

# CALIFORNIA BOARD OF LEGAL SPECIALIZATION OF THE STATE BAR OF CALIFORNIA



180 HOWARD STREET  
SAN FRANCISCO, CALIFORNIA 94105-1639  
TELEPHONE: (415) 538-2120



## BANKRUPTCY LAW CERTIFICATION EXAM

<b>Date</b>	Sunday, August 9, 2009 9:00 a.m. – 4:30 p.m.
<b>Registration deadline</b>	Friday, June 26, 2009
<b>Exam sites</b>	Westin San Francisco Airport Marriott Los Angeles Downtown
<b>Fee</b>	\$300 writing (\$350 if using a laptop PC) <i>fee includes a box lunch</i>
<b>Exam format</b>	The exam is divided into two sessions -- the three hour and 15 minute morning session includes 75 multiple-choice questions and two essay questions; the three hour afternoon session includes six essay questions. There are no optional questions; each examinee is expected to answer all questions on the exam.  The 75 multiple-choice questions are designed to be answered in approximately 135 minutes. Each essay question is designed to be answered in approximately 30 minutes.
<b>Scoring</b>	The maximum number of points available is 600. A passing score is 420 points, or 70%. Exams with scores between 65-70% are re-read by a Committee of Reappraisers. The decision of the Committee is final, pursuant to section 8.3 of the Rules Governing the State Bar of California Program for Certifying Legal Specialists. Results are mailed only after all reappraisals have been completed.
<b>Reference materials</b>	Examinees may use the following reference materials during the exam: <i>Bankruptcy Code and Rules</i> . Publications must be unannotated and free of any stray marks. Handwritten notations (other than underlining or highlighting) will not be allowed. The use of Post-It type tabs to mark specific book sections is acceptable, but the tabs must not have writing on them.
<b>Testing accommodations</b>	Available at both sites. Contact <a href="mailto:ivonne.dossantosmorte@calbar.ca.gov">ivonne.dossantosmorte@calbar.ca.gov</a> or (415) 538-2145 for more information.
<b>Study resources</b>	See attached standards for certification, exam specifications, and sample exam questions.

**For more information, visit [www.californiaspecialist.org](http://www.californiaspecialist.org)**

The Standards must be read in conjunction with the Rules Governing the State Bar of California Program for Certifying Legal Specialists, which govern the Program requirements.

**THE STANDARDS FOR CERTIFICATION AND RECERTIFICATION  
IN BANKRUPTCY LAW**  
(last revised effective 5/16/08)

**1.0 DEFINITION**

Bankruptcy law is the practice of law under the United States Bankruptcy Code (11 U.S.C. §101, et seq.) ("Code"). It includes, but is not limited to, representation of debtors, creditors, trustees, committees and all other interested parties under the Code.

**2.0 TASK REQUIREMENT FOR CERTIFICATION**

An applicant must demonstrate that, within the five years immediately preceding submission of the written application, he or she has been substantially involved in the practice of bankruptcy law. Substantial involvement in the area of bankruptcy law would be shown if he or she had principal responsibility for representation of, and has personally appeared on behalf of, a client or clients in 100 or more chapter 7, 11, 12, or 13 bankruptcy cases, contested matters, and/or adversary proceedings under the Code.

**3.0 EDUCATIONAL REQUIREMENT FOR CERTIFICATION**

An applicant must show that, within the three years immediately preceding the application for certification, he or she has completed not less than 45 hours of approved educational activities relevant to bankruptcy law.

**4.0 INDEPENDENT INQUIRY AND REVIEW REQUIREMENT FOR CERTIFICATION**

- 4.1 An applicant shall submit the names and mailing addresses of the following:
  - 4.1.1 Three lawyers who practice in the same geographic area as the applicant, and one judge of the United States Bankruptcy Court or District Court, chosen by the applicant before whom the applicant has appeared as an advocate in bankruptcy proceedings within the five years immediately preceding application; and
  - 4.1.2 Two different opposing counsel in two contested or adversary proceedings conducted by the applicant within the five years immediately preceding application, if any; and

- 4.1.3 One bankruptcy trustee whom the applicant has represented in a bankruptcy proceeding within the five years immediately preceding the application; or one bankruptcy trustee or one trustee's attorney in a case in which the applicant represented the debtor within the five years immediately preceding application.

- 4.2 The Commission may select from among the names of judges and lawyers who practice or preside in the same geographical area as the applicant for further evaluation of the applicant's proficiency in the practice of bankruptcy law.

- 4.3 References may be asked to submit the names of additional references familiar with the applicant's proficiency.

**5.0 TASK REQUIREMENT FOR RECERTIFICATION**

An applicant for recertification must show that, during the current five -year certification period, he or she has had direct and substantial participation in the practice of bankruptcy law. Such showing shall be made by compliance with the requirements set forth in section 2.0 or, at the discretion of the Commission, by sworn statement that the applicant has engaged in the practice of bankruptcy law substantially to the same extent as described in the application for original certification.

**6.0 EDUCATIONAL REQUIREMENT FOR RECERTIFICATION**

An applicant for recertification must show that, during the current five-year certification period, he or she has completed not less than 60 hours of approved educational activities relevant to bankruptcy law specialists.

**7.0 INDEPENDENT INQUIRY AND REVIEW REQUIREMENT FOR RECERTIFICATION**

An applicant for recertification shall demonstrate proficiency in bankruptcy law through independent inquiry and review in the same manner as set forth in section 4.0 for certification.

## **Specifications for State Bar of California Bankruptcy Law Certification Examination**

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**Purpose of the Examination:** The Bankruptcy Law Examination consists of a combination of essay and multiple-choice questions. It is designed to verify the applicant's knowledge of and proficiency in the usual legal procedures and substantive law that should be common to specialists in the field as represented by the skills listed below. We recognize that these skills are interrelated, which may require that you apply several skills in responding to a single exam question. Also, the order of the skills does not reflect their relative importance, nor does the skill sequence represent an implied order of their application in practice.

Your answers to the exam questions should reflect your ability to identify and resolve issues, apply the law to the facts given, and show knowledge and understanding of the pertinent principles and theories of law, their relationship to each other, and their qualifications and limitations. Of primary importance for the essay questions will be the quality of your analysis and explanation.

Knowledge of the following fundamental lawyering skills may be assessed:

### **Subject Area 1: Professional Responsibility**

- 1.1 Duties to clients, counsel, trustees and the Court
  - 1.1.1 Attorney's signature as certification
  - 1.1.2 FRBP 9011 sanctions against attorneys
  - 1.1.3 Restrictions on Debt Relief Agencies
  - 1.1.4 Debt Relief Agency disclosures and 342(b) Notice
  - 1.1.5 Debt Relief Agency requirements
- 1.2 Conflicts in joint representation of spouses
- 1.3 Avoiding conflicts of interest in other cases
- 1.4 Admission to practice before the Court
- 1.5 Approval of employment
- 1.6 Fee agreements
- 1.7 Disclosure of fee arrangements and impact on timing of filing

### **Subject Area 2: Analysis of Client Needs**

- 2.1 Determining whether non-bankruptcy alternatives exist
- 2.2 Assessing viability of non-bankruptcy options
- 2.3 Determining sources of data
- 2.4 Advising client of disclosure obligations and consequences of disclosure failure
- 2.5 Client authorization to obtain data from third parties
- 2.6 Extent of attorney-client, attorney work product and other privileges and waiver
- 2.7 Determining client eligibility for Chapters 7, 9, 11, 12, 13 and/or 15
  - 2.7.1 Section 109 limits
  - 2.7.2 Credit briefing
  - 2.7.3 Means testing limits
- 2.8 Assessing liquidation vs. reorganization alternatives
- 2.9 Pre-petition exemption planning
  - 2.9.1 Exemption planning
  - 2.9.2 Means Test planning
- 2.10 Fraudulent and preferential transfer issues
- 2.11 Reaffirmation/Redemption/Surrender
- 2.12 Involuntary petitions

### **Subject Area 3: Automatic Stay Issues**

- 3.1 Scope of Stay
  - 3.1.1 Prior cases within one year of existing case or two years of small business case
  - 3.1.2 Deposit of Rent
- 3.2 Exceptions to Stay

- 3.2.1 Child Support/Alimony
- 3.2.2 Repayment of 401K or 401K Deductions
- 3.2.3 Prior order within past two years on subject real property
- 3.2.4 Unlawful Detainer Post Judgment
- 3.2.5 Securities Investigation
- 3.2.6 Set Off
- 3.3 Expiration of Stay
  - 3.3.1 Within 30 days of prior case
    - 3.3.1.1 Motion to continue Stay
    - 3.3.1.2 Presumption of bad faith-more than one case within prior year
    - 3.3.1.3 Lack of substantial change
  - 3.3.2 Advisory Opinions/Comfort Orders OK
- 3.4 Terminating or Modifying Stay
  - 3.4.1 Cause
    - 3.4.1.1 Pre-petition transfer without lender approval
    - 3.4.1.2 Multiple filings affecting subject property
      - 3.4.1.2.1 Effective for two years after order
    - 3.4.1.3 Failure to timely file statement of intention or perform as stated
  - 3.4.2 Adequate Protection
  - 3.4.3 Burden of Proof
- 3.5 Violation of Auto Stay
  - 3.5.1 May be limited to actual damages

#### **Subject Area 4: Administration of Estate Issues**

- 4.1 Leases and executory contracts
  - 4.1.1 Assumption and Assignment
  - 4.1.2 Rejection
  - 4.1.3 Debtor as Lessor
- 4.2 Use of Cash Collateral
- 4.3 Sale of Estate Property
- 4.4 Post-petition Credit
- 4.5 Administrative Expenses
- 4.6 Employment of Professionals
- 4.7 Appointment and Roles of Trustee, U.S. Trustee and Other Officers
- 4.8 Debtor's Duties
  - 4.8.1 Noticing
  - 4.8.2 Disclosure
  - 4.8.3 Documentation and Reporting

#### **Subject Area 5: Estate Issues**

- 5.1 Property of the Estate
  - 5.1.1 Chapter 7 & 11
  - 5.1.2 Chapter 13
  - 5.1.3 Exceptions
    - 5.1.3.1 Educational IRA Accounts
    - 5.1.3.2 Section 529 Accounts
    - 5.1.3.3 Retirement Plans
- 5.2 Exemptions
  - 5.2.1 Residency prior 730 days
  - 5.2.2 Homestead of \$125,000 limit for property within prior 1215 days
  - 5.2.3 \$1M limits for IRA/401K Accounts
- 5.3 Lien Avoidance
- 5.4 Turnover and Avoidance Actions
  - 5.4.1 Standing
  - 5.4.2 Parties
  - 5.4.3 Defenses

- 5.5 Abandonment of Estate Property
- 5.6 Setoff and Recoupment

### **Subject Area 6: Creditors and Claims Issues**

- 6.1 Proofs of claims
  - 6.1.1 Transfer of Claims
  - 6.1.2 Subordination of Claims
  - 6.1.3 Allowance of Claims
  - 6.1.4 Treatment of Late Filed Claims
  - 6.1.5 Claims Bar Dates
  - 6.1.6 Subordination of Claims
- 6.2 Tax Claims
  - 6.2.1 Priority Claims
  - 6.2.2 Secured Claims
  - 6.2.3 Chapter 11 vs. Chapter 13 Treatment
  - 6.2.4 Short Tax Year Election
- 6.3 Claims Objections
  - 6.3.1 Valuation Issues
  - 6.3.2 Bifurcation of Claims
  - 6.3.3 Unliquidated Claims
  - 6.3.4 Contingent Claims

### **Subject Area 7: Reorganization Issues**

- 7.1 Basic knowledge
  - 7.1.1 Chapter 11
    - 7.1.1.1 Debtor-in-Possession/Trustee
    - 7.1.1.2 United States Trustee
    - 7.1.1.3 Creditor Committee
    - 7.1.1.4 Plan Formulation
    - 7.1.1.5 Creditor Plan Voting and Cramdown
  - 7.1.2 Chapter 11 -- Small Business
    - 7.1.2.1 Eligibility Criteria
    - 7.1.2.2 Additional Duties
  - 7.1.3 Chapter 11 -- Individuals
    - 7.1.3.1 Property of the Estate
    - 7.1.3.2 Chapter 13 Style Payments
    - 7.1.3.3 Domestic Support Orders
  - 7.1.4 Chapter 13
    - 7.1.4.1 Eligibility Criteria
    - 7.1.4.2 Co-Debtor Stay
    - 7.1.4.3 Property of the Estate
    - 7.1.4.4 Regular Repayment Schedule
    - 7.1.4.5 3-5 Year Plan
    - 7.1.4.6 Discharge
- 7.2 Chapter 11 Issues
  - 7.2.1 Consumer Information
  - 7.2.2 Patient Care
  - 7.2.3 Aircraft & Vessels
  - 7.2.4 Union Contracts
  - 7.2.5 Pollution
  - 7.2.6 Pensions
- 7.3 Chapter 11 Plans
  - 7.3.1 Exclusivity
  - 7.3.2 Classification of Claims
  - 7.3.3 Impairment of Claims
  - 7.3.4 Disclosure Statement

- 7.3.5 Voting
- 7.3.6 Professional, Admin & Gap Claims
- 7.3.7 Support, Other Priority Claims
- 7.3.8 Tax Claims
- 7.3.9 Secured Claims
- 7.3.10 Best Interests of Creditors
- 7.3.11 Feasibility
- 7.3.12 Cramdown
- 7.3.13 Absolute Priority/New Value
- 7.4 Small Business in Chapter 11
  - 7.4.1 Plan & Disclosure Statement
  - 7.4.2 Timing
- 7.5 Individuals in Chapter 11
  - 7.5.1 Chapter 13 Style Payments
  - 7.5.2 Domestic Support Orders
  - 7.5.3 Objecting Unsecured Creditors
  - 7.5.4 Exempt Property
  - 7.5.5 Plan Modification
  - 7.5.6 Tax Docs Filed BAPCPA
- 7.6 Chapter 13 Plan
  - 7.6.1 Classification
  - 7.6.2 Professional, Admin. Claims
  - 7.6.3 Tax Claims
  - 7.6.4 Support Claims
  - 7.6.5 Other Priority Claims
  - 7.6.6 Secured Claims
    - 7.6.6.1 Curing Defaults
  - 7.6.7 Good Faith
  - 7.6.8 Plan Length
  - 7.6.9 Disposable Income
- 7.7 Conversion from Chapter 7 to Chapter 13
  - 7.7.1 Eligibility
  - 7.7.2 One Time Right to Convert
  - 7.7.3 Good Faith in Request to Convert
  - 7.7.4 Effect on Discharge
  - 7.7.5 Post-Petition Claims
- 7.8 Conversion from Chapter 13 to Chapter 7
  - 7.8.1 Disposition of Plan Payments Made
  - 7.8.2 Effect on Exemptions Challenge Deadline
  - 7.8.3 Effect on Transfer Avoidance Deadline
  - 7.8.4 Effect on Discharge/Dischargeability Deadline
  - 7.8.5 Special Conversion Rules
- 7.9 Conversion from Chapter 7 to Chapter 11
  - 7.9.1 One Time Right to Convert
- 7.10 Conversion from Chapter 11 to Chapter 7
  - 7.10.1 Final Report and Account
  - 7.10.2 Property of the Estate
  - 7.10.3 Effect on Exemptions Challenge Deadlines
  - 7.10.4 Effect on Transfer Avoidance
  - 7.10.5 Effect on Discharge/Dischargeability Deadline

## **Subject Area 8: Post Confirmation Issues**

- 8.1 Chapter 11 -- Plan Modification
  - 8.1.1 Substantial Consummation
  - 8.1.2 Breach of Confirmed Plan
  - 8.1.3 Modifications in individual cases –“best effort” requirement
- 8.2 Chapter 11 Dismissal

- 8.2.1 Failure to pay post-petition domestic support obligations
- 8.3 Chapter 11 Conversion
- 8.4 Chapter 13 -- Plan Modification
  - 8.4.1 Suspension Orders
  - 8.4.2 Hardship Discharges
  - 8.4.3 Outside Limit for Modification
  - 8.4.4 Modification to purchase health insurance
  - 8.4.5 Audits & Reviews
- 8.5 Chapter 13 Dismissal
  - 8.5.1 Failure to pay post-petition domestic support obligations
  - 8.5.2 Failure to file tax returns
- 8.6 Chapter 13 Conversion

### **Subject Area 9: Discharge and Dischargeability Litigation**

- 9.1 Jurisdictional Issues
  - 9.1.1 Jury Trial
  - 9.1.2 Discharge Actions
  - 9.1.3 Dischargeability Actions
- 9.2 Res Judicata/Collateral Estoppel Issues
  - 9.2.1 Final Judgments
  - 9.2.2 Default Judgments
- 9.3 Removal and Abstention
- 9.4 Discharge Issues
  - 9.4.1 Objection to Discharge
  - 9.4.2 Settlement
  - 9.4.2 Impact of Denial of Discharge
- 9.5 Dischargeability Issues
  - 9.5.1 Nondischargeable Debts in Chapter 7
  - 9.5.2 Chapter 13 Discharge
  - 9.5.3 Chapter 11 Discharge

# STATE BAR OF CALIFORNIA BANKRUPTCY LAW CERTIFICATION EXAM

## SAMPLE QUESTIONS

### Sample Question #1

David and Cindy were married for five tumultuous years. After the police had been to their home for the second time to break up a physical brawl, Cindy filed for divorce. She and David were able to agree on a property settlement pursuant to which David gave Cindy a Promissory Note for \$30,000 bearing 7% per annum interest, amortized over five years with monthly payments of \$594.04. The final decree required David to pay \$2,000 per month in spousal support to Cindy.

Until a year before the divorce, David had been a manager at a fast food restaurant, earning less than \$45,000 a year. He recently became an automobile salesman working on commission. He was doing quite well. During the 10 months prior to the divorce, he had made as much as \$10,000 per month, although he averaged \$5,000 per month. During the two months after the divorce decree had been entered, David's income appeared to be averaging \$7,000 per month.

After David and Cindy separated, but before the final divorce decree was entered, David used his own charge cards to buy expensive jewelry and take exotic vacations. Two months after the divorce, he had accrued \$170,000 in credit card debt.

Also while the divorce was pending, Cindy filed suit against David in state court seeking to recover \$200,000 in medical costs, plus emotional distress damages and punitive damages arising from David having allegedly assaulted her during the final fight that led to the divorce. Three months after the divorce decree had been entered, but before Cindy's state court action had been decided, David filed a chapter 13 bankruptcy. David's budget submitted with the plan showed a monthly income of \$7,000 per month and expenses of \$4,000 per month, which included \$2,000 a month in spousal support payments to Cindy. The note to Cindy is listed as a general unsecured debt which, under David's plan, will receive 18 cents on the dollar.

Cindy filed a claim for \$3 million based upon her state court action and objected to confirmation of the plan.

**What issues should Cindy raise to defeat confirmation of David's chapter 13 plan? Discuss.**

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### Sample Question #2

Wendy is the wife of Donald. Donald was the 100% shareholder and president of Dynamix, Inc., which was a contracting business that erected steel frame buildings for light commercial and industrial applications. Dynamix, Inc., filed a voluntary chapter 7 case on November 17, 2004. Prior to filing the bankruptcy, the following transactions occurred between Dynamix and Wendy:

Payments of Wendy to Dynamix, Inc.	Date	Payments of Dynamix, Inc. to Wendy
\$10,000	03/16/04	
10,000	04/26/04	
	04/28/04	\$10,250
12,000	05/19/04	
	06/02/04	15,000
	07/10/04	3,000
	08/03/04	12,000
15,000	08/15/04	
	08/18/04	18,000
12,000	09/20/04	
	09/25/04	12,500
<b>\$59,000</b>	<b>TOTAL</b>	<b>\$70,750</b>

Terrence is the chapter 7 Trustee of Dynamix, Inc., and has filed a lawsuit against Wendy seeking damages. Wendy comes to your office for a consultation and advises you of the following facts.

1. The advances made by her were to cover payroll shortages.
2. During the entire year of 2004, the assets of Dynamix, Inc. were exceeded by its liabilities.
3. No documentation exists as to the payments other than cancelled checks and corresponding deposits between her personal bank account and the Dynamix, Inc., general operating account. The payment of 4/26/2004 was paid directly to a payroll company handling the Dynamix, Inc. payroll.
4. Wendy considered the advances loans and Dynamix, Inc., attempted to pay her back whenever possible.

**What is the basis, if any, for Wendy's liability and what defenses, if any, should she assert against the chapter 7 Trustee? Discuss.**

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### **Sample Question #3**

David is the franchisee of a new car dealership which is located in California. Under the written franchise agreement, if the dealership remains closed for business for more than seven consecutive days, David's franchisor may terminate the franchise. The franchise agreement expires on December 31, 2010, and, under its provisions, David has been given an exclusive sales territory in return for David's agreement to purchase cars exclusively from the franchisor.

At the dealership, David duplicates car keys for his customers using a patented process involving a laser that David operates pursuant to a non-exclusive license which expires on December 31, 2009. Under the written license agreement, David pays the licensor one dollar for every key he duplicates and cannot assign the license without the licensor's consent. In the wrong hands, the laser could pose a serious danger to the public.

On September 30, 2004, David ran out of working capital and was forced to close the doors of the dealership. On October 11, 2004, David filed a voluntary chapter 11 petition. On October 18, 2004, the bankruptcy court granted David's emergency motion to approve debtor-in-possession financing and the dealership reopened that same day. All monetary defaults under both the franchise agreement and the patent license were then cured by David.

On October 28, 2004, David filed a motion to assume and assign to Carla Competitor: (1) the new car dealership franchise agreement; and (2) the non-exclusive license. In his motion, David notes that the franchise agreement has yet to be terminated by the franchisor in writing and that Carla has obtained a lawful permit to operate the laser. David's franchisor filed an opposition to the motion on the basis that David is in non-monetary default of the franchise agreement as the dealership was closed pre-petition for more than seven days. David's licensor also filed an opposition to the motion and correctly points out that, under federal patent law, non-exclusive patent licenses are personal and non-delegable.

**Is the license executory? If so, may it be assumed and assigned? Discuss.  
Is the franchise agreement executory? If so, may it be assumed and assigned? Discuss.  
Should David's motion be granted in whole or in part? Discuss.**

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### **Sample Question #4**

Wil and Grace come to see you for advice about their financial situation. Last month, they received a discharge and their chapter 7 bankruptcy closed. During the chapter 7:

- Wil and Grace jointly had a debt owing to Grace's mother held nondischargeable under 11 U.S.C. §523(a)(2) in the amount of \$390,000.
- Payroll taxes owed by Wil totaling \$310,000 were not discharged, although no lien has been filed.
- None of the wildcard exemption was used in exempting the pre-petition assets of Wil and Grace and is available.

Wil now works at the local grocery store as a checker. He makes just enough money to pay the family's living expenses. His wages are being garnished by the IRS. He has three minor children living at home.

In February 2005, Grace had a major movie studio take an option on a script she had written and sent to the studio one year before the bankruptcy was filed. The terms of her contract with the studio will be reduced to writing next week. Grace is to receive \$10,000 per month for helping develop the script, up to a maximum of \$60,000, with a \$400,000 additional bonus if the script is made into a movie. The script was not listed as an asset in the bankruptcy proceeding or on the schedules based on the 25 rejection letters Grace had received

following its submission to numerous movie producers. She had discussed the script and the rejections to the non-attorney petition preparer who had prepared the bankruptcy schedules filed by Wil and Grace.

Wil has been told by his elderly father that Wil will inherit \$1,000,000 when his father dies. Wil's father is in failing health and may die within 90 days.

**Discuss what Wil and Grace should do in regard to each debt and asset or potential asset.**

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### **Sample Question #5**

Richard comes to see you the day after his first meeting of creditors in his chapter 7 bankruptcy case. He filed to discharge a large judgment against him resulting from his negligence in an auto accident while he was uninsured. He wants to retain you as his bankruptcy counsel. He filed his case in pro per after studying about bankruptcy on the Internet. Based on your interview with Richard, you discover the following irregularities with his bankruptcy schedules:

- a. Richard is married. His wife did not file bankruptcy. He did not list any assets which were titled in his wife's name, although several may be community property. These include a leased car, a timeshare in Cabo San Lucas, clothing, a \$10,000 bank account, and the community property residence.
- b. Richard receives social security as his only income. It is not listed on his Schedule I. His wife's income from her ERISA qualified retirement plan of \$10,000 per month is not listed.
- c. Numerous creditors are not listed, including credit cards, family members and taxing agencies who are creditors of Richard. He intended to pay these entities and thus did not list them.

At yesterday's meeting of creditors, the trustee learned about the facts in paragraph a. The trustee told Richard that a criminal investigation might be instituted against him based on concealment of assets.

Assume that you take Richard's case and that it remains a chapter 7 case.

**What actions should you advise Richard to take and why?**

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### **Sample Question #6**

Joseph, a professional with a salary of \$10,000 a month from his corporation, comes to see you about filing a bankruptcy to reorganize his tax debt. He has over \$100,000 in a 401(k) and \$50,000 equity in his house. The stock in Joseph's business is all owned by him and has been valued at \$75,000. The value of all his other personal assets is \$15,000.

The IRS has filed a personal tax lien for \$100,000. In addition, the IRS and the Franchise Tax Board have priority tax claims of \$45,000. Joseph has a \$550,000 unsecured bank loan and he owes \$15,000 to his divorce attorney. Both of these debts are dischargeable.

Joseph's average monthly expenses include \$2,000 in child support and \$1,500 to his unemployed former spouse on a marital equalization judgment of \$75,000. His other ordinary and necessary living expenses average \$5,000 a month.

Joseph is certain that his former spouse will object to the dischargeability of the marital equalization judgment.

**Discuss the options Joseph may have under chapters 7, 11 and 13 and the advantages and disadvantages of each option.**