

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NORTH DAKOTA**

In Re:  Vanity Shop of Grand Forks, Inc.,  Debtor.	Case No.: 17-30112  Chapter 11
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**DECLARATION OF MICHAEL LOESEVITZ IN SUPPORT OF  
DEBTOR'S THIRD PLAN OF LIQUIDATION DATED MAY 18, 2018**

I, Michael Loesevitz, hereby declare as follows:

1. I am a Certified Public Accountant and am employed by Brady Martz & Associates, P.C. ("Brady Martz") as a Senior Tax Manager. I earned a Bachelor of Arts (B.A.) degree in Business Management from Southern Virginia University in 2005, a Juris Doctor (J.D.) degree from the University of Louisville in 2008 and a Master of Laws (LL.M.) degree in taxation from Chapman University in 2010. In addition to being licensed as a Certified Public Accountant in North Dakota and Minnesota, I have been licensed to practice law in various jurisdictions since October 2008, but have not engaged in the public practice of law since October 2016. The retention of Brady Martz was approved by the Bankruptcy Court effective as of April 5, 2017, 2017 [Doc. 251].

2. At the Debtor's request and in the process of Debtor's legal counsel drafting the Debtor's plan of reorganization, I researched the issue of whether the Debtor could utilize its net operating loss carryover ("NOL") to offset taxable income generated during the pendency of the Chapter 11 case from the Debtor's business operations and the sale of assets. Utilizing the Debtor's NOL, which was \$4,885,907 through the fiscal year ending on



February 25, 2017, would reduce the Debtor's tax liability and thereby increase the distributions that could be made to creditors under a liquidating plan.

3. Based on my research, I determined that the Debtor would likely not be able to use any of its NOL if the limitation of Section 382 of the Internal Revenue Code ("IRC") is triggered as a result of an "ownership change."

4. The language set forth in Section 7.1(b) of the Debtor's Second Plan of Liquidation dated April 9, 2018 [Doc. 646] (and which is also contained in the proposed Third Plan of Liquidation dated May 18, 2018, the "**Plan**") provides in relevant part:

b. Wind Down and Dissolution of the Debtor.

(i) On the Effective Date, all Equity Interests shall be cancelled and one new share of Debtor's common stock shall be issued to the Plan Administrator which will hold such share for the benefit of the holders of such former Equity Interests consistent with their former economic entitlements. Each holder of an Equity Interest shall neither receive nor retain any property or interest in property on account of such Equity Interests; provided however, that in the event that all Allowed Claims in Classes 2 through 4 have been satisfied in full in accordance with the Bankruptcy Code and the Plan, each holder of an Equity Interest may receive a pro rata equity share of any remaining assets of the Debtor consistent with such holder's rights of priority of payment existing immediately prior to the Petition Date. The rights of the holders of former Equity interests in Debtor shall be nontransferable. Unless otherwise determined by the Plan Administrator, on the date that Debtor's Chapter 11 case is closed, all such former Equity Interests in Debtor shall be deemed cancelled and of no force and effect provided that such cancellation does not adversely impact the Debtor's Estate.

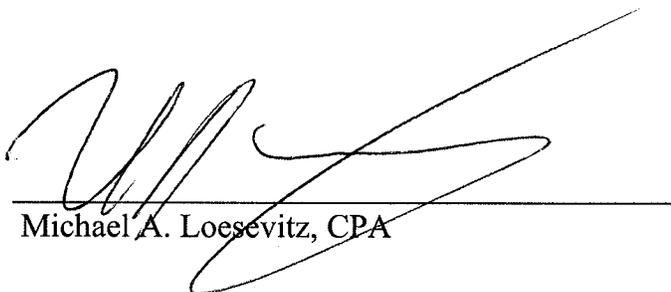
[Doc. 646, Section 7.1(b)]

5. My opinion is that the language set forth in Section 7.1(b) of the Plan would not trigger the limitation of IRC § 382 because it would not result in the type of ownership

change prohibited by that section. Accordingly, the Plan, if confirmed, would allow the Debtor to utilize its NOL for the benefit of the Debtor's creditors.

6. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge and belief.

Dated this 21st day of May, 2018.



Michael A. Loesevitz, CPA