



PRESS RELEASE

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Reps. Zoe Lofgren (D-CA) and Jim Sensenbrenner (R-WI) Introduce H.R. 4421, the Bankruptcy Venue Reform Act of 2019

[Rolling Meadows, IL, September 24, 2019] – Last week, two of the Commercial Law League of America’s (“CLLA”) friends in Congress, Reps. Zoe Lofgren (D-CA) and Jim Sensenbrenner (R-WI), introduced H.R. 4421, bipartisan, common-sense legislation in the U.S. House of Representatives to reform and strengthen the U.S. Bankruptcy Code. Reps. Charlie Christ (D-FL), and Greg Steube (R-FL) have also signed on as original cosponsors.

Simply put, our country’s Bankruptcy Code allows companies to flee their communities, employees, and local creditors to reorganize their finances in another state that might be more sympathetic to their interests. Retired Bankruptcy Judge Steven Rhodes (Bankr. E. D. Michigan) commented in the Wall Street Journal (2015) that the current venue law is “the single most significant source of injustice in chapter 11 bankruptcy cases.” The interests of local economies, creditors, employees, and retirees are often ignored when a corporation flees to initiate a proceeding in a remote state. Allowing troubled companies to file in other jurisdictions far from home to achieve desired outcomes directly threatens the integrity of the bankruptcy system by eroding public confidence and calling into question the fairness of a bankruptcy system that can be so easily manipulated. The framers of the Constitution could not have envisioned the current bankruptcy venue abuse when they gave Congress the power to establish uniform laws on the subject of bankruptcy.

H.R. 4421 aims to remedy this loophole by requiring companies to stay home to solve their financial problems.

“Passage of this bill is necessary to change current law which allows a business to seek bankruptcy relief in a district that has no meaningful relationship to the business, its assets, employees, retirees, and local creditors. Current law has disenfranchised local interests, has prevented the development of bankruptcy law throughout the nation, and has undermined the integrity of the bankruptcy system,” said retired Bankruptcy Judge Joan N. Feeney, who was a judge in the District of Massachusetts for over 26 years.



“Local judges, working with local stakeholders, in cities where the distressed business operates - it’s common sense for where a bankruptcy case should be conducted. Imagine how difficult and absurd it would have been for the Northern California wildfire victims if the PG&E bankruptcy cases had been filed in a court 2500 miles away? Filing locally is fairer to all interests in a Chapter 11 case and it’s good for the development of bankruptcy law and the 94 bankruptcy districts throughout the country,” said Peter Califano, Chair of the CLLA Government Affairs Committee, and past CLLA President.

In addition to CLLA, amending the bankruptcy venue statute has been endorsed by a number of bar associations from around the country, state legislatures, law school professors, the Iowa Bankers Association, the National Association of Credit Managers, the Texas Hotel & Lodging Association, and the United Mine Workers of America.

About the CLLA

Since 1895, the not-for-profit Commercial Law League of America has connected experienced attorneys with credit grantors, lending institutions and other commercial credit, bankruptcy and general finance industry members through networking, education, legislative advocacy and specialized legal services. The association’s members include attorneys, collection agencies, judges, accountants, trustees, turnaround managers and other credit and finance experts. For more information on the CLLA, please visit www.CLLA.org.

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