

Final Exam
Introduction To Bankruptcy
Professor Jeffrey Wurms
Spring 2007

1. You have three (3) hours to complete this exam.
2. This is an open book exam. You may refer to the Federal Bankruptcy Code, the Federal Bankruptcy Rules, and any other materials.
3. This exam consists of one Essay question counting for twenty points, forty Multiple Choice questions counting for forty points, and forty True and False questions counting for forty points.

For the essay, please write your responses in the blue books provided. Please write clearly. Write on every other line and every other page to permit instructor comments. For the Multiple Choice and True and False questions, please fill in the corresponding space on the ParScore sheet.

5. Write your exam number on your exam envelope. Put your student exam number at the top of this page, each page of questions, and each blue book. **Do not** use your name, student ID number or Social Security Number on any exam materials.
6. At the conclusion of the exam, return all exam materials to the exam envelope and submit it to the proctor. **Do not** seal the envelope. Students who do not return all exam materials at the end of the exam may not have their exams graded.

GOOD LUCK!!

INTRODUCTION TO BANKRUPTCY (SPRING 2007) - FINAL EXAM

Essay Question (20 points)

Read the following Fact Pattern and then do the Requested Analysis that appears at the end of the Fact Pattern. (You may find it helpful to read the Requested Analysis before reading the Fact Pattern.)

Fact Pattern

Whitney Gypster ran a security business as a sole proprietorship. Her business prospered due to a string of cat burglaries that set the citizenry of her town on edge. Unfortunately, one day she became ill. Her illness resulted in a long hospital stay. This hospital stay caused her to lose her business. The pressure created by her physical and financial problems caused her husband, Andre Munson, to divorce her. The court awarded Munson support of \$10,000 per month from Gypster. Eventually, Gypster regained her health. She is confident that she can rebuild her business and personal life fairly quickly, but only if she can discharge the debts that she accumulated while ill.

Consequently, Gypster filed a chapter 7 bankruptcy on June 1, 2006. Tessie Trustee was appointed the chapter 7 trustee. She hired you as her bankruptcy counsel.

Gypster's bankruptcy schedules listed all of her assets. She held the full legal title to and equitable interests in these assets. The assets and their values follow:

Real property	\$ 50,000
Stock	\$410,000

Gypster's state of residence opted out of the federal bankruptcy exemptions and allows bankruptcy debtors a single, state exemption. It is a \$10,000 grubstake exemption that applies only to any personal property. Gypster timely filed her claim of exemption and no objection was filed.

Gypster's bankruptcy schedules listed the following creditors, the amounts owed to them, and a short description regarding their claims:

Mr. Barkey	\$100,000	Business debt, which is secured by lien attached to the real property
Mr. Munson	\$ 50,000	Domestic support obligation due and owing at the bankruptcy filing
IRS	\$210,000	Income tax for year 2005, including a \$10,000 penalty for pecuniary loss and a \$10,000 penalty for punitive damages
IRS	\$ 50,000	Income tax for year 2000, assessed in year 2001, including a \$10,000 penalty for pecuniary loss and a \$10,000 penalty for punitive damages
Ms. Tiffany	\$ 50,000	Business debt
Ms. Winnie	\$100,000	Business debt

The last day to timely file proofs of claim was October 1, 2006. All of the creditors filed timely, except for the IRS, which filed both of its proofs of claim one day late. No objections were filed against any of the proofs of claim.

Trustee sold Gypster's real property and received the value listed in the schedules, with Barkey's lien attaching to the sale proceeds. The bankruptcy court awarded Trustee fees of \$20,000 and you legal fees of \$30,000. Trustee is now ready to make final distribution of the estate's assets to its creditors.

Requested Analysis

Trustee wants you to provide her with a legal memo listing the amount of distribution, if any, that each creditor will receive from the estate for its claim or claims. Trustee has asked that your memo contain a short explanation regarding the amount paid or not paid on each claim. She prefers that your explanation include citations to all Bankruptcy Code provisions that support your position and that these citations be as specific as possible.