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JAN 24 2007

U.S. BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA**

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9	In re: LARENTZ O. GREENE and DARLENE B. GREENE,) Chapter 13	
10	_____ Debtors. _____) Case No. 4-05-bk-00204-JMM	
11	In re: PHILIP E. LAGERSTEDT and CAROL M. LAGERSTEDT,) Case No. 4-05-bk-02085-JMM	
12	_____ Debtors. _____)	
13)	
14	In re: CHARLES F. LEETE and MARGARET L. LEETE,) Case No. 4-05-bk-03987-JMM	
15	_____ Debtors. _____)	
16)	
17	In re: DONALD E. BAGAASON and DONNA R. BAGAASON,) Case No. 4-05-bk-04622-JMM	
18	_____ Debtors. _____)	
19)	
20	In re: DONALD V. JOHNSON,) Case No. 4-05-bk-04991-JMM	
21	_____ Debtor. _____)	
22)	
23	In re: STEVEN GILBERT COLEMAN and BEVERLY JEAN COLEMAN,) Case No. 4-06-bk-00240-JMM	
24	_____ Debtors. _____)	
25)	
26	In re: DALE ELLIOTT NEWTON and MARCELLA TERESA NEWTON,) Case No. 4-06-bk-00362-JMM	
27	_____ Debtors. _____)	
28)	
	In re: SHARON L. WALDVOGEL,) Case No. 4-06-bk-00592-JMM	
	_____ Debtor. _____)	

MEMORANDUM DECISION

1 required to liquidate any property, and, so long as he completes his scheduled payments in a timely manner,
2 the debtor will obtain a discharge at the conclusion of the plan's term. §§ 1327 and 1328.

3 The chapter 13 trustee's role is quite different from that of a liquidating trustee. Although
4 the Trustee is "the representative of the estate," it is her primary duty to ensure that the Debtors' plans
5 conform to the statutory requirements and to monitor the Debtors' compliance with the payment schedules,
6 once plan confirmation is achieved. § 1302. The chapter 13 trustee is not required to liquidate a debtor's
7 estate.

8 Because one of the Trustee's principal duties is to ensure compliance with the plan, she must
9 therefore scrutinize a debtor's schedules and financial wherewithal. § 1302; §§ 702(2), (4) and (7).
10 Ultimately the Trustee must recommend confirmation of the plan or object to it.

11 In performing her statutory duties, the Trustee must carefully scrutinize the Debtors' claimed
12 exemptions, and object to any to which the Debtors may not be entitled. FED. R. BANKR. P. 4003(b). Under
13 the Bankruptcy Rules, a trustee (as a "party-in-interest") must generally object with 30 days after the § 341(a)
14 meeting of creditors is concluded. FED. R. BANKR. P. 4003(b). Any objection to a claimed exemption must
15 be made quickly and timely. *Taylor v. Freeland & Kronz*, 503 U.S. 638, 641-42, 112 S.Ct. 1644, 1647-48
16 (1992).

17 In the cases now before the court, the following chart indicates the progress of the Debtors'
18 plans:

<u>Debtor(s)</u>	<u>Date Filed</u>	<u>Chapter 13 Plan Confirmed?</u>	<u>Chapter 13 Plan Modified?</u>	<u>Converted to Chapter 7?</u>
Greene	01/17/05	05/08/06	No	No
Lagerstedt	04/19/05	12/13/05	No	No
Leete	07/19/05	05/31/06	No	No
Bagaason	08/17/05	06/21/06	No	No
Johnson	09/02/05	02/13/06	No	No
Coleman	03/20/06	08/11/06	No	No
Newton	04/11/06	09/27/06	No	No
Waldvogel	05/30/06	10/10/06	No	No

1 In each of the eight cases involved here, the Trustee, within the applicable time periods, filed
2 a document entitled "Trustee's Conditional Objection to Exemptions." In each case, the conditional
3 objection, in its entirety, read:

4
5 Dianne C. Kerns, the Trustee in the above-captioned estate, hereby
6 conditionally objects to all exemptions listed in Debtor's Schedule C -
7 Property Claimed as Exempt. This conditional objection is filed as
8 a precautionary matter for the purposes of preserving the right to
object to exemptions in the event that information regarding the same
does not become available in a timely fashion. No response is
required unless and until the Trustee files an unconditional objection
to a specific exemption.

9 In each case, the Trustee did not specify which claimed exemption might be opposed, and
10 thus left each objection inspecific and open-ended. In none of the cases now before the court did the Debtors
11 challenge these objections at any time prior to confirmation of their plans. Had they done so, the burden of
12 proof would have been on the Trustee, FED. R. BANKR. P. 4003(c), and, more importantly, the Trustee
13 would have been "flushed out" to either specifically object to particular exemptions or to accept them.

14 Each of the cases proceeded to plan confirmation, and the potential and dangling objections
15 to claims of exemption were never pursued by any party-in-interest. To date, each of the Debtors' plans is
16 proceeding properly, and each Debtor is in compliance with their payment obligations pursuant thereto.

17 Also, to date, no Debtor has asked to convert his chapter 13 case to one under chapter 7,
18 § 1307, or to modify his plan, § 1329, nor have issues arisen (such as a sale or refinancing) which might,
19 in theory, cause the "conditional objection" to spring to life.¹

20 The arguments presented to the court all deal with whether the Trustee's selected procedural
21 device of the "conditional" objection might somehow adversely affect the Debtors' cases in the future.
22 However, to date, there is no pending dispute which maintains that the "conditional objection" is currently
23 prejudicial to any Debtor.

24 Thus, since there is no pending dispute, the Debtors are seeking nothing more than an
25 advisory opinion as to the future effect of the conditional objection on the many and various possible courses
26 that their cases could conceivably take. The U.S. Supreme Court long ago cautioned and instructed federal

27
28 ¹ Thus, the looming issue of whether a successor chapter 7 trustee might claim an objection
to exemption to "relate back" to the chapter 13 Trustee's conditional objection has not been raised,
because that possibility is mere speculation at this time.

1 courts not to issue advisory opinions. *See, e.g., Muskrat v. United States*, 219 U.S. 346, 356, 31 S.Ct. 250,
2 253 (1911).

3 However, the court believes that the parties may be aided by a decision on a more basic,
4 inherent question, which is: "What is the legal effect of the confirmed chapter 13 case upon an unresolved
5 objection to exemptions claimed by a debtor?" The answer to that question may negate further questions
6 spun off by the Trustee's choice of procedure.

7 In a chapter 13 case, a debtor must provide his or her creditors with at least as much as they
8 could receive in a chapter 7 liquidation. § 1325(a)(4). That amount is determined by adding up the value
9 of all of the debtor's non-exempt assets, and subtracting legitimate liens from that total. Then, other
10 deductions are made for priority claims and administrative expenses. Initially, the chapter 13 debtor will
11 provide a "reconciliation analysis," which takes a first pass at this sum, and then he or she bases the plan
12 payout on such total. In so doing, the debtor excludes the value of the property claimed exempt in his
13 Schedule C. At that point, it becomes the responsibility of the trustee and/or the creditors to challenge the
14 accuracy of the debtor's calculus. If no objections are made, nor made and sustained, and if the debtor's
15 chapter 13 plan otherwise complies with the Bankruptcy Code's requirements, the debtor's plan will be
16 confirmed. Thus, in that context, the debtor's plan - with its automatic exclusion of the debtor's claimed
17 exemptions - becomes the confirmed plan. That is exactly what happened in each of the eight cases before
18 the court.

19 As noted above, a confirmed plan is binding on the debtor, the trustee, and the creditors.
20 § 1327. Once confirmed and final, its legal effect is *res judicata*. *Great Lakes Higher Educ. Corp. v.*
21 *Pardee (In re Pardee)*, 218 B.R. 916, 925 (9th Cir. BAP 1998), *aff'd*, 193 F.3d 1083 (9th Cir. 1999). This
22 is so even if it might contain objectionable terms. *Pardee* at 925-26. If no objection is made, the plan, warts
23 and all, becomes final. Thus, in each of these cases, the Debtors' plans were confirmed without the Trustee
24 ever having acted upon her conditional objections, and the Debtors obtained, through the Trustee's inaction,
25 confirmed plans which were based upon an implied approval of their exemption claims. The Trustee's
26 "conditional" objections, never having been pressed by the Trustee, were implicitly overruled, mooted out,
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1 or withdrawn once the Debtors' plans were confirmed. The Trustee's initial protective objection, never
2 apparently requiring court resolution, is analogous to an unresolved motion in a civil case being deemed
3 "denied" once the case is finally decided on the merits. See 18 MOORE'S FEDERAL PRACTICE - Civil
4 § 131.30[2][a] (3d ed. 2007) (a final judgment is "one which ends the litigation on the merits and leaves
5 nothing for the court to do but execute the judgment"); 60 C.J.S. *Motions and Orders* § 38 (2006) ("[E]ntry
6 of final judgment in a cause is an effective overruling of all motions pending in the case.").

7 Simply put, the Trustee's use of the word "conditional" in her exemption objection did not
8 mean that the pleading retained a life of its own which existed beyond plan confirmation.

9 Finally, as to whether it is appropriate for the Trustee to file "conditional" objections at all,
10 is an issue which is properly directed to others. The answer to that question deals with the administration
11 of the case, which bankruptcy courts have been prohibited from doing since passage of the Bankruptcy
12 Reform Act in 1978. See, e.g., 11 U.S.C. § 341(c) (court may neither preside at, nor attend the meeting of
13 creditors). The decision as to how to deal with a case's unknown components is more properly within the
14 province of the trustees themselves, the practicing bar, and perhaps the Office of the U.S. Trustee. The
15 bankruptcy court only decides disputes, and does not deal with the minutiae of how the law is practiced by
16 those charged with doing so.

17 Thus, the Debtors' objections will be OVERRULED as moot.

18 A separate order will issue. FED. R. BANKR. P. 9021. Any appeal must be perfected within
19 ten days of its entry on the docket. FED. R. BANKR. P. 8002.

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21 DATED: January 24, 2007.

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24 JAMES M. MARLAR
25 UNITED STATES BANKRUPTCY JUDGE
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1 COPIES mailed this 24th day of
January, 2007, to:

2
3 Andrew Nemeth
4 Phillips & Associates
5 3030 N. Third Street, Eleventh Floor
6 Phoenix, AZ 85012-3409
7 Attorneys for Debtors

8
9 Dianne C. Kerns and Craig Morris
10 7320 N. La Cholla #154
11 PMB 413
12 Tucson, AZ 85741-2305
13 Chapter 13 Trustee and Attorney for Trustee

14
15 Office of the United States Trustee
16 230 North First Avenue, Suite 204
17 Phoenix, AZ 85003-1706

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27
28
By /s/ M. B. Thompson
Judicial Assistant