

**IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
Norfolk Division**

IN RE:

Case No. 15-73678-SCS

Chapter 11

John Bianco,

Debtor-in-Possession.

SECOND DISCLOSURE STATEMENT

July 27, 2016

Karen M. Crowley, VSB No. 35881
Olga Antle, VSB No. 83153
Crowley, Liberatore, Ryan & Brogan, P.C.
150 Boush Street, Suite 300
Norfolk, Virginia 23510
Telephone: (757) 333-4500
Facsimile: (757) 333-4501
Counsel for John Bianco

I. INTRODUCTION

The Debtor, John Bianco, prepared the Second Disclosure Statement (“Disclosure Statement”) to provide creditors and parties in interest with adequate information about the Debtor and his proposed Second Plan of Reorganization (the “Plan”) filed on July 27, 2016. A copy of the Plan is enclosed with the Disclosure Statement as Exhibit A.

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. **Unless otherwise defined herein, terms used in this Disclosure Statement have the meanings defined in the Plan.** Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

The Debtor provides this Disclosure Statement to all creditors and parties in interest in order to disclose the information deemed by the Debtor to be necessary for creditors to arrive at a reasonably informed decision in exercising their right to vote for acceptance or rejection of the Plan accompanying this Disclosure Statement. The information is based on the records maintained by the Debtor, and no representation or warranty is made as to its complete accuracy.

NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY AS TO HIS FUTURE INCOME, THE VALUE OF HIS PROPERTY OR THE AMOUNT TO BE DISTRIBUTED UNDER THE PLAN, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT, ARE AUTHORIZED BY THE DEBTOR. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND ANY SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR OR THE UNITED STATES TRUSTEE.

THE INFORMATION IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO AUDIT. IT IS BASED ON RECORDS KEPT BY THE DEBTOR PRIOR TO FILING FOR BANKRUPTCY AND DURING THE PERIOD OF ADMINISTRATION. EVERY REASONABLE EFFORT HAS BEEN MADE TO PRESENT ACCURATE FIGURES. HOWEVER, A CERTIFIED AUDIT OF THE DEBTOR’S FINANCIAL RECORDS HAS NOT BEEN PERFORMED AND ALL CREDITORS PROCEED AT THEIR OWN RISK.

For the Plan to be confirmed, creditors having voting rights who hold at least two-thirds in amount and more than one-half in number of the claims in each class must vote in favor of the Plan. If a creditor does not vote, i.e. does not return a fully completed ballot within the specified time to the correct addressee, neither the creditor nor the amount of its claim is counted to determine acceptance or rejection of the Plan. If you are entitled to vote

and do not, the ballots will be tallied as though you do not exist. The Court can confirm the Plan even if the requisite acceptances are not obtained, so long as the Plan complies with the Code and accords fair and equitable treatment to any non-accepting class.

Creditors entitled to vote are furnished a ballot on which to record their respective acceptances or rejections of the Plan. Those completed ballots must be returned to counsel for the Debtor, who will tally the votes and report the results to the Court at the hearing on Confirmation of the Plan.

The Debtor does not warrant that the financial data in this Disclosure Statement is error-free, but he has been careful to see that all financial information is fairly and accurately presented. To the best of his knowledge and belief, the Debtor believes the financial information in the Disclosure Statement is accurate.

If the Court does not confirm the Plan, the Debtor may amend the Plan or file a different plan. Additionally, on motion of a party in interest, and after notice and a hearing, the Court may convert the Case to a Chapter 7 proceeding. The Debtor has the absolute right to convert this Case to Chapter 7 pursuant to Bankruptcy Code §1112(a).

II. SUMMARY OF THE PLAN

The foregoing is a brief summary of the Plan and should not be relied on for purposes of voting on the Plan. You are urged to read the entire Plan and to consult with counsel in order to fully understand your rights under the Plan. To the extent there is a conflict between this Disclosure Statement and the Plan, the Plan controls. If confirmed, the Plan represents a legally binding agreement between the Debtor and each of his creditors, regardless of whether every creditor votes in favor of the Plan.

The Plan provides for eight classes of Secured Claims and one class of Unsecured Claims. Creditors placed in Classes 1, 3-8, holding Allowed Claims secured by the Real Properties, will receive monthly cash payments based on the value of each Secured Creditor's interest in the respective Real Property. The Allowed Secured Claim of Nationstar, secured by the second priority deed of trust on the Residence, placed in Class 2, shall be \$0.00 on Confirmation, as the balance owed on the senior secured claim exceeds the value of the underlying collateral (unless otherwise determined by the Court at or before the Confirmation Hearing pursuant to FRBP 3012, 11 U.S.C. §§ 506 and 1129(b)(2)(A)). The Allowed Deficiency Class 2 Claim of Nationstar, as well as that of Ocwen in Class 4 will be added to the general Unsecured Claims of Class 9. The holders of Allowed Secured Claims shall release their liens upon satisfaction of their respective Claims in accordance with the Plan and the Bankruptcy Code.

The Debtor will make all payments under the Plan from post-confirmation rental income, the Debtor's wages, cash accumulated during the Case, as well as funds securing the USAA FSB secured credit card, which USAA agreed to return to the Debtor upon Confirmation of the Plan.

All Creditors should refer closely to Articles IV and V of the Plan for information regarding the precise treatment of their claims. This Disclosure Statement, which provides more detailed information regarding the Plan, is being circulated with the Plan.

Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one.)

III. BACKGROUND

Mr. Bianco is a Division Chief for the City of Virginia Beach Emergency Medical Services. In addition to his employment with the City, Mr. Bianco serves as an adjunct faculty at Tidewater Community College, teaching public safety, education, health care and leadership programs. He resides in Virginia Beach with his girlfriend and their two children.

In or around 2005, as an additional source of revenue, Mr. Bianco purchased and began managing several single-family residential real estate properties. However, due to the declining real estate market and overall economic recession in 2008, revenues from the Rental Properties significantly declined, making it difficult for Mr. Bianco to cover mortgage payments and costs of maintaining these properties. All efforts to refinance loan obligations to secured creditors were unsuccessful, while deferred maintenance on the properties, extended vacancies and various other financial commitments to family members escalated Mr. Bianco's financial troubles.

After weighing his options inside and outside of bankruptcy, Mr. Bianco decided to seek bankruptcy relief. Through the Chapter 11 process, Mr. Bianco hopes to reamortize his real estate debt, cure the arrearage on his Residence, and provide recovery to unsecured creditors through his Plan. Mr. Bianco has reliable tenants in each of the Rental Properties and professional management to help maintain and advertise the Properties, and feels reasonably secure that the income from the Rental Properties will remain steady during the life of the Plan. In addition, Mr. Bianco projects a slight increase of his salary with the City during the life of the Plan. Further, Mr. Bianco's girlfriend, who recently graduated as a physician's assistant, is actively searching for employment, and is expected to contribute to the payment of household expenses.

IV. FINANCIAL INFORMATION

A. Assets.

The Residence: Mr. Bianco resides at 2369 Scotchtown Drive, Virginia Beach, VA. Table below reflects the date this property was acquired, the principal balances of the first and second mortgages on this property, the property value, equity, as well as the anticipated monthly Plan payment and interest rate in the Plan:

Residence Address	Date Acquired	First Mortgage Principal Balance	Second Mortgage Principal Balance	Value of Property (per Appraisal dated 07/06/15)	Equity	Anticipated Monthly Plan Payments	Interest Rate in Plan
2369 Scotchtown Drive, Virginia Beach, VA	2005	\$302,801.84	\$76,684.74	\$257,000	\$0.00	A. First Mortgage: (1) \$1,692.61 (Regular Monthly Payment); (2) \$128 (Arrearage Payments); C. Second Mortgage: \$0.00 (stripped on Confirmation).	Pursuant to Loan Documents

The Rental Properties: The following is a list of the Rental Properties in which Mr. Bianco maintains ownership interest as of the Filing Date, including the address of each property, date the property was acquired, the principal balances of the first and second mortgages, the value of each property, the monthly rental rate received from each tenant, the anticipated monthly Plan payment, and interest rate in the Plan:

Rental Property Address	Date Acquired	First Mortgage Principal Balance	Second Mortgage Principal Balance	Value of Property	Monthly Rental Rate	Anticipated Monthly Plan Payments	Interest Rate in Plan
1408 Dermott Avenue, Virginia Beach, VA	2005	\$202,049.28	\$36,012.46	\$242,000	\$ 1,595.00	A. First Mortgage: \$1,044.83; B. Second Mortgage: \$181.35	WSJ Prime + 1% (adjusted per Plan)
2316 Woodbeach Landing, Virginia Beach, VA	2005	\$221,611.23	None	\$278,000	\$ 1,625.00	Mortgage: (1) \$1,086.68 (Effective date through 01/01/2020); (2) \$1,211.07 (02/01/2020 through 01/01/2021); (3) \$1,242.34 (02/01/2021 through 08/01/2035 ("Maturity Date")), with balloon payment of remaining balance due on Maturity Date	(1) 4% (Effective date through 01/01/2020); (2) \$1,211.07 (02/01/2020 through 01/01/2021); (3) \$1,242.34 (02/02/2021 through 08/01/2035)
2365 Scotchtown Drive, Virginia Beach, VA	2004	\$187,871.55	\$24,755.19	\$230,000	\$ 1,800.00	A. First Mortgage: \$978.52; B. Second Mortgage: \$123.07	WSJ Prime + 1% (adjusted per Plan)
2459 Pleasurehouse Road, Virginia Beach, VA	2005	\$173,744.28	None	\$224,800	\$ 1,295.00	Mortgage: \$1,028.06	WSJ Prime + 1% (adjusted per Plan)

Other Property: The Debtor owns miscellaneous household goods and personal property as reflected on his schedules. The aggregate value of the Debtor’s interests in the personal property is approximately \$115,000.

Cash on Hand at Confirmation: The Debtor anticipates that at the time of Confirmation, he will have accumulated cash on hand in the estimated amount of \$50,000. Subject to approval of the Court, this cash reserve shall be used for (1) the payment of the Allowed Priority Tax Claim of the City of Virginia Beach Treasurer; (2) the lump sum payment of \$10,000 to Unsecured and Deficiency Claims of Creditors of Class 9; (3) to supplement the monthly Plan payments; and (4) for payment of the Debtor’s administrative expenses as a lump sum payment at Confirmation.

B. Executory Contracts.

Leases: On the Filing Date, the Debtor was a party to various leases relating to the Rental Properties as reflected in the table below:

Property Address	Listing Broker/Agent	Initial Lease Term	Automatic Renewal	Lease Term on Filing Date	Monthly Rent on Filing Date
1408 Dermott Avenue, Virginia Beach, VA 23455	Rose & Womble Realty Company, LLC	07/14/15-07/31/16	Yes	07/14/15-07/31/16	\$1,395
2365 Scotchtown Drive, Virginia Beach, VA 23454	Rose & Womble Realty Company, LLC	08/01/15-08/31/16	Yes	08/01/15-08/31/16	\$1,800
2316 Woodbeach Landing, Virginia Beach, VA 23451	Bayview Realty	09/01/14-08/31/15	Yes	09/30/15-09/30/16	\$1,625
2459 Pleasure House Road, Virginia Beach, VA 23455	Bayview Realty	08/08/14-08/31/15	Yes	09/30/15-09/30/16	\$1,295

All pre-petition leases that expired by their terms prior to Confirmation or were terminated in the ordinary course of business during the pendency of the Case are rejected. All other unexpired leases are assumed pursuant to 11 U.S.C. §§ 365 and 1123(b).

Property Management Agreements: On the Filing Date, the Debtor was a party to several property management agreements relating to the Rental Properties as reflected in the table below:

Property Address	Property Management Company	Agreement Term
1408 Dermott Avenue, Virginia Beach, VA 23455	Rose & Womble Property Management	05/2011 – until 90-day cancellation notice received from either party to the Agreement
2365 Scotchtown Drive, Virginia Beach, VA 23454	Rose & Womble Property Management	11/2012 - until 90-day cancellation notice received from either party to the Agreement
2316 Woodbeach Landing, Virginia Beach, VA 23451	Bayview Realty	09/2012 - until 90-day cancellation notice received from either party to the Agreement
2459 Pleasure House Road, Virginia Beach, VA 23455	Bayview Realty	09/2012 - until 90-day cancellation notice received from either party to the Agreement

Pursuant to 11 U.S.C. §§ 365 and 1123(b), the property management agreements with Bayview Realty are assumed under the Plan and the property management agreements with Rose & Womble Realty, LLC are rejected.

Other Executory Contracts: On the Filing Date, the Debtor was a party to other executory contracts, as follows:

Parties to Contract	Contract Type	Contract Term
Cool Breeze Air Tech and John Bianco	HVAC Maintenance Agreement for Residence and Rental Properties	06/2013 – renewed automatically
Priority Pest Services, LLC and John Bianco	Subterranean termite control plan for Residence and Rental Properties (with exception of 2459 Pleasurehouse Road Property)	12/2013 – renewed automatically
Priority Pest Services, LLC and John Bianco	Wood infesting organisms Service Plan for 1408 Dermott Avenue Property	12/2013 – renewed automatically

Executory contracts listed in the table above are assumed pursuant to 11 U.S.C. §§ 365 and 1123(b).

C. Claims:

1. Secured Claims.

On the Filing Date, the Debtor's Real Properties were subject to liens of Deeds of Trust in favor of various lenders as listed below and in the Debtor's Plan. All Secured Claims of the Debtor were placed in classes 1 through 8 and will be treated in accordance with the Plan. The bar date for filing proofs of claim has expired. The bar date for filing claims for non-governmental units was 03/01/2016 and for governmental units was 04/25/2016. A copy of the Court's Claims Register that identifies all proofs of claim filed in this case is attached as Exhibit B.

a. Residence – 2369 Scotchtown Drive, Virginia Beach, VA 23454

This property was acquired by the Debtor in 2005 and is his residence. Prior to the Filing Date, the Debtor obtained an appraisal on the Residence, which valued the Residence at \$257,000. Nationstar Mortgage, LLC ("Nationstar") is a holder of a promissory note secured by the first priority deed of trust on the Residence. The principal balance of this Claim is \$302,801.84. The Allowed Claim of Nationstar was defined in the Plan and placed in Class 1. This Allowed Claim shall be treated according to the provisions of the Plan.

Nationstar is also a holder of a promissory note secured by a second priority deed of trust on the Residence. Since the sum of all amounts outstanding and due on the Allowed Claim of Class 1 exceeds the value of the Residence, the Claim of Nationstar secured by the second priority deed of trust is completely unsecured and shall be valued at \$0.00 on Confirmation, unless the Court determines otherwise at or before the Confirmation Hearing pursuant to FRBP 3012, 11 U.S.C. §§ 506 and 1129(b)(2)(A). The Confirmation Order shall contain language releasing the lien of Nationstar and shall be recorded, upon Confirmation, in the real estate records for the City of Virginia Beach. The unsecured Claim of Nationstar shall be treated as a general Unsecured Class 9 Claim in accordance with the Plan.

b. Rental Property – 1408 Dermott Avenue, Virginia Beach, VA 23455

This property was acquired by the Debtor in 2005 as one of his investment properties. The appraised value of this property is \$242,000.

Nationstar holds a promissory note secured by the first priority deed of trust on this property. Nationstar's Claim shall be Allowed in the sum of all amounts outstanding and due on this promissory note on the Effective Date, including any unpaid principal, accrued interest, and all other applicable fees, costs and charges ("Allowed Claim"). This Claim is placed in Class 3 and shall be treated in accordance with the Plan.

Ocwen Loan Servicing, LLC holds a promissory note secured by the second priority deed of trust on this property. Given the value of the Dermott Avenue Property and the amount of the Allowed Secured Claim of the senior lien holder, Class 4 claim of Ocwen is secured up to \$35,790.59 and unsecured in the estimated amount of \$221.87. Class 4 claim shall be Allowed in the amount of \$35,790.59 on Confirmation (unless, otherwise determined by the Court at or before the Confirmation Hearing pursuant to FRBP 3012, 11 U.S.C. §§ 506 and 1129(b)(2)(A)). The Allowed Deficiency Claim of Ocwen Loan Servicing, LLC shall be treated as a general unsecured Class 9 Claim.

c. Rental Property – 2316 Woodbeach Landing, Virginia Beach, VA 23451

The Debtor acquired this property in 2005 as another investment property. Pursuant to the appraisal of Robert J. Bell, a real estate appraiser employed by the Debtor after the Filing Date (Order Authorizing Employment of Robert J. Bell – Docket No. 52) the value of the property is \$278,000.

U.S. Bank National Association is a holder of a promissory note secured by a lien of a deed of trust on this property. The Claim of U.S. Bank National Association shall be Allowed in the sum of all amounts outstanding and due on this promissory note on the Effective Date, including any unpaid principal, accrued interest, and all other applicable fees, costs and charges (“Allowed Claim”). This Claim is placed in Class 5 and shall be treated in accordance with the Plan.

d. Rental Property – 2365 Scotchtown Drive, Virginia Beach, VA 23454

This property was purchased by the Debtor in 2004. The tax assessed value of the property is \$298,900; however, the Debtor values this property at \$230,000. The Debtor’s Residence is next door, has more square footage, improvements, and was appraised for \$257,000. The heating system in this property needs replacement, as do the tile floors, which were installed improperly over vinyl floor. Additionally, the deck has some structural issues and needs to be replaced.

Ditech Financial, LLC is the holder of the promissory note secured by the first priority deed of trust on this property. Ditech’s Claim shall be Allowed in the sum of all amounts outstanding and due on this promissory note on the Effective Date, including any unpaid principal, accrued interest, and all other applicable fees, costs and charges (“Allowed Claim”). This Claim is placed in Class 6 and shall be treated in accordance with the Plan.

United Guaranty Residential Ins. Co. of NC is the holder of a promissory note secured by a second priority deed of trust on this property. The Claim of United shall be Allowed in the sum of all amounts outstanding and due on this promissory note on the Effective Date, including any unpaid principal, accrued interest, and all other applicable fees, costs and charges (“Allowed Claim”). This Claim is placed in Class 7 and shall be treated in accordance with the Plan.

e. Rental Property – 2459 Pleasurehouse Road, Virginia Beach, VA 23455

This property was acquired by the Debtor in 2005 along with other investment properties. The Debtor believes the value of the property approximates the tax assessed value, which is currently \$224,800. The property needs a replacement of the carpets and flooring, updated kitchen and baths. HVAC will have to be replaced in the next three years, while windows and roof will have to be replaced in the next seven years.

The Bank of New York Mellon is the holder of a promissory note secured by a lien of a deed of trust on this property. The Bank's Claim shall be Allowed in the sum of all amounts outstanding and due on this promissory note on the Effective Date, including any unpaid principal, accrued interest, and all other applicable fees, costs and charges ("Allowed Claim"). This Claim is placed in Class 8 and shall be treated in accordance with the Plan.

2. Administrative Claims.

a. Professional Fees: Any professional employed pursuant to 11 U.S.C. § 327, shall receive payment for unpaid fees and expenses when an Order by the Court approving such professional's compensation is entered. Each professional shall file an application seeking approval of professional fees through Confirmation. Following Confirmation until the case is closed, unless otherwise provided in the Plan or by order of the court, Mr. Bianco shall pay such professional its necessary and reasonable fees within 30 days of receipt of any billing statement.

i. **CLRB:** Depending on the extent of creditors' objections to the Plan and other litigation, the Debtor estimates that the invoice for unpaid post-petition professional fees will be in the approximate amount of \$15,000. The Court has previously approved CLRB's professional fees in the amount of \$8,707 ("Approved Fees") by Order entered on April 18, 2016 (Docket No. 71). The Debtor paid \$4,000 of the Approved Fees from his DIP Operating Account and \$989.50 from the pre-petition retainer received by CLRB. The above-referenced transactions were reflected in CLRB's Second Disclosure of Compensation filed with the Court on May 25, 2016 (Docket No. 77). Subject to the approval of this Court, the balance of CLRB's fees at Confirmation shall be paid as a lump sum payment from the accumulated cash reserves of the Debtor.

b. Real Estate Taxes: Real estate taxes will accrue on the Rental Properties during the course of the Case and will be paid in the ordinary course.

c. U.S. Trustee's Fees: The Debtor will continue to timely pay quarterly fees to the Office of the United States Trustee until the case is closed, dismissed, or converted to another chapter of the Bankruptcy Code, whichever occurs first.

d. Post-petition operating expenses: The Debtor is paying all post-petition costs and expenses for the maintenance of the Rental Properties, as well as insurance and

real estate tax obligations for each of the Real Properties in the ordinary course.

3. Priority Claims.

On the Filing Date, the Virginia Beach City Treasurer maintained a Priority Claim, which shall be paid in full in accordance with the provisions of the Plan.

4. Unsecured Claims.

The Debtor listed certain claims on his Schedules as Unsecured. The Allowed Deficiency Claims of Classes 2 and 4 were also added to Class 9. The list of all claimants included in Class 9 and the estimated amounts of their Unsecured/Deficiency Claims is summarized in the table below. The amounts paid to members of Class 9 will be distributed pro rata among the members of this Class in accordance with the Plan.

<i>Unsecured/Undersecured Claimant</i>	<i>Claim Amount</i>
Chase (Acct. No. xxxx 2901)	\$ 9,681.45
Chase (Acct. No. xxxx 0499)	\$ 20,326.94
National Penn Bank	\$ 26,495.72
Exterior Source	\$ 2,565.00
Nationstar Mortgage, LLC (est. undersecured Claim of Class 2)	\$ 76,684.74
Ocwen Loan Servicing, LLC (est. undersecured Claim of Class 4)	\$ 221.87
Total:	\$135,975.72

D. Hypothetical Liquidation Analysis:

Bankruptcy Code § 1129(a)(7)(A)(ii) requires that holders of Impaired claims that do not vote in favor of the Plan receive property under the Plan that at least equals the amount the holders would receive if the Debtor was liquidated in a Chapter 7 Bankruptcy on the Effective Date.

In a hypothetical Chapter 7, a Chapter 7 Trustee would be appointed to administer the assets of the Estate. Under applicable non-bankruptcy state law, the Chapter 7 Trustee can administer Joint Assets only for the benefit of Joint Creditors. Property that belongs solely to the Debtor (“Individual Assets”) is available to both Joint Creditors and Individual Creditors.

In a Chapter 7, the Chapter 7 Trustee would first reduce the property of the estate to money (the “Proceeds”). The Trustee would then pay the Proceeds in the order outlined below. If the Proceeds were insufficient to satisfy each category of claims, the Proceeds would be shared pro rata by the claimants in that category:

1. The costs of preserving and liquidating the assets;
2. Allowed claims secured by the property that was sold, including principal and accrued interest when the value of the collateral exceeds the amount of the Secured Claim. To the extent that a Secured creditor is not paid in full from the sale of its collateral, the balance of the claim would be an Unsecured Claim (“Deficiency Claims”);
3. The costs and expenses of the Chapter 7 Proceeding. These costs and expenses may include:
 - a. Paying professionals to file contested matters with the Court, to obtain required approvals, to prepare and file income tax returns, to make reports to governmental agencies and to perform other acts for which their employment has been approved;
 - b. Paying tax liabilities incurred by the estate (based on the Debtor’s income level, a tax rate of 25% (federal and state) is estimated for gains on the sale of real estate and the insurance policies); and
 - c. Paying the expenses and fees of the Chapter 7 Trustee;
4. Unpaid expenses incurred by the Debtor during the Chapter 11 case, including:
 - a. Paying professionals to file contested matters with the Court, to obtain required approvals, to prepare and file income tax returns, to make reports to governmental agencies and to perform other acts for which their employment has been approved;
 - b. Paying tax liabilities incurred by the estate; and
 - c. Compensation for the Court-approved fees of attorneys and other professionals;
5. Priority Claims; and
6. Unsecured Claims (Allowed Joint Unsecured Claims and Allowed Individual Unsecured Claims), including rejection of the Debtor’s unexpired leases of residential real property and Deficiency Claims.

Attached as Exhibit C is the liquidation analysis for the Debtor’s property, which would be administered in a Chapter 7 bankruptcy using various assumptions as indicated in the analysis.

The net liquidation value of the Real Properties is estimated at \$899,760. From this amount, the senior liens of the holders of the deeds of trust on the Real Properties, estimated at approximately \$1,279,090.87, would be paid first. Since the liquidation of each Real Property would result in a deficiency that would be added to the claims of unsecured creditors, there would be no funds to distribute to the Debtor’s unsecured creditors.

The net liquidation value of the Debtor’s Personal Property is estimated at \$15,984.15. From this sum, a Chapter 7 Trustee’s Compensation, estimated at \$2,348.42, would be paid first. The remaining amount of \$13,635.74 would be available for distribution to pay for the Debtor’s administrative expenses. No money would be available to priority unsecured creditors and general unsecured creditors.

In contrast, under the Plan, the Debtor proposes to pay the Priority Unsecured Claims in full (100%) and pay the General Unsecured Claims over twenty-two percent (22%) of their claims. Accordingly, the Debtor believes that the Plan provides a return to Creditors far greater than they would receive if the Estate were liquidated under Chapter 7 of the Bankruptcy Code.

V. TAX CONSEQUENCES OF THE PLAN

ALL CREDITORS AND PARTIES IN INTEREST ARE URGED TO CONSULT WITH THEIR TAX ADVISORS TO ASCERTAIN THE PLAN'S CONSEQUENCES UNDER APPLICABLE FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS PECULIAR TO YOU.

VI. CONFIRMATION PROCEDURES

A. Confirmation Hearing. The Code requires the Bankruptcy Court, after notice, to hold a hearing to determine whether a plan of reorganization should be confirmed. A hearing on Confirmation of the Plan will be scheduled and notice will be circulated in accordance with the Code and Rules. The hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the hearing.

B. Objections to Confirmation. All objections to confirmation of the Plan will be heard at the Confirmation Hearing. Any objection to confirmation of the Plan must be made in writing, filed with the Bankruptcy Court and served on the following parties within five business days before the hearing on Confirmation:

Karen M. Crowley
Olga Antle
Crowley, Liberatore, Ryan & Brogan, P.C.
150 Boush Street, Suite 300
Norfolk, VA 23508

Office of the United States Trustee
Federal Building, Room 625
200 Granby Street
Norfolk, VA 23510-1814

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY FILED AND SERVED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

C. Requirements for Confirmation of the Plan.

1. Statutory Requirements. At the confirmation hearing, the Bankruptcy Court must determine whether the Plan meets the requirements for confirmation set forth in Section 1129(a) of the Code.

2. Feasibility. The Court must find that Confirmation of the Plan is not likely to be followed by liquidation, or need for further financial reorganization of the Debtor. Attached to the Disclosure Statement as Exhibit D is a five-year budget projection, which reflects how the Debtor intends to make payments during the life of the Plan. The Debtor anticipates that his household expenditures post-Confirmation should be comparable to those incurred during the pendency of the Case, as reported on his monthly operating reports filed with the Court. A summary of the Debtor's operating report reflecting his monthly income and expenditures is attached as Exhibit E.

3. Acceptance of the Plan. The Code defines acceptance of a plan by a class of claims as acceptance by holders of at least two-thirds in dollar amount and a majority in number of claims in that class that actually cast ballots for acceptance or rejection of the plan. Only the classes of claims that are Impaired under a plan are entitled to accept or reject the plan. Acceptance by a class of equity interest holders is defined as acceptance by holders of interests with at least two-thirds in dollar amount, counting only those holders of interests whose holders cast ballots.

4. Non-Acceptance and "Cram Down". Even if a class of Impaired claims or interests does not accept the Plan, the Debtor has a right to request that the Plan be confirmed pursuant to § 1129(b) of the Code, the "Cram Down" provision. As long as one Impaired class votes in favor of the Plan, the Bankruptcy Court may confirm the Plan if the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each rejecting class. A plan "does not discriminate unfairly" within the meaning of the Code if no class receives more than it is legally entitled to receive for its claims and interests. "Fair and equitable" has different meanings with respect to the treatment of Secured and Unsecured claims as well as the treatment of Equity. In general, § 1129(b) of the Code establishes that the treatment of classes of claims and interests is fair and equitable as long as all junior classes are treated in accordance with the "absolute priority" rule which requires that each dissenting class be paid in full before a junior class receive anything under the Plan. The Fourth Circuit Court of Appeals has ruled that the "absolute priority" rule applies to individual debtors in Chapter 11 bankruptcy cases.

VII. VOTING PROCEDURES AND REQUIREMENTS

A. Confirmation through Voting. As stated above, the Bankruptcy Court will confirm the Plan only if the requirements of Code § 1129 are satisfied. One of the requirements is that either:

- (a) each class of Impaired claims has voted to accept the Plan; or

(b) if at least one class of Impaired claims has voted to accept the Plan, the Plan does not discriminate unfairly and is fair and equitable to the non-accepting classes.

B. Ballots. Creditors entitled to vote will receive Ballots on which to record their acceptances or rejections of the Plan. You must complete your Ballot and return it to counsel for the Debtor who will tally the votes and report the results to the Bankruptcy Court at the hearing on confirmation of the Plan. Please complete the Ballot sent to you with this Disclosure Statement, sign the original and return it to counsel for the Debtor.

C. Effect of Failure to Vote. If a creditor or holder of an interest does not return a fully completed Ballot within the specified time to the Debtor's attorneys, neither the creditor nor the amount of its claim or the amount of the interest holder is counted to determine acceptance or rejection of the Plan. If you are entitled to vote and do not, the Ballots will be tallied as though you do not exist.

VIII. CONCLUSION

Mr. Bianco believes that the Plan is in the best interest of all creditors of the Estate and urges holders of Impaired claims to vote to accept the Plan and to return their ballots with all due speed.

Respectfully submitted,

/s/ John Bianco

John Bianco

/s/ Olga Antle

Karen M. Crowley, VSB No. 35881
Olga Antle, VSB No. 83153
Crowley, Liberatore, Ryan & Brogan, P.C.
Town Point Center, Suite 300
150 Boush Street
Norfolk, Virginia 23510
Telephone: (757) 333-4500
Facsimile: (757) 333-4501
Counsel for John Bianco