Contingent Liabilities and Disputed Claims in the Context of a Bankruptcy Solvency Analysis

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Valuation is an integral part of the bankruptcy solvency or insolvency analysis. As part of the solvency analysis, all of the debtor's assets and liabilities, including off-balance-sheet liabilities are analyzed and valued. As a debtor becomes financially distressed on its journey toward bankruptcy, it may become involved in financing schemes or become the target of lawsuits that ultimately contribute to its bankruptcy. These types of contingent liabilities and disputed claims that exist prior to the petition date can play a significant role in the determination of a debtor's solvency in the context of a bankruptcy proceeding. This discussion focuses on the differences between disputed claims and contingent liabilities and how to estimate their values. In addition, this discussion illustrates an erroneous valuation of debtor liabilities. That example highlights the implications of that error.

Introduction

In many instances, a debtor's solvency is an issue that is at the heart of determining whether a transfer can be avoided for being:

1. a preference (if the debtor's insolvency during the 90 days prior to the filing of the petition is contested—otherwise insolvency is presumed) under Bankruptcy Code Section 547 or
2. constructively fraudulent or made with actual fraudulent intent under Bankruptcy Code Section 548.

This issue can be addressed by assessing whether the debtor was solvent at the time of the transfer by performing a solvency analysis.

In performing the balance sheet test of a solvency analysis all the liabilities of the debtor should be taken into account. This includes relatively easily identifiable and quantifiable liabilities listed on a debtor balance sheet as well as the more difficult to identify and quantify contingent liabilities and disputed claims, which are generally not listed on the debtor balance sheet.

In certain cases, the value of the contingent liability or disputed claim is material and can be the determining factor of the debtor insolvency at the time of the transfer. Therefore, a valuation analyst should conduct thorough due diligence in order to identify all contingent liabilities and disputed claims while performing a solvency analysis.

Further, a valuation analyst should take care in distinguishing between the identified contingent liabilities and disputed claims. The valuation treatment and analytical considerations of these two types of liabilities are different within the context of a bankruptcy solvency analysis.

This discussion focuses on the differences between disputed claims and contingent liabilities and how to estimate their values. In addition, this discussion provides an illustrative example of the erroneous valuation of debtor liabilities and highlights the implications of that error.

Contingent Liabilities

The term "contingent" is not defined in the Bankruptcy Code. Further, many preference cases do not address whether a liability is contingent in the context of a solvency analysis.

However, the "triggering event test," as introduced in the *In re All Media* case, has been used in several cases to define contingent liabilities to determine Section 303 eligibility. In addition, courts have used the "triggering event test" to differentiate between contingent and noncontingent liabilities to determine Chapter 13 eligibility under Section 109(e).[1]

In the *In re All Media* case, the court concluded that:

> A claim is contingent as to liability if the debtor corporation's legal duty to pay does not come into existence until triggered by the occurrence of a future event and such future occurrence was within the actual or presumed contemplation of the parties at the time the original relationships of the parties was created.[2]

The *In re Loya* court further differentiated between contingent and other liabilities by stating:

> The rule is clear that a contingent debt is one which the debtor will be called upon to pay only upon the occurrence or happening of an extrinsic event which will trigger the liability of the debtor to the alleged creditor.[3]

Therefore, it is not uncertainty about the amount that will be payable upon the occurrence of the contingency that makes the liability contingent. Rather, it is the uncertainty surrounding the likelihood of the triggering event occurring, thus activating the debtor's obligation to pay the creditor, that makes the liability contingent.

This concept is illustrated in the following example. Company A obtained a $5 million loan from a bank, but in order to qualify for the loan, the bank required Company B to guarantee the loan. In this example the amount that Company B would be obligated to pay the bank, $5 million, if Company A were to default on the loan is easily ascertainable.

However, the likelihood of Company A defaulting on the loan, the triggering event, is uncertain. Company A could dutifully pay its obligations to the bank throughout the life of the loan. Or, Company A could default on the loan within a week of obtaining the financing.

Valuation of Contingent Liabilities

All of the debtor assets and liabilities are considered when performing a solvency analysis and, as part of that process, contingent assets and liabilities are identified. After a claim has been determined to be contingent as to liability, its value can then be estimated accordingly.

As demonstrated in the example above, the difficulty in estimating the values of contingent liabilities is in the uncertainty surrounding:

1. the ultimate impact they will have on the debtor corporation and
2. the likelihood that an event will occur to trigger the payment of the liability.

In re Xonics Photochemical, Inc., and *Covey v. Commercial National Bank of Peoria* are two often cited cases that provide professional guidance on how to account for these uncertainties in order to estimate the value of contingent liabilities.

Guidance from the Xonics Photochemical, Inc., Case[4]

Xonics Photochemical, Inc., ("Xonics Photo") was a wholly owned subsidiary of Xonics, Inc., and along with other Xonics, Inc., wholly owned subsidiaries, was in the business of making medical equipment. In 1982 and 1983, Xonics Medical Systems, Inc., one of the wholly owned subsidiaries of Xonics, Inc., borrowed approximately $15 to $20 million on a line of credit.

Xonics, Inc., compelled Xonics Photo, along with its other wholly owned subsidiaries, to guarantee the loan to Xonics Medical Systems, Inc.

In addition, Xonics, Inc., forced Xonics Photo to co-make a loan with Xonics Medical Systems, Inc., for an additional $3 million. At the time of the borrowing, Xonics Photo had net assets of approximately $1.7 million and total assets of approximately $2.6 million.

Soon after the borrowings, Xonics Photo paid its supplier, Mitsui & Co. (U.S.A.), Inc. ("Mitsui"), for chemicals that had been delivered. The payments totaling approximately $124,000 cleared in January of 1984. However, within 90 days of making the payments to Mitsui, Xonics Photo was in bankruptcy.

Xonics Medical Systems, Inc., ultimately defaulted on its loans which triggered the guarantees made by the Xonics, Inc., subsidiaries. Xonics, Inc., and all of its subsidiaries ultimately filed for bankruptcy under Chapter 11 as their total debt was in excess of their aggregate total assets.

Under Bankruptcy Code Section 547, a debtor is presumed to be insolvent during the 90 days preceding a bankruptcy filing. Based on that premise, Xonics Photo, as debtor in possession, sought to avoid the payments made to Mitsui.

At issue was whether Xonics Photo was insolvent at the time of the transfers. The other requirements for avoidable transfers under Section 547(b) had been met. Xonics Photo, the bankruptcy court, and the district court concluded that Xonics Photo was insolvent, but Mitsui challenged the presumption of insolvency and appealed.

Mitsui argued that Xonics Photo was not insolvent when the payments were made. This was because the transactions between Xonics Photo and its affiliates were voidable under Illinois state law and were also voidable as fraudulent conveyances.

The court found that the guarantees were enforceable "provided that the guarantor derives some benefit, even if indirect, see id. at 1379, from the guarantee."[5]

The court determined that Xonics Photo did receive benefit via access to (1) a line of credit and (2) the Xonics Medical Systems, Inc., distribution system.

The court also determined that Sections 544(b) and 548(a) could only be invoked by the trustee or the debtor in possession as the representative for the unsecured creditors. The allegedly fraudulent conveyances happened before the payments to Mitsui were made and Mitsui was not a creditor that was harmed by the allegedly fraudulent conveyances.

In this case, the debtor in possession, Xonics Photo, did not invoke Sections 544(b) or 548(a). Therefore, the transactions between affiliates were not eligible for avoidance.

The court noted that Mitsui did not challenge the contingent aspect of the guarantee and the loan. However, the court addressed the contingency issue to "avoid creating the unsettling impression that contingent liabilities must for purposes of determining solvency be treated as definite liabilities even though contingency has not occurred."[6]

The court proposed that because of the uncertainty surrounding the eventual realization of the contingent liability, a probability reflective of the chances of the triggering event (the Xonics Medical Systems, Inc. default) occurring should be applied to the net assets of Xonics Photo in order to estimate the value of the contingent liability.

The court provided the following illustration:

> Suppose that on the date the obligations were assumed there was a 1 percent chance that Xonics Photochemical would ever be called on to yield up its assets to creditors of Xonics Medical Systems (or other members of the Xonics family, since the system of guarantees had the effect of pooling their assets for the benefit of creditors of any member). Then the true measure of the liability created by these obligations on the date they were assumed would not be $28 million; it would be a paltry $17,000. For at worst Xonics Photochemical would have to yield up all of its assets (net of liabilities), that is, $1.7 million and the probability of this outcome is by assumption 1 percent (we are ignoring intermediate possibilities —e.g., that Xonics Photochemical would be forced to pay over $1 million rather than $1.7 million). Discounted, the obligations would not make Xonics insolvent, and Section 547(b) would not come into play unless events occurring between the assumption of the obligations in 1982 and 1983 and the bankruptcy in 1984 had altered the picture.

It should be noted that the aforementioned procedure for valuing the contingent liability was not part of the decision in the *In re Xonics Photochemical, Inc.*, case. There was no debate between the parties to the litigation regarding this issue, and the case did not depend on it.

The *In re Xonics Photochemical, Inc.*, case is a demonstration of the concept of discounting the liability by the probability of triggering event occurrence, but it may not have demonstrated proper execution in the context of contingent liability valuation given the facts of the case.

The *Covey v. Commercial National Bank of Peoria* court took a slightly different stance on the procedures that should be used to value contingent liabilities, as discussed below.

Guidance from the *Covey* Case[7]

Jobst Corporation was a holding company with stock in four subsidiaries as its only assets. The four subsidiaries were (1) V. Jobst & Sons ("Jobst"), (2) New Order, (3) Homeway of Illinois ("Homeway"), and (4) Strehlow Corporation. All of the debt of the subsidiaries was held by Jobst Corporation.

In 1984, Homeway and a partnership between Jobst and another company experienced large cost overruns. As a result, the partnership abandoned several projects that were later taken over by the bonding company.

However, Jobst management and the two principal lenders, Commercial National Bank of Peoria and Continental Illinois National Bank (together the "lenders"), believed that while other Jobst Corporation subsidiaries were incurring losses, Jobst and New Order could continue to be profitable if they were given additional financing.

On May 3, the lenders issued letters of credit and loaned Jobst and New Order $250,000 each. The beneficiaries of the letters of credit ultimately drew $775,000. Jobst granted the lenders a security interest in all of its assets to guarantee the debt of Jobst Corporation, which totaled approximately $7.4 million.

Within 10 months of the financing transaction, Jobst was being liquidated under Chapter 7 and Homeway, Jobst Corporation, and the group's principal manager and equity investor were bankrupt. The lenders recovered $1,472,937.40 through the collection of Jobst's receivables and the sale of its assets.

The trustee for Jobst, Charles E. Covey (the "bankruptcy trustee"), sought to recover the $1,472,937.40 as a preference under Bankruptcy Code Section 548. Before the May 3 transaction, Jobst was not indebted to the lenders.

The transaction occurred within one year before the bankruptcy filing. Therefore, the recovery is possible under Section 548 if:

1. the transaction was designed to hinder, delay, or defraud creditors or
2. if the debtor received less than reasonably equivalent value in the transaction and the transaction occurred while the debtor was insolvent.

The bankruptcy trustee argued that the guarantee and security interest were designed to hinder other creditors and rendered Jobst insolvent. Further, the trustee argued that Jobst did not receive reasonably equivalent value in exchange for the guarantee and security interest.

Effect of the Guarantee Valuation Procedures on Insolvency

The bankruptcy judge concluded that there was a 60 percent chance of a triggering event occurring, thereby requiring Jobst to pay the $7.4 million in Jobst Corporation debt under the guarantee. The bankruptcy judge multiplied the $7.4 million total debt amount by the 60 percent probability of a triggering event to arrive at the $4.4 million value of the guarantee.

As of May 3, Jobst had a value of $3.5 million. Therefore, Jobst was found to be insolvent, and the bankruptcy judge determined that the $1,472,937.40 was recoverable under Section 548(a). This conclusion was also affirmed by the district court judge.

The lenders appealed, arguing that the bankruptcy and district judges erred in calculating the value of the guarantee citing the methodology used in the *In re Xonics Photochemical, Inc.*, case. Under the *In re Xonics Photochemical, Inc.*, case methodology, the value of the guarantee would be $2.1 million ($3.5 million x 0.60), leaving Jobst solvent on May 3.

The *In re Xonics Photochemical, Inc.*, methodology, however, is from the perspective of the creditor. In most instances, it would not conclude debtor insolvency. When using net assets rather than the value of the debt guaranteed as the starting point, any probability of a triggering event of less than 100 percent will result in positive residual equity value. This conclusion assumes that all other debtor liabilities are already reflected in the value of the debtor net assets.

A creditor with a contingent claim may evaluate its probability of recovery using the *Xonics* methodology knowing that any amounts recovered would come from gross assets net of any claims senior to the contingent claim.

However, from the point of view of the debtor, the court determined that the full amount of the debt guaranteed should be used as a starting point for the valuation of the contingent liability. This is because the debtor corporation is obligated to pay the full amount of the guaranteed debt upon the occurrence of the triggering event. “The bankruptcy code requires us to assess things from the debtor corporation’s perspective.”[8]

The court also determined that Jobst received less than “reasonably equivalent value” in the transaction because the guarantee was worth $4.4 million and the Jobst Corporation and its subsidiaries only received $1.2 million in the financing transaction. With the exception of interest retained on the letters of credit, the appellate court affirmed the judgment.

The *In re Xonics Photochemical, Inc.,* and *Covey v. Commercial National Bank of Peoria* cases give the valuation analyst a framework for how contingent liabilities should be considered and accounted for in the context of a bankruptcy insolvency or solvency analysis.

While *In re Xonics Photochemical, Inc.*, established the initial rationale for accounting for uncertainty by estimating a probability of a triggering event occurring, *Covey v. Commercial National Bank of Peoria* advanced the methodology to include the proper base to which the probability should be applied.

Disputed Claims

The valuation analyst should be mindful to identify and differentiate disputed claims from the total liabilities of the company when performing an insolvency analysis. This is not always a straightforward exercise. This is because, while the difference between disputed claims and undisputed liquidated claims may be clear, the difference between disputed claims and contingent liabilities can be murky at times.

In the case of an undisputed liquidated claim, the amount due is definite, fixed, and easily ascertainable. Most of the liabilities listed on a debtor corporation’s balance sheet are liquidated claims. On the other hand, both disputed claims and contingent liabilities are generally discussed in the notes to the debtor corporation financial statements but are not listed on its balance sheet.

To complicate matters, many closely held businesses do not have audited or reviewed financial statements. Therefore any contingent liabilities or disputed claims may not be addressed in the debtor corporation financial information. The analyst should take care to conduct proper due diligence to ensure that contingent liabilities and disputed claims are taken into account.

Another similarity between disputed claims and contingent liabilities is that they both have an element of uncertainty about them in that the outcome or future liability amount that will actually be paid is unknown as of the date of the analysis. The triggering event may not occur and the outcome of the dispute is uncertain.

The difference is that a contingent liability requires a triggering event to occur before the debtor corporation has a legal duty to pay the creditor, whereas a disputed claim involves disagreement about the amount of the claim. However, events spawning the claim have already occurred. Distinguishing attributes of contingent liabilities and disputed claims are illustrated in Figure 1.

Ongoing and contested lawsuits and judgments are examples of common disputed claims. As noted in *In re Dill*:[9]

> A tort claim ordinarily is not contingent as to liability; the events that give rise to the tort claim usually have occurred and liability is not dependent on some future event that may never happen. It is immaterial that the tort claim is not adjudicated or liquidated, or that the claim is disputed, or indeed that it has any of the many other characteristics of claims under the Code.

In *All Media,* the court stated the following regarding legal obligations:

> On the other hand, if a legal obligation to pay arose at the time of the original relationship, but that obligation is subject

Figure 1
Contingent Liability/Disputed Claim Matrix

	Event Has Occurred	Liability Amount is Known
Contingent Liability	No	Yes
Disputed Claim	Yes	No

to being avoided by some future event or occurrence, the claim is not contingent as to liability, although it may be disputed as to liability for various reasons.[10]

The analyst should be aware of the aforementioned distinguishing characteristics of disputed claims when performing an insolvency analysis. Before a disputed claim can be valued, it should first be identified as a disputed claim.

Disputed Claim Valuation

The liability is not dependent on the occurrence of a future event. Therefore, the analyst does not need to analyze the probability of a trigger event happening for purposes of valuing a disputed claim.

However, when dealing with a disputed claim such as a lawsuit that was ongoing when the debtor filed for bankruptcy, there is still considerable uncertainty regarding the outcome of the litigation. The uncertainty relates to the timing and magnitude of any amounts for which the debtor may become liable.

For example, the judgment could be (1) relatively small such that the debtor could pay the liability in a cash lump sum or (2) the result of a class action suit requiring a large sum to be paid out over a number of years.

In order to gain a better understanding of (1) the timing and magnitude of possible outcomes and (2) factors influencing the various outcomes, the analyst should conduct thorough due diligence on these issues. This information can be obtained by researching the nature of the dispute and interviewing debtor corporation (1) managers, (2) financial or legal advisers, and (3) other individuals who have relevant knowledge of the disputed claim.

In the case of ongoing litigation, the amount of the judgment is in question and could have many potential values. The analyst can address this by weighting various estimated values based on the likelihood of occurrence in order to arrive at an estimated value of the disputed claim that reflects the uncertainty of the judgment amount.

In the case of a litigation matter that was adjudicated but has an appeal pending prior to the petition date, the analyst may estimate the value of the disputed claim at the amount of the existing judgment, depending on the facts of the case.

If, based on the due diligence performed, the analyst understands that the dispute will likely result in a large structured settlement/judgment with a multiyear financial impact, then the analyst may perform a discounted cash flow analysis in order to estimate the present value of the disputed claim.

At times, the analyst will find that there are many factors influencing the amount of the eventual liability related to the disputed claim, potentially causing a range of outcomes. The analyst can capture the variability in the influencing factors by calculating the liability from the disputed claim using a number of scenarios and then weighting the estimated values from each scenario.

The rationale behind the weighting scheme used by the analyst should be based on the following:

1. Discussions with those individuals with knowledge of the disputed claim
2. Information gathered through the analyst's own due diligence procedures
3. The analyst's independent professional judgment

Note that the weighting is not an estimate of the probability of a trigger event occurring like in the valuation of a contingent liability. The event giving rise to a disputed claim has already occurred. The weightings are to take into account the various potential values of the eventual disputed claim liability.

Case Example: *In re Imagine Fulfillment Services, LLC*[11]

Imagine Fulfillment Services, LLC (IFS) sought summary judgment that three transfers made to DC Media Capital, LLC (DCM) were avoidable transfers under Section 547(b). DCM sought summary judgment that the transfers were not avoidable because the defenses set forth in Section 547(c)(2) and Section 547(c)(9) applied in this case.

On December 16, 2011, the Los Angeles Superior Court entered a judgment in favor of DCM and against IFS for breach of contract and damages in the amount of $3,997,223 (the "judgment"). IFS subsequently filed a voluntary Chapter 11 petition on March 25, 2012 ("petition date").

On December 27, 2011, DCM filed a notice of judgment lien with the California Secretary of State. On January 24, 2012, DCM recorded an abstract of judgment with the Los Angeles county recorder.

On February 7, 2012, IFS filed a notice of appeal of the judgment. The appeal was pending as of the petition date. On March 5, 2012, DCM caused the Los Angeles sheriff's office to put a lien on the IFS Wells Fargo bank account and seize and hold $81,196.

IFS had not satisfied the judgment as of the petition date; therefore, DCM was an IFS creditor for the period from December 16, 2011, through the petition date. During the period from December 16, 2011, through the petition date, IFS did not own any real property.

IFS Insolvency Background Facts

IFS introduced evidence illustrating that it was insolvent on the dates of each transfer in question. The IFS insolvency analysis was based on values pulled directly from its balance sheet. The judgment was not included in the IFS insolvency calculation. However, IFS argued that the judgment should be added to its liabilities.

DCM presented an appraisal of certain IFS assets and identified certain errors on the IFS balance sheet that, once corrected, left IFS solvent on the dates of the transfers.

The transfers in question were (1) the filing of the notice of judgment lien with the California Secretary of State ("transfer 1"), (2) the recording of the abstract of judgment with the Los Angeles county recorder ("transfer 2"), and (3) the sheriffs' levy on the IFS bank account ("transfer 3").

DCM argued that the court should deny the IFS motion for summary judgment because of issues of fact regarding whether (1) transfer 1 was made during the 90-day period preceding the petition date, (2) IFS was insolvent on the dates of the transfers, and (3) DCM would receive more from the transfers than it would receive in a hypothetical chapter 7 liquidation scenario.

The court determined that transfer 1 occurred during the 90-day presumption of insolvency period described in Bankruptcy Code Section 547(b)(4).

IFS Insolvency Analysis

Under Section 547(f), the debtor corporation is presumed to be insolvent during the 90 days preceding the filing of a petition. A transferee can challenge and possibly overcome this presumption by presenting evidence illustrating that the debtor was indeed solvent when the transfers were made.

At that point, the insolvency presumption goes away and the debtor is burdened with proving insolvency at the time transfers were made.

DCM challenged the IFS notion that its balance sheet values estimated fair value by presenting appraised values of certain IFC assets and presenting evidence that IFC undervalued certain assets. After correcting errors identified by DCM, the analysis resulted in IFS being solvent at the time of the transfers.

Neither IFS nor DCM included the judgment in their analyses. However, a material issue was whether or not the judgment was a contingent liability and what method should be used to estimate its value. The result of the solvency analysis hinged on the estimated value of the judgment.

How Should the Judgment be Valued?

DCM argued that the judgment was a contingent liability and therefore should have little value. DCM argued that the valuation methodology used in *In re Xonics Photochemical, Inc.*, net assets multiplied by the probability of the triggering event occurring, was the appropriate way to value the judgment.

Using a 10 percent estimated chance of liability on the judgment and net assets of $73,947, this methodology results in a $7,394.70 ($73,947 x 0.10) value of the judgment and indicates that IFS was solvent at the time the transfers were made.

Conversely, IFS argued that the *Covey v. Commercial National Bank of Peoria* methodology—total liability amount multiplied by the probability of a trigger event occurring—was the correct way to value the judgment.

Assuming a 10 percent estimated chance of liability on the judgment and the amount of the Judgment, this resulted in a $399,722 ($3,997,223 x 0.10) value of the judgment and rendered IFS insolvent at the time of the transfers.

The court noted that neither IFS nor DCM evaluated the characteristics of the judgment

> **"If overlooked or improperly addressed, contingent liabilities and disputed claims could potentially alter the outcome of a solvency analysis."**

and positively identified it as a contingent liability before arguing their points about how it should be valued for insolvency purposes.

The court noted the triggering event definition referenced in the *All Media* case and upon review of other cases determined that the triggering event test had been widely applied for determining contingency.

The court evaluated the judgment based on the triggering event concept and determined that:

> because the events giving rise to the Judgment occurred pre-petition and prior to each of the transfers at issue, the Judgment is not a contingent debt and was not contingent as of any of the relevant transfers. As a result, the full amount of the Judgment must be included as a liability of IFS. Including the Judgment in the solvency calculation, the Court concludes that IFS was insolvent at the time each of the transfers was made, even if the adjustments to IFS' asset and liability values suggested by DC Media are accepted.

IFS was granted summary judgment on the insolvency and 90-day window elements of its motion. The court could not grant summary judgment on whether DCM would receive more from the transfers than it would under a hypothetical Chapter 7 liquidation scenario. This was because the status of a related lien as a preferential transfer was unknown.

The court found that transfer 3 could be avoided because IFS had established each element of a preferential transfer under Section 547(b). Transfer 2 was determined to not be a transfer at all because IFS did not own any real property at the time of the transfers or as of the petition date.

This example illustrates the potential errors and pitfalls associated with the valuation of contingent liabilities and disputed claims. The incorrect classification of these liabilities can lead to their flawed valuation and a flawed and/or incorrect solvency or insolvency conclusion.

Conclusion

Under Sections 547 and 548, insolvency (or solvency) is a common point of contention between parties to the bankruptcy. As discussed, contingent liabilities and disputed claims can at times be the determining factor in establishing a debtor's insolvency status.

In order to properly account for these liabilities, the analyst should first take the time to properly identify them as contingent or disputed. Contingent liabilities require a triggering event to activate the liability. On the other hand, disputed claims involve liabilities that are being contested but the event giving rise to the liability has already occurred.

In other words, with contingent liabilities, the occurrence of the triggering event is unknown. However, the amount of the liability is usually ascertainable. On the other hand, disputed claims involve actions that have already occurred. In some cases, these disputed claims involve wide ranging potential liability amounts.

As noted in the cases reviewed, the analyst should be sure to perform thorough due diligence. Therefore, the assumptions and methodologies used in the valuation of these particular liabilities and in performing solvency analyses in general will be reliable and supportable. If overlooked or improperly addressed, contingent liabilities and disputed claims could potentially alter the outcome of a solvency analysis.

<u>Notes:</u>

1. In re All Media Properties, Inc., 5 B.R. 126 (Bkrtcy.Tex, 1980).
2. Id.
3. In re Loya, 123 B.R. 338 (9th Cir. BAP 1991).
4. In Re Xonics Photochemical, Inc., 841 F.2d 198 (7th Cir. 1988).
5. Id.
6. Id.
7. Charles E. Covey, as Trustee of V. Jobst & Sons, Inc., v. Commercial National Bank of Peoria, 960 F. 2d 657 (7th Cir. 1992).
8. Id.
9. In re Dill, 30 BR 546 (9th Cir. BAP 1983)
10. In re All Media Properties, Inc.
11. In Re Imagine Fulfillment Services, LLC, 489 BR 136 (Bkrtcy.C.D.Cal. 2013)

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