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CLARENCE C. BURKE  
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The Honorable Terry L. Myers

1 John R. Rizzardi, WSBA No. 9388  
 2 Admission Pro Hac Vice Pending  
 3 Cairncross & Hempelmann, P.S.  
 4 524 Second Avenue, Suite 500  
 5 Seattle, WA 98104-2323  
 6 Telephone: (206) 587-0700  
 7 Facsimile: (206) 587-2308

8 Tamara W. Murock, ISB No. 5886  
 9 Maris Baltins WSBA No. 09107  
 10 Winston & Cashatt  
 11 250 Northwest Boulevard, Suite 107A  
 12 Coeur d'Alcne, ID 83814  
 13 Telephone: (208) 667-2103  
 14 Facsimile: (208) 765-2121

15 UNITED STATES BANKRUPTCY COURT FOR THE  
 16 DISTRICT OF IDAHO

17 In re:

NO. 02-20218

18 FRANK L. CHAPIN &  
 19 SYDNEY L. GUTIERREZ-CHAPIN,

DISCLOSURE STATEMENT

20 Debtors.

21 FRANK L. CHAPIN & SYDNEY L. GUTIERREZ-CHAPIN

22 DISCLOSURE STATEMENT

cc. us trustee  
1/3/03

23 Cairncross & Hempelmann, P.S.  
 Law Offices  
 524 Second Avenue, Suite 500  
 Seattle, Washington 98104-2323  
 Phone: 206-587-0700 • Fax: 206-587-2308

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16 DISTRICT OF IDAHO

17 In re:

NO. 02-20218

18 FRANK L. CHAPIN &  
19 SYDNEY L. GUTIERREZ-CHAPIN,

DISCLOSURE STATEMENT

20 Debtors.

21 **FRANK L. CHAPIN & SYDNEY L. GUTIERREZ-CHAPIN**

22  
23  
DISCLOSURE STATEMENT - 1

*Cairncross & Hempelmann, P.S.*  
Law Offices  
524 Second Avenue, Suite 500  
Seattle, Washington 98104-2323  
Phone: 206-587-0700 • Fax: 206-587-2308

1 Frank L. Chapin and Sydney L. Gutierrez-Chapin filed a voluntary Chapter 11 petition on  
2 February 22, 2002. The filing constituted an order for relief under the provisions of the  
3 Bankruptcy Code. The Debtors have acted as Debtor in Possession subsequent to that date.

#### 4 HISTORICAL OVERVIEW

##### 5 **Factors Leading To Chapter 11**

6 The Debtor, Frank L. Chapin, is the former co-personal representative of the Estates of  
7 Wilbur and Christina Leaf. Wilbur Leaf and Christina Leaf were husband and wife.

8 Wilbur Leaf passed away on December 20, 1993. On June 22, 1994, the Last Will and  
9 Testament of Wilbur A. Leaf was admitted to probate in the Superior Court of Spokane County  
10 case *In the Matter of the Estate of Wilbur A. Leaf*, Cause No. 94-4-00731-1. Christina Leaf was  
11 named as the Personal Representative of the Estate. On March 30, 1995, Personal  
12 Representative Christina Leaf filed an Inventory and Appraisal showing the fair net value of  
13 Wilbur Leaf's Estate as \$1,982,453.75.

14 Christina Leaf passed away on August 1, 1995. On November 14, 1995, Frank L.  
15 Chapin, (the "Debtor") and Frederick A. Leaf, M.D. ("Dr. Leaf") were appointed successor co-  
16 personal representatives of the Estate of Wilbur A. Leaf. Dr. Leaf is a medical doctor residing in  
17 Seattle, Washington, and the nephew of Wilbur and Christina Leaf. The Debtor is an accountant  
18 doing business as Frank L. Chapin, P.A., Licensed Public Accountants, in Sandpoint, Idaho. The  
19 Debtor knew Mr. and Mrs. Leaf for over thirty years and assisted them in tax preparation,  
20 financial planning and will preparation.

21 The Debtor hired attorney Robert E. Kovacevich ("Mr. Kovacevich") to assist in the  
22 administration of the Estates. On May 17, 1996, Mr. Kovacevich, on behalf of the Estate of  
23 Christina Leaf, filed a Petition for an Order: (1) Probating Will and Appointing Personal

1 Representatives; (2) Adjudicating Estate to be Solvent; and (3) Directing Administration Without  
2 Court Intervention in the Spokane County Superior Court case *In the Matter of the Estate of*  
3 *Christina Leaf*, Cause No. 96 4 00617-5. Frank L. Chapin and Frederick A. Leaf, M.D. were  
4 appointed co-personal representatives for the Estate of Christina Leaf.

5 The Christina Leaf Estate consisted primarily of funds on deposit with New York Life  
6 Insurance Company ("New York Life") in the amount of \$748,809.14 under policy No. N3-201-  
7 681. Because Christina Leaf's Last Will and Testament did not contain a provision directing the  
8 co-personal representatives to serve without bond, Mr. Kovaccvich filed an Amended Petition  
9 with the Court, requesting that, in lieu of posting a bond, funds in the New York Life account  
10 would be blocked from distribution.

11 On September 3, 1996, the Court granted the Amended Petition and directed Mr.  
12 Kovacevich to provide a copy of the Order outlining the restrictions on distribution of the  
13 account to New York Life. A copy of the Order was not provided to New York Life.

14 After receiving Letters Testamentary from Mr. Kovaccvich, the Debtor caused the New  
15 York Life account to be closed. Funds in the amount of \$748,809.14 were paid by New York  
16 Life to the Debtor on behalf of the Estate of Christina Leaf by check dated September 23, 1996.  
17 The Debtor sent the check to Dr. Leaf for endorsement.

18 Immediately upon receiving the check, Dr. Leaf called the Debtor and inquired into the  
19 source and intended use of the funds. The Debtor advised Dr. Leaf that disbursement to the heirs  
20 was imminent, and instructed Dr. Leaf to sign the check and return it to him for deposit into the  
21 Estate of Christina Leaf's account at Panhandle State Bank in Sandpoint, Idaho. The Debtor  
22 stated that after depositing the check, he would pay the Estate's probate costs, taxes and debts,  
23 and distribute the balance to the heirs of the Estate of Wilbur Leaf.

DISCLOSURE STATEMENT - 3

*Cairncross & Hempelmann, P.S.*  
Law Offices  
524 Second Avenue, Suite 500  
Seattle, Washington 98104-2323  
Phone: 206-587-0700 • Fax: 206-587-2308

1           Based upon the Debtor's representations, Dr. Leaf wrote a restrictive endorsement on the  
2 back of the check to insure the funds would be properly deposited in the Estate's account, and  
3 forwarded the check to the Debtor.

4           Upon receipt of the check, the Debtor deposited the check into the Estate of Christina  
5 Leaf's account at Panhandle State Bank. Immediately thereafter, however, the Debtor, without  
6 the knowledge or consent of Dr. Leaf, withdrew the funds from the Estate's account and  
7 deposited the funds into a pooled bank account at Panhandle State Bank in the name of the  
8 Debtor's wholly owned corporation, Financial Management Services, Inc. ("FMS").

9           Prior to Christina's death, while she was Personal Representative and beginning on or  
10 about June 1994, Mr. Chapin began depositing funds of the Estate of Wilbur Leaf into the pooled  
11 account. On one occasion, in March 1995, the Debtor deposited \$100,977.50 of funds from the  
12 Estate of Wilbur A. Leaf into the pooled account.

13           In 1998, the pooled account was transferred to Horizon Credit Union, at which time the  
14 Debtor established a series of pooled bank accounts to which over \$748,809.14 in cash was  
15 transferred from the Estates of Wilbur A. Leaf and Christina Leaf.

16           For a period of years beginning on or about 1996, the Debtor loaned, transferred or  
17 otherwise made available, the funds of the Estates to various third parties, including but not  
18 limited to the Debtor's wholly owned businesses and irrevocable trust, FMS, S and F, LLC,  
19 Frank L. Chapin, P.A., and Hoodoo Mountain Ranchette Trust. The Debtor executed various  
20 promissory notes on behalf of FMS evidencing some of these loans.

21           The Debtor used the Estates' funds to purchase and/or maintain various real properties,  
22 machinery, equipment, vehicles and supplies in the name of the Debtor's businesses and trust.  
23 The funds paid down-payments, mortgage obligations, lease payments, taxes, costs of

1 hereto as Exhibit A, listing real property assets valued at \$119,664.00. The Debtors filed an  
2 amended schedule B, listing their interests in personal property, a copy of which is attached  
3 hereto as Exhibit B. The Debtors' estimate of the value of the listed assets was \$700,993.39,  
4 thus, the total scheduled value of assets increased to \$820, 657.39. The Plan proponent, Dr.  
5 Leaf, makes no representations concerning the value of the Debtors' assets.

### 6 **Liabilities**

7 The Debtors scheduled liabilities as of the date of the amended schedules totaled  
8 approximately \$2,521,803.48, of which \$1,366,378.00 relates to the disputed and un-liquidated  
9 claim of the Internal Revenue Service and \$1,250,000.00 relates to the judgment entered in the  
10 pending Spokane County Superior Court action entitled *American Lutheran Church, et al., v.*  
11 *Chapin, et al.*, Cause No. 01 2 06413-9 against Frederick A. Leaf, M.D. ("Leaf Estate  
12 Judgment") for the acts of the Debtor in defrauding the Estates of Wilbur A. Leaf and Christine  
13 Leaf. The Debtor has listed secured claims of \$40,605.68 and a balance of unsecured claims  
14 excluding the Leaf Estate Judgment of \$114,819.60.

15 The Debtors have employed, with Court approval, the law firm of Elsaesser Jarzabek  
16 Anderson Marks & Elliott. On July 8, 2002, the Debtors' law firm applied for approval of  
17 interim fees in the amount of \$14,671.83. This application was approved on 7-30-2002. On  
18 November 1, 2002, there was a second application for fees by the Debtors' counsel in the amount  
19 of \$12,003.75 plus expenses of \$601.13. According to the Debtors' Statement of Financial  
20 Affairs, the Debtors' law firm received \$24,988.00 on the petition date, February 22, 2002. The  
21 plan proponent is not yet aware of how much was owed to the Debtors' firm prior to the petition  
22 date.

The plan proponent estimates that the amount of administrative fees and costs in this proceeding may be in the amount of \$45,000 to \$75,000.

**Exemptions.**

The Debtors have claimed certain personal exemptions as set forth on Exhibit C to this Disclosure Statement.

**Post-Petition Earnings.**

Earnings from services performed by the Debtor do not constitute property of the Debtor's bankruptcy estate. *11 U.S.C. §541(a)(6)*. As a result, such funds can be used at the Debtor's discretion for, among other things, the payment of his non-dischargeable tax obligations. In the Creditor's Plan of Reorganization, (the "Plan") the IRS will not be enjoined or otherwise prevented from effectuating collection from the Debtor's post-petition earnings.

**THE REORGANIZATION CASE**

**Summary of the Proposed Plan of Reorganization**

The Plan appears in full in Exhibit D to this Disclosure Statement. The discussion of the Plan that follows constitutes a summary only. You are urged to read the entire Plan before deciding to accept or reject the Plan.

**General Description of the Plan**

Pursuant to the Plan of Reorganization that has been filed with the Bankruptcy Court, a Liquidating Trustee ("Trustee") will liquidate all of the Debtors' interest in all personal property and all real property owned by the Debtors, including all interests in Financial Management Services, Inc. (of which both Debtors are the sole shareholders), S and F, LLC (of which both Debtors are the sole members), Frank L. Chapin, P.A. (of which the Debtor is the sole shareholder),

1 Hoodoo Mountain Ranchette Trust (of which the Debtor is the sole settlor), and any other entity in  
2 which the Debtors claim any legal or equitable ownership interest. Following the sale, the proceeds  
3 will be disbursed first to payment of any transactional tax obligations or reserves for capital gains  
4 taxes, then to creditors holding an allowed secured claim collateralized by the asset(s) liquidated,  
5 then to the creation of a fund for payment of other allowed claims. From the fund, the Trustee will  
6 secure its compensation, and there will be payment of allowed administrative expense claims,  
7 allowed priority claims, and finally to holders of allowed unsecured claims in the manner discussed  
8 below. Any net recoveries under the avoidance provisions of the Bankruptcy Code shall augment  
9 the Trustee's fund.

#### 10 **Existing Litigation**

11 As of the date of filing this Disclosure Statement, the following litigation cases are pending.

- 12 • Leaf vs. Financial Management Services, Inc. et. al., State of Idaho District Court, Bonner  
13 County, Cause No: CV-02-01655.
- 14 • American Lutheran Church, et. al. vs. Chapin, et. al., State of Washington Superior Court,  
15 Spokane County, Cause No 01 2 06413-9
- 16 • Estate of Christina Leaf vs. Chapin, et. al., Adversary Proceeding No. 02-6135, United  
17 States Bankruptcy Court, District of Idaho.
- 18 • Nine Beneficiaries of the Estate of Christina Leaf vs. Chapin, et. al., Adversary Proceeding  
19 No. 02-6136, United States Bankruptcy Court, District of Idaho.
- 20 • Frederick A. Leaf vs. Chapin, Adversary Proceeding No. 02-6137, United States Bankruptcy  
21 Court, District of Idaho.

1 In addition to the foregoing, the Debtors listed a number of other pending actions,  
2 including tax appeals, in their answer to question 4(a) of their Statement of Affairs. A copy of  
3 their answer to that question is attached hereto as Exhibit E.

#### 4 **Appointment of a Liquidating Trustee**

5 Under the Plan, the Court will appoint a Liquidating Trustee ("Trustee"). The Creditor  
6 will submit the identity of the Proposed Trustee to the Court with the Creditor's Ballot Report or  
7 as otherwise ordered by the Court. The Trustee will remain in charge of the liquidation of the  
8 Debtors' assets and administration of this Plan until discharged or replaced by Order of the  
9 Court. Article V of the Plan discusses the Trustee's duties.

#### 10 **Classification of Claims**

11 The Plan establishes several classes of claims and the Debtors' interest. If the Plan is  
12 confirmed by the Bankruptcy Court and becomes effective, the class into which a claim falls will  
13 determine the manner in which such claim will be treated. The classes of claims established in  
14 the Plan are summarized below.

#### 15 **Unclassified Claims**

16 Pursuant to § 1123(a) of the Bankruptcy Code, claims of a kind specified in § 507(a)(1)  
17 or § 507(a)(7) of the Bankruptcy Code are not classified under the Plan of Reorganization.  
18 Section 507 defines certain types of claims that are accorded priority in a Chapter 11 case, some  
19 of which may not be placed in actual classes. Section 507(a)(1) claims are allowed claims for  
20 administrative expenses based on the actual and necessary costs and expenses of preserving the  
21 estate. Section 507(a)(7) claims are unsecured tax claims of governmental units for certain types  
22 of taxes due and payable within certain periods of time prior to or after the filing of the petition.  
23

1           **Class 1**

2           Class 1 claims consist of all secured claims against the Debtors. Class 1 claims are  
3 further divided into subclasses depending on the nature of the security and the identity of the  
4 property that secures the claim. The Class 1a claim consists of the claim of the Internal Revenue  
5 Service. The Class 1b claim consists of the claim of the Bonner County Tax Collector. The  
6 Class 1c claim consists of the claim of Ford Motor Credit for the 2000 Ford F250 automobile.

7           **Class 2**

8           Class 2 claims consist of all unsecured priority claims against the Debtors. The Internal  
9 Revenue Service may have an unsecured priority claim against the Debtors.

10          **Class 3**

11          Class 3 claims consist of all allowed unsecured claims against the Debtors however  
12 arising not otherwise included in any other class including, but not limited to, claims based on  
13 the Leaf Estate Judgment. The Class 3 claims will consist of unsecured claims against the  
14 Debtors not entitled to priority or subject to subordination. It also consists of the unsecured  
15 portion, if any, held by holders of secured claims as determined pursuant to the provisions of 11  
16 U.S.C. § 506(d). With respect to any and all distributions made to unsecured creditors under the  
17 Plan, the extent of an unsecured creditor's allowed claim against the estate will determine that  
18 creditor's pro rata share of funds available from the Trustee's fund.

19          **Class 4**

20          Class 4 Claims consist of any equity interest the Debtors may have in any asset. Payment  
21 of this class shall occur only if all prior classes, all Administrative expenses and all Post-  
22 Confirmation fees and expenses are paid in full, with interest at the higher of the applicable  
23 contract rate or the federal judgment interest rate.

1           **Treatment Accorded Claims and Interests Under the Plan**

2           Treatment to be accorded creditors and equity security holders under the Plan is set forth  
3 in Article VI of the Plan. Article IV specifies those claims that are not impaired under the Plan.  
4 The discussion below sets forth the treatment of all classes under Article VI.

5           **Priority Claims**

6                   **Administrative Expense Claims**

7           Administrative expense claims are not classified and are not impaired under the Plan.  
8 Unless the holder of a claim agrees to be treated differently, all administrative claims shall be  
9 paid in full, in cash, as soon as practicable after confirmation of the Plan and at such time as the  
10 Trustee has funds available for payment, in such amounts that may be allowed by the Bankruptcy  
11 Court. The payments shall be made from the Trustee's Creditor Dividend Fund created from net  
12 proceeds received from the sale of the Debtors' real and personal, separate and community  
13 property as specified under the Plan, and all equity interests in the Financial Management  
14 Services, Inc., and S and F, LLC and such other assets as necessary to satisfy the administrative  
15 expense claims and capital gains generated by the sale of such assets. Administrative expense  
16 claims include claims for reimbursement of expenses and compensation of services rendered by  
17 attorneys and other professional persons employed by the Debtors. There will also be an  
18 opportunity for the proponents of this Plan to seek administrative expense claim allowance. All  
19 such amounts will be subject to review and approval by the Bankruptcy Court. The claims in  
20 this proceeding that are known to date would include the claims of the Debtors' counsel, the  
21 claims of any other professional who has been authorized to perform services for the Debtors and  
22 counsel for the plan proponent, Dr. Leaf for his § 503(b)(4) claims that are of benefit to this  
23 estate.

1 Administrative expense claims also include fees payable to the United States Trustee. All  
2 quarterly fees due to the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) will be paid in  
3 full from the Trustee's Creditor Dividend Fund on or before the Effective Date, as required by 11  
4 U.S.C. § 1129(a)(12). The estimated amount of quarterly fees due to the United States Trustee is  
5 \$250.00. Any quarterly fees due to the United States Trustee for quarters ending after the  
6 Effective Date shall be paid from the Priority Creditor Dividend Fund.

7 **Tax Claims**

8 Allowed tax claims of governmental units entitled to priority pursuant to § 507(a)(7) of  
9 the Bankruptcy Code and not otherwise included in any other class of the Plan shall be paid in an  
10 amount sufficient to fully amortize the claim over a period of six years commencing on the later  
11 of (a) the Plan's effective date, (b) that date after the Plan effective date on which such claim is  
12 assessed, or (c) the date on which the claim becomes an Allowed Claim. Under the Plan, the  
13 interest rate on such tax claim shall be the federal judgment rate then in effect. The only tax  
14 claim of which the Debtor is aware is the contingent claim of the Internal Revenue Service in the  
15 approximate amount of \$1,365,378.00 relating to potential tax liability. The proponent of this  
16 Plan anticipates objecting to this claim in an effort to reduce same. It is anticipated by the plan  
17 proponent that once the tax claims of the IRS are determined, that the amount of the taxes owing  
18 may be less than \$50,000. The plan proponent believes that taxes should not be assessed or  
19 assessable upon funds improperly diverted by the Debtors as such funds would not be considered  
20 as taxable income. Further, the plan proponent believes the testimony of Frank L. Chapin in his  
21 deposition of May 28, 2002 under Rule 2004 in this proceeding supports the plan proponent's  
22 position.

1           **Secured Claims**

2                   **Class 1a – Internal Revenue Service**

3           The Trustee shall liquidate any and all property to which the Class 1a Allowed Secured  
4 Claim is attached. The amount due to the claimant, together with interest at the federal judgment  
5 interest rate accrued from the petition date until the date of payment hereunder, shall be paid  
6 from the lower of (a) the amount of net funds available from the sale of such assets, or (b) the  
7 full amount due and owing. In the event there is no property to which the claim in this Class 1a  
8 is attached, such claim shall be treated under the provisions of Class 2. This class is not impaired  
9 under the Plan.

10                   **Class 1b – Bonner County Tax Collector**

11           The Trustee shall liquidate any and all property to which the Class 1b Allowed Secured  
12 Claim is attached. The amount due to the claimant, together with interest at the federal judgment  
13 interest rate accrued from the petition date until the date of payment hereunder, shall be paid  
14 from the lower of (a) the amount of net funds available from the sale of such assets, or (b) the  
15 full amount due and owing. In the event there is no property to which the claim in this Class 1b  
16 is attached, such claim shall be treated under the provisions of Class 2. This class is not impaired  
17 under the Plan.

18                   **Class 1c – Ford Motor Credit**

19           The Trustee shall liquidate any and all property to which the Class 1c is attached, and if  
20 there are sufficient proceeds from the sale of such asset, shall pay such claim in full together with  
21 interest at the lowest rate of allowed contractual, court ordered or the federal judgment interest  
22 rate accrued from the petition date until the date of payment hereunder or to the extent of such  
23 net proceeds, whichever payment amount is less. In the event there is no property to which the

1 claim in this Class 1c is attached, such claim shall be treated under the provisions of Class 2.

2 This class is not impaired under the Plan.

3 **Unsecured Priority Claims**

4 **Class 2**

5 Class 2 unsecured priority claims are not impaired under the Plan.

6 **Unsecured Creditors**

7 **Class 3**

8 The Class 3 interests are impaired under the Plan.

9 **Equity Interests**

10 **Class 4**

11 The Class 4 interests are impaired under the Plan.

12 **MEANS FOR EXECUTION OF THE PLAN**

13 The means for execution of the Plan are set forth in Article VIII of the Plan. Pursuant to  
14 that article, the Trustee shall perform acts and/or make payments before or after the Plan's  
15 effective date. The effective date of the Plan is eleven days after confirmation unless the effect  
16 of the confirmation order is stayed. Payments will be made at various times after confirmation.

17 The Trustee will retain all his rights with respect to any claim or cause of action arising  
18 under applicable non-bankruptcy law. At any time after confirmation, the Trustee may  
19 commence any appropriate action against the persons or entities to realize upon such causes of  
20 action. In the event the Trustee commences such actions, then, after payment of all costs and  
21 legal fees, and after determination of the estate's interest in the net proceeds of such action(s),  
22 the estate's share of such net proceeds of such action(s) (after funding of the Creditor Dividend  
23

1 Fund) shall be deposited into the Creditor Dividend Fund retained by the Trustee for use  
2 pursuant to the Plan.

3 Under the Plan, any preference, avoidable transfer or fraudulent conveyance actions are  
4 reserved for the creditors and will be investigated and pursued by the Trustee. The Creditor has  
5 not prepared any analysis of such claims and makes no representation with respect to their value.

6 Any objection to claims filed in the proceedings must be filed within 60 days following  
7 the effective date unless the Bankruptcy Court extends that period for cause shown. Certain  
8 claims, however, can be filed subsequent to confirmation and the 60-day limitation does not  
9 apply to such claims.

10 **ESTIMATION OF CLAIMS PARTICIPATING IN THE PLAN**

11 Set forth in the table below is a summary of the Creditor's estimate of the amounts of the  
12 claims that will comprise Classes 1 through 3. These tables have been prepared from the  
13 Debtors' schedules filed with the Bankruptcy Court, as modified by proofs of claim filed in the  
14 case. Except as noted, the table reflects claims as of February 22, 2002. The Creditor has not  
15 examined any proofs of claim on file with the Bankruptcy Court in preparing the tables.

Class	Claim or Interest	Approximate Amount
Administrative Claims	Debtors' Counsel and other professionals, Counsel for Leaf	Unknown
1a	Internal Revenue Service	\$ 12,545.54
1b	Bonner County Tax Collector	\$ 4,649.12
1c	Ford Motor Credit	\$ 23,411.02
2	Unsecured Priority Claim	\$ 1,366,378.00
3	Unsecured Creditors	\$1,114,819.80
4	Equity Interests	Unknown
Total		\$2,521,803.48 plus unknown amounts

It should be borne in mind that the amounts of the claims set forth in the above table are based upon the Debtors schedules. In particular, Class 2 includes the contingent claim of the Internal Revenue Service, which the plan proponent believes is subject to significant reduction. The Trustee may also file objections to certain claims and such objections may reduce the amount of claims through litigation, compromise or other developments subsequent to the date of this Disclosure Statement.

#### PROJECTED DISTRIBUTIONS

The Plan Proponent does not yet have an accurate estimation of the future distributions to all creditors in this estate. Based solely upon the Debtors' schedules, however, the following table compromises the Proponent's estimates of the amounts that should be available for

1 distribution to the identified claim holders. As claim amounts are subject to change, the amounts  
2 distributed to the various classes would also change.

Class	Claim or Interest	Distribution	Percentage
	Unclassified Claims (Administrative)	\$	100%
1a	Internal Revenue Service	\$12,545.54	100%
1b	Bonner County Tax Collector	\$ 4,649.12	100%
1c	Ford Motor Credit	\$ 23,411.02	100%
2	Internal Revenue Service	\$ 1,366,378.00	Unknown
3	Unsecured Creditors	\$ 1,114,819.80	Unknown
4	Equity Interests	Unknown	Unknown

### **THE "BEST INTEREST OF CREDITORS" TEST**

13 If the Bankruptcy Court finds at the hearing on confirmation of the Plan that the holders  
14 of claims will receive or retain under the Plan property of a value as of the Effective Date of the  
15 Plan that is not less than the amount that such holders would receive or retain if the Debtors were  
16 liquidated under Chapter 7 as of such date, then the requirements set forth in § 129(a)(7)(ii) of  
17 the Bankruptcy Code, commonly referred to as the "best interest of creditors" test, will be  
18 satisfied. This requirement must be satisfied with respect to a class of claims or interests only if  
19 less than all holders of claims or interests in such class have accepted the Plan. The Plan  
20 Proponent submits that as the Plan is a liquidation plan, this test will be satisfied.

### **RISK FACTORS**

22 Distributions to creditors contemplated under the Plan are contingent upon many  
23 assumptions, some or all of which could fail to meet expectations and preclude the Plan from

1 becoming effective or reduce anticipated distributions. Most important, however, is that the Plan  
2 is subject to approval by the various classes of creditors entitled to vote under the Bankruptcy  
3 Code and to confirmation of the Plan by the Bankruptcy Court. No assurance can be given that  
4 the Plan will be accepted by the requisite number and amount of creditors or confirmed by the  
5 Bankruptcy Court. In that event, due to the costs and uncertainties inherent in a modified Plan of  
6 Reorganization or a conversion and liquidation under Chapter 7, all creditors of the estate face  
7 substantial risk that their recovery will be delayed or eliminated by such alternative  
8 circumstances.

### 9 TAX CONSEQUENCES

10 The following discussion is intended as a general summary of likely tax consequences  
11 under the Plan. The tax consequences of the Plan will vary based on the individual  
12 circumstances of each taxpayer who is affected by the Plan. There may also be state, local or  
13 foreign tax considerations applicable to each creditor. Moreover, some tax consequences of the  
14 Plan are uncertain due to the lack of clear legal precedent and the possibility of changes in  
15 federal law or in the circumstances of the company. The Debtors have not obtained a ruling  
16 from the Internal Revenue Service (the "IRS") and have not obtained an opinion of counsel with  
17 respect to the tax consequences of the Plan. As a result, there is no assurance of any kind that a  
18 particular taxpayer will in fact be entitled to the tax treatment described in this section of the  
19 Disclosure Statement. Each creditor should consult his own tax advisor regarding the federal,  
20 state, local, and foreign tax consequences of the Plan.

#### 21 **Federal Income Tax Consequences to the Debtor**

22 Under the Plan, the Debtors' creditors will be paid from proceeds received from the sale  
23 of the Debtors' real estate and interests in certain entities, including Financial Management

1 Services, Inc., and S and F, LLC, Frank L. Chapin, P.A. and the Hoodoo Mountain Ranchette  
2 Trust and the liquidation of other assets. That sale will result in the recognition of some capital  
3 gain. The income may be taxable and if so, would in all likelihood be payable in connection  
4 with the Estates' 2003 income tax return. As a result, the requisite amount of the proceeds  
5 necessary to pay such taxes shall be retained for such purpose.

#### 6 **Federal Income Tax Consequences to Creditors**

7 Class 1 and Class 3 creditors who are cash basis taxpayers will recognize income in the  
8 amount of the payments received on account of their allowed claims at the time paid in  
9 accordance with the Plan. Such creditors who are accrual basis taxpayers and who have not  
10 previously accrued the amount of their claims or who have taken a bad debt deduction with  
11 respect to their claim generally will recognize income in the amount of the payments received on  
12 account of their allowed claims. Other Class 1 and 3 creditors, including those creditors whose  
13 claims are based on loans, will generally not recognize income upon receipt of payment unless  
14 they have previously taken a deduction for a bad debt. To the extent that the payment of a claim  
15 represents payment of interest to the recipient generally that receipt of payment for interest is  
16 income in the year of receipt. However, if an accrual basis taxpayer has not taken a bad debt  
17 deduction for interest previously accrued or if interest has been accrued, the receipt of a payment  
18 of interest will not constitute income.

### 19 **CONFIRMATION OF THE PLAN**

#### 20 **Voting Procedures**

21 A ballot to be used for voting your acceptance or rejection of the Creditor's Plan of  
22 Reorganization is being mailed to you together with this Disclosure Statement and Plan. Holders  
23 of claims should read the instructions carefully, complete, date and sign the ballot, and transmit it

1 in the envelope enclosed. In order to be counted, your ballot must be received at address on the  
2 ballot not later than 4:30 p.m. on \_\_\_\_\_, 2003. Failure to vote or a vote to reject the  
3 plan will not affect the treatment to be accorded a claim or interest if the plan nevertheless is  
4 confirmed.

5 If more than one half in number of claimants voting and at least two thirds in amount of  
6 the allowed claims of such claimants in each class of claims vote to accept the Plan, such class  
7 will be deemed to have accepted the Plan. If at least two thirds in amount of the shares voted in  
8 a class of equity interests are voted to accept the Plan, such Class will be deemed to have  
9 accepted the Plan. For purposes of determining whether a class of claims or interests has  
10 accepted or rejected the Plan, only the votes of those who have timely returned their ballots will  
11 be considered.

### 12 **Hearing on Confirmation**

13 The hearing on confirmation of the Plan has been set for \_\_\_\_\_, 2003  
14 at \_\_\_\_\_ o'clock \_\_\_\_\_m. before the Honorable Terry L. Meyers, United States  
15 Bankruptcy Judge, in his/her courtroom \_\_\_\_\_. The Bankruptcy Court shall confirm the Plan at  
16 that hearing only if certain requirements, as set forth in § 1129 of the Bankruptcy Code, are  
17 satisfied.

### 18 **Best Interests of Creditors**

19 In order to satisfy one of those requirements, the Plan Proponent must establish that with  
20 respect to each class, each holder of a claim in that class has accepted the Plan or will receive or  
21 retain under the Plan on account of such claim property of a value that is not less than the  
22 amount that such holder would receive if the Debtor were to be liquidated under Chapter 7 of the  
23 Bankruptcy Code. As discussed in the section of this Disclosure Statement entitled "Best

1 Interests of Creditors," the Plan Proponent believes that the Plan satisfies this test. The Plan  
2 Proponent anticipates that the Bankruptcy Court will make such a determination at the time of  
3 the hearing on confirmation.

#### 4 **Feasibility**

5 The Plan Proponent must also establish that confirmation of the Plan is not likely to be  
6 followed by a conversion of this case to a Chapter 7 case pursuant to the Bankruptcy Code, or  
7 the need for further financial reorganization unless the plan provides for such liquidation.  
8 Because the plan provides for the sale of all of the Debtors' nonexempt assets to the extent  
9 necessary to fund the payments under the plan and the ongoing payments relate only to their  
10 mortgage and personal living expenses, the Plan Proponent believes that the Plan is feasible and  
11 that the Bankruptcy Court will so find.

#### 12 **Treatment of Dissenting Classes of Creditors**

13 The Bankruptcy Code requires the Bankruptcy Court to find that the Plan does not  
14 discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests  
15 that is impaired under, and has not accepted, the Plan. Upon such a finding, the Bankruptcy  
16 Court may confirm the Plan despite the objections of a dissenting class.

#### 17 **Effect of Confirmation**

18 After confirmation of the Plan, all remaining property of the Debtors' estate shall be free  
19 and clear of all claims and interests of creditors, except as otherwise provided in the Plan or the  
20 order of the Bankruptcy Court confirming the Plan.  
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1 that is impaired under, and has not accepted, the Plan. Upon such a finding, the Bankruptcy  
2 Court may confirm the Plan despite the objections of a dissenting class.

3 **Effect of Confirmation**

4 After confirmation of the Plan, all remaining property of the Debtors' estate shall be free  
5 and clear of all claims and interests of creditors, except as otherwise provided in the Plan or the  
6 order of the Bankruptcy Court confirming the Plan.

7 **Consequences of the Failure to Confirm the Plan**

8 In the event that the requirements for confirmation of the Plan are not satisfied, the Plan  
9 Proponent believes that it would be necessary to convert this Chapter 11 case to a liquidating  
10 bankruptcy case under Chapter 7 of the Bankruptcy Code.

11 DATED this 31<sup>st</sup> day of December, 2002.

12 By Frederick A. Leaf  
13 Frederick A. Leaf, M.D.  
14

15 Presented by:

16 Attorneys for Creditor, Frederick A. Leaf, M.D.

17 CAIRNCROSS & HEMPELMANN, P.S.

WINSTON & CASHATT

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19  
20 John R. Rizzardi  
21 John R. Rizzardi, WSBA No. 09388  
22 (Pro Hac Vice admission pending)  
23 524 2<sup>nd</sup> Avenue, Suite 500  
Seattle, WA 98104  
Telephone: (206) 254-4444  
Facsimile: (206) 254-4544

Tamara W. Murock  
Tamara W. Murock, ISB No. 5886  
Maris Baltins, WSBA No. 9107  
250 Northwest Boulevard, Ste. 107A  
Coeur d'Alene, ID 83814  
Telephone: (208) 667-2103  
Facsimile: (208) 765-2121

DISCLOSURE STATEMENT - 26

Cairncross & Hempelmann, P.S.  
Law Offices  
524 Second Avenue, Suite 500  
Seattle, Washington 98104-2323  
Phone: 206-587-0700 • Fax: 206-587-2308

**EXHIBIT A**

**Debtors' Schedule A**

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**United States Bankruptcy Court  
District of Idaho**

In re **Frank L. Chapin**

**Sydney L. Gutierrez-Chapin**

Case No. **02-20218**

Chapter **11**

**SUMMARY OF SCHEDULES**

AMOUNTS SCHEDULED

NAME OF SCHEDULE	ATTACHED (YES/NO)	NO. OF SHEETS	ASSETS	LIABILITIES	OTHER
A - Real Property	NO	1	\$ 119,664.00		
B - Personal Property	NO	3	\$ 642,953.39		
C - Property Claimed as Exempt	NO	1			
D - Creditors Holding Secured Claims	NO	1		\$ 40,605.68	
E - Creditors Holding Unsecured Priority Claims	NO	2		\$ 1,366,378.00	
F - Creditors Holding Unsecured Nonpriority Claims	YES	7		\$ 1,114,819.80	
G - Executory Contracts and Unexpired Leases	NO	1			
H - Codebtors	NO	4			
I - Current Income of Individual Debtor(s)	NO	1			\$ 10,066.00
J - Current Expenditures of Individual Debtor(s)	NO	1			\$ 4,002.00
Total Number of sheets in ALL Schedules >		22			
			Total Assets >	\$ 762,617.39	
				Total Liabilities >	\$ 2,521,803.48

**EXHIBIT**  
          A

In re: Frank L. Chapin

Debtor

Sydney L. Gutierrez-Chapin

Case No. 02-20218

(if known)

## SCHEDULE A - REAL PROPERTY

DESCRIPTION AND LOCATION OF PROPERTY	NATURE OF DEBTOR'S INTEREST IN PROPERTY	HUSBAND, WIFE, JOINT OR COMMUNITY	CURRENT MARKET VALUE OF DEBTOR'S INTEREST IN PROPERTY WITHOUT DEDUCTING ANY SECURED CLAIM OR EXEMPTION	AMOUNT OF SECURED CLAIM
That portion of the E1/2 E11/2 SE1/4 of Section 19, Township 55 North, Range 4 West, Boise Meridian, Bonner Count, Idaho, lying South of the County Road.	Fee Owner	J	\$ 119,864.00	\$ 12,545.54
<b>Total</b>			<b>\$ 119,864.00</b>	

(Report also on Summary of Schedules.)

In re Frank L. Chapin

Sydney L. Gutierrez-Chapin

Case No. 02-20218

Debtor

(If known)

## SCHEDULE B - PERSONAL PROPERTY

TYPE OF PROPERTY	NONE	DESCRIPTION AND LOCATION OF PROPERTY	HUSBAND, WIFE, JOINT OR COMMUNITY	CURRENT MARKET VALUE OF DEBTOR'S INTEREST IN PROPERTY, WITHOUT DEDUCTING ANY SECURED CLAIM OR EXEMPTION
1. Cash on hand		Cash	J	47.00
2. Checking, savings or other financial accounts, certificates of deposit, or shares in banks, savings and loan, thrift, building and loan, and homestead associations, or credit unions, brokerage houses, or cooperatives.		Checking Account Horizon Credit Union 520 N. 5th Ave. Sandpoint, ID 83864	W	97.89
		Checking Account Idaho Independent Bank 8882 N. Government Way Hayden Lake, ID 83835	H	258.24
		Checking Account Pend Oreille Bank 476655 Hwy 95 N. Sandpoint, ID 83864	W	722.05
		Medical Savings Account Pend Oreille Bank 476655 Hwy 95 N. Sandpoint, ID 83864	W	106.76
		Savings Account Horizon Credit Union 520 N. 5th Ave. Sandpoint, ID 83864	W	50.00
3. Security deposits with public utilities, telephone companies, landlords, and others.	X			
4. Household goods and furnishings, including audio, video, and computer equipment.		China Cabinet (2) \$150, Refrigerator \$50, Dishes & Glassware \$100, Pots & Pans \$250, Bench \$20, Sewing Machine \$35, High Chair \$20	J	625.00
		Misc. Garden Tools \$30, Lawnmower \$50, Gas BBQ \$40, Outside Lawn Furniture \$50, Bedroom sets (2) \$1100, Living Room set \$750, TV \$50, Stereo \$50, VCR \$50, Tables (4) \$100, Washer/Dryer \$200, Desks (2) \$110, File Cabinets (3) \$60, Dinette \$140, Bookcase \$50	J	2,830.00
5. Books, pictures and other art objects, antiques, stamp, coin, record, tape, compact disc, and other collections or collectibles.		Art prints (4) \$415, Misc. collectables \$175	J	590.00
6. Wearing apparel.		Frank \$200, Sydney \$320	J	520.00
7. Furs and jewelry.		Wedding rings (2)	J	1,200.00

In re Frank L. Chapin  
Debtor

Sydney L. Gutierrez-Chapin

Case No. 02-20218  
(If known)

**SCHEDULE B - PERSONAL PROPERTY**  
(Continuation Sheet)

TYPE OF PROPERTY	NONE	DESCRIPTION AND LOCATION OF PROPERTY	HUSBAND, WIFE, JOINT OR COMMUNITY	CURRENT MARKET VALUE OF DEBTOR'S INTEREST IN PROPERTY, WITHOUT DEDUCTING ANY SECURED CLAIM OR EXEMPTION
8. Firearms and sports, photographic, and other hobby equipment.		2 Revolvers	J	300.00
9. Interests in insurance policies. Name insurance company of each policy and itemize surrender or refund value of each.	X			
10. Annuities. Itemize and name each issuer.	X			
11. Interests in IRA, ERISA, Keogh, or other pension or profit sharing plans. Itemize.		IRA-Annuity	W	15,000.00
		New York Life- High Yield Bond	W	8,000.00
		New York Life-IRA	H	2,000.00
12. Stock and interests in incorporated and unincorporated businesses. Itemize.	X			
13. Interests in partnerships or joint ventures. Itemize.		Financial Management Services, Inc.- Corporate Stock	J	412,533.80
		Frank Chapin, P.A. - Corporate Stock	J	37,672.65
		Moments, LLC-Interest in LLC	J	-0-
		S and F, LLC-Interest in LLC	J	125,400.00
14. Government and corporate bonds and other negotiable and nonnegotiable instruments.	X			
15. Accounts receivable.	X			
16. Alimony, maintenance, support, and property settlements to which the debtor is or may be entitled. Give particulars.	X			
17. Other liquidated debts owing debtor including tax refunds. Give particulars.	X			
18. Equitable or future interests, life estates, and rights or powers exercisable for the benefit of the debtor other than those listed in Schedule of Real Property.	X			

In re Frank L. Chapin

Sydney L. Gutierrez-Chapin

Case No.

02-20218

Debtor

(If known)

## SCHEDULE B - PERSONAL PROPERTY

(Continuation Sheet)

TYPE OF PROPERTY	NONE	DESCRIPTION AND LOCATION OF PROPERTY	HUSBAND, WIFE, JOINT OR COMMUNITY	CURRENT MARKET VALUE OF DEBTOR'S INTEREST IN PROPERTY, WITHOUT DEDUCTING ANY SECURED CLAIM OR EXEMPTION
19. Contingent and noncontingent interests in estate of a decedent, death benefit plan, life insurance policy, or trust.		Life Interest Hoodoo Mountain Ranchette Trust-Beneficiaries (Estimated)	H	20,000.00
20. Other contingent and unliquidated claims of every nature, including tax refunds, counterclaims of the debtor, and rights to setoff claims. Give estimated value of each.	X			
21. Patents, copyrights, and other intellectual property. Give particulars.	X			
22. Licenses, franchises, and other general intangibles. Give particulars.	X			
23. Automobiles, trucks, trailers, and other vehicles and accessories.		2000 Ford F250	J	15,000.00
24. Boats, motors, and accessories.	X			
25. Aircraft and accessories.	X			
26. Office equipment, furnishings, and supplies.	X			
27. Machinery, fixtures, equipment and supplies used in business.	X			
28. Inventory.	X			
29. Animals.	X			
30. Crops - growing or harvested. Give particulars.	X			
31. Farming equipment and implements.	X			
32. Farm supplies, chemicals, and feed.	X			
33. Other personal property of any kind not already listed. Itemize.		Right of setoff/indemnification from Robert Kovacevich, Frederick A. Leaf and Estate of Wilbur Leaf	H	Unknown

2 continuation sheets attached

Total >

**\$ 642,953.39**

(Include amounts from any continuation sheets attached. Report total also on Summary of Schedules.)

**EXHIBIT B**

**Debtors' Amended Schedule B**

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Bruce A. Anderson  
ELSAESSER JARZABEK ANDERSON  
MARKS ELLIOTT & MCHUGH, CHTD.  
Attorneys at Law  
1400 Northwood Center Court, Suite C  
Coeur d'Alene, Idaho 83861  
Tel: (208) 667-2900  
Fax: (208) 667-2150

U.S. COURTS

2002 AUG 29 P 1:23

FILED  
CLERK, IDAHO

Attorneys for Debtor

U.S. BANKRUPTCY COURT  
FOR THE DISTRICT OF IDAHO

In Re: )  
)  
) Case No. 02-20809-  
) 20218  
)  
) FRANK L. CHAPIN and ) AMENDED SCHEDULE B -  
) SYDNEY L. GUTIERREZ-CHAPIN ) PERSONAL PROPERTY  
)  
) Debtors. )  
)  
)

COMES NOW the above named Debtors, Frank L. Chapin and Sydney Gutierrez-Chapin, through undersigned counsel, Bruce A. Anderson of Elsaesser Jarzabek Anderson Marks Elliott & McHugh, Chtd., and hereby amends Schedule B to reflect the livestock the Debtors had at the time of the filing, an Amended Schedule B is attached.

DATED this 27<sup>th</sup> day of August, 2002.

ELSAESSER JARZABEK ANDERSON  
MARKS ELLIOTT & MCHUGH, CHTD.

  
BRUCE A. ANDERSON,  
Attorneys for Debtors

EXHIBIT

B

In re Frank L. Chapin

Sydney L. Gutierrez-Chapin

Case No. 02-20218

Debtor

(If known)

## AMENDED - SCHEDULE B - PERSONAL PROPERTY

TYPE OF PROPERTY	NONE	DESCRIPTION AND LOCATION OF PROPERTY	HUSBAND, WIFE, JOINT OR COMMUNITY	CURRENT MARKET VALUE OF DEBTOR'S INTEREST IN PROPERTY, WITHOUT DEDUCTING ANY SECURED CLAIM OR EXEMPTION
1. Cash on hand		Cash	J	47.00
2. Checking, savings or other financial accounts, certificates of deposit, or shares in banks, savings and loan, thrift, building and loan, and homestead associations, or credit unions, brokerage houses, or cooperatives.		Checking Account Horizon Credit Union 520 N. 5th Ave. Sandpoint, ID 83864	W	97.89
		Checking Account Idaho Independent Bank 8882 N. Government Way Hayden Lake, ID 83835	H	258.24
		Checking Account Pend Oreille Bank 476655 Hwy 95 N. Sandpoint, ID 83864	W	722.05
		Medical Savings Account Pend Oreille Bank 476655 Hwy 95 N. Sandpoint, ID 83864	W	106.76
		Savings Account Horizon Credit Union 520 N. 5th Ave. Sandpoint, ID 83864	W	50.00
3. Security deposits with public utilities, telephone companies, landlords, and others.	X			
4. Household goods and furnishings, including audio, video, and computer equipment.		China Cabinet (2) \$150, Refrigerator \$50, Dishes & Glassware \$100, Pots & Pans \$250, Bench \$20, Sewing Machine \$35, High Chair \$20	J	625.00
		Misc. Garden Tools \$30, Lawnmower \$50, Gas BBQ \$40, Outside Lawn Furniture \$50, Bedroom sets (2) \$1100, Living Room set \$750, TV \$50, Stereo \$50, VCR \$50, Tables (4) \$100, Washer/Dryer \$200, Desks (2) \$110, File Cabinets (3) \$60, Dinette \$140, Bookcase \$50	J	2,830.00
5. Books, pictures and other art objects, antiques, stamp, coin, record, tape, compact disc, and other collections or collectibles.		Art prints (4) \$415, Misc. collectables \$175	J	590.00
6. Wearing apparel.		Frank \$200, Sydney \$320	J	520.00
7. Furs and jewelry.		Wedding rings (2)	J	1,200.00

In re Frank L. Chapin

Debtor

Sydney L. Gutierrez-Chapin

Case No.

02-20218

(If known)

**AMENDED - SCHEDULE B - PERSONAL PROPERTY**  
(Continuation Sheet)

TYPE OF PROPERTY	NONE	DESCRIPTION AND LOCATION OF PROPERTY	HUSBAND, WIFE, JOINT OR COMMUNITY	CURRENT MARKET VALUE OF DEBTOR'S INTEREST IN PROPERTY, WITHOUT DEDUCTING ANY SECURED CLAIM OR EXEMPTION
8. Firearms and sports, photographic, and other hobby equipment.		2 Revolvers	J	300.00
9. Interests in insurance policies. Name insurance company of each policy and itemize surrender or refund value of each.	X			
10. Annuities. Itemize and name each issuer.	X			
11. Interests in IRA, ERISA, Keogh, or other pension or profit sharing plans. Itemize.		IRA-Annuity	W	15,000.00
		New York Life- High Yield Bond	W	8,000.00
		New York Life-IRA	H	2,000.00
12. Stock and interests in incorporated and unincorporated businesses. Itemize.	X			
13. Interests in partnerships or joint ventures. Itemize.		Financial Management Services, Inc.- Corporate Stock	J	412,533.80
		Frank Chapin, P.A. - Corporate Stock	J	37,672.65
		Moments, LLC-Interest in LLC	J	-0-
		S and F, LLC-Interest in LLC	J	125,400.00
14. Government and corporate bonds and other negotiable and nonnegotiable instruments.	X			
15. Accounts receivable.	X			
16. Alimony, maintenance, support, and property settlements to which the debtor is or may be entitled. Give particulars.	X			
17. Other liquidated debts owing debtor including tax refunds. Give particulars.	X			
18. Equitable or future interests, life estates, and rights or powers exercisable for the benefit of the debtor other than those listed in Schedule of Real Property.	X			

In re Frank L. Chapin

Debtor

Sydney L. Gutierrez-Chapin

Case No. 02-20218

(If known)

**AMENDED - SCHEDULE B - PERSONAL PROPERTY**  
(Continuation Sheet)

TYPE OF PROPERTY	NONE	DESCRIPTION AND LOCATION OF PROPERTY	HUSBAND, WIFE, JOINT OR COMMUNITY	CURRENT MARKET VALUE OF DEBTOR'S INTEREST IN PROPERTY, WITHOUT DEDUCTING ANY SECURED CLAIM OR EXEMPTION
19. Contingent and noncontingent interests in estate of a decedent, death benefit plan, life insurance policy, or trust.		Life Interest Hoodoo Mountain Ranchette Trust-Beneficiaries (Estimated)	H	20,000.00
20. Other contingent and unliquidated claims of every nature, including tax refunds, counterclaims of the debtor, and rights to setoff claims. Give estimated value of each.	X			
21. Patents, copyrights, and other intellectual property. Give particulars.	X			
22. Licenses, franchises, and other general intangibles. Give particulars.	X			
23. Automobiles, trucks, trailers, and other vehicles and accessories.		2000 Ford F260	J	15,000.00
24. Boats, motors, and accessories.	X			
25. Aircraft and accessories.	X			
26. Office equipment, furnishings, and supplies.	X			
27. Machinery, fixtures, equipment and supplies used in business.	X			
28. Inventory.	X			
29. Animals.		12 Heifers \$450 each	J	5,400.00
		3 Bulls \$800 each	J	16,000.00
		31 Unfinished or Green Horses \$400 each	J	12,400.00
		57 Cows \$320 each	J	18,240.00
		6 Finished Horses \$1,000 each	J	6,000.00
30. Crops - growing or harvested. Give particulars.	X			
31. Farming equipment and implements.	X			
32. Farm supplies, chemicals, and feed.	X			

In re Frank L. Chapin

Debtor

Sydney L. Gutierrez-Chapin

Case No.

02-20218

(If known)

**AMENDED - SCHEDULE B - PERSONAL PROPERTY**  
(Continuation Sheet)

TYPE OF PROPERTY	NONE	DESCRIPTION AND LOCATION OF PROPERTY	HUSBAND, WIFE, JOINT OR COMMUNITY	CURRENT MARKET VALUE OF DEBTOR'S INTEREST IN PROPERTY, WITHOUT DEDUCTING ANY SECURED CLAIM OR EXEMPTION
33. Other personal property of any kind not already listed. Itemize.		Right of setoff/indemnification from Robert Kovacevich, Frederick A. Leaf and Estate of Wilbur Leaf	H	Unknown
<p><u>3</u> continuation sheets attached</p>			Total	\$ 700,993.39

(Include amounts from any continuation sheets attached. Report total also on Summary of Schedules.)

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 27<sup>th</sup> day of August, 2002, I caused to be served a true and correct copy of the AMENDED SCHEDULE B - PERSONAL PROPERTY WITH ATTACHED AMENDED SCHEDULE B by the method indicated below, and addressed to the following:

U.S. TRUSTEE  
P.O. BOX 110  
BOISE, ID 83701

U.S. MAIL  
 HAND DELIVERED  
 OVERNIGHT MAIL  
 FACSIMILE



Bruce A. Anderson

**EXHIBIT C**

**Debtors' Schedule C**

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In re Frank L. Chapin

Sydney L. Gutierrez-Chapin

Case No. 02-20218

Debtor.

(If known) **COURTS**

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## AMENDED SCHEDULE C - PROPERTY CLAIMED AS EXEMPT

FILED  
CARRINGTON S. BURKE,  
CLERK. IDAHO

Debtor elects the exemption to which debtor is entitled under:

(Check one box)

- 11 U.S.C. § 522(b)(1) Exemptions provided in 11 U.S.C. § 522(d). **Note: These exemptions are available only in certain states.**
- 11 U.S.C. § 522(b)(2) Exemptions available under applicable nonbankruptcy federal laws, state or local law where the debtor's domicile has been located for the 180 days immediately preceding the filing of the petition, or for a longer portion of the 180-day period than in any other place, and the debtor's interest as a tenant by the entirety or joint tenant to the extent the interest is exempt from process under applicable nonbankruptcy law.

DESCRIPTION OF PROPERTY	SPECIFY LAW PROVIDING EACH EXEMPTION	VALUE OF CLAIMED EXEMPTION	CURRENT MARKET VALUE OF PROPERTY, WITHOUT DEDUCTING EXEMPTIONS
2 Revolvers	IC § 11-605(7)	300.00	300.00
Art prints (4) \$415, Misc. collectables \$175	IC § 11-605(10)	590.00	590.00
China Cabinet (2) \$150, Refrigerator \$50, Dishes & Glassware \$100, Pots & Pans \$250, Bench \$20, Sewing Machine \$35, High Chair \$20	IC § 11-605(1)	625.00	625.00
Frank \$200, Sydney \$320	IC § 11-605(1)	520.00	520.00
IRA-Annuity	IC § 55-1011/§ 604(1)(E)	15,000.00	15,000.00
Misc. Garden Tools \$30, Lawnmower \$50, Gas BBQ \$40, Outside Lawn Furniture \$50, Bedroom sets (2) \$1100, Living Room set \$750, TV \$50, Stereo \$50, VCR \$50, Tables (4) \$100, Washer/Dryer \$200, Desks (2) \$110, File Cabinets (3) \$60, Dinette \$140, Bookcase \$50	IC § 11-605(1)	2,830.00	2,830.00
New York Life- High Yield Bond	IC § 55-1011/§ 604(1)(E)	8,000.00	8,000.00
That portion of the E1/2 E11/2 SE1/4 of Section 19, Township 55 North, Range 4 West, Boise Meridian, Bonner Count, Idaho, lying South of the County Road.	IC § 55-1003	50,000.00	119,864.00
Wedding rings (2)	IC § 11-605(2)	1,200.00	1200.00

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**EXHIBIT D**

**Creditor's Plan of Reorganization**

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John R. Rizzardi, WSBA No. 9388  
Admission Pro Hac Vice Pending  
Cairncross & Hempelmann, P.S.  
524 Second Avenue, Suite 500  
Seattle, WA 98104-2323  
Telephone: (206) 587-0700  
Facsimile: (206) 587-2308

The Honorable Terry L. Myers

Tamara W. Murock, ISB No. 5886  
Maris Baltins WSBA No. 09107  
Winston & Cashatt  
250 Northwest Boulevard, Suite 107A  
Coeur d'Alene, ID 83814  
Telephone: (208) 667-2103  
Facsimile: (208) 765-2121

UNITED STATES BANKRUPTCY COURT FOR THE  
DISTRICT OF IDAHO

In re:  
  
FRANK L. CHAPIN and  
SYDNEY L. GUTIERREZ-CHAPIN,  
  
Debtors.

NO. 02-20218  
  
CREDITOR'S PLAN OF  
REORGANIZATION

PLAN OF REORGANIZATION

*Cairncross & Hempelmann*  
Law Offices  
524 Second Avenue, Suite 500  
Seattle, Washington 98104-2323  
Phone: 206-587-0700 • Fax: 206-587-2308



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1 John R. Rizzardi, WSBA No. 9388  
Admission Pro Hac Vice Pending  
2 Cairncross & Hempelmann, P.S.  
524 Second Avenue, Suite 500  
3 Seattle, WA 98104-2323  
Telephone: (206) 587-0700  
4 Facsimile: (206) 587-2308  
5

The Honorable Terry L. Myers

6 Tamara W. Murock, ISB No. 5886  
Maris Baltins WSBA No. 09107  
7 Winston & Cashatt  
250 Northwest Boulevard, Suite 107A  
8 Coeur d'Alene, ID 83814  
Telephone: (208) 667-2103  
9 Facsimile: (208) 765-2121  
10  
11  
12  
13

14 UNITED STATES BANKRUPTCY COURT FOR THE  
DISTRICT OF IDAHO

15  
16 In re:  
17  
18 FRANK L. CHAPIN and  
SYDNEY L. GUTIERREZ-CHAPIN,  
19  
20 Debtors.

NO. 02-20218  
  
CREDITOR'S PLAN OF  
REORGANIZATION

21 Frederick A. Leaf, M.D., a creditor ("Creditor"), proposes the following Plan of  
22 Reorganization pursuant to Subchapter II of Chapter 11 of the Bankruptcy Code.  
23



1           2.3.   ALLOWED SECURED CLAIM: An Allowed Claim that is a secured  
2 claim against the Debtors determined in accordance with § 506(a)-(d) of the Bankruptcy Code.

3           2.4.   AS SOON AS PRACTICABLE: Unless extended by Court order, within  
4 thirty days following the occurrence of a triggering event.

5           2.5.   BANKRUPTCY CODE or CODE: The Bankruptcy Code enacted  
6 November 6, 1978, as set forth in Title 11 of the United States Code, and as amended thereafter.

7           2.6.   BANKRUPTCY COURT or COURT: The United States Bankruptcy  
8 Court for the District of Idaho, before which the Reorganization Case is pending, or if that Court  
9 ceases to exercise jurisdiction over the Bankruptcy Case, the Court that does exercise  
10 jurisdiction.

11          2.7.   CLASS: A class of claims interests as defined in ARTICLE III of this  
12 Plan.

13          2.8.   CLOSING DATE: The date upon which the Bankruptcy Court enters the  
14 Closing Order.

15          2.9.   CLOSING ORDER: The order of the Bankruptcy Court closing the  
16 Reorganization Case pursuant to § 350 of the Bankruptcy Code.

17          2.10. CONFIRMATION: The entry of the Order of Confirmation by the  
18 Bankruptcy Court.

19          2.11. CONFIRMATION DATE: The date eleven (11) days after the date the  
20 Bankruptcy Court enters the Order of Confirmation.

21          2.12. CREDITOR: When capitalized as "Creditor", this shall refer to Frederick  
22 A. Leaf, M.D. Dr. Leaf is also referred to as the "Plan Proponent".  
23

1                   2.13. DEBTORS: FRANK L. CHAPIN and SYDNEY L. GUTIERREZ-  
2 CHAPIN ("Chapin").

3                   2.14. DEBTOR IN POSSESSION: The Debtors, when exercising their rights,  
4 powers, and duties under § 1107(a) of the Bankruptcy Code in the Reorganization Case.

5                   2.15. DISPUTED CLAIM: A filed or scheduled claim of an alleged creditor to  
6 which a party in interest has filed an objection.

7                   2.16. EFFECTIVE DATE: The first business day not less than ten (10) days  
8 from and after the Confirmation Date when the Confirmation Order is no longer subject to  
9 appeal or revision.

10                  2.17. ESTATE: The Estate created pursuant to § 541 of the Bankruptcy Code.  
11 As to those creditors holding Allowed Claims against the Debtors and the marital community,  
12 the Estate is comprised of all of the Debtors' separate and all community property assets,  
13 including the rents, profits, revenues and issues from any such property.

14                  2.18. FINAL ORDER: An order or judgment of the Court as to which the time  
15 for appeal has expired without notice of appeal having been filed or as to which any appeal there  
16 from has been resolved.

17                  2.19. FINAL PRIORITY CREDITOR DISTRIBUTION: The date on which the  
18 last allowed Class 1 Claim and Unclassified Claims are paid.

19                  2.20. FINANCIAL MANAGEMENT SERVICES, INC.: The Debtors' entire  
20 interest in Financial Management Services, Inc.

21                  2.21. FREDERICK A. LEAF, M.D.: The proponent of this Plan, also referred  
22 to as the "Creditor" or "Plan Proponent".  
23

1                   2.22. HOODOO MOUNTAIN RANCHETTE TRUST: The Debtors' entire  
2 interest in Hoodoo Mountain Ranchette Trust.

3                   2.23. LIQUIDATING TRUST OR TRUST: The Trust that will be established  
4 by the Plan Confirmation Order, charged with locating and liquidating all of the Debtors' assets  
5 and administering the proceeds pursuant to the terms of the Confirmed Plan (the "Trust"). All  
6 Trust assets shall be vested in the Debtors in name only. The provisions of the Plan and the  
7 Confirmation Order shall describe the ability of the Trust to manage, administer and sell the  
8 assets.

9                   2.24. ORDER OF CONFIRMATION or CONFIRMATION ORDER: The  
10 order of the Bankruptcy Court confirming the Plan pursuant to § 1129 of the Bankruptcy Code.

11                   2.25. PLAN: This Plan of Reorganization in its present form or as it may be  
12 amended or modified from time to time pursuant to order of the Bankruptcy Court.

13                   2.26. POST-CONFIRMATION EXPENSES: All fees and expenses of  
14 Professional Persons allowed by the Court which are incurred after the Effective Date and all  
15 expenses, including the compensation of the Trustee and those persons necessary to carry out the  
16 duties of the Liquidating Trust connected with its authorized business of liquidating all assets,  
17 fixing and determining the allowability of exemptions and claims and making the distributions  
18 called for under this Plan.

19                   2.27. PRIORITY CREDITOR: The holders of allowed priority claims.

20                   2.28. PROFESSIONAL PERSONS: Persons retained or to be compensated  
21 pursuant to §§ 326, 327, 328, 330 and/or 1103 of the Bankruptcy Code.

22                   2.29. REORGANIZATION CASE: The Chapter 11 case pending before the  
23 Bankruptcy Court commenced by the Debtors, designated Case No. 02-20218.

1                   2.30. S and F, LLC: The Debtors entire interest in S and F, LLC.

2                   2.31. UNSECURED CLAIM: An Allowed Claim that is not an Allowed  
3 Secured Claim.

4                   **ARTICLE III - CLASSIFICATION OF CLAIMS AND INTERESTS**

5                   3. All claims, as defined in § 101(5) of the Bankruptcy Code, against the Debtors  
6 and all interests of the Debtors, as defined in §§ 101(16) and (17) of the Bankruptcy Code, are  
7 classified as set forth herein. A claim is in a particular Class only to the extent it qualifies within  
8 the definition of such Class and is in a different Class to the extent it qualifies within the  
9 definition of such different Class.

10                   3.1. Class 1 Secured Claims:

11                   3.1.1. Class 1a: The Allowed Secured Claim of Internal Revenue  
12 Service.

13                   3.1.2. Class 1b: The Allowed Secured Claim of Bonner County Tax  
14 Collector.

15                   3.1.3. Class 1c: The Allowed Secured Claim of Ford Motor Credit.

16                   3.2. Unsecured Priority Claims:

17                   3.2.1 Class 2: All Allowed Unsecured Priority by claims against the  
18 Debtors entitled to priority pursuant to § 507(1)(2), § 507(1)(8)(A), § 507(a)(8)(B) and  
19 §507(a)(8)(D).

20                   3.3. Unsecured Claims:

21                   3.3.1. Class 3: All Allowed Unsecured Claims against the Debtors not  
22 entitled to priority and not otherwise included in any other previous Class hereof.

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3.4 Equity Claims:

3.4.1 Class 4: Any equity interest that the Debtors may have in Estate assets after payment of all prior claims.

**ARTICLE IV - CLAIMS AND INTERESTS NOT IMPAIRED BY THE PLAN**

The Allowed Claims of Class 1 and Class 2 are not impaired under this Plan. The Allowed Claims of all other Classes are or may be impaired under the Plan.

**ARTICLE V - APPOINTMENT OF LIQUIDATING TRUSTEE, AND POWERS THEREOF**

5.1. Effective upon Confirmation, a Liquidating Trustee ("Trustee") shall be appointed by the Court. The Creditor shall submit the identity of the Proposed Trustee to the Court with the Creditor's Ballot Report or as otherwise ordered by the Court.

5.2. Subject to the Trustee meeting such qualifications as may be required by the United States Trustee, and such other conditions as required by the Court, the Trustee shall remain in charge of the liquidation of the Debtors' assets and administration of this Plan until discharged or replaced by Order of the Court.

5.3. The Trustee shall have immediate constructive possession of all of the Debtors' assets wherever located. Without limitation, the Trustee shall be provided with immediate access to all of the Debtors' physical and electronic books, records, financial information, accounts of every nature and all other forms of data. The Debtors' shall cooperate and provide full and unrestricted access to the Trustee, and shall cooperate by further providing all asset locations, passwords, combinations and methods of access.

1           5.4.    The Trustee shall immediately commence a full inventory of the Debtors'  
2 assets wherever located, and the Trustee shall be entitled to conduct such investigation, as the  
3 Trustee deems appropriate and necessary to locate such assets.   Further, the Trustee shall be  
4 given the following powers by the Order of Confirmation:

5           5.5.    Duties of the Liquidating Trustee

6           5.5.1. To retain and compensate professionals, including, but not limited  
7 to attorneys, accountants, real estate brokerage firms, and other advisors.

8           5.5.2. To list any and all real or personal property for sale in appropriate  
9 markets and to pay brokerage commissions.

10          5.5.3. To investigate the nature and extent of any secured claims against  
11 any real or personal property.

12          5.5.4. To liquidate 100% of the Debtors' property, unless the Debtor is  
13 successful in preventing liquidation by either asserting a valid claim of exemption or purchasing  
14 the property from the Trustee at then current market value of such property, and to pay the costs  
15 of any asset sale.

16          5.5.5. To investigate the validity, nature and extent of all claims against  
17 the Debtor.

18          5.5.6. To object, challenge or otherwise administer all claims against the  
19 Debtor.

20          5.5.7. To investigate, prosecute, and compromise, in the Debtors' names,  
21 any and all causes of action belonging to the Debtors' or this Estate, under applicable local, state  
22 or federal laws.

23

1                   5.5.8. To create and execute such documentation as may be required or  
2 reasonably necessary to fulfill the purposes of the Trustee.

3                   5.5.9. To take any and all further action that is consistent with the  
4 intentions and purposes of this Plan and the Court's Order of Confirmation.

5                   **ARTICLE VI - PROVISIONS FOR SATISFYING CLAIMS AND SPECIFYING**  
6                   **TREATMENT OF EACH CLASS UNDER THE PLAN**

7                   6.       The treatment of all Allowed Claims are specified as follows:

8                   6.1.     Administrative Claims:

9                   6.1.1. All holders of a Claim entitled to priority pursuant to § 507(a)(1)  
10 of the Code shall receive on the later of (a) the Effective Date or (b) the date upon which an  
11 order of the Court allowing such claim becomes a Final Order, cash in the amount of such  
12 Allowed Claim unless the holder of such Claim agrees to different treatment, provided that fees  
13 and costs of Professional Persons shall be subject to the approval of the Bankruptcy Court. The  
14 foregoing priority shall include any and all Allowed Claims allowed under 11 U.S.C. §503  
15 (b)(4).

16                   6.1.2. All quarterly fees due to the United States Trustee pursuant to  
17 28 U.S.C. § 1930(a)(6) will be paid in full on or before the Effective Date, as required by  
18 11 U.S.C. § 1129(a)(12).

19                   6.1.3. The payments required under the provisions of ¶ 6.1.1 and ¶ 6.1.2  
20 above shall be made by the Trustee from the proceeds of liquidation on deposit in the Trust.

21                   6.1.4. At the discretion of the Creditor, the alternate treatment of allowed  
22 tax claims may be pursuant to § 1129(a)(9)(C) and paid from the post-petition personal earnings  
23

1 of the Debtors, as monitored by the Trustee. The holders of such tax claims will not be stayed or  
2 otherwise limited from seeking recovery from the Debtors personal earnings.

3 6.1.5. Allowed tax claims of governmental units entitled to priority  
4 pursuant to §507(a)(8)(A) § 507(a)(8)(B) and § 507(a)(8)(D) of the Bankruptcy Code and not  
5 otherwise included in any other class of the Plan shall be paid in an amount sufficient to fully  
6 retire such claim on the later of (a) the Plan's Effective Date, (b) that date after the Plan's  
7 Effective Date on which such claim is assessed, (c) the date on which such claim becomes an  
8 Allowed Claim, or (d) the date when the Trust has adequate assets with which to make payment  
9 of such Allowed Claim. Under the Plan, the interest rate on such tax claim shall be the federal  
10 judgment rate in effect as of the Effective Date.

11 6.2. Secured Claims:

12 6.2.1. Class 1a (Internal Revenue Service): The Class 1a Allowed  
13 Secured Claim is not impaired under this Plan. Unless the Creditor and the holder of the Class  
14 1a Secured Claim otherwise agree to alternative treatment of the claim, the holder of the Class 1a  
15 Allowed Secured Claim shall be paid and satisfied in accordance with the provisions of ¶ 6.2.2.  
16 below.

17 6.2.2. The Trustee shall liquidate any and all property to which the Class  
18 1a Allowed Secured Claim is attached. The amount due to the claimant, together with interest at  
19 the federal judgment interest rate accrued from the petition date until the date of payment  
20 hereunder, shall be paid from the lower of (a) the amount of net funds available from the sale of  
21 such assets, or (b) the full amount due and owing. In the event there is no property to which the  
22 claim in this Class 1a is attached, such claim shall be treated under the provisions of Class 2.

1                   6.2.3. Class 1b (Bonner County): The Class 1b Allowed Secured Claim  
2 is not impaired under this Plan. The Trustee shall liquidate any and all property to which the  
3 Class 1b Allowed Secured Claim is attached. The amount due to the claimant, together with  
4 interest at the federal judgment interest rate accrued from the petition date until the date of  
5 payment hereunder, shall be paid from the lower of (a) the amount of net funds available from  
6 the sale of such assets, or (b) the full amount due and owing. In the event there is no property to  
7 which the claim in this Class 1b is attached, such claim shall be treated under the provisions of  
8 Class 2.

9                   6.2.4. Class 1c-1 through 1c-5 (Ford Motor Credit and any other Secured  
10 Claims): The Class 1c-1 through Class 1c-5 claims are not impaired under this Plan. The  
11 Trustee shall liquidate any and all property to which the Class 1c-1 through 1c-5 Allowed  
12 Secured Claim(s) is attached, and if there are sufficient proceeds from the sale of such asset(s),  
13 shall pay such claim in full together with interest at the lowest rate of allowed contractual, court  
14 ordered or the federal judgment interest rate accrued from the petition date until the date of  
15 payment hereunder or to the extent of such net proceeds, whichever payment amount is less. In  
16 the event there is no property to which the claim in this Class 1c is attached, such claim shall be  
17 treated under the provisions of Class 2.

18                   6.2.4.1. In the event the Trustee elects to abandon any asset  
19 referenced in paragraph 6.2.4, the Trustee shall abandon the collateral securing the claim to the  
20 holder of such claim.

21                   6.2.4.2. In the event any holder of any Secured Claim included in  
22 a subclass of Class 1 votes in favor of the Plan, the Debtor shall waive any claims against such  
23 holder, including but not limited to any avoidance claims under the provisions of the Bankruptcy

1 Code. In the event any holder of a Secured Claim included in any subclass of Class 1 votes  
2 against the Plan, in accordance with the provisions of 11 U.S.C. § 1129(b), the Debtor requests  
3 that the Court confirm the plan notwithstanding any rejection of the plan by the holder of such  
4 Class 1 Secured Claim or subclass Class 1 Secured Claim.

5 6.3. Unsecured Priority Claims:

6 6.3.1. Class 2: Class 2 claims are not impaired under this Plan. At the  
7 discretion of the Creditor, the alternate treatment of allowed tax claims may be pursuant to  
8 §1129(a)(9)(C) and paid from the post-petition personal earnings of the Debtors, as monitored  
9 and implemented by the Trustee. The holders of such tax claims will not be stayed or otherwise  
10 limited from seeking recovery from the Debtors personal earnings. If the foregoing payment  
11 option is not implemented by the Creditor and approved by the Order of Confirmation, allowed  
12 Class 2 claims of governmental units entitled to priority pursuant to §507(a)(8)(A), §  
13 507(a)(8)(B) and § 507(a)(8)(D) of the Bankruptcy Code and not otherwise included in any other  
14 class of the Plan shall be paid in an amount sufficient to fully retire such claim on the later of (a)  
15 the Plan's Effective Date, (b) that date after the Plan's Effective Date on which such claim is  
16 assessed, (c) the date on which such claim becomes an Allowed Claim, or (d) the date when the  
17 Trust has adequate assets with which to make payment of such Allowed Claim.

18 6.4. Unsecured Claims:

19 6.4.1. Class 3: The Class 3 Unsecured Claims are impaired under this  
20 Plan. Payment of Allowed General Unsecured Claims shall occur as follows: The Trustee shall  
21 liquidate all Estate assets and recover all other funds due the Estate, unless the Debtors invoke  
22 the procedure for purchasing any asset, set forth below under paragraph 6.6 of this Plan. From  
23 the proceeds of liquidation, the Trustee shall pay the Allowed Administrative, Secured Priority,

1 Secured and Unsecured Priority claims. The Trustee shall also ensure that the costs, fees and  
2 expenses of the Trust and Trustee have been paid or fully reserved, in the Trustee's discretion. At  
3 such time as the Trustee, in his/her sole discretion, determines there are adequate funds with  
4 which to make a distribution, such distribution shall be made from all or any portion of available  
5 funds on a pro-rata basis to Class 3 creditors. At such time as the Trustee has determined that all  
6 Estate assets have been sold, and all monies recovered by the Estate, the Trustec, after making  
7 payment in full of all other costs, fees and expenses of the Trust and Trustee, and paying all prior  
8 claims, shall make a final distribution to all Class 3 creditors, pro rata, and then shall enter a  
9 Notice closing the administration of the estate. In the event the Trust has funds that exceed the  
10 amount needed to pay Class 3 claims in full, Class 3 claimants shall be entitled to be paid interest  
11 on their claims at the federal judgment interest rate effective on the date of Confirmation,  
12 accruing from the pctition date until the date of payment.

13 6.5. Equity Claims:

14 6.5.1. Class 4: The Class 4 Equity Claims of the Debtors are impaired.  
15 Payment of this class shall occur only if all prior classes, all Administrative expenses and all  
16 Post-Confirmation fees and expenses are paid in full, with interest at the higher of the applicable  
17 contract rate or the federal judgment interest rate.

18 6.6. Debtors' election to retain property:

19 6.6.1. The Debtors may elect to retain the property to which any Allowed  
20 Secured Claim is attached subject to the following procedure:

21 6.6.1.1. The Debtors, at their sole expense, shall have the asset  
22 appraised by a licensed appraiser or other appraiser approved by the Trustee, whose consent shall  
23

1 not be unreasonably withheld. The asset shall be appraised to determine its then current fair  
2 market value. The appraisal shall be furnished to the Trustee.

3 6.6.1.2. The Debtors shall be responsible for assuming in full, and  
4 obtaining a release for the Estate, Trust and the Trustee from any claims of any secured creditor  
5 whose lien attaches to the assets being purchased and is not otherwise being paid from the sale  
6 proceeds.

7 6.6.1.3. The Debtors shall pay to the Trust, in cash, the full  
8 amount of the differential between the market value of the asset plus the Trustee's actual fees  
9 and costs incurred to facilitate such sale, less the amount(s) of any contractually assumed secured  
10 claims, less any allowed applicable personal exemption.

11 **ARTICLE VII - TREATMENT OF DISPUTED CLAIMS AND INTEREST**

12 7. Disputed Claims and Interests shall be treated in the manner set forth below.

13 7.1. In calculating the cash to be distributed to Allowed Claims, all Disputed  
14 Claims will be treated as if they were Allowed Claims in the full amount thereof; provided,  
15 however, that the cash so allocated to Disputed Claims will not be distributed, but will be held by  
16 the Trustee for the benefit of the holders of Allowed Claims ultimately entitled thereto.

17 7.2. At such time as a Disputed Claim becomes an Allowed Claim, and subject  
18 to the plan treatment provisions for such Allowed Claim, the Trustee shall deliver to the holder  
19 of the Allowed Claim the cash allocable to such Allowed Claim.

20 7.3. In determining the amount of a claim, any final, non-appealable order or  
21 judgment entered by another court of competent jurisdiction setting the amount of such claim  
22 shall be determinative as to the amount of such claim.



1 after determination of the Trust's interest in the net proceeds of such action(s), the Trust's share  
2 of such net proceeds of such action(s) shall be deposited and administered by the Trustee  
3 pursuant to the provisions of the Confirmed Plan.

4 8.3. All rights, claims and causes of action, whether equitable or legal, of the  
5 Estate, the Debtors, Debtors in Possession, and Trustee against all persons, trusts or entities  
6 arising under Chapter 5 of the Bankruptcy Code, under State or Federal law for the recovery of  
7 avoidable fraudulent conveyances or other transfers shall be transferred to the Trustee on the  
8 Confirmation Date. Following Confirmation, the Trustee, in the name of the Debtors, may  
9 commence adversary proceedings against persons or entities to realize upon any causes of action  
10 transferred under the plan. If, in the best interests of the Estate, the Trustee prosecutes or, where  
11 appropriate, settles and compromises, any actions reserved to it, then all available net proceeds  
12 (after the payment of all costs and legal fees and funding of the Priority Creditor Dividend Fund)  
13 of such actions shall be deposited into Trust.

14 8.4. The Trustee, in the name of the Debtors, shall resolve the claims of all  
15 creditors and interest holders.

16 8.5. Any objection to a claim by a party in interest in the Reorganization Case  
17 must be filed on or before sixty (60) days following the Confirmation Date unless said time  
18 period is extended by the Bankruptcy Court for cause shown, provided, however, that the  
19 foregoing limitation does not apply to any claims filed subsequent to Confirmation.

20 8.6. Pursuant to § 347(b) of the Bankruptcy Code, ninety (90) days after any  
21 distribution by the Trustee, the Trustee shall stop payment on any such check remaining unpaid  
22 to a holder of an Allowed Claim and funds shall be returned to the payor for use or  
23 redistribution. From and after the date the Trustee stops payment on any distribution check

1 pursuant to this paragraph, the holder of the claim on account of which such check was issued  
2 shall be entitled to receive no further distributions on account of his claim and such holder's  
3 Allowed Claim shall thereupon be deemed satisfied in full.

4 8.7. The deadline for submission of all claims entitled to priority pursuant to  
5 §§ 507(a)(1), (a)(2) and (b) of the Bankruptcy Code incurred prior to Confirmation, with the  
6 exception of fees and costs of Professional Persons and Post-confirmation Expenses shall be  
7 thirty (30) days following Confirmation. Failure to file a claim by this date shall conclusively  
8 bar the claimant from asserting its Claim, which Claim shall be forever barred from sharing in  
9 the distributions under the Plan.

10 8.8. Any negotiable instrument held by the holder of an Allowed Claim shall  
11 be deemed exchanged, paid, canceled, or satisfied, as the case may be, on the Effective Date.

12 8.9. The Trustee, subject to the provisions of Article VI, shall distribute all  
13 funds held in accordance with the provisions of this Plan.

14 8.10. From and after the Confirmation Date, the unpaid balance of any Secured  
15 Claim shall bear simple interest at the rates set forth in this Plan, unless the Court establishes,  
16 after notice and a hearing, a different Plan Interest Rate with respect to that Secured Claim. The  
17 holder of any Secured Claim shall, within the same deadline and in the same manner established  
18 for objections to confirmation, file any objection it may have to the proposed interest rate,  
19 identify the proposed alternative rate, and set forth the facts and circumstances justifying such  
20 rate. At any hearing the court may fix the applicable Plan Interest Rate so as to provide the  
21 holder of any objecting claim holder with the present value of its claim within the meaning of 11  
22 U.S.C. § 1129(b). Failure to object to the proposed interest rate shall be deemed to be consent  
23 thereto.

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**ARTICLE IX - EXECUTORY CONTRACTS AND  
UNEXPIRED LEASES**

9. All executory contracts and unexpired leases of the Debtor not assumed or rejected by the Debtors or by the term of the Order of Confirmation, shall be rejected by the Order of Confirmation. Any claim arising from the rejection of an executory contract shall be Class 3 claim and any entity holding a claim based upon the rejection of an executory contract or an unexpired lease pursuant to this Article must file a proof of claim with the Bankruptcy Court within 30 days after Confirmation. The failure of any such entity to file a proof of claim within the specified time period will result in the disallowance of such claim.

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**ARTICLE X - SATISFACTION OF INDEBTEDNESS  
AND INJUNCTION**

10. The distribution made to the various Classes of creditors as provided for in this Plan shall be full and complete satisfaction of their Allowed Claims. Unless otherwise Ordered by the Court, confirmation shall operate as a discharge of any and all debts and claims as defined in Section 101(4) of the Bankruptcy Code against the Debtors or Debtors in Possession that arose at any time prior to Confirmation. Except as expressly provided in the Plan, all holders of any claim against the Debtors or Debtors in Possession shall be enjoined (pursuant to 11 U.S.C. §1141) from collecting any claims or pursuing any cause of action against the Reorganized Debtors, with respect to any claim or cause of action assertable against the Debtors, Debtors in Possession or Reorganized Debtors. Such injunction shall be effective as to each claim, regardless of whether or not (a) the claim was scheduled, (b) a proof of claim was filed, (c) the claim is an Allowed Claim, or (d) the holder thereof voted to accept the Plan. In the event any creditor procures from the Court a final order determining that such creditor's claim(s) is not

1 dischargeable, such creditor shall receive treatment of its claim as set forth in this Plan, but shall  
2 otherwise be enjoined from pursuing estate assets. The foregoing limitation shall not prevent a  
3 creditor holding a non-dischargeable claim from pursuing other assets of the Debtors' that do not  
4 constitute property of the estate, such as non-exempt post-petition personal earnings of the  
5 Debtors.

6 **ARTICLE XI - MODIFICATIONS OF THE PLAN**

7 11. Pursuant to the provisions of § 1127 of the Bankruptcy Code and Bankruptcy  
8 Rule 3019, the Creditor reserves the right to modify or alter the provisions of the Plan at any  
9 time prior or subsequent to Confirmation.

10 **ARTICLE XII - RETENTION OF JURISDICTION BY**  
11 **THE BANKRUPTCY COURT**

12 12. Notwithstanding Confirmation, until entry of the Closing Order, the Bankruptcy  
13 Court shall retain jurisdiction to ensure that the purposes and intent of the Plan are carried out.  
14 Without limiting the generality of the foregoing, the Court shall retain jurisdiction for the  
15 following purposes:

16 12.1. Examining any issue pertaining to the Trustee's administration of the  
17 Confirmed Plan;

18 12.2. Fixing and allowing a claim as a cost and expense of the administration of  
19 the Reorganization Case;

20 12.3. Reexamining any claim that has been allowed;

21 12.4. Hearing and determining any objection to a claim or interest, and  
22 continuing to hear or consider any pending adversary proceeding, including claims objecting to  
23 the discharge of the Debtors. The failure of the Debtors or any other party in interest to object

1 to, or to examine any claim or equity security interest for the purpose of voting, shall not be  
2 deemed to be a waiver of the Debtors' or the Trustee's right to object to, or re-examine any claim  
3 or equity security interest in whole or in part;

4 12.5. Hearing and determining any action brought by the Trustee, Debtors or  
5 Debtors in Possession seeking to avoid the transfer of an interest of the Debtors in property, or  
6 any obligation incurred by the Debtors, that is avoidable pursuant to applicable law;

7 12.6. Hearing and determining all causes of action, controversies, disputes, or  
8 conflicts between or among the Debtors, any creditors, the Trustee and/or any other party,  
9 including those that were pending prior to Confirmation;

10 12.7. Hearing and determining all questions and disputes regarding title to the  
11 property of the Debtors or the Estate;

12 12.8. Correcting any defect, curing any omission, or reconciling any  
13 inconsistency in the Plan or the Order of Confirmation as may be necessary to carry out the  
14 purpose and intent of the Plan;

15 12.9. Hearing and determining any action brought by the Debtors or the Trustee  
16 to protect the Debtors and the Estate from actions of creditors, equity security holders, or other  
17 parties in interest;

18 12.10. Issuing any order necessary to implement the Plan or Order of  
19 Confirmation, including, without limitation, such declaratory and injunctive orders as are  
20 appropriate to protect the Trustee, Debtors, the Estate and the Reorganized Debtors from actions  
21 of creditors, equity security holders, or other parties in interest;

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1                   12.11. Hearing and determining any dispute relating to the terms or  
2 implementation of the Plan or Order of Confirmation, or to the rights or obligations of any  
3 parties in interest with respect thereto;

4                   12.12. The modification of the Plan after Confirmation pursuant to the  
5 Bankruptcy Rules and the Bankruptcy Code in accordance with Article XI above;

6                   12.13. Entering orders concluding and terminating the Reorganization Case;

7                   DATED this 31<sup>st</sup> day of December 2002.

8                   By Frederick A. Leaf  
9                   Frederick A. Leaf, M.D.

10  
11 Presented by:  
12 WINSTON & CASHATT

13 Tamara W. Murock

14 Tamara W. Murock, ISB No. 5886  
15 Maris Baltins, WSBA No. 09107  
16 250 Northwest Boulevard, Suite 107A  
17 Coeur d'Alene, ID 83814  
18 Telephone: (208) 667-2103  
19 Facsimile: (208) 765-2121

20 CAIRNCROSS & HEMPELMANN, P.S.

21 John R. Rizzardi  
22 John R. Rizzardi, WSBA No. 9388  
23 Attorneys for Creditor Frederick A. Leaf, M.D.

PLAN OF REORGANIZATION - 21

*Cairncross & Hempelmann, P.S.*  
*Law Offices*  
*524 Second Avenue, Suite 500*  
*Seattle, Washington 98104-2323*  
*Phone: 206-587-0700 • Fax: 206-587-2308*

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**EXHIBIT E**

**Debtors' Statement of Affairs, answer to question 4(a)**

State the amount of income received by the debtor other than from employment, trade, profession, or operation of the debtor's business during the two years immediately preceding the commencement of this case. Give particulars. If a joint petition is filed, state income for each spouse separately. (Married debtors filing under chapter 12 or chapter 13 must state income for each spouse whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed.)

AMOUNT SOURCE FISCAL YEAR PERIOD

### 3. Payments to creditors

None

a. List all payments on loans, installment purchases of goods or services, and other debts, aggregating more than \$600 to any creditor, made within 90 days immediately preceding the commencement of this case. (Married debtors filing under chapter 12 or chapter 13 must include payments by either or both spouses whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed.)

NAME AND ADDRESS OF CREDITOR	DATES OF PAYMENTS	AMOUNT PAID	AMOUNT STILL OWING
Art Bistine, Esq. P.O. Box 1560 Coeur d'Alene, ID 83814	January 2, 2002	1,000.00	-0-
Blue Cross of Idaho Health Ins.	Monthly	1,163.10	
Discover Card P.O. Box 30395 Salt Lake City, UT 84130	Jan. 10, 2002 Feb. 10, 2002	600.00	3,884.89
Lewis Wilson Attorney At Law 1519 W. Broadway Spokane, WA 99201	January 01, 2002	10,000.00	-0-
Sears Roebuck P.O. Box 182149 Columbus, OH 43218	Jan. 10, 2002 Feb. 10, 2002	600.00	2,963.48

b. List all payments made within one year immediately preceding the commencement of this case to or for the benefit of creditors who are or were insiders. (Married debtors filing under chapter 12 or chapter 13 must include payments by either or both spouses whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed.)

None

NAME AND ADDRESS OF CREDITOR AND RELATIONSHIP TO DEBTOR	DATES OF PAYMENTS	AMOUNT PAID	AMOUNT STILL OWING
Financial Management Svc., Inc. P.O. Box 781 Sandpoint, ID 83864 Interest in Corporation	May 24, 2001	18,000.00	
Frank L. Chapin, P.A. P.O. Box 781 Sandpoint, ID 83864 Interest in Corporation	01/03/02	1,600.00	
S and F, Inc. 2872 Hoodoo Mountain Rd Priest River, ID 83856 Interest in Corporation	Feb. 13, 2002	1,750.00	

### 4. Suits and administrative proceedings, executions, garnishments and attachments

None

a. List all suits and administrative proceedings to which the debtor is or was a party within one year immediately preceding the filing of this bankruptcy case. (Married debtors filing under chapter 12 or chapter 13 must include information concerning either or both spouses whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed.)

**EXHIBIT**

E

CAPTION OF SUIT AND CASE NUMBER	NATURE OF PROCEEDING	COURT OR AGENCY AND LOCATION	STATUS OR DISPOSITION
Internal Revenue Commission v. Financial Management Services, Inc. 13682-98 Employment	Employment Taxes	United States Tax Court Washington, D.C.	Pending
Sydney L. Gutierrez vs. Commissioner Internal Revenue 17596-99, 5417-01	Tax Appeal	United States Tax Court Washington, D.C.	Pending
Financial Management Services, Inc. vs. Commissioner Internal Revenue 5416-01	Tax Appeal	United States Tax Court Washington, D.C.	Pending
Estate of Christina Leaf 96-4-00617-5	Probate	Superior Court State of Washington County of Spokane	Pending
Financial Management Services, Inc. vs. Commissioner Internal Revenue 17600-99	Tax Appeal	United States Tax Court Washington, D.C.	Pending
Frank L. Chapin & Sydney L. vs. Commissioner Internal Revenue 17599-99	Tax Appeal	United States Tax Court Washington, D.C.	Pending
Frank L. Chapin, P.A. vs. Commissioner Internal Revenue 17598-99, 5419-01	Tax Appeal	United States Tax Court Washington, D.C.	Pending
Frank L. Chapin vs. Commissioner Internal Revenue 17597-99, 5418-01	Tax Appeal	United States Tax Court Washington, D.C.	Pending
Internal Revenue Commission v. Frank L. Chapin, P.A. 13803-98 Employment	Employment Taxes	United States Tax Court Washington, D.C.	Pending
American Lutheran Church, et al vs. Frank Chapin and Frederick A. Leaf personally and as co-personal representatives in the Estate of Christina Leaf 01-2-06413-9	Civil Litigation	Superior Court State of Washington County of Spokane	Pending
Hoodoo Mountain Ranchette vs. Commissioner Internal Revenue 2036-99	Tax Appeal	United States Tax Court Washington D.C.	Pending

b. Describe all property that has been attached, garnished or seized under any legal or equitable process within one year immediately preceding the commencement of this case. (Married debtors filing under chapter 12 or chapter 13 must include information concerning property of either or both spouses whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed.)

None

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**EXHIBIT F**

**Order Approving Disclosure Statement**

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The Honorable Terry L. Myers  
Chapter 11  
Hearing Date: February \_\_, 2003  
Hearing Time: \_\_.m.  
Hearing Location: \_\_\_\_\_  
Response Date: \_\_\_\_\_

UNITED STATES BANKRUPTCY COURT FOR THE  
DISTRICT OF IDAHO

In re:

FRANK L. CHAPIN &  
SYDNEY L. GUTIERREZ-CHAPIN,

Debtors.

NO. 02-20218

ORDER APPROVING DISCLOSURE  
STATEMENT AND SETTING HEARING ON  
CONFIRMATION OF PLAN OF  
REORGANIZATION

THIS matter came before the Court at a hearing held on \_\_\_\_\_, 2003, upon the  
request of Frederick A. Leaf, M.D. ("Leaf") for approval of his submitted Disclosure Statement.

The Court, having reviewed the files and records herein, and deeming itself fully advised, finds  
and concludes as follows:

A. The Disclosure Statement for Plan of Reorganization, filed on \_\_\_\_\_  
(the "Disclosure Statement"), contains information of a kind, and in sufficient detail, as far as is  
reasonably practicable under the circumstances, that would enable a hypothetical reasonable  
investor to make an informed judgment about the Plan of Reorganization;

ORDER APPROVING DISCLOSURE  
STATEMENT AND SETTING HEARING ON  
CONFIRMATION OF PLAN - 1

*Cairncross & Hempel*  
Law Offices  
524 Second Avenue, Suite 500  
Seattle, Washington 98104-2323  
Phone: 206-587-0700 • Fax: 206-587-2308

**EXHIBIT**  
F

1 B. The Disclosure Statement otherwise complies with applicable provisions of the  
2 Bankruptcy Code and the Federal Rules of Bankruptcy Procedure; and

3 C. The Court has considered each of the objections to approval of the Disclosure  
4 Statement filed herein and the revisions the Debtor has made to the Disclosure Statement, and  
5 finds and concludes that such objections have either been resolved or should be overruled on the  
6 basis that the Disclosure Statement complies in all respects with § 1125 of the Bankruptcy Code.

7 Now, therefore, based on the foregoing, it is hereby  
8

9 ORDERED AS FOLLOWS:

10 1. The Disclosure Statement is approved and Leaf may now solicit acceptances or  
11 rejections of the Debtor's Plan of Reorganization ("Plan") pursuant to 11 U.S.C. § 1125.

12 2. On or before \_\_\_\_\_, Leaf shall cause to be placed in the mail to  
13 all creditors and other parties in interest indicated on the official mailing matrix maintained by  
14 the Clerk of the Court a copy of the Plan and the Disclosure Statement, along with a ballot on  
15 which creditors may indicate acceptance or rejection of the Plan.  
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17 3. All acceptances or rejections of the Plan must be in writing and must be received  
18 by counsel for Leaf on or before \_\_\_\_\_, 2003 at 5:00 p.m.

19 4. Any objections to confirmation of the Plan shall be in writing, filed with this  
20 Court, and served on counsel for Leaf no later than January 21, 2003 at 5:00 p.m.

21 5. Leaf shall file a pre-confirmation report with the Court on \_\_\_\_\_, 2003.  
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