Anna W. Drake, No. 0909
ANNA W. DRAKE, P.C.
175 South Main Street, Suite 1250
Salt Lake City, Utah 84111
Telephone: (801) 328-9792
Facsimile: (801) 530-5955
E-mail: annadrake@att.net
Attorney for Debtors

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF UTAH
Central Division

In re	)	
	)	Consolidated Bankruptcy No. 08-26934
JERRY A. McWILLIS and JANET KAYE McWILLIS; J.A.M. FAMILY LIMITED PARTNERSHIP, a Utah limited partnership,	)	(Chapter 11)
	)	Judge William Thomas Thurman
Debtors.	)	

DEBTORS' AMENDED DISCLOSURE STATEMENT FILED IN CONNECTION WITH DEBTORS' AMENDED PLAN OF REORGANIZATION DATED JUNE 25, 2010

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EXHIBITS

Jerry A. McWillis and Janet Kaye McWillis (collectively "McWillises") and J.A.M. Family Limited Partnership ("JAM"), the above-named Debtors and Debtors-in-Possession (collectively "Debtors"), propose this disclosure statement (the "Disclosure Statement") to accompany a proposed plan of reorganization (the "Plan") in this case. All parties in interest should carefully consider the information contained in this Disclosure Statement.

I. INTRODUCTION

This Disclosure Statement is provided to all creditors, interest holders, and other parties in interest in this case in order to provide "adequate information" within the meaning of 11 U.S.C. § 1125(a)(1), as far as is reasonably practicable in light of the nature and history of the business and records of the Debtors. This information is supplied to parties so that they might make an informed judgment whether to vote for or against the Plan, and whether, by objection, to oppose the Plan.

A copy of the Plan accompanies this Disclosure Statement as **Exhibit "A"**, since the Plan provides detailed information respecting the treatment of Claims and Interests. Terms used in the Disclosure Statement are defined with precision in the Plan and are deemed to have the same meaning in the Plan and Disclosure Statement.

As required by 11 U.S.C. § 1125(f)(1), the Disclosure Statement was presented to the Bankruptcy Court for approval on July _____, 2010. At that time, the Court approved the Disclosure Statement as containing "adequate information" to enable parties to make an informed judgment concerning the Plan.

No representations concerning the Debtors (especially respecting future business operations, the values of properties, or the value of any promises made under the Plan) are authorized other than as set forth in the Disclosure Statement. Any representations or inducements made to secure acceptances of the Plan which are other than as contained in this Disclosure Statement should not be relied upon in arriving at a decision whether to accept or oppose the Plan, and any such additional representations or inducements should be reported to the Court, to the Debtors and to counsel for the Debtors for such action as may be appropriate. This does not mean, however, that parties may not inquire of the Debtors in order to receive information or clarifications concerning the Debtors or the Plan.

THE INFORMATION IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECTED TO AN AUDIT OR A CERTIFIED AUDIT. THE DEBTORS ARE THEREFORE UNABLE TO WARRANT THAT THE INFORMATION IS WITHOUT ANY INACCURACY, ALTHOUGH A GOOD FAITH EFFORT HAS BEEN MADE IN ORDER TO BE ACCURATE. NEITHER THE COURT NOR ANY OTHER PARTY IN THE BANKRUPTCY CASE HAS PASSED UPON THE ACCURACY OF THE INFORMATION.

Please carefully read the Disclosure Statement and Plan prior to deciding whether to accept or reject the Plan. Please give special attention to those parts of the Plan and Disclosure Statement treating your Claim or Interest in the Debtors, and whether or to what extent this is

impaired or expunged. You are encouraged, in this regard, to consult with an attorney and/or an accountant to fully understand the Plan and the effect which it may have upon your rights.

II. PROCEDURAL INFORMATION

A ballot for voting on the Plan is enclosed with this Disclosure Statement. Please review this carefully and fill out all portions of the ballot. In order to be counted, ballots must be returned so that they are received no later than August _____, 2010, at the following address:

Clerk, United States Bankruptcy Court
United States Courthouse
350 South Main Street, Room 301
Salt Lake City, Utah 84101

A hearing on confirmation of the Plan will be held before the Honorable William Thomas Thurman, Chief United States Bankruptcy Judge, in his courtroom in the United States Courthouse, 350 South Main Street, Salt Lake City, Utah 84101, on August _____, 2010, at _____, Mountain Time.

Objections to confirmation of the Plan, if any, must be in writing and filed with the Clerk of the Bankruptcy Court, at the above address, with copies served upon counsel for the Debtors and the Office of the United States Trustee, no later than August _____, 2010. The addresses for the Debtors, counsel for the Debtors, and the Office of the United States Trustee are as follows:

For the Debtors:

Jerry and Janet McWillis
3809 Thousand Oakes Circle
Salt Lake City, UT 84124
Telephone: (801) 269-1119

with a copy to:

Jerry and Janet McWillis
c/o Anna W. Drake, P.C.
175 South Main Street, Suite 1250
Salt Lake City, UT 84111
Telephone: (801) 328-9792
Facsimile: (801) 530-5955

For the United States Trustee:

Peter J. Kuhn
Office of the United States Trustee
405 South Main, Suite 300
Salt Lake City, Utah 84111

Any objections to confirmation will be heard at the hearing on confirmation, at the place and time noted above.

It is important that you vote. The Plan places holders of claims into various classes. Voting is conducted according to this scheme of classification. In other words, the Plan is accepted or rejected class by class. A majority of claims in a class may bind the minority in that class. This majority is computed by both number and amount (a majority in number and two-thirds in amount), both being necessary to win acceptance of the class. Moreover, this majority

is based upon claims actually voted, not upon claims outstanding. Hence, to be counted, you must vote your claim.

In connection with confirmation, the Court may confirm the Plan, even if a class of claims or interests does not accept the Plan, but only in the event that certain minimum requirements are established as set forth in 11 U.S.C. § 1129(b). These are discussed below under "Liquidation Analysis for Plan Confirmation."

The Debtors believe that the Plan provides parties in interest with the best opportunity to realize the most value reasonably to be expected on account of claims against the Debtors. Accordingly, THE DEBTORS URGE PARTIES TO ACCEPT THE PLAN.

III. HISTORY OF THE DEBTORS

Pre-petition Business and History of the Debtors:

Both Jerry and Janet McWillis were raised in modest surroundings – Jerry in Hailey, Idaho and Janet in Salt Lake City. Each saw their parents work very hard to provide for their respective families. Jerry and Janet both developed a similar work ethic, realizing it took hard work and a lot of effort to achieve success in life.

Jerry obtained his Bachelor's degree at Idaho State University, Master's degree at Brigham Young University, and worked on his Doctorate at the University of Utah in Health, Recreation, and Education. Unfortunately, upon graduating he found that good jobs in his chosen field of study were sparse and most required relocating.

By this time, Jerry had also been married and had two small children. He saw his brother, who had taken a job in sales, making a better salary than he was. Jerry applied for and acquired his first job in sales and began what became a long and successful history of being a salesman and traveling across the United States in his profession.

The last sales position he held for another company was with Continental Sales Company, selling eyeglass frames and accessories to optical shops and eye doctors. During this time, he decided to start his own business known as International Optical Supply with the primary product being "Eye Appeal". Eye Appeal was a cleaner for glass lenses. To position his products ahead of the competition, he offered private labeling on the cleaner bottles and Care Kit pouches and developed a full line of eye care accessories. Over a number of years, Jerry personally traveled to every state in the United States selling these products and successfully took International Optical products nationwide.

Janet obtained her Bachelor's degree at Utah State University in Education and Early Childhood Education, after having decided in second grade that she wanted to be a teacher. She worked on her Master's degree at the University of Utah.

Janet taught first grade for six years and then was hired out of the classroom to become an Educational Consultant for Open Court Publishing Company. Open Court published reading and math text books and programs for kindergarten through eighth grade. As a consultant, Janet traveled the 22 states west of the Mississippi River for seven years, training teachers, presenting seminars, and doing committee presentations.

After averaging 40 weeks a year on the road, she decided it was time to cut down on the travel and she took a position with Boehringer Mannheim Diagnostics in sales. Boehringer Mannheim made testing products for people with diabetes. Janet called on physicians, hospitals, and laboratory personnel throughout the state of Utah for five years.

After knowing each other for fourteen years, Jerry and Janet were married in 1994. Although they had assisted each other with developing their respective careers during that time, once married, Janet quit her job and began working with Jerry at the International Optical business. That summer they purchased a cabin in Manor Lands in the high Uintas. Jerry realized the value of real estate and set his mind on acquiring property at an early age and over time. He believed that property would provide income for the retirement years.

In 1973 he bought his first home on Fortuna Drive in Olympus Hills. In 1974, he bought two four-plex apartment buildings. In 1977 he purchased Maplewood Estates which consists of fourteen townhouses (seven buildings). In 1978 he traded the two four-plexes for Garden Acres which consists of ten townhouses (five buildings). In 1984, he sold the home on Fortuna Drive and purchased their current Residence on Thousand Oaks Circle. He later purchased the adjacent lot and had the two lots combined into one.

When Jerry started International Optical Supply in 1984, he rented a warehouse in Broadbent Business Center. As the business grew, he saw the need to increase warehouse size and decided it would be a good investment to purchase his own warehouse. The original warehouse was acquired in 1987. He later purchased adjacent property to the warehouse and

built a new, larger warehouse in 1991 – 1992 where the offices and main operations are now housed. He designed the warehouse so that sections could be leased out to other commercial businesses.

Jerry's brother D.V. McWillis and his wife Renee (collectively **"DV"**) had built an existing business known as Salt City Candle Company. As their business grew, they found that they were unable to expand as rapidly as necessary. DV was interested in developing the retail side of the business, and in 1998 they approached Jerry and Janet to develop the home party side which became known as Party Wicks and Scents ("PW&S"). PW&S set up a complete manufacturing facility using DV's approved Salt City Candle formulations but basically working independently of them. Using his sales background, Jerry recruited distributors, got the manufacturing up and running, and designed marketing tools, while Janet ran the internal side of the business. PW&S started with a dozen distributors and over the next 7 ½ years brought on hundreds of distributors as they expanded the business and brand recognition across the United States. Jerry and Janet were passionate about the products and passed that passion on to their distribution team.

The Debtors saw tremendous growth within a very short period of time. The Debtors' contract was signed in February of 1998, and in the first eight (8) months of operations, they achieved approximately $800,000 in sales. During the second year (the first full year of business), the distribution grew to around 150 distributors and sales grew to approximately $1,600,000. In 2002, sales reached nearly $6,000,000. Although the Debtors did all of the work

at their warehouses for PW&S, DV received 50% of all profits – the same percentage as the Debtors.

Due to the profitability of PW&S, The Debtors purchased the property located at 5061 Commerce Drive in 1999 and the corner property of 5065, 5071, and 5075 Commerce Drive in 2000. In 2001 Jerry refinanced the apartment complexes (Maplewood Estates and Garden Acres) and they purchased the 2.8 acres on Commerce and Vine (aka Germania). The Debtors had purchased a home on Eastmoor Drive in Holladay in 2000 to serve as the home for Jerry's parents; in 2005, they traded that property for 5059 Commerce in order to complete the acquisition of the 6.13 acres that they currently own. In 2001 they also purchased a parcel of property in Entrada (St. George, Utah) where they envisioned they would build a retirement home sometime in the future.

As 50/50 partners, the Debtors and DV were required to make all decisions jointly; however, the Debtors found this was not the case. According to the contract, DV would develop all new products and the Debtors were not to be in the formulation side, and the Debtors abided by the terms of the contract.

To their dismay, however, DV used new products as leverage against the Debtors. He had retained the Utah and southern Idaho distributor base that he had originally started. He began to bring out new products for *his* distributors and retail accounts that went into direct competition against the Debtors' distributors, and their distributors were very upset about their inability to carry these products.

DV had originally agreed to allow home party distributors to have Internet websites and sell products on the Internet. As the Internet grew in popularity and his own sons became more involved in his business, he decided to rescind that agreement and wanted the Debtors to make all of their distributors get off the Internet.

The PW&S partnership continued to become more and more contentious, and finally, in 2003, the Debtors were forced to initiate a lawsuit against DV based on breach of fiduciary duty. Their actions were doing irreparable damage to PW&S which they partially owned. This lawsuit was extremely costly and lasted for three (3) years. On February 24, 2006, DV offered the Debtors a settlement agreement that included the ability of the Debtors to start their own candle company.

In developing Cachet Candle Company (**"Cachet"**), the Debtors faced many challenges, but in light of their success with International Optical Supply and Party Wicks and Scents, they had every reason to believe that they could succeed. They had a sharp learning curve to develop a whole new product line in a very short period of time. What had taken them over seven (7) years to develop in PW&S, they needed to build in a matter of months. It was essential to have a full line of products and marketing tools in order to retain as many of their distributors as possible.

Not only did this endeavor require endless hours of work and development, it was a huge financial undertaking. In order to purchase all new ingredients and accessories, and to develop

marketing and sales tools, the Debtors were required to begin borrowing against their personal assets and properties.

Filing of Chapter 11 Case:

As a result of the inability of the Debtors to either liquidate the Real Property or find alternative financing in light of the economic climate, and in order to protect the Debtors' interests in the Real Property, the McWillises filed a petition for relief under Chapter 11 on October 9, 2008. When they realized that JAM would also need to file, they caused JAM to file its petition under Chapter 11 on October 27, 2008.

IV. PROPERTIES AND LIABILITIES OF THE DEBTORS

A balance sheet showing the assets and liabilities of the Estate on the Petition Date is attached hereto as **Exhibit "B"** and incorporated herein by reference. **Exhibit "B-2"** is a balance sheet as of June 25, 2010.

ASSETS: The assets of the Estate as of October 9, 2008, and as of June 25, 2010, are generally described as follows:

Real Estate: The McWillises and JAM[1] are (or were) the owners of residential, commercial and business properties as reflected on **Exhibit "1"** attached to the Plan. In addition, **Exhibit "2"** attached to the Plan reflects the address, parcel numbers, owners, values, classes, mortgages, and claims filed relating to each of the properties as of the Petition Date. **Exhibit "2-A"** reflects that same information for the properties now retained by the Debtors. The Debtors have assigned parcel designations to each property for ease of reference. These properties may be further summarized as follows:

Commerce Drive Properties: Vacant Parcels

Parcels[2] A, B, C, and D are currently non-income producing properties which are secured only by first position trust deeds in favor of Granite Credit Union (**"Granite"**) (**"Granite Lien"**). The parcels are described as (i) 5065, 5071 and 5075 South Commerce Drive, Salt Lake City, Utah [**Parcels A and B**]; (ii) 248 West Germania (Vine) Drive, Salt Lake City, Utah [**Parcel C**]; and (iii) 5059 South Commerce Drive, Salt Lake City, Utah [**Parcel D**]. The Salt Lake County Treasurer (**"Treasurer"**) valued these four (4) parcels at $1,996,900.00 for the years 2008 and 2009. The McWillises value these parcels at a minimum of $3,638,124 ($18.00 per square foot). No taxes have

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1/ Each of Parcels A, B, C, D, E, F, and G was originally held in the name of JAM; however, at the time that the Granite Lien was placed upon each of those properties on January 30, 2007, these properties were deeded to the McWillises for loan purposes and were apparently never reconveyed to JAM. The McWillises were unaware of this fact and continued to manage those properties as if they were held in the name of JAM.

2/ "Parcels" refers to the Parcel designations shown on Exhibits "1" and "2" attached to the Plan.

been paid on these properties for the years 2008 and 2009.

Parcel E is currently non-income producing vacant land situated at 5061 South Commerce Drive, Salt Lake City, Utah. This parcel is secured by a first position deed of trust in favor of JPMorganChase (fka Washington Mutual) (**"Chase"**) and the Granite Lien. The Treasurer values Parcel E at $236,000.00 for 2008 and 2009. The McWillises' value of $700,000.00 greatly exceeds the lien of Chase in the sum of $71,430.35 (Proof of Claim No. 8). No taxes have been paid on these properties for the years 2008 and 2009.

Parcels A, B, C, D and E were valued by Integra Realty Resources at $2,900,000 (approximately $14.00 per square foot) in March 2009. In June, 2010, David P. Holtby (hired by Granite) valued those parcels at $2,525,000 (approximately $12.50 per square foot).

Commerce Drive Properties: Warehouse Properties

Parcels J and K consist of warehouse properties (**"Warehouses"**) situated at 5037 and 5057 South Commerce Drive, Salt Lake City, Utah, which were formerly occupied by Cachet Candle Company (**"Cachet"**), an affiliated entity. These parcels were jointly encumbered by a first deed of trust in favor of Assurity Life Insurance Company (**"Assurity"**). The Debtors asserted that the combined value of the Warehouses was $3,000,000.00, while the 2008 Treasurer's tax notice reflected a value of $1,238,800. Pursuant to Proof of Claim No. 1 filed in the McWillis case and Proof of Claim No. 6 filed in the JAM case, Assurity claimed that the Debtors owed the sum of

$1,080,973.33 as of the Petition Date. The Debtors disputed the accuracy of this figure and alleged that the balance owed as of December 31, 2008 was $873,903.55 (pursuant to a letter from Assurity dated January 26, 2009). *Pursuant to an order entered January 6, 2010, allowing Assurity to proceed with its foreclosure sale, Parcels J and K were sold to Assurity for the sum of $_____ on January _____, 2010.*

Value of Commerce Drive Properties

The Commerce Drive Properties (Parcels A, B, C, D, E, J and K) are directly northwest of the new 1.5 million square foot Intermountain Medical Center campus consisting of five (5) hospital buildings which opened in October of 2007.

Additionally, these properties are a "stone's throw" from the new FrontRunner South Commuter Rail station currently being constructed at 5300 South and Vine Street. The station will be equipped with park-and-ride lots and bus staging areas, and will also feature cross-platform transfers to TRAX. The 45-mile FrontRunner South line will offer high-capacity transit service between downtown Provo in Utah County and downtown Salt Lake City. The line will begin at the Salt Lake Intermodal Hub, where there is a connection with the TRAX system, and will continue to Provo. This is also an extension of UTA's existing FrontRunner system which currently runs from the Salt Lake Intermodal Hub to Pleasant View in Weber County. Construction began on the line in August 2008 and is expected to be completed no later than 2015.

Granite claims that the current value of the Vacant Properties is $2,525,000 pursuant to an appraisal dated March 18, 2010, by David P. Holtby (**"Mr. Holtby"**) of Van Drimmelen & Associates, Inc. Mr. Holtby had prepared a prior appraisal of the same properties dated December 30, 2008, which valued the property at $2,720,000.00 At the time that the Debtors executed the loan agreements with Granite in early 2007, this appraiser valued the same property at $4,250,000.00. There are numerous discrepancies between the various appraisals, including, but not limited to, the total arrearage appraised.

On June 21, 2007, the Debtors received an offer to purchase the Commerce Drive Properties for $8,500,000.00, or the Vacant Land for $5,500,000.00 with an option to purchase the Warehouse Properties for $3,000,000.00. Based upon their belief that the properties' value exceeded those amounts, the Debtors rejected those offers. Despite the recent decline in the real estate market since late 2007, the Debtors firmly believe that the Parcels A, B, C, D and E are easily worth more than $5,000,000 in today's market and that they retain more value if sold in one piece. The Debtors have recently received an offer to purchase Parcels C, D and E for $14.50 per square foot, and they have submitted a counter-offer at $2,090,880 ($16.00 per square foot). The existence of the Intermountain Medical Center and the new FrontRunner station greatly increase the value of the Commerce Drive Properties.

Apartment Complexes

Parcel F is the Maplewood Apartment complex (**"Maplewood"**) situated at 4321-4333 South 500 East, Salt Lake City, Utah. The complex, built in 1972, consists of 14 units. This property now generates approximately $8,625.00 per month in gross rental income. The parcel is subject to a first deed of trust in favor of Bank of America, while the Granite Lien stands in second position. The McWillises value Maplewood at $1,500,000.00, the 2008 tax value is $1,305,300.00, and the 2009 tax value is $1,040,500. Mr. Holtby valued this property at $1,250,000 as of June 3, 2010, while Bank of America obtained an appraisal dated September 2009 at $1,300,000. Parcel F is currently listed for $1,400,000. Pursuant to Proof of Claim No. 27 filed by Bank of America, the Debtors owed the sum of 807,079.15 as of the Petition Date.

Parcel G consists of the Garden Acres Apartment complex (**"Garden Acres"**) situated at 4391-4421 South 970 East, Salt Lake City, Utah. This apartment complex was built in 1972 and consists of 10 units. Parcel G is secured by a separate first deed of trust in favor of Bank of America and the Granite Lien stands in second position. This property generates monthly gross rental income of approximately $8,225.00. Garden Acres is valued by the McWillises at $1,100,000, and they have it currently listed at $1,100,000. The Treasurer's 2008 tax notice reflects a value of $847,800.00, and the 2009 tax value is $791,900. Mr. Holtby valued this property at $925,000 as of June 3, 2010, while Bank of America obtained an appraisal dated September 2009 at $930,000.

Pursuant to Proof of Claim No. 26 filed by ABN, the Debtors owed the sum of $564,745.96 as of the Petition Date.

Residential Properties

Parcel I, the McWillises' residence situated at 3809 Thousand Oaks Circle, Salt Lake City, Utah (**"Residence"**), is valued by the McWillises at $6,000,000.00, and the Treasurer's tax notice reflects a value of $2,861,700.00. The Residence is encumbered by a first-position deed of trust in favor of Chase (fka Washington Mutual) ($2,940,817.37 balance per Proof of Claim No. 7) and a second trust deed in favor of National City Mortgage ($350,000.00 balance). In addition, L. Benson Mabey recorded a Notice of Attorney's Fee Lien against the Residence on October 6, 2008, in the sum of $4,600.00. Pursuant to Proof of Claim No. 16 (filed in the McWillis case) and No. 2 (filed in the JAM case), the Debtors owed the sum of $4,600.00 as of the Petition Date. The Residence is currently listed by June Foucault of Coldwell Banker Residential at $5,900,000.

The McWillises also owned **Parcel L**, a cabin located at 419 Foothill Drive, Christmas Meadows, Utah (**"Cabin"**) which they valued at $180,000.00. Pursuant to Proof of Claim No. 36 filed by SunTrust, the Debtors owed the sum of $124,209.80 as of the Petition Date. *Pursuant to an order granting relief from the automatic stay, this property is scheduled for a trustee's sale to be held on July 29, 2010.*

The Deseret Ridge Timeshare (**Parcel M**) (**"Timeshare"**) is unencumbered and is valued by the Debtors at $25,900.00. There does not appear to be a market for this property at the present time.

JAM also owned **Parcel H**, a residential building lot situated at 2486 North Anasazi Trail, St. George, Utah, and valued by the Debtors at $1,100,000.00. They had listed this property for sale at $699,000.00. Home Savings held the first lien position against Parcel H and had obtained an appraisal dated October 27, 2008, which valued the property at $515,000.00. Home Savings did not file a Proof of Claim but asserted that the Debtors owed $490,050.00 as of January 7, 2009. The Debtors indicated that they owed the sum of $450,000.00 to Home Savings as of the Petition Date. The Granite Lien also encumbered this property in second position, and the property was further encumbered by a lien filed by the Entrada Property Owners Association in the sum of $545.00. *Pursuant to an order granting relief to Home Savings to pursue its claim, the Entrada Property was sold at a Trustee's foreclosure sale.*

Personal Property: The Debtors have prepared a detailed summary of their personal assets which are reflected on **Exhibit "C"** attached hereto. The Debtors' best estimate of the value of those assets on the Petition Date was $507,068.50. Since the Petition Date, the $250,000 TransAmerica Occidental Life Insurance Company Term policy has been redeemed by the beneficiary (University of Utah). In addition, the 2004 Hummer and the 1990 Sea Ray Sundancer Yacht have been returned to the University of Utah Credit Union and Granite Credit Union, respectively, thereby reducing the value of their personal property by $77,975.00 to a total

of $429,093.50. Due to the current economic climate and the unique nature of many of the listed assets, the Debtors believe that the value of all remaining personal property should be reduced by 25%, resulting in a current value of $321,820.13. A copy of the exemptions claimed by the McWillises on the Petition Date is attached hereto as **Exhibit "D"**.

Accounts Receivable: None.

Contingent Claims: None.

Cash and Accounts: The Debtors had approximately $1,650.00 in their checking account on the Petition Date.

Avoidable Transfers: The Debtors have reviewed the payments made to creditors within the 90 days prior to the Petition Date and to insiders within the year prior to the Petition Date to determine the existence of any avoidable transfers; the Debtors do not believe that any avoidable transfers have occurred. To the extent that any such transfers have occurred, proceeds from those collections, less reasonable and necessary fees and costs of collection, shall be deposited in the Plan Account for payment to creditors.

Liabilities:

Administrative Claims: Drake's current billings for fees and costs in this case total approximately $56,200.00. Pursuant to a prior order of this Court dated February 10, 2010, Drake was awarded the sum of $52,450.92 for fees and costs incurred since the Petition date and was authorized to apply the $20,000.00 retainer to cover those fees, resulting in unpaid fees of $32,450.92. Since that time, Drake has incurred additional

fees and costs of approximately $6,000.00, and anticipates that the total fees to complete this case will be approximately $44,000.00. All fees and costs of professionals are subject to approval by the Court. There are no past due amounts owed to any creditors or taxing authorities since the Petition Date. To the extent that the Debtors sell any of their properties for a sum which results in a gain, that gain may qualify as a capital gain subject to federal tax at a 15 percent rate, subject to any legitimate deductions to offset that gain. The Debtors are obligated to file income tax returns and pay all administrative taxes due thereon, all as provided in I.R.C. §§ 1398 and 1399.

Taxes: The Debtors believe that they owed no taxes on the Petition Date. All claims of taxing entities for pre-petition amounts have been amended to $0.00.

Secured Creditors. The Debtors believe that they owed the total sum of $8,245,256.51 to Secured Creditors on the Petition Date. **Exhibit "3"** attached to the Plan is a summary of all of the Secured Creditors by Class number, a description of the security for their Claims, the amounts asserted by the Debtors and the various creditors, and the anticipated Allowed Claims. In addition to the disclosure of all obligations secured by Real Property reflected in "ASSETS", *above,* the Debtors also owe (or owed) the following debts on the Petition Date:

Promissory Note in favor of Brighton Bank dated October 18, 2005, secured by a Non- Purchase Money Security Interest in a 1989 Mercedes Benz 560 SEC and a 1998 Harley Davidson motorcycle. Pursuant to Proof of Claim

No. 12 filed by Brighton the Debtors owed the sum of $5,104.01 as of the Petition Date.

Promissory Note in favor of University of Utah Credit Union ("UUCU") dated June 6, 2006, secured by a Non- Purchase Money Security Interest in a 2003 Dodge Ram 150 valued by the Debtors at $18,000.00. Pursuant to Proof of Claim No. 11 filed by UUCU, the Debtors owed the sum of $15,831.48 as of the Petition Date.

Promissory Note in favor of UUCU dated June 16, 2006, secured by a Non- Purchase Money Security Interest in a 1999 Lexus LX470 valued by the Debtors at $21,000.00. Pursuant to Proof of Claim No. 9 filed by UUCU, the Debtors owed the sum of $7,361.46 as of the Petition Date.

Promissory Note in favor of UUCU dated June 15, 2006, secured by a Non- Purchase Money Security Interest in a 2004 GMC Hummer H2 valued by the Debtors at $36,975.00. Pursuant to Proof of Claim No. 10 filed by UUCU, the Debtors owed the sum of $31,311.39 as of the Petition Date. *The Debtors have relinquished the Hummer to UUCU.*

Promissory Note in favor of Granite dated 2006, secured by a Non-Purchase Money Security Interest in a 1990 Sea Ray Sundancer Yacht valued by the Debtors at $41,000.00, and a forklift valued by the Debtors at $500.00; the forklift is not an asset of this Estate. Granite has not filed a claim, and the

Debtors disclosed that they owed the sum of $39,569.00 as of the Petition Date.

The Debtors have relinquished the Yacht to Granite.

Trade Debt, Credit Card Debt, and other Unsecured Loans. The Debtors owe approximately $316,278.00 to unsecured creditors. **Exhibit "4"** attached to the Plan is a summary of all Class 15 Unsecured Claims, the amounts asserted by the Debtors and the various creditors, and the anticipated Allowed Claims.

Disputed Claims. The Debtors dispute that they owe any amounts to Aspen Press, Intercontinental Fragrances, Clint Jones, Ciji Rodriguez, and Vandalyn Densely. The Debtors intend to object to each of these Claims, as well as a duplicate claim filed by Wells Fargo. Other disputed creditors which did not file claims include AAA Security, James Albert of Bantam Asphalt Construction, American Label, California Packaging, and French Color & Fragrance. If the Debtors are successful in their objections to claims, the unsecured creditors will be reduced to $293,947.43.

V. FINANCIAL PERFORMANCE OF THE DEBTORS PRIOR TO CHAPTER 11

Attached hereto as **Exhibit "E"** is a copy of the 2008 Federal Return of Income for the McWillises which reflects the following:

Capital gain or loss	-$3,000
Pensions and annuities	17,207
Rental real estate, etc.	-202,515
Other income	-558,418
TAXABLE INCOME	-$733,657

Attached hereto as **Exhibit "F"** is a copy of JAM's 2008 Federal Return of Income which reflects the following:

Net rental real estate income	-$23,722
Distributions	22,555
TAXABLE INCOME	0

Tax returns for the year 2009 have not yet been prepared.

VI. POST-FILING ACTIVITIES OF THE DEBTORS

Activities of the Debtors and Litigation: The McWillises filed this Chapter 11 case on October 9, 2008. An order authorizing the employment of Drake was entered by this Court on October 27, 2008. They filed their Schedules and Statement of Affairs on October 24, 2008, and the Meeting of Creditors was held on November 13, 2008.

JAM filed its petition for relief under Chapter 11 on October 27, 2008, Drake was employed by order entered November 25, 2008, and it filed its Schedules and Statement of Affairs on October 27, 2008. The Meeting of Creditors was held on December 3, 2008.

Cash Collateral: The Debtors have entered into two (2) separate cash collateral agreements which allow them to use the rental proceeds from the Maplewood and Garden Acres Apartments, as well as the lease payments from Cachet, to continue operating those properties and provide for their minimum personal expenses through March 31, 2009. They have continued to operate under the terms of those agreements since that time, without objection by Bank of America. The terms of the cash collateral agreement included the following:

1. The McWillises are authorized to collect all rents generated from the Maplewood apartments and the Garden Acres apartments (collectively "Apartments") and deposit those funds into the existing debtor-in-possession account maintained at Key Bank (xxxxxxx7243) ("DIP Account").

2. J.A.M. Family Limited Partnership ("JAM"), through the McWillises, is authorized to collect all rents generated from the warehouse properties ("Warehouse") leased to Cachet Candle Company and to deposit those funds into the DIP Account.

3. From the DIP Account, the McWillises are authorized to do the following:

(A) Pay the ordinary and necessary operating expenses for the Apartments, including utilities, insurance premiums, and regular maintenance and repairs, but excluding renovation costs, unless such renovation costs are expressly agreed to by Bank of America.

(B) Pay their personal living expenses, the ("Personal Expenses") both past and future, according to the budget attached hereto as Exhibit "A", so long as the aggregate total of such expenses does not exceed $4,443.29.

(C) Allocate 71% of the Personal Expenses to the cash collateral generated from the Apartments, *pro rata* between Maplewood and Garden Acres.

(D) Allocate 29% of the Personal Expenses to the cash collateral generated from the Warehouse.

(E) On a monthly basis, but no later than the 15th day of the month, and after payment of all expenses noted in Paragraph 3, the above-captioned debtors shall remit 80% of any amounts held in the DIP Account to Bank of America and Assurity Life, the creditors holding the senior cash collateral interest in the respective cash collateral, *pro rata*.

4. Bank of America and Granite Credit Union ("GCU") are hereby granted a first and second priority post-petition security interest and replacement lien, respectively, in and on all of the McWillises' and JAM's post-petition accounts, rents, contract rights, chattel paper, documents, cash, cash equivalents, depository accounts, general intangibles, leasehold interests and leases, and all proceeds, products, rents and profits of all of the foregoing, acquired by the

McWillises or JAM after the petition dates for the McWillises and for JAM, relating solely to the Maplewood and Garden Acres properties. The security interests and liens of Bank of America, as granted herein, shall be valid and superior to all other interests or liens of creditors of the estates of the McWillises and JAM in the Maplewood and Garden Acres properties, as adequate protection for any loss suffered by Bank of America as a result of the use of Bank of America's cash collateral.

5. The McWillises shall within ten (10) days, redesignate the beneficiaries of their respective life insurance policies to pay the indemnity therefore to the surviving debtor. If such redesignation does not occur within ten (10) days, the McWillises shall not have authority to use cash collateral to pay the premiums on such policies.

6. Assurity Life Insurance Company is hereby granted a first priority post-petition security interest and replacement lien in and on all of the McWillises' and JAM's post-petition accounts, rents, contract rights, chattel paper, documents, cash, cash equivalents, depository accounts, general intangibles, leasehold interests and leases, and all proceeds, products, rents and profits of all of the foregoing, acquired by the McWillises or JAM after the petition dates for the McWillises and for JAM, relating solely to the Warehouse. This security interest and lien, as granted herein, shall be valid and superior to all other interests or liens of creditors of the estates of the McWillises and JAM in the Warehouse as adequate protection for any loss suffered by Assurity Life Insurance Company as a result of the use of Assurity Life Insurance Company's cash collateral.

7. The McWillises and JAM shall provide Bank of America, GCU and Assurity Life Insurance Company with such financial reports and information as said creditors shall reasonably request, including copies of the monthly operating reports filed with this Court.

8. The McWillises and JAM shall provide that all properties are properly maintained and insured at all times.

9. To the extent that discovery is necessary in connection with the final hearing on this matter, the response period shall be shortened to ten (10) days.

To date, the Debtors have complied with all of the required provisions and intend to do so in the future.

Case Consolidation: Due to the confusion regarding the ownership of Parcels A, B, C, D, E, F, G, and H following the 2007 loan with Granite, the McWillises and JAM elected to file a motion to consolidate their two cases. Following a hearing held on January 5, 2009, the cases were consolidated into the individual McWillis case.

Motions for Relief from Stay: Home Savings Bank filed a motion for relief from stay to obtain permission to foreclosure its Deed of Trust filed against the Entrada Lot. The motion was granted on September 29, 2009. The Debtors believe that the Entrada Lot has been sold; however, Home Savings Bank has not filed any claims in this case to reflect the sales price or any potential deficiency.

The Debtors did not object to the motion filed by UUCU to obtain relief from the automatic stay to liquidate the 2004 Hummer, and the Debtors anticipate that said vehicle will be sold for less than the amount of the debt owed. To date, UUCU has not informed the Debtors of the sales price for the Hummer, nor has it filed an amended proof of claim.

SunTrust Mortgage filed a motion for relief from stay to obtain permission to foreclose its deed of trust filed against **Parcel L** (**Cabin**). Pursuant to an order granting relief from the automatic stay, this property is scheduled for a trustee's sale to be held on July 29, 2010.

In connection with Granite's motion for relief from the automatic stay relating to the 1990 Sea Ray Sundancer Yacht and the 1998 Nissan forklift, the Debtors have surrendered the Yacht

to Granite. The forklift is owned by Cachet which is making payments to Granite of $200.00 per month.

On March 30, 2009, UUCU also filed a motion for relief from stay in connection with the 1999 Lexus and the 2003 Dodge Ram. Each of these vehicles acted as security for non-purchase money security loans with UUCU. The vehicles are valued significantly higher than the outstanding debts. The Debtors are making adequate protection payments of $200.00 per month to UUCU.

On October 8, 2009, Brighton filed a motion for relief from the automatic stay with respect to a 1998 Harley Davidson motorcycle and a 1989 Mercedes Benz 560 SEC. That motion was subsequently amended by Brighton. Brighton has not yet obtained an order on this motion.

Liquidating Plan Filed by Bank of America: On May 4, 2010, Bank of America filed a plan which provides for the liquidation of all assets by the Debtors within 90 days from the effective date of that plan. If all creditors have not been paid in full from the sale of assets by that date, any creditor holding a lien against the particular property may foreclose, thereby eliminating the ability of the Class 15 Unsecured Creditors to receive the value of any equity in those parcels.

Financial Information. The Debtors have filed the required Monthly Financial Reports, and a summary of those reports reflects the following:

Date	Cash Received	Cash Disbursed	Net Cash Flow
10/9/08 - 10/31/08	$1,650.00	$0.00	$1,650.00
10/27/08 - 10/31/08 JAM	1,678.86	0.00	1,678.86
11/1/08 - 11/30/08	25,507.97	290.68	25,217.29
11/1/08 - 11/30/08 JAM	315.00	2,929.54	-2,614.54
12/1/08 - 12/31/08	19,864.86	33,615.48	-13,750.62
1/1/09 - 1/31/09	17,111.00	21,094.03	-3,983.03
2/1/09 - 2/28/09	18,416.92	21,283.39	-2,866.47
3/1/09 - 3/31/09	20,228.50	15,227.02	5,001.48
4/1/09 - 4/30/09	16,591.00	18,759.01	-2,168.01
5/1/09 - 5/31/09	11,746.00	20,228.84	-8,482.84
6/1/09 - 6/30/09	12,801.00	11,804.21	996.79
7/1/09 - 7/31/09	11,899.01	7,072.71	4,826.30
8/1/09 - 8/31/09	14,815.70	11,255.34	3,560.36
9/1/09 - 9/30/09	13,393.81	18,529.14	-5,135.33
10/1/09 - 10/31/09	22,187.69	15,187.39	7,000.30
11/1/09 - 11/30/09	24,213.30	19,042.23	5,171.07
12/1/09 - 12/31/09	20,283.00	17,321.22	2,961.78
1/1/10 - 1/31/10	20,283.00	17,321.22	2,961.78
2/1/10 - 2/18/10	15,625.00	23,828.84	-7,903.84
3/1/10 - 3/31/10	16,281.55	15,843.52	438.03
4/1/10 - 4/30/10	16,099.70	13,503.07	2,596.63
5/1/10 - 5/30/10	19,606.20	18,419.43	1,186.77
TOTAL	340,599.07	322,556.31	18,342.76

VII. SUMMARY OF THE PLAN

The following is a summary of the Plan. For greater detail and comprehensive understanding, **parties in interest should read the entire Plan which is attached as Exhibit "A"** to this Disclosure Statement. The summary of the Plan which follows, for the most part, contains references to the substantive portions of the Plan, such as treatment of claims and strategies for reorganization. It omits the procedural features of the Plan, such as mechanisms for objecting to claims, distributions of dividends, and conduct of post-confirmation litigation.[3]

GENERAL DESCRIPTION OF THE PLAN

Sale of Real Property

The Plan and the Confirmation Order shall provide for the Debtors' sale of their remaining Real Property in accordance with the terms of the Plan.

The Vacant Land is currently listed for sale with T. Orden Yost of Commerce CRG for $4,042,360. The Debtors shall have full discretion to lower the listing price and to accept or decline any offer for the purchase of said property until February 28, 2011. *Alternatively*, due to the current appraised value of the Vacant Land, the Debtors may agree to allow Granite to immediately foreclose upon the property – said agreement shall provide that Granite makes no further claims against the Estate or the Debtors.

[3/] This summary is not intended to be a substitute for the terms and conditions of the Plan itself and merely serves as a general overview of the Plan.

The Apartment Properties are currently listed for sale but provide the sole source of potential income to the Debtors. Furthermore, the equity in the Apartment Properties should be made available to satisfy Class 15 Unsecured Claims. The Debtors shall have full discretion to accept or decline any offer for the purchase of said property until February 28, 2011.

The Debtors have the sole discretion to accept or decline any offers to purchase their Residence or the Timeshare through February 28, 2011.

All liens of all Allowed Secured Creditors shall continue to attach to all assets of the Estate, and the Allowed Secured Claims of each Secured Creditor holding a claim against the Real Properties will continue to accrue interest at the applicable contract rate.

The Debtors and the Reorganized Debtors shall employ real estate agents to market the Real Property. The Reorganized Debtors shall give thirty (30) days' notice by mail to all creditors and parties in interest of any sale of the Real Property to be consummated under the terms of this Plan. The Reorganized Debtors shall be authorized to consummate the sale in the event no objections to the sale are received; in the event that such objections are received, the objecting Creditor must obtain a hearing date from the Court and send notice to all Creditors and parties in interest of such hearing.

From the proceeds of sale of any parcel of Real Property, the Reorganized Debtors shall pay, to the extent that funds are available, in the following order (a) reasonable costs of sale; (b) all Allowed Secured Claims secured by that property; (c) any unsatisfied Administrative Claims; (d) arrearages on other Allowed Secured Claims, *pro rata*; (e) with all remaining funds to be paid *pro rata* to the Class 15 Unsecured Claims. In addition, if the Debtors sell their Residence, they

shall be entitled to retain the $20,000.00 homestead exemption claimed by the Debtors and allowed pursuant to 11 U.S.C. § 522, prior to the payment of any arrearages for other Allowed Secured Claims and the payment of Class 15 Unsecured Claims.

In the event that all Real Property has not been sold for an amount to satisfy all Allowed Claims by March 1, 2011, the Debtors shall employ a licensed auctioneer to liquidate all Real Property and Personal Property for the benefit of creditors. Said auctioneer shall be paid a reasonable commission and shall be reimbursed for customary out-of-pocket costs.

Unless all Class 15 Unsecured Claims are paid in full from these sales, the Debtors' requirement to fund the Plan with Net Income will not be eliminated.

Sale of Personal Property

At the Debtors' discretion, they shall be entitled to liquidate any portion of their personal property prior to February 28, 2011. In the event of sale, proceeds shall be applied as follows: (a) reasonable costs of sale; exemptions claimed by the Debtors and allowed pursuant to 11 U.S.C. § 522; (c) all Allowed Secured Claims secured by that property; (d) any unsatisfied Administrative Claims; (e) arrearages on other Allowed Secured Claims, *pro rata*; (f) with all remaining funds to be paid *pro rata* to the Class 15 Unsecured Claims.

In the event that all creditors holding Allowed Claims have not been paid in full by March 1, 2011, the Debtors shall employ a licensed auctioneer to liquidate all Real Property and Personal Property for the benefit of creditors. Said auctioneer shall be paid a reasonable commission and shall be reimbursed for customary out-of-pocket costs.

Unless all Class 15 Unsecured Claims are paid in full from these sales, the Debtors' requirement to fund the Plan with Net Income will not be eliminated.

Continued Employment and Payment of Earnings: Janet McWillis shall comply with 11 U.S.C. § 1123(a)(8) to continue her employment with Cachet for as long as Cachet remains in business. The Debtors shall pay their ordinary living expenses (*see* the anticipated budget attached hereto as **Exhibit "G"**), and provide "such portion of earnings from personal services performed by the Debtors after the commencement of the case or other future income of the Debtors as is necessary for the execution of the plan."

Unless the Debtors obtain employment other than through Cachet and the operation of the Apartment Complexes, it is not anticipated that there will be any funds available for the payment of claims from earnings. To the extent that either Debtor does obtain substitute employment, then beginning one (1) month following the commencement of said employment, the Debtors shall commence depositing any amounts received in excess of the expenses outlined in the budget attached hereto from their future earnings ("**Net Earnings**") into the Plan Account. Those funds shall remain in the Plan Account until such time as the amount of Class 15 General Unsecured Claims has been fixed.

Thereafter, the Debtors shall deposit their Net Earnings on a monthly basis into the Plan Account and then forward those funds on a quarterly basis, *pro rata*, to all remaining Allowed Administrative Claims, Class 1 and 2 Claims, and Class 15 General Unsecured Claims by the 15th day of the month in October, January, May, and August. These payments shall continue until the earlier of (1) a period of five (5) years, or (2) payment in full of all Allowed Claims.

Establishment of Plan Account. The Reorganized Debtors shall establish an account in an FDIC insured institution and shall deposit their Net Earnings into such account. All payments to Creditors holding Allowed Claims shall be paid from this account, except to the extent that funds are disbursed through a title company in connection with the sale of Real Property.

Payment of Claims. The Reorganized Debtors shall be solely responsible for the payment of all Allowed Claims in accordance with Articles IV and V of the Plan.

Appointment of Liquidating Agent.

In the event that the Reorganized Debtors shall fail to comply with any of the provisions of the Plan, and after notice and 15 days to cure any such default, this Court, upon motion by any party in interest and notice to the Debtors, shall appoint a Liquidating Agent to liquidate the Real Property, as well as any other non-exempt assets, sufficient to pay all outstanding Allowed Claims.

Furthermore, a Liquidating Agent shall be appointed in the event that any of the following has not occurred on or before May 1, 2011:

(A) All Class 1, 2, 3, 7, 14 and 15 Claims have been paid in full;

(B) All Class 4, 5, 6, 8, 9, 10, 11, 12, and 13 Claims have been brought current or paid in full.

This provision shall not impair the rights of any Secured Creditors holding Allowed Claims pursuant to state law in the event of default by the Debtors, including, but not limited to, the right to foreclose its security interests and trust deeds.

CLASSIFICATION OF CLAIMS:

1. ***Articles III and IV of the Plan and all of their exhibits are incorporated herein in their entirety***.

TREATMENT OF CLAIMS NOT IMPAIRED UNDER THE PLAN:

1. The Claims not impaired by the Plan include the Administrative Claims, Class 1 Wage Claims, and Class 2 Tax Claims.

2. ***Article V of the Plan and all of its exhibits are incorporated herein in their entirety***.

TREATMENT OF CLAIMS THAT ARE IMPAIRED UNDER THE PLAN

1. Certain Classes of Claims are impaired within the meaning of Bankruptcy Code § 1123(a)(2) and (3) and are treated in the Plan in Article VI. ***Article VI of the Plan and all of its exhibits are incorporated herein in their entirety***.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES:

1. ***Article VII of the Plan and all of its exhibits are incorporated herein in their entirety***.

MEANS FOR EXECUTION, IMPLEMENTATION, AND ADMINISTRATION OF THE PLAN.

1. ***Article VIII of the Plan and all of its exhibits are incorporated herein in their entirety***.

VIII. THE POST-CONFIRMATION DEBTORS

1. Any funds received from the sale of assets shall be handled by the title company in charge of the sale of the Real Property. Any remaining funds following payment of all fees, costs, Allowed Secured Claims, and homestead exemptions, shall be deposited by the Debtors into the Plan Account.

2. Until the earlier of (a) payment in full of all Allowed Claims, or (b) five (5) years following the Effective Date of the Plan, the Debtors shall contribute their Net Earnings as provided in the Plan.

3. **Post-Confirmation Financial Information**. The financial performance of the Debtors as post-confirmation Debtors and as Reorganized Debtors is dependent upon the sale of sufficient Real Property to satisfy all claims and the continued operation of the remaining Real Property assets. To the extent that either Debtor procures substitute employment which results in Net Proceeds to the Debtors, this income will also add to the viability of the Plan. The Debtors' current budget is attached hereto as **Exhibit "G"**. The Debtors hope that Cachet will be a viable business operation and that Janet McWillis will be able to continue her employment.

IX. LIQUIDATION ANALYSIS FOR PLAN CONFIRMATION

In order to arrive at a judgment on whether or not to vote for or against the Plan, the holders of Claims should have an understanding respecting the liquidation value of the Debtors and the so-called "best interests" test, as that test is known and applied under the Bankruptcy Code. The "best interests" test means this: A plan may not be confirmed unless any dissenting holder of a Claim or Interest (in an impaired class) receives in value as of the effective date of the plan at least as much as he would have received if the Debtors were liquidated in Chapter 7 of Title 11 of the United States Code, or in other words, what is known conventionally as a "bankruptcy liquidation" proceeding. Thus, this test is designed to assure a party in interest who is a member of an impaired class and who dissents from the Plan that such party will receive at least as much under the Plan as he would receive if the assets of the Debtors were liquidated as of the Effective Date of the Plan, and the proceeds of that liquidation were distributed to creditors according to their respective priorities. By priorities is meant both prior rights, through liens, to certain assets, as well as prior rights of payment from unencumbered assets.

Application of the "best interests" test under the Plan is straightforward in this Case. A Liquidation Analysis is attached hereto as **Exhibit "H"**. The Plan contemplates that the Reorganized Debtors will liquidate sufficient Assets to pay all creditors in full. In addition, they will contribute a sum equal to their net income after payment of all personal expenses per month for a period of five (5) years to pay their unsecured creditors. Janet McWillis will make the payments for all business debts from the Plan Account. The Debtors anticipate that Unsecured Creditors will be paid in full under the Plan. In the event that the case were converted to a

Chapter 7 case, and the assets of the Estate were sold other than as set forth in the Plan, i.e., on a "fire-sale" basis, and the Debtors did not contribute the monthly payments, the Debtors anticipate that the Unsecured Creditors would still paid in full. Furthermore, if the Liquidating Plan proposed by Bank of America is approved, the Unsecured Creditors may not have the ability to share in the Apartment Properties' equity due to a potential foreclosure by Bank of America and may *not* be paid in full. The purpose of this Plan is for the Debtors to conduct an orderly liquidation of their assets in a fashion which will also leave them with the means to provide income for their futures.

A different rule or financial condition to confirmation of the Plan applies respecting dissenting classes of Claims. This is the so-called "absolute priority rule". To be confirmable, the Plan must be accepted by all impaired Classes of Claims and Interests. The absolute priority rule (sometimes known as "cramdown") is an exception to this condition to confirmation. A Class of Claims is deemed to have accepted the Plan when over fifty percent (50%) in the number of Claims and at least two-thirds in the amount of Claims voting have voted for the Plan. A Class of Interests is deemed to have accepted when at least two-thirds in the amount of Interests voting have voted for the Plan. Only allowed Claims and Interests may vote. Only Claims and Interests actually voting are computed in determining these percentages. This rule applies only where a Class of Claims or Interests (as distinct from one or more holders of Claims or Interests) dissents from a plan. In that event, in order to confirm the Plan, over the opposition of this Class, the Court must determine that this Class will receive "fair and equitable" treatment under the Plan. Different guideposts are set to determine fair and equitable treatment, depending

upon the type of Claims or Interests at issue. Speaking generally, however, a Class does not receive fair and equitable treatment unless it is paid in full or Classes junior to it take nothing under the Plan. Thus, whereas the "best interests" test is designed to assure that dissenting Claims receive a base, minimum return, the absolute priority rule is designed to assure that values intrinsic to the Debtors are not diverted to junior Classes if dissenting senior Classes are not paid in full. Valuation of the assets of the Debtors, and more important, a going concern valuation of the Debtors, sometimes is required for application of the absolute priority rule. In this case, because the Interest Holders will retain their interests in the Debtors only if the Class 26 Unsecured Creditors are paid in full, the Plan satisfies the “best interest test”.

X. TAX CONSEQUENCES

The reorganization of the Debtors in bankruptcy pursuant to the Plan may have significant tax consequences for the Debtors. There are several lengthy and complex sections of the Internal Revenue Code of 1986 (the "IRC") and the regulations promulgated thereunder (the "Regulations") that may apply to the transactions contemplated by the Plan. Some tax consequences are difficult to determine with certainty in advance because certain questions of fact, some of which turn upon the outcome of future events, have to be resolved before the IRC and Regulations can be applied to the transactions.

Neither the Debtors nor their attorneys have obtained a tax opinion and express no opinion as to the tax consequences to Creditors resulting from the Plan. Creditors are advised and encouraged to consult their own tax counsel to determine the tax consequences of the Plan.

BECAUSE NONE OF THE ABOVE-NAMED PARTIES NOR THEIR ATTORNEYS OR ACCOUNTANTS EXPRESS AN OPINION AS TO THE TAX CONSEQUENCES OF THE PLAN, IN NO EVENT WILL THE DEBTORS OR PROFESSIONAL ADVISORS ENGAGED BY THEM BE LIABLE FOR ANY TAX CONSEQUENCES TO NON-TAXING CREDITORS OF THE PLAN. CREDITORS MUST LOOK SOLELY TO AND RELY SOLELY UPON THEIR OWN ADVISORS AS TO THE TAX CONSEQUENCES OF THE PLAN.

XI. THE DEBTORS' RECOMMENDATION REGARDING THE PLAN

The Debtors recommend that parties in interest vote to accept the Plan. The Plan is a better alternative than liquidation of the Debtors, in that the Debtors believe that a higher return to creditors will be received if the Debtors conduct an orderly liquidation of their assets and contribute monthly payments to the Plan, rather than if the Debtors' assets were sold on a "fire-sale" basis.

DATED this 25th day of June, 2010.

/s/ Anna W. Drake
Anna W. Drake, No. 0909
ANNA W. DRAKE, P.C.
175 South Main Street, Suite 1250
Salt Lake City, Utah 84111
Attorneys for Debtors

/s/ Jerry A. McWillis
Jerry A. McWillis

/s/ Janet Kaye McWillis
Janet Kaye McWillis

EXHIBIT "A"

DEBTORS' AMENDED PLAN OF REORGANIZATION
DATED JUNE 25, 2010