



## CLLA and THE VENUE GROUP

Spring 2016

### THE ECONOMIC IMPACT OF BANKRUPTCY VENUE

State of California

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When a business has financial difficulty and is forced to file a Chapter 11 bankruptcy to reorganize its operations, the location of the bankruptcy case can have tremendous impact on the local economy since the survival of the distressed company will impact on local jobs and wages for years to come. Trade creditors, employees and retirees' ability to participate in the bankruptcy is limited when the venue of the case is located thousands of miles away in a remote courtroom. In contrast, when a company stays home to reorganize, local parties can participate and the local economy can retain the more immediate economic benefits of remaining in the debtor's headquarter city. Hotels, restaurants, transportation and business services benefit from the bankruptcy case as attorneys and restructuring professionals visit to prepare, negotiate and attend various hearings and meetings both in and outside the courthouse. Thus, the pendency of a large Chapter 11 bankruptcy case generates significant revenues, taxes and jobs for the local economy. All of these economic benefits are lost when a company flees to a faraway jurisdiction to try to resolve their financial challenges.

Current bankruptcy laws allow a debtor to file in various locations outside its "home base" i.e., where it is headquartered or where its products and services are primarily produced. For various tax and corporate reasons, many businesses are incorporated in the State of Delaware, even though those businesses generally have no headquarters, employees or operations in Delaware. For other reasons, there is a concentration of business headquarters located in New York City in the Southern Judicial District of New York, even though their principal operations, assets and employees are located in other states throughout the country. The current law has created a situation in which, for the eleven (11) year period from 2004 through 2014, 630 Chapter 11 bankruptcy cases were filed in Delaware and another 115 cases in the Southern District of New York bankruptcy courts instead of the cities in which these companies primarily operated and employed tens of thousands of people. These 745 Delaware and New York filings mean that bankruptcy judges in remote cities decided the fate of hundreds of companies located in other states, likely with limited input from the home base by those most directly impacted by the bankruptcy, such as employees and trade creditors.

In addition, local economies lost significant revenues not having the bankruptcy cases decided in their local bankruptcy courts. According to *Bloomberg Business Week* (February 10, 2012) it was estimated that the economies of Delaware and the Southern District of New York benefit approximately \$300 million per year from legal fees and other spending from these out of the area bankruptcy cases. Based on the total number of cases for the 11 years reviewed, that totals



approximately \$4.43 million in lost state revenues per case. Upon closer examination, of the 745 cases filed in Delaware and New York, 95 cases were where California was the home state and this extrapolates to approximately \$421 million in lost potential revenues. There is no doubt that a single complex Chapter 11 bankruptcy case can significantly impact a local economy, wherever it is filed.

The statistics are staggering. According to our research, between 2004 and 2014, California lost 95 Chapter 11 business bankruptcy cases to Delaware and the Southern District of New York involving assets in the aggregate amount of approximately \$48 billion and debts totaling \$55 billion. The filings impacted approximately 100,000 employees and 620,000 creditors – along with all the various people who live near and do business with these companies. A list of the bankruptcy cases lost from California is attached as Exhibit A. If the bankruptcy venue laws were amended to eliminate the ability of debtors to file bankruptcy cases outside of their home states, all such cases would likely be reorganized here in California where the businesses operate. This would restore local control of the cases, and the associated revenues, taxes and jobs connected with administering these bankruptcy cases would "stay home". We believe this would produce a fairer outcome for all the parties involved.

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# **EXHIBIT A**

California Chapter 11 Cases to Delaware (2004-2014)

Debtor's Name	Case number	Filing date	Principal Place of Business (City)	Principal Place of Business (State)	Assets (\$mil.) (consolidated)	Liabilities (\$mil.) (consolidated)	# of Creditors (consolidated)	# of Employees (consolidated)	Industry
M T S Incorporated	04-10394	2/9/2004	West Sacramento	CA	\$262,000,000	\$343,000,000	59100	3100	Retail - Music
Women First HealthCare	04-11278	4/29/2004	San Diego	CA	\$49,000,000	\$73,600,000	2000	15	Pharmaceuticals/ OTC Products
Liberate Technologies	04-11299	4/30/2004	San Mateo	CA	\$257,000,000	\$100,000,000	3200	46	Software
The Flintkote Company	04-11300	5/1/2004	San Francisco	CA	\$160,000,000	\$70,000,000	155000	7	Pre-1987 Manufacturing - Post 1987 Asbestos Claims Resolution
EPC Corporation	05-11639	6/11/2005	San Jose	CA	\$21,000,000	\$53,000,000	1000	254	Communications
Nelson Nutraceutical, Inc.	06-10072	1/28/2006	Irwindale	CA	\$312,000,000	\$344,000,000	4000	1209	nutrition bars and powders
RNI Wind Down Corp.	06-10110	2/7/2006	Santa Clara	CA	\$98,000,000	\$130,000,000	5000	420	Computer sales and telecommunications services
TeleVideo, Inc.	06-10242	3/14/2006	San Jose	CA	\$2,000,000	\$2,700,000	39	11	Computer - specialized sales
Copelands' Enterprises, Inc.	06-10853	8/14/2006	San Luis Obispo	CA	\$57,000,000	\$91,000,000	3919	1350	Sporting apparel
Three A's Holdings, LLC	06-10886	8/20/2006	West Sacramento	CA	\$10,000,000	\$210,000,000	200	2700	Retail Music
Wave Wireless Corporation	06-11267	10/31/2006	San Jose	CA	\$2,300,000	\$4,400,000	100	16	Wireless Broadband
Advanced Marketing Services, Inc.	06-11480	12/29/2006	San Diego	CA	\$822,987,153	\$1,000,000,000	5000	808	Wholesale/Distributor of Books
ResMAE Mortgage Corporation	07-10177	2/12/2007	Brea	CA	\$500,000,000	\$750,000,000	1000	1037	Financial Services; Financial Services - Consumer Lending

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New Century Financial Corporation	07-10416	4/2/2007	Irvine	CA	\$1,000,000,000	\$7,000,000,000	1000	6,583	Banking
CFP Liquidating Estate	07-10495	4/13/2007	Carson	CA	\$56,300,000	\$47,400,000	3000	380	Manufacturing- Food
Pac-West Telecomm, Inc.	07-10562	4/30/2007	Stockton	CA	\$53,883,888	\$66,356,711	200	106	Telecommunications
Amp'd Mobile, Inc.	07-10739	6/1/2007	Los Angeles	CA	\$47,603,629	\$164,569,842	133	129	
Gallery Corp.	07-11628	11/1/2007	Los Angeles	CA	\$6,518,000	\$19,316,000	720	147	Retail seller of mattresses and bedding
Answer Financial, Inc.	08-10140	1/21/2008	Encino	CA	\$2,409,841	\$53,124,678	999	340	Internet and telephone based insurance consolidator
Global Motorsport Group	08-10192	1/31/2008	Morgan Hill	CA	\$40,980,000	\$152,255,000	53	207	Supplier, Parts and Accessories for Harley-Davidson motorcycles
Sharper Image Corporation	08-10322	2/19/2008	San Francisco	CA	\$251,500,000	\$199,000,000	10000	2,246	Retail
Leiner Health Products	08-10446	3/10/2008	Carson	CA	\$6,500,000	\$436,000,000	8000	2,538	OTC pharmaceutical manufacturing
Terisa Systems Inc.	08-10462	3/10/2008	San Jose	CA	\$1,000,000	\$13,000,000	67	7	computer encryption software services and patented security technology
Pappas Telecasting Incorporated	08-10516	5/10/2008	Fresno	CA	\$459,643,677	\$536,912,788	500	564	Television Broadcast Group
InSight Health Services Holding Corp.	07-10700	5/29/2008	Lake Forest	CA	\$87,102,870	\$525,448,053	2338	2,187	
LandSource Communities Development	08-11111	6/8/2008	Aliso Viejo	CA	\$1,000,000,000	\$1,000,000,000	5000	78	Real Estate Development

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Mervyn's Holdings, LLC	08-11586	7/29/2008	Haywood	CA	\$500,000,000	\$500,000,000	10000	18000	Retail-Department Stores
Hines Horticulture, Inc.	08-11922	8/20/2008	Invine	CA	\$0	\$100,000,000	100	2,100	Disimbuton; Horticulture
PFF Bancorp, Inc.	08-13127	12/5/2008	Rancho Cucamonga	CA	\$1,800,000,000	\$141,000,000	1200	5	bank holding co for federal S&I
EZ Lube LLC	08-13256	12/9/2008	Santa Ana	CA	\$113,000,000	\$114,000,000	10000	1000	Automobile maintenance and services
Special Devices, Incorporated	08-13312	12/15/2008	Moorpark	CA	\$52,000,000	\$110,000,000	3400	584	Explosive devices; airbag mfrgr
Arbles Systems	09-10082	1/9/2009	Pasadena	CA	\$329,888	\$208,586	50	2	Medical/proprietary device
Gottschalks Inc.	09-10157	1/14/2008	Fresno	CA	\$288,438,000	\$197,072,000	10000	5,282	Retail; Department Stores
SCH Corp.	09-10198	1/19/2009	San Clemente	CA	\$20,000,000	\$32,000,000	49	292	Educaitions Services
Foothills Texas	09-10452	2/11/2009	Bakersfield	CA	\$61,213,382	\$39,455,620	52	10	Energy Company
Spanston Inc.	09-10690	3/1/2009	Sunnyvale	CA	\$3,840,000,000	\$2,398,000,000	5000	1800	Manufacture and sale; semiconductors
RB Liquidation Corp.	09-10708	3/3/2009	Azusa	CA	\$50,000,001	\$50,000,001	1000	69	Jewelry Retailer
Pacific Energy Resources	09-10785	3/9/2009	Long Beach	CA	\$100,000,000	\$100,000,000	1000	100	Energy
Vermillion Inc.	09-11091	3/30/2009	Fremont	CA	\$7,200,000	\$32,000,000	200	3	Medical Testing

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Accredited Home Lenders Holding Co.	09-11516	5/1/2009	San Diego	CA	\$10,000,000	\$100,000,000	18900	70	Mortgage Company
Pacific Ethanol Holding Co.	09-11713	5/17/2009	Sacramento	CA	\$1,000,000	\$247,307,091	210	0	Manufacturing; Ethanol
MagnaChip Semiconductor Finance Co.	09-12008	6/12/2009	Sunnyvale	CA	\$435,400,000	\$1,041,000,000	100	13	Manufacturing; Semiconductors
Sea Launch Company	09-12153	6/22/2009	Long Beach	CA	\$500,000,000	\$1,000,000,000	200	43	launch services
Electrolas, Inc.	09-12416	7/9/2009	San Jose	CA	\$19,625,000	\$31,542,000	3000	50	Manufacturing
BWI Liquidating Corp.	09-12526	7/17/2009	Rancho Cucamonga	CA	\$50,599,051	\$14,235,275	500	82	Water Treatment Centers
ProtoStar Ltd.	09-12659	7/29/2009	San Francisco	CA	\$528,000,000	\$463,000,000	240	22	Telecommunication; Telecommunication - Telecommunication Services; Telecommunication - Telecom equipment
Freedom Communications Holdings	09-13046	9/1/2009	Irvine	CA	\$757,000,000	\$1,077,000,000	50000	5076	Media, Television, Newspaper Publishing
FFRT Residential LLC	09-14378	12/13/2009	San Diego	CA	\$100,000,000	\$1,000,000,000	999	1928	property management
International Aluminum Corporation	10-10003	1/4/2010	Monetary Park	CA	\$199,028,000	\$216,918,000	8500	936	Manufacturing; aluminum and vinyl
Anaverde LLC	10-10113	1/15/2010	San Francisco	CA	\$10,000,000	\$50,000,000	49	0	Real Estate
Telogy LLC	10-10206	1/24/2010	union city	CA	\$10,000,000	\$50,000,000	5000	41	test electronic services
Natural Products Group	10-10239	1/27/2010	Irvine	CA	\$100,000,000	\$500,000,000	5000	867	manufacturing, personal care products

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ie Corp.	10-11061	3/30/2010	Grass Valley	CA	\$10,000,000	\$10,000,000	112	32	Developers, Medical Tools
Universal Bulking Procedures	10-12453	8/4/2010	Westminster	CA	\$25,000,000	\$405,000,000	325	420	construction
Goldcoast Liquidating	10-12819	9/10/2010	Irvine	CA	\$83,780,000	\$382,500,000	16900	4600	Service-Restaurant
Post Sale Co II	10-13308	10/12/2010	Irvine	CA	\$153,040,000	\$83,500,000	2228	900	Horticulture retail
Javo Beverage Company	11-10212	1/24/2011	Vista	CA	\$12,190,000	\$36,530,000	200	57	Manufacturing, Beverages
Barnes Bay Development Ltd.	11-10792	3/17/2011	Beverly Hills	CA	\$531,000,000	\$467,000,000	2050	660	Hotel
Los Angeles Dodgers LLC	11-12010	6/27/2011	Los Angeles	CA	\$77,000,000	\$150,000,000	1100	1300	Sports Franchise
Entelos, Inc.	11-12329	7/25/2011	Foster City	CA	\$6,000,000	\$10,000,000	200	0	Pharmaceuticals / Drugs
Solyndra, LLC	11-12799	9/6/2011	Freemont	CA	\$859,000,000	\$749,000,000	4776	1179	Manufacturing- Solar
Real Mex Restaurants, Inc.	11-13122	10/4/2011	Cypress	CA	\$345,530,940	\$167,449,073	13410	11	Restaurant
Security National Properties	11-13277	10/13/2011	Eureka	CA	\$542,691,517	\$813,572,335	1400	0	Commerical Real Estate
The PMI Group, Inc.	11-13730	11/23/2011	Walnut Creek	CA	\$167,963,354	\$770,362,195	43	2	Insurances Holding Co.
William Lyon Homes	11-14019	12/19/2011	Newport Beach	CA	\$0	\$500,000,000	4611	248	Home Building



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Trident Microsystems	12-10069	1/4/2012	Sunnyvale	CA	\$309,992,980	\$39,607,591	11200	1100	Research/Development
International Media Group	12-10140	1/9/2012	Los Angeles	CA	\$371,225,532	\$260,415,073	1200	92	Television Stations
Peak Broadcasting LLC	12-10183	1/10/2012	Fresno	CA	\$100,000,000	\$100,000,000	980	170	radio Stations
CYDE Liquidating Co.	12-10633	2/23/2012	Los Angeles	CA	\$1,000,000	\$1,000,000	200	322	Technical Support
Solar Trust of America	12-11136	4/2/2012	San Francisco	CA	\$52,176,359	\$67,902,434	100	0	Development, Solar Projects
Traffic Control and Safety Corp	12-11287	4/20/2012	Newport Beach	CA	\$75,000,000	\$140,000,000	10530	430	Traffic Control/Safety Company
Tri-Valley Corporation	12-12291	8/7/2012	Bakersfield	CA	\$10,000,000	\$10,000,000	100	22	Oil and Gas
Carey Limousine L.A. Inc.	12-12664	9/25/2012	Los Angeles	CA	\$100,000	\$100,000,000	200	17	Transportation Services
THQ Inc.	12-13398	12/19/2012	Los Angeles	CA	\$204,800,000	\$248,100,000	1000	462	Software Development
Coda Holdings Inc., et al	13-11153	5/1/2013	Los Angeles	CA	\$24,000,000	\$96,000,000	1300	39	electric car and battery manufacturer
OSH 1 Liquidating Corporation	13-11565	6/17/2013	San Jose	CA	\$330,000,000	\$539,000,000	2700	6,550	hardware and garden store
Velti, Inc	13-12878	11/4/2013	San Francisco	CA	\$105,400,000	\$291,500,000	2500	96	advertising company
ZCO Liquidating Corporation	13-13086	12/2/2013	San Jose	CA	Undetermined	\$29,166,285	80	381	Design and manufacture of solid state storage solutions and premium computer components

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After-Party2, Inc.	13-13126	2/13/2014	Inglewood	CA	\$48,072,003	\$233,860,748	900	2500	Event rental products
Prospect Park Networks, LLC	14-10282	3/10/2014	Los Angeles	CA	\$5,678,388	\$10,652,538	100	0	Socp opera producer
Leaf123, Inc.	14-10897	6/11/2014	Chatsworth	CA	\$103,800,000	\$95,000,000	1000	215	Nutrition & diet supplements
Brevity Ventures Inc.	14-11446	6/12/2014	Burbank	CA	\$215,715	\$1,533,192	35	8	Technology service company
SJC, Inc.	14-11468	7/21/2014	Los Angeles	CA	\$1,900,000	\$15,700,000	33	44	Manufacturer and Wholesaler of Denim and Denim Jeans
Ultura (LA) Inc.	14-11763	10/20/2014	Long Beach	CA	\$84,100,000	\$82,360,000	50	3	Engineering/Manufacturing
<b>Totals (84 Cases):</b>					<b>\$19,769,219,168</b>	<b>\$29,896,565,109</b>	<b>487,880</b>	<b>86,720</b>	



California Chapter 11 Cases to New York (2004-2014)

Debtor's Name	Case Number	Filing Date	Principal Place of Business (City)	Principal Place of Business (State)	Assets (\$mil.) (consolidated)	Liabilities (\$mil.) (consolidated)	# of Creditors (consolidated)	# of Employees (consolidated)	Industry
Comerstone Propane	04-13856	6/3/2004	Watsonville	CA	\$337,000,000	\$69,100,000	500	1650	Propane retailer
Calpine Corporation	05-60200	12/20/2005	San Jose	CA	\$26,628,755,633	\$22,535,677,121	50000	3302	Electricity
Silicon Graphics, Inc.	06-10977	5/8/2006	Mountain View	CA					
Dunmore Homes, Inc.	07-13533	11/8/2007	Granite Bay	CA	\$369,400,000	\$664,200,000	50000	1658	Manufacturer of Graphic Display Terminals, Software, and Storage
Ampex Corporation	08-11084	3/30/2008	Redwood City	CA	\$280,592,251	\$250,265,447	5000	37	Home & Community Development
CPW Acquisition Corp.	08-14623	11/20/2008	Los Angeles	CA	\$9,777,089	\$83,488,054	200	100	Electronic storage/retrieval
Solstice, LLC	09-11010	3/5/2009	San Francisco	CA	\$25,000,000	\$32,200,000	1	0	Real Estate Management
Graphics Properties Holdings	09-11701	4/1/2009	Newark	CA	\$67,769,109	\$96,715,174	200	18	Luxury destination homes and luxury yachts
InSight Health Services Holding Corp.	10-16564	12/10/2010	Lake Forest	CA	\$390,000,000	\$526,000,000	10001	1166	High performance computing and data management
Metropark USA Inc.	11-22866	5/2/2011	Los Angeles	CA	\$140,000,000	\$320,000,000	1000	1570	fashion retail chain
Grubb & Ellis Company	12-10685	2/20/2012	Sanita Ana	CA	\$28,900,000	\$28,700,000	10000	815	Real Estate
<b>Totals (11 Cases):</b>					<b>\$28,377,194,082</b>	<b>\$24,706,265,796</b>	<b>\$131,903</b>	<b>\$13,516</b>	