United States Bankruptcy Court
District of Idaho

In re: **Terrel Reid and Sharon Davies** **Case No: 10-40057-JDP**

Individual Chapter 11 Debtors

TERREL REID AND SHARON DAVIES'S DISCLOSURE STATEMENT, DATED MARCH 16, 2010

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I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of **Terrel Reid and Sharon Davies** (the "Debtors"). This Disclosure Statement contains information about the Debtors and describes the Chapter 11 Reorganization Plan (the "Plan") filed by Terrel Reid and Sharon Davies, dated March 16, 2010. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

The proposed distributions under the Plan are discussed at pages 7-11 of this Disclosure Statement. General unsecured creditors are classified in Class 4, and will likely receive a distribution of 100 % of their allowed claims.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events prior to or during the bankruptcy case;
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed);
- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan;
- Why the Debtors believe the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan*

The hearings at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place at the Federal Courthouse located at 801 E. Sherman, Pocatello, Idaho 83201, on dates to be set hereafter. Notice of both hearings shall be given in accordance with Fed. R. Bankr. Proc. 3017.

2. *Deadline For Voting to Accept or Reject the Plan*

Only votes of classes of claimants (creditors) which are impaired by the Plan are counted in connection with the confirmation of the plan. In this case, no creditors are unimpaired and therefore are deemed to have accepted the Plan. *See* 11 U.S.C. 1124 and 1126(f). *See* section IV.A. below for a discussion of voting eligibility requirements.

3. *Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon counsel for the Debtors and the United States Trustee by the dates shown in the notice you will receive from the Court.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact TJ Angstman, Attorney for the Debtors, 3649 N. Lakeharbor Lane, Boise, ID 83713.

C. Disclaimer

The Court has not yet approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation. If the Court approves this Disclosure Statement, that does not constitute endorsement of the Plan by the Court, or a recommendation that it be accepted.

II. BACKGROUND

A. Description and History of the Debtors

The Debtors are individuals who operate a successful business manufacturing, importing and retailing fine wool rugs with their entity, Davies-Reid, Inc. The operation includes retail stores in Boise, Idaho; Ketchum, Idaho; Park City, Utah; and Jackson, Wyoming.

B. Insiders of the Debtor

The only "insiders" of the Debtors, as defined in Section 101(31) of the United States Bankruptcy Code (the "Code") are any relatives of the Debtors and the companies in which the Debtors are directors, officers, or persons in control, which include Davies Reid, Inc. ("DRI"), Davies Reid Park City, LLC, Davies-Reid Haiku, LLC, and Asian Trading Company, LLC (all of which are Idaho corporations or limited liability companies).

C. Management of the Debtor Before and During the Bankruptcy and Events leading to the Bankruptcy filing

As mentioned, the Debtors own and operate Davies Reid stores in four locations. Historically, these stores have performed well and been successful business enterprises. While these stores have all been successful previously, the recession began negatively affecting cash

flow in 2008 which led lender Bank of America to call a business line of credit for DRI due in the early spring of 2009, rather than renew the loan. (The Debtors had personally guaranteed the DRI line of credit.) When DRI failed to immediately pay the entire $550,000 line of credit in full, Bank of America utilized "cross default" provisions in their agreements to declare defaults in the Debtors' real estate loans for the property located in Jackson, Wyoming, Boise, Idaho, and Ketchum, Idaho. Additionally, Bank of America declared a cross default on the loan for the Park City, Utah, location, which loan was to Davies Reid Park City, LLC ("DRPC"), and personally guaranteed by the Debtors. As a result, Bank of America began charging "default interest" at a rate sometimes more than 300% higher than the applicable rate in their agreement with the Debtors.

Cash flow from operations of the Debtors' business was already making payment difficult and after the inclusion of default interest at three times the current rate, there was no way for the Debtors to continue making monthly payments. Initially the Debtors began working with Bank of America to find a way to cure the defaults, either through selling real property, or increasing sales. As a condition to any forbearance, Bank of America continued to assert the requirement that the Debtors pay significant default interest and even shorten the fully amortized maturity dates in the agreements to 12-18 months. When confronted with the state law right to cure defaults in Idaho and Utah, Bank of America would never confirm that it would allow such a cure and reinstate the non-default rate of interest applicable before the cross default was declared. Instead, Bank of America announced it had "decided to exit the relationship".

The Debtors worked diligently to increase sales in their retail operations. Further, the Debtors listed real property for sale. Their best hope of a quick sale was their Jackson, Wyoming property, located prominently on a corner in the "Antler Square" in Jackson, Wyoming. The Debtors entertained several offers for their property, ranging from over three million to over five million. Ultimately, the Debtors secured a buyer for the Jackson property, which sale was set to close less than 7 days after a foreclosure sale of the property. Notwithstanding the clearly beneficial terms of the purchase agreement, which would have provided sufficient funds to cure all defaults with Bank of America, the bank refused to reschedule the foreclosure to allow the sale to close. Prior to filing their bankruptcy petition, the Debtors sought an injunction prohibiting the sale of the Jackson property by Bank of America. However, during the days immediately prior to the petition filing, the Wyoming federal district court declined to issue an injunction. Thus, a bankruptcy filing was the Debtors sole recourse to complete the Jackson sale.

E. Significant Events During the Bankruptcy Case

During the Chapter 11 process, and prior to the filing of the bankruptcy petition, the Debtors stopped receiving a salary from their companies. The Debtors have continued to operate their businesses, and anticipate seeing additional profits during the pendency of the Chapter 11 bankruptcy case.

Immediately after filing their bankruptcy petition, the Debtors sought approval to sell the Jackson, Wyoming, property pursuant to the terms of the purchase agreement signed prior to the bankruptcy petition. The purchase agreement allowed additional time for receiving court approval of the sale. Several minor objections to the sale have been raised by the United States

Trustee, but it is believed that those objections have all be resolved through additional supplemental notice of the sale of the property. A hearing to approve the sale of the real property was held on February 24, 2010, at which time the court approved the sale. From the proceeds of the sale, the following debts have been paid:

Real Estate Agent Commissions	$202,500.00
Closing costs	$14,735.83
Payoff Bank of America Jackson loan principal	$1,967,110.17
Non-default interest on Jackson loan	$28,695.83
Prepayment of Lease payments	$156,000.00
Segregated interest-bearing DIP account	$2,130,958.17
TOTAL	**$4,500,000.00**

The remaining proceeds have been deposited into DIP accounts, to be distributed as proposed in the Debtors Chapter 11 Plan. It is anticipated that the proceeds of the sale will pay all unsecured creditors, default fees imposed by Bank of America, and otherwise restore the Debtors to their pre-bankruptcy, pre-default position with all other lenders.

The Debtors have done all Chapter 11 reporting in-house, with the assistance of an accountant, and have furnished the reports to the court on a timely basis. All reports are current.

Three professionals employment was sought and approved by the Court. The law firm of Angstman Johnson was approved to act as attorneys for the Debtors. Severn, Winkle & Magette was approved to act as the Debtors accountant, and provide assistance in crafting the plan and required reports. Lastly, Sotheby's International Realty, Inc., was approved to act as a real estate agent in securing the closing the sale of the Jackson, Wyoming, property.

There are no adversary proceedings that have been filed, nor any other significant litigation that has occurred. Claims have been, and are being, reviewed, and there may be contested claim disallowance proceedings hereafter. There is a state court action which was proceeding pre-petition in Wyoming, titled *Gardner v. Davies/Reid*, Teton County Case No. 15255, related to earnest money paid by Mr. Gardner regarding the property located in Jackson, Wyoming. Mr. Gardner is currently seeking relief from the automatic stay in order to continue pursuit of this action. Additionally, a previously-filed case remains pending in the U.S. District Court for the District of Wyoming: *Reid et al. v. Bank of America* (U.S. District of Wyoming, Case No. 2:09-cv-276). This matter deals with the claims made by Bank of America, and will be resolved through the confirmation of the Debtors' Chapter 11 Plan. Other than this litigation, there are no other significant legal or administrative proceedings that are pending or have been pending during the case in a forum other than the bankruptcy court.

The Debtors have taken steps to improve operations and profitability by increasing sales, negotiating a settlement agreement with Bank of America, and by proposing the Chapter 11 Plan to provide for payment to nearly every creditor. The Debtors could not survive in the current economic cycle without those actions.

F. Projected Recovery of Avoidable Transfers

The Debtors have not yet completed their investigation with regard to prepetition transactions. If a creditor received a payment or other transfer within 90 days of the bankruptcy, or other transfer avoidable under the Code, the Debtors may seek to avoid such transfer. However, the Debtors and counsel have reviewed the potential preferential transfers, and believe that most of them are defensible as "ordinary course of business" transactions. The Debtors do not wish to pursue them and add substantial cost, expense and time to the consummation of this case.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

H. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets are listed in Exhibit B.

The Debtors' most recent financial statements issued before bankruptcy, which were filed with the Court, are set forth in Exhibit C.

The most recent post-petition operating report filed since the commencement of the Debtors' bankruptcy case is set forth in Exhibit D.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has not placed the following claims in any class:

1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Type	**Estimated Amount Owed**	**Proposed Treatment**
Expenses Arising in the Ordinary Course of Business After the Petition Date	$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Professional Fees, as approved by the Court.	Angstman Johnson – Estimated $25,000.00	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan. A substantial part will be paid on approval of the Court or upon the effective date, and the balance on a monthly basis until paid in full.
Clerk's Office Fees	$0.00	Paid in full on the effective date of the Plan
Other administrative expenses	$0.00	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	To be determined upon final billing	Paid in full on the effective date of the Plan
TOTAL	$25,000.00 (estimated)	

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description (name and type of tax)	**Estimated Amount Owed**	**Date of Assessment**	**Treatment**
Individual and/or state income tax	$0.00 (subject to final calculation by taxing authorities)	None	Pmt interval = 60 mos Monthly payment = 1/60 of amt due Begin date =3/30/10 End Date =2/28/15 Interest Rate % = 7% Total Payout Amount = $ TBD

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. *Classes of Secured Claims*

Allowed Secured Claims in Classes 2 and 3 of the Chapter 11 Plan are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will [be classified as a general unsecured claim].

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class #	**Description**	**Insider? (Yes or No)**	**Impairment**	**Treatment**

Class #	Description	Insider? (Yes or No)	Impairment	Treatment
2	The claims of Bank of America, to the extent allowed as a secured claim under §506 of the Code, except the guaranteed obligations described as Class 5.	**No**	Unimpaired	Bank of America claims amounts due under several loans. The Debtors propose payment in full of the allowed secured claim of Bank of America secured by the following property (or cash collateral from the 363 Sale): The Jackson Property (located at 15 E. Deloney Avenue, Jackson, WY, 83001 – sold on March 1, 2010): 1. Mortgage 2. Derivative Swap (Jackson) 3. Derivative Swap (Ketchum) 4. Any attorney fees, costs, or other expenses secured by this property. The Debtors propose to cure any defaults in the following long-term secured debts: 1. Ketchum Note 1 2. Ketchum Note 2 3. Boise Note 4. Park City (Guaranteed Obligation) At the time of the filing of the Debtors Chapter 11 Plan Bank of America has not yet submitted a proof of claim relating to these secured debts. In the event the amount of any such claim is a Disputed Claim, it will be paid in accordance with Article V of the Ch. 11 plan.

Class #	Description	Insider? (Yes or No)	Impairment	Treatment
3	The claims of other secured creditors, to the extent allowed as a secured claim under §506 of the Code.	**No**	Unimpaired	Other secured creditors include Gil and Karen Newton, Metlife, and Wells Fargo. These other secured creditors hold mortgages and/or deeds of trust on other property owned by the Debtors, and are not in default. The Debtors propose maintaining non-default status by continuing payments on these debts under the current payment terms on those loans. All current mortgages/deeds of trust and contracts which are secured to these creditors shall be serviced by the Debtors in accordance with the mortgage/deed of trust and contract terms.

2. *Class of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Classes 4 and 5, which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
4	All unsecured claims allowed under § 502 of the Code.	Unimpaired	The Debtors propose paying all unsecured claims (i.e., credit cards and advertising expenses) in full, with each unsecured creditor getting full payment of its claim. In the event the amount of any such claim is a Disputed Claim, it will be paid in accordance with Article V of the Chapter 11 plan.

Class #	Description	Impairment	Treatment
5	All Guaranteed Obligations, including the Bank of America Line of Credit to Davies Reid, Inc., and the loan obligations of Davies Reid Park City, LLC.	Unimpaired	The Debtors provided a loan guaranty to Bank of America secured by the inventory of Davies Reid, Inc. Upon payment in full of the Davies Reid, Inc., Line of Credit, Bank of America will release its security interest in the Davies Reid, Inc., inventory.

D. Means of Implementing the Plan

1. *Source of Payments*

Payments and distributions under the Chapter 11 Plan will be funded by the proceeds from the sale of the real property located in Jackson, Wyoming, with potential further funds provided in the form of distributions from Davies Reid, Inc., a company wholly owned by the Debtors.

2. *Post-confirmation Management*

The Debtors will be the appointed as a managers and disbursing agents for their estate.

E. Risk Factors

The primary risk of the proposed Plan is that the sale of the Jackson, Wyoming, property does not close, either due to lack of approval from the court or other unknown contingencies prior to closing. In the event the Jackson property does not sell, the Debtors would need to drastically change their Plan. However, provided the sale of the Jackson property closes, the sale proceeds will provide enough funds to fund the Debtors' Plan, and allow them to emerge successfully from the Chapter 11 case.

F. Executory Contracts and Unexpired Leases

The Plan lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. The Plan also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in the Plan except for leases in which the Debtors are the lessor will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Will be Set by the Court. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

The following are the anticipated tax consequences of the Plan:

(1) Tax consequences to the Debtor of the Plan: None are anticipated.

(2) General tax consequences on creditors of any discharge: None are anticipated. Any debt payments will be treated as repayment of debt by the recipient. The creditor should consult with its own advisor concerning "write-offs" or tax deductibility of discharged indebtedness, and the proper accounting therefor.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are <u>not</u> the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that all classes are unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case is May 13, 2010.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is **Not** Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code;
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later in Section B.2.

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a "cramdown" confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. In this case, all creditors and equity interest holders are unimpaired, and therefore deemed to accept the Plan as stated, and a liquidation analysis is unnecessary as the Plan calls for full payment to all unsecured creditors.

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. *Ability to Initially Fund Plan*

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date.

2. *Ability to Make Future Plan Payments And Operate Without Further Reorganization*

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided projected financial information. Those projections are listed in Exhibit E.

The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, sufficient to pay the claims as outlined in the Plan.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

Discharge. Confirmation of the Plan does not discharge any debt provided for in the Plan until the court grants a discharge on completion of all payments under the Plan, or as otherwise provided in § 1141(d)(5) of the Code. Debtor will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

/s/ Dated 3/16/10

Terrel Reid
Debtor

/s/ Dated 3/16/10

Sharon Davies
Co-Debtor

/s/ Dated 3/16/10

Thomas J. Angstman, ISB 5738
Attorney for the Debtors