

HOW THE BANKRUPTCY CODE CAN AFFECT YOUR CITY: A BANKRUPTCY PRIMER FOR MUNICIPAL ATTORNEYS

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INTRODUCTION

The purpose of this presentation and manuscript is to provide a unique prospective to practicing city attorneys of relevant issues presented by cases filed in the US Bankruptcy Court which can affect their municipalities. While we may be attending city council meetings and planning board meetings in the evenings representing our municipalities, much of our work days are spent in the courtrooms of the US Bankruptcy Courts wearing the hat of a Chapter 7 Panel Trustee and bankruptcy attorney. The intersection of these practices hopefully provides some unique and useful insights in dealing with issues that will be affecting tax collectors, code enforcement officers, taxpayers, elected officials and city attorneys in these distressed economic times. The first part of the materials will be focused upon basic bankruptcy concepts and collecting property taxes post-petition. The second part will address hot bankruptcy topics we believe you may encounter as a municipal attorney.

The manuscript for the first section was prepared by Robert E. Price, Jr., Staff Attorney for the United States Bankruptcy Administrator for the Middle District of North Carolina, for a presentation to North Carolina local tax collectors. Bob has kindly given his permission for us to include his manuscript in these materials which provides an excellent basis for our discussion of general bankruptcy concepts and tax collection after the filing of a bankruptcy petition.

AN INTRODUCTION TO BANKRUPTCY

FOR NORTH CAROLINA LOCAL TAX COLLECTORS

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I. INTRODUCTION

The federal bankruptcy system is designed to give honest debtors an opportunity to start over financially by discharging their debts (a "fresh start") while providing for the orderly liquidation or reorganization of the debtor's estate. By discharging debts "it [bankruptcy] gives to the honest but unfortunate debtor who surrenders for distribution the property which he owns at the time of bankruptcy, a new opportunity in life and a clear field for future effort, unhampered by the pressure and discouragement of pre-existing debt." Local Loan Co. V. Hunt, 292 U.S. 234, 244, 78 L.Ed. 1230, 540 S. Ct. 695 (1934).

At the same time, bankruptcy law recognizes the governmental interest in collecting taxes. Therefore, tax debt is sometimes treated in a more favorable manner (than some other types of debt, such as credit card debt). The purpose of this manuscript and presentation is to give you (1) an understanding of fundamental bankruptcy concepts; and (2) the tools to collect as much of the taxes due from a debtor as legally possible.

The treatment of tax debt in bankruptcy can be complex, and generally depends on the bankruptcy chapter chosen by the Debtor and classification of the particular tax debt. While the filing of bankruptcy may delay or hinder collection of taxes, in many cases the taxes will eventually be paid, perhaps with interest, and an understanding of the process may increase collection percentages and lead to less stress for the informed tax collector.

II. SOME (VERY GENERAL) DEFINITIONS AND CONCEPTS

It may have been the ancient Greek philosopher Socrates who first made the point that a

discussion should begin with shared definitions. As with many areas of endeavor, bankruptcy law has its own vocabulary.

1. There are four common types ("Chapters") of bankruptcy proceedings:

(a) **Chapter 7** - the liquidation of the Debtor's non-exempt assets by a court-appointed trustee, with the liquidation proceeds paid to creditors in the order of their priority as set forth in the Bankruptcy Code; the majority of bankruptcy cases are Chapter 7s;

(b) **Chapter 11** - a business reorganization, controlled most often by the Debtor-in-Possession, in which a Plan of Reorganization is filed stating who is to be paid and when.

(c) **Chapter 12** - a streamlined Chapter 11 for farmers and fishermen in which a Plan is filed;

(d) **Chapter 13** - a reorganization for individuals with regular income, where a Plan of 3 to 5 years in duration is filed at the beginning of the case and Plan payments to creditors are disbursed through a Trustee, pursuant to the Debtor's Plan.

Note that cases, and Debtors, may "convert" between Chapters, in which case the new Chapter's rules apply. It is most common for Debtors to convert from another Chapter to a Chapter 7.

2. In every case, the property under the control of the Court is referred to as the "bankruptcy estate."

3. **BAPCPA** (The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005) Please note that the bankruptcy law changed significantly on October 17, 2005, and different rules apply to cases filed before that date.

4. **"Claim"** means a right to payment, even if unliquidated. Ad valorem real estate property taxes become a claim on January 1 of each year for the year ahead.
5. Counties and Towns are **"governmental units"** and **"municipalities."**
6. A **"lien"** is an interest in property to secure payment of a debt. Taxes are a **"statutory lien."** A claim which has recourse to property as security for payment is a **"secured claim."**
7. A bankruptcy is commenced by the filing of a **"petition."**
8. Persons and entities in bankruptcy are **"debtors"**.
9. When an individual debtor receives his **"discharge"**, the case is over as to him and as to non-estate assets. It continues as to estate assets until closed. He no longer owes **discharged debts**, and is protected from attempts to collect them.
10. Upon filing bankruptcy, the Debtor is protected by the **"automatic stay,"** which stops all collection efforts.
11. When a bankruptcy case is unsuccessfully concluded, the case is **"dismissed"**. A dismissal means that the bankruptcy has no further legal significance, although it may affect the Debtor's rights in subsequent cases. Creditors generally retain their rights as if the dismissed case had not occurred.

See Exhibit 1 – all Exhibits follow the manuscript.

II COMMENCEMENT OF THE BANKRUPTCY CASE

A bankruptcy case is commenced by filing a petition. Petitions are filed electronically, and there is no judicial review of petitions before they are filed and are effective. Filing a voluntary petition generates an **"order for relief."** The filing of the petition **automatically stays**

(stops) all proceedings against a debtor or his property as of the moment it is filed (the "automatic stay.") If you are listed as a creditor, you will receive a form notice such as those attached as Exhibit 2. These notices contain very important information. Within 15 days of the filing of the petition, the Debtor must file his lists, schedules and statements. See Exhibit 3. These may be amended by the Debtor. They also contain important information as to the Debtor's assets and liabilities, as well as the amount and classification of claims.

III. CLASSIFICATION OF CLAIMS:

What Kind of Claim do I have, and What Difference Does it Make?

A. Claims in general. In bankruptcy, the assets/monies collected from the Debtor are paid out on claims filed with the bankruptcy court (except in certain instances in Chapter 11), so it is important to file your claim if instructed to do so, and to understand the type of claim that you have. For purposes of the United States Bankruptcy Code, a tax claim may be characterized as (a) a secured claim; (b) an administrative claim; (c) a priority claim; (d) a general unsecured claim; or (e) a penalty claim. Again, to assert a claim against a bankruptcy estate, you must file a proof of claim, except in some Chapter 11 cases. Bankruptcy affects all taxes which are unpaid or incurred at the time the taxpayer files bankruptcy, or are assessed or incurred while the case is open. One must generally file a Proof of Claim form pursuant to FRBP Rule 3002 "Filing Proof of Claim or Interest" to participate in distributions.

(a) **Secured claims** are those which are secured by a lien on the debtor's property. 11 U.S.C. 506(a). Unpaid property taxes (other than motor vehicle taxes) are a lien on real estate

within the jurisdiction in North Carolina as of January 1. N.C.G.S. § 105-355 (2008). Remember that the lien on real property includes not only the taxes levied on the real property, but also the taxes levied on the tax payer's personal property, other than motor vehicles. Property taxes levied on other parcels of real estate do not become a lien on any one tract. Secured claims are not discharged to the extent of the security. Secured claims accrue post-petition interest as long as there is equity in the property. Interest on the tax claims is determined under non-bankruptcy law. 11 U.S.C. § 511. However, secured claims may be subjected to different (and unfavorable) treatment in a Chapter 11, 12 or 13 plan if no objection is made. See In re: Burrell, 346 B.R. 561 (1st Cir. BAP 2006).

(b) **Administrative tax claims** consist of taxes that have accrued during the pendency of the bankruptcy. Bankruptcy Code § 503(b)(1) accords first priority administrative status among unsecured claims to a tax which is incurred by the estate. Administrative tax claims are not dischargeable. Postpetition taxes are generally not priority claims, they are administrative claims. Note, however, that Section 502(i) makes claims which do not arise until after the commencement of the case, such as taxes which have not been finalized, priority claims, if they otherwise would have been such. Generally, interest on administrative tax claims is accorded administrative status by implication.

"We therefore hold that the government is entitled as a first priority expense of the bankruptcy estate to full payment of the taxes claimed, the penalties for failure to pay them on time, and interest from the date that it accrued."

U.S. v. Friendship College, Inc., 737 F.2d 430, 433 (4th Cir. 1984). Under BAPCPA, taxing units

are not required to file requests for payment of these taxes in order for such taxes to be an allowed administrative expense.

(c) **Priority property tax claims**, often referred to as "eighth priority claims," are those unsecured claims incurred prior to the bankruptcy but last payable without penalty within one year of the filing of the petition. See, 11 U.S.C. § 507(a)(8). For bankruptcy purposes, the date which North Carolina property taxes are incurred, other than registered motor vehicles, is January 1, the listing date. See William A. Campbell, Property Tax Collection in North Carolina, 244 (4th ed. 1998) (citing In re Member's Warehouse, Inc., 991 F.2d 116 (4th Cir. 1993)). Of course, the delinquency date is January 6. The assessment date for North Carolina property taxes on registered motor vehicles is the date the registration is renewed or a new registration is applied for. Id. At 245. The motor vehicle taxes are due on the first day of the fourth month following the last day of the month in which registration is applied for. N.C.G.S. §105-330.4 (2008). Interest begins to accrue on registered motor vehicle property taxes the first month after the taxes become due. Thus motor vehicle property taxes qualify as priority claims in bankruptcy if the registration is renewed before the petition is filed and interest began one year of the filing of the petition. William A. Campbell, Property Tax Collection in North Carolina 245 (4th ed. 1998). Pre-petition interest on priority tax claims is accorded priority status. Interest on prepetition unsecured claims stops accruing on the petition date, so that you may not run post-petition interest on priority tax claims.

Priority tax claims are not discharged under § 523 of the Bankruptcy Code. U.S. v. Friendship College, Inc., 737 F.2d 430, 433 (4th Cir. 1984). Note that prior to October 17, 2005, the statute used the word "assessed." See In re Proxim Corp., 362 B.R. 812 (Bankr. D. Del.

2007)(discovered taxes not "assessed" prepetition are unsecured claims). Note also Bankruptcy

Code Section 502(i):

"A claim that does not arise until after the commencement of the case for a tax entitled to priority under Section 507(a)(8) of this title shall be determined, and shall be [allowed or disallowed under this section] the same as if such claim had arisen before the date of the filing of the petition."

This apparently means in the property tax context that a tax which was incurred pre-petition but might be changed post-petition (such as by discovery, or valuation) will remain a pre-petition claim. It also helps to make clear that if the taxes are incurred pre-petition, they are a pre-petition claim, even if some of the key actions involved in the claim occur post-petition.

(d) **General unsecured claims** are those taxes which are not defined above. These taxes may be discharged under § 727 of the Bankruptcy Code. Typically, these taxes are not entitled to qualify for priority claim status because they are too old.

(e) **Nonpecuniary tax penalties** are a class of unsecured claims which may be discharged and subordinated to general unsecured claims in some cases (paid last, if at all). A nonpecuniary tax penalty is one intended to punish rather than to compensate the government.

B. Some examples. 1. A debtor owning real estate in the jurisdiction fails to pay his 2007 real property taxes, then files for bankruptcy on February 1, 2008. These taxes are both a pre-petition priority tax claim, as they were last payable without penalty within one year of the bankruptcy and a secured claim, because they are secured by a lien on the real estate.

2. A debtor owning no real estate fails to pay the 2007 taxes on business personal property. The taxing unit does not act to enforce collection, and the Debtor files for bankruptcy on February 1, 2008. These taxes, incurred and last payable without penalty within one year

(January 2008) of the petition date are a prepetition priority tax claim.

3. A debtor owning a vehicle renews the vehicle's registration on October 1, 2007. The Debtor files for bankruptcy on February 1, 2008. The taxes are payable without penalty until February 29, 2008. As this claim arose prepetition, and is payable without penalty within one year of the petition date, it is a prepetition priority tax claim.

III. THE AUTOMATIC STAY

Bankruptcy stops collection efforts

The filing of a petition triggers the automatic stay, the elements of which are spelled out in Section 362 of the Bankruptcy Code. The automatic stay provision states in part that it applies to "any act to collect, . . . or recover a claim against the debtor that arose before the commencement of the case under this title." 11 U.S.C. §362(a)(6). Actions taken in violation of the automatic stay are void. The automatic stay bars anyone from taking action to recover a debt then owing by the debtor or acting to affect property of the debtor or the estate or in the possession of the estate. It maintains the status quo and prevents dismemberment of the estate by individual action of creditors and others. Violation of the automatic stay can be punished by the court through contempt or the imposition of sanctions. 1 Collier on Bankruptcy - Para.1.03 (15th Edition 1999) (Revised). The Code provides that an individual injured by a "willful" stay violation shall recover damages, including costs and attorney fees. The filing of the bankruptcy petition stops all collection or enforcement actions until the automatic stay is lifted or discharged or dismissal occurs.

In some cases filed under BAPCPA, the stay is limited for repeat bankruptcy filers. If

you have a situation where the Debtor is a repeat filer, you may wish to contact counsel to determine the effect of the stay.

In addition to prohibiting acts to collect or enforce payment of delinquent taxes assessed or due before the filing of a bankruptcy petition, the stay may bar efforts to enforce the payment of delinquent post-petition taxes while the bankruptcy case is pending. This is so because 11 U.S.C. § 362(a)(3) prohibits any act to obtain possession of the property of the estate. Bank accounts and other property held by a Chapter 11 or Chapter 13 debtor are likely to be considered property of the estate. Thus, rather than attempting to garnish or attach such bank accounts or levy upon such property to secure payment the tax collector should file a Request for Allowance and Payment of an Administrative Expense to receive payment of post-petition taxes.

The automatic stay does not prohibit "the making of an assessment for any tax and issuance of a notice and demand for payment of such assessment." See: 11 U.S.C. § 362(b)(9)(D). Thus, a tax collector may send a taxpayer a notice for taxes that become due during the course of the bankruptcy. The tax collector may publish the statutory notice of delinquent taxes due. The stay also does not prevent the creation or perfection of a statutory lien for an ad valorem property tax or a special tax or assessment on real property imposed by a governmental unit when the tax is due after the filing of the petition. The tax collector must be careful, however, not to threaten enforced collection such as garnishment of wages or attachment of bank accounts if the taxes are not paid. See In re: Diwa, 2007 WL 1462398 (N.D. Cal. 2007); William A. Campbell, Property Tax Collection in North Carolina, 236 (4th ed. 1998). This means that the tax collector may not wish to send notices or publish the statutory notice, to avoid the computer generating enforced collection notices. Tax collectors should refrain from sending more than one notice to taxpayers

while the bankruptcy is pending as subsequent notices may be viewed as efforts to enforce payment of the tax. In unusual cases, the Tax Collector may wish to move the Bankruptcy Court to "lift the stay" in order to proceed with actions outside the bankruptcy. To lift the stay, Counsel will be required to file a motion in Bankruptcy Court.

The stay is generally in effect until the earliest of: (1) the closing or dismissal of the bankruptcy case; (2) the granting or denial of the general discharge of the debtor; or (3) with respect to property of the estate, until the property is no longer property of the estate. Therefore, the abandonment of property pursuant to Section 554 has the effect of lifting the automatic stay with respect to the property abandoned.

VI. THE COURSE OF A CHAPTER 7 CASE

What do I do now?

In a Chapter 7 (liquidation) case, as part of the Order for Relief, the Court appoints a Trustee, who administers the case. Keeping in mind that Trustees have a number of cases, and are very busy people, the Trustee may be a good source of information if you have questions about a particular case which cannot be addressed by the general information available to the public. As a court official, the Trustee can not give you legal advice.

First, review the notice which is received from the Court to determine who is the actual debtor. While I recommend extreme caution in this area, the filing of a Chapter 7 bankruptcy protects only the Debtor. Relatives, or related corporations are not protected. "Flag" or mark the Debtor's account and his property so that no actions in violation of the automatic stay occur. Also, determine whether or not you should file a proof of claim. In individual cases, diary ahead

the discharge date.

In all cases, after the petition is filed, a "Section 341 meeting of creditors" is held. If you have special questions or information for the Debtor or Trustee, you may wish to attend. However, it is better practice to simply contact the Trustee before the meeting, as the meetings are crowded and move quickly, leaving the Trustee little time to address your issues.

In Chapter 7 cases, the Debtor's non-exempt assets, which have value for creditors, are sold. A Chapter 7 Debtor has the right to exempt certain assets from the claims of his creditors, and so from the Trustee, as a debtor does under state law. The Debtor retains exempt assets, subject to the claims of secured and non-dischargeable creditors. Chapter 7 is asset based, and in most cases, the income of the Debtor is irrelevant. In most cases, after reviewing the bankruptcy papers, and questioning the Debtor at the Section 341 meeting, the Chapter 7 Trustee will not have assets to administer (sell) for the benefit of creditors, and will close the case. Such cases are referred to as "no-asset cases." In these cases, it is not necessary for the creditor to file a proof of claim, as there will be no distribution from the bankruptcy estate.

The Debtor will receive his discharge 60 days after the §341 meeting, unless his discharge is objected to. Once the Debtor receives his discharge, the Tax Collector is free to pursue non-dischargeable (priority) claims against the Debtor and secured claims against the collateral, unless the Chapter 7 Trustee is still administering the asset. All other debt is discharged, and may not be pursued.

If the Trustee determines that there are assets which are to be sold, then creditors will be told to file a proof of claim, and you should do so within the time. Distributions may take several years to occur, depending on the complexity of the case.

In a Chapter 7 case, even if there are assets to be liquidated and monies to be distributed, you may receive an objection by the Trustee to your proof of claim if it relates to property which the Trustee did not administer because it was exempt or because it was abandoned as having no value to the bankruptcy estate. Tax claims are limited to the "value of the interest of the estate in such property." 11 U.S.C §502 (2007). The tax collector should review such an objection carefully for accuracy, but does not have a defense to a correct objection. However, the fact that an objection is allowed on these grounds does not by itself discharge or invalidate the debt; in effect the Court is saying "the debtor or bank has this property – collect your claim from them."

VII. THE COURSE OF A CHAPTER 13 CASE

Will I have to put up with this for 3 to 5 years?

In a Chapter 13 case, as part of the Order for Relief, the Court appoints a "standing" Trustee, who administers the case. In a Chapter 13 case, the Debtor is generally required to pay a portion of his income to the Chapter 13 Trustee for the benefit of creditors for a period of 3 to 5 years. Because of the nature of these cases, the standing Trustee has a professional office staff, which may be in a position to answer your questions, if they can not be answered by the public information. The Trustee can not give you legal advice.

First, review the notice of filing to determine appropriate deadlines. Note that in a Chapter 13, unlike Chapter 7 or 11, the "co-debtor stay" protects persons liable with the Debtor on a debt, such as the co-owner of property. Therefore, all collection activity should cease on notification of the filing. Flag the account.

In all cases, after the petition is filed, a Section 341 meeting of creditors is held. You may wish to attend, but again, it is perhaps preferable to simply contact the Trustee's office

before the meeting regarding specific questions you may have about a case

In Chapter 13 cases, the Debtor will make monthly (or more frequent) payments to the Trustee from his income pursuant to the terms of a confirmed Plan. Therefore, the Debtor's assets, while relevant, are not solely relevant to distributions to creditors. The Debtor, with the help of the Trustee, will propose a Plan. Any party in interest may object to the Plan proposed, by a written objection filed within 25 days of the Plan being filed with the Court.

Generally, then, proposed Chapter 13 Plan treatment of tax claims should look something like this:

III Priority Claims

Any timely filed claims entitled to priority under 11 U.S.C. § 507, on behalf of the entities listed, will be paid in full in deferred cash payments unless otherwise indicated.

1. *IRS*
2. *NC Department of Revenue*
3. *Chatham County Tax Collector*

IV. Secured Claims

Real Property Secured Claims to be Paid in Full.

To receive disbursements, a creditor must file a proof of claim with evidence of a perfected lien. If a claim has not been filed, the amount to be paid has been estimated by the Debtor:

<u>Creditor</u>	<u>Claim Filed</u>	<u>Amount</u>	<u>Monthly Payment</u>	<u>Interest Rate</u>
Chatham County	N	unknown	to be determined	9%

The Plan circulated by the Debtor and Trustee, then, will state how the tax collector is to be paid. See Exhibit 4. If you are to receive payments through the Plan, you will need to file a proof of claim. In some cases, the Plan will provide that the claim be paid direct (outside the plan). In such cases, the tax collector may or may not file his proof of claim. As above, if the tax collector intends to rely on his secured status, he need not file a proof of claim. In such cases, however, the collector should continue to monitor the case for his treatment and watch that the Debtor or Trustee does not file a proof of claim for him. See In re Tepper 279 B. R. 859 (Bankr. M.D. Fla. 2002) (tax collector bound by proof of claim filed for him by Debtor). In that case, the tax collector should file his own (amended) proof of claim.

The Debtor does not receive his discharge until the Plan is completed; therefore, the automatic stay generally remains in effect (see above) until plan payments are completed or the case is dismissed. As above, a discharged debt may not be pursued upon completion of the Debtor's confirmed plan. Many Chapter 13 cases are dismissed after a period of time for failure of the Debtor to make his plan payments. In such cases, the Tax Collector returns to the same position as if the bankruptcy had not been filed.

Probably the two most common problems for tax collectors (and others) in dealing with Chapter 13 cases are (1) double payments and (2) claims which arise post-petition, particularly vehicle tax claims.

Double payments. It is not uncommon for a tax collector to file a claim in a Chapter 13, receive money from the Chapter 13 office, and then receive a payment from the mortgage creditor for the taxes claimed, for a double payment. In such a case, if real estate taxes are no longer due, the second payment received should be returned, with notice to the other party. If

real estate taxes are due, the payment might be held in suspense, and instructions sought from the Chapter 13 office as to its application.

Post petition Claims. It is also not uncommon for Debtors to fail to pay their taxes post petition, although it is a term of all Chapter 13 Plans that the Debtor pay his taxes when due. This is a particular problem with respect to vehicle taxes. Post-petition claims in a ongoing bankruptcy case are referred to as "administrative" claims. Should the Debtor not pay his taxes, however, remember that his property, in a Chapter 13 (or Chapter 11), is still property of the bankruptcy estate, and protected by the automatic stay. Therefore, no actions may be taken to collect these taxes. The tax collector should not impose any block on motor vehicle registration by submitting the Debtors name to DMV. A block imposed by computer should be released. However an unpaid administrative claim is not discharged. The tax collector should also contact the Chapter 13 office, and keep them apprised of your contacts with the debtor and your situation. The tax collector should file a request for payment of administrative claim. The Chapter 13 office may wish the Debtor to pay the claim directly, if possible. However, if that is not possible, the Chapter 13 office will file a motion to pay the claim in the Plan as funds become available. If there are insufficient funds available in the Plan to pay the administrative claim, the tax collector may simply need to wait until the case is dismissed or discharged, but remember that collection efforts are prohibited.

In order to assert an administrative claim, you must file a proof of claim. For administrative claims, these are often designated as a "request for payment." Administrative claims have first priority in the case in which they are incurred. However, this will change if the case is converted to a Chapter 7, in which case, administrative claims in the Chapter 13 case will

be subordinated to administrative claims in the Chapter 7 case. With respect to administrative claims, the taxing authority has a choice: it may do nothing because an administrative claim is not discharged, or it may submit the claim to the Chapter 13 office for payment. Again, while the claim will not be discharged, but it also may not be collected during the pendency of the case.

VIII. THE COURSE OF A CHAPTER 11 CASE

A Chapter 11 case is a business reorganization case. No trustee is appointed initially, although the Court may appoint a trustee for cause. Unlike a Chapter 7, a creditor in a chapter 11 case whose claim is listed on the debtor's schedules, whose claim is not listed as disputed, unliquidated or contingent, and who agrees with (or will accept) the amount and priority scheduled, is not required to file a proof of claim or otherwise participate in the case. However, if a proof of claim is not filed, the creditor is bound by the listed amount and priority as scheduled by the Debtor.

Treatment of claims, including their discharge, is governed by the Plan in a Chapter 11 case. 11 U.S.C. § 1141 (2007). However, unless you agree otherwise, the minimum allowed treatment for priority tax claims is installment payments over 5 years after the date of the order for relief, or such better treatment as given the any class of general unsecured creditors. 11 U.S.C. §1129 (2007).

Therefore, acceptable Chapter 11 treatment might look like this:

1a. *Class V - Tax claims of Orange County Having Priority Under Section 507(a)(8) of the Bankruptcy Code.*

1b. *Description: this Class consists of all prepetition priority taxes owed to Orange County as of the date of filing of the Debtor Corporation. It is anticipated that*

there will be \$296,000 in allowed Class V Claims.

1c. Treatment: Each Class V claim shall be paid in equal quarterly installments over a period equal to 60 months from the order for relief, with interest at the statutory rate. The Debtor reserves the right to prepay such claims in the event funds are available for this purpose prior to payments becoming due. Property taxes for 2008 and any subsequent years will be paid as they become due. The claimant shall retain its lien.

1d. Impairment: this class of claims is unimpaired.

Be careful to read a Chapter 11 plan for other provisions that may impact your claim, as it is written by the Debtor, generally without supervision by a third party; you may wish to discuss your claim treatment with the Attorney for the Debtor. In particular, the tax collector should attempt to ensure that its liens are protected under the Plan, as upon confirmation, property dealt with by the Plan is freed of pre-existing liens. 11 U.S.C. §1141 (2008).

V. FILING PROOF OF CLAIM

As indicated, to participate in a distribution, you must file a proof of claim. See Exhibits 5,6,7, 8. . Claims are filed with the court, electronically, in all Districts. If you wish to rely exclusively on your security (real estate) or non-dischargeable status (in Chapter 7) you do not need to file a proof of claim, unless ordered by the court. However, you will not receive any distribution from the bankruptcy estate. Claims of governmental units are due in chapter 7, 12 and 13 cases not later than 180 days after the order for relief. If you file a proof of claim in a chapter 11 case, it is due in the same time period. Claims should have all the appropriate tax bills attached: all districts require "the attachment of documentation in electronic format

sufficient to establish the validity and status of the claim asserted..." Rules of Practice and Procedure of the United States Bankruptcy Court for the Western District of North Carolina.

Proofs of claim should include all penalties, interest and costs due and allowed by law, as of the petition date. If the tax collector contends that it is entitled to interest on its secured claims, it should expressly set out in its proof of claim the interest rate it requests, such as the statutory rate. See 11 U.S.C. § 511(a) (2008)(interest on tax claims is to be determined under non-bankruptcy law). Otherwise, the Debtor or Trustee may be entitled to use another, lower, rate. In Chapter 13 cases, if you file a claim for taxes which are not yet over due, you will wish to confirm with the Trustee that the taxes have not been paid after the due date, so that the Trustee includes them in the Plan.

IX. DISCHARGE:

Some Debts are Discharged in Bankruptcy

(A) Chapter 7 Liquidation

Only an individual may be discharged from bankruptcy in Chapter 7 proceeding. 11 U.S.C. §727(b). The discharge of an individual under Chapter 7 eliminates his personal liability for pre-petition debts with certain exceptions. See 11 U.S.C. §727. For our purposes, the debtor remains personally liable for: (1) unsecured priority tax claims; and (2) debt not listed or scheduled so as to permit the timely filing of a proof of claim by a creditor who had no notice or actual knowledge of the bankruptcy case. Id. Once the taxpayer's personal liability is discharged, the tax collector may no longer use the remedies of attachment, garnishment and levy to satisfy

the discharged tax obligations. Liens on real property arising from unpaid pre-petition tax obligations are not, however, discharged, in a Chapter 7 bankruptcy proceeding. See Campbell at 243; Michael J. Herbert, Understanding Bankruptcy 207-08 (1995). In North Carolina a lien for taxes owed on personal property attaches to real estate in the taxing unit owned by the listing taxpayer as of the January 1 preceding the fiscal year of taxation. See GS 105-355(a). This means that the tax collector may be able to collect delinquent real and personal property taxes by means of a foreclosure proceeding after the taxpayer's discharge from bankruptcy.

Code § 727(a)(8) establishes the general rule that a debtor is not entitled to a Chapter 7 discharge if he or she has received a prior discharge in a Chapter 7 case commenced within eight years "before the date of the filing of the petition" in the current case. This section establishes the basic premise that the debtor is not entitled to recurrent relief under discharge provisions within the specified time period. The objective is to prevent abusive reuse of bankruptcy discharge provisions. The provision of Code § 727(a)(8) (which applies where discharge was obtained in a previous Chapter 7 or Chapter 11 case) is mandatory. The same holds true for Code § 727(a)(9). Section 727(a)(9) provides for a discharge denial if the debtor has been granted a discharge under chapter 12 or 13 in a case commenced within six years before the date of the filing of the chapter 7 petition *unless* the payments under the plan in the chapter 12 or 13 case totaled at least 100 percent of the allowed unsecured claims, or if payments totaled 70 percent of the claims and the debtor's plan was proposed by the debtor in good faith and was the debtor's best effort. 6 Collier on Bankruptcy -P 727.11 (15th Edition Revised). The time periods are shorter, and generally not relevant, if the second case is a Chapter 13. See Exhibit 6.

It also bears noting that in a no-asset Chapter 7 case, liability for property tax may be

discharged even where the tax office receives no notice of the bankruptcy proceeding. See In re Serge, 285 B.R. 632 (M.D.N.C. 2002); Campbell at 14 (4th ed. Supp. 2000); see also Herbert at 220-221 & n.66 (citing studies finding that more than 90 percent of Chapter 7 cases are no-asset cases). This is so because no deadline is set for the filing of claims in a Chapter 7 proceeding. See In re Serge, 285 B.R. at 634. In fact, the bankruptcy court directs claimants not to file proofs of claim. Because there is no deadline, there is no time when it becomes too late "to permit the timely filing of a proof of claim." Id. Thus, personal liability for property taxes in a no-asset Chapter 7 case is discharged even where the tax office received no notice of the bankruptcy proceeding. Id.

(B) Chapter 11 Reorganization

Both individuals and other entities such as corporations are eligible for a Chapter 11 discharge. See Herbert at 225. In a corporate Chapter 11 case, the confirmation of the plan of reorganization generally serves as the discharge. Id. For corporations and other entities, the obligations of the confirmed plan "substitute for the debtor's pre-confirmation obligations." Id. Corporation and other entities discharged under Chapter 11 are freed of all pre-confirmation debts, subject to the terms of the Plan. See 11 U.S.C. 1141(d)(1)(A); Herbert at 225. For individuals, the discharge comes after completion of payments under the plan. Furthermore, property dealt with by the plan is freed of all pre-existing liens unless the plan specifies otherwise. See 11 U.S.C. 1141(c). Taxing units should thus make efforts to ensure that their liens are preserved by the plan. See Campbell at 250 (citing 11 U.S.C. §§ 1123, 1129).

Individuals discharged from a Chapter 11 bankruptcy proceeding remain personally liable for priority tax claims remaining unpaid upon discharge. See 11 U.S.C. § 1141(d)(2); Herbert at

225. Again, these are unsecured tax obligations last payable without interest within one year of the bankruptcy proceeding.

(C) Chapter 13 Payment Plan

After a debtor completes payments under the Chapter 13 plan, he is discharged, insofar as property taxes are concerned, from "all debts provided for by the plan or disallowed under [11 USC§] 502." 11 U.S.C. § 1328. Thus, if a taxing unit files a proof of claim for property taxes, those debts should be provided for by the plan or disallowed. If, however, a taxing unit files no proof of claim for property taxes, a question arises as to whether the debtor's personal liability for those upon pre-petition taxes is discharged at the conclusion of the Chapter 13 proceeding. In such a case, the test is whether the debt is provided for by the plan. Therefore, simply choosing not to participate in a Chapter 13 case does not mean that your claim survives discharge. See Exhibit 9.

A debtor unable to complete Chapter 13 payments due through no fault of her own, but who has made payments on unsecured claims equal to those that would have been paid in a Chapter 7 liquidation may receive a hardship discharge. See 11 U.S.C. § 1328(b). A hardship discharge does not discharge a debtor's personal liability for priority tax claims. See 11 U.S.C. § 1328(c); Campbell at 252.

Regardless of the tax collector's ability to collect taxes owed from the personal assets of the discharged Chapter 13 debtor, liens for unpaid property taxes survive a Chapter 13 discharge, hardship or otherwise.

(D) Summary of Discharge Provisions

What survives a bankruptcy discharge?

- Administrative claims are not discharged
- Liens always survive Chapter 7 and Chapter 13 bankruptcy discharges.
- Liens survive a Chapter 11 reorganization so long as they are provided for by the plan.
- Unpaid priority tax claims survive a discharge under Chapter 7, an individual discharge under Chapter 11, and a hardship discharge under Chapter 13., but may not survive a regular Chapter 13 discharge.

Remember, these are unsecured claims for taxes last payable without interest within one year of the date of the filing of the petition.

SOME MISCELLANEOUS CONCEPTS

A. Section 505 determinations – The Law has changed in our favor.

“The court may determine the amount or legality of any tax, an fine or penalty relating to a tax, or any addition to tax, whether or not previously assessed, whether or not paid, and whether or not contested before and adjudicated by a judicial or administrative tribunal of competent jurisdiction.” 11 U.S.C. 505(a)(1) (2008)(giving bankruptcy courts jurisdiction to determine the amount and legality of tax claims).

This provision has allowed Debtors to challenge tax values in bankruptcy court, if those taxes were not finally adjudicated prepetition. This provision has been used to effect by debtors to reduce tax claims but this provision was changed in October, 2005. Now, under Section 505, the court may not determine: “the amount or legality of any amount arising in connection with an ad valorem tax on real or personal property of the estate, if the applicable period for contesting or

redetermining that amount under any law (other than bankruptcy law) has expired.

B. Section 363 Sales – Still Dangerous.

Debtors, and particularly Chapter 11 Debtors, may propose sales of property under Section 363 of the Bankruptcy Code, "free and clear of liens, with liens to attach to proceeds." These sales are often authorized, particularly if there is no objection. See 11 U.S.C. § 363(f). But, note that credit bids are allowed, and if the proceeds are insufficient, the tax lien may not receive payment. See 11 U.S.C. §363(k). The tax collector may wish to object to such a sale and ask the court not to transfer its lien. Note that ad valorem tax liens may not be subordinated to administrative claims. 11 U.S.C. § 724.

C. Section 547 – Preferences

Trustees and Debtors may seek to avoid and recover payments made by the Debtor within the 90 days preceding the bankruptcy filing. The purpose of this much misunderstood provision is to level the playing field between those creditors lucky enough to get paid and their less fortunate brethren. If you happen to receive a demand from the Trustee or Debtor-in-possession to return such a payment, you should consult with Counsel before doing so, as there are a number of defenses available. Even if the payment should be returned, the Trustee or Debtor may be willing to compromise the matter.

BANKRUPTCY INFORMATION SHEET

BANKRUPTCY LAW IS A FEDERAL LAW. THIS SHEET PROVIDES YOU WITH GENERAL INFORMATION ABOUT WHAT HAPPENS IN A BANKRUPTCY CASE. THE INFORMATION HERE IS NOT COMPLETE. YOU MAY NEED LEGAL ADVICE.

WHEN YOU FILE BANKRUPTCY

You can choose the kind of bankruptcy that best meets your needs (provided you meet certain qualifications):

Chapter 7 – A trustee is appointed to take over your property. Any property of value will be sold or turned into money to pay your creditors. You may be able to keep some personal items and possibly real estate depending on the law of the State where you live and applicable federal laws.

Chapter 13 – You can usually keep your property, but you must earn wages or have some other source of regular income and you must agree to pay part of your income to your creditors. The court must approve your repayment plan and your budget. A trustee is appointed and will collect the payments from you, pay your creditors, and make sure you live up to the terms of your repayment plan.

Chapter 12 – Like chapter 13, but it is only for family farmers and family fishermen.

Chapter 11 – This is used mostly by businesses. In chapter 11, you may continue to operate your business, but your creditors and the court must approve a plan to repay your debts. There is no trustee unless the judge decides that one is necessary; if a trustee is appointed, the trustee takes control of your business and property.

If you have already filed bankruptcy under chapter 7, you may be able to change your case to another chapter.

Your bankruptcy may be reported on your credit record for as long as ten years. It can affect your ability to receive credit in the future.

WHAT IS A BANKRUPTCY DISCHARGE AND HOW DOES IT OPERATE?

One of the reasons people file bankruptcy is to get a "discharge." A discharge is a court order which states that you do not have to pay most of your debts. Some debts cannot be discharged. For example, you cannot discharge debts for—

- most taxes;
- child support;
- alimony;
- most student loans;
- court fines and criminal restitution; and
- personal injury caused by driving drunk or under the influence of drugs.

~ Over ~



The discharge only applies to debts that arose before the date you filed. Also, if the judge finds that you received money or property by fraud, that debt may not be discharged.

It is important to list all your property and debts in your bankruptcy schedules. If you do not list a debt, for example, it is possible the debt will not be discharged. The judge can also deny your discharge if you do something dishonest in connection with your bankruptcy case, such as destroy or hide property, falsify records, or lie, or if you disobey a court order.

You can only receive a chapter 7 discharge once every eight years. Other rules may apply if you previously received a discharge in a chapter 13 case. No one can make you pay a debt that has been discharged, but you can voluntarily pay any debt you wish to pay. You do not have to sign a reaffirmation agreement (see below) or any other kind of document to do this.

Some creditors hold a secured claim (for example, the bank that holds the mortgage on your house or the loan company that has a lien on your car). You do not have to pay a secured claim if the debt is discharged, but the creditor can still take the property.

WHAT IS A REAFFIRMATION AGREEMENT?

Even if a debt can be discharged, you may have special reasons why you want to promise to pay it. For example, you may want to work out a plan with the bank to keep your car. To promise to pay that debt, you must sign and file a reaffirmation agreement with the court. Reaffirmation agreements are under special rules and are voluntary. They are not required by bankruptcy law or by any other law. Reaffirmation agreements--

- must be voluntary;
- must not place too heavy a burden on you or your family;
- must be in your best interest; and
- can be canceled anytime before the court issues your discharge or within 60 days after the agreement is filed with the court, whichever gives you the most time.

If you are an individual and you are not represented by an attorney, the court must hold a hearing to decide whether to approve the reaffirmation agreement. The agreement will not be legally binding until the court approves it.

If you reaffirm a debt and then fail to pay it, you owe the debt the same as though there was no bankruptcy. The debt will not be discharged and the creditor can take action to recover any property on which it has a lien or mortgage. The creditor can also take legal action to recover a judgment against you.

IF YOU WANT MORE INFORMATION OR HAVE ANY QUESTIONS ABOUT HOW THE BANKRUPTCY LAWS AFFECT YOU, YOU MAY NEED LEGAL ADVICE. THE TRUSTEE IN YOUR CASE IS NOT RESPONSIBLE FOR GIVING YOU LEGAL ADVICE.

UNITED STATES BANKRUPTCY COURT
Western District of North Carolina (Wilkesboro)

Notice of Chapter 7 Bankruptcy Case Meeting of Creditors, & Deadlines

A chapter 7 bankruptcy case concerning the debtor(s) listed below was filed on 7/31/08.

You may be a creditor of the debtor. This notice lists important deadlines. You may want to consult an attorney to protect your rights. All documents filed in the case may be inspected at the bankruptcy clerk's office.

NOTE: The staff of the bankruptcy clerk's office cannot give legal advice.

See Reverse Side For Important Explanations.

Debtor(s) (name(s) used in the last 8 years, including married, maiden, trade and address):

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Case Number:
08-50883

Social Security/Taxpayer ID Nos.:

[REDACTED]
[REDACTED]

Attorney for Debtor(s) (name and address):

James B. Mallory III
Attorney At Law
Post Office Box 7
Statesville, NC 28687

Bankruptcy Trustee (name and address):

Barrett Crawford
P.O. Box 580
Morganton, NC 28680-0580

Telephone number: (828) 437-2001

Telephone number: (704) 872-1911

Meeting of Creditors

Date: September 8, 2008

Time: 10:00 AM

Location: Johnson J Hayes Federal Building, 207 West Main Street, 2nd Floor, Wilkesboro, NC 28697

Presumption of Abuse under 11 U.S.C. § 707(B)

See "Presumption of Abuse" on reverse side.

The presumption of abuse does not arise.

Deadlines

Deadline to File a Complaint Objecting to Discharge of the Debtor or to Determine Dischargeability of Certain Debts: 11/7/08

Deadline to Object to Exemptions:

Thirty (30) days after the conclusion of the meeting of creditors.

Creditors May Not Take Certain Actions

In most instances, the filing of the bankruptcy case automatically stays certain collection and other actions against the debtor and the debtor's property. Under certain circumstances, the stay may be limited to 30 days or not exist at all, although the debtor can request the court to extend or impose a stay. If you attempt to collect a debt or take other action in violation of the Bankruptcy Code, you may be penalized. Consult a lawyer to determine your rights in this case.

Please Do Not File a Proof of Claim Unless You Receive a Notice To Do So.

Foreign Creditors

A creditor to whom this notice is sent at a foreign address should read the information under "Do Not File a Proof of Claim at This Time" on the reverse side.

Address of the Bankruptcy Clerk's Office:

Wilkesboro Division
P.O. Box 34189
Charlotte, NC 28234-4189

Telephone number: 704-350-7500

For the Court:

Clerk of the Bankruptcy Court:
David E. Weich

Hours Open: 8:30 AM - 4:30 PM, Monday - Friday

Date: 8/2/08

EXHIBIT

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EXPLANATIONS

FORM B9A (10/05)

Filing of Chapter 7 Bankruptcy Case	A bankruptcy case under chapter 7 of the Bankruptcy Code (title 11, United States Code) has been filed in this court by or against the debtor(s) listed on the front side, and an order for relief has been entered.
Legal Advice	The staff of the bankruptcy clerk's office cannot give legal advice. Consult a lawyer to determine your rights in this case.
Creditors Generally May Not Take Certain Actions	Prohibited collection actions are listed in Bankruptcy Code §362. Common examples of prohibited actions include contacting the debtor by telephone, mail or otherwise to demand repayment; taking actions to collect money or obtain property from the debtor; repossessing the debtor's property; garnishing or deducting from the debtor's wages; and starting or continuing lawsuits or foreclosures. Under certain circumstances, the stay may be limited to 30 days or not exist at all, although the debtor can request the court to extend or impose a stay.
Presumption of Abuse	If the presumption of abuse arises, creditors may have the right to file a motion to dismiss the case under § 707(b) of the Bankruptcy Code. The debtor may rebut the presumption by showing special circumstances.
Meeting of Creditors	A meeting of creditors is scheduled for the date, time and location listed on the front side. <i>The debtor (both spouses in a joint case) must be present at the meeting to be questioned under oath by the trustee and by creditors.</i> Creditors are welcome to attend, but are not required to do so. The meeting may be continued and concluded at a later date without further notice.
Do Not File a Proof of Claim at This Time	There does not appear to be any property available to the trustee to pay creditors. <i>You therefore should not file a proof of claim at this time.</i> If it later appears that assets are available to pay creditors, you will be sent another notice telling you that you may file a proof of claim, and telling you the deadline for filing your proof of claim. If this notice is mailed to a creditor at a foreign address, the creditor may file a motion requesting the court to extend the deadline.
Discharge of Debts	The debtor is seeking a discharge of most debts, which may include your debt. A discharge means that you may never try to collect the debt from the debtor. If you believe that the debtor is not entitled to receive a discharge under Bankruptcy Code §727(a) or that a debt owed to you is not dischargeable under Bankruptcy Code §523(a)(2), (4), (6), you must start a lawsuit by filing a complaint in the bankruptcy clerk's office by the "Deadline to File a Complaint Objecting to Discharge of the Debtor or to Determine Dischargeability of Certain Debts" listed on the front side. The bankruptcy clerk's office must receive the complaint and the required filing fee by that Deadline.
Exempt Property	The debtor is permitted by law to keep certain property as exempt. Exempt property will not be sold and distributed to creditors. The debtor must file a list of all property claimed as exempt. You may inspect that list at the bankruptcy clerk's office. If you believe that an exemption claimed by the debtor is not authorized by law, you may file an objection to that exemption. The bankruptcy clerk's office must receive the objection by the "Deadline to Object to Exemptions" listed on the front side.
Foreign Creditors	Consult a lawyer familiar with United States bankruptcy law if you have any questions regarding your rights in this case.
--- Refer to Other Side for Important Deadlines and Notices ---	
NOTICE IS HEREBY GIVEN that if the debtor fails to appear at the first meeting of creditors, or if the debtor fails to file all schedules, statements, lists and other documents required to be filed by the Federal Rules of Bankruptcy Procedures and the Local Bankruptcy Rules of this Court within the time period set forth in these rules, the debtor's case will be subject to dismissal without further notice or opportunity for hearing.	
APPOINTMENT OF TRUSTEE This notice constitutes an order of the court appointing the trustee named on the front side as the interim trustee to serve under general blanket bond.	

UNITED STATES BANKRUPTCY COURT
Middle District of North Carolina
101 S. Edgeworth Street
Greensboro, NC 27401

Bankruptcy Case No.: [REDACTED]

IN THE MATTER OF:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Debtor(s)

NOTICE OF APPOINTMENT OF TRUSTEE AND MEETING OF CREDITORS

DATE FILED: 5/14/08

CREDITORS MEETING DATE: 6/27/08

TAKE NOTICE that Richard M. Hutson II is appointed Trustee; and take further

NOTICE that, pursuant to Standing Order of this Court, the Debtor, within four (4) days after receipt of this notice shall contact the Trustee's Office;

*Chapter 13 Office
Suite 425, 300 W. Morgan St.
P. O. Box 3613
Durham, NC 27702*

at (919) 688-8065 for an interview appointment. Pursuant to 11 U.S.C. Section 1326 the Debtor shall commence making the payments proposed by the plan within 30 days after the plan is filed; and take further

NOTICE that the Meeting of Creditors pursuant to Section 341 (a) of the Bankruptcy Code herein be held in:

*300 West Morgan Street
Fourth Floor
The Durham Centre
Durham NC 27701*

on the date hereinabove noted at 01:00 PM ; and take further

NOTICE that the Debtor shall appear at the time and place appointed for the meeting of creditors for the purpose of being examined as provided by the Bankruptcy Code; and take further

NOTICE that after the conclusion of the Meeting of Creditors, all parties in interest and creditors will be notified of the deadline for filing objections to confirmation of the plan and the time, date and place of the hearing on any timely filed objections; and take further

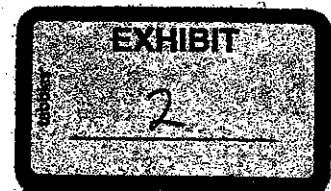
NOTICE that pursuant to the Standing Order of this Court, the Debtor must maintain adequate collision insurance on any and all vehicles which are subject to lien and owned by the Debtor. In the event the Debtor fails to do so, the Trustee is authorized to direct that the vehicle be stored until evidence of proper insurance coverage is submitted; and take further notice that the Debtor may not incur additional debts nor transfer assets without authorization from the Trustee or the Court.

Date: 5/19/08

U.S. Bankruptcy Court

cc: Debtor(s)
Attorney for Debtor(s)
Standing Trustee

OFFICE OF THE CLERK/its



UNITED STATES BANKRUPTCY COURT

Middle District of North Carolina

Notice of Chapter 13 Bankruptcy Case, Meeting of Creditors, & Deadlines

The debtor(s) listed below filed a chapter 13 bankruptcy case on 7/17/08.

You may be a creditor of the debtor. This notice lists important deadlines. You may want to consult an attorney to protect your rights. All documents filed in the case may be inspected at the bankruptcy clerk's office at the address listed below. NOTE: The staff of the bankruptcy clerk's office cannot give legal advice.

See Reverse Side For Important Explanations

Debtor (name(s) and address):

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Case Number:

[REDACTED]

Social Security/Taxpayer ID/Employer ID/Other Nos.:

[REDACTED]
[REDACTED]

Attorney for Debtor(s) (name and address):

Stephen D. Ling
706 Green Valley Road, Suite 505
Greensboro, NC 27408-7023
Telephone number: (336) 272-2157

Bankruptcy Trustee (name and address):

Kathryn L. Bringle
Chapter 13 Office
2000 West First St., Suite 300
P. O. Box 2115
Winston-Salem, NC 27102-2115
Telephone number: (336) 722-1139

Meeting of Creditors

Date: August 22, 2008

Time: 01:00 PM

Location: Creditors Meeting Room, First Floor, 226 South Liberty Street, Winston-Salem, NC 27101

Important notice to individual debtors: Effective July 1, 2002, all individual debtors must provide picture identification and proof of social security number to the trustee at the meeting of creditors. Failure to do so may result in your case being dismissed.

Deadlines:

Papers must be received by the bankruptcy clerk's office by the following deadlines:

Deadline to File a Proof of Claim:

EFFECTIVE JULY 1, 2008, ALL CLAIMS MUST BE FILED DIRECTLY WITH THE COURT AT THE ADDRESS BELOW OR ELECTRONICALLY VIA THE COURT'S WEBSITE AT WWW.NCMB.USCOURTS.GOV. IT IS RECOMMENDED THAT SECURED CLAIMS ARE FILED PRIOR TO THE DATE OF THE CREDITORS MEETING.

For all creditors (except a governmental unit): 11/20/08

For a governmental unit (except as otherwise provided in Fed R. Bankr. P.3002(c)(1)): 180 days from date of Order for Relief

Creditor with a Foreign Address:

A creditor to whom this notice is sent at a foreign address should read the information under "Claims" on the reverse side.

Deadline to File a Complaint to Determine Dischargeability of Certain Debts: 10/21/08

Deadline to Object to Exemptions: Thirty (30) days after the conclusion of the meeting of creditors.

Filing of Plan, Hearing on Confirmation of Plan

You will be sent separate notice of the hearing on confirmation of the plan.

Creditors May Not Take Certain Actions:

In most instances, the filing of the bankruptcy case automatically stays certain collection and other actions against the debtor, the debtor's property, and certain codebtors. Under certain circumstances, the stay may be limited to 30 days or not exist at all, although the debtor can request the court to extend or impose a stay. If you attempt to collect a debt or take other action in violation of the Bankruptcy Code, you may be penalized. Consult a lawyer to determine your rights in this case.

Address of the Bankruptcy Clerk's Office:

226 S. Liberty Street
Winston-Salem, NC 27101

Telephone number: (336) 397-7785

For the Court:

Clerk of the Bankruptcy Court:
Reid Wilcox

EXHIBIT

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EXPLANATIONS

FORM B9I (Official Form 9D)(12/07)

Filing of Chapter 13 Bankruptcy Case	A bankruptcy case under Chapter 13 of the Bankruptcy Code (title 11, United States Code) has been filed in this court by the debtor(s) listed on the front side, and an order for relief has been entered. Chapter 13 allows an individual with regular income and debts below a specified amount to adjust debts pursuant to a plan. A plan is not effective unless confirmed by the bankruptcy court. You may object to confirmation of the plan and appear at the confirmation hearing. A copy or summary of the plan, if not enclosed, will be sent to you later, and if the confirmation hearing is not indicated on the front of this notice, you will be sent notice of the confirmation hearing. The debtor will remain in possession of the debtor's property and may continue to operate the debtor's business, if any, unless the court orders otherwise.
Legal Advice	The staff of the bankruptcy clerk's office cannot give legal advice. Consult a lawyer to determine your rights in this case.
Creditors Generally May Not Take Certain Actions	Prohibited collection actions against the debtor and certain codebtors are listed in Bankruptcy Code § 362 and § 1301. Common examples of prohibited actions include contacting the debtor by telephone, mail or otherwise to demand repayment; taking actions to collect money or obtain property from the debtor; repossessing the debtor's property; starting or continuing lawsuits or foreclosures; and garnishing or deducting from the debtor's wages. Under certain circumstances, the stay may be limited to 30 days or not exist at all, although the debtor can request the court to extend or impose a stay.
Meeting of Creditors	A meeting of creditors is scheduled for the date, time and location listed on the front side. <i>The debtor (both spouses in a joint case) must be present at the meeting to be questioned under oath by the trustee and by creditors.</i> Creditors are welcome to attend, but are not required to do so. The meeting may be continued and concluded at a later date without further notice.
Claims	A Proof of Claim is a signed statement describing a creditor's claim. If a Proof of Claim form is not included with this notice, you can obtain one at any bankruptcy clerk's office. A secured creditor retains rights in its collateral regardless of whether that creditor files a Proof of Claim. If you do not file a Proof of Claim by the "Deadline to file a Proof of Claim" listed on the front side, you might not be paid any money on your claim from other assets in the bankruptcy case. To be paid you must file a Proof of Claim even if your claim is listed in the schedules filed by the debtor. Filing a Proof of Claim submits the creditor to the jurisdiction of the bankruptcy court, with consequences a lawyer can explain. For example, a secured creditor who files a Proof of Claim may surrender important nonmonetary rights, including the right to a jury trial. Filing Deadline for a Creditor with a Foreign Address: The deadlines for filing claims set forth on the front of this notice apply to all creditors. If this notice has been mailed to a creditor at a foreign address, the creditor may file a motion requesting the court to extend the deadline.
Discharge of Debts	The debtor is seeking a discharge of most debts, which may include your debt. A discharge means that you may never try to collect the debt from the debtor. If you believe that a debt owed to you is not dischargeable under Bankruptcy Code § 523 (a)(2) or (4), you must start a lawsuit by filing a complaint in the bankruptcy clerk's office by the "Deadline to File a Complaint to Determine Dischargeability of Certain Debts" listed on the front side. The bankruptcy clerk's office must receive the complaint and any required filing fee by that deadline.
Exempt Property	The debtor is permitted by law to keep certain property as exempt. Exempt property will not be sold and distributed to creditors, even if the debtor's case is converted to chapter 7. The debtor must file a list of all property claimed as exempt. You may inspect that list at the bankruptcy clerk's office. If you believe that an exemption claimed by the debtor is not authorized by law, you may file an objection to that exemption. The bankruptcy clerk's office must receive the objection by the "Deadline to Object to Exemptions" listed on the front side.
Bankruptcy Clerk's Office	Any paper that you file in this bankruptcy case should be filed at the bankruptcy clerk's office at the address listed on the front side. You may inspect all papers filed, including the list of the debtor's property and debts and the list of property claimed as exempt, at the bankruptcy clerk's office.
Creditor with a Foreign Address	Consult a lawyer familiar with United States bankruptcy law if you have any questions regarding your rights in this case.
— Refer to Other Side for Important Deadlines and Notices —	
NOTICE: STATE OR FEDERALLY ISSUED PHOTO ID IS REQUIRED TO ENTER THE BUILDING. WEAPONS OF ANY KIND (e.g. knives, scissors, guns, etc.) AND CELL PHONES WITH CAMERA OR PUSH-TO-TALK FEATURES ARE NOT ALLOWED TO BE BROUGHT INTO THE BUILDING. YOU WILL BE DENIED ENTRY IF YOU HAVE ANY OF THESE ITEMS IN YOUR POSSESSION.	

United States Bankruptcy Court Middle District of North Carolina

Voluntary Petition

Name of Debtor (if individual, enter Last, First, Middle):

Name of Joint Debtor (Spouse) (Last, First, Middle):

All Other Names used by the Debtor in the last 8 years
(include married, maiden, and trade names):All Other Names used by the Joint Debtor in the last 8 years
(include married, maiden, and trade names):Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN) No./Complete EIN
(if more than one, state all)Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN) No./Complete
(if more than one, state all)

Street Address of Debtor (No. and Street, City, and State):

Street Address of Joint Debtor (No. and Street, City, and State):

Winston Salem, NC

Winston Salem, NC

ZIP Code

ZIP Co

27104

27104

County of Residence or of the Principal Place of Business:

County of Residence or of the Principal Place of Business:

Forsyth

Forsyth

Mailing Address of Debtor (if different from street address):

Mailing Address of Joint Debtor (if different from street address):

ZIP Code

ZIP Co

Location of Principal Assets of Business Debtor
(if different from street address above):

Type of Debtor (Form of Organization) (Check one box)

- ☒ Individual (includes Joint Debtors)
See Exhibit D on page 2 of this form.
- ☐ Corporation (includes LLC and LLP)
- ☐ Partnership
- ☐ Other (If debtor is not one of the above entities, check this box and state type of entity below.)

Nature of Business (Check one box)

- ☐ Health Care Business
- ☐ Single Asset Real Estate as defined in 11 U.S.C. § 101 (51B)
- ☐ Railroad
- ☐ Stockbroker
- ☐ Commodity Broker
- ☐ Clearing Bank
- ☐ Other

Tax-Exempt Entity (Check box, if applicable)

- ☐ Debtor is a tax-exempt organization under Title 26 of the United States Code (the Internal Revenue Code).

Chapter of Bankruptcy Code Under Which the Petition is Filed (Check one box)

- ☒ Chapter 7
- ☐ Chapter 9
- ☐ Chapter 11
- ☐ Chapter 12
- ☐ Chapter 13
- ☐ Chapter 15 Petition for Recognition of a Foreign Main Proceeding
- ☐ Chapter 15 Petition for Recognition of a Foreign Nonmain Proceeding

Nature of Debts (Check one box)

- ☒ Debts are primarily consumer debts, defined in 11 U.S.C. § 101(8) as "incurred by an individual primarily for a personal, family, or household purpose."
- ☐ Debts are primarily business debts.

Filing Fee (Check one box)

- ☒ Full Filing Fee attached
- ☐ Filing Fee to be paid in installments (applicable to individuals only). Must attach signed application for the court's consideration certifying that the debtor is unable to pay fee except in installments. Rule 1006(b). See Official Form 3A.
- ☐ Filing Fee waiver requested (applicable to chapter 7 individuals only). Must attach signed application for the court's consideration. See Official Form 3B.

Check one box:

Chapter 11 Debtors

- ☐ Debtor is a small business debtor as defined in 11 U.S.C. § 101(51D).
- ☐ Debtor is not a small business debtor as defined in 11 U.S.C. § 101(51)

Check if:

- ☐ Debtor's aggregate noncontingent liquidated debts (excluding debts or to insiders or affiliates) are less than \$2,190,000.

Check all applicable boxes:

- ☐ A plan is being filed with this petition.
- ☐ Acceptances of the plan were solicited prepetition from one or more classes of creditors, in accordance with 11 U.S.C. § 1126(b).

Statistical/Administrative Information

- ☐ Debtor estimates that funds will be available for distribution to unsecured creditors.
- ☒ Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors.

Estimated Number of Creditors

☒ 1-49	☐ 50-99	☐ 100-199	☐ 200-999	☐ 1,000-5,000	☐ 5,001-10,000	☐ 10,001-25,000	☐ 25,001-50,000	☐ 50,001-100,000	☐ OVER 100,000
--	--------------------------------	----------------------------------	----------------------------------	--------------------------------------	---------------------------------------	--	--	---	---------------------------------------

Estimated Assets

☐ \$0 to \$50,000	☐ \$50,001 to \$100,000	☒ \$100,001 to \$500,000	☐ \$500,001 to \$1 million	☐ \$1,000,001 to \$10 million	☐ \$10,000,001 to \$50 million	☐ \$50,000,001 to \$100 million	☐ \$100,000,001 to \$500 million	☐ \$500,000,001 to \$1 billion	☐ More than \$1 billion
--	--	--	---	--	---	--	---	---	--

Estimated Liabilities

☐ \$0 to \$50,000	☐ \$50,001 to \$100,000	☒ \$100,001 to \$500,000	☐ \$500,001 to \$1 million	☐ \$1,000,001 to \$10 million	☐ \$10,000,001 to \$50 million	☐ \$50,000,001 to \$100 million	☐ \$100,000,001 to \$500 million	☐ \$500,000,001 to \$1 billion	☐ More than \$1 billion
--	--	--	---	--	---	--	---	---	--

THIS SPACE IS FOR COURT USE ONLY

EXHIBIT

3

Voluntary Petition

(This page must be completed and filed in every case)

Name of Debtor(s):

Bill I. Long, Jr.

Bill I. Long, Jr.

All Prior Bankruptcy Cases Filed Within Last 8 Years (If more than two, attach additional sheet)

Location Where Filed: - None -	Case Number:	Date Filed:
Location Where Filed:	Case Number:	Date Filed:

Pending Bankruptcy Case Filed by any Spouse, Partner, or Affiliate of this Debtor (If more than one, attach additional sheet)

Name of Debtor: - None -	Case Number:	Date Filed:
Relationship:	Relationship:	Judge:

Exhibit A

(To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11.)

☐ Exhibit A is attached and made a part of this petition.

Exhibit B

(To be completed if debtor is an individual whose debts are primarily consumer debts.)

I, the attorney for the petitioner named in the foregoing petition, declare that I have informed the petitioner that [he or she] may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, and have explained the relief available under each such chapter. I further certify that I delivered to the debtor the notice required by 11 U.S.C. §342(b).

X /s/ Bill I. Long, Jr.

May 28, 2008

Signature of Attorney for Debtor(s)

(Date)

Bill I. Long, Jr. 16724NC

Exhibit C

Does the debtor own or have possession of any property that poses or is alleged to pose a threat of imminent and identifiable harm to public health or safety?

☐ Yes, and Exhibit C is attached and made a part of this petition.

☒ No.

Exhibit D

(To be completed by every individual debtor. If a joint petition is filed, each spouse must complete and attach a separate Exhibit D.)

☒ Exhibit D completed and signed by the debtor is attached and made a part of this petition.

If this is a joint petition:

☒ Exhibit D also completed and signed by the joint debtor is attached and made a part of this petition.

Information Regarding the Debtor - Venue

(Check any applicable box)

- ☒ Debtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District.
- ☐ There is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District.
- ☐ Debtor is a debtor in a foreign proceeding and has its principal place of business or principal assets in the United States in this District, or has no principal place of business or assets in the United States but is a defendant in an action or proceeding [in a federal or state court] in this District, or the interests of the parties will be served in regard to the relief sought in this District.

Certification by a Debtor Who Resides as a Tenant of Residential Property

(Check all applicable boxes)

☐ Landlord has a judgment against the debtor for possession of debtor's residence. (If box checked, complete the following.)

(Name of landlord that obtained judgment)

(Address of landlord)

- ☐ Debtor claims that under applicable nonbankruptcy law, there are circumstances under which the debtor would be permitted to cure the entire monetary default that gave rise to the judgment for possession, after the judgment for possession was entered, and
- ☐ Debtor has included in this petition the deposit with the court of any rent that would become due during the 30-day period after the filing of the petition.
- ☐ Debtor certifies that he/she has served the Landlord with this certification. (11 U.S.C. § 362(f)).

Voluntary Petition

(This page must be completed and filed in every case)

Name of Debtor(s):
[REDACTED]
[REDACTED]**Signatures****Signature(s) of Debtor(s) (Individual/Joint)**

I declare under penalty of perjury that the information provided in this petition is true and correct.
[If petitioner is an individual whose debts are primarily consumer debts and has chosen to file under chapter 7] I am aware that I may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, understand the relief available under each such chapter, and choose to proceed under chapter 7. [If no attorney represents me and no bankruptcy petition preparer signs the petition] I have obtained and read the notice required by 11 U.S.C. §342(b).

I request relief in accordance with the chapter of title 11, United States Code, specified in this petition.

X [REDACTED]Signature of Debtor [REDACTED]X [REDACTED]Signature of Joint Debtor [REDACTED]

Telephone Number (If not represented by attorney)

May 28, 2008

Date

Signature of Attorney*X /s/ Bill I. Long, Jr.

Signature of Attorney for Debtor(s)

Bill I. Long, Jr. 16724NC

Printed Name of Attorney for Debtor(s)

Bolton Law Office, P.A.

Firm Name

P.O. Box 10247GreensboroNC, 27404

Address

Email: pebolton@bellsouth.net336-294-7777 Fax: 336-294-4239

Telephone Number

May 28, 2008

Date

*In a case in which § 707(b)(4)(D) applies, this signature also constitutes a certification that the attorney has no knowledge after an inquiry that the information in the schedules is incorrect.

Signature of Debtor (Corporation/Partnership)

I declare under penalty of perjury that the information provided in this petition is true and correct, and that I have been authorized to file this petition on behalf of the debtor.

The debtor requests relief in accordance with the chapter of title 11, United States Code, specified in this petition.

X

Signature of Authorized Individual

Printed Name of Authorized Individual

Title of Authorized Individual

Date

Signature of a Foreign Representative

I declare under penalty of perjury that the information provided in this petition is true and correct, that I am the foreign representative of a debtor in a foreign proceeding, and that I am authorized to file this petition.

(Check only one box.)

☐ I request relief in accordance with chapter 15 of title 11, United States Code. Certified copies of the documents required by 11 U.S.C. §1515 are attached.

☐ Pursuant to 11 U.S.C. §1511, I request relief in accordance with the chapter of title 11 specified in this petition. A certified copy of the order granting recognition of the foreign main proceeding is attached.

X

Signature of Foreign Representative

Printed Name of Foreign Representative

Date

Signature of Non-Attorney Bankruptcy Petition Preparer

I declare under penalty of perjury that: (1) I am a bankruptcy petition preparer as defined in 11 U.S.C. § 110; (2) I prepared this document for compensation and have provided the debtor with a copy of this document and the notices and information required under 11 U.S.C. §§ 110(b), 110(h), and 342(b); and, (3) if rules or guidelines have been promulgated pursuant to 11 U.S.C. § 110(h) setting a maximum fee for services chargeable by bankruptcy petition preparers, I have given the debtor notice of the maximum amount before preparing any document for filing for a debtor or accepting any fee from the debtor, as required in that section. Official Form 19 is attached.

Printed Name and title, if any, of Bankruptcy Petition Preparer

Social Security number (If the bankruptcy petition preparer is not an individual, state the Social Security number of the officer, principal, responsible person or partner of the bankruptcy petition preparer.) (Required by 11 U.S.C. § 110.)

Address

X

Date

Signature of Bankruptcy Petition Preparer or officer, principal, responsible person, or partner whose Social Security number is provided above.

Names and Social Security numbers of all other individuals who prepared assisted in preparing this document unless the bankruptcy petition preparer not an individual:

If more than one person prepared this document, attach additional sheets conforming to the appropriate official form for each person.

A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both 11 U.S.C. §110; 18 U.S.C. §156.

**United States Bankruptcy Court
Middle District of North Carolina**

12a. In

Case No. _____

Debtors

Chapter 7

SUMMARY OF SCHEDULES

Indicate as to each schedule whether that schedule is attached and state the number of pages in each. Report the totals from Schedules A, B, D, E, F, I, and J in the boxes provided. Add the amounts from Schedules A and B to determine the total amount of the debtor's assets. Add the amounts of all claims from Schedules D, E, and F to determine the total amount of the debtor's liabilities. Individual debtors must also complete the "Statistical Summary of Certain Liabilities and Related Data" if they file a case under chapter 7, 11, or 13.

NAME OF SCHEDULE	ATTACHED (YES/NO)	NO. OF SHEETS	ASSETS	LIABILITIES	OTHER
A - Real Property	Yes	1	230,000.00		
B - Personal Property	Yes	3	17,140.00		
C - Property Claimed as Exempt	Yes	6			
D - Creditors Holding Secured Claims	Yes	1		264,635.00	
E - Creditors Holding Unsecured Priority Claims (Total of Claims on Schedule E)	Yes	2		0.00	
F - Creditors Holding Unsecured Nonpriority Claims	Yes	3		37,555.00	
G - Executory Contracts and Unexpired Leases	Yes	1			
H - Codebtors	Yes	1			
I - Current Income of Individual Debtor(s)	Yes	2			5,891.98
J - Current Expenditures of Individual Debtor(s)	Yes	2			5,843.44
Total Number of Sheets of ALL Schedules		22			
Total Assets			247,140.00		
Total Liabilities				302,190.00	

**United States Bankruptcy Court
Middle District of North Carolina**

In re

~~XXXXXXXXXXXXXXXXXXXX~~
~~XXXXXXXXXXXXXXXXXXXX~~

Case No. _____

Debtors

Chapter 7

STATISTICAL SUMMARY OF CERTAIN LIABILITIES AND RELATED DATA (28 U.S.C. §

If you are an individual debtor whose debts are primarily consumer debts, as defined in § 101(8) of the Bankruptcy Code (11 U.S.C. § 101), a case under chapter 7, 11 or 13, you must report all information requested below.

- ☐ Check this box if you are an individual debtor whose debts are NOT primarily consumer debts. You are not required to report any information here.

This information is for statistical purposes only under 28 U.S.C. § 159.

Summarize the following types of liabilities, as reported in the Schedules, and total them.

Type of Liability	Amount
Domestic Support Obligations (from Schedule E)	0.00
Taxes and Certain Other Debts Owed to Governmental Units (from Schedule E)	0.00
Claims for Death or Personal Injury While Debtor Was Intoxicated (from Schedule E) (whether disputed or undisputed)	0.00
Student Loan Obligations (from Schedule F)	0.00
Domestic Support, Separation Agreement, and Divorce Decree Obligations Not Reported on Schedule E	0.00
Obligations to Pension or Profit-Sharing, and Other Similar Obligations (from Schedule F)	0.00
TOTAL	0.00

State the following:

Average Income (from Schedule I, Line 16)	5,891.98
Average Expenses (from Schedule J, Line 18)	5,843.44
Current Monthly Income (from Form 22A Line 12; OR, Form 22B Line 11; OR, Form 22C Line 20)	6,530.44

State the following:

1. Total from Schedule D, "UNSECURED PORTION, IF ANY" column		25,435.00
2. Total from Schedule E, "AMOUNT ENTITLED TO PRIORITY" column	0.00	
3. Total from Schedule E, "AMOUNT NOT ENTITLED TO PRIORITY, IF ANY" column		0.00
4. Total from Schedule F		37,555.00
5. Total of non-priority unsecured debt (sum of 1, 3, and 4)		62,990.00

Case No. _____

Debtors

SCHEDULE A - REAL PROPERTY

Except as directed below, list all real property in which the debtor has any legal, equitable, or future interest, including all property owned as a joint tenant, community property, or in which the debtor has a life estate. Include any property in which the debtor holds rights and powers exercisable for the debtor's own benefit. If the debtor is married, state whether husband, wife, both, or the marital community own the property by placing an "H," "W," "H & W," or "C" in the column labeled "Husband, Wife, Joint, or Community." If the debtor holds no interest in real property, write "None" under "Description and Location of Property."

Do not include interests in executory contracts and unexpired leases on this schedule. List them in Schedule G - Executory Contracts and Unexpired Leases.

If an entity claims to have a lien or hold a secured interest in any property, state the amount of the secured claim. See Schedule D. If no entity claims to hold a secured interest in the property, write "None" in the column labeled "Amount of Secured Claim." If the debtor is an individual or if a joint petition is filed, state the amount of any exemption claimed in the property only in Schedule C - Property Claimed as Exempt.

Description and Location of Property	Nature of Debtor's Interest in Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption	Amount of Secured Claim
[REDACTED]		J	230,000.00	243,635.00

Sub-Total > 230,000.00 (Total of this page)

Total > 230,000.00

Continuation sheets attached to the Schedule of Real Property

(Report also on Summary of Schedules)

In re

Case No.

Debtors

SCHEDULE B - PERSONAL PROPERTY

Except as directed below, list all personal property of the debtor of whatever kind. If the debtor has no property in one or more of the categories, place an "x" in the appropriate position in the column labeled "None." If additional space is needed in any category, attach a separate sheet properly labeled with the case name, case number, and the number of the category. If the debtor is married, state whether husband, wife, both, or the marital community own the property by placing an "H," "W," "J," or "C" in the column labeled "Husband, Wife, Joint, or Community." If the debtor is an individual, state the amount of any exemptions claimed only in Schedule C - Property Claimed as Exempt.

Do not list interests in executory contracts and unexpired leases on this schedule. List them in Schedule G - Executory Contracts and Unexpired Leases.

If the property is being held for the debtor by someone else, state that person's name and address under "Description and Location of Property." If the property is being held for a minor child, simply state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m).

Type of Property	N O N E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value Debtor's Interest in without Deduction Secured Claim or Lien
1. Cash on hand	X			
2. Checking, savings or other financial accounts, certificates of deposit, or shares in banks, savings and loan, thrift, building and loan, and homestead associations, or credit unions, brokerage houses, or cooperatives.		Allegacy FCU Checking/Savings	J	
3. Security deposits with public utilities, telephone companies, landlords, and others.	X			
4. Household goods and furnishings, including audio, video, and computer equipment.		furniture, appliances, tv, stereo, computer, etc.	J	1,0
5. Books, pictures and other art objects, antiques, stamp, coin, record, tape, compact disc, and other collections or collectibles.	X			
6. Wearing apparel.		clothing/personal items	J	5
7. Furs and jewelry.		Jewelry	J	1
8. Firearms and sports, photographic, and other hobby equipment.		camera, camcorder	J	1
		(2) Kimber.45's, (1) AR15. 223 Bushmaster, (1) Savate Tactical .308 Sniper Rifle, (1) Remington 870 Shotgun	H	5
9. Interests in insurance policies. Name insurance company of each policy and itemize surrender or refund value of each.		Protective Life Insurance policy	J	
10. Annuities. Itemize and name each issuer.	X			

Sub-Total > 2,391
(Total of this page)

2 continuation sheets attached to the Schedule of Personal Property
40

Case No. _____

Debtors
SCHEDULE B - PERSONAL PROPERTY
(Continuation Sheet)

Type of Property	N O N E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
11. Interests in an education IRA as defined in 26 U.S.C. § 530(b)(1) or under a qualified State tuition plan as defined in 26 U.S.C. § 529(b)(1). Give particulars. (File separately the record(s) of any such interest(s). 11 U.S.C. § 521(c).)		Hartford College Savings	H	5,000.00
12. Interests in IRA, ERISA, Keogh, or other pension or profit sharing plans. Give particulars.		Edward Jones account	J	550.00
13. Stock and interests in incorporated and unincorporated businesses. Itemize.	X			
14. Interests in partnerships or joint ventures. Itemize.	X			
15. Government and corporate bonds and other negotiable and nonnegotiable instruments.	X			
16. Accounts receivable.	X			
17. Alimony, maintenance, support, and property settlements to which the debtor is or may be entitled. Give particulars.	X			
18. Other liquidated debts owed to debtor including tax refunds. Give particulars.	X			
19. Equitable or future interests, life estates, and rights or powers exercisable for the benefit of the debtor other than those listed in Schedule A - Real Property.	X			
20. Contingent and noncontingent interests in estate of a decedent, death benefit plan, life insurance policy, or trust.	X			
21. Other contingent and unliquidated claims of every nature, including tax refunds, counterclaims of the debtor, and rights to setoff claims. Give estimated value of each.	X			

Sub-Total > **5,550.00**
(Total of this page)

Sheet 1 of 2 continuation sheets attached
to the Schedule of Personal Property

In re

Case No. _____

Debtors

SCHEDULE B - PERSONAL PROPERTY
(Continuation Sheet)

Type of Property	N O N E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value Debtor's Interest in without Deduct Secured Claim or l
22. Patents, copyrights, and other intellectual property. Give particulars.	X			
23. Licenses, franchises, and other general intangibles. Give particulars.	X			
24. Customer lists or other compilations containing personally identifiable information (as defined in 11 U.S.C. § 101(41A)) provided to the debtor by individuals in connection with obtaining a product or service from the debtor primarily for personal, family, or household purposes.	X			
25. Automobiles, trucks, trailers, and other vehicles and accessories.		2004 Kia Rio	W	3.5
		2004 Kia Sedona (35,000 miles)	J	5.7
26. Boats, motors, and accessories.	X			
27. Aircraft and accessories.	X			
28. Office equipment, furnishings, and supplies.	X			
29. Machinery, fixtures, equipment, and supplies used in business.	X			
30. Inventory.	X			
31. Animals.	X			
32. Crops - growing or harvested. Give particulars.	X			
33. Farming equipment and implements.	X			
34. Farm supplies, chemicals, and feed.	X			
35. Other personal property of any kind not already listed. Itemize.	X			

Sheet 2 of 2 continuation sheets attached
to the Schedule of Personal Property

Sub-Total >	9,200
(Total of this page)	
Total >	17,140

(Report also on Summary of S

**United States Bankruptcy Court
Middle District of North Carolina**

Debtor(s) _____

Case No. _____
Chapter 7

DEBTOR'S CLAIM FOR PROPERTY EXEMPTIONS

I, _____, the undersigned debtor, hereby claim the following property as exempt pursuant to 11 U.S.C. § 541(c)(2)(A), (B), and (C), the Laws of the State of North Carolina, and non-bankruptcy federal law.

☐ Check if the debtor claims as exempt any amount of interest that exceeds \$125,000 in value in property that the debtor or a dependent of the debtor uses as a residence.

REAL OR PERSONAL PROPERTY USED BY DEBTOR OR DEBTOR'S DEPENDENT AS RESIDENCE OR BURIAL PLOT. (NCGS 1C-1601(a)(1)).

Select appropriate exemption amount below:

☒ Total net value not to exceed \$18,500.
☐ Total net value not to exceed \$37,000. (Debtor is unmarried, 65 years of age or older, property was previously owned by debtor as tenant by the entireties or joint tenant with rights of survivorship, and former co-owner is deceased.)

Description of Property & Address	Market Value	Mtg. Holder or Lien Holder(s)	Amt. Mtg. or Lien	Net Value
1/2 Home @ _____	230,000.00	Countrywide Home Loans	192,660.00	
_____		Countrywide Home Loans	50,975.00	0.00

(a) Total Net Value \$ 0.00
Total Net Exemption \$ 0.00
(b) Unused portion of exemption, not to exceed \$5,000. \$ 5,000.00
(This amount, if any, may be carried forward and used to claim an exemption in any property owned by the debtor. (NCGS 1C-1601(a)(2)).

TENANCY BY THE ENTIRETY. The following property is claimed as exempt pursuant to 11 U.S.C. § 522(b)(3)(B) and the laws of the State of North Carolina pertaining to property held as tenants by the entirety.

Description of Property & Address	Market Value	Mtg. Holder or Lien Holder(s)	Amt. Mtg. or Lien	Net Value
NONE				

MOTOR VEHICLE. (NCGS 1C-1601(a)(3). Only one vehicle allowed under this paragraph with net value claimed as exempt not to exceed \$3,500.)

Year, Make, Model of Auto	Market Value	Lien Holder(s)	Amt. Lien	Net Value
1/2 2004 Kia Rio	3,500.00	SunTrust	6,000.00	0.00

(a) Statutory allowance \$ 3,500
(b) Amount from 1 (b) above to be used in this paragraph. \$ _____
(A part or all of 1 (b) may be used as needed.)
Total Net Exemption \$ 0.00

TOOLS OF TRADE, IMPLEMENTS, OR PROFESSIONAL BOOKS. (NCGS 1C-1601(a)(5). Used by debtor or debtor's dependent. Total net value of all items claimed as exempt not to exceed \$2,000.)

Description	Market Value	Lien Holder(s)	Amt. Lien	Net Value
NONE				

(a) Statutory allowance \$ 2,000
 (b) Amount from 1 (b) above to be used in this paragraph.
 (A part or all of 1 (b) may be used as needed.) \$ _____
 Total Net Exemption \$ 0.00

5. **PERSONAL PROPERTY USED FOR HOUSEHOLD OR PERSONAL PURPOSES NEEDED BY DEBTOR OR DEBTOR'S DEPENDENTS.** (NCGS 1C-1601(a)(4). Debtor's aggregate interest, not to exceed \$5,000 in value for the debtor plus \$1,000 for each dependent of the debtor, not to exceed \$4,000 total for dependents.)

Description	Market Value	Lien Holder(s)	Amt. Lien
camera, camcorder	75.00		
clothing/personal items	250.00		
furniture, appliances, tv, stereo, computer, etc.	500.00		
Jewelry	75.00		
(2) Kimber .45's, (1) AR15 .223 Bushmaster, (1) Savage Tactical .308 Sniper Rifle, (1) Remington 870 Tactical Shotgun	500.00		

Total Net Value 1,

(a) Statutory allowance for debtor \$ 5,000
 (b) Statutory allowance for debtor's dependents: 1 dependents at \$1,000 each (not to exceed \$4,000 total for dependents) 1,000.00
 (c) Amount from 1(b) above to be used in this paragraph.
 (A part or all of 1 (b) may be used as needed.) _____

Total Net Exemption 1,

6. **LIFE INSURANCE.** (As provided in Article X, Section 5 of North Carolina Constitution.)

Name of Insurance Company\Policy No.\Name of Insured\Policy Date\Name of Beneficiary
Protective Life Insurance policy

7. **PROFESSIONALLY PRESCRIBED HEALTH AIDS (FOR DEBTOR OR DEBTOR'S DEPENDENTS).** (NCGS 1601(a)(7). No limit on value or number of items.)

Description:
-NONE-

8. **DEBTOR'S RIGHT TO RECEIVE FOLLOWING COMPENSATION:** (NCGS 1C-1601(a)(8). No limit on number or amount.)

A. \$ -NONE- Compensation for personal injury to debtor or to person whom debtor was dependent for support.
 B. \$ -NONE- Compensation for death of person of whom debtor was dependent for support.
 C. \$ -NONE- Compensation from private disability policies or annuities.

9. **INDIVIDUAL RETIREMENT PLANS AS DEFINED IN THE INTERNAL REVENUE CODE AND ANY PLAN TREATED IN THE SAME MANNER AS AN INDIVIDUAL RETIREMENT PLAN UNDER THE INTERNAL REVENUE CODE.** (NCGS 1C-1601(a)(9). No limit on number or amount.) **AND OTHER RETIREMENT FUNDS DEFINED IN 11 U.S.C. § 522(b)(3)(c).**

Detailed Description	Value
<u>1/2 Edward Jones</u>	

COLLEGE SAVINGS PLANS QUALIFIED UNDER SECTION 529 OF THE INTERNAL REVENUE CODE.

(NCGS 1C-1601(a)(10). Total net value not to exceed \$25,000 and may not include any funds placed in a college saving plan within the preceding 12 months not in the ordinary course of the debtor's financial affairs. This exemption applies only to the extent that the funds are for a child of the debtor and will actually be used for the child's college or university expenses.)

Detailed Description
Hartford College Savings

Value
5,000.00

RETIREMENT BENEFITS UNDER A RETIREMENT PLAN OF OTHER STATE AND GOVERNMENTAL UNITS OF OTHER STATES, TO THE EXTENT THOSE BENEFITS ARE EXEMPT UNDER THE LAWS OF THAT STATE OR GOVERNMENTAL UNIT. (NCGS 1C-1601(a)(11). No limit on amount.)

Description:
NONE

ALIMONY, SUPPORT, SEPARATION MAINTENANCE AND CHILD SUPPORT. (NCGS 1C-1601(a)(12). No limit on amount to the extent such payments are reasonably necessary for the support of Debtor or dependent of Debtor.)

Description:
NONE

ANY OTHER REAL OR PERSONAL PROPERTY WHICH DEBTOR DESIRES TO CLAIM AS EXEMPT THAT HAS NOT PREVIOUSLY BEEN CLAIMED ABOVE. (NCGS 1C-1601(a)(2). The amount claimed may not exceed the remaining amount available under paragraph 1(b) which has not been used for other exemptions.)

Description	Market Value	Lien Holder(s)	Amt. Lien	Net Value
<u>1/2 2004 Kia Sedona (35,000 miles)</u>	<u>5,700.00</u>	<u>Citizens Automobile Finance, Inc.</u>	<u>15,000.00</u>	<u>0.00</u>

(a) Total Net Value of property claimed in paragraph 13. \$ 0.00

(b) Total amount available from paragraph 1(b). \$ 5,000.00

(c) Less amounts from paragraph 1(b) which were used in the following paragraphs:

Paragraph 3(b) \$ 0.00
Paragraph 4(b) \$ 0.00
Paragraph 5(c) \$ 0.00

Net Balance Available from paragraph 1(b) \$ 5,000.00

Total Net Exemption \$ 0.00

OTHER EXEMPTIONS CLAIMED UNDER THE LAWS OF THE STATE OF NORTH CAROLINA:

Debtor earnings necessary to support family (all earnings from last 60 days), N.C. Gen. Stat. § 1-362 90.00

TOTAL VALUE OF PROPERTY CLAIMED AS EXEMPT \$ 90.00

EXEMPTIONS CLAIMED UNDER NON-BANKRUPTCY FEDERAL LAW:

NONE

TOTAL VALUE OF PROPERTY CLAIMED AS EXEMPT \$ 0.00

DATE May 28, 2008

/s/Aaron Mark Stafford
Aaron Mark Stafford
Debtor