

UNITED STATES BANKRUPTCY COURT  
MIDDLE DISTRICT OF FLORIDA  
JACKSONVILLE DIVISION

In re:

LYDIA CLADEK, INC.,

Case No. 3:10-bk-02805-PMG

Debtor.

(Consolidated by Prior Court Order with Case  
No. 10-bk-02800-PMG)

**NOTICE OF FILING SUPPLEMENT TO AMENDED PLAN OF LIQUIDATION OF  
MICHAEL PHELAN, AS CHAPTER 11 TRUSTEE OF LYDIA CLADEK, INC.**

Michael Phelan, Chapter 11 Trustee of the bankruptcy estate of Lydia Cladek, Inc., by and through his undersigned counsel, hereby files the attached supplement to the Amended Plan of Liquidation of Michael Phelan, as Chapter 11 Trustee of Lydia Cladek, Inc. (Docket No. 361).

Dated: January 24, 2011.

AKERMAN SENTERFITT

By: /s/ Steven R. Wirth

Jacob A. Brown  
Florida Bar Number: 0170038  
Email: jacob.brown@akerman.com  
Steven R. Wirth  
Florida Bar Number: 170380  
Email: steven.wirth@akerman.com  
50 North Laura St., Suite 3100  
Jacksonville, FL 32202  
Telephone: (904) 798-3700  
Facsimile: (904) 798-3730

Attorneys for the Chapter 11 Trustee

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished on January 24, 2011, to all parties who have consented to receive electronic notifications in this case and by electronic or U.S. mail to all parties on the attached Amended Official Service.

/s/ Steven R. Wirth  
Attorney

Lydia Cladek, Inc.  
Case No.: 3:10-bk-2805-PMG  
**AMENDED OFFICIAL SERVICE LIST**  
**(amended as of January 20, 2011)**

Michael Phelan  
Chapter 11 Trustee  
3613 North 29th Ave.  
Hollywood, FL 33020

Jacob A. Brown, Esq.  
Akerman Senterfitt  
50 North Laura Street, Suite 3100  
Jacksonville, FL 32202

Lydia Cladek, Inc.  
108 Seagrove Main Street  
St. Augustine, FL 32080

Lawrence Lilly, Esq.  
336 Redwing Lane  
St. Augustine, FL 32080-7979

Maurice C. Grant, II, Esq.  
200 West Forsyth Street  
Room 1240  
Jacksonville, FL 32202

Lydia I. Cladek  
415 Lazy Way, Apt. 1  
Fort Myers Beach, FL 33931

Elena L. Escamilla, Esq.  
United States Trustee  
135 W. Central Blvd., Suite 620  
Orlando, FL 32801

Mac D. Heavener, III, Esq.  
Bonnie A. Glober, Esq.  
United States Attorney's Office  
300 North Hogan Street, Suite 700  
Jacksonville, FL 32202

Jon E. Kane, Esq.  
Burr & Forman, LLP  
450 S. Orange Avenue, Suite 200  
Orlando, FL 32801

Rudolph J. Danowski  
127 Hogsback Road  
Oxford, CT 06478

David J. Rees  
4219 Bunker Dr.  
Quincy, IL 62305

Robert F. Helfferich  
21409-60th Street  
Bristol, WI 53104-9732

Bennett Yell Agency, Inc.  
c/o Bennett Yell  
9075 June Lane  
St. Augustine, FL 32080

Andrea Levinson &  
Michael Egelman  
c/o Michael Egelman  
127 Bonita Road  
St. Augustine, FL 32086

Internal Revenue Service  
Centralized Insolvency Operations  
PO Box 21126  
Philadelphia, PA 19114-0326

Internal Revenue Service  
Special Procedures – Stop 5720  
400 W Bay Street Suite 35045  
Jacksonville, FL 32202

Alan M. Weiss, Esq.  
50 North Laura Street, Suite 3900  
Jacksonville, FL 32202

Wm. Patrick Fulford, Esq.  
505 Maitland Avenue, Suite 100  
Altamonte Springs, FL 32701

Florida Department of Revenue  
5050 W. Tennessee Street  
Tallahassee, FL 32399-0145

U.S. Securities & Exchange  
Commission  
Reorganization Branch, Atlanta  
3475 Lenox Rd., NE, Ste. 1000  
Atlanta, GA 30326-3235

Charles B. Jimerson, Esq.  
2124 Park Street  
Jacksonville, FL 32204

John R. Stiefel, Jr., Esq.  
One Independent Drive, Suite 2301  
Jacksonville, FL 32202

Undine C. Pawlowski, Esq.  
4075 A1A S., Ste. 200D  
St. Augustine, FL 32080

R. Carter Burgess, Esq.  
McGlinchey Stafford, PLLC  
10752 Deerwood Park Blvd.  
Suite 100  
Jacksonville, FL 32256

David W. Barrett, Esq.  
Fowler White Boggs P.A.  
50 N. Laura Street, Suite 2800  
Jacksonville, FL 32202

Bernard Reller  
4728 NW 38th Street  
Gainesville, FL 32608

Marshall B. Hall  
3123 S. Ponte Vedra Blvd.  
Ponte Vedra, FL 32082-4535

Carolyn S. Fortner, Trustee  
George W. Fortner Credit Trust  
3123 S. Ponte Vedra Blvd.  
Ponte Vedra, FL 32082

Thomas W. Herren  
12815 Huntley Manor Dr.  
Jacksonville, FL 32224

Cynthia Bailey Pyle  
1112 Southeast 22nd Avenue  
Ocala, FL 34471

Sidney Abelski, Esq.  
Abelski & Associates, Ltd.  
180 N. Michigan Ave., Suite 1800  
Chicago, IL 60601

Peter G. Henry  
111 Cardiff Place  
Chapel Hill, NC 27516

Polly Anne Cox  
Betty T. Crisco  
c/o Robbin C. Vernon  
2608 Stratford Drive  
Greensboro, NC 27408

Thomas D. Summerhays  
3615 Pearl Ln  
Waterloo, IA 50702-5507

Alma Obinger  
29 Bayberry Court  
Deptford, NJ 08096

Gregory G. Cook, D.P.M.  
1543 Lakeland Hills Blvd., Suite B  
Lakeland, FL 33805-3246

A. Girouard  
225 North Forest Dune  
St. Augustine, FL 32080

Yvonne Rodriguez  
3424 Serendipity Drive  
Raleigh, NC 27616

Barbara L. Volkmann  
P.O. Box 23914  
San Diego, CA 92193

Ben Bolling  
1921 Fleetwood Drive  
Kingsport, TN 37660

Thomas and Marianne Gilligan  
546 Race Place  
Oakdale, NY 11769

Kenneth and Marcia Cerotzke  
4010 Grand Vista Blvd., Unit 132  
St. Augustine, FL 32084

Robert L. and H. Joyce MacFie  
148 Spartina Avenue  
St. Augustine, FL 32080

Brigitte and Steven Neiswender  
14 King Eider Way  
Taylors, SC 29687

Michael A. Tapio  
112 Lex Ct.  
Greer, SC 29651

Glenn A. Lanzer Jr.  
1710 Timber Ridge Circle  
Corinth, TX 76210

Harold W. Thompson  
Irene E. Thompson  
12 King Eider Way  
Taylors, SC 29687

Don and Fran Page  
634 South 87<sup>th</sup> Way  
Mesa, AZ 85208

Thomas H. Grimm  
Carolyn R. Grimm  
5605 Elwood Circle  
Flowery Branch, GA 30542

Robert D. Wilcox, Esq.  
800 W. Monroe Street  
Jacksonville, FL 32202

John E. Bonjean and  
Joyce A. Bonjean  
1182 Melagano St.  
Deltona, FL 32725

Debbie Cisar  
4204 Wetzel Avenue  
Cleveland, OH 44109

Nina M. LaFleur, Esq.  
LaFleur Law Firm  
Post Office Box 861128  
St. Augustine, FL 32086

Stuart Wilson-Patton, Esq.  
PO Box 20207  
Nashville, TN 37202-0207

Allen and Wendy Harralson  
1571 Doyle Road  
Deltona, FL 32725

Kenneth Hollingsworth  
c/o Laura Beth Faragasso, Esq.  
P.O. Box 14079  
Tallahassee, FL 32317-4079

Michael J. McCabe, Esq.  
Eric S. Vaughn, Esq.  
1400 Prudential Drive, Suite 5  
Jacksonville, FL 32207

Gwen Taylor  
c/o Sharon L. Simmons, Esq.  
300 West Adams St., Ste. 580  
Jacksonville, FL 32202

Darryl Billemeier  
160 Windemere Ln  
Lincoln University, PA 19352

Dan and Tiffany Neiswender  
12415 Plantation Pine Lane #103  
Tampa, FL 33635

Raymond E. Bushey  
6050 Datil Pepper Road  
Saint Augustine, FL 32086

Tennessee Department of Revenue  
c/o Tennessee Attorney General's Office  
Bankruptcy Division  
P.O. Box 20207  
Nashville, TN 37202-0207

## LIQUIDATION ANALYSIS, ASSUMPTIONS AND METHODOLOGY

The Trustee has estimated the amount that would be paid to holders of Allowed Claims under a hypothetical chapter 7 liquidation. This Plan Supplement complements the liquidation analysis contained in Article VI of the Trustee's Amended Disclosure Statement. Although care was taken to be accurate, the analysis is highly speculative and the values set forth herein cannot be warranted.

### Overall Assumptions

The analysis is based on the Debtor's unaudited financial statements, the books and records of the Debtor, and the unaudited schedules filed in this chapter 11 case. This analysis is subject to change to the extent that the Debtor's balance sheet changes after the date of this analysis.

It is assumed that the chapter 7 trustee would opt for the strategy which would produce the highest value consistent with the chapter 7 trustee's obligation to liquidate assets of the estate expeditiously. The chapter 7 liquidation period is assumed to be one (1) year following the conversion to chapter 7. The estimated liquidation proceeds are applied to the Claims pursuant to sections 724(b) and 726(a) of the Bankruptcy Code.

THE LIQUIDATION ANALYSIS IS AN ESTIMATE OF THE PROCEEDS THAT MAY BE GENERATED AS A RESULT OF A HYPOTHETICAL CHAPTER 7 LIQUIDATION OF THE ASSETS OF THE DEBTOR. UNDERLYING THE LIQUIDATION ANALYSIS ARE A NUMBER OF ESTIMATES AND ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC AND OTHER UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE TRUSTEE AND HIS ADVISORS. ADDITIONALLY, VARIOUS LIQUIDATION DECISIONS UPON WHICH CERTAIN ASSUMPTIONS ARE BASED ARE SUBJECT TO CHANGE. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE ASSUMPTIONS AND ESTIMATES EMPLOYED IN DETERMINING THE LIQUIDATION VALUES OF THE DEBTOR'S ASSETS WILL RESULT IN THE PROCEEDS WHICH WOULD BE REALIZED WERE THE DEBTOR TO UNDERGO AN ACTUAL CHAPTER 7 LIQUIDATION, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE. THIS CHAPTER 7 LIQUIDATION ANALYSIS HAS NOT BEEN EXAMINED OR REVIEWED BY INDEPENDENT ACCOUNTANTS IN ACCORDANCE WITH STANDARDS PROMULGATED BY AICPA.

### Distribution of Chapter 7 Proceeds

In a chapter 7 liquidation, a panel trustee is automatically appointed. The chapter 7 trustee is charged with the task of collecting and evaluating the assets of the debtor, and distributes the proceeds of the debtor's assets to creditors with allowed claims, in accordance with the priority scheme established by the Bankruptcy Code.

In a hypothetical chapter 7 case, the bar dates that were established in the chapter 11 case would be abrogated, and a new bar date would be set, thus increasing the pool of non-priority unsecured creditors who would potentially share in the distribution of the liquidation proceeds.

The value available to general unsecured creditors is reduced by the administrative expenses and costs of both the hypothetical chapter 7 and the chapter 11 case. The costs of a hypothetical chapter 7 liquidation include the compensation of a panel trustee (which is based upon the amount of money disbursed by such trustee) as well as new legal advisors, accountants, and expenses. The chapter 7 liquidation costs would likely be significantly higher than under the Trustee's Plan, as well as more time consuming, as a result of the increased time and costs related to the appointment of a chapter 7 trustee and the retention of new professionals. Additional costs would include asset disposition expenses, all unpaid expenses incurred by the Trustee in the chapter 11 case that are allowed in the chapter 7 case, and claims arising from the operation of the Debtor during the pendency of the chapter 11 case. The estimated recovery by impaired Classes in a hypothetical chapter 7 liquidation scenario must then be compared to the recoveries under the Trustee's Plan. Exhibit A annexed hereto contains a liquidation analysis for the Debtor's assets under the Trustee's Plan, which analysis supplements the liquidation analysis contained in Article VI of the Trustee's Amended Disclosure Statement. Exhibit B annexed hereto contains a liquidation analysis for the Debtor's assets under a hypothetical chapter 7 liquidation.

# **Exhibit A**

Projected Liquidation Proceeds and Distributions for LCI under Trustee's Plan			
<b>Net Cash From Operations</b>			
<b>Cash Flow from Operations as of 12/31/10</b>			
Customer Payments	\$	2,349,488.89	
Recovery of Bank accounts	\$	321,549.58	
Sale of Repo Vehicles	\$	256,258.15	
Other income	\$	18,640.40	
Sale of Non-Active Loans	\$	555,773.00	
			\$ 3,501,710.02
<b>Cash Flow from Other Sources</b>			
Sale of Real Estate	\$	470,712.28	
Settlements on Adversary Actions - Total up through 1/24/11	\$	245,775.48	
			\$ 716,487.76
		<b>Total Cash in</b>	<b>\$ 4,218,197.78</b>
<b>Operating Expenses</b>			
Personnel Costs	\$	600,185.44	
Other Operating Costs	\$	311,656.06	
Bankruptcy Expenses			
Bankruptcy, Legal & Professional Fees and Costs	\$	815,483.79	
		<b>Total Cash Out</b>	<b>\$ (1,727,325.29)</b>
Net Cash Collected			\$ 2,490,872.49
Projected Cash flow From Operations in Jan			\$ 88,729.00
Projected Remaining Bankruptcy & Legal Costs			\$ (300,000.00)
		<b>Net Cash on January 31, 2011</b>	<b>\$ 2,279,601.49</b>
<b>Payments Collected on behalf of the Secured Creditors</b>			
Bernard Reller	\$	138,962.18	
Anita Spring	\$	50,040.80	
Ralph Brown	\$	7,151.20	
		<b>Total</b>	<b>\$ (196,154.18)</b>
		<b>Remaining Cash After Payments to Secured Creditors</b>	<b>\$ 2,083,447.31</b>
<b>Projected Balance of Active Loans</b>	\$	<b>718,126.00</b>	
<b>Minus balance of Loans distributed to Secured Creditors</b>			
Bernard Reller	\$	51,903.00	
Anita Spring	\$	113,811.36	
Ralph Brown	\$	-	
		<b>Total</b>	<b>\$ 165,714.36</b>
		<b>Remaining Balance of Active Loans</b>	<b>\$ 552,411.64</b>
		<b>Cash Value of Remaining Active Loans at 50%</b>	<b>\$ 276,205.82</b>
<b>Total Projected Cash</b>			<b>\$ 2,359,653.13</b>
<b>Projected Value of Real Estate</b>			
Total Remaining Stated Equity	\$	798,143.00	
Discount to Allow for closing Costs and price changes 50%	\$	(399,071.50)	
<b>Projected Additional Cash from the Sale of Real Estate</b>			<b>\$ 399,071.50</b>
<b>Preference Analysis - Total Preference Payments</b>			
Total Eligible Preference Payments	\$	1,267,808.72	
Discount to Allow for Settlements and Non Payment 50%	\$	(633,904.36)	
<b>Projected Additional Cash from Preference Actions</b>			<b>\$ 633,904.36</b>
<b>Fraudulent Transfer Analysis</b>			
Total Eligible Fraudulent Transfer Claims	\$	6,366,095.64	
Discount to Allow for Settlements and Non-payment 60%	\$	(3,819,657.38)	
<b>Projected Additional Cash from Fraudulent Transfer Actions</b>			<b>\$ 2,546,438.26</b>
Additional Legal, Trustee and Professional Fees to Collect Adversary Actions			\$ (700,000.00)
<b>Total Projected Cash for Distribution</b>			<b>\$ 5,239,067.25</b>
<b>Projected Allowed Claims</b>			<b>\$ 47,775,638.00</b>
<b>Recovery Percentage</b>			* <b>10.97%</b>

# **Exhibit B**

Projected Liquidation Proceeds and Distributions for LCI under Chapter 7			
<b>Net Cash From Operations</b>			
<b>Cash Flow from Operations as of 12/31/10</b>			
Customer Payments	\$	2,349,488.89	
Recovery of Bank accounts	\$	321,549.58	
Sale of Repo Vehicles	\$	256,258.15	
Other income	\$	18,640.40	
Sale of Non-Active Loans	\$	555,773.00	
			\$ 3,501,710.02
<b>Cash Flow from Other Sources</b>			
Sale of Real Estate	\$	470,712.28	
Settlements on Adversary Actions - Total up through 1/24/11	\$	245,775.48	
			\$ 716,487.76
		<b>Total Cash in</b>	<b>\$ 4,218,197.78</b>
<b>Operating Expenses</b>			
Personnel Costs	\$	600,185.44	
Other Operating Costs	\$	311,656.06	
<b>Bankruptcy Expenses</b>			
Bankruptcy, Legal & Professional Fees and Costs	\$	815,483.79	
		<b>Total Cash Out</b>	<b>\$ (1,727,325.29)</b>
		<b>Net Cash Collected</b>	<b>\$ 2,490,872.49</b>
		Projected Cash flow From Operations in Jan	\$ 88,729.00
		Projected Remaining Bankruptcy & Legal Costs	\$ (300,000.00)
		<b>Net Cash on January 31, 2011</b>	<b>\$ 2,279,601.49</b>
<b>Payments Collected on behalf of the Secured Creditors</b>			
Bernard Reller	\$	138,962.18	
Anita Spring	\$	50,040.80	
Ralph Brown	\$	7,151.20	
		<b>Total</b>	<b>\$ (196,154.18)</b>
		<b>Remaining Cash After Payments to Secured Creditors</b>	<b>\$ 2,083,447.31</b>
		<b>Projected Balance of Active Loans</b>	<b>\$ 718,126.00</b>
<b>Minus balance of Loans distributed to Secured Creditors</b>			
Bernard Reller	\$	51,903.00	
Anita Spring	\$	113,811.36	
Ralph Brown	\$	-	
		<b>Total</b>	<b>\$ 165,714.36</b>
		<b>Remaining Balance of Active Loans</b>	<b>\$ 552,411.64</b>
		<b>Cash Value of Remaining Active Loans at 50%</b>	<b>\$ 276,205.82</b>
		<b>Total Projected Cash</b>	<b>\$ 2,359,653.13</b>
<b>Projected Value of Real Estate</b>			
Total Remaining Stated Equity	\$	798,143.00	
Discount to Allow for closing Costs and price changes 50%	\$	(399,071.50)	
		<b>Projected Additional Cash from the Sale of Real Estate</b>	<b>\$ 399,071.50</b>
<b>Preference Analysis - Total Preference Payments</b>			
Total Eligible Preference Payments	\$	1,267,808.72	
Discount to Allow for Settlements and Non Payment 50%	\$	(633,904.36)	
		<b>Projected Additional Cash from Preference Actions</b>	<b>\$ 633,904.36</b>
<b>Fradulent Transfer Analysis</b>			
Total Eligible Fradulent Transfer Claims	\$	6,366,095.64	
Discount to Allow for Settlements and Non-payment 60%	\$	(3,819,657.38)	
		<b>Projected Additional Cash from Fradulent Transfer Actions</b>	<b>\$ 2,546,438.26</b>
		<b>Additional Legal, Trustee and Professional Fees to Collect Adversary Actions</b>	<b>\$ (1,400,000.00)</b>
		<b>Total Projected Cash for Distribution</b>	<b>\$ 4,539,067.25</b>
		<b>Projected Allowed Claims</b>	<b>\$ 47,775,638.00</b>
		<b>Recovery Percentage</b>	<b>9.50%</b>