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Dear Client[1]:

This letter is for your use as a review of our pre-filing discussion of the costs and benefits of bankruptcy and the various methods which may be employed in certain bankruptcy cases in order to obtain full relief. Because this is a form letter sent to all our individual bankruptcy clients, and is available on our website, some of the information contained in it may not be applicable to your case. If we have not touched on all of the following subjects in our previous discussions, or if you have any questions, please bring them to our attention. This is not a detailed primer on bankruptcy, but can be used as a starting point to discuss your individual circumstances, and to highlight certain issues that arise in bankruptcy. **Please also note all the attachments to this letter, since they are <u>required disclosures</u> that must be made under the new bankruptcy laws to individuals seeking to file bankruptcy**.

Confidentiality. The worksheets and information you provide us are protected attorney/client information, and we will not disclose information you provide us, so that we may give you full and complete legal advice based on your financial circumstances. However, once the information is used to prepare and file your actual bankruptcy, the papers that are filed are now no longer protected by the privilege. But we deem all worksheet and supporting information you give us to be protected information in order to give you legal advice and said information will not be disclosed absent an order of the court.

Also enclosed are some Worksheets for you to fill out and prepare for our discussion. Since we will use the information to give you legal advice and prepare your bankruptcy papers from the worksheets, make sure they are filled out fully and completely.

A person considering whether or not to file bankruptcy faces a major decision. If you are faced with a large number of bills that you are not able to pay, then bankruptcy may be a solution for you. The purpose behind bankruptcy is to provide you with a "fresh start." You have a legal right to file bankruptcy. While bankruptcy should not be taken lightly, it should be used when necessary.

At the time of your initial office visit, we will go over all of your debts and assets. Once we have all the information we need from you, we will discuss your options (such as Chapter 7, 11, 13, etc.). It will then take about three to five days to prepare your papers. You will then come in and sign them and we will file them with the Court.

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[1] This Information Package is for general information purposes only. We are not your lawyer unless you have retained us, signed an engagement agreement and paid us a retention fee. As such, information provided herein should not be relied on as legal advice, and we are not dispensing legal advice to you. All documents are provided for general information purposes only and may not apply to your particular case. The State of Washington does not certify experts, and we are not representing we are experts in any field of law, even though we may focus our practice in specific areas of the law."

*** **Before filing, however, you will be required to obtain a certificate that you completed a pre-filing credit counseling course. This may be done by telephone, in person, or on the internet. I understand it takes about 30 – 45 minutes to complete. More information about that is attached**. And then after the filing, you must take a **follow up course** as well in order to get your discharge.

After your bankruptcy petition is filed, your creditors are not allowed to make any efforts to collect their debts (such as by garnishment, foreclosure, etc.) for a period of time, but the "automatic stay" is limited and may be released after a short period of time, such as 30 days, if you don't take further action, such as reaffirming your car loan. If you get sued or receive threatening letters from your creditors, notify us. Secured creditors (i.e. home loans, car loans, etc.) may not foreclose or repossess property during this initial proceeding unless they get special permission from the Court or the stay is released automatically after a set period of time.

Note that you must **also** take a **post-filing "financial management" course** after you file the case. This, too, may be done by telephone, in person, or on the internet. This course takes longer than the pre-filing credit counseling referred to above, but generally should take no more than approximately two hours. After this course is taken, you will be issued a certificate, and that must be filed with the Court. This course must be taken, and the certificate filed, within 45 days after the creditors meeting. We have attached the US Trustee's list of agencies certified to give both the pre-filing and post-filing classes. My office has had very good luck with several of these agencies and will point those out to you.

As to any recommendations we give you, whether it be for a credit counseling agency, a mortgage broker or agent for refinance of your home, an appraiser, or other third party, please note that it is the strict policy of this office NOT to accept any "referral fees" or other remuneration from any third party to give them a recommendation. All our recommendations are strictly because we like their work or services, and that they charge a reasonable fee and should not overcharge our clients.

Further, I will need you to provide two months prior pay stubs and income verification for the trustee, but you also need to prepare a table as to your income from all sources (wages, unemployment, commissions, rental income from a tenant, etc.) for the prior 6 months, since under the new law, your income may be averaged" under the new means test for the six months prior to filing. So, instead of just taking your income from your last pay stub, especially if your income varies from month to month, or you have recently changed jobs, then the six month income "look back" must be averaged for the bankruptcy forms, so please be prepared to provide that information.

Also, if you have every obtained credit or incurred debt using a different social security number or a different name, make sure we know about it, since we will need to discuss the ramifications (non-dischargeability) of obtaining credit not using your correctly issued social security number.

As a brief explanation, Chapter 7 versus Chapter 13:

(i). A Chapter 7 is a liquidating proceeding, wherein a court appointed trustee takes and sells your "non-exempt" assets [see below regarding assets that are exempt] and pays your creditors a dividend from the proceeds. You then get a discharge of your debts, a fresh start, and a clean slate. In reality, most people keep what they own and do not lose any property in their Chapter 7 bankruptcy.

(ii). A Chapter 13 proceedings is a creditor pay-back proceeding. None of your assets are usually sold, but you pay in a payment plan the net value of your "non-exempt" assets over time in lieu of losing those assets. The amount of payment and who gets paid [as there are different priorities, such as for taxes, student loans, secured debts, and general creditors] is worked out in a Chapter 13 plan that you and I will put together based on your monthly budget and the value of your assets.

(iii). A Chapter 11 is a reorganization, generally for corporations or individuals with large amount of debt.

There is normally one Court appearance in a Chapter 7 and Chapter 13 bankruptcy case, and there may be additional meetings in Chapter 11 cases. You will receive notification from the Court as to when to appear. **Please note that no matter what type of bankruptcy is filed, this is a mandatory meeting that you MUST ATTEND**. We will ask you to meet us at the Court before your hearing, and at that time we will go over what will occur, then go in and meet with the Trustee who will hear your case. If a joint bankruptcy is filed, you and your spouse must appear at this hearing. At that hearing, you will be required to give the trustee a copy of your last filed 1040 income tax return, and show the trustee picture id (such as driver's license) and social security card (or other id with your social security number on it).

A. **Exemptions**: Many people fear they will be turning over absolutely every item they own to the Court when they declare bankruptcy. This is not so. In Washington, you are entitled to certain exemptions; that is, property you get to keep even though you have filed bankruptcy. The amounts allowed by the State (which we will discuss with you), usually cover the property normally owned by an individual or family (such as clothing, household goods, personal items, your pensions, equity in your home up to the homestead amount of $125,000, limited equity in the family car, etc.) Most consumers who file bankruptcy never lose any of their personal property to a trustee and get to keep all of their household assets. A few people may find they have to pay the Trustee to keep items owned which have a value in excess of the allowed exemptions. Corporations are not entitled to exemptions.

B. **Non-dischargeable Debts**. You should be aware that some debts may not be discharged after the bankruptcy proceeding has ended. Certain individual debts are *not dischargeable* in bankruptcy. Ordinarily, **taxes** or other governmental obligations/fines; **alimony and child support** (and probably debts to a former spouse contained in a divorce settlement decree); obligations arising from a **DWI** ["drunk driving"]; and, **student loans** are generally not dischargeable. These debts pass through the bankruptcy as if it had not occurred. Under certain circumstances, however, these debts may be discharged [such as income taxes that are older than 3 years old for which you timely filed a return]. Therefore, if you have any of

these types of debts, we must have detailed information concerning them. If it appears they may be dischargeable, we can discuss that with you.

C. **Taxes**: There is a special rule on taxes, though, that income taxes that are older than 3 years from when the taxes were due may be discharged, so not all taxes are non-dischargeable. Taxes are due on April 15th generally, so that if you timely file an income tax return, and then file bankruptcy more than 3 years later [i.e. for instance April 16th three years later] then you may be able to discharge those taxes. However, if you file late, or on extension, or don't file a return at all, then those taxes will probably not be discharged three years later, and you may have to wait several months or even years before those become dischargeable. We do NOT do a tax analysis of your tax returns, dates, assessment dates, etc. We are not tax attorneys, and we do not have access to tax records/transcripts from the IRS as to when your taxes were assessed. We recommend and refer clients to several attorneys who specialize in bankruptcy taxes, who do have access to tax records and transcripts and can give you advice. Therefore, we will rely on you to advise us if you think you have a tax situation for us to do an initial tax review (i.e. if you think you owe taxes that might or might not be within that 3 year rule mentioned above), and then we can refer you to someone for a complete determination. <u>If you don't tell us otherwise, and you list income taxes due for various tax years on your worksheets, we will assume that you timely filed your returns on or before the initial due date, i.e. April 15th, in our review of your worksheets and debts. If you are unsure when you filed a return, or if you know the returns were not filed or were filed late or on extension, please highlight that in the worksheets to flag that for our attention since we are not able or set up to independently do an IRS tax transcript review for exact dates.</u>

Also, certain kinds of debts obtained **recently** may not be discharged; such as purchases for consumer "luxury goods" [such as electronics, jewelry, trips, etc.] within 70 days of filing, or cash advances on credit cards within 70 days of filing.

Also debts obtained by a *false financial statement, embezzlement, or fraud* may not be discharged in either Chapter 7 or Chapter 13, so we need to discuss these types of debts before filing. If you think you have any debts in any of these categories, please bring them to our attention.

D. **Chapter 13 for individuals** (not corporations). In certain circumstances, you may wish to consider the possibility for relief under the provisions of Chapter 13 of the Bankruptcy Code. Under the new Bankruptcy Laws this Chapter may be mandatory, especially if you have reasonably high income or meet other criteria of the new "means test" for filing Chapter 7. The remedy for relief under Chapter 13 is particularly suitable for <u>individuals</u> in the following three situations:

1. You have already obtained bankruptcy relief within the last eight years under Chapter 7.
2. You wish to pay back your debts and have the ability to do so, if given time to do it.
3. You are in arrears on your home mortgage [or other secured debt, including car loans], and don't want to lose your home/car etc., and can bring the arrears current if you had the time to do so. We can generally provide in a Chapter 13

plan to pay back the arrears over 3 years, but can be extended up to 60 months if necessary to lower the payment; which could allow you to keep your home and stop a foreclosure. For budget purposes, then, you would have to be able to pay the regular monthly mortgage payment, and 1/36 or 1/60 of the arrears each month for the plan to be confirmed. [Example: your monthly mortgage is $1,000 per month, and you are $7,200 in arrears; your plan payment each month would be $1,000 regular payment + $200 [$7,200 divided by 36 months] + trustee's fees of approx. $75, for a total of $1,275.]. Please note that you will be required to start making payments immediately after filing; therefore you need to budget accordingly. [For instance, we file the case on the 1st day of the month, and you are paid twice a month on the 1st and 15th of each month, payments into the Plan may start as soon as 15th of that same month.]

D. Chapter 13 proceedings usually provide to pay back general unsecured debt (such as credit card debt) without interest over a period of 36 – 60 months [the time is set by the statute depending on your income, i.e. the "means test"). As a rule of thumb, if you don't have the ability to pay back at least 25% of your general debt, we usually will discuss Chapter 7 instead, unless you have one of the above 5 circumstances or do not meet the "means test" for Chapter 7.

   Also, please note that there is a provision of the Bankruptcy Code that allows the Trustee to move to have your Chapter 7 case dismissed for "substantial abuse." This means that if you do have sufficient income to pay your creditors a good portion of their debt over a period of time (such as 36 months in a Chapter 13), but elect to file Chapter 7 instead of Chapter 13, the trustee may ask the court to require you to convert the case to a pay-back Chapter 13 proceedings or else dismiss the case.

E. **Fees.** Because of the additional attorney requirements in the new bankruptcy laws, my fees are estimated and we will discuss this in more detail. However, **my estimated average fee** [presumptive fee] for an average **Chapter 7 is $1,500**, and **$3,500.00 for Chapter 13,** depending on the individual circumstances and complexity of the matter. This is not a "flat fee" but is generally the presumptive fee (as explained below) for these consumer cases based on my experience as to what the average fee on a case will run and under the terms of the Engagement Agreement is not put into trust, but into our general operating account under RCP 1.5 from the Bar Association. In addition to the attorney's fees, there is a **Court cost (filing fee) of $335.00 for Chapter 7 and $310.00 for Chapter 13**. Attorney's fees in Chapter 11 are fixed by the Court after we file a fee application and have a hearing on our request; however, **our pre-filing retainer generally is $7,500 for a small business/individual Chapter 11 and $15,000+ for a more complex proceeding; the filing fee is $1717.00**. The total amount estimated must be paid prior to the filing of your case in a Chapter 7 proceeding; and, unless other arrangements are made, this is the same for a Chapter 13.[2] Fees are more fully discussed in my fee agreement, which you will review when

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[2] 5. Because of interpretations of Section 727 relating to discharge of unpaid fees in a Chapter 7 by the 9th Circuit Court of Appeals, we require that all estimated fees for a Chapter 7 bankruptcy must be paid in advance of filing. In a Chapter 13, we require a minimum of $875 at the time of signing the paperwork, and the balance before filing, but we may under special circumstances put the balance of our fees in the Chapter 13 Plan for payment. We will discuss these options with you.

we meet and is attached to this Information Package.

The Bankruptcy Court and the Trustee's (Chapter 7, Chapter 11 and Chapter 13) have the authority to review all attorneys' fees paid in Chapter 7, 11 and 13. These fees have to be disclosed, and when we file the proceedings, we have to tell the court how much we were paid. The court has a base standard for Chapter 13's that is referred to by the Court as a "presumptive fee" which is generally presumed to be reasonable and does not require me to separately itemize or keep track of my time on the matter. Generally, the Local Rule 2016-1(e) say that the presumptive fee includes the filing of a chapter 13; the filing of a plan; filing with the chapter 13 trustee the Chapter 13 Information Sheet; appearing at the § 341 meeting of creditors; responding to objections to confirmation and motions for relief from stay that are resolvable without argument before the court; adding creditors to the schedules and plan; and review of claims. Certain activities, however, are generally billed at an hourly basis which are outside the presumptive fee: for instance, a sale of property of the estate, i.e. a condo or house, is not within the Local Rule guidelines for the presumptive fee. Sales takes a lot of work. We have to file applications to hire the realtor, work with the realtor if an offer comes in, file a Motion to the court to approve any offers, attend hearings to get the order approved, resolve objections (such as the trustee's objections to the order of sale in your case), and after closing, filing the closing documents, accounting to the trustee, etc. The court never expects that all the work to be done on sales of homes in Ch. 13 are covered by the presumptive fee. The Chapter 13 trustee will confirm that the court routinely gets fee requests for these types of additional services. Same with sales or purchases of automobiles during the Ch. 13; loan modification agreements that need to be approved by the court; objections to dischargeability of a debt; objections to your bankruptcy case (Section 727) creditor objections to your Plan; etc.

This is the same for Chapter 7's. We will generally provide usual and necessary services for the presumptive fee ($1500 +/-) to file the case, provide documents and attend the Trustee Section 341 hearing; providing post-341 documents requested by the Trustee; respond to creditor inquires; file the post-filing counseling certificates; and other normal matters to obtain a discharge. Objections to your discharge by the trustee, a creditor, or the UST, other adversary hearings, motions to compel the trustee to abandon property, and other court hearings are outside the presumptive fee and will be charged at our hourly rate.

Court fees: You can generally amend your schedules and creditors while the case is open, freely. However, the court clerk charges $36 for each amendment to add creditors (not for each creditor, but for each amendment, whether it be one creditor or 10 creditors, so you would want to "lump" all changes, corrections, and amendments into one filing, if possible, to only pay one fee.) Our fee to prepare and file the Amended Schedules is usually a flat $75; so be prepared to pay $111 for any amendments to creditors. Filing Amended Plans in Ch. 13 usually run about $350.00, since they have be notice for hearing and approved by the court.

F. **Discharge.** The purpose of bankruptcy generally is to obtain a discharge from your pre-filing debts. This may be accomplished under Chapter 7 in which you give up all of your *non-exempt* assets to a trustee to liquidate and pay to your creditors, and then you obtain a discharge of all of your debts, except as described generally above. Alternatively, it may be accomplished under a Chapter 13 in which you retain your assets, but must provide for a plan to pay your creditors all or a portion of their claims within 36 to 60 months under court

supervision with an appointed trustee; or under Chapter 11, in which you retain possession of your assets, continue in business, and act as your own trustee while you propose a plan. If you are a family farmer you may file under Chapter 12 which is similar to Chapter 13.

In order to obtain a discharge**, you must file truthful and complete schedules of assets and liabilities, current income and expenses and a statement of financial affairs**. While we will assist you in preparing these documents, the ultimate responsibility for the completeness and accuracy is yours. Further, you must cooperate with your trustee in bankruptcy and obey all orders of the court. Certain acts may make you ineligible to receive a discharge in bankruptcy. The most common reason why debtors become ineligible to receive a discharge is that they have failed to tell the truth on the documents they file with the bankruptcy court or at their creditors' meeting. Concealment of assets is another common reason. If your discharge is denied, your bankruptcy case may nevertheless continue and your assets will be administered. You will not be eligible to file bankruptcy again for eight years and your creditors will be entitled to continue their collection efforts. You may also be prosecuted for perjury. Alternatively, the court may dismiss your case, and you may lose the benefit of the automatic stay and discharge. Moreover, you may be prohibited from refiling your case for 6 months. You should therefore carefully review all documents you have prepared for the bankruptcy court to make sure that all assets and transfers have been disclosed. Be sure to let us know if you have an asset which you fear that you will have to give up, or if you think you might have made a questionable transfer. We can explore all legal means to preserve the asset or the transfer.

G. **Procedure**. When you file a Chapter 7 or 13 case, the court will appoint a trustee in bankruptcy. It is the function of your trustee in a Chapter 7 case to take possession of your non-exempt property, sell it and use the money to pay a dividend to your creditors. In some cases, a debtor does not have to give up any assets because they are all exempt under state or federal law. In Chapter 12 or 13 case, the trustee acts more like a disbursing agent to pay your creditors from monthly payments your make into the plan. You will retain possession of your property, but will be required to propose a plan to pay most, if not all, of your debts and to make payments and reports to the trustee's office. In a Chapter 11 case, you will retain your assets and in effect will be your own trustee, although in certain circumstances the court may appoint a trustee.

We should already have discussed whether any of your property is non-exempt and will have suggested any ways in which it might be retained. The trustee may abandon, or permit you to retain, non-exempt assets dependent upon their value. Also, you can avoid certain liens on property that is exempt from the trustee. If a judgment lien is on your home, and it impairs your rights to a homestead, we can avoid that lien; also most "consolidation loan" liens on your household goods, such as from Household Finance, and the like, can be avoided. **However, in both of these cases, we have to file a motion to the court.**

Tax returns: Also, the new Bankruptcy law requires that you deliver upon the filing of your case copies of your last filed tax return to the Trustee. And in Ch. 13 cases, you are required to have filed the 4 years prior income taxes that were due (even though you don't have to provide them to the trustee, the court will dismiss the case if these returns are not current and filed; so make sure you have filed all prior [4 yrs.] tax returns.

H. **Credit Reports**. We do not get credit reports on our clients, nor do we do title searches or judgment searches in most simple Chapter 7 and 13 cases, unless the client wants to spend the additional funds to pay for said reports and searches (which can be from $75 - $350+ for title reports). We are signed up with an online credit reporting agency, and they charge us $75 to run a credit report, with our agreement to charge through only the $75 to the client and not add on any fees on top of their fee. Therefore, you have to advise us if you have: (i) any judgments against you that may be a lien on your home; or (ii) secured creditors that have security in your household goods. If you think that obtaining a credit report would assist you in listing all of your creditors, then we encourage you to obtain a report, or use our service for the $75 fee we are charged. However, under federal law, you are entitled to a **free** annual credit report, and there are several websites that provide this. We encourage you to get your free credit report so that when you compile the list of your creditors, that the list is as complete as possible.

I. **Liens**. If any of the property that you have claimed as exempt is encumbered by liens, we should already have discussed whether or not the liens may be avoidable in the bankruptcy case. Judicial liens against real or personal property (such as judgment liens) and consensual liens (like finance company liens on household goods) against certain types of personal property **are avoidable**. Affirmative action in the form of a motion to avoid these liens, however, is necessary. A lien is not automatically avoided simply because you have filed bankruptcy. Similarly, if property that you could otherwise have claimed exempt, was involuntarily transferred (for instance, by a garnishment), it may be possible to obtain possession of that property through turnover proceedings. Also, if someone has a judgment against you, and you own a home, that judgment may be a lien against your home, and may potentially be voided; you may need to obtain a title report to see if there are any judgment liens on your home. Again, return of these assets must be affirmatively sought. These actions take additional legal work for which you will be billed at our hourly rate. Please bring to our attention if you have signed any agreements giving creditors liens on your personal property, or if you have had any judgments taken against you, so that we can discuss these options. We do not obtain title reports or UCC reports for clients as part of our routine fee Chapter 7 or 13 cases, since title reports may cost several hundred dollars, so it is important that you call these matters to our attention. If you have doubts about liens, you can obtain a title report on your real property or do a UCC check with the State and bring those documents in for our review.

Condo dues as lien: Note that condo dues that become due after the filing of a case are not discharged until you have no further ownership of the condo. So, even if you are letting the condo go to foreclosure, and maybe have moved out, you need to make sure to release your ownership interest in the condo quickly so that condo dues after the filing are minimized and you get out of those debts.

J. **Leases**. Similarly, in Chapter 11 and 13 cases, you may be able to assume or reject leases and contracts. Generally, in order to assume a lease, you must cure any arrears, so we will need to negotiate with the Lessor a cure plan. If you reject a lease, you must return the items subject to the lease. We will discuss all of your leases, and decide what to do on a lease by lease basis. **However, landlord business leases (not residential leases) must be assumed or rejected within the first 60 days after filing**, or the lease is deemed rejected. If you want to continue to operate your business in its current location, we will need to assume your lease

very soon after filing. Please discuss this with us promptly, since the assumption and rejection of leases is based on your best business judgment, we need to know your decisions on this early in the case. There are new disclosures on residential leases, as well, so please let us know if you are renting a home.

K. **Secured Creditors**. Items which have been pledged to secure a debt can be retained by agreeing to reaffirm the particular loan, such as a car or home loan, and keep the item. This includes 2nd and 3rd mortgages on your home, as well, since they are secured by your home, and if you want to keep the home, you not only will have to pay the main first mortgage, but any junior mortgages as well. When you reaffirm a debt, you continue to pay the creditor and in return you get to retain the collateral secured by the loan. Accordingly, if you want to keep your car or your home, you must continue to make the monthly payments on the car to your bank/credit union, and to your mortgage company. As to home mortgages, those are generally not reaffirmed, but you must remain current. 2nd and 3rd mortgages' debt (i.e. the liability on the Note) is discharged in your bankruptcy, but the lien on the home is not released by a bankruptcy. **This is an important distinction**. Thus, even though the underlying debt is discharged, so that the Bank can't come after you on the debt, can't garnish you, can't execute on your bank accounts, etc., the lien is not discharged in bankruptcy. You still have to deal with the liens on the properties. Now, usually there is no equity in the properties for 2nd and 3rd mortgages, as the house is usually underwater, so most clients can usually work out a release deal with the [underwater] second mortgage, and if you are keeping the property, then you may offer the Bank something to release their lien, since if they don't agree, and the first mortgage forecloses, then they get nothing anyway.

L. **Reaffirmations of Secured Debt**. Most car lenders require you to reaffirm the debt in order to keep the car. However, reaffirmations legally reinstates the debt, so please discuss reaffirmation with us before you sign or agree to anything. There are new rules on reaffirmations that have to be followed, and even if you are current, that doesn't mean the creditor won't repossess the car. The bottom line to remember is that if you want to keep an item that is secured to a creditor, other than home mortgages, you have to reaffirm and pay the creditor.....if you want to keep your car, you have to pay your car loan; if you want to keep your home, you have to pay your mortgage(s). However, upon the filing of the Bankruptcy a secured creditor [home mortgages and car lenders, etc.] will STOP SENDING YOU MONTHLY BILLS for their payment, but, again, if you want to keep the collateral (such as your car or your house) you still have to make the payment even though you won't be getting monthly bills. So, make a photocopy of an older bill and each month send in the regular monthly payment so that you do not default on the loan; as they will be able to repossess their collateral if you do default on the monthly payments.

    a. **Mortgages.** Mortgages are usually NOT reaffirmed. The Judges generally do not approve reaffirmations for mortgages. Car loans, yes, but not mortgages. They are secured by the property (house), and if you want to keep your house, you just continue to make the monthly payments, and keep the mortgage and/or second mortgage current. If you ever refinance or need to show that the mortgages are being paid and current, most clients request an **Annual Payment History Report** and provide the new lender on a refinance the payment history showing that the mortgage is current and being paid each month.

i. We have a chat board of about 15 consumer bankruptcy attorneys, and we always chat about pending issues for our clients, and this comes up a lot, and of the 15, not one has ever signed on a mortgage reaffirmation agreement, ever, and to the best of their knowledge, the court has never approved a mortgage reaffirmation agreement. It is just an anomaly of the bankruptcy law that you file the bankruptcy, the mortgage debt is discharged, but since it is a lien on your home, you need to continue to pay it or you will be foreclosed.

b. **Vehicles**: Even if you don't reaffirm a debt, you may want to keep a debt secured by collateral, and the creditor may allow you to keep it if you stay current on the debt (car, home, etc.). So, even if they stop sending you monthly bills because of the bankruptcy, if you owe money on the item of collateral that you want to keep, you MUST keep making the payments ON TIME (usually received by the creditor on or before the 1st of each month) to avoid losing the item after the bankruptcy is concluded. Keep making the payments, even if you stop receiving a billing statement. Some vehicle finance companies / banks will allow you to keep vehicles as long as the payments are on time. However, they may not and they are not required to accept payments without a reaffirmation agreement.

c. There are some downsides associated with this whole process, in that a Lender may refuse to send you monthly statements, so try to set up "auto pay" from your Bank, or make a copy of an old statement with all the account information, so that if that happens it will be up to you to remember to make your monthly payments as they become due so that you do not run into a default situation. Second, the creditor may not report your regular payments to the credit reporting agencies. This failure to report can cause problems down the road if you attempt to refinance the property or purchase another property, so make sure you request, get and keep Annual Payment History Reports.

d. If you do not wish to retain the collateral, you do not need to repay the debt and we should make arrangements to return the collateral to the creditor. By now, you should have made your intention clear to us whether to surrender collateral, redeem it from the lien encumbering it or reaffirm the debt and make the payment under the terms of the contract.

M. **Reaffirmation of Unsecured Debt**. You can also reaffirm a debt that is not secured if you want to pay that creditor back even after the bankruptcy; and under the new law, you may be **required** to reaffirm a secured debt in order to keep the collateral. Many companies, such as Visa or Master Card, may request that you reaffirm the debt with them, and they will let you keep your credit card with some nominal credit extended to you. Even though this is a good way to start reestablishing credit, we would caution your reaffirming a general unsecured debt, as a reaffirmation **reinstates** the legal liability to repay that debt. If circumstances change after filing, and you find that you cannot repay that creditor, they would have all of their legal rights to sue and collect on that debt because of the reaffirmation; even though your bankruptcy would have otherwise discharged your legal liability to that creditor. In addition, the court will not approve a reaffirmation where it will pose an undue hardship on you if you reaffirm it. We are not in a position to advise you on reaffirmations, as we do not

monitor your current and future financial circumstances, so we must rely on you in the reaffirmation process. If you want to reaffirm a debt, with the knowledge that you would not otherwise have to pay the creditor back, and you want to pay them for whatever reason [reestablish credit, moral obligation to that particular creditor, etc.], we will not second-guess you, and we may file the reaffirmation agreement with the court on your behalf; **however, because of the new certification rules for reaffirmations that you can make the payments, it will be unlikely that our office will approve any reaffirmations since we are not in a position to certify your ability to make the payments and that in doing so it will not be a hardship**. In doing so, however, you must recognize the legal implications of such reaffirmation. Reaffirmations are now going to be required in certain circumstances, such as on car loans, under the new law, so we will discuss that when you come in for your consultation.

N. **Relief from Stay**: You may get various notices from the Court during the proceedings, including copies of Motions for Relief from Stay. In a Chapter 7, this is usually on a car or home. In most instances, the Debtor (you) have no real say or standing on the motion. It is (more or less) a Motion by a secured creditor asking the Court to make the Trustee decide if he/she is going to try to sell the home/car/etc., or release the item from the bankruptcy and let the Bank foreclose. There is nothing we do, as the motion in a Chapter 7 is really directed to the trustee; if the trustee thinks there is some equity in the asset, over and above the Bank's debt and perhaps your exemption (such as $3,500 equity in a car or $125,000 homestead equity), the trustee will object to the motion, and if the trustee wants to try to sell it, the Court will probably deny the Bank's motion to give the trustee that opportunity. That will be up to the trustee and the Bank. There is nothing the debtor actually does in Ch. 7's on this; the court will decide between the trustee and the Bank. The only time the debtor has a say is if you are keeping the home/car, the debt is current, and there is no equity in the asset in excess of your claimed exemption. As such, we do not respond or reply to motions for relief in Chapter 7. In a Chapter 13, secured debt is treated in the Plan, and that is where we state to the court we are going to surrender or retain an asset, and as long as the plan is current and the secured debt is being paid, the court will generally deny a motion for relief; but if you are in arrears, and are not making payments, then the court may grant the creditor the right to foreclose.

O. **CHAPTER 11 CLIENTS, PLEASE NOTE**: One of the first things that need to be negotiated after filing Chapter 11 is the use of *cash collateral*. This is cash that comes into the business after filing in which a creditor has a security interest in. An example of this is your bank or a factoring company that has a security interest in your accounts receivables**. These funds belong to that creditor and cannot be used by the company to pay overhead and expenses without the permission of that creditor**. It is important that you discuss this situation with us at the onset of the case so we can work out arrangements with your secured c. editors, so there is no disruption in the operations of the business.

Also, Ch. 11 debtors may have to "split" their tax years, and file separate tax returns for that part of the year prior to filing, and then a separate return for the remainder of the year after filing. Please discuss this with your accountant.

There are also many rules regarding small businesses in Ch. 11, and "single asset" real estate cases in Ch. 11, so make sure we discuss these rules and time deadlines if your case falls into

these categories.

If we do not hear from you in response to this letter, we will assume that the documents which we have prepared on your behalf and which we either have filed or will be filing in the bankruptcy court are correct, and require no amendment. We will next contact you when we have received notice that your meeting with the trustee has been set. Meanwhile, if you are contacted by creditors, simply inform them that you have, or will shortly file a bankruptcy case, give them the bankruptcy case number of which we will advise you, and explain that they will soon be receiving official notice from the bankruptcy court as to whether or not a claim should be filed, and the date of the creditors' meeting. The clerk will send you and your creditors a notice of the time and place of this meeting. You must advise us at once if you are unable to attend. Your attendance is mandatory.

P. **Automatic Stay.** Remember, creditors cannot continue to pursue collection actions against you such as foreclosures, garnishments or even telephone calls or letters without court order. Some actions against co-signers or guarantors of your debts are also prohibited under Chapter 12 or 13. Any violations should be reported to us so that we can deal with these problems for you.

It is a violation of the law for creditors to contact you after the case has been filed. If a creditor actually contacts you in reference to collecting a debt, then we will pursue them for damages. This means we will sue them on your behalf and attempt to collect money for you. But in order to do so, we require evidence. Follow the instructions below to create a record of the phone call from the creditor(s).

It is important that you not get into a shouting match with the creditor. You do not want to be angry or short with the creditor during this phone call. A little bit of cooperation will go a long way to allow you to bring a case against the creditor.

Also, there are new requirements for sending notices to creditors, and you have to give a creditor notice (i.e. list their address on the bankruptcy schedules) to where the creditor has requested to be contacted for communications about its debt. Note this is generally NOT the address for making payments. Most payments are sent to PO Boxes, and that is not the address required in bankruptcy. Rather, you need to look at the front or back of any billing, and find the address for correspondence, inquires, or disputes on the bill. That is the address we need for the bankruptcy schedules.

Finally, in order to continue your bankruptcy case with the minimum of expense, make sure you do the following:

1. Tell the truth to us, your trustee, and to the court;
2. Make a complete and truthful disclosure of all documents filed with the Bankruptcy Court. Make sure your tax returns are filed and that you provide us with copies of your last 2 years' returns;
3. Cooperate fully with all of your trustee's requests, and any court orders but let us know if you are contacted by the trustee;

4. Let us know immediately if you receive any letters, court pleading or other documents relating to this bankruptcy or to your creditors' collection efforts. Keep this office and the Bankruptcy Court informed of your address for at least one year;
5. Ask questions of us if you do not understand anything related to your bankruptcy case;
6. Review any requests by creditors for reaffirmation carefully, because they will have a legal right to collect from you if you agree to reaffirm the debt. Further, you might lose your collateral (such as a car) if you do not reaffirm the debt on the collateral;
7. Obtain title reports for our review, and/or UCC searches for our review to discuss liens that may have been filed against you. Also, bring in your paperwork on any loans where the creditor has asked you to pledge your household goods as collateral for the loan.

If you have any questions in filing out the forms, call me, OR you can send me an email at lbf@chutzpa.com.

/s/ Larry B. Feinstein

Client Acknowledgment	Client Acknowledgment
Date: _____	Date: _____

CLIENT TO SIGN THIS SIGNATURE PAGE AND RETURN TO LARRY B. FEINSTEIN. HOWEVER, IF NOT SIGNED, THIS AGREEMENT SHALL BE DEEMED TO BE READ AND UNDERSTOOD IF YOU RETURN THE ACCOMPANYING BANKRUPTCY WORKSHEETS AND PAPERWORK TO MY OFFICE FOR FURTHER LEGAL SERVICES.

THE INFORMATION CONTAINED HEREIN IS FOR GENERAL INFORMATION PURPOSES ONLY, AND YOU MAY NOT RELY ON THIS INFORMATION THAT IS HANDED OUT AND OR PUT ON THE INTERNET AS CLIENT/ATTORNEY REPRESENTATIONS UNLESS OUR OFFICES HAVE BEEN ACTUALLY RETAINED BY YOU AND THAT YOU HAVE BECOME A CLIENT OF THE FIRM.

Meeting with the Court Appointed Trustee

Please note that about 30 days after the filing of the bankruptcy, whether it is a Ch.7, 11, or 13, you are required to appear before the court appointed Trustee and answer questions about your case. This is required under Section 341 of the Bankruptcy Code, and therefore it is usually called a "Section 341 Meeting." The exact date and time will be on a formal notice to be mailed by the Clerk to you. Make sure you note the time and place. You will be required to show the Trustee proof of identity, being **picture ID** (such as a driver's license or passport) and **proof of your social security number** (such as social security card, a W-2 from your employer, or something you did not prepare with your full social security number on it). Make sure you bring those with you.

The Trustee will ask you a series of form questions, which I have generally outlined below so you know what to expect. The meeting with the Trustee generally lasts about 3-5 minutes.

Here are the Trustee's questions:

1. What is your name and address?
2. Did you prepare the bankruptcy schedules and statements with your attorney's assistance?
3. Are they true and correct, and did you list all your assets and your creditors?
4. Are there any changes or corrections that you want to bring to the attention of the trustee?
5. Did you sign the papers and is that your own signature?
6. Are you in the military?
7. Do you owe any domestic support obligations, child support, alimony?
8. Have you lived in Washington State for the last 2 years?
9. Have you read the Trustee Information Sheet? [*It is in this package of materials*]
10. Have you filed bankruptcy previously within the last 8 years?
11. If you have a home, the Trustee will ask how you arrived at the value of the home.
12. Between January and May, the Trustee will usually ask if you are entitled to a tax refund and for how much.

****NOTICE****

Proof of ID and Social Security Number Required at §341 Meeting of Creditors

The United States Trustee requires bankruptcy debtors to provide, at the meeting of creditors, satisfactory proof of identity and proof of social security number. Debtors will need to bring both picture ID and proof of social security number to that meeting.

Acceptable proof is listed below:

*** ORIGINAL DOCUMENTS ARE REQUIRED ***

A. Picture ID:

1. State driver's license
2. Government ID
3. State ID
4. Student ID
5. U.S. Passport
6. Military ID
7. Resident alien card
8. Mexican consulate card ("matricula consular")

B. Proof of Social Security Number

1. Social Security card
2. Medical insurance card
3. Pay stub
4. W-2 form
5. Internal Revenue Service Form 1099
6. Social Security Administration report

For more information, visit our "Library" at:
http://www.justice.gov/ust/r18/seattle/general_info.htm

CHAPTER 7

MOTIONS FOR RELIEF FROM STAY

When you file a bankruptcy, there is a stay of all actions against you. It stops foreclosures, garnishments, lawsuits, etc. If your home was in foreclosure, it stops that for a while. The stay is in effect for about 90-days to give the Trustee in bankruptcy an opportunity to review your assets and determine if there is any equity in your assets for him/her to take possession to sell to pay your creditors. In most cases, there are no assets that are not encumbered by liens (mortgages) or your exemptions, and in most cases, the Trustee just releases those assets back to you to deal with.

During this review period, even if you are in default on your car loan or your mortgage loans, the lenders are prohibited from commencing or continuing to repossess or on foreclosure on their collateral. However, in some instances, the lenders do not want to wait around for 90+ days for their Trustee to decide what to do with the asset. So, they will file a Motion for Relief from Stay. We usually do not respond to these motions in a Chapter 7, since it is directed to the Trustee/estate. (However, in Ch.13, these motions are directed to you and not the Trustee, so make sure you call us if you get this type of motion.) In most cases, the Trustee determines there is no equity in the collateral (home or car) of the Lender and allows the Relief to be granted. That, essentially, releases the property from the bankruptcy, and now the Lender can deal with you and your collateral (home or car) directly. If you want to keep the collateral, then you need to make sure you are making your payments and keep current, and/or deal with the Lender directly to work out a payment program to bring the payments current to keep the collateral. If you are not going to keep the collateral, then the Lender will want to make arrangements to pick up the car and/or start/continue their foreclosure.

Credit Counseling Requirement

You have retained our firm to represent you in the reordering of your financial affairs. Probably this will result in our filing a bankruptcy case on your behalf.

Before we can file, you must "receive from an approved nonprofit budget and credit counseling agency…an individual or group briefing…that outlines the opportunities for available credit counseling and assists you in performing a related budget analysis." A list of the approved agencies in your vicinity is attached.

You must have this counseling within 180 days of the date of filing unless there is an emergency, such as a foreclosure. There is no such emergency in the situation you have explained to us. A fee may be charged for such counseling. On the back of this letter is a list of the approved agencies.

Most of the agencies are not local, as you can obtain the required briefing by the internet or over the telephone. The website and phone numbers are on the back also. The agency will give you a certificate describing the services provided and indicating that you have met this requirement. The agency may also give you a debt repayment plan that indicates whether you have sufficient income to pay your permissible expenses and have funds remaining with which to pay creditors. The analysis may also show that you could not fund a repayment plan as described in section 521(b)(2) of the Code. Please bring that certificate to our offices so that we can complete your papers or take other action if an alternative is necessary.

Please call if you have any questions.

Sincerely,

/s/ Larry B. Feinstein

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Counsel

Approved Credit Counseling Agencies

Complete list available here: http://www.justice.gov/ust/eo/bapcpa/ccde/cc_approved.htm

Here are a few sample agencies:

CENTS: Consumer Education and Training Services
www.centsprogram.org

$25 per person, per class

A 123 Credit Counselors, Inc.

701 NW 62nd Ave., Suite 106
Miami, FL 33126
www.a123cc.com / 305.269.9201

Abacus Credit Counseling

15760 Ventura Blvd., Suite 700
Encino, CA 91436
800.516.3834
www.abacuscc.org

Best Credit Service, Inc.

2400 Crestwood Road, Suite 203
North Little Rock, AR 72116
800.435.7227
www.bestcs.org

ClearPoint Financial Solutions, Inc.

8000 Franklin Farms Drive
Richmond, VA 23229
804.222.4660
www.clearpointfinancialsolutions.org

Cricket Debt Counseling

10121 SE Sunnyside Road, Suite 300
Clackamas, OR 97015
www.cricketdebt.com / 866.719.0400

DebtorEDU
www.debtoredu.com

$9.95 per household, per class

DBSM, Inc.

2049 Marco Drive
Camarillo, CA 93010
www.mybknow.com / 877.692.5669

Granit Lake Educational Resources

111 West Cataldo, Suite 200
Spokane, WA 9920
www.backtogo.org / 866.366.0599

Hummingbird Credit Counseling and Education, Inc.

3737 Glenwood Ave., Suite 100
Raleigh, NC 27612
www.hbcce.org / 800.645.4959

InCharge Education Foundation, Inc.

2101 Park Center Drive, Suite 310
Orlando, FL 32835
www.inchargefoundation.org /
866.729.0049

Money Management International, Inc.

9009 West Loop South, Suite 700
Houston, TX 77096-1719
www.moneymanagement.org /
888.845.5669

Debt Relief Agency Disclosures to an Assisted Person

Section 527 of the Bankruptcy Code requires a Debt Relief Agency to provide an assisted person with the following:

1. A copy of the notice prepared by the clerk of the Bankruptcy Court, in accordance with the requirements of §342(b), which is attached hereto and which contains:

   (1) A brief description of

      (A) Chapters 7, 11, 12, and 13 and the general purpose, benefits, and costs of proceeding under each of those chapters; and

      (B) The types of services available from credit counseling agencies; and,

   (2) Statements specifying that

      (A) A person who knowingly and fraudulently conceals assets or makes a false oath or statement under penalty of perjury in connection with a case under this title shall be subject to fine, imprisonment, or both; and,

      (B) All information supplied by a debtor in connection with a case under this title is subject to examination by the Attorney General.

2. The following disclosures are required by §527(a)(2), which advises an assisted person that:

   (A) All information that the assisted person is required to provide with a petition and thereafter during a case under this title is required to be complete, accurate, and truthful;

   (B) All assets and all liabilities are required to be completely and accurately disclosed in the documents filed to commence the case, and the replacement value of each asset as defined in § 506 must be stated in those documents where requested after reasonable inquiry to establish such value;

   (C) Current monthly income, the amounts specified in section 707(b)(2), and, in a case under Chapter 13 of this title, disposable income (determined in accordance with § 707(b)(2)) are required to be stated after reasonable inquiry; and

   (D) Information that an assisted person provides during his or her case may be audited pursuant to this title, and failure to provide such information may result in dismissal of the case under this title or other sanction, including a criminal sanction.

If you have any questions about any of these disclosures, we will be happy to provide further explanation.

Sincerely,

/s/ Larry B. Feinstein

EXHIBIT A

Separate Disclosure Required by Section 527 of the Bankruptcy Code as Amended

IMPORTAN INFORMATION ABOUT BANKRUPTCY ASSISTANCE SERVICES FROM AN ATTORNEY

(Note: This form is mandated by statute. It may or may not correctly explain the law.)

If you decide to seek bankruptcy relief, you can represent yourself, you can hire an attorney to represent you, or you can get help in some localities from a bankruptcy petition preparer who is not an attorney. **The law requires an attorney or bankruptcy petition preparer to give you a written contract specifying what the attorney or bankruptcy petition preparer will do for you and how much it will cost**. Ask to see the contract before you hire anyone.

The following information explains what must be done in a routine bankruptcy case to help you evaluate how much service you need. Before filing a bankruptcy case, either you or your attorney should analyze your eligibility for different forms of debt relief available under the Bankruptcy Code and decide which form of relief is most likely to be beneficial for you. Be sure you understand the relief you can obtain and its limitations. To file a bankruptcy case, documents (Petition, Schedules, Statement of Financial Affairs, and in some cases a Statement of Intention) must be prepared correctly and filed with the bankruptcy court. You will have to pay a filing fee to the bankruptcy court. Once your case starts, you must attend the required first meeting of creditors, where you may be questioned by a court official called a "trustee" and by creditors.

If you choose to file a Chapter 7 case, you may be asked by a creditor to reaffirm a debt. You may want help deciding whether to do so. A creditor is not permitted to coerce you into reaffirming your debts.

If you choose to file a Chapter 13 case, in which you repay your creditors what you can afford over 3-5 years, you may also want help preparing your Chapter 13 plan and with the confirmation hearing on your plan, which will be before a judge.

If you select another type of relief under the Bankruptcy Code other than Chapter 7 or Chapter 13, you should consult someone familiar with that type of relief.

Your bankruptcy case may also involve litigation. You are generally permitted to represent yourself in litigation in bankruptcy court, but only lawyers, not bankruptcy petition preparers, can give you legal advice.

Client hereby acknowledges receipt of a copy of this disclosure.

_____

Client

EXHIBIT B

Information to the Assisted Person (Debtor) on How to Provide All Information Required by Section 521

Section 521 of the Code sets out the Debtor's duties related to the filing of a bankruptcy case. A copy of the section is attached to this writing.

As you fill out these schedules and statement of affairs, you should keep the following in mind:

1. Completing the income and expense pages accurately and completely is critical.
    (a) To compile your income, refer to recent pay stubs and last year's income tax returns. Accounting for overtime, investment dividends, and other earnings is necessary.
    (b) People usually pay cash for many items, such as groceries. Review your monthly expense payments and make a best estimate on cash expenditures. If you pay insurance annually, calculate the monthly cost. Attached are IRS expense allowances for the area in which you live. If your expenses exceed these, we will have to review them and perhaps make adjustments.
    (c) When you value property you own, consider prices in the neighborhood for housing, in newspapers and car lots for automobiles, and what you would pay for furniture and clothes at a business selling such goods.
    (d) If you have an item of special value, an appraisal may be necessary.
    (e) When listing creditors, collect current bills and use that information for mailing address and balances due.
    (f) Under the law of this state, or federal bankruptcy law, certain property may be exempt and may be retained. Attached is a copy of the state list of exemptions and also a list of property that may be exempt under federal law. Neither list is all-inclusive. If a seller has a lien on exempt property, the lien may be avoidable or you may have to pay for the property in order to keep it. After you have prepared these lists, we can review them and decide what property qualifies as exempt.

Debtor's Counsel: Cautionary Letter to Client Before Filing

Dear Client:

We are in the process of preparing the papers for filing a Chapter 7 case on your behalf, pursuant to our representation agreement.

During this process, you must not incur any credit debt, as it could be found to be nondischargeable and even result in the dismissal of your bankruptcy case. This does not include the accrual of charges for utility services, which you will continue to pay.

If there is an emergency (e.g. medical, or your car breaks down), try to contact us before charging. If that is not possible, you can always reaffirm such expenditure.

Please call if you have any questions.

Sincerely,

/s/ Larry B. Feinstein

_____

Counsel

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.

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

~ Over ~

The "How To" Notice

Filing a Bankruptcy Case: Things You Need to Know
[Adapted § 527(c) Notice]

This Notice is intended to provide you with reasonably sufficient information about your bankruptcy case and the information you have to provide. Be sure to ask your attorney if you have any questions.

Some Basics about Bankruptcy
In addition to the general information you were given in the notice entitled, "Notice to Individual Consumer Debtor under § 342(b) of the Bankruptcy Code," there are some things you need to know about bankruptcy.

The goal in filing a bankruptcy case is to get a "discharge" of your debts. The "discharge" is a court order that prevents your creditors from collecting the amounts you owed before you filed for bankruptcy. Some of your debts, like child support or student loans, might not be discharged. You and your lawyer will talk about any of your debts that might not be discharged.

The most important thing for you to understand is what is expected of you when you file for bankruptcy. In exchange for getting rid of your debts, you must make "full disclosure." This means you must give complete and accurate information about everything you own and everything you owe. Do not leave anything out.

Most people who file for bankruptcy are not dishonest and they don't plan on not telling the complete truth to the trustee and the bankruptcy court. What's more common is for people to fail to disclose all the required information because they don't want certain people to know they're filing for bankruptcy, because they want to protect a friend or family member by "keeping them out of the bankruptcy," or for similar reasons.

But it doesn't matter if your intentions are good. THE LAW DOES NOT ALLOW YOU TO MAKE EXCEPTIONS.

It's also common for people to think they file bankruptcy "against" their creditors, and that they can choose to leave certain creditors out. This is not true. All of your creditors are included in your bankruptcy, whether you want them to be or not. If you don't provide information about your creditors so that they get notice of your bankruptcy, your debts to them might not be discharged. Worse, keeping creditors in the dark may lead to the denial of your discharge. In other words, all of your creditors can still collect what you owe them after the bankruptcy.

You also need to be sure you understand what "property" means before you begin compiling information for your attorney. Many people think "property" means only tangible goods, like furniture, a house, or a car. But "property" means much more, including:

- Money that anyone owes you, even the tax refund you expect to get next year
- Deposits, such as those held by landlords or utilities
- Your right to sue anyone for any reason (for example, if someone hurt you or damaged your property, or if someone didn't honor the promises they made in a contract with you)
- Repossessed property
- Interests in certain insurance policies, annuities and retirement accounts
- Rights in licenses, patents, copyrights, and other, similar items
- Animals
- Farm subsidies

Differences in state laws, the availability of exemptions, and other matters will determine what property you get to keep, and your attorney can help you with that.

What's important is for you to be sure you aren't leaving out information that the bankruptcy court expects you to disclose. People sometimes leave out information because they don't think of something as being "property" or because they think the property "isn't worth anything." Failure to list everything can hurt your chances of getting your bankruptcy discharge. It could also affect your own legal rights to property, meaning you might lose property that you could have kept if it was disclosed. 0

Remember, your duty is to disclose everything and cooperate with the trustee. The value is not as important as the fact that the item is listed. If you aren't sure whether anything in particular needs to be included, just ask your attorney.

Information Needed to Prepare the Official Bankruptcy Forms
In order for your attorney to prepare all of your Official Forms completely and accurately, you need to provide the following information and, wherever possible, provide documentation relating to the information. For some of the items below, documentation is required. Indicate whether any of these documents are unavailable and provide a brief explanation why they are unavailable. Keep in mind that your attorney will ask you for other information, as needed.

1. Information about Creditors
You must provide the name and address for *all* of your creditors. If you have it, provide the account number as well.

The amount you owe each creditor must be stated in your bankruptcy papers. You can usually get this figure from your most recent bill or statement. Bring those bills and statements when you meet with your attorney.

You must provide statements, bills, collection letters or similar correspondence that includes the account number received from *each* of your creditors in the last 90 days. This might seem like a lot, but it is necessary so that your attorney has the right address to give your creditors notice of your bankruptcy. Your creditors have more rights against you if the notice of your bankruptcy is sent to the wrong address. If you don't have letters or statements going back 90 days, give your attorney whatever you have.

2. Information about Your Property
All of your property must be disclosed. Some types of property can be grouped into a single category, such as your clothing, which can be generally listed as "wearing apparel." Any particular item within that group that has a value that is unusual for that category must be listed separately. For example, you can group together all of your records and CDs, but if you have a copy of the Beatles "Abbey Road" autographed by John Lennon, it has to be separated from the group and listed on its own.

Some of your property might serve as "collateral" for a debt you owe. This is true for many people's cars, for example. While you are still making payments, the creditor has a "lien" on the car (the collateral), which allows the creditor to repossess the car if payments aren't made. A creditor in this situation is called a "secured creditor." For any of your property that is "collateral," you must provide a copy of the contract or other documents relating to your loan. You must also provide a copy of your registration showing who the legal owner of the car is.

Also make note of any of your property that you bought with a store credit card rather than a general credit card like Visa, MasterCard or Discover. The store might claim a lien on that property and may be a secured creditor.

The value of all of your property (meaning what your property is worth) must also be disclosed. For property that is *not* collateral, you can determine the value in different ways, but you must make a good-faith estimate. One method is to imagine you are going to replace a piece of property by buying it at someone else's garage sale. What would you pay for it? That is the value that needs to be listed. For some kinds of property there are guides available that provide estimated value, and some of these are available on the Internet.

The rules are very different if your property is collateral. The Bankruptcy Code requires that you value this kind of property at "replacement value." For property you acquired for personal, family, or household purposes, this means "the price a retail merchant would charge for property of that kind considering the age and condition of the property at the time value is determined."

Here's an example. Suppose you bought a computer on credit. You still owe the financing company for the computer and they can repossess it if you don't pay. Your computer is "collateral" and you need to find out what its "replacement value" is. You can't use the garage sale example because that's not a "retail merchant." You need to know what a store would charge you for property that's like yours. That doesn't mean you have to find out what a *new* computer would cost. Instead, you need to know what a

store like the Salvation Army or [for-profit, used-goods merchant][1] would charge you for a computer that's about the same age, and in about the same shape, as your computer.

3. Information about Your Income and Expenses

Recent changes to the Bankruptcy Code have made income and expense disclosures very complicated. In addition to providing information about your actual income, you must also provide what's called your "current monthly income," which is, roughly speaking, an average of all the money you received in the last six months. "Current monthly income" isn't just what you earned at work, but amounts received from virtually any source, like interest on savings accounts or child support payments.

Expenses are just as complicated. Again because of the changes to the Bankruptcy Code, what you actually spend for things like housing, transportation, or food is not relevant because the new law uses guidelines developed by the IRS to determine what these expenses are for you.

Your attorney will prepare your income and expenses schedules, which will have to be filed with the bankruptcy court. Your part is to be sure you provide all of the information your attorney asks you for.

Documents Required by the Court

Your attorney will let you know what documents you have to file with the bankruptcy court to file your case and, depending on the circumstances, to deal with matters that come up after the case has started. You WILL have to provide the following documents:

- The certificate you received from the credit counseling agency that provided your mandatory counseling session and any budget plan or analysis the agency gave you
- Copies of all of your pay stubs or other evidence of payment you received in the 60 days before your bankruptcy is filed
- A statement that describes any increase in your income or expenses that you expect will occur over the 12 months after you file for bankruptcy
- A copy of the tax return you filed with the IRS that was due last April 15

If you don't provide these documents (and others that your attorney tells you about) you could face serious trouble, including the chance that your case will be automatically dismissed – without you getting your discharge.

I/we have read and understand this Notice and agree to cooperate with my/our attorney and to comply with my/our duties in the bankruptcy case.

_____ Date:_____
Debtor

_____ Date:_____
Co-debtor

[1] Attorneys will need to provide the name of a for-profit, used-goods merchant known in the area of practice.

Debtor's Counsel: Instruction Letter to Clients Concerning Completion of Schedules

Dear Client:

The first step leading to the filing of a Chapter 7 (Chapter 13) case on your behalf is the filling out of schedules and answering the questions in the Statement of Affairs. I have given you (copies of the pertinent parts) (our firm questionnaire) to assist you in completion of these documents.

Before beginning, please read this letter carefully. It may answer some of the questions you will have. The Section 707 attachment will give you guidance from the statute. Call at any time if you have questions or concerns.

As you do this, there are several things to keep in mind:

All of the information you provide must be complete, accurate, and truthful.

You should make every effort to list every creditor, their most current address, and balance due. Provide me with copies of all these bills or invoices (for more than one month, if available).

While every page of the schedules is important, some pages will be examined more carefully than others. These are the lists of assets, current income, and current expenses.

Assets: Everything that you own should be listed. This includes income tax refunds, personal injury or damage claims, claims that you might think you have against anyone for anything, or persons who owe you money. Not listing an asset can cost you your discharge. It may also stop you from ever recovering on a claim. It needs to be listed even if it is of no value or if it is a liability – for example, that burnt-out 1994 non-running Pacer automobile that does not have an engine. Valuation will be scrutinized.

If the property is real estate, check sales in the neighborhood when determining value. If possible, have a real estate agent give you a Comparative Market Analysis of your property. Ask for a quick-sale value.

For a car, check the sales price of comparable models in car lists and newspapers, or take the car to a used car lot. If you do, please take the form attached as Exhibit 1 and ask them to fill it out and sign it. Bring this information with you when we meet so that I can review it and place it on the schedules.

For household goods, determine the value that you would pay for the items at someone else's yard sale or at a thrift store or a used furniture or clothing store.

Income: The income schedule should be supported by paystubs and income tax returns for the last two years. If your employer does not provide pay stubs, please bring a copy of your paycheck and ask your employer for its worksheet specifying what is deducted from your gross salary.

The monthly expense schedule should reflect the cost of running your household. Many expenses will have been paid in cash, so you must use a best estimate. Remember to include such items as car maintenance (not just gas), yearly car licenses and taxes, co-pays on medical

and prescription drug items, and over-the-counter medications. You have probably not been purchasing new clothing. Reasonable expenses for replacing clothing need to be included. If you do not have health insurance, you need to determine exactly what it will cost.

You will probably discover that your expenses are greater than your income. Because this is a post-bankruptcy expense schedule, you cannot list payments on debts, such as credit cards, that you will discharge. You do need to include expenses that you will have to pay.

Acceptable monthly expenses are defined by statute, which is attached. Also attached are copies of the National and Local Standards established by the Internal Revenue Service.

Please remember that you are completing these documents for public filing, under penalty of perjury. They can be examined by all sorts of unfriendly people, such as ex-spouses and angry creditors. Concealment of assets and making false statements are federal crimes.

Also remember that the only dumb questions are the ones you do not ask. What you don't know can get you into a great deal of trouble. It is better to ask the question now than to try to fix it later.

Please make an appointment with my office to return and review these documents before they are prepared for filing. We will review them again before you sign them.

Sincerely,

/s/ Larry B. Feinstein

Section 707 Attachment

(ii)(I) The debtor's monthly expenses shall be the debtor's applicable monthly expense amounts specified under the National Standards and Local Standards, and the debtor's actual monthly expenses for the categories specified as Other Necessary Expenses issued by the Internal Revenue Service for the area in which the debtor resides, as in effect on the date of the order for relief, for the debtor, the dependents of the debtor, and the spouse of the debtor in a joint case, if the spouse is not otherwise a dependent. Such expenses shall include reasonably necessary health insurance, disability insurance, and health savings account expenses for the debtor, the spouse of the debtor, or the dependents of the debtor. Notwithstanding any other provision of this clause, the monthly expenses of the debtor shall not include any payments for debts.

In addition, the debtor's monthly expenses shall include the debtor's reasonably necessary expenses incurred to maintain the safety of the debtor and the family of the debtor from family violence as identified under section 309 of the Family Violence Prevention and Services Act, or other applicable Federal law. The expenses included in the debtor's monthly expenses described in the preceding sentence shall be kept confidential by the court. In addition, if it is demonstrated that it is reasonable and necessary, the debtor's monthly expenses may also include an additional allowance for food and clothing of up to 5 percent of the food and clothing categories as specified by the National Standards issued by the Internal Revenue Service.

(II) In addition, the debtor's monthly expenses may include, if applicable, the continuation of actual expenses paid by the debtor that are reasonable and necessary for care and support of an elderly, chronically ill, or disabled household member or member of the debtor's immediate family (including parents, grandparents, siblings, children, and grandchildren of the debtor, the dependents of the debtor, and the spouse of the debtor in a joint case who is not a dependent) and who is unable to pay for such reasonable and necessary expenses.

(III) In addition, for a debtor eligible for Chapter 13, the debtor's monthly expenses may include the actual administrative expenses of administering a Chapter 13 plan for the district in which the debtor resides, up to an amount of 10 percent of the projected plan payments, as determined under schedules issued by the Executive Office for the United States Trustees.

(IV) In addition, the debtor's monthly expenses may include the actual expense for each dependent child less than 18 years of age, not to exceed $1,500 per year per child, to attend a private or public elementary or secondary school if the debtor provides documentation of such expenses and a detailed explanation of why such expenses are reasonable and necessary, and why such expenses are not already accounted for in the National Standards, Local Standards, or Other Necessary Expenses referred to in subclause (I).

(V) In addition, the debtor's monthly expenses may include an allowance for housing and utilities, in excess of the allowance specified by the Local Standards for housing and utilities issued by the Internal Revenue Service, based on the actual expense for home energy costs if the debtor provides documentation of such actual expenses and demonstrates that such actual expenses are reasonable and necessary.

IF YOU RETURN THESE WORKSHEETS TO OUR OFFICE FOR PREPARATION OF THE FILING OF A BANKRUTPCY, WHETHER THE BANKRUPTCY IS ACTUALLY FILED OR NOT, WE WILL ASK YOU TO SIGN OUR ENGAGEMENT AGREEMENT. IF IT IS NOT SIGNED FOR SOME REASON, THE RETURNING OF OUR WORKSHEETS AND YOUR REQUEST THAT WE MOVE FORWARD TO PREPARE A BANKRUPTCY FILING ON YOUR BEHALF, YOU WILL DEEM TO HAVE SIGNED AND AGREED TO OUR ENGAGEMENT AGREEMENT AS TO THE SERVICES WE WILL PERFORM FOR YOU AND THE PAYMENT FOR THOSE SERVICES.

ENGAGEMENT AGREEMENT

Having discussed this matter with you, we have agreed to represent you and/or your company according to the following terms and conditions.

1. The value of my services, as your attorney, for partner's time is billed at $425.00 per hour, and associate's time at $250.00 to $275.00 per hour [which associates may be contract attorneys that our office uses to assist in providing legal work on your case]; you will be billed on a monthly basis at the above rate for the total amount of hours rendered on your behalf or such fractional part thereof, pro-rated. Such services will include office calls, conferences, correspondences, investigation, research, travel, trial preparation, telephone calls, court appearances, and other services. Legal assistant time is billed at $95.00 per hour or such fractional part thereof, pro-rated. Our minimum billing increment is 1/10 of an hour. These rates may change periodically, and usually on an annual basis we will review our rates, and we will notify you of any rate increase.
2. In a Chapter 7 or a Chapter 13 bankruptcy case, the fees (which are still billed on an hourly basis, but see my more detailed explanation in our Information Letter and below on the Court's "presumptive fee" policy[3]) are generally in the area of $1,500 (Chapter 7) to $3,500 (Chapter 13) [which I explain more fully in my Information Sheets you received with this Agreement], since the procedure is usually standardized: we agree to assist you in preparing your bankruptcy schedules, statement of financial affairs and necessary associated documentation.[4] We require the full amount of our anticipated fees, which we will discuss

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[3] The Bankruptcy Court and the Trustee's (Chapter 7, Chapter 11 and Chapter 13) have the authority to review all attorney's fees paid in Chapter 7, 11 and 13. These fees have to be disclosed, and when we file the proceedings, we have to tell the court how much we were paid. The court has a base standard, which is generally referred to as the "no look" fee. In other words, if I am paid a certain amount that if within the court's "no look" guidelines, the court presumes the fee to be reasonable and does not require me to separately itemize or keep track of my time on the matter. Thus, if I charge $1,500 for a Chapter 7, that is considered an average fee for most Chapter 7 proceedings, and the court will not require me to keep track of my individual time, knowing from experience that most attorneys generally spend sufficient time on a Chapter 7 proceedings to justify $1,500 in fees, so that the court does not "look" at those fees for scrutiny. The same with Chapter 13 — the court has determined that $3,500 is the "no look" fee for Chapter 13, based on thousands of cases filed in the court, and that is what we charge for a Chapter 13. If, however, your case has extraordinary problems, non-discharge disputes, creditor or Trustee objections, or other matters that are generally not expected or routine, we do keep track of our time on these extraordinary matters, and we do seek to have the Court allow additional fees over and above the Court's "no look" fee.

[4] However, we do not conduct an independent investigation of your assets and liabilities. It is your responsibility to list all of your creditors and to obtain their addresses; it is also your responsibility to list all of your assets and their values. We do not hire appraisers for your assets, nor do we

with you, prior to filing a Chapter 7 proceeding.[5] There will be time set aside for reasonable review of the file, preparation for the First meeting of creditors, including review of reaffirmation agreements and creditor inquires. Note that we will review and advise you in regard to the law on Reaffirmation Agreements, the legal effect and requirement for said agreements [especially in regard to automobile loans], but as set forth in our Information Sheets which were given to you, **we generally will <u>not</u> execute or approve Reaffirmation Agreements**, for the reasons set forth in the Information Sheets, and you will need to seek court approval for them. We will advise you on how you may do that yourself. We shall appear and represent you at the Meeting of Creditors. We will also accept all phone calls and correspondence regarding your case, responding to the same as appropriate, until we are discharged. If we have agreed that you may pay the estimated fees in installments, then we can, if requested, break down our hourly charges for pre-petition and post-petition services.

3. The hourly rate for these services, assuming your case is uncontested, should not be in excess of the estimated "presumptive fee" of $1,500 - $3,500 as we will discuss. If the matter becomes contested after the filing, we will bill you at the hourly rate set forth above for the time expended. This will include representing you in adversary proceedings filed after the bankruptcy is filed, such as by a creditor who files a complaint objecting to the discharge of their debt, or a proceeding by the trustee or US Trustee objecting to your discharge or Bankruptcy. <u>These subsequent adversary proceedings are not included in the "presumptive" fee, and will be billed separately</u> if you desire to retain our services for these separate lawsuits. **This retainer agreement does not include our obligation to represent you in any adversary proceedings. In addition, for us to put in an appearance in any adversary action, we will need a subsequent retainer, and we can discuss the estimated fees and costs that will be incurred depending upon the nature of the adversary proceeding**.

    a. **<u>Fee Earned Upon Receipt</u>** ("presumptive fee"). It is agreed that, in consideration of work performed prior to the date of this Agreement and the reservation of our time to properly handle your case through conclusion for the services outlined herein, the full "presumptive" fee we agree to is deemed earned when paid, and we may immediately deposit the full fee into our general operating account under RPC 1.5 and 1.15A, and not into our trust account. **However, to the extent any portion of the amount paid is deemed not earned, you may be entitled to a refund of a portion of the fee if the agreed-upon legal services have not been completed. Also, even though this**

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run any independent credit checks on you to "find" out who your creditors are. We therefore cannot second guess you on your bankruptcy, and the information you provide us must be complete.

[5] Because of interpretations of Section 727 relating to discharge by the 9th Circuit Court of Appeals, all fees for a Chapter 7 bankruptcy must be paid in advance of filing. However, for your information, on our Chapter 7 fees, we generally allocate 60% of our fee estimate to pre-bankruptcy services [preparing the schedules, meeting with clients, filing the proceedings, etc.] and 40% of our fee to post-filing services [such as attending the creditors meeting, dealing with creditors phone calls, working with the trustee, etc.]. In a Chapter 13, we require a minimum of $1500 (plus filing fee) at the time of signing the paperwork, and the balance before filing, but we may under special circumstances put the balance of our fees in the Chapter 13 Plan.

is an initial presumptive fee, this agreement does not alter your rights to terminate the client-lawyer relationship. Should you change your mind about representation and the filing of a bankruptcy, the "no look presumptive fee" does not extinguish the possibility that you may, or may not, have the right to a partial refund, for example, to the extent time billed is less than the fee paid when you changed your mind.

4. If your case is a Chapter 11 bankruptcy matter, the fee will be computed and generally charged at the hourly rate of $425.00, which may be adjusted depending on the complexity and nature of the services to be rendered, which we will discuss. The same services as mentioned in the paragraphs above will be provided to you in addition to the requirements of Chapter 11, including the preparation and filing of a Disclosure Statement and Plan of Reorganization. However, because of strict requirements regarding attorneys fees in a Chapter 11 reorganization proceeding, it is required that we receive a $3,500 initial fee to cover all our fees prior to the filing of the Ch. 11, including meetings with you, calls to your creditors (example: mortgage companies if there is a pending foreclosure), preparation of the initial filing papers, schedules, etc. That is estimated to be about 8 - 10 hours of work. In addition **prior** to the commencement of the case, we require a deposit for post-filing fees in the Ch. 11, and our general retainer is $7,500 (plus the court filing fee), for small business and individual Chapter 11s; and $15,000.00 & up for public or complex Chapter 11s. This post-filing retainer will be held in trust and cannot be drawn on without court permission.(which is required in Ch. 11's.). All of our fees, however, are shown on a blended billing statement that you will get each month showing the services we have performed, the amounts you have paid, and the balances [even if we cannot actually draw on those balances until the court approves it.]

5. It is agreed that, in consideration of work to be performed and the reservation of our time to properly handle your case through conclusion, the fee may be deposited into our general operating account. To the extent any portion of the amount paid is deemed not earned at a later time, you are entitled to a refund of that portion reasonably allocated to the unearned portion of the fee paid. However, we agree that additional billings on your matter shall not be charged until we have performed services (if separately billed at our hourly rate set forth above) in excess of the retainer paid. If additional services are required to be rendered by us in representing you, in other than Chapter 11 proceedings, then we will ask that you deposit into our client Trust Account the amount so billed to you each month. Since fees during Chapter 11 bankruptcy cases may only be paid to the attorney for the debtor pursuant to an Order of the court, I must note for hearing and obtain an order of the court for you to pay fees, so you will be notified if I make this request. Also, if we do file a Chapter 11 on your behalf, then the retainer paid may be considered a Security Retainer, pursuant to local bankruptcy court rules. You will be advised of all such applications to the court; and you will note that bankruptcy rules require us to disclose not only the initial retainer paid, but also any further deposits into trust that may be made during the proceeding.

6. You, the client, will pay all costs associated with and incurred by me, the attorney, in handling this matter, which costs may also be subject to approval and allowance by the Bankruptcy Court. I will advise you when these costs are. Such costs may include, but shall not be limited to, filing and service of process fees, costs of depositions or other discovery, expert fees, copying costs, long distance phone charges, etc. Your monthly statement will

include an itemization of all such costs incurred. If a major cost is contemplated to be incurred, such as a deposition or consultation with an expert, I will advise you of the need for the expenditure and will make no such expenditure until I have obtained your consent. You understand that I may advance costs on your behalf, but that the primary and ultimate responsibility for payment of costs is on you.

7. At the end of each month, I will send you a statement showing serviced rendered if the matter is an hourly matter, and not covered by the flat fee or "no look" fee paid. If fees and/or costs exceed the balance of your account in matters other than under Chapter 11, you should immediately pay the balance. It is required that once the services have been performed for which we agreed under the initial retainer, that you pay our bill in full each month, even though said payment may be held in trust as stated above, or subject to other restrictions under local bankruptcy court rules. We will also disclose any such payment to the court, as required by local bankruptcy rules. If any bill is not paid in full, and if our outstanding unpaid fees exceed five hundred dollars ($500.00), we may apply to the court to withdraw from further representation in your case.

8. At the close of the case, or at the close of our attorney/client relationship, and except as relating to flat fees that for which the services have been performed, I will refund to you all monies you paid which remain in the Trust Account, less an amount representing all unreimbursed costs and unpaid fees at my hourly rate. If an insufficient amount remains for such payment, you will immediately make up the difference. A 1.0% per month charge will be added to any outstanding balances exceeding 30 days in arrears; however, late charges and interest will not accrue during the pendency of Chapter 11 proceedings, and interest is generally not allowed by the Bankruptcy Court during the pendency of a proceeding.

9. You understand and agree that I have not made, nor will I make, any guarantees regarding the outcome of your case. If I find it does not appear you have timely paid any fees due, or if we reach different opinions as to handling the case, I shall have the right to cancel this agreement and withdraw from your case after we have consulted on the matter. In such event, you will owe for any costs incurred on your behalf that remain unpaid. Such sums will be due immediately upon termination of this contract.

10. You shall have at all times the right to terminate my services upon written notice to that effect. I shall have at all times the right to terminate my services upon written notice, so that you may obtain other counsel, in the event that you either: (1) fail to cooperate with any reasonable request, (2) fail to timely pay the monthly statements, or (3) should I determine that to continue my services would be unethical or impractical. However, termination in a bankruptcy proceeding will normally require a motion to the court for permission to withdraw from the case, and an order of the court approving the withdrawal.

11. You agree that you will fully cooperate with me and supply me with all information that I deem necessary to handle your case and in supplying costs when required by me. Our firm agrees to devote our full professional abilities to handling your case and to keep you informed of its progress on a regular basis. You agree to provide us with your contact information for up to three years after your case closes, in the event we receive further mail or other information regarding your case.

12. You hereby grant me a lien on any and all causes of action, any proceeds or any judgment for sums due for fees, costs and/or disbursements. You authorize me, with full power of

substitution, to act for you, in your name, to receive any monies or other properties to which you are entitled and this agreement shall operate as an assignment to me to the extent of any obligations to me, of any money, property, judgment, or the proceeds thereof, to which you may be entitled. These rights, however, may not be enforceable in a bankruptcy case without notice and order from the court, but would generally apply in all non-bankruptcy proceedings.

13. You agree to pay a reasonable attorney's fee and costs of collection in the event any action is necessary to collect any fees, costs or disbursements through a collection agency or otherwise. You further agree to consent to venue in Seattle District Court or King County Superior Court of the State of Washington, at my election. Also, any unpaid bill will accrue interest at **12%** per annum until paid in full.

14. You have read this agreement, understand its terms, have received a copy, and have agreed to abide by its terms and conditions. There are no other written or oral agreements between us.

15. Fee sharing. If you were referred to my office by another attorney, it is hereby disclosed that some of the fees that are charged may be paid to the referring attorney only for the *services they perform*, and they will not be paid or share in the compensation paid by you to me. I do not increase my fees when a matter is referred to me by another attorney, as I might consult with them about the referral and the case, and they may have earned or bill for some of the total fees billed, which reduces the fees paid to me but does not increase the fees charged to you. In other words, they are being paid for their services, and I am being paid for my services. It is understood that the referring attorney may have given you legal advice and then decided to refer the matter to me for further services or joint services; but each attorney maintains their own respective law practices. In addition, in some instances I may not be available to attend a hearing or meeting with you, but I may (or will) arrange for another attorney to attend the hearing or meeting (such as the trustee §341 meeting) so that you are not unrepresented, and any costs/fees for that matter is included in the attorney fees you have paid me, and there will be no additional charge to you; and that attorney will be paid for their services from the total compensation you have paid. Again, they are being paid for their services and I am being paid for my services, and it will not increase the total fees agreed to. You consent to this association by execution of this agreement. We also may use contract attorneys in our office to assist in your case. They are paid by our office and not by you, to assist in preparation of legal pleadings, research, motions and other matters. As set forth above, they are usually billed at a lower rate than Mr. Feinstein, usually at $250 to $275 hour, depending on their own experience and the work performed.

16. Files: All files generated by my office, including correspondence, pleadings, memorandums, etc. will be copied to you for you to maintain as ***your file*** in this matter. Copies kept by my office of correspondence, pleadings, etc. are my files. If you deliver any original documents to my office, those shall remain yours, and I will normally copy those originals and return the originals to you, unless they are needed as an exhibit in the case. If you terminate my services, or after the matter for which we are engaged is completed, you are entitled to any original documents you delivered to my office. However, the "client file" that I have in my office is my file and it will not be turned over to you, as you will have been copied on a regular basis everything in that file, as your file on this matter. If you engage another attorney, please give that attorney a copy of your file, as you will or should have a duplicate of virtually everything that I have. I keep my files, after my services have been terminated or

completed, for about three years, and then I dispose of my "dead" files. It is imperative that you keep your file for as long as you deem necessary, which may be more than three years. Promptly inform me if you need another copy of anything that I have in my file after the matter is competed or after my services are discharged, since you will not be specifically contacted at a later point in time to inform you that I am disposing of my file on this matter.

17. *Conflicts.*

    a. It is inherent in a small business corporate case that the owner of the corporation and the corporation itself may have similar and may have separate goals. A good example of this is a corporate debt which is guaranteed by the owner. The owner may want to pay that guaranteed debt, wherein it may or may not be in the best interest of the corporation to pay the debt in full in a Plan. If I am engaged to represent the corporation, **I have and do herein advise the owners to obtain their own legal counsel during the proceeding**. However, I will take my directions from the management of the corporation, and I will advise management when I think that they are instructing me to perform legal services that are not in the corporation's best interest. Accordingly, I require that the corporation and its owners waive any potential conflict of interest, and understand that my duty runs to my client; and if that client is a corporation, then any conflicts for legal services to be performed must be resolved by me in favor of my client, and the owners will again be advised to seek separate counsel.

    b. Another potential conflict arises when you may want a referral during your proceeding to refinance your home. I have dealt with several lenders over time that provide mortgage broker services to debtors, to try to get them the best rates possible in financing or re-financing their home or automobile. I don't receive any payment or remuneration from them for these referrals, but they are part of the "bankruptcy networking" between many debtor's attorneys, lenders, and brokers to help people through the process. On occasion, I also do "creditor" representation in bankruptcy matters [such as relief from stay], and have been asked to represent these lenders in bankruptcy proceedings. Even though I will not represent them in any finance/refinance with you, and they all have their own regular attorneys, I want to disclose to you that if you ask for a referral to a mortgage lender or broker, I may give you names of companies that perform these services that I have used successfully with other clients (or I wouldn't recommend them!) and you are not obligated to contact them, or use their services. I merely provide leads for your own use, and if you do use any of these contacts, you WAIVE any conflict that might exist since I may have represented them sometime in the past.

18. Further, my duty under the Rules of Professional Conduct is to my client, you. If my fees or retainer is paid by a third party on your behalf, please make sure to advise them that this creates no obligation or duty from me to them and I will only be representing you in this proceedings. This is very common in corporate bankruptcies when the owners have to advance or loan funds to the company to pay my retainer; or in individual cases when fees are paid or advanced from family members. I am not representing them or their interests, and before they loan you the money, they may need to obtain their own legal advice to protect their interests in your proceedings, as I will not be able to give them that advice. Please

discuss this with me if this is your situation, as there are strict rules on representation, regardless of who pays the fees.

CLIENT TO SIGN AND RETURN THIS SIGNATURE PAGE AND RETURN TO VORTMAN AND FEINSTEIN; HOWEVER, IF NOT SIGNED, THIS AGREEMENT SHALL BE DEEMED TO BE READ, UNDERSTOOD, AND BINDING IF YOU RETURN THE ACCOMPANYING BANKRUPTCY WORKSHEETS AND PAPERWORK TO OUR OFFICE FOR FURTHER LEGAL SERVICES AND WE PERFORM ADDITIONAL SERVICES. FURTHER, THE CLIENT ACKNOWLEDGES AND STATES THAT BY SIGNING THIS RETAINER AGREEMENT, THEY ARE PROVIDING THIS INFORMATION TO ME FOR THE PURPOSE OF OBTAINING LEGAL ADVICE CONCERNING THEIR FINANCIAL SITUATION.

DATED this _____ day of _____, 2015.

THIS AGREEMENT IS APPROVED BY BOTH PARTIES.

VORTMAN & FEINSTEIN

/s/ Larry B. Feinstein

Larry B. Feinstein, Attorney

DEBTOR

Home Affordable Modification Program (HAMP) for Homeowners in Bankruptcy

MAKING HOME AFFORDABLE.GOV

The Making Home Affordable Program is a critical part of the government's effort to stabilize the housing market and help struggling homeowners get relief and avoid foreclosure. The Program includes opportunities for homeowners in bankruptcy to modify their mortgage to make their payments more affordable through the Home Affordable Modification Program (HAMP).

Homeowners whose monthly mortgage payment exceeds 31 percent of their verified gross (pre-tax) income may apply for a HAMP modification before or after filing bankruptcy.

To qualify for HAMP, a homeowner must:

- Own a one- to four-unit home that is their primary residence;
- Have received their mortgage on or before January 1, 2009;
- Have a mortgage payment (including taxes, insurance, and homeowners' association dues) that is more than 31 percent of their gross (pre-tax) monthly income;
- Owe an amount that is less than or equal to $729,750 on their first mortgage for a one-unit property (there are higher limits for two- to four-unit properties); and
- Have a documented financial hardship.

To apply for HAMP, homeowners must submit an Initial Package to their mortgage servicer, which includes:

- A complete Request for Modification and Affidavit (RMA).*
- A complete Tax Authorization Form (IRS Form 4506T-EZ).*
- Proof of income. *

**These forms and a Proof of Income checklist are available on the Making Home Affordable Web site – MakingHomeAffordable.gov. Homeowners may also obtain copies of these forms from their bankruptcy trustee.*

Mortgage servicers will determine whether homeowners qualify for a HAMP modification. Homeowners who qualify must complete a trial period of three or four months to demonstrate that they will be able to make reduced payments on time before their mortgage will be permanently modified.

TAKE ACTION TODAY

- Visit MakingHomeAffordable.gov for more information about the Making Home Affordable Program.
- Homeowners should discuss HAMP with their bankruptcy attorney before making an application for a HAMP modification.
- Call 1-888-995-HOPE (4673) for information about the Making Home Affordable Program and to speak with a HUD-approved housing counselor for free. If you are having difficulties, call the hotline and ask for "MHA Help".

888-995-HOPE
Homeowner's HOPE™ Hotline

BEWARE OF FORECLOSURE RESCUE SCAMS — HELP IS FREE!

- Beware of anyone who asks you to pay a fee in exchange for a counseling service or modification of a delinquent loan.
- Scam artists often target homeowners who are struggling to meet their mortgage commitment or are anxious to sell their home. Recognize and avoid common scams.
- Assistance from a HUD-approved counselor is FREE.
- Beware of people who pressure you to sign papers immediately, or who try to convince you that they can "save" your home if you sign or transfer over the deed to your house.
- Do not sign over the deed to your property to any organization or individual unless you are working directly with your mortgage company to forgive your debt.
- Never make a mortgage payment to anyone other than your mortgage company without the mortgage company's approval.

091610

Visit MakingHomeAffordable.gov or call 1-888-995-HOPE (4673)

El Programa de Modificación Home Affordable (HAMP) para Propietarios de Vivienda en Bancarrota

MAKING HOME AFFORDABLE.gov

El programa Making Home Affordable es una parte crítica del esfuerzo del gobierno para estabilizar el mercado hipotecario y ayudar a propietarios de vivienda en dificultades a obtener alivio y evitar una ejecución hipotecaria. El programa incluye oportunidades para que propietarios de vivienda en la bancarrota puedan modificar su préstamo y hacer sus pagos hipotecarios más económicos a través del Programa de Modificación Home Affordable (HAMP, por sus siglas en inglés).

Los propietarios de vivienda cuyos pagos mensuales de hipoteca superen el 31 por ciento de sus ingresos brutos verificados (antes de impuestos) pueden solicitar una modificación HAMP antes o después de declararse en bancarrota.

Para calificar para el HAMP, un propietario de vivienda debe:

- Poseer una vivienda de 1 a 4 unidades que sea su residencia principal;
- Haber recibido su hipoteca en o antes del 1° de enero de 2009;
- Tener un pago hipotecario (incluyendo impuestos, seguro y cuotas de la asociación de propietarios de vivienda) que sobrepasa el 31% de su ingreso mensual bruto (antes de impuestos);
- Deber $729,750 o menos de su hipoteca de primer grado para una propiedad de una unidad (existe un límite más alto para propiedades de dos a cuatro unidades);
- Tener una dificultad financiera documentada.

Para solicitar el HAMP, los propietarios de vivienda deben presentar un paquete inicial a su prestador hipotecario, que incluye:

- Una Solicitud de Modificación y Declaración Jurada (RMA), completada.*
- Un Formulario de Autorización de Impuestos (IRS Forma 4506T-EZ), completado.*
- Prueba de ingresos.*

**Estos formularios y una lista de verificación para la prueba de ingresos están disponibles en el sitio Web de Making Home Affordable – www.MakingHomeAffordable.gov. Los propietarios de vivienda también pueden obtener copias de estos formularios de su fiduciario de bancarrota.*

Los prestadores determinarán si los propietarios de vivienda califican para una modificación HAMP. Los propietarios de vivienda que califiquen deben completar un plan de período de prueba de tres o cuatro meses para demostrar que serán capaces de hacer los pagos reducidos a tiempo antes de que su hipoteca sea modificada permanentemente.

TOME ACCIÓN HOY

- Visite MakingHomeAffordable.gov para más información sobre el programa Making Home Affordable.
- Los propietarios de vivienda deben hablar con su abogado de bancarrota sobre HAMP antes de solicitar una modificación HAMP.
- Llame al 1-888-995-HOPE (4673) para información sobre el programa Making Home Affordable y para hablar de forma gratuita con un consejero de vivienda bilingüe aprobado por el Departamento de Vivienda y Desarrollo Urbano (HUD, por sus siglas en inglés). Si está teniendo dificultades, llame a esta línea directa y pregunte por "MHA Help."

888-995-HOPE
Homeowner's HOPE™ Hotline

CUIDADO CON LAS ESTAFAS DE RESCATE DE EJECUCIONES HIPOTECARIAS – ¡LA AYUDA ES GRATIS!

- Cuidado con cualquier persona que le exija pagar un cargo a cambio de asesoramiento o para una modificación del préstamo en mora.
- Los estafadores a menudo dirigen sus esfuerzos a propietarios de vivienda que tienen dificultades cumpliendo con su compromiso hipotecario o quienes están ansiosos por vender su vivienda. Reconozca y evite las estafas comunes.
- Los consejeros de vivienda aprobados por el HUD brindan asistencia GRATUITA.
- Cuidado con personas que le presionen para firmar documentos inmediatamente, o que tratan de convencerle de que pueden "salvar" su vivienda si usted firma o transfiere la escritura de su casa a ellos.
- No le firme la escritura de su propiedad a ninguna organización o individuo a menos que esté trabajando directamente con su compañía hipotecaria para condonar su deuda.
- Nunca haga un pago de la hipoteca a cualquier persona que no sea su compañía hipotecaria sin la aprobación de la compañía hipotecaria.

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Visite www.MakingHomeAffordable.gov o llame al 1-888-995-HOPE (4673)