



U.S. Trustee Program Annual Report

Fiscal Years 2022 and 2023



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MESSAGE FROM THE DIRECTOR



America's remarkable bankruptcy system touches all corners of society—from large corporations and mass tort victims to mom-and-pop businesses and individuals who have fallen on hard times. Based on the idea that the honest but unfortunate debtor should be given a fresh start and that failing businesses should have the opportunity to reorganize into successful operations, our bankruptcy laws have shaped American society and our economy for centuries. For individuals and companies alike, bankruptcy can be a powerful engine of economic renewal.

The mission of the United States Trustee Program (USTP) is to protect the integrity and efficiency of our bankruptcy system—to ensure that financially struggling individuals and enterprises have access to the benefits of bankruptcy while at the same time ensuring that those participating in the system abide by the laws as set forth by Congress. Although the vast majority of debtors are entitled to the relief that bankruptcy provides, there are a small number of debtors and other actors that jeopardize the integrity of the system by being less than honest, by attempting to unfairly manipulate the system, or by engaging in bad faith, fraudulent, or criminal conduct. In these circumstances, the USTP fulfills its mission by bringing civil enforcement actions and referring suspected criminal behavior to the U.S. Attorneys or other law enforcement partners.

In addition to its enforcement activities, the USTP is committed to promoting equal access to justice and addressing access limitations to the bankruptcy system. To that end, in FY 2023, the USTP began efforts to permanently move the historically in-person meeting of creditors—a meeting at which debtors testify under oath in response to question by trustees and creditors—to a video format in chapter 7, 12, and 13 cases. These virtual meetings will place fewer burdens on debtors and other stakeholders participating in bankruptcy cases while maintaining critical safeguards. Also, the Program continues to offer free interpretation services at the meeting of creditors for debtors with limited English skills. Interpretation for more than 200 languages is available, and in FY 2022 and FY 2023, the Program provided nearly 20,000 language interpretation sessions to debtors.

I encourage you to review this report to learn more details about our accomplishments over the past two fiscal years and to visit www.justice.gov/ust regularly for updates on our work.

Sincerely,

A handwritten signature in cursive script that reads "Tara Twomey".

Tara Twomey

ABOUT THE U.S. TRUSTEE PROGRAM

MISSION AND RESPONSIBILITIES

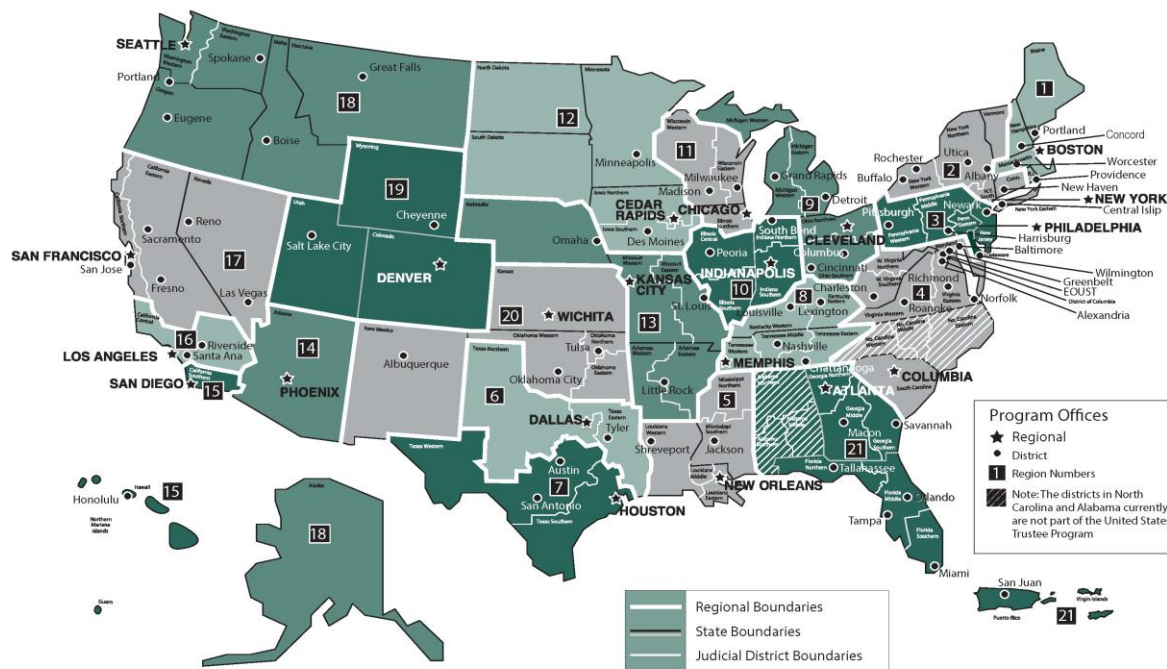
The U.S. Trustee Program is a litigating component of the Department of Justice whose mission is to promote the integrity and efficiency of the bankruptcy system for the benefit of all stakeholders—debtors, creditors, and the American public. The Program has standing to participate in every individual and business bankruptcy case in the 88 federal judicial districts under its jurisdiction.¹

Often described as the “watchdog of the bankruptcy system,” the USTP is charged with ensuring compliance with bankruptcy laws and balancing the legitimate interests of all parties, including debtors, creditors, professionals, and others. As a neutral participant with no pecuniary interest in a case, the USTP provides stability to the bankruptcy system through its independence, balanced enforcement, and oversight.

ORGANIZATION

The USTP is led by a Director, who is headquartered in the Executive Office for U.S. Trustees in Washington, D.C. The Executive Office manages overall operations and sets legal and administrative policies and priorities. U.S. Trustees manage 21 regions consisting of 89 field offices that are each supervised by an Assistant U.S. Trustee (Figure 1).

FIGURE 1: MAP OF USTP REGIONS AND OFFICES



¹ The USTP has jurisdiction in all judicial districts except those within Alabama and North Carolina. In those six districts, bankruptcy court officials called Bankruptcy Administrators perform a similar function.

ABOUT THE U.S. TRUSTEE PROGRAM

At the end of FY 2023, the Program employed about 960 staff members—attorneys, financial analysts, paralegals, and support staff. Roughly 90 percent of the USTP’s employees serve in its field offices, and the remainder are in the Executive Office. See page 33 for a full listing of the USTP’s office locations.

The Program’s expansive field structure enables it to participate in about 250 bankruptcy courts, detect and address multijurisdictional violations through coordinated enforcement efforts, and ensure meaningful access to the bankruptcy system by both debtors and creditors.

FUNDING

The USTP is funded through appropriations by Congress that are offset by fees paid by bankruptcy debtors, including filing fees and chapter 11 quarterly fees. Excess collections are deposited into the U.S. Trustee System Fund. In FY 2022, the USTP was appropriated \$239 million and, because of decreased bankruptcy filings, drew \$43 million from the System Fund to offset the USTP’s appropriation. In FY 2023, the USTP was appropriated \$255 million and drew \$39 million from the System Fund to offset the appropriation.

RECOGNITION

USTP Employee Recognized with Attorney General’s Award for Excellence in Legal Support

Jennie Gallagher, a Paralegal Specialist in the USTP’s Peoria office of Region 10, was one of only two recipients of the Attorney General’s Award for Excellence in Legal Support (Paralegal Category) as part of the 69th Annual Attorney General Awards Program. Jennie was recognized for innovations she spearheaded to ensure the bankruptcy process and her office continued to function efficiently in a remote work environment during the pandemic.

USTP Ranked as One of the Best Places to Work

On April 6, 2023, the Partnership for Public Service issued its 2022 Best Places to Work in the Federal Government rankings. The USTP earned a spot in the top 30 percent of federal agency subcomponents and ranked seventh out of 18 components within the Department of Justice. The results are based on the U.S. Office of Personnel Management’s annual Federal Employee Viewpoint Survey and measure how federal employees view their job and workplace. In more than 90 percent of core viewpoint survey questions in both 2022 and 2023, the USTP surpassed the percentage of positive responses both government-wide and within DOJ, including questions related to achieving mission, overall satisfaction with the organization, and recognition of employees for doing a good job.

DIVERSITY AND INCLUSION

The USTP is committed to recruiting and fostering a diverse and inclusive workforce representing this country’s rich diversity and a range of personal and professional backgrounds, experiences, and perspectives. To that end, the USTP actively promotes employment and internship opportunities with a variety of affinity and professional groups. The Program is also committed to recruiting diverse applicants for private bankruptcy trustee appointments. The following are some highlights of these efforts.

- ❖ The USTP continued to partner as an ex officio member with the Bankruptcy Inclusion, Diversity, Equity, and Accessibility Consortium, a network of bankruptcy-related judiciary, government, and professional organizations. The Consortium aims to recruit diverse candidates for the bankruptcy bench and bar

ABOUT THE U.S. TRUSTEE PROGRAM

through outreach efforts to promote bankruptcy as a career path and by providing information about internships and career opportunities.

- ❖ For the fourth straight year, the Program participated in the DOJ Diversity and Inclusion Dialogue Program. The DIDP focuses on enhancing personal growth and effectiveness through communicating, listening, encouraging introspection, and building acceptance for differing perspectives in a confidential, open, and structured environment. Four USTP staff served as facilitators for these sessions, and 20 other USTP staff members completed the DIDP over the two years covered by this report.
- ❖ Over the last two fiscal years, Program staff engaged in virtual and in-person events specifically targeting the recruitment of individuals from underrepresented backgrounds. Additionally, Program staff across the country initiated outreach to their respective alma maters as part of the Program's goal to foster inclusivity, to build connections with educational institutions, and to create a diverse talent pool for a more representative and enriched work environment.
- ❖ All attorney vacancies are advertised with about 30 nationwide affinity groups, including the Hispanic National Bar Association, the National LGBTQ+ Bar Association, the National Bar Association, and the National Asian Pacific American Bar Association. This is in addition to more than 200 affinity groups at the regional and local levels. The Program also advertises non-attorney and private trustee opportunities.
- ❖ The USTP offers summer, spring, and fall internships to law students through the DOJ Volunteer Legal Intern Program, which includes outreach to more than 100 law schools nationwide. In FY 2022 and 2023, a total of 82 law students from diverse backgrounds received hands-on experience in the bankruptcy field through the internship program.

BANKRUPTCY CASES AND FILING TRENDS

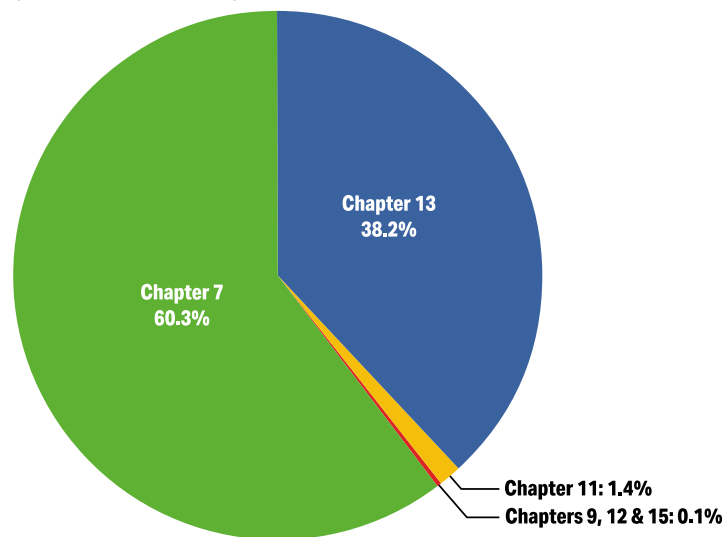
BANKRUPTCY CASES

A bankruptcy case is a proceeding brought under federal law to discharge or reorganize the financial obligations of an individual or an entity. The Bankruptcy Code appears in title 11 of the United States Code.

Bankruptcy offers a fresh start to “the honest but unfortunate debtor.”² By filing a bankruptcy case, the debtor is immediately protected from most creditors’ collection efforts and can obtain a discharge or a readjustment of certain debts. In return, the debtor is required to voluntarily and truthfully disclose financial information, including various assets, liabilities, income, and expenses.

Almost all bankruptcy cases are filed under chapter 7 (liquidation), 11 (reorganization), or 13 (adjustment).³

**Figure 2: Bankruptcy Filings
By Chapter In USTP Districts
(FY 2022 - FY 2023)**



CASE FILINGS AND TRENDS

New bankruptcy case filings in the judicial districts covered by the Program totaled 361,515 in FY 2022 and 408,963 in FY 2023. Over the two fiscal years, chapter 7 cases accounted for about 60 percent of all new bankruptcy filings, chapter 13 cases for about 38 percent, and chapter 11 cases for about 1 percent. When combined with ongoing cases filed in prior years, the

770,478

**FY 2022 - FY 2023
BANKRUPTCY FILINGS IN
USTP DISTRICTS**

² *Grogan v. Garner*, 498 U.S. 279, 286–87 (1991).

³ There are three other chapters under which certain debtors may file a bankruptcy case. Family farmers and fishermen may file under chapter 12; municipalities may file under chapter 9; and foreign entities may seek relief under the cross-border insolvency provisions of chapter 15. Cases under these three chapters represent just 0.1 percent of all bankruptcy filings.

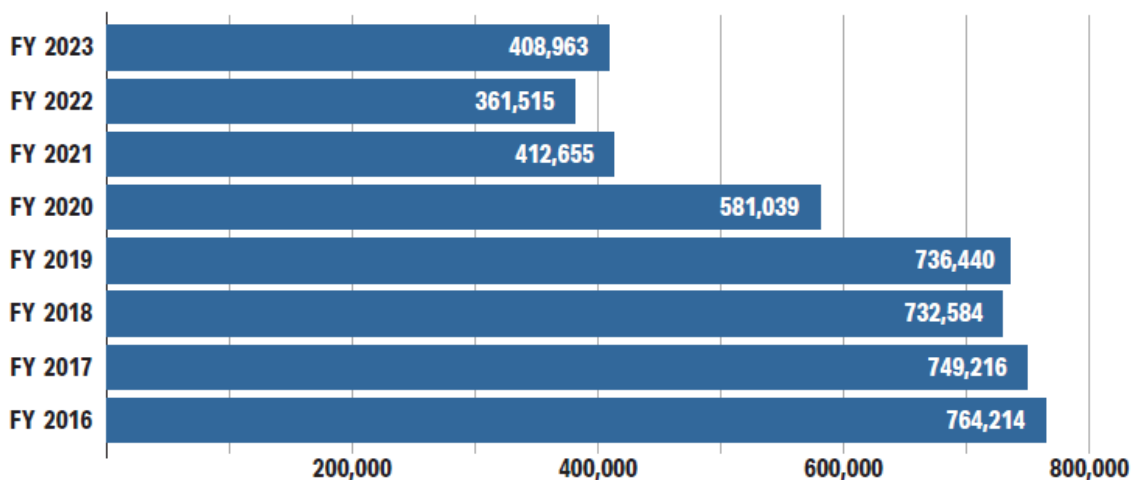
BANKRUPTCY CASES AND FILING TRENDS

Program oversaw more than 1 million active cases during each year.⁴ Bankruptcy cases compose nearly half of all pending cases in the federal judicial system.

Consistent with the drop in filings since the outset of the pandemic, total filings for FY 2022 remained suppressed—down by 12 percent compared with FY 2021, and down by more than half compared with the pre-pandemic level in FY 2019—although there was a 27 percent increase in chapter 13 filings over FY 2021 levels.

During FY 2023, filings were up by 13 percent compared with FY 2022, the first increase since FY 2019, and totals were up across all chapters except for chapter 12. Chapter 11 filings, in particular, rebounded strongly during FY 2023, increasing by 36 percent over FY 2022. Despite the increase during FY 2023, total filings still remained down by nearly 45 percent compared with FY 2019.

Figure 3: Total Bankruptcy Filings in USTP Districts (FY 2016 - FY 2023)



⁴ This figure is calculated using data from both the Executive Office for U.S. Trustees and the Administrative Office of the U.S. Courts.

ACCESS TO JUSTICE

A critical component of the USTP's mission is to ensure that all participants who comply with the Bankruptcy Code's requirements receive the relief that the law affords them. Hurdles for individual debtors include getting the time off work to attend required meetings, overcoming language barriers, and navigating procedural obstacles to a fresh start. The following initiatives reflect the Program's commitment to expanding access to the justice system.

Preparations for Permanent Virtual Section 341 Meetings of Creditors

Before the pandemic, nearly every section 341 meeting of creditors was conducted in person. But with the onset of the COVID-19 pandemic in March 2020, the USTP and private trustees pivoted to primarily telephonic meetings to both protect the health and safety of those involved in bankruptcy proceedings and ensure the bankruptcy system remained functional during a historic emergency.

The shift to virtual meetings of creditors unveiled various benefits, such as reducing the burdens on individual debtors by significantly minimizing the need for time off work, childcare arrangements, or travel expenses. Other stakeholders also saw substantial time and cost savings, and creditor participation improved. But while the pandemic emergency procedures demonstrated that most meetings can be successfully conducted without ever meeting face-to-face, it also showed that telephonic meetings were not a perfect substitute for in-person meetings.

To balance these perspectives, in FY 2022, the USTP shared with stakeholders its intention to retain virtual meetings post-pandemic, but to conduct them over a videoconferencing platform instead of by telephone. The USTP's plan focuses initially on transitioning the meetings in chapter 7, 12, and 13 cases, which are filed overwhelmingly by individuals. A pilot of these video meetings began in the first quarter of FY 2023, starting with Region 19, which consists of the judicial districts located in Colorado, Wyoming, and Utah. In the third quarter of FY 2023, the pilot expanded to more regions, and the USTP prepared for the nationwide expansion of video meetings. In the fourth quarter of FY 2023, the USTP launched the first of two waves to complete the transition, which covered the judicial districts east of the Mississippi River. The USTP anticipates completing the second wave, covering the remaining western half of the country, in FY 2024.

In partnership with the White House Legal Aid Interagency Roundtable and the DOJ's Office for Access to Justice, the USTP conducted a listening session with legal aid representatives from two states to receive feedback on the functionality and accessibility of the new virtual meetings of creditors. This outreach provided an opportunity to better understand the experience of debtors from underserved communities and their attorneys in virtual meetings. It also confirmed that video meetings improve debtors' attendance and participation, and the feedback about users' experience will be useful as the USTP works on future improvements. The USTP remains enthusiastic for the full rollout of virtual section 341 meetings over video, with ongoing support from stakeholders, trustees, and the courts.

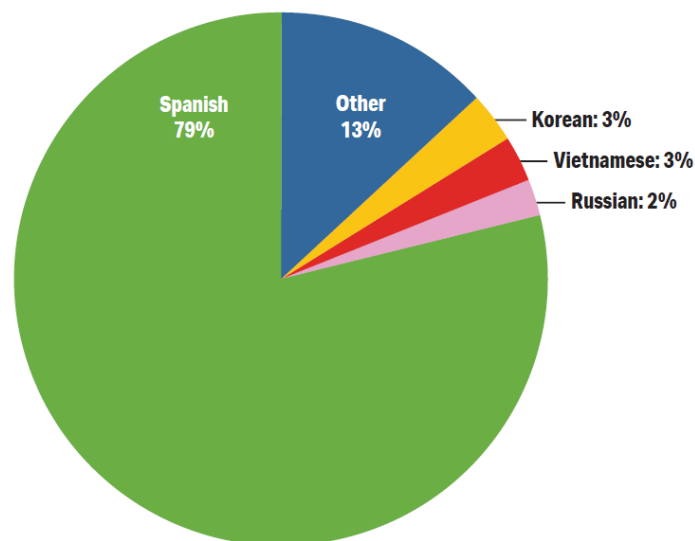
ACCESS TO JUSTICE

Assistance for Individuals with Limited English Proficiency

The Program offers free telephonic interpreter services as needed to help ensure that individual debtors with limited English proficiency can meaningfully participate in section 341 meetings. In FY 2022 and FY 2023, more than 19,000 calls were made for interpreter services. By far, the top requested language was Spanish (about 79 percent), followed by Korean (3 percent), Vietnamese (3 percent), and Russian (2 percent). The remaining 13 percent was split among more than 100 other languages. See *Figure 4*.

In addition to offering free interpretation services, the U.S. Trustee Program has posted on its website a Bankruptcy Information Sheet that is available in 17 languages and provides debtors with a helpful overview of the bankruptcy process. These and other language access initiatives reflect the Department of Justice's broader goal of providing meaningful access to programs and activities conducted or supported by federal agencies regardless of an individual's English proficiency.

Figure 4: Languages Requested for Interpreter Services



Ensuring Eligible Debtors Receive Their Discharges

Through the efforts of the U.S. Trustee's Memphis office, individuals obtained discharges in 52 chapter 13 cases that had been closed without discharges. Initially, the Program moved to reopen 27 of these cases in which the debtors had timely completed all requirements necessary to receive a discharge before case closure. The court reopened each case and entered a discharge order. Additionally, at the USTP's request, debtors' counsel returned a total of \$5,100 in fees paid by debtors in 25 of these 27 cases. The attorneys also agreed to strengthen their case-closing procedures and contact other former clients whose bankruptcies were closed without a discharge in 2021 and 2022 for failure to file the debtor education certificate. As a result, debtors in an additional 25 closed chapter 13 cases had their cases reopened, necessary certifications filed, and discharges issued to them.

ACCESS TO JUSTICE

Credit Counseling and Debtor Education Assistance

Individual debtors must receive credit counseling before filing a case to be eligible for bankruptcy relief and must complete personal financial management instruction (debtor education) to be eligible for a discharge of debts. These requirements are intended to ensure individuals make informed financial decisions before entering bankruptcy and to provide tools to avoid future financial catastrophe when they exit bankruptcy.

The Program has taken several steps to reinforce debtors' awareness of their need to complete debtor education to receive a discharge. These steps include interviewing stakeholders in the bankruptcy community to discuss barriers they perceive to debtor education; advising debtor education providers to provide clear instructions about the requirement; revising the Program's website to explain the process to consumers, including when and how debtor education must be completed; and modifying the informational banner that debtors view while waiting for their virtual 341s to further emphasize the need to complete debtor education.

The USTP is responsible for approving providers who meet statutory qualifications to offer credit counseling and debtor education services. In addition to the annual application process, the Program monitors providers through periodic reviews. Agencies are required to provide proof of corrective actions if necessary, and the USTP monitors for continued compliance.

The USTP also offers both an e-mail address and telephone number on its website for the public to file complaints or inquire about credit counseling agencies and debtor education providers. In FY 2022 and FY 2023, the Program investigated and resolved 64 complaints and inquiries relating to services by credit counselors and debtor educators.

For example, the USTP investigated several complaints from debtors who had already completed their debtor education courses. Because two debtor education providers failed to include a statement identifying the mailings as solicitations, some debtors receiving the mailings questioned whether they had completed the course. As a result, the USTP determined that the mailings violated regulations governing debtor education providers by failing to include a statement that the mailings were solicitations. The mailings also contained confusing language that caused some debtors to unnecessarily take or retake the debtor education course. The USTP eventually reached a settlement with the providers that resulted in refunds to 1,280 debtors totaling nearly \$29,500.

CHAPTER 11 REORGANIZATIONS

WHAT IS CHAPTER 11?

Chapter 11 provides a process by which a debtor, usually a business, can reorganize its debts while continuing to operate. Generally, the company's management retains control of the business throughout the case. The debtor, often with participation from creditors, proposes a plan of reorganization to repay part or all its debts. In addition to the traditional chapter 11, there is a subchapter V provision of chapter 11 for eligible small businesses. Subchapter V is designed to facilitate positive case outcomes under shortened timeframes.

CHAPTER 11 CASE FILINGS

New chapter 11 case filings in USTP districts totaled 4,656 in FY 2022 and 6,311 in FY 2023. While chapter 11 cases represent just about 1 percent of the USTP's caseload, their size and complexity makes them more resource-intensive. They also garner the most publicity and are much more likely to require coordination with other DOJ components and governmental agencies.

CIVIL ENFORCEMENT ACTIVITY IN CHAPTER 11

In FY 2022 and FY 2023, the Program initiated more than 10,400 inquiries⁵ and more than 4,900 actions⁶ in chapter 11 cases⁷ involving key civil enforcement matters, with a potential monetary impact of more than \$40 million.

Figure 5: Chapter 11 Civil Enforcement Activity and Case Administration, FY 2022 - FY 2023

Type of Activity	Inquiries		Actions		Action Success Rate ⁸	
	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023
§ 327 Employment of Professionals	1,366	1,496	323	375	86%	88%
§ 330 Professional Fee Requests	1,234	977	262	259	92%	95%
§ 503(c) Key Employee Retention Plans	22	54	24	25	55%	82%
§ 1103 Employment of Professionals	90	144	10	5	100%	100%
§ 1104 Appointment of Trustee or Examiner	7	17	18	22	92%	82%
§ 1112(b) Conversion or Dismissal	1,668	1,535	1,077	1,197	98%	97%
§ 1125 Disclosure Statements	185	158	150	140	96%	96%
§ 1129 Plan Confirmation	481	514	344	417	94%	95%
DIP Financing/Cash Collateral Agreements	212	316	117	190	95%	95%

⁵ Inquiries, which are informal investigations, include documented communications by USTP staff with parties or others involved in a bankruptcy case concerning compliance with bankruptcy law and rules.

⁶ Actions, which are court filings, include motions, complaints, and objections that Program personnel filed with the bankruptcy court to seek relief.

⁷ Inquiries and actions under 11 U.S.C. §§ 327 and 330 arise primarily in chapter 11 cases, but also in cases filed under other chapters.

⁸ The success rate is calculated by dividing the number of actions decided successfully in FY 2022 and FY 2023 into the total number of actions decided in FY 2022 and FY 2023. The action success rate includes outcomes where the court entered an order granting the relief sought by the USTP, in whole or in part, or the defendant agreed to other relief satisfactory to the USTP.

CHAPTER 11 REORGANIZATIONS

KEY CHAPTER 11 ISSUES AND CASE HIGHLIGHTS

Third-Party Releases and Overbroad Exculpations

For decades, the Program has consistently opposed non-consensual third-party releases. In FY 2022 and FY 2023, the USTP successfully litigated against them in several high-profile bankruptcy cases. The USTP's position is that these releases (1) cut off the rights of less powerful creditors who lack negotiating leverage with sophisticated corporate debtors and their professionals; and (2) impermissibly insulate non-debtor parties who benefit from the releases without obligating themselves to bankruptcy statutes and rules that require transparency and govern treatment of creditors.

Similarly, the Program opposes overbroad exculpations. Many debtors include exculpation provisions in their plans of reorganization to insulate estate fiduciaries—debtors, committee members, and their respective professionals—from liability for good-faith acts in assisting the debtor's reorganization process. The Program objects when an exculpation provision (1) seeks to release a party other than an estate fiduciary; (2) fails to carve out gross negligence, fraud, and willful conduct from the scope of its protection; or (3) encompasses acts that occurred before the petition date or after the plan's effective date.

The following are some of the more noteworthy cases involving third-party releases and overbroad exculpations from FY 2022 and FY 2023:

The chapter 11 case of Purdue Pharma LP and its affiliates⁹ stemmed from their role in fueling the national opioid crisis. The debtors' proposed reorganization plan included sweeping nonconsensual releases that shielded members of the company's founding family and others—none of whom had filed for bankruptcy—from virtually all civil liability related to the companies' conduct. The Program objected to these extraordinarily broad releases, arguing that the Bankruptcy Code does not allow them and that the bankruptcy court lacked authority to approve them. The bankruptcy court overruled the USTP's objection and confirmed the reorganization plan. After

ROLE OF THE USTP IN CHAPTER 11

The USTP carries out significant responsibilities in chapter 11 cases to protect the interests of stakeholders, advocating for strict compliance with the Bankruptcy Code and promoting management and professional accountability.

Among its core duties are:

- reviewing first-day motions;
- appointing official committees of creditors;
- reviewing reorganization plans and disclosure statements;
- ensuring that bankruptcy documents are timely filed and that the debtor properly manages estate assets;
- preventing undue delays in the progress of a case;
- objecting to the employment and compensation of professionals such as attorneys and financial advisors who have conflicts of interest;
- investigating fraud for possible civil or criminal prosecution;
- moving to dismiss or convert cases that are not progressing toward financial rehabilitation; and
- enforcing the statutory limitations on insider and executive compensation.

⁹ *In re Purdue Pharma L.P.*, 635 B.R. 26 (S.D.N.Y. 2021), *aff'd in part, rev'd in part sub nom. Purdue Pharma L.P. v. City of Grande Prairie*, 69 F.4th 45 (2d Cir. 2023), *cert. granted sub nom. Harrington v. Purdue Pharma L.P.*, 144 S. Ct. 44, 216 L. Ed. 2d 1300, 92 U.S.L.W. 3026 (2023).

CHAPTER 11 REORGANIZATIONS

multiple lower court appeals, the Supreme Court agreed to hear the case, and oral argument took place on December 4, 2023. The Supreme Court's decision is pending.

In the Eastern District of Virginia, the USTP successfully appealed the bankruptcy court's approval of a chapter 11 plan by Retail Group, Inc., and its affiliates, which formerly owned clothing retailers including Ann Taylor and Lane Bryant.¹⁰ The plan contained non-consensual third-party releases that would have provided the debtors' directors and officers, two of whom were defendants in a putative class action alleging violations of securities law, even greater relief than they could have received if they had filed bankruptcy themselves. In its opinion on appeal, the district court noted the "shocking" breadth of the releases, which would have barred the claims "of at least hundreds of thousands of potential plaintiffs not involved in the bankruptcy, shielding an incalculable number of individuals associated with Debtors in some form, from every conceivable claim—both federal and state claims—for an unspecified time period stretching back to time immemorial." Subsequently, the bankruptcy court entered an order modifying the confirmed plan to sever the inappropriate releases.

Voyager Digital Holdings, Inc., which operated a cryptocurrency brokerage platform and provided other cryptocurrency-related services, filed a chapter 11 bankruptcy and proposed a plan seeking to sell or liquidate its assets. The USTP objected to the debtors' plan partly because it included overly broad exculpation provisions that protected non-fiduciaries. After the USTP's objection, the debtors revised the plan to, among other things, provide the exculpated parties with immunity from criminal and civil liability for past and future conduct. The bankruptcy court overruled the USTP's objection and confirmed the plan.¹¹ The USTP and the U.S. Attorney for the Southern District of New York jointly appealed the confirmation order and are awaiting a decision by the district court, which has stayed the exculpation provisions until it resolves the appeal.

Mass Tort Litigation in Bankruptcy

Companies have increasingly sought relief in bankruptcy court under chapter 11 to consolidate and resolve mass tort litigation. In many of these cases, the debtor's bankruptcy case is used to benefit related entities that are not subject to bankruptcy's requirements. Beyond releases, these efforts also include attempts to insulate profitable business operations from the claims of tort victims through injunctions. The Program has taken a skeptical view of this use of the bankruptcy system, including in the following cases.

LTL Management LLC and a non-debtor affiliate were created by their parent, Johnson & Johnson, through a corporate restructuring two days before the bankruptcy filing in a "divisional merger" under Texas law (often called a "Texas two-step"). J&J established LTL to isolate the liabilities belonging to its previous operating subsidiary, including what J&J said was about \$2 billion in contingent liability for tort claims related to the sale and manufacture of talc-containing products alleged to cause cancer. At the same time, J&J transferred the previous subsidiary's productive business assets to a new operating company. J&J and the new operating company also agreed to pay LTL's administrative expenses and to fund a trust to resolve talc liabilities. The bankruptcy court denied a dismissal motion filed by creditors and supported by the U.S. Trustee, finding that the debtor was in financial distress attributable to its potential talc liability and that the case had a valid reorganizational purpose: to address present and future injury claims and preserve corporate value. On direct appeal, with the USTP participating as amicus in support of creditors, the Third Circuit Court of Appeals reversed

¹⁰ *Patterson v. Mahwah Bergen Retail Grp., Inc. (In re Retail Grp., Inc.)*, 636 B.R. 641 (E.D. Va. 2022).

¹¹ *In re Voyager Digital Holdings, Inc.*, 649 B.R. 111 (Bankr. S.D.N.Y. 2023), stayed pending appeal sub nom. *United States v. Voyager Digital Holdings, Inc.*, No. 23-02171, 2023 U.S. Dist. LEXIS 57735, 2023 WL 2731737 (S.D.N.Y. April 1, 2023).

CHAPTER 11 REORGANIZATIONS

that decision and directed the bankruptcy court to dismiss the case. The appeals court found that in light of the funding backstop from J&J and its new affiliate, the debtor was “highly solvent.” Because the debtor was not in immediate or apparent financial distress, it could not show that the case served a valid bankruptcy purpose and was filed in good faith.¹²

About two hours after the bankruptcy court dismissed the case as the Third Circuit required, the debtor filed a new chapter 11 bankruptcy case in the same court. The new filing was accompanied by agreements between the debtor, J&J, and a group of lawyers representing nearly 60,000 purported talc claimants. Those agreements provided for a plan of reorganization that would establish an \$8.9 billion trust to resolve all present and future talc claims. Under new funding agreements, J&J promised to provide a funding backstop under certain conditions. As in the debtor’s previous bankruptcy case, the filing was met with motions to dismiss on the basis that the case was brought in bad faith. Motions were filed by the Official Committee, various creditors, and the USTP. Acknowledging the Third Circuit’s holding that financial distress must be immediate and apparent, the bankruptcy court found that the debtor’s new funding agreement again prevented a finding of financial distress and dismissed the case.¹³ The debtor appealed the dismissal order directly to the Third Circuit.¹⁴ Briefing was completed in February 2024.

Aearo Technologies and its non-debtor parent company, 3M Co., are defendants in what is believed to be the largest multi-district litigation (MDL) case in history, with nearly 260,000 pending cases arising out of their production of allegedly defective earplugs distributed to the military. They also face a much smaller but still significant number of claims related to allegedly defective respirators. The day before filing its chapter 11 petition, the debtor entered into a funding agreement that included an uncapped guarantee by its parent to pay the debtor’s creditors in full after the debtor had exhausted some of its own assets—regardless of whether the debtor was in bankruptcy. On motions to dismiss by several creditors and the USTP, the bankruptcy court invoked the Third Circuit’s “persuasive” logic in *LTL* and found no valid bankruptcy purpose. It concluded that the debtor was solvent and financially healthy, in large part because of the funding agreement, and found no compelling evidence that the pending MDL actions “have had or will have, at least in the near term, any substantial effect on the debtor’s operations.” Rather, the court said, the debtor “is thriving even while living under the ‘overhang’ of the largest MDL in history.” Because the case served no valid reorganizational purpose, the court granted the dismissal motions.¹⁵ The debtor appealed the dismissal order directly to the Seventh Circuit, but those proceedings have been suspended pending implementation of a settlement agreement in the MDL actions.¹⁶

Appointments of Chapter 11 Trustees and Examiners

By default, a chapter 11 debtor remains in possession of the bankruptcy estate (“debtor-in-possession”), with virtually all the rights, powers, and duties of a trustee. But that privilege is not absolute. The Bankruptcy Code requires the court, upon request by the U.S. Trustee or a party in interest, to order the appointment of a chapter 11 trustee if it finds “cause”—including fraud, dishonesty, incompetence, or gross mismanagement of the debtor’s affairs—or finds that the appointment is in the best interests of creditors, equity security holders, and

¹² *In re LTL Mgmt. LLC*, 637 B.R. 396 (Bankr. D.N.J. 2022), rev’d sub nom. *LTL Mgmt. LLC v. Those Parties Listed on Appendix A to Complaint*, 64 F.4th 84 (3d Cir. 2023).

¹³ *In re LTL Mgmt. LLC*, 652 B.R. 433 (Bankr. D.N.J.).

¹⁴ Case Nos. 23-2971, 23-2972 (3d Cir. 2023).

¹⁵ *In re Aearo Techs. LLC*, No. 22-02890, 2023 Bankr. LEXIS 1519, 2023 WL 3938436 (Bankr. S.D. Ind. June 9, 2023).

¹⁶ *Aearo Techs. LLC v. United States Trustee*, Case No. 23-2286 (7th Cir.).

CHAPTER 11 REORGANIZATIONS

other interests of the estate. Alternatively, the Code authorizes the U.S. Trustee or another interested party to request the appointment of an examiner to investigate the debtor's affairs, including allegations of fraud, dishonesty, incompetence, misconduct, and mismanagement, and file a report of the investigation's findings. If the court finds that the appointment is in the interests of creditors, any equity security holders, and other interests of the estate, or if the case meets statutory debt standards, the appointment of an examiner is mandatory.

FTX Trading Ltd., previously one of the world's largest cryptocurrency exchanges, filed for chapter 11 relief in November 2022 in Delaware along with more than 100 affiliates.¹⁷ In a declaration filed at the beginning of the case, a restructuring professional who had been named the debtor's chief executive officer just hours before the bankruptcies were filed said that he had never seen "such a complete failure of corporate controls and such a complete absence of trustworthy financial information as occurred here." Because of the extraordinarily fast corporate collapse, the debtors' alleged mismanagement of customer assets, and the corporate failures described by the new CEO, the U.S. Trustee filed a motion for the appointment of an examiner to investigate the debtors' failure. The bankruptcy court denied the U.S. Trustee's motion, ruling that the appointment of an examiner is not mandatory despite the Code's language stating that the court "shall order" appointment if the movant meets the statutory elements and despite the debtors' stipulation that they satisfied those elements. In July 2023, the U.S. Court of Appeals for the Third Circuit granted the USTP's petition for direct appeal of the bankruptcy court's decision. On January 19, 2024, the Third Circuit agreed with the USTP that an examiner appointment is mandatory when the statutory criteria of 11 U.S.C. § 1104(c)(2) are satisfied, citing both the statute's plain text and congressional intent. Accordingly, the Third Circuit remanded the case to the bankruptcy court to order the appointment.¹⁸

Professional Employment and Disclosures

The Bankruptcy Code requires that all professionals who seek employment by—and payment from—the bankruptcy estate be free of conflicting interests and be retained on reasonable terms. To verify professionals' ability to provide undivided loyalty and untainted advice, the Bankruptcy Rules impose a complementary duty for professionals to disclose all of their connections to the debtor, creditors, and any other interested party. Because complete and candid disclosure are crucial to the integrity and transparency of the bankruptcy system, the USTP objects to retention applications with disclosures that are vague or boilerplate; with connections amounting to a conflict of interest; or with inappropriate, overreaching provisions, such as limitations of liability.

For example, in the chapter 11 cases of Lordstown Motors Corp. and two affiliates, the Bankruptcy Court for the District of Delaware sustained the U.S. Trustee's objection to the debtors' application to employ Richards, Layton & Finger, P.A. as bankruptcy co-counsel on grounds that the firm had an actual, disqualifying conflict of interest.¹⁹ The cases concern an Ohio-based electric vehicle manufacturer that went public by merging with a special-purpose acquisition company. After the transaction closed, investors filed several securities litigation actions (both derivative and direct) against Lordstown, its merger partner, and directors

3,809

**OBJECTIONS AND INQUIRIES
RELATED TO THE EMPLOYMENT OF
PROFESSIONALS, INCLUDING THOSE
WITH CONFLICTS OF INTEREST
(FY 2022 - FY 2023)**

¹⁷ *In re FTX Trading Ltd.*, No. 22-11068 (Bankr. D. Del.).

¹⁸ *Vara v. FTX Trading Ltd.*, No. 23-2297 (3d Cir. Jan. 19, 2024).

¹⁹ *In re Lordstown Motors Corp., et al.*, No. 23-10831 (Bankr. D. Del.)

CHAPTER 11 REORGANIZATIONS

and officers of both entities, alleging a series of false and misleading statements regarding Lordstown's demand and production capabilities both before and after the closing. Some of the plaintiffs claimed that current and former directors and officers had breached their fiduciary duties by, among other things, trading in Lordstown's stock based on non-public information. RLF represented current and former directors and officers of both Lordstown and its merger partner in three of the securities litigation matters. Nevertheless, the Lordstown debtors filed an application to employ RLF as the debtors' chapter 11 bankruptcy co-counsel. The bankruptcy court held that RLF's continuing representation of the directors and officers prohibited the firm's employment as bankruptcy co-counsel because the interests of the directors and officers in with the interests of the debtors' estates in maximizing the value of those claims.

SMALL BUSINESS REORGANIZATIONS

Small business filers that have no more than \$7.5 million in debts and also meet other criteria may elect to proceed under subchapter V of chapter 11.²¹ Subchapter V imposes shorter deadlines for completing the bankruptcy process and allows for greater flexibility in negotiating plans of reorganization with creditors. Unlike in other chapter 11 cases, the USTP appoints a trustee in each subchapter V case. The trustee works with the debtor and creditors to facilitate the development of a consensual plan of reorganization, which may include evaluating the viability of the debtor's business and investigating the debtor's financial condition and conduct if directed by the court.

Figure 6:
Dispositions of Chapter 11 Small Business Filings
FY 2020 – FY 2023²⁰

Disposition	Non-Subchapter V	Subchapter V
Confirmed	22%	55%
Converted	23%	12%
Dismissed	56%	33%

Since the effective date of subchapter V in February 2020, about three quarters of chapter 11 small business filers have elected to proceed under subchapter V, with more than 6,400 cases recorded through the end of September 2023 (including debtors who did not originally file under subchapter V but later amended their petitions to proceed under subchapter V). Notably, from FY 2020 through FY 2023, subchapter V debtors confirmed plans at more than double the rate of small business filers not electing subchapter V treatment. During that same period, subchapter V cases were dismissed at slightly more than half the rate of other small business cases. *See Figure 6.* And about 70 percent of confirmed subchapter V plans have been consensual, which is attributable to the trustee's unique role in facilitating a successful outcome.

The Program is participating in the American Bankruptcy Institute's Subchapter V Task Force with other stakeholders to continue evaluating how subchapter V is working and whether there are ways it could be improved.

²⁰ Percentages exclude subchapter V cases that amended out of subchapter V, as well as cases that remain pending.

²¹ See 11 U.S.C. § 1182(1). The original debt limit for subchapter V was \$2.5 million but was adjusted to \$7.5 million, first under the CARES Act (March 2020) and then by extension under the Bankruptcy Threshold Adjustment and Technical Corrections Act (June 2022). The higher threshold is scheduled to sunset in June 2024.

CHAPTER 11 REORGANIZATIONS

Subchapter V Cases

Radio host Alex Jones and his wholly owned company Free Speech Systems, LLC, which operates the admittedly “conspiracy-oriented website” Infowars, are defendants in state-court lawsuits alleging defamation and other claims in connection with programming that questioned the authenticity of the 2012 Sandy Hook shooting. In April 2022, a week before jury selection in the Texas case, Jones directed three of his non-operating enterprises to file bankruptcy petitions, which stayed the state-court trials.²² In addition, three days before the filing, Jones transferred approximately \$750,000 in equity interests in the debtors to a litigation settlement trust to fund the debtors’ plans of reorganization. Upon filing, to avoid the appointment of a chapter 11 trustee and maintain control, the debtors asked the bankruptcy court to appoint two retired bankruptcy judges to serve as permanent trustees as well as a chief restructuring officer who would report to the court-appointed trustees.

In this matter of first impression, the USTP filed a motion to dismiss the cases as a misuse of subchapter V. The USTP asserted that the cases were filed in bad faith because they served no valid bankruptcy purpose; rather, they were intended to gain a tactical advantage in the Sandy Hook lawsuits brought by their primary—and maybe only—creditors and to obtain releases for both Jones and FSS. Ultimately, the debtors stipulated to an agreed order on the USTP’s motion, and the court dismissed the cases on June 10, 2022.

Six weeks later, FSS filed a subchapter V case.²³ FSS is the only Jones-owned entity that appeared to generate revenue. Records indicate that Jones withdrew approximately \$62 million from FSS over ten years, through 2021. In addition, an affiliate, PQPR (managed by Jones’ father), was listed as a secured creditor to which the debtor purportedly owed more than \$50 million in loans. The USTP successfully objected to FSS’s motions to retain a chief restructuring officer and counsel, who had performed the same functions for the affiliated debtors in the prior cases that were dismissed, and who were negotiating their employment with FSS while purporting to act on those debtors’ behalf. The court agreed with the Program that the professionals’ decisions in FSS’s case indicated a bias, which was further compounded by their lack of candor in failing to disclose their connections with FSS in the prior cases. The judge also expanded the subchapter V trustee’s powers to investigate the debtor’s financial affairs, including insider transactions, and to file a public report.

In another subchapter V case, after two days of evidentiary hearings, the Bankruptcy Court for the District of Utah granted a motion by the U.S. Trustee’s Salt Lake City office to remove the subchapter V debtor in possession—a small business—for incompetence, gross mismanagement, and dishonesty.²⁴ The court determined that the company’s principal failed to file accurate monthly operating reports and failed to disclose a sublease of the company’s warehouse and the corresponding rent received post-petition, as well as three bank accounts, and the online sale of the company’s inventory without court authorization. The court also sustained the U.S. Trustee’s objection to plan confirmation because, among other things, the debtor had not presented credible evidence of feasibility and because confirming the plan with the principal as the company’s officer would violate public policy under the Bankruptcy Code. The case was subsequently converted to chapter 7 on the USTP’s motion.

²² *In re InfoW, LLC, et al.*, No. 22-60020 (Bankr. S.D. Tex.).

²³ *In re Free Speech Sys., LLC*, No. 22-60043 (Bankr. S.D. Tex.).

²⁴ *In re Seaich Card & Souvenir Corp.*, No. 22-23909 (Bankr. D. Utah).

CHAPTER 11 REORGANIZATIONS

CHAPTER 11 PERIODIC FINANCIAL REPORTS

Periodic financial reports are vital to chapter 11 bankruptcies, allowing creditors, courts, and other stakeholders to monitor the operations and financial performance of a business while the case is ongoing. To advance the efficiency and transparency of the reporting process, the USTP established uniform financial reports through a rule that took effect on June 21, 2021. Since the rule's implementation, the USTP has continued to enhance the reporting process for all stakeholders. Among other efforts, in FY 2022, the USTP upgraded the data-embedded smart forms to incorporate barcode technology, which helps the Program deliver on its congressional mandate to facilitate the compilation of data and maximize public access.

Nearly 23,000 monthly operating reports and post-confirmation reports were filed in FY 2022, and more than 33,000 in FY 2023. Through an e-mail subscription service on the USTP website, the Program has continued to keep stakeholders informed with key updates about the chapter 11 reporting process, with almost 1,000 stakeholders currently enrolled nationwide. The USTP has also continued providing on-demand technical support, with a dedicated team responding to each inquiry and working with stakeholders until their technical issues are resolved.

Also in FY 2023, the USTP reflected on the transition to the new reports and post-implementation enhancements in an article in the American Bar Association's *Business Law Today* titled "Enhancing the Chapter 11 Reporting Process: An Update on the New MORs and PCRs." The USTP continues to identify ways to help make the process more efficient for all stakeholders.

CONSUMER BANKRUPTCY CASES

WHAT ARE CONSUMER BANKRUPTCY CASES?

Individual consumers generally file under one of two chapters of the Bankruptcy Code: chapter 7 or chapter 13.

- ❖ Chapter 7 is a liquidation proceeding primarily used by individual consumers (although a business may file under this chapter). The assets of a debtor that are not exempt from the reach of creditors are collected and reduced to money, and the proceeds are distributed to creditors in accordance with a priority scheme established by the Bankruptcy Code. A consumer debtor receives a release from pre-petition debts, aside from debts that are excepted from discharge under the Code. A typical chapter 7 “no asset” case remains open for about four months, while a typical chapter 7 asset case remains open for about 18 months.
- ❖ Chapter 13 is used by individual consumers to reorganize their financial affairs under a repayment plan that must be completed within three to five years. To be eligible for chapter 13 relief, a consumer debtor must have regular income and may not have more than a specified amount of debt.

CHAPTER 7 AND 13 CASE FILINGS

In FY 2022, there were 222,933 chapter 7 and 133,669 chapter 13 case filings in USTP districts, representing about 62 percent and 37 percent, respectively, of all new bankruptcy filings. In FY 2023, there were 241,477 chapter 7 and 160,894 chapter 13 filings in USTP districts, representing about 59 percent and 39 percent, respectively, of all new bankruptcy filings.

CIVIL ENFORCEMENT ACTIVITY IN CONSUMER CASES

One of the USTP’s core functions is to combat bankruptcy fraud and abuse through civil enforcement. The Program not only seeks civil remedies against debtors who engage in fraud or otherwise abuse the bankruptcy system but also has a robust consumer protection practice. For example, with respect to debtors, the USTP may take action to deny the bankruptcy discharge of a debtor who concealed assets, withheld information in bankruptcy documents, destroyed property with the purpose to hinder or defraud a creditor or trustee, knowingly made a false oath, or refused to obey a court order. And to protect consumer debtors, the Program may address violations of the automatic stay by creditors; or take action against lawyers who provide substandard representation that harms their clients, or against bankruptcy petition preparers who charge exorbitant rates, fail to make required disclosures, practice law without a license, or engage in other conduct prohibited under the Bankruptcy Code.



In FY 2022 and FY 2023 combined, the Program initiated more than 22,700 inquiries and more than 5,600 actions in key civil enforcement areas in consumer cases (Figure 7 below), with a potential monetary impact of approximately \$1.17 billion in debts not discharged and other relief. Notable among these were nearly 5,800

CONSUMER BANKRUPTCY CASES

actions and informal inquiries to protect debtors from wrongdoing by creditors, professionals, non-attorney bankruptcy petition preparers, and others who attempt to exploit debtors and the bankruptcy system. In addition to its work in individual cases, the Program also takes steps to address emerging issues and remedy patterns of misconduct, especially when the misconduct is large-scale or across multiple jurisdictions.

Figure 7: Civil Enforcement Activity in Consumer Cases, FY 2022 – FY 2023²⁵

Type of Activity	Inquiries		Actions		Action Success Rate ²⁶		Potential Financial Impact (Thousands)	
	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023
§ 707(a) Dismissal for Cause	848	762	497	553	96%	96%	\$41,709	\$61,921
§ 707(b) Dismissal for Abuse	6,797	6,597	716	616	99%	98%	\$97,459	\$106,813
§ 727 Denial of Discharge	1,253	1,296	658	917	99%	100%	\$398,937	\$444,924
§ 1307(c) Dismissal or Conversion	134	142	168	227	99%	100%	N/A	N/A
§ 1328(f) Denial of Discharge	29	32	75	98	100%	100%	\$4,335	\$6,027
§ 110 Bankruptcy Petition Preparers	260	229	67	57	94%	100%	\$354	\$403
§ 329 Attorney Fee Disgorgement	1,515	1,472	323	377	96%	99%	\$1,406	\$1,250
§ 526 Debt Relief Agencies	97	88	32	16	100%	100%	\$62	\$242
Other Attorney Misconduct	292	408	110	89	100%	95%	\$75	\$170
Abusive Conduct by Creditors	252	97	4	6	100%	100%	\$678	\$88

KEY CONSUMER ISSUES AND CASE HIGHLIGHTS

Administering and Enforcing the Means Test

One of the major responsibilities of the USTP is to administer and enforce the “means test,” a statutorily prescribed formula used to help determine eligibility for chapter 7 bankruptcy relief by individuals with primarily consumer debt and income above their state median.

If the debtor’s case is presumed abusive under the statutory formula, the U.S. Trustee files either a motion to dismiss the case or a statement explaining why a motion to dismiss is not appropriate. The USTP’s prudent exercise of its enforcement responsibilities under the means test has furthered the statutory objective of denying chapter 7 relief to debtors who have an ability to pay without creating unnecessarily harsh results. In FY 2022 and FY 2023, the USTP declined to file a motion to dismiss in about 60 percent of presumptively abusive cases after consideration of a debtor’s special circumstances (e.g., recent job loss) that justify an adjustment to the

²⁵ These figures include all FY 2022 and FY 2023 civil enforcement activity in consumer cases, not just those reflected in this section of the report.

²⁶ The success rate is calculated by dividing the number of court actions decided in favor of the USTP in FY 2022 and FY 2023 into the total number of court actions decided in FY 2022 and FY 2023. Action success rate includes outcomes where the court entered an order granting the relief sought by the USTP, in whole or in part, or the defendant agreed to other relief satisfactory to the USTP.

CONSUMER BANKRUPTCY CASES

current monthly income calculation. In the cases where the U.S. Trustee filed an action that was either adjudicated or resulted in the debtor voluntarily dismissing or converting the case, the USTP had a success rate of nearly 99 percent, which demonstrates the Program's discretion in bringing only the most meritorious cases.

- ❖ In the District of Kansas, dismissal prevented a repeat debtor's chapter 7 discharge of \$339,331 in unsecured debt. An investigation by the USTP's Wichita office revealed that the debtor improperly deducted unsecured debt payments, a soon-to-expire domestic support obligation, and other items like cigarettes in an attempt to show reduced disposable income available to pay creditors. When removed from the means test calculation, the debtor would have monthly net income of nearly \$2,000 to repay unsecured creditors. In addition to this ability to pay, the presumption of abuse arose, and the debtor's attempted rebuttal was insufficient.
- ❖ In the District of Minnesota, a financial advisor converted his chapter 7 bankruptcy case to chapter 13, preventing the chapter 7 discharge of \$1.6 million in unsecured debt after the USTP filed a motion to dismiss the case. The U.S. Trustee's Minneapolis office sought dismissal of the debtor's case based on the presumption of abuse and his ability to repay a substantial dividend to his creditors. Specifically, the USTP alleged that the debtor inappropriately deducted payments for a \$1.2 million loan to reduce his disposable income when completing the means test. Rather than defend against the U.S. Trustee's motion to dismiss, the debtor moved to convert his case to chapter 13.

Bad Faith, Totality of the Circumstances, and Other Debtor Violations

Even if a chapter 7 case is not presumptively abusive under the means test, the USTP may seek dismissal or object to conversion to another chapter on grounds such as the debtor's bad faith or ability to pay a meaningful amount to creditors. Additionally, the USTP may file a complaint to deny or revoke an individual debtor's bankruptcy discharge for improper conduct such as fraudulently concealing property; fraudulently making a false oath; refusing to obey a court order; or failing to keep financial records.

In one example from the District of Delaware, following the U.S. Trustee's motion, a chapter 7 individual debtor was denied a discharge for failure to explain the loss of cryptocurrency. The debtor's total scheduled debt was \$1,381,052—including \$255,564 of unsecured debt—along with damages of more than \$2 million alleged by the debtor's former employer, a cryptocurrency lender, which had filed for bankruptcy months earlier. The bankruptcy court found that the debtor orchestrated the transfer of about 225 Bitcoins, worth millions of dollars, to himself from the cryptocurrency lender, where he was an officer, at about the time of his termination from the company. The court denied the individual debtor's discharge because he liquidated some of the Bitcoins and failed to keep records of their liquidation and expenditure.

In another example, ruling for the U.S. Trustee's Reno office after a four-day trial, the Bankruptcy Court for the District of Nevada entered an order denying a chapter 7 debtor's discharge of more than \$27 million in unsecured debt. The court found that the debtor made multiple false oaths in his bankruptcy documents and at his section 341 meeting of creditors; transferred and concealed assets, including large amounts of cash, before filing for bankruptcy; failed to keep adequate records involving the use of cash and gambling activity; and failed to explain the loss of assets, including large cash withdrawals and gambling winnings. The court emphasized that the facts and circumstances of the case demonstrated the debtor's intent to hinder and delay his creditors.

CONSUMER BANKRUPTCY CASES

Paycheck Protection Program Fraud

In 2020, Congress established the Paycheck Protection Program to help small businesses survive the economic fallout of the COVID-19 pandemic. The USTP identified debtors who obtained PPP loan funds but who either lied on the loan application about owning a business or failed to disclose their business in their bankruptcy paperwork. Largely as a result of these efforts, the number of the USTP's substantive complaints to deny or revoke debtors' discharges rose by more than 60 percent during FY 2023. The USTP has also referred many individuals to the U.S. Attorney's office and other law enforcement for possible investigation and prosecution for fraud and other crimes.

In one case in the Western District of Wisconsin, a married couple received more than \$59,000 in PPP funds for companies that purportedly offered investment and business services, even though the couple had never engaged in any of those activities. An investigation by the U.S. Trustee's Madison office indicated that the couple allegedly used the PPP loans to take vacations and make extravagant purchases. They also allegedly transferred hundreds of dollars to insider relatives and made tens of thousands of dollars in cash withdrawals at casinos. The couple allegedly lied at their section 341 meeting of creditors about their business, travel, and gambling. Rather than produce additional documents or appear for an examination under oath, the debtors agreed to waive their discharges, preventing the discharge of more than \$200,000 in unsecured debt.

In another case, two related couples waived their chapter 7 discharges of a combined \$4.1 million after engaging in a scheme to defraud a secured creditor before they filed for bankruptcy in the District of Minnesota. In bankruptcy, the debtors were unable to account for the proceeds from the scheme along with almost \$850,000 in PPP loans to their business. After the U.S. Trustee's Minneapolis office filed complaints to deny their discharges for concealment of property, false oaths, failure to keep adequate records, and failure to explain losses, both couples waived their discharges.

Addressing Problematic Bifurcated Fee Agreements

In June 2022, the Program released new enforcement guidelines to its staff concerning the growing trend of "bifurcated" fee agreements in chapter 7 liquidation cases, which divide an attorney's services and fees between separate pre- and post-petition fee agreements (allowing post-petition fees to be paid over time).²⁷ While some bankruptcy courts have found these arrangements impermissible, in jurisdictions where they are allowed, they can provide an alternative to consumer debtors who need relief but simply are unable to pay the fees for a chapter 7 case in full before filing. Absent contrary authority, the USTP's enforcement guidelines permit bifurcation if the fees charged are fair and reasonable, the attorney provides adequate disclosures to clients and obtains clients' fully informed consent, and the attorney makes adequate public disclosures as required by the Bankruptcy Code and Rules.

Unfortunately, these arrangements may present opportunities for abuse by debtors' counsel. In a matter out of the District of Idaho, for example, the USTP sought injunctive relief in more than 30 cases to address an attorney's improper bifurcated fee arrangements and misleading fee disclosure practices. The bifurcated fee arrangement used by the attorney—which relied on outside financing secured by the attorney's accounts receivable—created a conflict of interest under Idaho's Rules of Professional Conduct because the arrangement

²⁷ The guidelines are available at <https://www.justice.gov/ust/bifurcated-fee>.

CONSUMER BANKRUPTCY CASES

placed the debtors at financial risk while benefiting only the attorney. The court agreed with the USTP, and the attorney was ordered to refund fees totaling nearly \$73,000 in 38 cases.

In another case, the Bankruptcy Court for the Western District of Pennsylvania entered an order approving a settlement between the USTP and Upright Law LLC and its Pittsburgh partner over Upright's "zero down" bifurcated fee practices. The Program contended that counsel was violating applicable law and local standards by purporting to charge nothing for pre-petition services and allocating the entire fee to post-petition services, thereby seeking to render otherwise dischargeable fees—if they had been properly allocated to pre-petition services—nondischargeable. Local counsel acknowledged his failure to adhere to local standards, agreed to cease filing "zero down" cases in the district, and agreed to reduce his fees in 21 cases. Under the settlement, UpRight also agreed to cease practicing law in the Western District of Pennsylvania.

Attorney Misconduct

In FY 2022 and FY 2023, the Program filed 899 actions for return of fees or other relief against attorneys who violated the standards imposed by the Bankruptcy Code and Rules to the detriment of debtors, creditors, and the bankruptcy system. The USTP's enforcement actions in this area have led to remedies including refunds of attorney's fees, cancellation of retention contracts, civil penalties, injunctions, and other sanctions.

The USTP sought such remedies in a case involving a disbarred attorney in the District of Arizona who was required to return funds and pay damages and sanctions totaling more than \$95,000. Based on the Program's enforcement action, the court found that the attorney and his firm violated multiple provisions of the Bankruptcy Code and Rules, as well as local rules, and failed to adequately represent their clients and ordered the attorney and his firm to disgorge fees, pay costs associated with the development of a report documenting ethical misconduct, and pay actual damages.

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**COURT ACTIONS
FILED RELATING TO
ATTORNEY
MISCONDUCT**

In another case, the Fourth Circuit affirmed an order revoking an attorney's ability to practice law in the bankruptcy court for one year and imposing sanctions. The order arose from an adversary proceeding brought by the USTP against the attorney as well as UpRight Law LLC, Sperro LLC, and other defendants, in connection with the attorney's representation of two UpRight clients. The USTP alleged a complex scheme called the New Car Custody Program in which UpRight offered to represent clients who wanted to surrender their vehicles and funneled those clients to Sperro, a repossession company, in exchange for Sperro paying their attorney and filing fees in bankruptcy. Sperro then towed the vehicles to lots in three states where mechanic's liens or storage liens trump first liens in certain circumstances. Sperro profited by charging creditors excessive and unnecessary fees for the towing and storage. Some creditors refused to pay the exorbitant fees to recover their collateral, which allowed Sperro to auction the vehicle and retain the proceeds. In its complaint and at trial, the USTP argued that the attorney's involvement with the NCCP was unethical. It introduced evidence that the attorney, a "local partner" of UpRight who represented UpRight clients, knew that the clients participated in the NCCP, falsely claimed that he did not know why Sperro paid his clients' fees, and deflected questions about the NCCP. In addition, the USTP introduced evidence that UpRight used hard-sell tactics to sign up clients and that non-lawyer "client consultants" impermissibly provided legal advice to potential clients—conduct that the attorney either ratified or, according to the bankruptcy court, "should have known more about."

CONSUMER BANKRUPTCY CASES

In Colorado, the Bankruptcy Court entered judgment in favor of the U.S. Trustee's Denver office and barred one of the state's highest volume consumer bankruptcy attorneys from providing bankruptcy representation in any present or future cases in the state for three years. Based on evidence presented by the U.S. Trustee, the court found that the attorney and his law firm disregarded the Bankruptcy Code and Rules, and found that the attorney made multiple false and misleading statements to the court and the trustee; forged the debtors' signatures on the bankruptcy petition and schedules; and failed to communicate to his clients requests from the trustee and orders from the court, resulting in sanctions against the debtors. Before he can be reinstated after the three years, the attorney must demonstrate to the bankruptcy court a sufficient factual and legal basis to justify regaining authority to practice before the court.

Bankruptcy Petition Preparers

A bankruptcy petition preparer is not an attorney, cannot provide legal advice, and, in general, can only provide the limited service of typing information provided by the debtor into the forms and providing the completed bankruptcy petition to the debtor for filing. While a legitimate BPP may provide a useful service to a debtor, an unscrupulous one may affect a debtor's ability to obtain bankruptcy relief. In FY 2022 and FY 2023, the Program filed 124 actions against BPPs for violations—including actions to obtain orders to disgorge document preparation fees, impose fines, and enjoin prohibited conduct—with a 97 percent success rate.

In two cases, the USTP used information obtained from several credit counseling agencies to successfully prosecute an enforcement action against a BPP for failure to disclose its involvement in the cases. Based on several indicators in the debtors' filings, the USTP attorney suspected the involvement of an undisclosed BPP and contacted the credit counseling agencies involved to obtain records of the debtors' counseling. These records listed the BPP as the debtors' point of contact, which provided the proof necessary to prosecute. Ultimately, the court ordered the BPP to pay \$9,000 to one debtor and \$4,500 to another in disgorged fees and liquidated damages, as well as fines totaling \$49,000 to the USTP. The court also enjoined the BPP from providing any bankruptcy-related services in the district.

National Creditor Settlements

The USTP has continued to develop and refine core resources and enforcement strategies to combat abuse by creditors. In FY 2023, the USTP memorialized agreements with two banks resolving self-reported loan servicing issues affecting borrowers in bankruptcy. The Program entered into a letter of acknowledgment with one bank memorializing remediation of approximately \$7.6 million in credits and refunds related to approximately 26,000 accounts for issues such as failure to consistently comply with the Federal Rules of Bankruptcy Procedure, inaccurate proofs of claim, improper implementation of certain bankruptcy plan provisions, and improper payment application. The Program also entered into a letter of acknowledgment with a second bank memorializing remediation of more than \$950,000 to more than 6,200 consumers for issues resulting in inaccurate proofs of claim in bankruptcy cases.

Debtor Audits

Under federal law, the Program contracts with independent firms to perform audits of individual chapter 7 and 13 cases. The audits' purpose is to determine the accuracy, veracity, and completeness of information that the Bankruptcy Code requires debtors to provide. In March 2023, the Program resumed these audits, which had been suspended in March 2020 because of public health concerns associated with the COVID-19 pandemic.

OVERSIGHT ACTIVITIES

PRIVATE TRUSTEE OVERSIGHT

The Program provides policy guidance to private trustees concerning their duties to debtors, creditors, and other parties in interest; trains trustees and evaluates their performance; reviews their financial operations; and ensures the effective administration of estate assets.

In FY 2022 and FY 2023, there were more than 1,000 chapter 7, 12, and 13 private trustees who handled the day-to-day activities of more than one million ongoing bankruptcy cases in both fiscal years. On average, these trustees—appointed by the Program—distribute about \$8 billion annually from the administration of bankruptcy estates. As part of its oversight responsibilities in FY 2022 and FY 2023, the USTP:

- ❖ Reviewed about 92,000 final reports to ensure that chapter 7 cases were administered in compliance with the Bankruptcy Code and funds were properly distributed to creditors and other parties.
- ❖ Reviewed more than 1,700 interim reports prepared by chapter 7 panel and non-panel trustees to monitor their case administration progress and ongoing accountability for estate funds and other assets.
- ❖ Reviewed about 4,800 chapter 12 and chapter 13 monthly reports, which allow the USTP to monitor activity in the trust and expense accounts and other information related to collateralization of funds and the amount of the trustees' bonds.
- ❖ Oversaw nearly 450 audits of chapter 7 trustees by independent CPAs and conducted about 25 field exams of chapter 7 trustees by USTP staff. These audits and exams are designed to verify that the trustees' accounting, reporting, and case management practices are sufficient to safeguard bankruptcy estate funds and that bankruptcy cases are being properly administered.
- ❖ Oversaw 340 audits of chapter 13 trustees and 19 audits of chapter 12 trustees to determine the adequacy of internal controls over trust funds, the accuracy of amounts and disclosures in the trustees' required annual reporting, and compliance with USTP policies and guidelines regarding case administration and the handling of estate funds.

WHAT IS A PRIVATE TRUSTEE?

A private trustee is an individual who administers bankruptcy cases primarily under chapters 7, 12, and 13 of the Bankruptcy Code. The USTP is responsible for the appointment and oversight of trustees.

Chapter 7 trustees are often referred to as “panel trustees” because they are appointed by the U.S. Trustee to a panel in each judicial district. Once trustees are appointed to the panel, chapter 7 cases generally are assigned through a blind rotation. Trustees administer each case and, when there is a prospect for a meaningful distribution to creditors, collect assets of the debtor that are not exempt under the Bankruptcy Code or applicable state law, then liquidate them and distribute the proceeds to creditors.

Chapter 12 and chapter 13 trustees are called “standing trustees” because, by statute, they have a standing appointment from the U.S. Trustee to administer chapter 12 cases (for family farmers and fishermen) and chapter 13 cases within a specific geographic area. Standing trustees evaluate the debtor's financial affairs, make recommendations to the court regarding confirmation of the debtor's repayment plan, and administer the court-approved plan by collecting payments from the debtor and disbursing the funds to creditors. In certain jurisdictions, chapter 12 trustees may serve case by case, rather than as standing trustees.

OVERSIGHT ACTIVITIES

- ❖ Reviewed 253 annual budgets amended for FY 2022 and proposed for FY 2023 among chapter 12 and chapter 13 trustees, and 254 annual budgets amended for FY 2023 and proposed for FY 2024, to ensure requested expenditures were reasonable and necessary for the administration of cases.

The Program also oversees the activities of nearly 250 private trustees under subchapter V of chapter 11, including 21 who were selected in FY 2022 and FY 2023. The USTP appoints subchapter V trustees case by case from pools across the country. The trustees' primary goal is to facilitate the confirmation of consensual plans of reorganization by qualifying small business debtors. As part of its oversight responsibilities, the USTP reviewed more than 6,000 monthly and final reports prepared by chapter 11 subchapter V trustees.

CRIMINAL ENFORCEMENT

CRIMINAL REFERRALS AND ASSISTANCE

The Program made 4,359 bankruptcy and bankruptcy-related criminal referrals in FY 2022 and FY 2023. The USTP supports the investigation and prosecution of its cases in many ways, including through about two dozen Program attorneys who are

4,359

**CRIMINAL
REFERRALS**

designated as Special Assistant U.S. Attorneys. Other staff—including attorneys, bankruptcy analysts, auditors, and paralegals—are often called on to assist with investigations and to provide expert or fact witness testimony at criminal trials.

Pandemic-Related Crimes

Among the referrals in FY 2022 and FY 2023 were about 520 matters related to wrongdoing under the CARES Act, including matters involving the Paycheck Protection Program. The referred matters included debtor applicants who either were approved for loans based on allegedly false statements on their loan applications or used PPP funds for unapproved purposes.

Bankruptcy Fraud Internet Hotline

The USTP maintains on its website a bankruptcy fraud hotline that offers a convenient means for individuals to report suspected bankruptcy fraud and provide supporting documentation and specific information that may be useful in investigating allegations. In FY 2022 and FY 2023, the USTP documented more than 700 hotline submissions from the public and made about 200 referrals based on these submissions. While not all submissions rise to the level of a criminal referral, they may lead to a civil enforcement action.

USTP Assistance in Matters Not Referred by the USTP

In addition to referring cases, the USTP also responds to requests for assistance from U.S. Attorneys' offices, the Federal Bureau of Investigation, and other law enforcement agencies regarding matters not originating from a USTP referral. In FY 2022 and FY 2023, the Program responded to more than 400 of these requests for assistance.

ROLE OF THE USTP IN CRIMINAL CASES

The USTP refers matters that “relate to the occurrence of any action which may constitute a crime” to the U.S. Attorneys’ offices for investigation and prosecution, and assists the U.S. Attorneys in “carrying out prosecutions based on such action.” 28 U.S.C. § 586(a)(3)(F).

The USTP’s role in criminal enforcement is multifaceted.

- Refer and assist in the investigation of suspected bankruptcy fraud.
- Serve as Special Assistant U.S. Attorneys who lead or assist in the prosecution of bankruptcy and bankruptcy-related crimes.
- Serve as a resource for information, education, and training on the bankruptcy system and its interrelationship with crimes such as identity theft, mortgage fraud, federal benefits fraud, money laundering, and credit card fraud.
- Participate in about 60 local bankruptcy fraud working groups and other specialized task forces throughout the country.

CRIMINAL ENFORCEMENT

CASE HIGHLIGHTS

Despite residual delays in prosecutions due to the pandemic, several matters the USTP referred in prior years moved forward or concluded in FY 2022 and FY 2023, including indictments in 77 cases, 17 prosecutions that resulted in convictions, and 61 plea deals.

- ❖ After pleading guilty to conspiracy to commit bankruptcy fraud and wire fraud, a disbarred bankruptcy attorney was sentenced on March 17, 2022, in the Middle District of Florida to 48 months in federal prison, followed by 36 months of supervised release, and was ordered to pay restitution of \$1,493,937. The defendant and his paralegal conspired to defraud mortgage lenders by fraudulently representing to distressed homeowners facing foreclosure that they could negotiate with lenders to prevent foreclosure on their homes. The two persuaded the homeowners to convey the properties to an entity controlled by the defendant and to pay rent to that entity. In furtherance of the scheme, the defendant filed bankruptcy petitions in the homeowners' names to stop secured creditors from foreclosing and taking title to the property. The defendant defrauded his clients out of about \$1.3 million. His paralegal also pleaded guilty to conspiracy to commit bankruptcy fraud and was sentenced to 15 months in prison. The USTP's Tampa office prosecuted a civil enforcement action against the defendant that resulted in the termination of his privilege to practice law in bankruptcy courts, referred the actions of the defendant and his paralegal to the U.S. Attorney's office, and provided substantial investigative assistance to law enforcement.
- ❖ Following a weeklong trial, a federal jury in the Northern District of Ohio found a former chapter 7 debtor guilty on 12 counts, including conspiracy to commit mail and wire fraud, mail fraud, wire fraud, money laundering, and false statements in a bankruptcy case. The defendant was sentenced on August 2, 2022, to 262 months in prison, followed by three years of supervised release, and was ordered to pay \$7,974,452 in restitution. The defendant, a former investment advisor, devised a scheme in which he fraudulently offered and sold investments to at least 54 individuals. He persuaded his victims to invest more than \$9 million in two companies in which he held an interest by making false and fraudulent statements about the nature of the investments and their risk but promising a guaranteed rate of return. As investment funds were received, he diverted a significant portion of the funds to other entities and himself and used later investment funds to pay earlier investors. At the section 341 meeting in his chapter 7 case, the defendant falsely testified that he disclosed to investors that he owned the companies they were investing in. The U.S. Trustee's Cleveland office obtained a default judgment denying the defendant's chapter 7 discharge and referred the matter to the U.S. Attorney and assisted with the criminal investigation. Before the criminal trial, the defendant and a co-defendant entered guilty pleas.

Two USTP Employees Recognized by U.S. Attorney's Office

Trial Attorney Hannah McCollum, who served as a Special Assistant U.S. Attorney, and Bankruptcy Auditor Michael West were recognized by the U.S. Attorney's Office for the District of Delaware at a ceremony on May 20, 2022, for their outstanding work in support of the investigation and prosecution of a former real estate broker who pleaded guilty to wire fraud and was sentenced to 51 months in prison and ordered to pay \$3.3 million in restitution to victims of his multimillion-dollar Ponzi scheme.

CRIMINAL ENFORCEMENT

SPECIAL RECOGNITION

Cooperation between the USTP and other DOJ components is key to the successful resolution of criminal enforcement actions. In a ceremony delayed by the COVID-19 pandemic, the U.S. Attorney for the District of Delaware honored USTP and FBI employees with awards for their outstanding performance in the investigation and prosecution of an individual that pleaded guilty to a wire fraud charge after waiving his chapter 7 discharge.

** Please visit the USTP's website at <https://www.justice.gov/ust/bankruptcy-data-statistics/reports-studies> to learn more about the Program's criminal enforcement efforts in its annual report to Congress titled "Criminal Referrals by the United States Trustee Program, Fiscal Year 2022."*

ROLE OF THE USTP IN APPELLATE MATTERS

As the “watchdog” of the bankruptcy system, the USTP has a unique national perspective and a responsibility to promote the coherent and consistent application of bankruptcy law throughout the country. One of the most important roles the USTP plays is identifying and raising issues for review on appeal to ensure that the law is shaped, interpreted, and applied evenly in all judicial districts.

When substantial rights and financial interests are affected, stakeholders large and small benefit from clear legal standards—not only in the case at hand but in the larger marketplace as well. In support of this effort, the USTP handles a significant number of appeals annually, many of which have a profound and longstanding effect on the bankruptcy system.

APPELLATE ACTIVITY

During FY 2022 and FY 2023 combined, the USTP participated in 179 new appellate matters that included:

- ❖ 22 cases before the Supreme Court at the certiorari or merits stage;
- ❖ 38 appeals to the United States courts of appeals; and
- ❖ 118 appeals that the USTP handled before district courts and bankruptcy appellate panels.

Of the 72 appeals decided in FY 2022 and FY 2023, the USTP’s position prevailed in 65, a 90 percent success rate. Many appeals arise from enforcement actions prosecuted by the USTP, but the USTP also intervenes as *amicus curiae* (friend of the court)²⁸ in other cases. In addition to the appellate cases discussed earlier in this report, the following cases illustrate the Program’s role in appellate advocacy on behalf of the bankruptcy system.

179

NEW
APPELLATE
MATTERS

90%

SUCCESS
RATE

CASE HIGHLIGHT

The U.S. Court of Appeals for the Seventh Circuit upheld a sanction against a debtor’s attorney, agreeing with the USTP that the Bankruptcy Code establishes “in no uncertain terms” an obligation on debtor’s attorneys to “inform the bankruptcy court of their compensation and promptly update the filing if their fees change.”²⁹ It reiterated that “fee disclosure obligations are mandatory, not optional.” And it explained that disclosure “is mandatory for good reason: It protects both debtors from overreaching lawyers and creditors from losing their fair share of the estate.” The court concluded that “the bigger picture takeaway should be

clear: Counsel for debtors in bankruptcy proceedings should recognize that failures to disclose will not be taken lightly.”

²⁸ When the USTP acts as *amicus curiae*, it is not a party to the case. Instead, it files a brief as a neutral party that shares its views about the legal issues presented by the appeal and its proposed solutions. Given that the USTP is a neutral party, courts often give weight to its views.

²⁹ *Dordevic v. Layng (In re Dordevic)*, 62 F.4th 340 (7th Cir. 2023).

APPELLATE ACTIVITY

Litigation and Appeals Concerning Chapter 11 Quarterly Fees

In 2017, to address a shortfall in the USTP's funding, Congress enacted a temporary increase in the quarterly fee schedule applicable to chapter 11 debtors with quarterly disbursements of \$1 million or greater. Congress expected that this increase would be applied uniformly nationwide in both the 88 federal judicial districts participating in the USTP and in the six judicial districts authorized to maintain a separate bankruptcy administrator program in which quarterly fees are also assessed. But the administrator districts did not timely implement the increase.

On June 6, 2022, the U.S. Supreme Court held that the disparate implementation of the 2017 statute was unconstitutional and that this flaw was traceable to Congress's drafting decisions.³⁰ Both sides disputed the appropriate remedy for the constitutional defect—whether, as advocated by the petitioner, the government should return the increased fees paid in USTP districts during the nonuniform period; or, as the government maintained, prospective uniformity was sufficient or, in the alternative, a retroactive fee increase was warranted for debtors in administrator districts who paid less. The Supreme Court expressly declined to resolve the remedy issue in the first instance and remanded that question for resolution in the lower courts.³¹

Following the Supreme Court's remand in *Siegel*, multiple courts of appeal have addressed what should be the appropriate remedy for the constitutional violation found in *Siegel*, and the United States filed petitions for Supreme Court review of those decisions.³² On September 29, 2023, the Supreme Court granted the petition for certiorari in the *Hammons* case. The question presented there is:

Whether the appropriate remedy for the constitutional uniformity violation found by [the Supreme Court] in *Siegel* . . . is to require the United States Trustee to grant retrospective refunds of the increased fees paid by debtors in United States Trustee districts during the period of disuniformity, or is instead either to deem sufficient the prospective remedy adopted by Congress or to require the collection of additional fees from a much smaller number of debtors in Bankruptcy Administrator districts.

The Supreme Court's decision in *Hammons* remains pending. In the interim, the government is seeking stays of the various lawsuits and appeals that will be resolved by a decision in *Hammons*. Under 28 U.S.C. § 2414, the government cannot pay final judgments until the Attorney General certifies that no further review (including any review by the Supreme Court) will be sought regarding the judgment.

³⁰ *Siegel v. Fitzgerald*, 596 U.S. 464, 142 S. Ct. 1770, 1782–83 & n.2 (2022).

³¹ *Id.* at 1783.

³² See Petition for Writ of Cert., *United States Trustee v. John Q. Hammons Fall 2006 LLC*, No. 22-1238 (U.S.) (filed June 23, 2023); Petition for Writ of Cert., *Harrington v. Clinton Nurseries, Inc.*, No. 23-47 (U.S.) (filed July 17, 2023); Petition for Writ of Cert., *United States Trustee Region 21 v. Bast Amron LLP*, No. 23-278 (U.S.) (filed Sept. 21, 2023).

U.S. TRUSTEE PROGRAM NATIONWIDE OFFICE LOCATOR

Please visit our website at www.justice.gov/ust for office phone numbers and addresses.

EXECUTIVE OFFICE FOR U.S. TRUSTEES

Washington, D.C.

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Region 1

District of Massachusetts
Boston
Worcester

District of Maine
Portland

District of New Hampshire
Concord

District of Rhode Island
Providence

Region 2

Southern District of New York
New York

Eastern District of New York
Central Islip

Northern District of New York
Albany
Utica

Western District of New York
Buffalo
Rochester

District of Connecticut
New Haven

District of Vermont
Covered by Albany

Region 3

Eastern District of Pennsylvania
Philadelphia

Middle District of Pennsylvania
Harrisburg

Western District of Pennsylvania
Pittsburgh

District of Delaware
Wilmington

District of New Jersey
Newark

Region 4

District of South Carolina
Columbia

District of Maryland
Baltimore
Greenbelt

Eastern District of Virginia
Alexandria
Norfolk
Richmond

Western District of Virginia
Roanoke

Southern District of West Virginia
Charleston

Northern District of West Virginia
Covered by Charleston

District of Columbia
Covered by Alexandria

Region 5

Eastern District of Louisiana
New Orleans

Middle District of Louisiana
Covered by New Orleans

Western District of Louisiana
Shreveport

Southern District of Mississippi
Jackson

Northern District of Mississippi
Covered by Jackson

Region 6

Northern District of Texas
Dallas

Eastern District of Texas
Tyler

Region 7

Southern District of Texas
Houston

Western District of Texas
Austin
San Antonio

Region 8

Western District of Tennessee
Memphis

Middle District of Tennessee
Nashville

Eastern District of Tennessee
Chattanooga

Eastern District of Kentucky
Lexington

Western District of Kentucky
Louisville

Region 9

Northern District of Ohio
Cleveland

Southern District of Ohio
Cincinnati
Columbus

Eastern District of Michigan
Detroit

Western District of Michigan
Grand Rapids

Region 10

Southern District of Indiana
Indianapolis

Northern District of Indiana
South Bend

Central District of Illinois
Peoria

Southern District of Illinois
Covered by Peoria

Region 11

Northern District of Illinois
Chicago

Eastern District of Wisconsin
Milwaukee

Western District of Wisconsin
Madison

Region 12

Northern District of Iowa
Cedar Rapids

Southern District of Iowa
Des Moines

District of Minnesota
Minneapolis

District of North Dakota
Covered by Minneapolis

District of South Dakota
Covered by Des Moines

Region 13

Western District of Missouri
Kansas City

Eastern District of Missouri
St. Louis

District of Nebraska
Omaha

Eastern District of Arkansas
Little Rock

Western District of Arkansas
Covered by Little Rock

Region 14

District of Arizona
Phoenix

Region 15

Southern District of California
San Diego

District of Hawaii
Honolulu

District of Guam
Covered by Honolulu

District of the Northern Mariana Islands
Covered by Honolulu

Region 16

Central District of California
Los Angeles
Riverside
Santa Ana

Region 17

Northern District of California
San Francisco
San Jose

Eastern District of California
Fresno
Sacramento

District of Nevada
Las Vegas
Reno

Region 18

Western District of Washington
Seattle

Eastern District of Washington
Spokane

District of Oregon
Portland
Eugene

District of Idaho
Boise

District of Montana
Great Falls

District of Alaska
Covered by Seattle

Region 19

District of Colorado
Denver

District of Utah
Salt Lake City

District of Wyoming
Cheyenne

Region 20

District of Kansas
Wichita

District of New Mexico
Albuquerque

Northern District of Oklahoma
Tulsa

Western District of Oklahoma
Oklahoma City

Eastern District of Oklahoma
Covered by Tulsa

Region 21

Northern District of Georgia
Atlanta

Middle District of Georgia
Macon

Southern District of Georgia
Savannah

Northern District of Florida
Tallahassee

Middle District of Florida
Orlando
Tampa

Southern District of Florida
Miami

District of Puerto Rico
San Juan

District of the Virgin Islands
Covered by Atlanta