimated none.</del>	Paid in full on the Effective Date of the Plan
8		\$6,151.61, 3,821.73	<i>upon allowance by noticed motion or according</i>
9			<i>to separate written agreement</i>
10			
11	Office of the U.S. Trustee Fees	Estimated current	Paid in full on the Effective Date of the Plan
12		at confirmation.	
13			
14	TOTAL	\$33,821.73	
15			

17                    2.        *Priority Tax Claim*

18                    Priority tax claims are unsecured income, employment, and other taxes described by  
19 § 507(a) (8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees  
20 otherwise, it must receive the present value of such claim, in regular installments paid over a  
21 period not exceeding 4 years from the order of relief. The Internal Revenue Service has filed  
22 a proof of claim for 2012 taxes in the estimated amount of \$4,218.19. The proof of claim  
23 alleges that no return was filed in 2012. ~~Debtor is reviewing his records to either find a copy~~  
24 ~~of the filed return or will file the return.~~ *The IRS has amended the proof of claim for 2012*  
25 *taxes to \$0.00.*

26 \_\_\_\_\_  
27 <sup>2</sup> *The Plan calls for court supervision of the sales of the Spencer, Indiana and Apnea Analysis*  
28 *property. The case will remain open until the two properties are sold. This Plan*  
*contemplates that the legal fees of the revested Debtor-in-Possession acting as Plan*  
*Administrator will be paid from the funds of the estate subject to court approval.*



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3. *Other Priority Claims.*

*Debtor used his American Express card post petition for some ordinary course expenses as well as the purchase of a computer, payment of the property taxes secured by his residence and flood insurance. He believed that he was cashing out accumulated frequent flyer points. The total of these charges are \$6,151.61.*

**C. Classes of Claims and Interests and Plan Treatment**

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

4.01 Claims and interests shall be treated as follows under this Plan:

<b>Class</b>	<b>Impairment</b>	<b>Treatment</b>
Class 1 Amerihome Mortgage Co. LLC	Unimpaired	The secured claim of Amerihome Mortgage Co. LLC is a first priority deed of trust secured by 1304 Aspen Place, Davis, CA. This is Debtor’s residence. Debtor shall continue to make monthly payments until the residence is refinanced and this claim is paid in full. It is anticipated that the refinance will occur in June 2016

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28	Class 2  Michael Kletchko and Patrick Ruedin	Impaired	<p>The secured claim of Michael Kletchko and Patrick Ruedin is second priority abstract of judgment secured by 1304 Aspen Place, Davis, CA and recorded July 22, 2015. Debtor will seek to avoid the secured claim pursuant to 11 U.S.C. §547(b) (2). To the extent allowed the unsecured claim will share pro rata with allowed Class 3 claims. Debtor estimates that the allowed unsecured claim will be \$916,762.16. Payment to Class 2 shall be made in part upon the completion of the reverse mortgage, estimated within thirty days of the Effective Date of this Plan, with the balance of the reverse mortgage proceeds twelve months after the initial payment when the loan facility of the reverse mortgage is available and upon the sale of the Indiana property <del>which estimated to</del> shall be within twelve months of the Effective Date. <i>However, this deadline may be extended for good cause show and upon noticed motion. However, only Kletchko and Ruedin are the only creditors who shall be paid upon the completion of the reverse mortgage in the first tranche with the entirety of the proceeds realized less administrative expenses.</i></p> <p><u>Further, Kletchko and Ruedin shall have the right to object to the claims of Class 3 General Unsecured Creditors filed by the Davis Law Firm and the claim scheduled as Yury Galprin Lieber Law, including malpractice claims.</u><sup>3</sup></p>
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<sup>3</sup> The pro rata distribution to Class 2 and 3 will be based on the final amount available for

<p>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22</p>	<p>Class 3 General Unsecured Claims</p>	<p>Impaired</p>	<p>The allowed general unsecured claims will be paid as follows: Payment to Class 2 shall be made in part upon the completion of the reverse mortgage, estimated within thirty days of the Effective Date of this Plan, with the balance of the reverse mortgage proceeds twelve months after the initial payment when the loan facility of the reverse mortgage is available and upon the sale of the Indiana property estimated to be within twelve months of the Effective Date. Class 3 claims will be paid pro rata with allowed Class 2 claims. <i>However, Class 3 claims will receive their pro rata share of reverse mortgage proceeds only from the second round of proceeds available approximately twelve months after the initial payments. This distribution shall be within twelve months of the Effective Date. However, this deadline may be extended for good cause show and upon noticed motion. . The pro rata distribution to Class 2 and 3 will be based on the final amount available for distribution to Classes 2 and 3. The distribution to Class 2 from the first tranche of payments available from the refinance of the residence shall be considered an advance to Class 2.</i></p>
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*distribution to Classes 2 and 3. The distribution to Class 2 from the first tranche of payments available from the refinance of the residence shall be considered an advance to Class 2.*

1 2 3 4 5 6 7 8 9	Class 4 Interest of the Debtor	Impaired  The Debtor shall retain his interest in his post-petition social security and TIAA-CREF income. He shall also retain his interest in his residence subject to the Class 1 secured claim of Amerihome Mortgage and the contemplated reverse mortgage. The property of the estate shall revert to the Debtor upon the Plan Effective Date
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## ARTICLE V

### ALLOWANCE AND DISALLOWANCE OF CLAIMS

11           5.01    Disputed Claim. A disputed claim is a claim that has not been allowed or  
12 disallowed by a final non-appealable order, and as to which either: (i) a proof of claim has  
13 been filed or deemed filed, and the Debtor or another party in interest have filed an objection;  
14 or (ii) no proof of claim has been filed, and the Debtor have scheduled such claim as disputed,  
15 contingent, or unliquidated.

16           5.02    Delay of Distribution on a Disputed Claim. No distribution will be made on  
17 account of a disputed claim unless such claim is allowed by a final non-appealable order.

18           5.03    Settlement of Disputed Claims. The Debtor will have the power and authority  
19 to settle and compromise a disputed claim with court approval and compliance with Rule  
20 9019 of the Federal Rules of Bankruptcy Procedure.

21           5.04    Disallowed Claim. Disallowed claims as contemplated by 11 U.S.C. §502(d)  
22 shall receive no distribution through this Plan.

## ARTICLE VI

### PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES

26           6.01    Assumed Executory Contracts and Unexpired Leases.

27 (a) Debtor assume the following executory contracts and/or leases effective upon Plan  
28 confirmation as may be modified under the terms of the Plan:       None.

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The Debtor will be conclusively deemed to have rejected all executory contracts and/or unexpired leases not expressly assumed under section 6.01(a) above before the date of the order confirming this Plan, or upon the Effective Date of this Plan. A proof of a claim arising from the rejection of an executory contract or unexpired lease under this section must be filed no later than thirty (30) days after the date of the order confirming this Plan.

**ARTICLE VII**

**MEANS FOR IMPLEMENTATION OF THE PLAN**

Debtor shall retain the property of the estate and obtain a reverse mortgage which will provide proceeds at least equal to what creditors would receive in a hypothetical Chapter 7 case. The distribution to Classes 2 and 3 will be in three steps. First, when the reverse mortgage is funded which is estimated to be June 2016 the Debtor shall distribute funds which are immediately available. These funds are estimated to be in the approximate amount of \$132,567. *These funds will be distributed exclusively to Kletchko and Ruedin less priority claims.* Second, twelve months later when the line of credit secured by the reverse mortgage is available a distribution in the amount of \$168, 635, and finally when the *Apnea Analysis stock which is estimated to be worth \$5,000 and the Spencer Indiana farm is sold which is projected to net \$112,500, to be realized no later than the second distribution.* The court will retain jurisdiction for approval of a sale of the Spencer Indiana farm and Apnea Associates stock. , to be realized no later than the second distribution

<b>Creditor</b>	<b>Amount</b>	<b>Payment Schedule</b>
Class 1	\$108,500(est.)	At close of refinance, full amount then owing.
Class 2	\$132,567	To be distributed in <del>July</del> <i>October</i> 2016

1	Class 2 and	\$168,635	To be distributed in <del>July</del> <i>October</i>
2	3		2017
3	Class 2 and	\$117,500	To be distributed upon the sale of
4	3		the Spencer Indiana farm and
5			Apnea Associates stock, <i>no later</i>
6			<i>than <del>July</del>-October 2017.</i>

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9 **ARTICLE VII**

10 **GENERAL PROVISIONS**

11 7.01 Definitions and Rules of Construction. The definitions and rules of

12 construction set forth in §§ 101 and 102 of the Code shall apply when terms defined or

13 construed in the Code are used in this Plan.

14 7.02 Effective Date of Plan. The Effective Date of this Plan is the fourteenth

15 business day following the date of the entry of the order of confirmation. But if a stay of the

16 confirmation order is in effect on that date, the Effective Date will be the first business day

17 after that date on which no stay of the confirmation order is in effect, provided that the

18 confirmation order has not been vacated.

19 7.03 Severability. If any provision in this Plan is determined to be unenforceable,

20 the determination will in no way limit or affect the enforceability and operative effect of any

21 other provision of this Plan.

22 7.04 Binding Effect. The rights and obligations of any entity named or referred to

23 in this Plan will be binding upon and will inure to the benefit of the successors or assigns of

24 such entity.

25 7.05 Captions. The headings contained in this Plan are for convenience of reference

26 only and do not affect the meaning or interpretation of this Plan.

27 7.06 Controlling Effect. Unless a rule of law or procedure is supplied by federal

28 law (including the Code or the Federal Rules of Bankruptcy Procedure), the laws of the State

1 of California govern this Plan and any agreements, documents, and instruments executed in  
2 connection with this Plan, except as otherwise provided in this Plan.

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4 **ARTICLE VIII**

5 **DISCHARGE**

6 8.01. Discharge. Upon completion of payments contemplated by this Plan, the  
7 Debtor shall be discharged from any debt that arose before confirmation of the Plan, to the  
8 extent specified in § 1141(d)(5)(A) of the Code, except that the Debtor shall not be discharged  
9 of any debt (i) imposed by the Plan, (ii) of a kind specified in § 1141(d)(6)(A) if a timely  
10 complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy  
11 Procedure, or (iii) of a kind specified in § 1141(d)(6)(B). After the Effective Date of the Plan  
12 your claims against the Debtor will be limited to the debts described in clauses (i) through (iii)  
13 of the preceding sentence.

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Dated: ~~May 31~~ July 21, 2016 Respectfully submitted,

By: /s/ Willard J. Blankenship  
Willard J. Blankenship  
Plan Proponent

By: /s/ Stephen M. Reynolds  
Stephen M. Reynolds  
Attorney for Willard J. Blankenship

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**Exhibit 1- Risk Factors**

The success of the proposed Plan depends on successful closing of the reverse mortgage secured by Debtor’s residence at the values described and with the payouts proposed. A secondary risk is the value that the estate will be able to obtain from the liquidation of the Spenser Indiana property and Apnea Analysis stock is less than estimated. This risk is common to both proposed Plan of Reorganization and liquidation by a Chapter 7 Trustee. The value to be recovered and the time it will take to successfully market and sell the property are unknown. The Debtor understands that the property had been on the market for four years before he purchased it. The Court will retain jurisdiction to approve any proposed sale.



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

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3 Personal Property (values per schedules, except Spencer Indiana property and Apnea Analysis  
4 Center that paid a higher dividend than expected post-petition):

Description	Liquidation Value	Exemption Claimed	Secured Claim	Net Proceeds
Residence,	\$561,200 <sup>4</sup>	175,000	108,500	\$277,700
Spencer Indiana Property	112,500 <sup>5</sup>	\$0.00	\$0.00	\$112,500
Cash Travis FCU account	\$1,500	\$1,500	\$0.00	\$0.00
Household goods, including Piano and collectibles, clothing, jewelry, etc...	\$11,590	\$11,590	\$0.00	\$0.00
1986 Volvo	\$750.00	\$750.00	0.00	\$0.00
Apnea Analysis Center, Inc.	\$5,000.00	\$0.00	\$0.00	\$5,000.00

Net Proceeds of Real Property and Personal Property	\$395,200
Recovery from Preferences / Fraudulent Conveyances	[ADD] \$0.00
Chapter 7 Administrative Claims	SUBTRACT \$0.00
Chapter 11 Administrative Claims	SUBTRACT \$25,000

27 <sup>4</sup> \$610,000 scheduled value less 8% cost of sale.

28 <sup>5</sup> Estimated net proceeds less costs of sale.

1	Priority Claims (debtor does not foresee significant capital	SUBTRACT	\$4,218
2	gains tax liability from the projected sale of the California or		
3	Indiana properties)		
4	Chapter 7 Trustee Fees	SUBTRACT	\$30,875
5	Chapter 7 Trustee's Professionals	SUBTRACT	\$20,000
6			
7	NET FUNDS AVAILABLE FOR DISTRIBUTION TO UNSECURED		\$315,107
8	CREDITORS		

9			
10	Estimated Amount of Unsecured Claims (Classes 2 and 3)		\$1,056,183.23
11	Percent Distribution to Unsecured Creditors (Classes 2 and 3) Under Proposed		35.1%
12	Plan		
13			
14	Percent Distribution to Unsecured Creditors Under Liquidation Analysis		29.8%

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**Exhibit 3 – Projected Plan Payments**

	Amount	Amount
A. Projected Total Cash from Reverse Mortgage		\$384,702
B. Cash from Sale of Spencer County Property		\$112,500
C. Cash from Sale of Apnea Analysis Center, Inc.		\$5,000
<b>TOTAL CASH TO ESTATE</b>		<b>\$512,202</b>
Administrative Expense Claims	\$ 25,000	
Priority Claims	\$4,218	
Secured Class 1	\$108,500	
Class 2 and 3	\$370,984	
U.S. Trustee Fees	3500	
Percentage Paid to Classes 2 and 3	35.1%	
<b>C. Total Claims Paid</b>		<b>\$512,202</b>