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The Honorable Terry L. Myers

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16 UNITED STATES BANKRUPTCY COURT FOR THE
17 DISTRICT OF IDAHO

<p>18 In re:</p> <p>19</p> <p>20 FRANK L. CHAPIN &</p> <p>21 SYDNEY L. GUTIERREZ-CHAPIN,</p> <p>22 Debtors.</p>	<p>NO. 02-20218</p> <p>DISCLOSURE STATEMENT</p>
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23 FRANK L. CHAPIN & SYDNEY L. GUTIERREZ-CHAPIN

DISCLOSURE STATEMENT - 1

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ORIGINAL

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2 Frank L. Chapin and Sydney L. Gutierrez-Chapin filed a voluntary Chapter 11 petition on
3 February 22, 2002. The filing constituted an order for relief under the provisions of the
4 Bankruptcy Code. The Debtors have acted as Debtor in Possession subsequent to that date. This
5 Disclosure Statement is jointly submitted by Creditor Frederick A. Leaf, M.D. and the Debtor.

6 HISTORICAL OVERVIEW

7 **Factors Leading To Chapter 11**

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

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

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

1 Spokane attorney John Murray was the estate attorney for both Estates. Mr. Murray
2 represented Christina Leaf as personal representative of the Estate of Wilbur Leaf while she was
3 alive. Later, Mr. Murray represented Dr. Leaf and the Debtor, in their capacity as personal
4 representatives. Mr. Murray provided advice concerning distributions from the Wilbur Leaf
5 estate. He is a named Defendant in the Spokane County litigation described below, and he is a
6 party in the three adversary proceedings in this Court, described below.

7 The Debtor hired attorney Robert E. Kovacevich ("Mr. Kovacevich") to assist in the
8 administration of the Estates. On May 17, 1996, Mr. Kovacevich, on behalf of the Estate of
9 Christina Leaf, filed a Petition for an Order: (1) Probating Will and Appointing Personal
10 Representatives; (2) Adjudicating Estate to be Solvent; and (3) Directing Administration Without
11 Court Intervention in the Spokane County Superior Court case *In the Matter of the Estate of*
12 *Christina Leaf*, Cause No. 96 4 00617-5. The Debtor and Dr. Leaf, were appointed co-personal
13 representatives for the Estate of Christina Leaf.

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

20 On September 3, 1996, the Court granted the Amended Petition and directed Mr.
21 Kovacevich to provide a copy of the Order outlining the restrictions on distribution of the
22 account to New York Life. A copy of the Order was not provided to New York Life.
23

1 After receiving Letters Testamentary from Mr. Kovaccvich, the New York Life account
2 was closed. Funds in the amount of \$748,809.14 were paid by New York Life to the Debtor on
3 behalf of the Estate of Christina Leaf by check dated September 23, 1996. The Debtor sent the
4 check to Dr. Leaf for endorsement.

5 Dr. Leaf and the Debtor disagree upon those facts that pertain to representations, actions
6 taken or statements made to each other as to endorsing and delivering of the check. Eventually,
7 the check was endorsed and provided to the Debtor.

8 Upon receipt of the check, the Debtor deposited the check into the Estate of Christina
9 Leaf's account at Panhandle State Bank. Immediately thereafter, however, the Debtor withdrew
10 the funds from the Estate's account and deposited the funds into a pooled bank account at
11 Panhandle State Bank in the name of the Debtor's wholly owned corporation, Financial
12 Management Services, Inc. ("FMS"). Dr. Leaf alleges he did not have knowledge of the
13 withdrawal and deposit by the Debtor.

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

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

21 For a period of years beginning on or about 1996, Leaf alleges the Debtor loaned,
22 transferred or otherwise made the funds of the Estates available to various third parties, including
23 but not limited to the Debtor's wholly owned businesses and irrevocable trust, FMS, S and F,

1 LLC, Frank L. Chapin, P.A., and Hoodoo Mountain Ranchette Trust. The Debtor executed
2 various promissory notes on behalf of FMS evidencing some of these loans.

3 The Estates' funds were used to purchase and/or maintain various real properties,
4 machinery, equipment, vehicles and supplies in the name of the Debtor's businesses and trust.
5 The funds paid down-payments, mortgage obligations, lease payments, taxes, costs of
6 maintenance and improvements, supplies and other expenses incurred in the operations of the
7 businesses and trust. Under the Plan, these properties are designated as Constructive Trust or CT
8 Properties, and are segregated from the Debtors' own assets.

9 On or about November 1998, the Debtor formed S and F, LLC ("S and F") for the
10 primary purpose of holding the real estate and equipment. In April 2000, the Debtor began
11 transferring certain CT Properties and other assets, consisting of real estate and equipment to S
12 and F. S and F is currently in possession and control of the majority of the real properties,
13 machinery, equipment and vehicles. The Hoodoo Mountain Ranchette Trust is currently in
14 possession and control of a commercial building and real estate located in Sandpoint, Idaho.

15 It is estimated that the combined fair market values of the Debtor's property and the CT
16 Properties (which may consist of real properties, machinery, equipment, vehicles, and supplies
17 purchased with the Estates' funds) may exceed two million dollars and generate over \$150,000
18 of gross income annually.

19 Only \$170,000 of Estate funds were accounted for and transferred from Defendant FMS
20 to the current personal representative of the Estate of Christina Leaf, Joseph Dclay. Of the
21 original \$748,809.14 of New York Life funds transferred from the Estate of Christina Leaf to
22 FMS, \$578,809.14 is unaccounted for and remains in the possession and control of FMS, S and
23 F, Frank L. Chapin, P.A., and/or Hoodoo Mountain Ranchette Trust, subject to the rights of the

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1 Beneficiaries who assert that a constructive trust should be imposed by this Plan upon such
2 assets or proceeds of such assets. It should be noted that the Debtors, Dr. Leaf and the
3 Beneficiaries have not yet agreed on what properties and assets should belong to the
4 Constructive Trust. Under the Plan, a procedure will be implemented for deciding what
5 properties should belong to the Constructive Trust.

6 Substantial litigation, as detailed below, has been commenced. The primary and distinct
7 issues alleged in the various litigation cases can be generally described as (1) Whether the
8 personal representative(s) were or were not negligent in their treatment of the disbursements
9 from the Wilbur Leaf estate, and (2) whether or not the Debtor came into possession of
10 properties or funds rightfully belonging to third parties.

11 In April 2001, in an attempt to recover the Estate's funds, attorney William Schroeder, on
12 behalf of the Beneficiaries of the Estate of Christina Leaf, began filing various petitions *In the*
13 *Matter of Christina Leaf*, Cause No. 96 4 00617-5.

14 On May 4, 2001, the Debtor entered into a Stipulation and an Agreed Order was filed,
15 whereby the Debtor agreed to provide Estate documents to the Beneficiaries by May 15, 2001.
16 The documents were not produced, and on June 27, 2001, the Court entered an Order which, in
17 part, revoked the Order of September 3, 1996 permitting the co-personal representatives to serve
18 without bond, required the co-personal representatives to post security in the amount of
19 \$1,250,000 and held the Debtor in contempt of Court.

20 The Debtor did not comply with the terms of the Order dated June 27, 2001, and on
21 November 16, 2001, the Court ordered the Debtor to: (1) provide to the Beneficiaries a detailed
22 and complete affidavit of his assets; and (2) pay back to the Estate all assets loaned to the
23 Debtor's service company, FMS.

1 On October 29, 2001, the Beneficiaries filed a civil complaint against the Debtor and Dr.
2 Leaf to recover the Estate's funds taken by the Debtor. This matter, currently pending in the
3 Spokane County Superior Court, is entitled *American Lutheran Church, et al., v. Chapin, et al.*,
4 Cause No. 01 2 06413-9. Leaf filed cross-claims in this action against the Debtor, but the
5 adjudication of those claims were stayed by this Chapter 11 proceeding.

6 The Debtor failed to comply with the terms of the Order dated November 16, 2001. On
7 February 15, 2002, the Court found that the Debtor failed to comply with the Court's orders and
8 set a contempt hearing for February 22, 2002. The Debtor failed to appear at the contempt
9 hearing before the Honorable Neal Q. Rieckly and a Bench Warrant was issued for his arrest. On
10 or about February 26, 2002, the Beneficiaries filed a Motion to Compel Co-Personal
11 Representative Frederick A. Leaf, M.D., to Provide an Affidavit of Assets and Post Security in
12 an Amount to be Determined by the Court. This motion was heard by the Court on March 22,
13 2002 and granted. Dr. Leaf was required to post security in the form of a *lis pendens* using his
14 personal assets, amounting to \$1,250,000.

15 On March 22, 2002, the Court entered partial summary judgment in favor of the
16 Beneficiaries against Dr. Leaf in the amount of \$563,054.52, plus pre-judgment interest through
17 March 22, 2002, in the amount of \$352,634.55, and post-judgment interest accruing at the per
18 diem rate of \$185.11 from March 22, 2002. The Beneficiaries subsequently withdrew their
19 pending claims and obtained final judgment against Leaf on October 18, 2002. Leaf believes
20 that the granting of summary judgment was erroneous and has filed an appeal, seeking reversal
21 of that summary judgment. The Beneficiaries filed a motion to recover their attorney fees and
22 costs in the amount of \$95,397.74. Said motion is currently pending before the Spokane County
23 Superior Court.

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1 On June 4, 2002, Dr. Leaf filed a Complaint to Determine Non-Dischargeability of Debt
2 Under 11 U.S.C. § 523 alleging the following causes of action: (1) Non-Dischargeability of Debt
3 under 11 U.S.C. § 523(a)(2)(A); (2) Non-Dischargeability of debt under 11 U.S.C. § 523(a)(4);
4 (3) Non-Dischargeability of Debt under 11 U.S.C. § 523(a)(6); (4) Imposition of Resulting
5 and/or Constructive Trust; and (5) Indemnification, Setoff, Contribution and/or Subrogation.

6 Other litigation pending at the time of the approval of this Disclosure Statement include:

7 • *Leaf vs. Financial Management Services, Inc. et. al.*, State of Idaho District Court,
8 Bonner County, Cause No: CV-02-01655.

9 • *American Lutheran Church, et. al. vs. Chapin, et. al.*, State of Washington Superior
10 Court, Spokane County, Cause No 01 2 06413-9

11 • *Estate of Christina Leaf vs. Chapin, et. al.*, Adversary Proceeding No. 02-6135,
12 United States Bankruptcy Court, District of Idaho.

13 • *Nine Beneficiaries of the Estate of Christina Leaf vs. Chapin, et. al.*, Adversary
14 Proceeding No. 02-6136, United States Bankruptcy Court, District of Idaho.

15 • *Frederick A. Leaf vs. Chapin*, Adversary Proceeding No. 02-6137, United States
16 Bankruptcy Court, District of Idaho, including the counterclaims asserted by the Debtors.

17
18 **ASSETS AND LIABILITIES**

19 The Debtors filed schedules of assets and liabilities with the Bankruptcy Court reflecting
20 the state of the assets and liabilities as of the filing date of those schedules. Those schedules and
21 any amendments thereto are attached to this Disclosure Statement as Exhibits. The discussion of
22 the properties, assets and liabilities set forth in this and other sections of this Disclosure
23

1 Statement is based on those schedules, the Debtor's information and the events that have
2 occurred in litigation proceedings, including testimony taken from the Debtor, Frank L. Chapin.

3 **Assets**

4 The scheduled value of the Debtors' assets on the date of the filing of the schedules
5 totaled \$762,617.39 including the listed value of businesses and trusts, including assets that Leaf
6 believes should be properly included in the CT Properties trust. The value of the assets in the
7 schedules was based on the Debtors' opinion of value, which is apparently not based on
8 appraisals. To support these values, the Debtors filed schedule A, a copy of which is attached
9 hereto as Exhibit A, listing real property assets valued at \$119,664.00. The Debtors filed an
10 amended schedule B, listing their interests in personal property, a copy of which is attached
11 hereto as Exhibit B. The Debtors' estimate of the value of the listed assets was \$700,993.39,
12 thus, the total scheduled value of assets increased to \$820, 657.39. The Plan proponents make no
13 representations concerning the value of the Debtors' assets other than as set forth in this
14 Disclosure Statement. As set forth herein, the Plan provides for the imposition of a constructive
15 trust whereby any funds, assets or proceeds of funds or assets that rightfully belong to the
16 Beneficiaries or other third parties will be removed from and segregated from the Debtors'
17 estate.

18 **Liabilities**

19 The Debtors scheduled liabilities as of the date of the amended schedules totaled
20 approximately \$2,521,803.48, of which \$1,366,378.00 relates to the disputed and un-liquidated
21 claim of the Internal Revenue Service and \$1,250,000.00 relates to the judgment entered in the
22 pending Spokane County Superior Court action entitled *American Lutheran Church, et al., v.*
23 *Chapin, et al.*, Cause No. 01 2 06413-9 against Frederick A. Leaf, M.D. ("Leaf Estate

1 Judgment"), for the acts of the Debtor while acting as the co-personal representative or in other
2 capacities for the Estates of Wilbur A. Leaf and Christine Leaf. The Debtor has not admitted he
3 is obligated to Dr. Leaf. The Debtor has indicated that the claims of Dr. Leaf are all disputed,
4 un-liquidated and/or contingent. Further, the Debtor is reserving all rights with regards to the
5 proposed Plan filed by Dr. Leaf. Dr. Leaf believes the Debtor is liable for the entire amount of
6 the claims against Dr. Leaf.

7 The Debtor has also listed secured claims of \$40,605.68 and the balance of unsecured
8 claims, excluding the Leaf Estate Judgment, are scheduled in the amount of \$114,819.60.

9 The Internal Revenue Service asserts claims against the Debtor, all of which remain
10 disputed. The Debtors have not filed federal tax returns for the years 1994 through 2001,
11 inclusive. Tax years 1994 through 1998, inclusive, are the subject of cases currently pending in
12 the U.S. Tax Court under case numbers: 17596-99, 5417-01, 17599-99, 17597-99 and 5418-01.
13 The Debtor is involved in negotiations with IRS District Counsel as to all of these foregoing
14 matters.

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

1 Leaf estimates that the amount of administrative fees and costs in this proceeding may be
2 in the amount of \$45,000 to \$75,000.

3 **Exemptions**

4 The Debtors have claimed certain personal exemptions as set forth on Exhibit C to this
5 Disclosure Statement. Leaf has not yet agreed to the exemptions. The court has not yet ruled on
6 the allowability of the exemptions.

7 **Post-Petition Earnings**

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

14 **THE REORGANIZATION CASE**

15 **Summary of the Proposed Plan of Reorganization**

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

19 **General Description of the Plan**

20 Pursuant to the Plan of Reorganization that has been filed with the Bankruptcy Court, a
21 Liquidating Trustee ("Trustee") will liquidate all of the Debtors' interest in all personal property
22 and all real property owned by the Debtors. Further, pursuant to the procedures established by
23 the Plan, the Trustee will be required to segregate from the Debtors' property any and all assets

1 or proceeds that are property of, or should have been delivered to, the Beneficiaries (the
2 "Constructive Trust Properties" or "CT Properties"). The Debtor, Leaf and all other parties are
3 reserving rights with regards to what properties should be segregated into the CT Properties.
4 Attached as Exhibit G is a list of those properties Leaf contends should be included in the
5 constructive trust assets. As to any sale or other use of the CT Properties, the person(s)
6 representing the interests of the Beneficiaries shall have the sole authority to direct the Trustee.
7 The CT Properties may also include all interests in Financial Management Services, Inc. (of
8 which the Debtors are the sole shareholders), S and F, LLC (of which both Debtors are the sole
9 members), Frank L. Chapin, P.A. (of which the Debtor is the sole settlor), and any other entity in
10 which the Debtors claim any legal or equitable ownership interest.

11 At the time of submitting this Disclosure Statement to creditors, Leaf and the Debtor are
12 discussing an agreement concerning (a) designating particular properties to be included in the
13 constructive trust; and (b) prioritizing the sequence of sale of the various properties listed the
14 above Exhibit G. Any such agreement will require either the approval of this Court, after
15 appropriate notice, or, approval as part of a modification to the Plan in order to be binding upon
16 creditors. If such an agreement is reached, the agreement, together with any other Plan
17 modifications, shall be disseminated to creditors prior to the Plan confirmation hearing.

18 Following the sale of the Debtors' property, the proceeds will be disbursed first to
19 payment of any transactional tax obligations or reserves for capital gains taxes, then to creditors
20 holding an allowed secured claim collateralized by the asset(s) liquidated, then to the creation of
21 a fund for payment of other allowed claims. From the fund, the Trustee will secure its
22 compensation, and there will be payment of allowed exemptions, allowed administrative expense
23 claims, allowed priority claims, and finally to holders of allowed unsecured claims in the manner

1 discussed below. Any net recoveries under the avoidance provisions of the Bankruptcy Code
2 shall augment the Trustee's fund.

3 **Existing Litigation**

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

6 • *Leaf vs. Financial Management Services, Inc. et. al.*, State of Idaho District Court,
7 Bonner County, Cause No: CV-02-01655.

8 • *American Lutheran Church, et. al. vs. Chapin, et. al.*, State of Washington Superior
9 Court, Spokane County, Cause No 01 2 06413-9

10 • *Estate of Christina Leaf vs. Chapin, et. al.*, Adversary Proceeding No. 02-6135,
11 United States Bankruptcy Court, District of Idaho.

12 • *Nine Beneficiaries of the Estate of Christina Leaf vs. Chapin, et. al.*, Adversary
13 Proceeding No. 02-6136, United States Bankruptcy Court, District of Idaho.

14 • *Frederick A. Leaf vs. Chapin*, Adversary Proceeding No. 02-6137, United States
15 Bankruptcy Court, District of Idaho.

16 In addition to the foregoing, the Debtors listed a number of other pending actions,
17 including tax appeals, in their answer to question 4(a) of their Statement of Affairs. Tax appeals
18 are set forth above in this Disclosure Statement.

19 **Appointment of a Liquidating Trustee**

20 Under the Plan, the Court will appoint a Liquidating Trustee ("Trustee"). The Creditor
21 will submit the identity of the proposed Trustee to the Court with the Creditor's Ballot Report or
22 as otherwise ordered by the Court. The Trustee will remain in charge of the liquidation of the
23

1 Debtors' property and administration of this Plan until discharged or replaced by Order of the
2 Court. Article V of the Plan discusses the Trustee's duties.

3 **Classification of Claims**

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

8 **Unclassified Claims**

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

16 **Class 1**

17 Class 1 claims consist of all secured claims against the Debtors. Class 1 claims are
18 further divided into subclasses depending on the nature of the security and the identity of the
19 property that secures the claim. The Class 1a claim consists of the claim of the Internal Revenue
20 Service. The Class 1b claim consists of the claim of the Bonner County Tax Collector. The
21 Class 1c claim consists of the claim of Ford Motor Credit for the 2000 Ford F250 truck. Prior to
22 the approval of this Disclosure Statement, the Debtor surrendered the truck to Ford Motor Credit
23 pursuant to a Stipulation for Stay Relief.

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Class 2

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

Class 3

Class 3 claims consist of two subclasses. The first class, class 3A, consists of those persons such as the Beneficiaries, whose claims may be deemed non-dischargeable, and who are rightfully entitled to the assets or proceeds of assets that should have been distributed to the Beneficiaries. These are the creditors who will be entitled to the benefit of the Constructive Trust.

Class 3B consists of all allowed unsecured claims against the Debtors however arising not otherwise included in any other class including, but not limited to, claims based on the Leaf Estate Judgment. Persons reviewing the Plan are advised that Leaf and the Debtor may reach an agreement limiting or fixing the amount of Leaf's claims against the estate prior to confirmation. Such agreement, however, would require the approval of this Court. Dr. Leaf reserves the right to have the Leaf Estate Judgment be among the claims included in Class 3A. To the extent Class 3A claims are not fully retired through the use of CT Properties, all deficiency amounts shall be treated under Class 3B. The Class 3B claims will consist of unsecured claims against the Debtors not entitled to priority or subject to subordination. It also consists of the unsecured portion, if any, held by holders of secured claims as determined pursuant to the provisions of 11 U.S.C. § 506(d). With respect to any and all distributions made to unsecured creditors under the Plan, the extent of an unsecured creditor's allowed claim against the estate will determine that creditor's pro rata share of funds available from the Trustee's fund.

1 **Class 4**

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

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

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

10 **Priority Claims**

11 **Administrative Expense Claims**

12 Administrative expense claims are not classified and are not impaired under the Plan.
13 Unless the holder of a claim agrees to be treated differently, all administrative claims shall be
14 paid in full, in cash, as soon as practicable after confirmation of the Plan and at such time as the
15 Trustee has, from the sale of non-CT Properties, funds available for payment, in such amounts
16 that may be allowed by the Bankruptcy Court. The payments shall be made from the Trustee's
17 Creditor Dividend Fund created from net proceeds received from the sale of non-CT Properties,
18 i.e., the Debtors' real and personal, separate and community property as specified under the Plan.
19 Administrative expense claims include claims for reimbursement of expenses and compensation
20 of services rendered by attorneys and other professional persons employed by the Debtors.
21 There will also be an opportunity for the proponents of this Plan to seek administrative expense
22 claim allowance. All such amounts will be subject to review and approval by the Bankruptcy
23 Court. The claims in this proceeding that are known to date would include the claims of the

1 Debtors' counsel, the claims of any other professional who has been authorized to perform
2 services for the Debtors and counsel for one of the plan proponent, Dr. Leaf for his § 503(b)(4)
3 claims that are of benefit to this estate.

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

11 Tax Claims

12 Allowed tax claims of governmental units entitled to priority pursuant to § 507(a)(7) of
13 the Bankruptcy Code and not otherwise included in any other class of the Plan shall be paid in an
14 amount sufficient to fully amortize the claim over a period of six years commencing on the later
15 of (a) the Plan's effective date, (b) that date after the Plan effective date on which such claim is
16 assessed, or (c) the date on which the claim becomes an Allowed Claim. Under the Plan, the
17 interest rate on such tax claim shall be the federal judgment rate then in effect. The only tax
18 claim of which the Debtor is aware is the contingent claim of the Internal Revenue Service in the
19 approximate amount of \$1,365,378.00 relating to potential tax liability. The Debtor and Leaf
20 anticipates objecting to this claim in an effort to reduce same. Moreover, the Debtor intends to
21 continue to prosecute his pending tax cases and take other steps to reduce such claims to the IRS.
22 It is anticipated by the plan proponents that once the tax claims of the IRS are determined, that
23

1 the amount of the taxes owing may be less than \$50,000. The IRS shall have no claim against
2 the CT Properties or proceeds thereof.

3 **Secured Claims**

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

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

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

14 The Trustee shall liquidate any and all non-CT Properties to which the Class 1b Allowed
15 Secured Claim is attached. The amount due to the claimant, together with interest at the federal
16 judgment interest rate accrued from the petition date until the date of payment hereunder, shall
17 be paid from the lower of (a) the amount of net funds available from the sale of such assets, or
18 (b) the full amount due and owing. In the event there is no property to which the claim in this
19 Class 1b is attached, such claim shall be treated under the provisions of Class 2. This class is not
20 impaired under the Plan. The claimants in this class shall have no right to payment or claim
21 against CT Properties or proceeds.
22
23

1 **Class 1c – Ford Motor Credit**

2 The Trustee shall liquidate any and all property to which the Class 1c is attached, and if
3 there are sufficient proceeds from the sale of such asset, shall pay such claim in full together with
4 interest at the lowest rate of allowed contractual, court ordered or the federal judgment interest
5 rate accrued from the petition date until the date of payment hereunder or to the extent of such
6 net proceeds, whichever payment amount is less. In the event there is no property to which the
7 claim in this Class 1c is attached, such claim shall be treated under the provisions of Class 3B.
8 This class is not impaired under the Plan. The claimants in this class shall have no right to
9 payment or claim against CT Properties or proceeds.

10 **Unsecured Priority Claims**

11 **Class 2**

12 Class 2 unsecured priority claims are not impaired under the Plan. The claimants in this
13 class shall have no right to payment or claim against CT Properties or proceeds.

14 **Unsecured Creditors**

15 **Class 3A and 3B**

16 The Class 3A and 3B interests are impaired under the Plan. The claimants in class 3B
17 shall have no right to payment or claim against CT Properties or proceeds.

18 **Equity Interests**

19 **Class 4**

20 The Class 4 interests are impaired under the Plan. The claimants in this class shall have
21 no right to payment or claim against CT Properties or proceeds.
22
23

1 Debtors' schedules filed with the Bankruptcy Court, as modified by proofs of claim filed in the
2 case. Except as noted, the table reflects claims as of February 22, 2002. The Creditor has not
3 examined any proofs of claim on file with the Bankruptcy Court in preparing the tables.

4 Class	Claim or Interest	Approximate Amount
5 Administrative 6 Claims	Debtors' Counsel and other professionals, Counsel for Leaf	Unknown
7 1a	Internal Revenue Service	\$ 12,545.54
8 1b	Bonner County Tax Collector	\$ 4,649.12
9 1c	Ford Motor Credit	\$ 23,411.02
10 2	Unsecured Priority Claim	\$ 1,366,378.00
11 3	Unsecured Creditors	\$1,114,819.80
12 4	Equity Interests	Unknown
13 Total		\$2,521,803.48 plus 14 unknown amounts

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

21 **PROJECTED DISTRIBUTIONS**

22 The Plan Proponents do not yet have an accurate estimation of the future distributions to
23 all creditors in this estate. Based solely upon the Debtors' schedules, and after the exclusion of

1 the CT Properties from the estate's assets, the following table compromises the Proponents'
2 estimates of the amounts that should be available for distribution to the identified claim holders.
3 As claim amounts are subject to change, the amounts distributed to the various classes would
4 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

14 THE "BEST INTEREST OF CREDITORS" TEST

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

1 **Federal Income Tax Consequences to the Debtor**

2 Under the Plan, the Debtors' creditors will be paid from proceeds received from the sale
3 of certain real estate and interests in certain entities, including Financial Management Services,
4 Inc., and S and F, LLC, Frank L. Chapin, P.A. and the Hoodoo Mountain Ranchette Trust and
5 the liquidation of other assets. That sale may result in the recognition of some capital gain. The
6 income may be taxable and, if so, may be payable in connection with the Estates' 2003 income
7 tax return. As a result, the requisite amount of the proceeds necessary to pay such taxes shall be
8 retained by the Trustee for such purpose.

9 **Federal Income Tax Consequences to Creditors**

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

22
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1 **CONFIRMATION OF THE PLAN**

2 **Voting Procedures**

3 A ballot to be used for voting your acceptance or rejection of the Creditor's Plan of
4 Reorganization is being mailed to you together with this Disclosure Statement and Plan. Holders
5 of claims should read the instructions carefully, complete, date and sign the ballot, and transmit it
6 in the envelope enclosed. In order to be counted, your ballot must be received at address on the
7 ballot not later than 4:30 p.m. on _____, 2003. Failure to vote or a vote to reject the
8 plan will not affect the treatment to be accorded a claim or interest if the plan nevertheless is
9 confirmed.

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

17 **Hearing on Confirmation**

18 The hearing on confirmation of the Plan has been set for _____, 2003
19 at _____ o'clock _____m. before the Honorable Terry L. Meyers, United States
20 Bankruptcy Judge, in his courtroom _____. The Bankruptcy Court shall confirm the Plan at that
21 hearing only if certain requirements, as set forth in § 1129 of the Bankruptcy Code, are satisfied.
22 Even though there are joint plan proponents, either proponent may request confirmation of the
23

1 proposed Plan in the event the other proponent fails to request confirmation. The joint consent
2 of both proponents is not needed in order to request confirmation of the Plan.

3 **Best Interests of Creditors**

4 In order to satisfy one of those requirements, either Plan Proponent must establish that
5 with respect to each class, each holder of a claim in that class has accepted the Plan or will
6 receive or retain under the Plan on account of such claim property of a value that is not less than
7 the amount that such holder would receive if the Debtor were to be liquidated under Chapter 7 of
8 the Bankruptcy Code. As discussed in the section of this Disclosure Statement entitled "Best
9 Interests of Creditors," the Plan Proponents believe that the Plan satisfies this test. The Plan
10 Proponents anticipate that the Bankruptcy Court will make such a determination at the time of
11 the hearing on confirmation.

12 **Feasibility**

13 The Plan Proponents must also establish that confirmation of the Plan is not likely to be
14 followed by a conversion of this case to a Chapter 7 case pursuant to the Bankruptcy Code, or
15 the need for further financial reorganization unless the plan provides for such liquidation.
16 Because the plan provides for the sale of all of the Debtors' nonexempt assets to the extent
17 necessary to fund the payments under the plan and the ongoing payments relate only to their
18 mortgage and personal living expenses, the Plan Proponents believe that the Plan is feasible and
19 that the Bankruptcy Court will so find.

20 **Treatment of Dissenting Classes of Creditors**

21 The Bankruptcy Code requires the Bankruptcy Court to find that the Plan does not
22 discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests
23

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. Moreover, the Order of Confirmation of the
7 Plan will invoke the discharge provisions of 11 U.S.C. § 1141 et. seq.

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

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

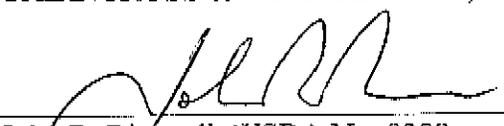
12 DATED this ____ day of March, 2003.

13
14 By signature will be filed
with court when received
15 Frederick A. Leaf, M.D.

1 Presented by:

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

3 CAIRNCROSS & HEMPELMANN, P.S.

4
5 
6 John R. Rizzardi, WSBA No. 9388
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17 Coeur d'Alene, ID 83814
18 Telephone: (208) 667-2103
19 Facsimile: (208) 765-2121

20 ELSAESSER JARZABEK ANDERSON
21 MARKS ELLIOTT & McHUGH

22 
23 Bruce A. Anderson, ISB No. 3392
24 1400 Northwood Center Court, Suite C
25 Coeur d'Alene, ID 83814
26 Telephone: (208) 667-2900
27 Facsimile: (208) 667-2150

28 DISCLOSURE STATEMENT - 28

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. **02-2021B**

Chapter **11**

SUMMARY OF SCHEDULES

AMOUNTS SCHEDULED

NAME OF SCHEDULE	ATTACHED (YES/NO)	NO. OF SHEETS	ASSETS	LIABILITIES	OTHER
A - Real Property	NO	1	\$ 118,664.00		
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		\$ 1,114,919.80	
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.
Total >			\$ 119,864.00	

(Report also on Summary of Schedules.)

In re Frank L. Chapin

Debtor

Sydney L. Gutierrez-Chapin

Case No. 02-20218

(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 & Glasware \$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	37,672.60
		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)

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.

(Include amounts from any continuation sheets attached. Report total also on Summary 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
1002 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 27th day of August, 2002.

ELSAESSER JARZABEK ANDERSON
MARKS ELLIOTT & MCHUGH, CHTD.


BRUCE A. ANDERSON,
Attorneys for Debtors

In re Frank L. Chaplin

Debtor

Sydney L. Gutierrez-Chaplin

Case No.

02-20218

(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 Pond Oreille Bank 476655 Hwy 95 N. Sandpoint, ID 83864	W	722.05
		Medical Savings Account Pond Oreille Bank 476655 Hwy 95 N. Sandpoint, ID 83864	W	108.78
		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, etemp, 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 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.		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

3 continuation sheets attached

Total

\$ 700,993.39

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

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 27th 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)

SCHEDULE C - PROPERTY CLAIMED AS EXEMPT

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/§ 804(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) \$80, Dinette \$140, Bookcase \$50	IC § 11-605(1)	2,830.00	2,830.00
New York Life- High Yield Bond	IC § 55-1011/§ 804(1)(E)	8,000.00	8,000.00
Wedding rings (2)	IC § 11-605(2)	1,200.00	1200.00

EXHIBIT

C

In re Frank L. Chapin

Sydney L. Gutierrez-Chapin

Case No. 02-20218

Debtor.

(If known) **COURTS**

AMENDED SCHEDULE C - PROPERTY CLAIMED AS EXEMPT

02 MAR 20 PM 12:14
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
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Art prints (4) \$415, Misc. collectables \$175	IC § 11-605(10)	590.00	590.00
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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

ORIGIN

EXHIBIT D
Plan of Reorganization

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

The Honorable Terry L. Myers

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

10 Bruce A. Anderson, ISB No. 3392
Elsaesser Jarzabek Anderson Marks Elliott & McHugh
11 1400 Northwood Center Court, Suite C
Coeur d'Alene, ID 83814
12 Telephone: (208) 667-2900
13 Facsimile: (208) 667-2150

14
15
16 UNITED STATES BANKRUPTCY COURT FOR THE
DISTRICT OF IDAHO
17

18 In re:

NO. 02-20218

19
20 FRANK L. CHAPIN and
21 SYDNEY L. GUTIERREZ-CHAPIN,

JOINT PLAN OF REORGANIZATION

22 Debtors.
23

PLAN OF REORGANIZATION - 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 Frederick A. Leaf, M.D., a creditor ("Creditor"), and the Debtor, propose the following
2 Plan of Reorganization pursuant to Subchapter II of Chapter 11 of the Bankruptcy Code.

3 **ARTICLE I - DISCLOSURE STATEMENT**

4 1. The Creditor filed a Disclosure Statement under 11 U.S.C. § 1125 and
5 Bankruptcy Rule 3016(c). The Debtor has joined in the Disclosure Statement and the
6 Bankruptcy Court has now approved the Disclosure Statement prior to submission of this Plan to
7 creditors. The Disclosure Statement provides useful information to aid creditors in voting on the
8 Plan. You are urged to read the Disclosure Statement with care in evaluating the impact of this
9 Plan upon your claims or equity interests.

10 **ARTICLE II - DEFINITIONS**

11 2. Any term used in the Plan not defined below shall have the meaning ascribed to it
12 in the Bankruptcy Code. When used in this Plan, the following terms have the meanings
13 specified below, unless the context otherwise requires:

14 2.1. **ALLOWED CLAIM:** Any claim in the amount and of the priority
15 classification set forth in the proof of such claim that has been filed timely in the Reorganization
16 Case, or in the absence of such proof, as set forth in the Debtors' schedules of liabilities in the
17 Reorganization Case, unless: (i) such claim has been listed in such schedules as disputed,
18 contingent, or unliquidated, in which case such claim shall be allowed only in such amount and
19 such classification as is authorized by Final Order of the Bankruptcy Court; (ii) such claim has
20 been objected to or is objected to after Confirmation, in which case such claim shall be allowed
21 only in such amount and such classification as is authorized by Final Order of the Bankruptcy
22 Court; or (iii) such claim has been paid in full, withdrawn, or otherwise deemed satisfied in full.
23

1 2.2. ALLOWED GENERAL UNSECURED CLAIM: An Allowed Claim that
2 is not (i) an allowed secured claim or (ii) an unsecured claim entitled to priority under the
3 Bankruptcy Code pursuant to § 507 or otherwise.

4 2.3. ALLOWED SECURED CLAIM: An Allowed Claim that is a secured
5 claim against the Debtors determined in accordance with § 506(a)-(d) of the Bankruptcy Code.

6 2.4. AS SOON AS PRACTICABLE: Unless extended by Court order, within
7 thirty days following the occurrence of a triggering event.

8 2.5. BANKRUPTCY CODE or CODE: The Bankruptcy Code enacted
9 November 6, 1978, as set forth in Title 11 of the United States Code, and as amended thereafter.

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

14 BENEFICIARIES: The heirs of the Estate of Christina Leaf, or their assigns, who shall also be
15 the Claimants of Class 3(a).

16 2.7. CLASS: A class of claims interests as defined in ARTICLE III of this
17 Plan.

18 2.8. CLOSING DATE: The date upon which the Bankruptcy Court enters the
19 Closing Order.

20 2.9. CLOSING ORDER: The order of the Bankruptcy Court closing the
21 Reorganization Case pursuant to § 350 of the Bankruptcy Code.

22 2.10. CONFIRMATION: The entry of the Order of Confirmation by the
23 Bankruptcy Court.

1 2.11. CONFIRMATION DATE: The date eleven (11) days after the date the
2 Bankruptcy Court enters the Order of Confirmation.

3
4 CONSTRUCTIVE TRUST PROPERTIES or CT PROPERTIES: Those properties that are
5 designated by an Order of the Bankruptcy Court to be placed into a constructive trust established
6 by this Plan.

7 2.12. CREDITOR: When capitalized as "Creditor", this shall refer to Frederick
8 A. Leaf, M.D. Dr. Leaf is also referred to as the "Plan Proponent", however, with the Debtor's
9 joinder in the Plan, "Plan Proponent" shall also mean the Debtor.

10 2.13. DEBTORS: FRANK L. CHAPIN and SYDNEY L. GUTIERREZ-
11 CHAPIN ("Chapin").

12 2.14. DEBTOR IN POSSESSION: The Debtors, when exercising their rights,
13 powers, and duties under § 1107(a) of the Bankruptcy Code in the Reorganization Case.

14 2.15. DISPUTED CLAIM: A filed or scheduled claim of an alleged creditor to
15 which a party in interest has filed an objection.

16 2.16. EFFECTIVE DATE: The first business day not less than ten (10) days
17 from and after the Confirmation Date when the Confirmation Order is no longer subject to
18 appeal or revision.

19 2.17. ESTATE: The Estate created pursuant to § 541 of the Bankruptcy Code.
20 As to those creditors holding Allowed Claims against the Debtors and the marital community,
21 the Estate is comprised of all of the Debtors' separate and all community property assets,
22 including the rents, profits, revenues and issues from any such property, but not including the CT
23 Properties.

1 2.18. FINAL ORDER: An order or judgment of the Court as to which the time
2 for appeal has expired without notice of appeal having been filed or as to which any appeal there
3 from has been resolved.

4 2.19. FINAL PRIORITY CREDITOR DISTRIBUTION: The date on which the
5 last allowed Class 1 Claim and Unclassified Claims are paid.

6 2.20. FINANCIAL MANAGEMENT SERVICES, INC.: The Debtors' entire
7 interest in Financial Management Services, Inc.

8 2.21. FREDERICK A. LEAF, M.D.: One of the proponents of this Plan, also
9 referred to as the "Creditor" or "Plan Proponent".

10 2.22. HOODOO MOUNTAIN RANCHETTE TRUST: The Debtors' entire
11 interest in Hoodoo Mountain Ranchette Trust.

12 2.23. LIQUIDATING TRUST OR TRUST: The Trust that will be established
13 by the Plan Confirmation Order, charged with locating and liquidating all of the Debtors' assets
14 and administering the proceeds pursuant to the terms of the Confirmed Plan (the "Trust"). All
15 Trust assets shall be vested in the Debtors in name only. The provisions of the Plan and the
16 Confirmation Order shall describe the ability of the Trust to manage, administer and sell the
17 assets and how the Trust shall administer or otherwise treat the CT Properties.

18 2.24. ORDER OF CONFIRMATION or CONFIRMATION ORDER: The
19 order of the Bankruptcy Court confirming the Plan pursuant to § 1129 of the Bankruptcy Code.

20 2.25. PLAN: This Plan of Reorganization in its present form or as it may be
21 amended or modified from time to time pursuant to order of the Bankruptcy Court.

22 2.26. POST-CONFIRMATION EXPENSES: All fees and expenses of
23 Professional Persons allowed by the Court which are incurred after the Effective Date and all

1 expenses, including the compensation of the Trustee and those persons necessary to carry out the
2 duties of the Liquidating Trust connected with its authorized business of liquidating all assets,
3 fixing and determining the allowability of exemptions and claims and making the distributions
4 called for under this Plan.

5 2.27. PRIORITY CREDITOR: The holders of allowed priority claims.

6 2.28. PROFESSIONAL PERSONS: Persons retained or to be compensated
7 pursuant to §§ 326, 327, 328, 330 and/or 1103 of the Bankruptcy Code.

8 2.29. REORGANIZATION CASE: The Chapter 11 case pending before the
9 Bankruptcy Court commenced by the Debtors, designated Case No. 02-20218.

10 2.30. S and F, LLC: The Debtors entire interest in S and F, LLC.

11 2.31. UNSECURED CLAIM: An Allowed Claim that is not an Allowed
12 Secured Claim.

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

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

19 3.1. Class 1 Secured Claims:

20 3.1.1. Class 1a: The Allowed Secured Claim of Internal Revenue
21 Service.

22 3.1.2. Class 1b: The Allowed Secured Claim of Bonner County Tax
23 Collector.

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

2 3.2. Unsecured Priority Claims:

3 3.2.1 Class 2: All Allowed Unsecured Priority claims against the
4 Debtors entitled to priority pursuant to § 507(1)(2), § 507(1)(8)(A), § 507(a)(8)(B) and
5 §507(a)(8)(D).

6 3.3. Unsecured Claims:

7 3.3.1. Class 3(a): The claims of consists of those persons whose claims
8 may be deemed non-dischargeable in this Estate, and who are rightfully entitled to the assets or
9 proceeds of assets that should have been distributed to the Beneficiaries. These are the creditors
10 who will be entitled to the sole benefit of the constructive trust.

11 3.3.2. Class 3(b): All Allowed Unsecured Claims against the Debtors not
12 entitled to priority and not otherwise included in any other previous Class hereof.

13 3.4 Equity Claims:

14 3.4.1 Class 4: Any equity interest that the Debtors may have in Estate
15 assets after payment of all prior claims.

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

18 The Claims of all Classes are impaired under the Plan.

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

21 5.1. Effective upon Confirmation, a Liquidating Trustee ("Trustee") shall be
22 appointed by the Court. The Creditor and/or the Debtor shall submit the identity of the Proposed
23 Trustee to the Court with the Creditor's Ballot Report or as otherwise ordered by the Court.

1 5.2. Subject to the Trustee meeting such qualifications as may be required by
2 the United States Trustee, and such other conditions as required by the Court, the Trustee shall
3 remain in charge of the liquidation of the Debtors' assets and administration of this Plan until
4 discharged or replaced by Order of the Court.

5 5.3. As to assets other than the CT Properties, the Trustee shall have
6 immediate constructive possession of all of the Debtors' assets wherever located. Without
7 limitation, the Trustee shall be provided with immediate access to all of the Debtors' physical
8 and electronic books, records, financial information, accounts of every nature and all other forms
9 of data. The Debtors' shall cooperate and provide full and unrestricted access to the Trustee, and
10 shall cooperate by further providing all asset locations, passwords, combinations and methods of
11 access.

12 5.4. The Trustee shall immediately commence a full inventory of the Debtors'
13 assets wherever located, and the Trustee shall be entitled to conduct such investigation, as the
14 Trustee deems appropriate and necessary to locate such assets. Further, the Trustee shall be
15 given the following powers by the Order of Confirmation:

16 5.5. Duties of the Liquidating Trustee

17 5.5.1. To retain and compensate professionals, including, but not limited
18 to attorneys, accountants, real estate brokerage firms, and other advisors.

19 5.5.2. To list any and all real or personal property for sale in appropriate
20 markets and to pay brokerage commissions.

21 5.5.3. To investigate the nature and extent of any secured claims against
22 any real or personal property.
23

1 5.5.4. To liquidate 100% of the Debtors' property, unless the Debtor is
2 successful in preventing liquidation by either asserting a valid claim of exemption or purchasing
3 the property from the Trustee at then current market value of such property, and to pay the costs
4 of any asset sale.

5 5.5.5. To investigate the validity, nature and extent of all claims against
6 the Debtor.

7 5.5.6. To object, challenge or otherwise administer all claims against the
8 Debtor.

9 5.5.7. To investigate, prosecute, and compromise, in the Debtors' names,
10 any and all causes of action belonging to the Debtors' or this Estate, under applicable local, state
11 or federal laws.

12 5.5.8. To create and execute such documentation as may be required or
13 reasonably necessary to fulfill the purposes of the Trustee.

14 5.5.9. To take any and all further action that is consistent with the
15 intentions and purposes of this Plan and the Court's Order of Confirmation.

16 5.6 In order to determine the nature and extent of the properties that should be
17 included in the constructive trust (the "CT Properties") the Trustee shall:

18 5.6.1. Notify all parties to submit pleadings, consisting of summaries,
19 declarations and supporting documentation, if available, designating the properties or assets to be
20 included within the constructive trust within fifteen (15) days after the Trustee's appointment.

21 5.6.2. Investigate the submissions and file an independent
22 recommendation with the Court, in the form of a contested proceeding, requesting a resolution of
23 the issue, providing all parties with notice of such recommendation and request.

1 5.6.3. The parties shall be afforded at least thirty (30) days notice of such
2 hearing, and all affected or interested parties may file responses and replies as allowed by
3 applicable court rules.

4 5.6.4. The Bankruptcy Court shall have jurisdiction and shall be
5 authorized to resolve the issue as to what properties are properly included in the constructive
6 trust, and to approve any agreements between parties as to what properties are included in the
7 constructive trust.

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

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

11 6.1. Administrative Claims:

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

19 6.1.2. All quarterly fees due to the United States Trustee pursuant to
20 28 U.S.C. § 1930(a)(6) will be paid in full on or before the Effective Date, as required by
21 11 U.S.C. § 1129(a)(12).

22 6.1.3. The payments required under the provisions of ¶ 6.1.1 and ¶ 6.1.2
23 above shall only be made by the Trustee from the proceeds of liquidation on deposit in the Trust.

1 6.1.4. At the discretion of the Creditor, the alternate treatment of allowed
2 tax claims may be pursuant to § 1129(a)(9)(C) and paid from the post-petition personal earnings
3 of the Debtors, as monitored by the Trustee. The holders of such tax claims will not be stayed or
4 otherwise limited from seeking recovery from the Debtors personal earnings.

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

13 6.2. Secured Claims:

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

19 6.2.2. The Trustee shall liquidate any and all property to which the Class
20 1a Allowed Secured Claim is attached. The amount due to the claimant, together with interest at
21 the federal judgment interest rate accrued from the petition date until the date of payment
22 hereunder, shall be paid from the lower of (a) the amount of net funds available from the sale of
23

1 such assets, or (b) the full amount due and owing. In the event there is no property to which the
2 claim in this Class 1a is attached, such claim shall be treated under the provisions of Class 2.

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

11 6.2.4. Class 1c-1 through 1c-5 (Ford Motor Credit and any other Secured
12 Claims): The Class 1c-1 through Class 1c-5 claims are not impaired under this Plan. If
13 collateral securing such claims has not been surrendered prior to the Effective Date, the Trustee
14 shall liquidate or surrender any and all property to which the Class 1c-1 through 1c-5 Allowed
15 Secured Claim(s) is attached, and, in the event of a sale of assets, if there are sufficient proceeds
16 from the sale of such asset(s), shall pay such claim in full together with interest at the lowest rate
17 of allowed contractual, court ordered or the federal judgment interest rate accrued from the
18 petition date until the date of payment hereunder or to the extent of such net proceeds, whichever
19 payment amount is less. In the event there is no property to which the claim in this Class 1c is
20 attached, such claim shall be treated under the provisions of Class 3(b).

21 6.2.4.1. In the event the Trustee elects to abandon any asset
22 referenced in paragraph 6.2.4, the Trustee shall abandon the collateral securing the claim to the
23

1 holder of such claim. Any further claim by the holder of such claim shall be treated under Class
2 3(b).

3 6.2.4.2. In the event any holder of any Secured Claim included in
4 a subclass of Class 1 votes in favor of the Plan, the Debtor shall waive any claims against such
5 holder, including but not limited to any avoidance claims under the provisions of the Bankruptcy
6 Code. In the event any holder of a Secured Claim included in any subclass of Class 1 votes
7 against the Plan, in accordance with the provisions of 11 U.S.C. § 1129(b), the Debtor requests
8 that the Court confirm the plan notwithstanding any rejection of the plan by the holder of such
9 Class 1 Secured Claim or subclass Class 1 Secured Claim.

10 6.3. Unsecured Priority Claims:

11 6.3.1. Class 2: Class 2 claims are not impaired under this Plan. At the
12 discretion of the Creditor, the alternate treatment of allowed tax claims may be pursuant to
13 §1129(a)(9)(C) and paid from the post-petition personal earnings of the Debtors, as monitored
14 and implemented by the Trustee. The holders of such tax claims will not be stayed or otherwise
15 limited from seeking recovery from the Debtors personal earnings. If the foregoing payment
16 option is not implemented by the Creditor and approved by the Order of Confirmation, allowed
17 Class 2 claims of governmental units entitled to priority pursuant to §507(a)(8)(A),
18 §507(a)(8)(B) and § 507(a)(8)(D) of the Bankruptcy Code and not otherwise included in any
19 other class of the Plan shall be paid in an amount sufficient to fully retire such claim on the later
20 of (a) the Plan's Effective Date, (b) that date after the Plan's Effective Date on which such claim
21 is assessed, (c) the date on which such claim becomes an Allowed Claim, or (d) the date when
22 the Trust has adequate assets with which to make payment of such Allowed Claim.

1 6.4. Unsecured Claims:

2 6.4.1. Class 3(a): Class 3(a) claimants shall first look to the assets in the
3 CT Properties constructive trust for payment of their claims. In the event Class 3(a) claimants are
4 not paid in full from the assets in the constructive trust, they shall have their unpaid claim
5 balances treated under Class 3(b).

6 6.4.2. Class 3(b): The Class 3(b) Unsecured Claims are impaired under
7 this Plan. Payment of Allowed General Unsecured Claims shall occur as follows: The Trustee
8 shall liquidate all Estate assets and recover all other funds due the Estate, unless the Debtors
9 invoke the procedure for purchasing any asset, set forth below under paragraph 6.6 of this Plan.
10 From the proceeds of liquidation, the Trustee shall pay the Allowed Administrative, Secured
11 Priority, Secured and Unsecured Priority claims. The Trustee shall also ensure that the costs,
12 fees and expenses of the Trust and Trustee have been paid or fully reserved, in the Trustee's
13 discretion. At such time as the Trustee, in his/her sole discretion, determines there are adequate
14 funds with which to make a distribution, such distribution shall be made from all or any portion
15 of available funds on a pro-rata basis to Class 3(b) creditors. At such time as the Trustee has
16 determined that all Estate assets have been sold, and all monies recovered by the Estate, the
17 Trustee, after making payment in full of all other costs, fees and expenses of the Trust and
18 Trustee, and paying all prior claims, shall make a final distribution to all Class 3(b) creditors, pro
19 rata, and then shall enter a Notice closing the administration of the estate. In the event the Trust
20 has funds that exceed the amount needed to pay Class 3(b) claims in full, Class 3(b) claimants
21 shall be entitled to be paid interest on their claims at the federal judgment interest rate effective
22 on the date of Confirmation, accruing from the petition date until the date of payment.

1 6.5. Equity Claims:

2 6.5.1. Class 4: The Class 4 Equity Claims of the Debtors are impaired.

3 Payment of this class shall occur only if all prior classes, all Administrative expenses and all
4 Post-Confirmation fees and expenses are paid in full, with interest at the higher of the applicable
5 contract rate or the federal judgment interest rate.

6 6.6. Debtors' election to retain property:

7 6.6.1. The Debtors may elect to retain any Estate property to which any
8 Allowed Secured Claim is attached subject to the following procedure:

9 6.6.1.1. The Debtors, at their sole expense, shall have the asset
10 appraised by a licensed appraiser or other appraiser approved by the Trustee, whose consent shall
11 not be unreasonably withheld. The asset shall be appraised to determine its then current fair
12 market value. The appraisal shall be furnished to the Trustee.

13 6.6.1.2. The Debtors shall be responsible for assuming in full, and
14 obtaining a release for the Estate, Trust and the Trustee from any claims of any secured creditor
15 whose lien attaches to the assets being purchased and is not otherwise being paid from the sale
16 proceeds.

17 6.6.1.3. The Debtors shall pay to the Trust, in cash, the full
18 amount of the differential between the market value of the asset plus the Trustee's actual fees
19 and costs incurred to facilitate such sale, less the amount(s) of any contractually assumed secured
20 claims, less any allowed applicable personal exemption.

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

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

1 7.1. In calculating the cash to be distributed to Allowed Claims, all Disputed
2 Claims will be treated as if they were Allowed Claims in the full amount thereof; provided,
3 however, that the cash so allocated to Disputed Claims will not be distributed, but will be held by
4 the Trustee for the benefit of the holders of Allowed Claims ultimately entitled thereto. The
5 Trustee shall also hold back sufficient funds so as to ensure that the deficiency balances of Class
6 3(a) Claimants, if any, that will be treated as Class 3(b) claims, will be paid.

7 7.2. At such time as a Disputed Claim becomes an Allowed Claim, and subject
8 to the plan treatment provisions for such Allowed Claim, the Trustee shall deliver to the holder
9 of the Allowed Claim the cash allocable to such Allowed Claim.

10 7.3. In determining the amount of a claim, any final, non-appealable order or
11 judgment entered by another court of competent jurisdiction setting the amount of such claim
12 shall be determinative as to the amount of such claim.

13 **ARTICLE VIII - MEANS FOR EXECUTION OF THE PLAN**

14 8. The Debtors, Debtor in Possession, and Trustee shall each perform or shall have
15 performed all acts required of them.

16 8.1. On Confirmation, all assets of the Estate shall be re-vested in the Debtors
17 solely for the purposes of title, with the exception of the CT Properties. The Debtors shall have
18 no authority to take any action whatsoever as to any Estate asset without the express written
19 approval of the Trustee or pursuant to an Order of the Court. The Debtors actions in derogation
20 of this provision shall subject the Debtors to appropriate sanctions, including a minimum cost of
21 \$3,000 for any Order finding the Debtors, or either of them, to have not complied with this
22 provision or any term of the order confirming the Plan. On the effective date, the Debtors shall
23 transfer all funds in all accounts to the Trustee, including but not limited to, funds held by any

1 third parties on account of or in trust for the Debtors. To the extent funds are available from the
2 proceeds of Estate assets, the Trustee shall make the payments required by the Plan, shall satisfy
3 all Administrative Expense Claims, and shall make all other payments required after the
4 Effective Date; provided, however, that such obligation shall not serve to make the Trust or the
5 Trustee personally liable for any discharged claims, including any claims which are Allowed
6 Secured Claims.

7 8.2. Except as provided in ¶ 8.3 below, all rights, claims and causes of action,
8 whether equitable or legal, of the Estate, the Debtors, Debtors in Possession, and Trustee against
9 all persons, trusts or entities are reserved for evaluation and assertion by the Trustee, including,
10 but not limited to, all claims set forth in the Debtors' schedules filed herein and the
11 indemnification claims against Robert Kovacevich, John Murray and their respective marital
12 communities. Following confirmation the Trustee, in the name of the Debtors, may commence
13 adversary proceedings or lawsuits in applicable state or federal courts against persons or entities
14 to realize upon causes of action retained under the Plan. If the Trustee prosecutes or, where
15 appropriate, settles and compromises any actions transferred to it, then, after payment of all costs
16 and legal fees, and after determination of the Trust's interest in the net proceeds of such
17 action(s), the Trust's share of such net proceeds of such action(s) shall be deposited and
18 administered by the Trustee pursuant to the provisions of the Confirmed Plan.

19 8.3. All rights, claims and causes of action, whether equitable or legal, of the
20 Estate, the Debtors, Debtors in Possession, and Trustee against all persons, trusts or entities
21 arising under Chapter 5 of the Bankruptcy Code, under State or Federal law for the recovery of
22 avoidable fraudulent conveyances or other transfers shall be transferred to the Trustee on the
23 Confirmation Date. Following Confirmation, the Trustee, in the name of the Debtors, may

1 commence adversary proceedings against persons or entities to realize upon any causes of action
2 transferred under the plan. If, in the best interests of the Estate, the Trustee prosecutes or, where
3 appropriate, settles and compromises, any actions reserved to it, then all available net proceeds
4 (after the payment of all costs and legal fees and funding of the Priority Creditor Dividend Fund)
5 of such actions shall be deposited into Trust.

6 8.4. The Trustee, in the name of the Debtors, shall resolve the claims of all
7 creditors and interest holders.

8 8.5. Any objection to a claim by a party in interest in the Reorganization Case
9 must be filed on or before sixty (60) days following the Confirmation Date unless said time
10 period is extended by the Bankruptcy Court for cause shown, provided, however, that the
11 foregoing limitation does not apply to any claims filed subsequent to Confirmation.

12 8.6. Pursuant to § 347(b) of the Bankruptcy Code, ninety (90) days after any
13 distribution by the Trustee, the Trustee shall stop payment on any such check remaining unpaid
14 to a holder of an Allowed Claim and funds shall be returned to the payor for use or
15 redistribution. From and after the date the Trustee stops payment on any distribution check
16 pursuant to this paragraph, the holder of the claim on account of which such check was issued
17 shall be entitled to receive no further distributions on account of his claim and such holder's
18 Allowed Claim shall thereupon be deemed satisfied in full.

19 8.7. The deadline for submission of all claims entitled to priority pursuant to
20 §§ 507(a)(1), (a)(2) and (b) of the Bankruptcy Code incurred prior to Confirmation, with the
21 exception of fees and costs of Professional Persons and Post-confirmation Expenses shall be
22 thirty (30) days following Confirmation. Failure to file a claim by this date shall conclusively
23

1 bar the claimant from asserting its Claim, which Claim shall be forever barred from sharing in
2 the distributions under the Plan.

3 8.8. Any negotiable instrument held by the holder of an Allowed Claim shall
4 be deemed exchanged, paid, canceled, or satisfied, as the case may be, on the Effective Date.

5 8.9. The Trustee, subject to the provisions of Article VI, shall distribute all
6 funds held in accordance with the provisions of this Plan, with the exception of any funds that
7 are determined to be properly part of the CT Properties.

8 8.10. From and after the Confirmation Date, the unpaid balance of any Secured
9 Claim shall bear simple interest at the rates set forth in this Plan, unless the Court establishes,
10 after notice and a hearing, a different Plan Interest Rate with respect to that Secured Claim. The
11 holder of any Secured Claim shall, within the same deadline and in the same manner established
12 for objections to confirmation, file any objection it may have to the proposed interest rate,
13 identify the proposed alternative rate, and set forth the facts and circumstances justifying such
14 rate. At any hearing the court may fix the applicable Plan Interest Rate so as to provide the
15 holder of any objecting claim holder with the present value of its claim within the meaning of 11
16 U.S.C. § 1129(b). Failure to object to the proposed interest rate shall be deemed to be consent
17 thereto.

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

20 9. All executory contracts and unexpired leases of the Debtor not assumed or
21 rejected by the Debtors or by the term of the Order of Confirmation, shall be rejected by the
22 Order of Confirmation. Any claim arising from the rejection of an executory contract shall be
23 Class 3(b) claim and any entity holding a claim based upon the rejection of an executory contract

1 or an unexpired lease pursuant to this Article must file a proof of claim with the Bankruptcy
2 Court within 30 days after Confirmation. The failure of any such entity to file a proof of claim
3 within the specified time period will result in the disallowance of such claim.

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

6 10. The distribution made to the various Classes of creditors as provided for in this
7 Plan shall be full and complete satisfaction of their Allowed Claims. Unless otherwise Ordered
8 by the Court, confirmation shall operate as a discharge of any and all debts and claims as defined
9 in Section 101(4) of the Bankruptcy Code against the Debtors or Debtors in Possession that arose
10 at any time prior to Confirmation. Except as expressly provided in the Plan, all holders of any
11 claim against the Debtors or Debtors in Possession shall be enjoined (pursuant to 11 U.S.C.
12 §1141) from collecting any claims or pursuing any cause of action against the Reorganized
13 Debtors, with respect to any claim or cause of action assertable against the Debtors, Debtors in
14 Possession or Reorganized Debtors. Such injunction shall be effective as to each claim,
15 regardless of whether or not (a) the claim was scheduled, (b) a proof of claim was filed, (c) the
16 claim is an Allowed Claim, or (d) the holder thereof voted to accept the Plan. In the event any
17 creditor procures from the Court a final order determining that such creditor's claim(s) is not
18 dischargeable, such creditor shall receive treatment of its claim as set forth in this Plan, but shall
19 otherwise be enjoined from pursuing estate assets or CT Properties, unless such creditor is a
20 beneficiary of the CT Properties constructive trust. The foregoing limitation shall not prevent a
21 creditor holding a non-dischargeable claim from pursuing other assets of the Debtors' that do not
22 constitute property of the estate, such as non-exempt post-petition personal earnings of the
23 Debtors.

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**ARTICLE XI - MODIFICATIONS AND REQUEST
FOR CONFIRMATION OF THE PLAN**

11. Pursuant to the provisions of § 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, the Creditor and/or the Debtor reserve the right to modify or alter the provisions of the Plan at any time prior or subsequent to Confirmation. Modifications may be requested by either proponent, without the consent of the other proponent, and each proponent reserves the right to object to any modifications proposed by the other proponent. Either proponent may request confirmation of the proposed Plan in the event the other proponent fails to request confirmation. The joint consent of both proponents is not needed in order to request confirmation of the Plan.

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

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

- 12.1. Examining any issue pertaining to the Trustee's administration of the Confirmed Plan;
- 12.2. Fixing and allowing a claim as a cost and expense of the administration of the Reorganization Case;
- 12.3. Reexamining any claim that has been allowed;
- 12.4. Hearing and determining any objection to a claim or interest, and continuing to hear or consider any pending adversary proceeding, including claims objecting to

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

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

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

11 12.7. Hearing and determining all questions and disputes regarding title to the
12 property of the Debtors or the Estate, including hearing all issues pertaining to the determination
13 of what properties or assets should be included in the CT Properties constructive trust;

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

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

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

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

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

12.3. Hearing and being authorized to consider approval of any proposed settlement, including any proposed release of third party or parties;

12.14. Entering orders concluding and terminating the Reorganization Case.

DATED this ___ day of March, 2003.

By _____
Frederick A. Leaf, M.D.

By _____
Frank L. Chapin, Debtor

By _____
Sydney L. Gutierrez-Chapin, Debtor

1 Presented by:

2 WINSTON & CASHATT
3

4 _____
5 Tamara W. Murock, ISB No. 5886
6 Maris Baltins, WSBA No. 09107
7 250 Northwest Boulevard, Suite 107A
8 Coeur d'Alene, ID 83814
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11 _____
12 CAIRNCROSS & HEMPELMANN, P.S.

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14 John R. Rizzardi, WSBA No. 9388
15 Attorneys for Creditor Frederick A. Leaf, M.D.
16 Admitted Pro Hac Vice
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19 Telephone: (206) 254-4444
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21 _____
22 ELSAESSER JARZABEK ANDERSON
23 MARKS ELLIOTT & McHUGH

24 _____
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EXHIBIT E

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

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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 Bistline, 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 Prest 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. 13882-98 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

EXHIBIT F
Order Approving Disclosure Statement

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The Honorable Terry L. Myers

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Telephone: (208) 667-2900
13 Facsimile: (208) 667-2150

14 UNITED STATES BANKRUPTCY COURT FOR THE
15 DISTRICT OF IDAHO

16 In re:

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

NO. 02-20218

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

20
21 THIS matter came before the Court at a hearing held on February 20, 2003, upon the
22 request of Frederick A. Leaf, M.D. ("Leaf") and the Debtor (the "Proponents") for approval of
23 the jointly submitted Disclosure Statement for Plan of Reorganization (the "Disclosure

ORDER APPROVING JOINT DISCLOSURE
STATEMENT AND SETTING HEARING ON
CONFIRMATION OF PLAN - 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 Statement"). The Court, having reviewed the files and records herein, and deeming itself fully
2 advised, finds and concludes as follows:

3 A. The Disclosure Statement, filed on January 3, 2003, and dated March 6, 2003,
4 contains information of a kind, and in sufficient detail, as far as is reasonably practicable under
5 the circumstances, that would enable a hypothetical reasonable investor to make an informed
6 judgment about the Plan of Reorganization;

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

9 C. The Court has been advised that the Debtors have withdrawn their objection and
10 have joined in the Disclosure Statement.

11 Now, therefore, based on the foregoing, it is hereby

12 ORDERED AS FOLLOWS:

13 1. The Disclosure Statement is approved and the Proponents may now solicit
14 acceptances or rejections of the Debtor's Plan of Reorganization ("Plan") pursuant to 11 U.S.C.
15 § 1125.

16 2. On or before _____, the Proponents shall cause to be placed in
17 the mail to all creditors and other parties in interest indicated on the official mailing matrix
18 maintained by the Clerk of the Court a copy of the Plan and the Disclosure Statement, along with
19 a ballot on which creditors may indicate acceptance or rejection of the Plan.

20 3. All acceptances or rejections of the Plan must be in writing and must be received
21 by counsel for Leaf on or before _____, 2003 at 5:00 p.m.

22 4. Any objections to confirmation of the Plan shall be in writing, filed with this
23 Court, and served on counsel for all Proponents no later than _____, 2003 at 5:00 p.m.

ORDER APPROVING JOINT DISCLOSURE
STATEMENT AND SETTING HEARING ON
CONFIRMATION OF PLAN - 2

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524 Second Avenue, Suite 500
Seattle, Washington 98104-2323
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1 5. The Proponents shall file a pre-confirmation report with the Court on
2 _____, 2003.

3 6. A hearing shall be held commencing on _____, 2003 at ____ a.m., in
4 Courtroom ____ of the United States Bankruptcy Court located at Federal Building, 205 N. 4th
5 Street, 2nd Floor, Coeur d'Alene, Idaho for this Court's consideration of confirmation of the
6 Proponents' Plan and any objections thereto which have been timely filed pursuant to the terms
7 of this Order.

8 DATED this ____ day of March, 2003.

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Terry L. Myers
U.S. Bankruptcy Court Judge

CAIRNCROSS & HEMPELMANN, PS

John R. Rizzardi, WSBA No. 9388
Admitted Pro Hac Vice

WINSTON & CASHATT

Tamara W. Murock, ISB No. 5886
Maris Baltins WSBA No. 09107

ELSAESSER JARZABEK ANDERSON
MARKS ELLIOTT & McHUGH

Bruce A. Anderson, ISB No. 3392

Attorneys for Frederick A. Leaf, M.D.

ORDER APPROVING JOINT DISCLOSURE
STATEMENT AND SETTING HEARING ON
CONFIRMATION OF PLAN - 3

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Law Offices
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Seattle, Washington 98104-2323
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1 **EXHIBIT G**

2 Plan proponent Leaf alleges that the following assets, both the physical assets and the Debtor's
3 interest in such assets, should be properly includable in the assets of the CT Properties
4 constructive trust proposed under the Plan of Reorganization. Leaf reserves the right to assert
5 that additional assets are includable in the constructive trust. The Debtors make no
6 representations at this time as to what properties, if any, should be designated as CT Properties.
7 The Debtors and all other parties are fully reserving all rights with regards to these allegations,
8 and as of the date of approval of this Disclosure Statement, there have been no agreements, or
9 court orders, altering the ownership or affecting the title to these properties. All values are based
10 on estimates provided by the Debtor:

<u>Property Name</u>	<u>Values</u>	<u>Owner</u>
11 Glabb Ranch	Gross: \$225,000 Net of liens: 0	S and F Properties
12 Jachetta	Gross: \$40,000 Net: \$35,000	S and F Properties
13 Linden	Gross: \$60,000 Net: 0	S and F Properties
14 Home Place (2 parcels)	Gross: \$75,000 Net: 0	S and F Properties
15 Dunromin	Gross: \$100,000 Net: \$95,000	S and F Properties
16 319 Church Street 17 Sandpoint, ID	Gross: \$125,000 Net: \$110,000	HooDoo Mountain Ranchette Irrevocable Trust
18 House Property	Gross: \$160,000 Net: \$125,000	Debtor

19 Notes:

20 1. All net values assume that obligations to FMS, a related entity, are nullified and extinguished.

1 2. No allowance for homestead is set forth as to the House Property.

2 3. Net values do assume payments of applicable real estate taxes and costs of sale, payment of
3 underlying liens, except any lien of FMS, but do not assume payment of liens owed, if any, to the
Internal Revenue Service.

4 4. All of the real properties are located in Bonner County, Idaho.
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DISCLOSURE STATEMENT
for
Frank L. Chapin and Sydney L. Gutierrez-Chapin
INFORMATION CONCERNING THE DEBTOR AND THE
PROPOSED PLAN OF REORGANIZATION

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Debtor in Chapter 11 Case
No. 02-20218
in the United States Bankruptcy Court for the
District of Idaho
March 6, 2003

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John R. Rizzardi
Attorneys for Frederick A. Leaf, M.D., Plan Joint Proponent
Admitted Pro Hac Vice

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THIS DISCLOSURE STATEMENT HAS BEEN APPROVED AS CONTAINING ADEQUATE INFORMATION CONCERNING THE DEBTORS AND THE PLAN OF REORGANIZATION BY AN ORDER OF THE UNITED STATES BANKRUPTCY COURT ENTERED ON MARCH 6, 2003, AND ITS DISTRIBUTION TO THE HOLDERS OF CLAIMS IS AUTHORIZED BY THAT ORDER.

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