

FOR PUBLICATION

**UNITED STATES BANKRUPTCY COURT**

**EASTERN DISTRICT OF CALIFORNIA**

In re:	)	
	)	
SIMMIE DEAN GRAVES, JR.	)	
and	)	
ZENAIDA PADLAN GRAVES,	)	
	)	Case No. 21-23788
Debtors.	)	DCN WSS-001

CHRISTOPHER M. KLEIN, Bankruptcy Judge:

ORDER FINDING COUNTY OF PLACER IN CONTEMPT

Discharged Debtors Simmie Dean Graves, Jr., and Zenaida Padlan Graves contend the County of Placer has been offending the statutory discharge injunction of 11 U.S.C. § 524(a) by trying to collect a discharged debt. Discerning a parallel to Kafka’s Josef K, this Court agrees.

The assessment of civil contempt for violations of a bankruptcy discharge is whether there is “no fair ground of doubt” as to whether the order barred the conduct. In other words, “civil contempt may be appropriate if there is no objectively reasonable basis for concluding that the creditor’s conduct might be lawful.” Moreover, subjective good faith does not insulate parties from civil contempt. Taggart v. Lorenzen, 587 U.S. 554, 557 (2019) (9-0 decision).

Case History

Simmie Dean Graves, Jr., and Zenaida Padlan Graves, residents of Placer County, California, filed a joint chapter 7 bankruptcy case on November 2, 2021.

1 The chapter 7 trustee filed a "no-asset" report on January  
2 5, 2022, concluding there were no nonexempt assets available for  
3 distribution to creditors. Accordingly, no deadline to file  
4 claims, i.e., no "bar date," was established.

5 Debtors received a chapter 7 discharge of all dischargeable  
6 debts on February 7, 2022. The case was closed February 11, 2022.

7 On January 5, 2023, the chapter 7 case was reopened on the  
8 debtors' motion to afford relief to them on the basis they wished  
9 to amend Schedule F to add the omitted debt to the County:

10 Debtors failed to list one creditor. Despite, numerous  
11 communications, that creditor [County of Placer] refuses to  
12 stop its attempts to collect from Debtors. Debtors needs  
13 (sic) to reopen their case and file an amended schedule F  
14 that lists this creditor in order to resolve this issue to  
15 the satisfaction of the creditor.

16 No. 21-23788 (dkts. 22-23).

17 The omitted debt was a repayment obligation for overissuance  
18 of \$3,264.00 in CalFresh food benefits due to unreported income  
19 of Simmie Graves (he found a job that he did not immediately  
20 report) at a time that there were two children in the household  
21 over age 18, Skyler Graves and Haley Graves.

22 The County of Placer determined the basis of the debt was  
23 "Inadvertent Household Error" (IHE) not implicating criminality.  
24 IHE "overissuance is any claim resulting from an unintentional  
25 error on the part of the household." 7 C.F.R. § 273.18(b)(2).

26 Under applicable nonbankruptcy law, all four adult members  
27 of the household are jointly liable for the overpayment.

28 The County proceeded to attempt to collect from all four  
household members - debtors Simmie and Zenaida Graves and their  
children - and has obtained some tax intercepts of Skyler's

1 refunds, which has spawned a sense of outrage.

2 Although the County admits it has long known of the Graves'  
3 bankruptcy and of their chapter 7 discharge, in an exercise of  
4 passive aggression, the County has contended throughout that the  
5 copy of the 2-page Discharge Order on Official Form 318 is not  
6 good enough because the discharge does not refer to the County of  
7 Placer. The January 4, 2023, Motion to Reopen related the  
8 County's position: "Debtors need to reopen their case and file an  
9 amended schedule F that lists this creditor in order to resolve  
10 this issue to the satisfaction of the creditor." The amendment  
11 was made: still not good enough. More about that later.

12

13 Jurisdiction

14 Jurisdiction is founded upon 28 U.S.C. § 1334. A motion for  
15 contempt of the bankruptcy discharge is a core proceeding the  
16 bankruptcy court may hear and determine.

17 A California county may sue and be sued. Cal. Govt. Code  
18 § 23004(a).

19 Although the self-represented discharged debtors have  
20 focused on subsidiary Placer County Treasurer offices, the real  
21 party in interest is the County of Placer.

22 This is a civil contempt motion proceeding. Fed. R. Bankr.  
23 P. 9020. Pursuant to Fed. R. Bankr. P. 9014(c)(1), it is ORDERED  
24 that Fed. R. Bankr. P. 7017 and 7019, incorporating Fed. R. Civ.  
25 P. 17 and 19 apply in this Rule 9014 matter.

26 Since the County of Placer is the real party in interest,  
27 the County of Placer is deemed the Respondent. To the extent it  
28 may be necessary, the County of Placer is hereby joined as a

1 party respondent pursuant to Fed. R. Civ. P. 19(a)(2).

2 This redesignation does not prejudice the County of Placer  
3 necessitating additional delay because it has been actively  
4 represented by the Office of Placer County Counsel during this  
5 dispute.

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I

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Bankruptcy Discharge Law

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10 Settled bankruptcy law holds that a discharge in a so-called  
11 "no asset, no bar date" case is good against the World, including  
12 otherwise dischargeable debts that are merely omitted from  
13 schedules. 11 U.S.C. § 523(a)(3)(A); Beezley v. California Land  
14 Title Co. (In re Beezley), 994 F.2d 1433 (9th Cir. 1993).

15

16 The rationale for that application of the omitted creditor  
17 provision of § 523(a)(3)(A) is that if no claims bar date has  
18 been set, then after the case is closed it nevertheless remains  
19 timely for a creditor to file a proof of claim that will enable  
20 participation in any distributable assets that may surface in the  
21 future. Beezley, 994 F.2d at 1435-37.

22

23 Thus, under the § 523(a)(3)(A) construct, if the case were  
24 ever to be reopened to administer additional property-of-estate  
25 assets, then a claims bar date would be fixed with notice to  
26 scheduled creditors or whose claims are on file.

27

28 In contrast, § 523(a)(3)(B) provides that omitted debts that  
29 may be excepted from discharge under "bad acts" discharge  
30 exceptions at 11 U.S.C. §§ 523(a)(2), (a)(4), and (a)(6) remain  
31 vulnerable to adversary proceedings to establish the necessary  
32 facts relating to fraud, fiduciary defalcation, larceny, and

1 willful and malicious injury. 11 U.S.C. § 523(a)(3)(B).

2 The penalty to debtors for omitting creditors is forfeiture  
3 of the 60-day time-bar per Rule 4007(c) and § 523(c) for  
4 nondischargeability actions alleging fraud, larceny, fiduciary  
5 defalcations, and willful and malicious conduct under  
6 §§ 523(a)(2), (a)(4), and (a)(6). Beezley, 994 F.2d at 1435-37;  
7 In re Franklin, 179 B.R. 913, 924 (Bankr. E.D. Cal. 1995).

8 Although the Debtors amended their schedules to include the  
9 County of Placer after the case was reopened, Beezley teaches  
10 that an after-the-fact scheduling of an omitted debt is  
11 "useless," i.e. of no legal consequence with respect to whether  
12 the debt is discharged.

13 Beezley explained that since dischargeability is unaffected  
14 by scheduling in a "no asset, no bar date" case, "reopening the  
15 case merely to schedule the debt is for all practical purposes a  
16 useless gesture." Beezley, 994 F.2d at 1437.

17 Amending a schedule, while of no legal consequence in a "no  
18 asset, no bar date" case, does have a practical consequence for  
19 case administration. Adding an omitted creditor assures the  
20 omitted creditor is on the clerk's notice list for notice of any  
21 future bar date that may be fixed upon discovery of omitted  
22 assets that could become the basis for distribution to creditors.

23 The debtor must give the trustee and any affected entity  
24 notice of the amendment to schedules but mere informal  
25 communication may satisfy the notice requirement. No formal  
26 service is required. Fed. R. Bankr. P. 1009(a)(1).

27 The record shows that the Graves gave the County notice  
28 promptly after amending the schedules. The County says that was

1 not good enough.

2 Although the County contends it still could try to prosecute  
3 a nondischargeability action under § 523(a)(3)(B) for fraud,  
4 larceny, defalcation, or willful and malicious acts per  
5 §§ 523(a)(2), (a)(4), and (a)(6), it is unclear whether the  
6 County could meet Rule 9011 fraud pleading standards for what has  
7 been determined to reflect "Inadvertent Household Error."

8 Beezley is a widely-known, oft-cited Ninth Circuit precedent  
9 (100s of Westlaw case citations) that could not have escaped the  
10 notice of any competent lawyer interested in the question of  
11 discharge of omitted debts.

12 It follows that, from the moment the County was notified of  
13 the Graves' bankruptcy discharge, the County was on inquiry  
14 notice to ascertain the status and effect of the discharge.

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16 II

17 Enforcing the Bankruptcy Discharge

18 The Supreme Court in Taggart addressed the issue whether a  
19 "creditor's good-faith belief that the discharge injunction does  
20 not apply precludes a finding of civil contempt" in a case in  
21 which the Ninth Circuit had disapproved a bankruptcy court's  
22 civil contempt sanctions of \$105,000 attorney's fees, \$5,000  
23 emotional distress damages, and \$2,000 punitive damages.

24 Reversing the Ninth Circuit, the Court announced a "no fair  
25 ground of doubt" civil contempt standard for when sanctions may  
26 be appropriate when a creditor violates a discharge order based  
27 on an objectively unreasonable view of the discharge order or the  
28 statutes that govern its scope. Taggart, 587 U.S. at 561-62.

1           The Court reasoned that the § 524(a)(2) provision specifying  
2 that a discharge order “operates as injunction” when taken in  
3 combination with § 105(a) authorizing a court to “issue any  
4 order, process, or judgment that is necessary or appropriate to  
5 carry out the provisions” of title 11, brings with it the “old  
6 soil” of civil contempt sanctions to coerce compliance with an  
7 injunction or compensate for losses stemming from noncompliance  
8 with the injunction. Thus, it ruled that as part of the “old  
9 soil” they bring with them, “the bankruptcy statutes incorporate  
10 the traditional standards in equity practice for determining when  
11 a party may be held in civil contempt for violating an  
12 injunction.” Taggart, 587 U.S. at 561.

13           After Taggart, clear and convincing evidence and strict  
14 liability standards no longer govern. Rather, the new Taggart  
15 standard is one of objective reasonableness based on “basic  
16 fairness.” Subjective belief that conduct is permitted will not  
17 insulate one whose subjective belief is objectively unreasonable.  
18 The absence of willfulness does not relieve civil contempt. A  
19 record of continuing and persistent violations and persistent  
20 contumacy justified placing the burden of any uncertainty in the  
21 decree on the shoulders of the party who violated the court  
22 order. Taggart, 587 U.S. at 561-62, citing McComb v. Jacksonville  
23 Paper Co., 336 U.S. 187, 192-93 (1949).

24           Here, the County’s persistent pattern of violations  
25 justifies placing the burden on the County to demonstrate that  
26 its conduct was not objectively unreasonable.

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## 1 III

2 Scope of Bankruptcy Discharge

3 The discharge issues in this case involve the debtors'  
4 rights and the rights of the debtors' adult children.

5  
6 A7 The "Adult" Children Not Discharged

8 One bone of contention that has confused and aggrieved the  
9 parties relates to whether it is permissible for the County to  
10 collect the \$3,264.00 overpayment from Skyler Graves and Haley  
11 Graves, the other adult members of the Graves household at the  
12 time of the overpayment of benefits. The short answer is, yes.

13 The terms of the bankruptcy discharge are fixed by 11 U.S.C.  
14 § 524(a).

15 Although the discharge protects debtors from personal  
16 liability for a discharged debt, 11 U.S.C. § 524(e) provides the  
17 discharge does not affect the liability of any other person.

18 A common example of § 524(e) involves insurance and personal  
19 injury torts. The discharged tortfeasor is protected from  
20 liability but the insurance company still has to pay.

21 The discharged debtors in this case are Simmie and Zenaida  
22 Graves because they are the debtors in this bankruptcy case.

23 The Graves' discharge does not affect the liability of any  
24 other person or entity, including their 18+-year-old "adult"  
25 children. 11 U.S.C. § 524(e).

26 Under applicable nonbankruptcy law, each adult member of a  
27 household at the time of an overpayment of federally subsidized  
28 CalFresh food benefits is jointly and severally responsible for

1 repaying the overpayment. 7 C.F.R. § 273.18(a)(4).

2 As the Graves' children Skyler and Haley Graves had reached  
3 their 18th birthdays, they are not debtors in the bankruptcy case  
4 and are deemed adult members of the household at the time of the  
5 overpayment. Hence, they are jointly and severally liable with  
6 the debtors.

7 In order for them to enjoy the protection of bankruptcy  
8 discharges, they would have to file their own cases.

9 To be sure, arguments about fairness and public policy cut  
10 both for and against the rule fixed by 7 C.F.R. § 273.18(a)(4).  
11 However hardhearted it may be and however unfortunate for  
12 intrafamily dynamics it may be, § 524(e) says what it says.

13 In short, Skyler Graves and Haley Graves cannot avail  
14 themselves of the protection of the Simmie Graves and Zenaida  
15 Graves bankruptcy discharge and are exposed to joint and several  
16 liability for the full amount.

17 The implication for the present case is that it is not a  
18 violation of the Graves' bankruptcy discharge for the County to  
19 intercept tax refunds owed to Skyler Graves and Haley Graves.  
20 There is no bankruptcy reason to prevent collection against the  
21 adult children under principles of joint and several liability.

22 Once debtors make a plausible claim that a creditor is  
23 violating a discharge order, the burden shifts to the creditor to  
24 establish that there is an objectively reasonable basis for  
25 concluding the creditor's conduct might be lawful. That burden  
26 shift is long settled. E.g., In re Larsen, 580 B.R. 901, 913-14  
27 (Bankr. D. Id. 2017) (Discharge); In re Gurrola, 328 B.R. 158,  
28 174-75 (9th Cir. BAP 2005) (Same); Morris v. Peralta (In re

1 Peralta), 317 B.R. 381, 389 (9th Cir. BAP 2004) (automatic stay).

2 In short, the County has the burden to demonstrate that  
3 there is an objectively reasonable basis for concluding its  
4 conduct might be lawful.

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6 B

7 Debtors Discharged

8 The assessment of the conduct of the County with respect to  
9 allegedly contemptuous violations of the bankruptcy discharge, as  
10 noted above, is whether there is "no fair ground of doubt" as to  
11 whether the order barred the conduct. Thus, "civil contempt may  
12 be appropriate if there is no objectively reasonable basis for  
13 concluding that the creditor's conduct might be lawful."

14 Moreover, under civil contempt standards, parties cannot be  
15 insulated by subjective good faith. Taggart, 587 U.S. at 557-65.

16 In its Opposition to Motion for Sanctions (Dkt. 51), the  
17 County says that once it became aware of the Graves' bankruptcy  
18 case on April 22, 2022, it updated internal records to cease  
19 collection efforts against the Graves. So far, so good - that  
20 would comply with the bankruptcy discharge.

21 Then the County says that on August 23, 2022, it received a  
22 letter from Skyler Graves demanding cessation of collection  
23 efforts and directing the County to talk to the Graves'  
24 bankruptcy attorney.

25 The County says that it did contact the debtors' attorney in  
26 2022 who, in layered hearsay, "advised that the Overpayment was  
27 not included in Debtors' bankruptcy case and was not discharged."

28 Although the debtors' attorney has not been called upon to

1 provide evidence about that conversation, it is logical to infer  
2 that the County representative conflated two distinct concepts.

3 A competent attorney would have made two separate points:  
4 (1) the overpayment debt was in fact omitted from the schedules  
5 but, per Beezley, was nevertheless discharged in the "no asset,  
6 no bar date" case; and (2) per § 524(e), the other adult family  
7 members were not discharged.

8 It is exceedingly unlikely that a debtor's attorney  
9 confronted with an omitted garden-variety debt in a "no asset, no  
10 bar date" case would admit that the debt was not discharged. This  
11 Court's experience of the subject attorney is that he is not  
12 manifestly incompetent.

13 Although the County has subsequently contended that the  
14 debtors' attorney conceded that the debt was not discharged, the  
15 record of the case, especially the Amendment to Schedule F after  
16 the purported conversation, does not support that proposition.

17 The County says communications between County and Debtors  
18 since April 2022 have involved contacts by Debtors regarding  
19 collections against adult children and in connection with  
20 Debtors' proceedings before the California Department of Social  
21 Services (CDSS) in an effort to achieve compromise or deem the  
22 overpayment uncollectible. Opposition at p. 2.

23 If the story ended there, then this Court might rule,  
24 consistent with the Supreme Court in Taggart on the need to  
25 consider "good faith" and "basic fairness" in assessing civil  
26 contempt sanctions, that no sanction is appropriate. Taggart, 587  
27 U.S. at 561.

28 The story, however, does not end there. The rest of the

1 story smacks of stark violation of the bankruptcy discharge  
2 injunction.

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IV

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California Department of Social Services (CDSS) Proceedings

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The County's defense unravels in the California Department  
of Social Services (CDSS) proceeding in In re Zenaida Graves, No.  
105190682, (Dec. 18, 2025).

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Again, the Taggart standard is there is "no objectively  
reasonable basis for concluding that the creditor's conduct might  
be lawful." Taggart, 587 U.S. at 557-65.

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The Graves, offended by tax intercepts of son Skyler's  
income tax refunds, sought administrative relief on multiple  
theories, including limitations periods, compromise policy, and  
illegality, initiated a CDSS administrative proceeding.

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The appropriate non-contumacious response would have been to  
contend that the non-debtor adult children are not protected by  
the parents' bankruptcy discharge, leaving ruling on application  
of compromise standards to the Administrative Law Judge ("ALJ").

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Instead, the County chose to counter-attack Simmie and  
Zenaida Graves and to contend they were not protected by their  
chapter 7 discharge. That direct assault on the discharge was  
egregious civil contempt.

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The CCSS ALJ held a hearing on November 20, 2025, on the  
protest by Simmie and Zenaida Graves on their dispute of "the  
County's ability to collect on the overissuance, both against  
them [Simmie and Zenaida Graves] and their adult children." The  
official report of the hearing and decision is in evidence on the

1 bankruptcy docket ("Hearing Report"). (Dkt. 60).

2 The fatal disconnect comes from the mouth of the County  
3 Representative who admitted what the County had been doing from  
4 the outset with respect to the Graves. The County contended that  
5 the allegedly discharged debtors have not proved that they have  
6 been discharged and that their copy of the order of discharge is  
7 not good enough:

8 The County Representative testified that there have  
9 been three separate tax intercepts on this account,  
10 currently against one of the Claimants adult children, and  
11 that the current total balance on the account is \$2,773.41,  
12 with all four adult household members listed as current  
13 responsible parties.

14 The County Representative testified that, although the  
15 Claimants have indicated that they have filed bankruptcy and  
16 that this debt should be discharged, they have not provided  
17 a bankruptcy discharge order that includes the County as a  
18 creditor, ultimately failing to prove their claim. The  
19 County Representative testified that the Claimants did  
20 provide the first two pages of a bankruptcy order from  
21 February 7, 2022, but that the paperwork was incomplete and  
22 did not include sufficient information to show that the  
23 Claimants had discharged the debt in this case.

24 Hearing Report at pp 2-3 (Dkt. 60) (emphasis supplied).

25 Strike one; as a matter of law, the County, faced with a  
26 copy of a bankruptcy discharge, has the burden to demonstrate  
27 that the overissuance debt is not covered by the discharge.

28 The County had a duty to consult the public docket of the  
bankruptcy court that is readily available on-line.

It is not acceptable for County bureaucrats to rope-a-dope a  
debtor by claiming the debtor has not proved the existence of the  
discharge to the satisfaction of the County bureaucrats.

There is no objectively reasonable basis for concluding that  
the County's conduct might be lawful.

Strike two; the County admits that it has a copy of the

1 discharge order. A simple check of the public Bankruptcy Court  
2 docket, that has been available to the County and its lawyers,  
3 would have revealed that the discharge was entered, that the  
4 trustee found no assets to distribute, and that no deadline to  
5 file claims was fixed.

6 As explained above, settled law of the Ninth Circuit  
7 established in Beezley holds that in a "no asset, no bar date"  
8 case such as this that all debts are discharged, except to the  
9 extent by way of § 523(a)(3)(B) there may be a meritorious case  
10 for exception to discharge under §§ 523(a)(2), (a)(4), or (a)(6).

11 Recognition that the docket shows: (1) trustee report of "no  
12 assets"; (2) no deadline for filing claims; and (3) discharge  
13 entered, ends the legal inquiry needed to determine whether  
14 unscheduled garden-variety debt is discharged.

15 There is no objectively reasonable basis for concluding that  
16 the County's conduct might be lawful.

17 Although not necessary as a matter of law in a "no asset, no  
18 bar date" case, the docket also reflects that the debtors did  
19 amend their schedules to name the County as a creditor.

20 The County Representative testified that if the  
21 Claimants could provide documentation showing that the  
22 county had been listed as a creditor in their bankruptcy  
23 discharge order, then the County would take appropriate  
24 action and remove the Claimants as responsible parties on  
25 the overissuance.

26 Hearing Report at p.3 (Dkt. 60).

27 Amending the debtors' schedules to add the County, while not  
28 legally significant, assured the County is on the clerk's notice  
list for a future bar date fixed upon discovery of omitted assets  
that could become the basis for distribution to creditors.

1 The copy of their amendment adding the County as a creditor  
2 that debtors sent to the County promptly after filing satisfied  
3 the Rule 1009(a)(1) requirement of notice be given to any  
4 affected entity. No formal service of notice is required. Fed. R.  
5 Bankr. P. 1009(a)(1).

6 The record shows that the Graves gave the County notice  
7 promptly after amending the schedules. The County says that was  
8 not good enough.

9 Strike three. There is no objectively reasonable basis for  
10 concluding that the County's conduct might be lawful.

11 The County Representative said the debtors "have not  
12 provided a bankruptcy discharge order that includes the County as  
13 a creditor." Preposterous. The two-page discharge order is the  
14 complete order.

15 The Supreme Court explained that the two-page Official Form  
16 318 discharge order "goes no further than the statute: It simply  
17 says that the debtor 'shall be granted a discharge under § 727.'" Taggart, 587 U.S. at 557-58. "The words of the discharge order,  
18 though simple, have an important effect: A discharge order  
19 'operates as an injunction' that bars creditors from collecting  
20 any debt that has been discharged. § 524(a)(2)." Id.

22 No chapter 7 discharge order issued by a Bankruptcy Court  
23 ever contains the name of a creditor. No County bureaucrat can  
24 impose an additional requirement on the Bankruptcy Court.

25 Strike four. There is "no objectively reasonable basis for  
26 concluding that the county's conduct might be lawful" by  
27 demanding something expressly declaring that a particular debt is  
28 discharged.

1 Next, the Debtors "testified that it was also their  
2 understanding, per their attorney's advice, that all of their  
3 debts would be discharged in bankruptcy, regardless of whether a  
4 particular creditor was listed in the paperwork." Hearing Report  
5 at p.3. The attorney's advice, based on Beezley, appears to have  
6 been correct in law and fact.

7 At the administrative law hearing:

8 During the open record period the Claimants submitted a  
9 10-page packet consisting of bankruptcy documents, including  
10 a February 7, 2022, order discharging debts the county is  
11 not listed on those documents. The bankruptcy documents also  
12 included an Amendment Cover Sheet filed with the bankruptcy  
13 court on January 23, 2023, in that same case. These  
14 documents list the Placer County Revenue Services Division  
15 among the unsecured creditors sought to be added to the case  
16 in that filing. There is no proof of service, nor a further  
17 order, listing the County.

18 Hearing Report at p.4 (Dkt. 60).

19 This confirms that both the County and the ALJ knew of the  
20 existence of the discharge and knew that the County had been  
21 added as a listed creditor.

22 Strike five. There is no objectively reasonable basis for  
23 concluding that the County's conduct might be lawful.

24 As explained above, the proposition that creditors must be  
25 listed in a bankruptcy discharge order lacks merit. No creditor  
26 is ever listed in a bankruptcy discharge order.

27 Strike six. The ALJ erred, as a matter of law, by accepting  
28 the County's assertions that a discharge or some other order  
needs to state that a debt to the County is discharged.

Strike seven. There is no objectively reasonable basis for  
concluding that the County's conduct in making that argument  
might be lawful.

1 This Court likewise infers that it was the County that urged  
2 upon the ALJ that the (legally insignificant) amendment adding  
3 the County as a creditor needed to be served on the County.

4 Strike eight. There is no objectively reasonable basis for  
5 concluding that the creditor's conduct or the ALJ's analysis  
6 might be lawful.

7 Next,

8 The County submitted a one-page response noting that  
9 the Claimants have not provided the full bankruptcy  
10 discharge paperwork, and as such, the County is entitled to  
continue collecting on the overissuance against all  
responsible adults.

11 Hearing Report at p.4 (Dkt. 60).

12 The County's submission is an assertion that it is entitled  
13 to continue collecting against the discharged debtors, contrary  
14 to the County's earlier assertion in this Court that it ceased  
15 collecting on the discharged debt from the debtors.

16 Strike nine. There is no objectively reasonable basis for  
17 concluding that the County's conduct in advancing that position  
18 to the ALJ might be lawful.

19 The ALJ made the following findings:

20 Based on the documentation submitted by the Claimants,  
21 it is found that the Claimants have not submitted  
22 documentation showing that the debt against them from the  
County in this case was discharged in their bankruptcy case.  
23 The Claimants' statement that their attorney told them that  
all parties listed on the bankruptcy amendment paperwork  
24 were properly served, and that the clerk informed them that  
no objections had been filed, were considered, but  
ultimately other evidence was persuasive.

25 Nothing in this Decision prevents the Claimants from  
26 providing further evidence that the County's CalFresh  
overissuance in this case was properly discharged in  
bankruptcy court.

27 Hearing Report at p.5 (Dkt. 60).

28 The ALJ's findings are clearly erroneous in fact and in law.

1 The Debtors did submit complete documentation showing the debt to  
2 the County was discharged in their "no asset, no bar date"  
3 chapter 7 case. The County and the ALJ imposed on the debtors a  
4 phantom requirement for paperwork that never exists in a  
5 discharge order.

6 Whether there was service or not upon the County of the  
7 Amendment adding the County as a creditor is irrelevant because  
8 the amendment, as held by the Ninth Circuit in Beezley, is of no  
9 legal significance. The debtors fulfilled their notice duty under  
10 Rule 1009(a)(1) when they showed a copy of the amendments. The  
11 County and the ALJ were imposing another phantom requirement on  
12 the debtors by disregarding the Amended Schedule on the pretext  
13 there was not evidence of formal service.

14 Strike ten. There is no objectively reasonable basis for  
15 concluding that the County's conduct might be lawful.

16 The ALJ's Kafkaesque provision that the Claimants could  
17 provide "further evidence" was based on the County's assertions  
18 that unambiguously violated the bankruptcy discharge.

19 After addressing other issues raised by the Claimants Simmie  
20 and Zenaida Graves, on December 18, 2025, the CDSS ALJ ruled:

21 Based on the above, it is determined that the County  
22 has correctly included the Claimants [Simmie and Zenaida  
23 Graves] in its collection actions on this CalFresh  
overissuance, and the County is not estopped from doing so  
based on the documents in the record.

24 Nothing in this Decision prevents the Claimants from  
25 providing further bankruptcy documentation to the County in  
26 support of their position that the CalFresh overissuance in  
this case has been successfully discharged as against them  
in bankruptcy proceedings.

26 Stephen Mulnick, Administrative Law Judge

27 Hearing Report at p. 13 (Dkt. 60).

28 Strike eleven. There is no objectively reasonable basis for

1 concluding that the County's arguments or the ALJ's findings  
2 might be lawful.

3 Armed with the December 18, 2025, CDSS order, the County  
4 addressed a letter to Simmie Graves on January 14, 2026,  
5 demanding immediate payment of \$2,773.81 and threatening referral  
6 for state and federal tax intercepts.<sup>1</sup>

7 Strike twelve. There is no objectively reasonable basis for  
8 concluding that the creditor's conduct in demanding payment of a  
9 discharged debt might be lawful.

10  
11 V

12 But wait, there is more. The County sent billing statements  
13 to Simmie Graves dated November 21, 2022, and June 20, 2025,

14  
15 <sup>1</sup>Hello Simmie:

Case No. 1B14888

CalFresh Overissuance \$2,773.81

16 This letter is to inform you that the Placer County  
17 Health and Human Services Department referred the above-  
18 referenced debt to its collection division for recovery. The  
balance is due and payable immediately.

19 Payments may be made online [online address omitted] or  
20 by calling [phone # omitted]. You may also mail your payment  
to Placer County HHS [address omitted]. Make sure to include  
your case number.

21 If you are unable to pay the full balance at this time,  
22 then it is imperative you contact our office to discuss  
repayment arrangements. Failure to respond may result in  
additional collection actions, including but not limited to:

23 Referral to the Franchise Tax Board (FTB) for state tax  
intercept; and/or

24 Referral to the Internal Revenue Service (IRS) for  
federal tax refund or federal payment intercept.

25 To avoid further enforcement action, you must contact  
26 our office immediately at [phone #] to arrange full payment  
or establish an approved repayment plan.

27 Health and Human Services Department  
28 Revenue Services Division

Dkt. 60, Ex. G.

1 respecting the overpayment.

2 In the County's April 29, 2026, Opposition, it asserts that  
3 the debtors' bankruptcy attorney told a County Revenue Services  
4 employee on August 23, 2022, that "he does not represent Skyler  
5 Graves and the Overpayment was not listed as a debt in Debtors'  
6 bankruptcy case and was not discharged in Debtors' bankruptcy  
7 case." (Decl. Lori Lynch, Dkts. 51-52).

8 The problem is that the County makes an unwarranted  
9 inference from its layered hearsay conversation with debtors'  
10 counsel. It conflates separate concepts. Counsel's alleged  
11 statement only rings true if it is understood to mean that he did  
12 not represent Skyler and Haley Graves, that the Placer County  
13 debt was not scheduled, and that the debt of Skyler Graves was  
14 not discharged.

15 What does not ring true is the County's inference that the  
16 Debtors' counsel said the debtors' debt to the County was not  
17 discharged. After Beezley no seasoned bankruptcy attorney, such  
18 as debtors' counsel, would have said that an unscheduled debt in  
19 a "no asset, no bar date" case was not discharged as to debtors.

20 This view is confirmed by the fact that after the County's  
21 November 21, 2022, billing statement addressed to the debtors,  
22 the debtors' counsel assisted them in reopening their bankruptcy  
23 case on January 5, 2023, and in amending their schedules on  
24 January 23, 2023, to add Placer County as a creditor. (Dkts. 22-  
25 25.) That is precisely what a knowledgeable debtors' counsel  
26 would do in a "no asset, no bar date" case in light of Beezley.

27 As the Ninth Circuit explained in Beezley, the act of  
28 amending schedules to add omitted creditors is "useless" in terms

1 of legal consequence. At most it shows good faith by debtors if  
2 further case administration becomes needed.

3 It follows that the debtors-counsel-made-us-do-it excuse is,  
4 to use the Ninth Circuit's word, "useless."

5 Viewed in isolation, the November 21, 2022, billing  
6 statement might have been an inconsequential discharge injunction  
7 violation, that led the Debtors to amend their schedules.

8 But the June 20, 2025, billing statement to Simmie Graves  
9 distinctly violated the discharge injunction.

10 The County's Supplemental Opposition to Motion to Sanction  
11 Creditor for Contempt of Court attempted to explain away the  
12 January 14, 2026, demand letter to Simmie Graves.

13 The County says the January 2026 demand letter:

14 [W]as transmitted to Simmie Graves based on the  
15 County's reliance on the CDSS Decision, which indicated the  
16 Debtors failed to provide sufficient information to  
17 establish the Overpayment was discharged as to the Debtors.  
18 These letters were not sent in deviance or disregard of the  
19 Debtors' Discharge Order but were based on the County's  
20 objectively reasonable belief they were lawful. This belief  
21 was the result of representations made by Debtors'  
22 bankruptcy attorney and an Administrative Law Judge.

23 (Dkt. 56) at 3-4.

24 Strike thirteen. There is no objectively reasonable basis  
25 for concluding that the County's arguments or the ALJ's findings  
26 might be lawful.

27 The County says it "remains concerned that Debtors will  
28 continue to conflate any collection efforts against their adult  
29 children as attempts to collect on the Overpayment against them."

30 This Court is not confused into conflation. As noted earlier  
31 in this Opinion, the adult children are jointly and severally  
32 liable and remain vulnerable to collection.



1 collections against the debtors' jointly and severally liable  
2 adult children for which the outcome was a foregone conclusion  
3 because black-letter law limits the discharge to the debtors.

4 The January 14, 2026, demand letter to Simmie is proof  
5 positive that the County continues to run amok in a manner that  
6 smacks of Franz Kafka.

7 The amount necessary to coerce the County into compliance  
8 with the bankruptcy discharge is \$39,000 (\$3,000 per strike).

9 It is evident that this prolonged and frustrating dispute  
10 has caused considerable emotional distress to the Graves.

11 Emotional distress damages are assessed at \$5,000. It is  
12 noted that the Supreme Court in Taggart had nothing negative to  
13 say about the Taggart bankruptcy court's awards of emotional  
14 distress damages and punitive damages. Cf. Valdellon v. PHH  
15 Mortgage Corp., 2026 Westlaw 1068902 (9th Cir. 2026).

16 The County is fortunate that the Graves did not engage legal  
17 counsel to assist them in dealing with the County. If they had  
18 done so, the likely compensable professional fees would have  
19 exceeded \$20,000. If, in an eventual appeal, the Graves elect to  
20 engage counsel to help defend their award, a fee award for a  
21 successful appellate defense also would be available.

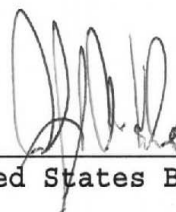
22

23 **Dated: May 28, 2026**

24

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26

  
United States Bankruptcy Judge

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