

U.S. COURTS

2003 FEB 18 P 2:23

Bruce A. Anderson, ISB #3392
ELSAESSER JARZABEK ANDERSON
MARKS ELLIOTT & MCHUGH, CHTD.
Attorneys at Law
1400 Northwood Center Court
Cocur d'Alene, Idaho 83814
Tel: (208) 667-2900
Fax: (208) 667-2150

FILED
FEB 18 2003
CLERK OF COURT
IDAHO

Attornecys for: Debtor-in-Possession

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF IDAHO

In Re:)	
)	Case No. 02-20218
FRANK CHAPIN and SYDNEY CHAPIN,)	
)	REPLY TO IRS' MOTION IN
Debtors.)	SUPPORT OF U.S. TRUSTEE'S
)	MOTION TO CONVERT OR DISMISS
)	

COMES NOW Frank L. Chapin and Sydney Chapin, by and through its bankruptcy counsel, Bruce A. Anderson, of Elsaesser Jarzabek Anderson Marks Elliott & McHugh, Chtd., and replies to the IRS' Motion in Support of U.S. Trustee's Motion to Convert or Dismiss as follows:

1. The statement that Debtors have failed to file monthly reports for the months of October, November, December 2002 and January 2003, is correct. Debtors shall file those reports on or before February 28, 2003.
2. The U.S. Trustee's fees in the amount of roughly \$250.00, respectively, for the third and fourth quarters of 2002 shall be paid on or before February 28, 2003.

REPLY TO IRS' MOTION IN SUPPORT OF
U.S. TRUSTEE'S MOTION TO CONVERT OR DISMISS -1

ORIGINAL

3. Substantial conversations and negotiations have taken place between Debtors' counsel and counsel for Fred Leaf, proponent of the now pending Creditor's Plan of Reorganization and Disclosure Statement. Debtors have made comments with respect to the Disclosure Statement, which in essence requires additional disclosures be made, but none of a substantial nature.

4. Without committing to the Creditor's Plan of Reorganization, Debtors have had substantial negotiations and conversations with John Rizzardi, counsel for the plan proponent. Such negotiations are for the purpose of arriving at a consensual Plan of Reorganization/Liquidation. Should Debtors elect to continue in this direction, it is believed that it would be in the best interests of all creditors involved, as the intent would be to propose what is in essence a joint consensual Disclosure Statement and joint consensual Plan of Reorganization/Liquidation. It is believed and hoped that any such plan would maximize the value of the underlying assets of this estate.

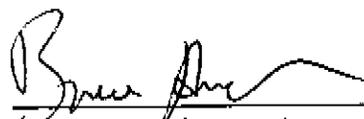
5. It is correct that the Debtors have not filed federal tax returns for the years 1994, 1995, 1996, 1997, 1998, 1999, 2000 or 2001. The tax years 1994 through 1998, inclusive, are now pending before the U.S. Tax Court at Case Nos. 17596-99, 5417-01, 17599-99, 17597-99, and 5418-01. Negotiations are ongoing with Robert Scarborough, attorney for IRS District Counsel, Seattle, Washington.

The pending tax court cases have ramifications as to the tax years 1999, 2000 and 2001. It is unknown whether the U.S. Tax Court cases will be concluded soon, however, Debtors would commit to filing the returns for the tax years 1994 through 2001, inclusive, within 90 days.

WHEREFORE, it is prayed that this case not be converted or dismissed, and that an order be entered setting deadlines with respect to the issues set forth in both the U.S. Trustee and U.S. Attorney's motions.

DATED this 4th day of February, 2003.

ELSAESSER JARZABEK ANDERSON
MARKS ELLIOTT & MCHUGH, CIITD.



Bruce A. Anderson, Attorney for Debtors

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 17th day of February, 2003, I caused to be served a true and correct copy of the foregoing REPLY TO IRS' MOTION IN SUPPORT OF U.S. TRUSTEE'S MOTION TO CONVERT OR DISMISS by the method indicated below, and addressed to the following:

U.S. Trustee
P.O. Box 110
Boise, ID 83701
(208) 334-9756

U.S. MAIL
 HAND DELIVERED
 OVERNIGHT MAIL
 FACSIMILE

Warren S. Derbidge
P.O. Box 32
Boise, ID 83707
(208) 334-1414

U.S. MAIL
 HAND DELIVERED
 OVERNIGHT MAIL
 FACSIMILE


Bruce A. Anderson