

April 6, 1998  
FOR PUBLICATION

IN THE SUPREME COURT OF TENNESSEE

AT JACKSON

**FILED**

**April 6, 1998**

**Cecil Crowson, Jr.**  
**Appellate Court Clerk**

JUANITA MITCHELL, PERSONAL (   
 REPRESENTATIVE OF THE ESTATE (   
 OF BILLY GWINN MITCHELL, (

Plaintiff-Appellant, (

Shelby Chancery (

( Hon. Russell Fowler,   
 ( Special Chancellor

v. (

( No. 02S01-9703-CH-00020

SAM F. COLE, JR., SUBSTITUTE (   
 TRUSTEE, ESTATE OF PRUDENCE (   
 REYNOLDS, AND GERALD W. (   
 PICKENS, ADMINISTRATOR, (

Defendants-Appellees. (

For Plaintiff-Appellant:

For Defendants-Appellees:

James Stephen King   
 Arthur E. Quinn   
 The Bogatin Law Firm, PLC   
 Memphis

Sam F. Cole, Jr.   
 Memphis

O P I N I O N

JUDGMENT OF COURT OF APPEALS   
 MODIFIED AND CASE REMANDED.

REID, Sp. J.

1           This case presents for review the decision of the Court  
2 of Appeals that a debtor cannot collaterally attack in state court  
3 an adjudication made in a Chapter 11 bankruptcy proceeding  
4 regarding the balance due on a debt owed by the debtor-bankrupt.  
5 The judgment of the Court of Appeals is affirmed as modified.

6  
7   **I**  
8

9           In 1973 Prudence Reynolds, now deceased, sold a farm to  
10 the appellant, Billy Gwin Mitchell. Incident to the sale, Mitchell  
11 executed a promissory note in the principal amount of \$134,140.71  
12 payable to Reynolds in 240 equal monthly installments of \$1,040.00,  
13 principal and interest. The promissory note was secured by a deed  
14 of trust on the farm.

15  
16           On April 6, 1983, Mitchell filed a voluntary petition for  
17 reorganization pursuant to Chapter 11 of the Bankruptcy Code.  
18 Apparently, Mitchell made some payments on the note prior to his  
19 filing the bankruptcy petition. On June 13, 1984, the bankruptcy  
20 court entered an order confirming Mitchell's reorganization plan as  
21 amended. The amended plan allowed Reynolds a secured claim in the  
22 principal amount of \$102,902.28. With respect to the terms of the  
23 payment of the debt, the amended plan provided:

24  
25           The secured claim of Mrs. J. P. Reynolds  
26 ("Reynolds") shall be fully settled, satisfied,  
27 and discharged by paying Reynolds the remaining  
28 sums due in accordance with the terms of her  
29 Promissory Note and Deed of Trust; except that,  
30 the terms of said Note shall be extended by a

1 period equal to the number of months that said  
2 Note is in arrears. The first installment  
3 shall be due and payable upon confirmation with  
4 a similar payment being due and payable each  
5 month thereafter until said Note shall have  
6 been paid in full. Reynolds shall retain her  
7 lien upon the Debtor's 144 acre farm.  
8

9  
10  
11 The record shows that subsequent to confirmation of the  
12 amended plan, Mitchell paid to Reynolds in cash \$27,353.25.  
13

14 On January 25, 1988, Mitchell filed an interim report in  
15 the bankruptcy case. In the section entitled "Total Amount of  
16 Claims Allowed," the report reflects the principal amount of  
17 Reynolds' claim remained at \$102,902.28. Reynolds died on June 10,  
18 1988. After her death, Mitchell made no further payments on the  
19 note. The final report, filed November 10, 1988, is virtually  
20 identical to the interim report and sets forth the same amount for  
21 Reynolds' claim. On January 13, 1989, the bankruptcy court entered  
22 a final decree closing Mitchell's case.  
23

24 After Mitchell and Gerald W. Pickens, executor of  
25 Reynolds' estate, were not able to agree on the amount owed,  
26 defendant Sam F. Cole, Jr., substitute trustee under the deed of  
27 trust, gave Mitchell written notice that the entire balance on the  
28 note was due and payable and made demand for \$113,832.70, principal  
29 and accrued interest, plus \$17,074.80 for attorney's fees.  
30

31 On August 29, 1989, Mitchell filed a complaint for a  
32 temporary restraining order and for temporary and permanent

1 injunctions to stop the foreclosure. Mitchell contended that he  
2 had an oral agreement with Reynolds as to payment of the note  
3 through goods and services to her. According to Mitchell, the  
4 value of these goods and services, as well as cash payments made to  
5 Reynolds, reduced the balance due to \$66,330.18. In the counter-  
6 complaint, the defendants alleged that Mitchell owed the principal  
7 sum of \$102,092.28, as reflected in the final report of his Chapter  
8 11 bankruptcy case, plus interest and attorney fees. In answer to  
9 the counter-complaint, Mitchell asserted that the amount stated in  
10 his bankruptcy proceeding was erroneous.

11  
12 Prior to trial, the trial court granted the defendants'  
13 motion in limine prohibiting Mitchell from presenting evidence  
14 concerning oral statements made by Reynolds prior to her death in  
15 regard to the note.<sup>1</sup> At trial, Mitchell testified that he had a  
16 very close relationship with Reynolds, his aunt, and that he bought  
17 the farm to provide her with a continuous stream of income for the  
18 rest of her life. Over repeated objections by the defendants'  
19 counsel, Mitchell and other witnesses were allowed to testify that  
20 various goods and services were provided to Reynolds by a  
21 partnership which was owned by Mitchell and his sisters. Included  
22 in the claimed services was \$40,000.00 for providing lodging and  
23 wages for the decedent's "grounds keeper" over a period of some  
24 eight years. The jury found that Mitchell owed \$41,101.64 on the  
25 note and \$21,900.00 in attorney's fees.

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<sup>1</sup>Not only did Mitchell assert that the amount owed was almost half as much as what the defendants claimed, he also alleged that Reynolds promised to forgive the debt upon her death.



1           Section 1141 of the Bankruptcy Code sets forth the  
2 consequences of the confirmation of a Chapter 11 plan. Pursuant  
3 to 11 U.S.C. § 1141(a), "the provisions of a confirmed plan bind  
4 the debtor . . . and any creditor . . . [of] the debtor." Unlike  
5 Chapter 13, which delays discharge until the debtor has met his  
6 obligations under the plan, 11 U.S.C. § 1328, confirmation of a  
7 Chapter 11 plan operates as a discharge. 11 U.S. C. § 1141(d).  
8

9           The federal courts have consistently upheld the binding  
10 effect of the provisions of a Chapter 11 plan. In In re Dooley,  
11 116 B.R. 573, 580 (Bankr. S.D. Ohio 1990), the court held that the  
12 Chapter 11 debtor was precluded, under the judicial concepts of  
13 claim and issue preclusion and the specific provisions of Section  
14 1141 of the Bankruptcy Code, from relitigating the amount or  
15 application of his preconfirmation payments to a creditor. In In  
16 re Chattanooga Wholesale Antiques, Inc., 930 F.2d 458, 463 (6th  
17 Cir. 1991), the court stated:

18  
19           Confirmation of a plan of reorganization by the  
20 bankruptcy court has the effect of a judgment  
21 by the district court and res judicata  
22 principles bar relitigation of any issues  
23 raised or that could have been raised in the  
24 confirmation proceedings.  
25  
26

27           Thus, in the present case, Mitchell is bound by the  
28 provisions of his confirmed Chapter 11 plan establishing  
29 \$102,902.28 as the outstanding principal balance on the note as of  
30 June 13, 1984, the date of the order of confirmation.

1 Preconfirmation payments in goods and services are irrelevant  
2 because the court must accept \$102,902.28 as the outstanding  
3 balance as of the date of the confirmation order. The trial court  
4 erred in allowing Mitchell to present evidence about alleged  
5 payments in goods and services made prior to confirmation.

6  
7 In rectifying this error, the Court of Appeals improperly  
8 limited the proof to the amount of payments made after the final  
9 decree. The Court of Appeals failed to distinguish between  
10 payments made by Mitchell prior to the date of the confirmation  
11 order and those made subsequent to the date of that order. That  
12 court erroneously relied on the final report to determine the  
13 amount owed at the conclusion of the bankruptcy proceeding. The  
14 final report does not purport to state the amount of the debt as of  
15 the date of the filing of the report, nor does it show payments  
16 made to secured creditors after confirmation of the Chapter 11 plan  
17 in 1984. The report merely restates the amount of secured claims  
18 allowed under the confirmed plan. The report cannot be res  
19 judicata because it is not an order of the court. The final decree  
20 also is not res judicata; the order of confirmation is the  
21 controlling order. The final decree merely closes the case after  
22 the estate has been fully administered. See Fed. R. Bankr. 3022.  
23 In In re Greater Jacksonville Transportation Co., 169 B.R. 221, 224  
24 (Bankr. M.D. Fla. 1994), the court stated:

25  
26 Even a cursory reading of this last Rule  
27 [Fed. R. Bankr. 3022] leaves no doubt that the  
28 entry of a final decree is merely a  
29 perfunctory, administrative event and nothing

1 more than a ministerial housekeeping act which  
2 was never designed to determine with finality  
3 the substantive rights of parties of interest  
4 involved in a Chapter 11 case. This should be  
5 evident from the fact that the final decree is  
6 entered without notice and hearing to anyone  
7 and could be entered even on the Court's own  
8 motion.  
9  
10

11 On remand, the court should determine the amount of  
12 credits due since the date of the order confirming the amended  
13 reorganization plan. Whether Mitchell is entitled to credits on  
14 the debt for goods and services rendered subsequent to the date of  
15 the order of confirmation is a question to be determined in the  
16 trial court.  
17

### 18 III

19  
20 This decision is limited to the holding that only the  
21 determinations made in the confirmed amended plan of  
22 reorganization, not the subsequent reports by the debtor in  
23 possession, are res judicata. With regard to the reports made by  
24 Mitchell as debtor in possession subsequent to the confirmation of  
25 the amended plan, the only issue resolved by this Court is that  
26 those reports are not res judicata. The case obviously presents  
27 myriad issues of law and evidence to be resolved on remand.  
28

29 The judgment of the Court of Appeals is affirmed as  
30 modified, and the case is remanded to the trial court for further  
31 proceedings.  
32



1                   Costs are taxed one-half to the appellant and one-half to  
2 the defendant estate.

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Lyle Reid, Special Justice

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6

Concur:

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Anderson, C.J., Drowota, and Holder, JJ.

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Birch, J. - Not participating.

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