

ARKANSAS BANKRUPTCY HANDBOOK

TABLE OF CONTENTS

CHAPTER 1

BANKRUPTCY COURTS AND PRACTICE

- 1.1 History of the Bankruptcy Code
- 1.2 Types of Bankruptcy Cases
- 1.3 Relevant Statutory Authority and Rules
 - 1.3.1 United States Bankruptcy Code and Applicable Chapters
 - 1.3.2 Other Statutory Authority
 - 1.3.3 Federal Rules of Bankruptcy Procedure
 - 1.3.4 Official Bankruptcy Forms
 - 1.3.5 Local Rules
 - 1.3.6 Guidelines for United States Bankruptcy Court, Eastern and Western Districts of Arkansas
- 1.4 Bankruptcy Court Jurisdiction
 - 1.4.1 (Brief) History of Bankruptcy Jurisdiction
 - 1.4.2 Current Bankruptcy Jurisdiction
- 1.5 The Reference
 - 1.5.1 Authority
 - 1.5.2 Substantive Considerations
- 1.6 Withdrawal of the Reference to Bankruptcy Court
 - 1.6.1 Authority
 - 1.6.2 Substantive Considerations
 - 1.6.3 Procedural Considerations
- 1.7 Abstention (Or "Avoiding" Jurisdiction)
 - 1.7.1 Authority
 - 1.7.2 Substantive Considerations
 - 1.7.3 Procedural Considerations
- 1.8 Removal (Or Putting the State Court Case in Federal Court)
 - 1.8.1 Authority
 - 1.8.2 Substantive Considerations
 - 1.8.3 Procedural Considerations
- 1.9 Remand (Or Sending the Case Back)
 - 1.9.1 Authority
 - 1.9.2 Substantive Considerations
 - 1.9.3 Procedural Considerations <

- 1.10 Venue
- 1.11 Contempt Powers
- 1.12 Jury Trials
- 1.13 Appeals

CHAPTER 2

COMMENCEMENT OF BANKRUPTCY CASES

- 2.1 Overview
- 2.2 Voluntary Cases
- 2.3 Eligibility
 - 2.3.1 Chapter 7
 - 2.3.2 Chapter 11
 - 2.3.3 Chapter 12
 - 2.3.4 Chapter 13
- 2.4 Joint Cases
- 2.5 Involuntary Cases
- 2.6 Conversion and Dismissal

CHAPTER 3

THE BANKRUPTCY ESTATE AND EXEMPTIONS

- 3.1 The Bankruptcy Estate
 - 3.1.1 Property of the Estate
 - 3.1.2 Exempt Property
 - 3.1.3 Property Excluded from the Estate
 - 3.1.4 Restrictions on the Transfer of Property
- 3.2 Bankruptcy Exemptions
 - 3.2.1 Definition
 - 3.2.2 Significance of Property Being Exempt
 - 3.2.3 Choice of Exemption Law
 - 3.2.4 Exemptions Available Under the Constitution and Laws of Arkansas
 - 3.2.4.1 Persons Entitled to Claim Constitutional Exemptions: Head of Family
 - 3.2.4.2 Personal Property Exemptions
 - 3.2.4.3 Homestead Exemption
 - 3.2.5 Exemptions Under the Federal Bankruptcy Code
 - 3.2.5.1 Procedure for Claiming Federal Bankruptcy Exemptions
 - 3.2.5.2 Protection of a Debtor's Exemptions
 - 3.2.6 Property Excluded From the Bankruptcy Estate Under ' 541(c)(2)

CHAPTER 4

AUTOMATIC STAY

- 4.1 In General
- 4.2 Scope of the Automatic Stay
- 4.3 Acts Not Stayed
- 4.4 Application of the Automatic Stay
- 4.5 Duration of the Automatic Stay
- 4.6 Obtaining Relief from the Automatic Stay
 - 4.6.1 Statutory Authority
 - 4.6.2 Jurisdictional Authority
 - 4.6.3 Procedural Requirements for Filing a Motion for Relief from the Automatic Stay

- 4.6.4 Allegations for Motions for Relief from the Automatic Stay
- 4.6.5 Grounds for Granting Relief from the Automatic Stay
- 4.6.6 Burdens of Proof
- 4.6.7 What Happens at a Hearing on a Motion for Relief from the Automatic Stay?
- 4.7 Ex Parte Relief from the Automatic Stay
- 4.8 Obtaining Relief From the Co-Debtor Stay
- 4.9 Appeals
- 4.10 Violations of the Automatic Stay

CHAPTER 5

EMPLOYMENT OF PROFESSIONAL PERSONS

- 5.1 Attorneys
 - 5.1.2 Employment of Attorneys
 - 5.1.3 Applications for Employment
 - 5.1.4 Ethical Considerations
 - 5.1.5 Statutory Exceptions
 - 5.1.6 Disclosure of Compensation
 - 5.1.7 Retroactive Approval of Employment
 - 5.1.8 The Position of the Eighth Circuit
- 5.2 Fee Arrangements
 - 5.2.1 Fee Arrangements in General
 - 5.2.2 Flat or Advance Payment Fee Retainers
 - 5.2.3 General or Security Fee Retainers
 - 5.2.4 Classic or Availability Fee Retainers
 - 5.2.5 Contents of Retainer Agreements
 - 5.2.6 Burden of Proof
 - 5.2.7 How Professional Persons Get Paid In Bankruptcy
 - 5.2.8 Interim Compensation
 - 5.2.9 Final Compensation
 - 5.2.10 What the Controlling Rule Requires
 - 5.2.11 Contents of Fee Applications
 - 5.2.12 Some Mechanics of The Chronological Schedule of Service Rendered
 - 5.2.13 Notice of Fee Applications
- 5.3 Employment of Other Professional Persons

CHAPTER 6

TRUSTEES

- 6.1 In General
 - 6.1.1 Eligibility for the Panel of Trustees
 - 6.1.2 Eligibility to Serve as Case Trustee
 - 6.1.3 Qualifications of Trustees
 - 6.1.4 Restrictions on Trustee Appointments
 - 6.1.5 Appointment of Trustees
 - 6.1.6 Election of Trustees

- 6.1.7 The Role of the Trustee in Bankruptcy
- 6.1.8 Duties of The Trustee
- 6.1.9 Removal of Trustees
- 6.1.10 Liability of Trustees
- 6.2 The Trustee's Avoiding Powers
- 6.2.1 Strong Arm Powers
- 6.2.2 Preferences
- 6.2.3 Fraudulent Transfers
- 6.2.4 Post-petition Transfers
- 6.2.5 Parties From Whom Recovery May Be Sought

CHAPTER 7

DEBTORS' RIGHTS AND RELIEF

- 7.1 Treatment of Encumbered Property
- 7.1.1 Statement of Intentions
- 7.2 Reaffirmation
- 7.2.1 Reaffirmation Agreement - 11 U.S.C. ' 524
- 7.2.2 Enforceability of Reaffirmation Agreements - 11 U.S.C. ' 524(c)
- 7.2.3 Role of Debtor's Counsel
- 7.2.4 What Does Not Constitute Reaffirmation
- 7.3 Redemption
- 7.3.1 Redemption Distinguished from Reaffirmation
- 7.4 Surrender
- 7.5 Abandonment
- 7.5.1 Motion for Abandonment
- 7.5.2 Abandonment by Law
- 7.6 Discharge
- 7.6.1 Effect of Discharge
- 7.6.2 Effect of a Discharge
- 7.6.3 Debts Discharged
- 7.6.4 Objections to Discharge
- 7.6.5 Discharge in Chapter 11 Cases
- 7.6.6 Discharge in Chapter 12 Cases
- 7.6.7 Discharge in Chapter 13 Cases
- 7.7 Dischargeability
- 7.7.1 In General
- 7.7.2 Objections to Dischargeability
- 7.7.3 Necessity of Filing Complaint
- 7.7.4 Attorney's Fees and Costs
- 7.7.5 Jurisdictional Considerations
- 7.8 Other Significant Decisions Relating to 11 U.S.C. " 727 and 523
- 7.9 Dismissal
- 7.9.1 Effect of Dismissal
- 7.9.2 Chapter 7 Dismissal - 11 U.S.C. ' 707
- 7.9.3 Chapter 11 Dismissal - 11 U.S.C. ' 1112
- 7.9.4 Chapter 12 Dismissal - 11 U.S.C. ' 1208
- 7.9.5 Chapter 13 Dismissal - 11 U.S.C. ' 1307

- 7.9.6 Sua Sponte Dismissal
- 7.10 Conversion
- 7.11 Unexpired Leases and Executory Contracts - 11 U.S.C. ' 365
 - 7.11.1 In General
 - 7.11.2 Automatic Stay
 - 7.11.3 Assumption
 - 7.11.4 Assumption after Default
 - 7.11.5 Assumption and Assignment
 - 7.11.6 Rejection
 - 7.11.7 Time to Assume or Reject
 - 7.11.8 Nonresidential Leases
 - 7.11.9 Court Approval
 - 7.11.10 Claims based on Rejection
 - 7.11.11 Exceptions to 11 U.S.C. ' 365
- 7.12 Dischargeability of Taxes
 - 7.12.1 Requirements for Dischargeability of Taxes in Chapter 7 and Chapter 13
 - 7.12.2 Non Priority tax debts
 - 7.12.3 Income Taxes - Federal
 - 7.12.4 Income Taxes - State
 - 7.12.5 Employment Taxes
 - 7.12.6 Property Taxes
 - 7.12.7 Excise Taxes
 - 7.12.8 Interest and Penalties
 - 7.12.9 Chapter 13 Plan Requirements
 - 7.12.10 Chapter 11 Plan Provisions
 - 7.12.11 Violations of Stay By Taxing Authorities
 - 7.12.12 Miscellaneous Provisions

CHAPTER 8

PAYMENT OF CLAIMS

- 8.1 In General
- 8.2 Defining and Filing a Proof of Claim - 11 U.S.C. " 101(5) and 501
 - 8.2.1 Code Definition of a Claim
 - 8.2.2 Filing a Proof of Claim
 - 8.2.3 The Claim Form
 - 8.2.4 Withdrawal of a Claim
 - 8.2.5 Amending a Claim
- 8.3 Allowance of Claims - 11 U.S.C. ' 502
 - 8.3.1 Unenforceable Claims
 - 8.3.2 Unmatured Interest
 - 8.3.3 Excess Property Taxes
 - 8.3.4 Fees Paid to Attorneys and Insiders
 - 8.3.5 Post-petition Alimony, Maintenance and Support
 - 8.3.6 Landlords' Claims
 - 8.3.7 Employees' Claims
 - 8.3.8 Contingent and Unliquidated Claims
 - 8.3.9 Transferees of Voidable Transfers

- 8.3.10 Codebtor Claims
- 8.3.11 Post-petition Claims
- 8.4 Administrative Claims - 11 U.S.C. ' 503
 - 8.4.1 Estate Preservation Expenses
 - 8.4.2 Estate Taxes
 - 8.4.3 Professional Fees
 - 8.4.4 Expenses of Other Parties
 - 8.4.5 Witness Fees and Mileage Expenses
 - 8.4.6 Prohibition of Sharing of Professional Fees - 11 U.S.C. ' 504
 - 8.4.7 Reclamation Claims - 11 U.S.C. ' 546(c)
- 8.5 Determination of Tax Liability - 11 U.S.C. ' 505
- 8.6 Determination of Secured Status - 11 U.S.C. ' 506
 - 8.6.1 Types of Secured Claims
 - 8.6.2 Participating in the Bankruptcy Proceeding and Valuation
 - 8.6.3 Adequate Protection
 - 8.6.4 Post-petition Interest and Fees
 - 8.6.5 Secured Claims in After-Acquired Property
 - 8.6.6 Secured Claims in Commingled Cash Proceeds
 - 8.6.7 Secured Claims Based on the Right of Setoff
- 8.7 Priorities - 11 U.S.C. ' 507
 - 8.7.1 Administrative Expenses - 11 U.S.C. ' 507(a)(1)
 - 8.7.2 Involuntary Gap Claims - 11 U.S.C. ' 507(a)(2)
 - 8.7.3 Wage Claims - 11 U.S.C. ' 507(a)(3)
 - 8.7.4 Contributions to Employee Benefit Plans - 11 U.S.C. ' 507(a)(4)
 - 8.7.5 Grain Producers and Fishermen - 11 U.S.C. ' 507(a)(5)
 - 8.7.6 Consumer Deposits - 11 U.S.C. ' 507(a)(6)
 - 8.7.7 Tax Claims - 11 U.S.C. ' 507(a)(7)
 - 8.7.8 Commitments to Maintain Capital of Insured Depository Institutions - 11 U.S.C. ' 507(a)(8)
- 8.8 Effect of Distribution Other than Under the Code - 11 U.S.C. ' 508
- 8.9 Claims of Codebtors - 11 U.S.C. ' 509
- 8.10 Subordination - 11 U.S.C. ' 510

CHAPTER 9

CHAPTER 7 LIQUIDATION

- 9.1 Overview
- 9.2 Chapter 7 Versus Chapter 13
- 9.3 Claims and Distributions in Chapter 7
 - 9.3.1 Importance
 - 9.3.2 Proofs of Claim
 - 9.3.3 Allowance of Claims
 - 9.3.4 Order of Payment
- 9.4 Discharge In Chapter 7
 - 9.4.1 Effect of Discharge
 - 9.4.2 Debts Discharged
 - 9.4.3 Exceptions to Discharge
 - 9.4.3.1 Objections to Discharge

- 9.4.3.2 Setting Aside a Discharge
- 9.4.4 Dischargeability of Particular Debts
 - 9.4.4.1 Objections to Dischargeability
- 9.4.5 Necessity of Filing Complaint
- 9.4.6 Attorney's Fees and Costs
- 9.4.7 Jurisdictional Considerations
- 9.5 Treatment of Encumbered Property
 - 9.5.1 Statement of Intentions
 - 9.5.2 Reaffirmation
 - 9.5.2.1 Reaffirmation Agreement
 - 9.5.2.2 Enforceability of Reaffirmation Agreements
 - 9.5.2.3 Role of Debtor's Counsel
 - 9.5.2.4 What Does Not Constitute Reaffirmation
 - 9.5.3 Redemption
 - 9.5.3.1 Redemption Distinguished from Reaffirmation
 - 9.5.4 Surrender
 - 9.5.5 Abandonment
 - 9.5.5.1 Motion for Abandonment
 - 9.5.5.2 Abandonment by Law
- 9.6 Protection Against Discriminatory Treatment

CHAPTER 10

CHAPTER 11 REORGANIZATION

- 10.1 Chapter 11 Time Line
- 10.2 Eligibility
- 10.3 The Parties
 - 10.3.1 Debtor-in-Possession
 - 10.3.2 Creditors Committees
 - 10.3.3 United States Trustee
 - 10.3.4 Trustee or Examiner
- 10.4 Operations During Chapter 11
 - 10.4.1 Cash Collateral
 - 10.4.1.1 Definition of Cash Collateral
 - 10.4.1.2 Restrictions on Use, Sale or Lease of Cash Collateral
 - 10.4.2 Post-petition Financing
 - 10.4.2.1 Preliminary Issues
 - 10.4.2.2 Super Priorities
 - 10.4.2.3 Financing of Debtor's Operations Differs from Use of Cash Collateral
 - 10.4.2.4 Reasons for Financing the Debtor's Post-Petition Operations
 - 10.4.2.5 Types of Financing and Methods of Documenting the Financing Arrangement
 - 10.4.3 Sale of Collateral
 - 10.4.4 United States Trustee Requirements
 - 10.4.4.1 Operating Reports
 - 10.4.4.2 Trustee's Fee
- 10.5 Disclosure Statement
- 10.6 Chapter 11 Plan
 - 10.6.1 Who May File?

- 10.6.2 Contents of Plan
- 10.6.2.1 Classification of Claims
- 10.6.2.2 Contents
- 10.7 Confirmation of Chapter 11 Plan
- 10.7.1 Requirements for Confirmation
- 10.7.2 Acceptance or Rejection of the Plan
- 10.7.3 Cramdown
- 10.7.4 Modification of Plan
- 10.8 Effect of Confirmation
- 10.9 Conversion or Dismissal

CHAPTER 11

CHAPTER 12 REORGANIZATION

- 11.1 In General
- 11.2 Chapter 12 Time Line
- 11.3 Eligibility for Relief
- 11.4 Debtor-in-Possession
- 11.5 Chapter 12 Trustee
- 11.6 Codebtor Stay
- 11.7 Operations During Chapter 12 Proceedings
- 11.7.1 Adequate Protection
- 11.7.2 Sales Free of Interests
- 11.7.3 Property of the Estate
- 11.8 Chapter 12 Plan
- 11.8.1 Time for Filing Plan
- 11.8.2 Contents of Plan
- 11.8.3 Modification of Plan
- 11.8.3.1 Modification Before Confirmation
- 11.8.3.2 Modification After Confirmation
- 11.9 Confirmation of Plan
- 11.9.1 Confirmation Hearing
- 11.9.2 Requirements for Confirmation
- 11.9.3 Objections to Confirmation
- 11.9.4 Effect of Confirmation
- 11.9.5 Payments
- 11.9.6 Revocation of Order of Confirmation
- 11.10 Special Tax Provisions
- 11.11 Discharge
- 11.12 Conversion or Dismissal

CHAPTER 12

CHAPTER 13 REORGANIZATION

- 12.1 Purpose
- 12.2 Forms

- 12.3 Debtor Qualifications
- 12.4 Automatic Stay
- 12.5 Stay of Action Against a Co-debtor
- 12.6 Property of the Bankruptcy Estate
- 12.7 Schedules
- 12.8 Exemptions
- 12.9 Meeting of Creditors
- 12.10 Chapter 13 Plan
 - 12.10.1 Length of Plan
 - 12.10.2 Claims Against the Estate
 - 12.10.3 Priority Claims
 - 12.10.4 Secured Claims
 - 12.10.5 Modification of Secured Claims
 - 12.10.6 Unsecured Claims
 - 12.10.7 Payment Amount to Unsecured Creditors
 - 12.10.8 Non-dischargeable Claims
 - 12.10.9 Executory Contracts
 - 12.10.10 Filing of Plan
 - 12.11 Payments
 - 12.11.1 Plan Payments
 - 12.11.2 Payment Priorities
 - 12.12 Confirmation
 - 12.12.1 Confirmation Requirements
 - 12.12.2 Good Faith
 - 12.12.3 Effect of Confirmation
 - 12.12.4 Modification Before Confirmation
 - 12.12.5 Modification After Confirmation
 - 12.12.6 Filing and Notice of Modification
 - 12.12.7 Objection to Confirmation
 - 12.12.8 Revocation of Confirmation
 - 12.13 Conversion or Dismissal
 - 12.13.1 Voluntary Conversion or Dismissal
 - 12.13.2 Involuntary Conversion or Dismissal
 - 12.14 Discharge
 - 12.14.1 Discharge
 - 12.14.2 Hardship Discharge
 - 12.14.3 Debts Not Discharged
 - 12.14.4 Revocation of Discharge
 - 12.15 Attorney's Fees
 - 12.15.1 Calculation of Attorney's Fees
 - 12.15.2 Initial and Additional Attorney's Fees
 - 12.15.3 Application for Payment of Attorney's Fees
 - 12.15.4 Payment of Attorney's Fees by Trustee

CHAPTER 13

PRACTICAL INFORMATION REGARDING
ARKANSAS BANKRUPTCY COURTS

- 13.1 Bankruptcy Judges for Eastern and Western Districts of Arkansas
- 13.2 Bankruptcy Guidelines
- 13.3 Bankruptcy Clerk's Offices
- 13.4 Bankruptcy Court Divisions
- 13.5 Filing of Pleadings
- 13.6 Filing of Pleadings by Facsimile
- 13.7 Bankruptcy Petition Filing Requirements
 - 13.7.1 Chapter 7
 - 13.7.2 Chapter 11
 - 13.7.3 Chapter 12
 - 13.7.4 Chapter 13
 - 13.7.5 Amendments to Petitions, Schedules and Statements
 - 13.7.6 Important Filing Requirements
 - 13.7.6.1 Lead Pages
 - 13.7.6.2 Signatures
 - 13.7.6.3 Numbers of Copies
 - 13.7.6.4 Attorney Compensation Forms
 - 13.7.6.5 Notice to Other Courts
 - 13.7.6.6 Mailing Matrix Requirements
- 13.8 Adversary Proceedings
 - 13.8.1 Requirements for Adversary Proceedings
 - 13.8.2 Service of Adversary Proceedings
- 13.9 Orders
- 13.10 Information Retrieval
 - 13.10.1 Voice Case Information System
 - 13.10.2 PACER
 - 13.10.3 Information Retrieval From the Court Clerk's Office

CHAPTER 14

BIBLIOGRAPHY

<

- 14.1 Relevant Bankruptcy Publications
 - 14.1.1 Reporters
 - 14.1.2 Digest
 - 14.1.3 Treatises
 - 14.1.4 Journals
 - 14.1.5 Newsletters
 - 14.1.6 Memberships
 - 14.1.7 Publishers
- 14.2 Bibliography of Publications Available at the University of Arkansas School of Law/Pulaski County Law Library
 - 14.2.1 Reporters
 - 14.2.2 Digests
 - 14.2.3 Shepard's
 - 14.2.4 Treatises (in call number order)
 - 14.2.5 On Reserve

- 14.2.6 Periodicals
- 14.3 Bibliography of Publications Available at the University of Arkansas, Fayetteville,
Robert A. and Vivian Young Law Library
- 14.3.1 Reporters
- 14.3.2 Citators
- 14.3.3 Legislative History
- 14.3.4 Online Sources
- 14.3.5 Treatises and Looseleaves
- 14.3.6 Shepard's Bankruptcy Practice Series
- 14.3.7 Monographs

CHAPTER 15

FORMS

- 15.1 Official Forms
- 15.2 Miscellaneous Forms
- 15.2.1 Notice of Commencement of Case and First Meeting of Creditors - Chapter 7
- 15.2.2 Notice of Commencement of Case and First Meeting of Creditors - Chapter 11
(Individual or Joint Debtor Case)
- 15.2.3 Notice of Commencement of Case and First Meeting of Creditors - Chapter 11
(Corporation/Partnership Case)
- 15.2.4 Notice of Commencement of Case and First Meeting of Creditors - Chapter 12
(Individual or Joint Debtor Case)
- 15.2.5 Notice of Commencement of Case and First Meeting of Creditors - Chapter 12
(Corporation/Partnership Case)
- 15.2.6 Notice of Commencement of Case and First Meeting of Creditors - Chapter 13
- 15.2.7 Chapter 13 Narrative Statement of Plan
- 15.2.8 Debtors' Attorney's Fees in Chapter 13 Cases
- 15.2.9 Proof of Claim - Chapters 7 and 11
- 15.2.10 Proof of Claim - Chapter 12
- 15.2.11 Proof of Claim - Chapter 13
- 15.2.12 Discharge of Debtor - Chapter 7
- 15.2.13 Discharge of Debtor - Chapter 13
- 15.2.14 Chapter 11 Final Report and Account and Application for Final Decree
- 15.2.15 Final Report and Account - Chapter 11; Final Decree
- 15.2.16 Adversary Proceeding Cover Sheet
- 15.2.17 Summons and Notice of Pretrial Conference in an Adversary Proceeding
- 15.2.18 Summons and Notice of Trial in an Adversary Proceeding
- 15.2.19 Subpoena in an Adversary Proceeding
- 15.2.20 Subpoena in a Case under the Bankruptcy Code
- 15.2.21 Reaffirmation Agreement
- 15.2.22 Agreed Order of Abandonment
- 15.2.23 Order to Surrender Property - Chapter 13
- 15.2.24 Entry of Appearance and Request for Notice
- 15.2.25 Motion for Relief from the Automatic Stay and Abandonment - Chapter 13
- 15.2.26 Motion for Relief from the Automatic Stay - Chapter 7
- 15.2.27 Order Withdrawing Motion for Relief from Automatic Stay and Abandonment upon
Conditions - Chapter 13

15.2.28 Order Granting Motion for Relief from Automatic Stay

15.2.29 Objection to Confirmation - Chapter 13

15.2.30 Order Sustaining Objection to Confirmation - Chapter 13

15.3 Guidelines for Filing Petitions, Fees and Administration of Chapters 7, 11, 12 and 13,
U. S. Bankruptcy Judges and Office of the Bankruptcy Clerk for the Eastern and
Western Districts of Arkansas, October 1992 ("Guidelines")