

In re Multi-Color Corporation, Slip Copy (2026)

2026 WL 735405

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United States Bankruptcy Court, D. New Jersey.

Re: IN RE **MULTI-COLOR
CORPORATION**, et al.

Case No. 26-10910 (MBK)

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Opinion

Honorable Michael B. Kaplan, United States Bankruptcy
Judge

*1 Dear Counsel:

Presently before the Court are:

1. The Cross-Holder Ad Hoc Group's Motion to Dismiss or, in the Alternative, Transfer the Chapter 11 Cases (ECF No. 71); and
2. The United States Trustee's Motion to (i) Dismiss the case of MCC-Norwood, LLC pursuant to 11 U.S.C. § 1112(b) and (ii) Transfer venue or dismiss all cases pursuant to 28 U.S.C. §§ 1406, 1408, 1412 and Bankruptcy Rule 1014(a) (ECF No. 266).

The Cross-Holder Ad Hoc Group (the “Cross-Holders”) and the United States Trustee (“UST”) (collectively, the “Movants”) argue that venue in the District of New Jersey is improper under 28 U.S.C. § 1408 and that the cases must therefore be dismissed or transferred. The UST additionally

seeks dismissal of MCC-Norwood under § 1112(b) for lack of good faith.

The Court has reviewed carefully the parties’ written motions, objections, joinders, replies and supplemental briefs, as well as the witness declarations, testimony of Garrett Gabel, Matthew Jacques and Eric Koza, together with the cross/redirect examination of the witnesses and documentary exhibits offered during the evidentiary hearing. The Court has jurisdiction over this contested matter under 28 U.S.C. §§ 1334(a) and 157(a) and the Standing Order of the United States District Court dated July 10, 1984—as amended September 18, 2012, and June 6, 2025—referring all bankruptcy cases to the bankruptcy court. This matter is a statutory core proceeding, and this Court has constitutional authority to enter a final order. 28 U.S.C. § 157(b)(2)(A). After full consideration of the evidence, as well as the statutory framework, and controlling precedent, the Court, in denying both motions in their entirety, states its findings of fact and conclusions of law, consistent with Fed. R. Bankr. P 7052.¹

I. Background and Procedural History

Each of the Debtors’ petitions rely on Debtor MCC-Norwood's venue in this district being proper as the basis for venue in this district. MCC-Norwood is an Ohio limited liability company, formed in 2014, and is a direct, wholly owned subsidiary of Debtor Multi-Color Corporation (“MCC”). MCC-Norwood did not—and does not—have its own employees or customers. Rather, MCC-Norwood was formed solely as an acquisition vehicle for the Debtors’ purchase of a manufacturing facility located in Norwood, Ohio (the “Norwood Facility”), which was subsequently closed and thereafter sold in 2023. There have been no operations since.

On December 19, 2025, MCC-Norwood opened a bank account (as funded, the “Adequate Assurance Account”) with ConnectOne Bank, located in Englewood Cliffs, New Jersey. On January 13, 2026, Multi-Color Corporation funded the Adequate Assurance Account with approximately \$1.05 million via a wire transfer. On the same day, MCC-Norwood opened a second account with ConnectOne Bank (as funded, the “DIP Account,” and, together with the Adequate Assurance Account, the “Norwood Accounts”) and funded the DIP Account with \$1,000 via a wire transfer from the

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Adequate Assurance Account. As of the Petition Date, the balances in the Adequate Assurance Account and the DIP Account were \$1,048,975 and \$1,000, respectively. Debtors maintain that the Norwood Accounts, located in New Jersey, represent the MCC-Norwood's principal assets for the requisite portion of the 180-day period prior to the filing of the chapter 11 case, January 29, 2026 (the "Petition Date") and, thus, venue in this district is proper.

*2 Movants point out that the MCC-Norwood petition lists MCC-Norwood's principal place of business as being located in Atlanta, Georgia. *See MCC-Norwood Petition*, Box 4 (ECF No. 1 in Case No. 26-10909). And, although venue in this district is premised on the location of MCC-Norwood's principal assets, the portion of the petition that asks for the "[l]ocation of principal assets, if different from the principal place of business" is blank. *Id.* Less than an hour before the First Day Hearings in this matter, the Cross-Holders filed a Motion to Dismiss, arguing that dismissal or transfer is mandatory based on the sworn statements made by Debtors in the MCC-Norwood petition. The Court declined to rule on the Cross-Holders' motion—finding that venue was appropriate based on the record that existed at the time, including representations by counsel as to the existence of the Norwood Accounts and the sworn statements made in the petition supporting the basis for venue in New Jersey. The Court deferred consideration of the Motion to Dismiss in favor of addressing the emergent First Day matters requiring immediate attention. As of the time of the First Day matters, no party in interest opposing the Debtors' choice of venue had carried their burden of demonstrating that venue was improper. *See, e.g. In re Neufeld*, 2012 WL 5845590, at *1 n.3 (Bankr. M.D. Pa. Nov. 16, 2012) ("The party challenging venue bears the burden of establishing by a preponderance of the evidence that the case was filed in the wrong district."); *see also Def. Distributed v. Att'y Gen. of New Jersey*, 2026 WL 394269, at *5 (3d Cir. Feb. 12, 2026) (explaining, in context of § 1404, that movants bear the burden of demonstrating the need for transfer of venue). Accordingly, the Court set the matter for an evidentiary hearing, on a compressed timetable, and directed the parties to engage in discovery and additional briefing to further develop a more fulsome record. In the interim, the UST filed its own motion to dismiss based on improper venue and bad faith.

In subsequent submissions and in oral arguments on the record, Movants elaborate on the bases for their motions. Specifically, the Cross-Holders allege that venue is improper because during the relevant period, MCC-Norwood possessed assets, other than the Norwood Accounts, located outside of the District of New Jersey. *See Cross-Holders' Reply* ¶¶ 15-36, ECF No. 336. The UST does not explicitly adopt this argument, but agrees that, if assets other than the Norwood Accounts exist, venue is improper in New Jersey. *UST's Motion* ¶ 21, ECF No. 266-1. The UST also separately asserts that bank accounts—as an intangible asset—are insufficient to create venue under § 1408, *see UST's Reply* ¶¶ 7-11, ECF No. 339, and that the MCC-Norwood petition was filed in bad faith and must be dismissed as it lacks a valid restructuring purpose, *id.* at ¶¶ 12-14; *see also UST's Motion* at ¶ 22-25.

Following the evidentiary hearing held on February 26, 2026, the Court requested additional submissions from the parties. Specifically, the Court requested briefing on a narrow issue: "whether assets that have no demonstrable economic or monetary value may still be considered 'principal assets' for purposes of applying the venue statute." *Judge Correspondence dated March 3, 2026*, ECF No. 391. The Court has reviewed fully the responses received, including those submitted by the UST (ECF No. 410), Clayton Dubilier & Rice LLC (ECF No. 411), counsel for the Secured Ad Hoc Group (ECF No. 412), the Excluded First Lien Lenders (ECF No. 413), the Cross-Holders (ECF No. 414), and Debtors (ECF No. 416).

II. Discussion

A. Congressional Design of Bankruptcy Venue

Venue of a bankruptcy case is governed by 28 U.S.C. § 1408. The statute permits a debtor to file in any district where, its domicile, residence, principal place of business, or principal assets were located during the 180 days preceding the petition date (or for a longer portion of that period than in any other district). The statute is written in the disjunctive. It is deliberately broad.

For decades, at the urging of many in the bankruptcy community, Congress has considered proposals to narrow bankruptcy venue. Most recently, in 2023, H.R. 1017

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proposed to materially restrict corporate bankruptcy venue options by requiring filing in the district of principal place of business or principal assets (with further refinement on the scope of “principal assets”) and placed limits on affiliate-based venue. Of particular interest was the proposed language which specifically excluded cash or cash equivalents from consideration as “principal assets”, as well as assets that were transferred within a year prior to the filing or for the express purpose of establishing venue. The proposed legislation also shifted the burden of proof onto the petitioner.

*3 Like similar efforts in the past, H.R. 1017 died in committee, and no new legislation has been introduced. In point of fact, during the last twenty years, Congress repeatedly has been invited by judges, academics and practitioners to cabin bankruptcy venue and yet has chosen not to do so. Where Congress is aware of an issue and repeatedly declines to amend the statute, courts are not free to displace Congress and narrow the statute judicially. Section 1408 remains broad by congressional design. That breadth is not a defect; it is a policy choice. This Court applies the statute as written. *See, e.g. Food & Drug Admin. v. R. J. Reynolds Vapor Co.*, 606 U.S. 226, 239, 145 S. Ct. 1984, 1995, 222 L. Ed. 2d 472 (2025) (discussing statutory interpretation in analogous circumstances, and explaining that courts cannot question whether Congress *should* have authorized a suit but, instead, must examine whether it, in fact, did so) (citing *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 128, 134 S. Ct. 1377, 1388, 188 L. Ed. 2d 392 (2014) (stating that courts cannot limit a cause of action that Congress has created)).

B. Effect of the initial MCC-Norwood Petition

The Court first addresses Movants’ contention that the original petition concedes Georgia venue. Movants argue that MCC-Norwood's original petition constituted a binding judicial admission that its “principal assets” were located in Georgia because the petition listed Georgia as the principal place of business and left blank the line for “location of principal assets if different.” The Court rejects this argument.

First, the Official Form petition is not drafted as a binary declaration that silence serves as the equivalent of affirmative representation. Rather, it requests the location of principal assets if different from the principal place of business. The

absence of a separate entry does not constitute a sworn factual representation that principal assets were located in Georgia. It reflects, at most, a possible omission or error which can be (and was) subsequently rectified through amendment of the petition.

Second, venue is determined under 28 U.S.C. § 1408 by objective statutory criteria—not by the wording precision of a form. Courts determine venue based on facts, not on drafting imperfections. Third, even assuming that the original petition was incomplete or ambiguous, Bankruptcy Rule 1009(a) permits amendment “at any time before the case is closed.” The filing of an amendment does not “manufacture” facts; it clarifies them.

In their Reply, the Cross-Holders assert that “Debtors cannot simply amend the original petition in an attempt ... to cure the [venue] deficiency.” *Cross-Holders’ Reply* ¶ 8, ECF No. 336.² Such a position is contrary to Bankruptcy Rule 1009 and existing case law and, indeed, would produce absurd and inequitable results. Courts have explained that “allowing a debtor to amend [a voluntary petition, list, schedule, or statement] at any time prior to the closing of a bankruptcy case is intended to aid in maximizing the opportunity for the debtor to make a fresh start.” *In re Akulova*, 407 B.R. 602, 605 (Bankr. D. Del. 2009) (citations omitted). Thus, foreclosing the possibility of amendment altogether—as the Cross-Holders suggest here—would undermine the purpose of the Bankruptcy Code. Furthermore, it is not difficult to imagine scenarios wherein precluding amendment to clarify venue would result in illogical and unfair outcomes. Simply put, the question of venue cannot hinge on typos or omissions; nor can it rest on unsupported factual allegations. Instead, once venue is challenged, a court must undertake an inquiry to determine whether venue is proper based on the existing record. This Court undertakes such an inquiry here.

*4 As to the assertion that amendments filed after a venue objection should be given diminished weight, *see, e.g. UST’s Reply* ¶¶ 5-6, ECF No. 339, such an argument may possibly apply where an amendment contradicts substantive sworn testimony. That is not this case. Here, the factual record—including testimony regarding MCC-Norwood's assets—was developed in open court and subject to cross-examination. Venue in this matter turns on where principal assets were located—not on whether or when a form was amended. The

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Court therefore finds no binding judicial admission that precludes the Debtors' venue position and declines to ascribe meaning to the timing of the amended MCC-Norwood petition.³

C. Analysis

1. Venue under 28 U.S.C. § 1408

As stated, venue in the filing of a bankruptcy case is controlled by the provisions of 28 U.S.C. § 1408, which provides (in relevant part) that a voluntary petition may be filed in the district “in which the ... [debtor's] *principal assets* ... have been located for the one hundred and eighty days immediately preceding [the petition] *or for a longer portion of such one-hundred-and-eighty-day period than ... in any other district.*” 28 U.S.C. § 1408(1) (emphasis added); *see also, e.g. In re Moreno*, 2025 WL 3522447, at *2 (Bankr. D.P.R. Dec. 8, 2025). The question, thus, is two-fold: (1) what are the debtor's principal assets? and (2) where were those principal assets located for the longer portion of the 180-day period immediately preceding the filing of the petition (the “Venue Period”)?

Application of this statute is ordinarily straightforward. Typically, the principal assets—and their location—can be clearly identified. If, for example, the principal asset is a piece of machinery, then venue is appropriate in the district in which that machinery has been located throughout the Venue Period. If the machinery changed locations during the Venue Period, then a comparative analysis begins, and venue is appropriate in the district in which the machinery was located for the longer portion of the Venue Period. However, the statutory language is less instructive, and the inquiry becomes muddled, when—as here—questions exist as to what constitutes the principal assets, and the principal assets upon which venue is based have existed for only a small portion of the 180-day Venue Period.

The Norwood Accounts were opened on December 19, 2025, and funded on January 13, 2026—16 days prior to the filing of the petition on January 29, 2026. Thus, Norwood Accounts could only serve as the principal asset for, at most, 16 days during the Venue Period and did not exist during the remaining 164 days (by far, the longer portion of the 180-day window).

Does this mean—as the Cross-Holders suggest—that a *different* asset served as MCC-Norwood's principal asset during those 164 days? If that is the case, and if MCC-Norwood possessed that other asset for *more than* 16 days during that 164-day period, then that asset, by default, would be the principal asset that MCC-Norwood possessed “for a longer portion” of the Venue Period under the statute. As a corollary, venue appropriately would be determined by the district in which that other principal asset is located. The Court will refer to this analysis as the “Time-Based Approach.” Under this approach, the Debtor's principal assets are identified and tabulated for each day during the 180-day window. While this approach is straightforward and logical, it is not the only approach which fits comfortably within the statute.

*5 The statute also can be interpreted to require that a court *first* identify the Debtor's principal assets, *as of the petition date*, and then discern the location of the principal assets during the 180-day Venue Period. As the Debtors suggest—where there are multiple assets, a Court must first undertake a qualitative and quantitative analysis to determine which, out of all of the debtor's assets, are the *principal* assets—irrespective as to the number of days that the debtor owned each asset. The Court then looks to where the principal asset(s) were located for the longer portion of the Venue Period to determine the appropriate venue. The Court will refer to this as the “Asset-Based Approach.” The Asset-Based Approach becomes more complicated because the statute does not provide guidance as to how to conduct this inquiry. Debtors suggest that courts should “look to the assets owned by the debtor at the time of filing.” *Debtors' Supp. Br.* ¶ 14, ECF No. 416. Movants implicitly argue (and, indeed, the Time-Based Approach necessarily requires) that courts look to “any assets ... owned during” the Venue Period. *See, e.g., UST's Supp. Br.* 1, ECF No. 410; *Cross-Holders' Reply* ¶ 3, ECF No. 336 (arguing that the Norwood Accounts “cannot establish venue because Norwood held substantial assets outside of New Jersey for far longer during” the Venue Period).

Admittedly, the issue before this Court is difficult and none of the parties' suggested interpretations is without flaws. Compare *In re Ross*, 312 B.R. 879, 889 (Bankr. W.D. Tenn. 2004), *aff'd sub nom. In re MacDonald*, 356 B.R. 416 (W.D. Tenn. 2006), *aff'd sub nom. Thompson v. Greenwood*, 507 F.3d

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416 (6th Cir. 2007) (stating that “a debtor may have more than one appropriate venue based upon more than one principal asset”); with *In re Innovative Commc’n Co., LLC*, 358 B.R. 120, 126 (Bankr. D. Del. 2006) (citing *In re Handel*, 242 B.R. 789, 792 (Bankr. D. Mass. 1999) and explaining that preceding word “principal” limits venue under § 1408 to singular location); and *In re J & L Plumbing & Heating, Inc.*, 186 B.R. 388, 392 (Bankr. E.D. Pa. 1995) (identifying singular asset—accounts receivable—as principal asset); with *In re Neufeld*, 2012 WL 5845590, at *1 (identifying “where the greater dollar value of all property of the estate is located” to determine location of principal assets).

Neither the parties’ briefing, nor the Court’s own research, discloses any prior court decisions which examine and compare these competing approaches or make inquiry as to the mechanics involved in applying the venue statute. As this Court sees it, both approaches have flaws and can lead to absurd or unintended results. For example,⁴ consider a debtor who, several years prior to filing, purchased two pieces of machinery: one located in Kansas, and one in Texas. The machinery in Kansas is indisputably the more valuable. However, 10 days before filing for bankruptcy, a tornado destroys the machinery in Kansas, reducing it to scrap metal. The incident is not covered by any insurance. As a result, the most valuable asset the debtor possesses at the time of its bankruptcy filing is undeniably the machinery in Texas. On these facts, the machinery in Kansas was the debtor’s principal asset for 170 days of the 180-day Venue Period; and the machinery in Texas was the debtor’s principal asset for only 10 days out of the 180-day Venue Period. Under the Time-Based Approach, the primary asset for venue purposes is the Kansas machinery because debtor owned it for the “longer portion” of the 180-day Venue Period. This is an illogical result the debtor owns only scrap metal in Kansas and does not have any other ties to that jurisdiction. Requiring venue in a Kansas court would not assist with administration of the estate and would be contrary to the underlying purpose of the Code. See, e.g. *In re Murrin*, 461 B.R. 763, 788 (Bankr. D. Minn.), *rev’d and remanded on other grounds*, 477 B.R. 99 (D. Minn. 2012) (“Logically, [§ 1408] should be construed in a way most resonant with the *functional* concerns of the administration of the bankruptcy estate.”) (emphasis in original); see also *In re Blixseth*, 484 B.R. 360, 367 (B.A.P. 9th Cir. 2012). In these circumstances, an Asset-Based Approach that evaluates the principal asset as of the petition

date produces the more reasonable result. The principal asset at the time of the bankruptcy filing was the Texas machinery—even though it only qualified as the “principal asset” for 10 days out of the 180-day Venue Period.

*6 The Court acknowledges that the Asset-Based Approach, to some degree, makes venue subject to manipulation. Indeed, many assets can be relocated. However, the potential for manipulation is tempered by the time constraints built into the statute. For example, using the same scenario presented above, for years, a debtor has owned two pieces of machinery: one located in Kansas, and one in Texas. The machinery in Kansas is indisputably the most valuable, i.e. principal asset. Ten days before filing for bankruptcy the debtor moves the machinery from Kansas to Delaware and then files for bankruptcy in that district. Even under an Asset-Based Approach, venue is *not* appropriate in Delaware based on the machinery’s location there. Rather, the statute demands that courts compare the length of time that the principal asset was located in Delaware during the Venue Period, versus the length of time it was located elsewhere. On these facts, the machinery that serves as the principal asset was located in Kansas for 170 days of the 180-day Venue Period, and in Delaware for only 10. Because it was located in Kansas for “a longer portion” of the Venue Period, venue is proper there—not in Delaware. See 28 U.S.C. § 1408(1).

The Court can conceive how some parties might develop creative workarounds to the protections built into the statute. For example, using the same scenario presented above, let’s assume that the debtor, 10 days before filing for bankruptcy, sells the machinery in Kansas (the principal asset) and uses the proceeds to purchase new, expensive machinery in Delaware. On these facts, the machinery in Kansas was the debtor’s principal asset for 170 days of the 180-day Venue Period, and the new machinery in Delaware is the debtor’s current principal asset (from an economic and monetary value perspective)—even though the debtor has owned it for only 10 days out of the 180-day Venue Period, and despite the fact that the debtor has owned the less-valuable machinery in Texas for the entirety of the Venue Period. Under the Asset-Based Approach, the principal asset at the time of filing is the Delaware machinery and venue is appropriate there— even though the debtor effectively manufactured venue on the eve of the bankruptcy filing. Importantly, however, courts may still make use of § 1412 and transfer the case if the facts so

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require. Indeed, the appropriateness of venue under § 1408 and the decision to transfer under § 1412 require fact-intensive inquiries. *See, e.g. In re Blixseth*, 484 B.R. at 367 (mandating a “context-specific analysis” when determining principal assets); *In re Patriot Coal Corp.*, 482 B.R. 718 (Bankr. S.D.N.Y. 2012) (stating that courts considering a transfer of venue of bankruptcy case must base its analysis on the facts underlying the particular case before the court). As discussed, there have been specific proposed venue reforms which would address efforts to manipulate venue. Unless and until there is legislative action, Courts will apply existing case law and the considerations for case transfer under § 1412—convenience of the parties and the interests of justice—to prevent abuse of the venue statute. This is evident in many of the analogous cases cited by Movants. For example, courts have transferred venue even where debtors achieved “literal and technical compliance with the venue statute” by incorporating affiliates in the weeks preceding the date of filing. *See In re Patriot Coal Corp.*, 482 B.R. 718; *see also In re AnthymTV Co.*, 650 B.R. 261, 279 (Bankr. D.S.C. 2023) (finding that debtor's intangible principal assets were located in Massachusetts during the Venue Period but nevertheless transferring to South Carolina under § 1412). For the reasons addressed below, however, transfer of these cases pursuant § 1412 is unwarranted.

Ultimately, the Court concludes that an Asset-Based Approach—one that evaluates the assets that a debtor possesses *at the time the petition is filed* and where *such assets* were located for the longer portion of the Venue Period—is the appropriate approach for determining venue based on principal assets. *See, e.g. In re Szanto*, 2022 WL 4391803, at *9 (Bankr. S.D. Cal. July 22, 2022), *aff'd sub nom. Szanto v. Chase Bank*, 2023 WL 4629564 (S.D. Cal. June 15, 2023) (evaluating assets owned at the time of the bankruptcy filing); *In re Petrie*, 142 B.R. 404, 404 (Bankr. D. Nev. 1992) (evaluating principal assets at the time of the commencement of the case); *Barnes v. Whelan*, 689 F.2d 193, 205 (D.C. Cir. 1982) (evaluating assets owned by the debtor at the time the petition was filed); *id.* at n.20 (citing *Watters v. Hamilton Gas Co.*, 10 F. Supp. 323, 326 (S.D.W. Va.), *aff'd*, 79 F.2d 438 (4th Cir. 1935)). This approach produces more logical results and construes the statute in a way that is more consistent with the functional concerns of the administration of the bankruptcy estate. *See In re Murrin*, 461 B.R. 763; *In re Blixseth*, 484 B.R. 360. This Court has not found any case law directly on point

and the statutory language does clarify the issue. Congress has—seemingly intentionally—left the venue statute broad and has not provided explicit guidance for its application. Effectively, Congress has created a jump ball when it comes to venue, and all parties are holding tight to their justifiable positions. Given the considerations discussed above and in analogous cases, however, this Court finds that the possession arrow favors the Asset-Based Approach.

*7 With this framework in mind, the Court turns to the facts of the case before it—comparing MCC-Norwood's assets to determine which asset constituted its “principal asset” at the time it filed for bankruptcy protection. *See, e.g., In re Szanto*, 2022 WL 4391803, at *9 (citing Webster's Collegiate Dictionary (11th ed. 2012), which defines “principal” as “most important, consequential, or influential”); *In re Neufeld*, 2012 WL 5845590, at *1 (citing Am. Heritage Dictionary (4th ed. 2000) and explaining that “the term ‘principal’ refers to an item of the ‘first, highest or foremost in importance, rank, worth, or degree’”). The Court evaluates Debtors assets from both a quantitative and qualitative perspective, focusing both on the value and the importance of the assets in question. *See In re Houghton Mifflin Harcourt Pub. Co.*, 474 B.R. 122, 136 (Bankr. S.D.N.Y. 2012). For the reasons that follow, the Court finds that the Norwood Accounts constitute the Debtors’ principal assets for purposes of § 1408. Because those assets were located longer in this district than in any other during the Venue Period—venue is proper in this district.

a) The Norwood Accounts

At the outset, the Court finds that the Norwood Accounts can serve as a basis for venue in this district. The UST argues that bank accounts are intangible and follow the domicile of the owner under the doctrine *mobilia sequuntur personam*. *UST's Motion* ¶¶ 16-20, ECF No. 266-1. The Court declines to adopt this rigid rule. Indeed, several bankruptcy courts have directly addressed the location of deposit accounts for venue purposes and have declined to apply a domicile-based fiction. For example, courts have held that bank accounts are located where:

- The account was opened,
- The depository branch maintains the account, or

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- The funds are subject to withdrawal and control.

See, e.g. *In re Bavelis*, 453 B.R. 832 (Bankr. S.D. Ohio 2011) (brokerage account located where opened); *In re Farmer*, 288 B.R. 31 (Bankr. N.D.N.Y. 2002) (bank accounts located in district where bank was physically located); *In re Iglesias*, 226 B.R. 721 (Bankr. S.D. Fla. 1998) (deposit account located in district where opened). These courts did not apply *mobilia sequuntur personam*. They instead focused on the practical relationship between the debtor and the depository institution. This Court finds those authorities persuasive. Here, the record—and the practical relationship between MCC-Norwood and ConnectOne Bank—establish New Jersey as the location of the accounts because:

- Norwood Accounts were opened at a branch of ConnectOne Bank in Englewood Cliffs, New Jersey.⁵
- The governing deposit agreement is governed by New Jersey law.
- The specific NJ branch is the designated beneficiary bank for wires.
- The routing numbers correspond to that specific institution.

Additionally, while not directly controlling, this Court finds further support and helpful context in certain treatment under Article 9 of the Uniform Commercial Code. Specifically, § 9-304 of the UCC states:

The law governing perfection of a security interest in a deposit account is determined by reference to jurisdiction and controlling law designated in the applicable deposit agreement, or failing that, the bank's location, as fixed by the branch designated to service the account or the location of the chief executive office.

^{*8} Such treatment under the UCC reflects that commercial law assigns situs to deposit accounts based on factors which do not consider the depositor's domicile. On this factual record, the Court finds that the Norwood Accounts are located in New Jersey. See e.g. *In re Blixeth*, 484 B.R. 360 (discussing the situs for intangible assets and applying a context-based approach to conclude that the location of an intangible asset for bankruptcy venue purposes is the jurisdiction where collection must be pursued).

The UST further suggests that because the accounts were opened shortly before filing, they should not count for venue. However, § 1408(1), as currently written, requires merely that principal assets be located in the district for “the one hundred and eighty days immediately preceding such commencement, or for a longer portion of such one-hundred-and-eighty-day period than in any other district.” Thus, the statute does not require assets to exist for the entire 180 days. It requires only that—during that 180-day period—the principal assets were located in the district for a longer portion than in any other district. See, e.g. *In re Indus. Pollution Control, Inc.*, 137 B.R. 176 (in principal place of business context finding that 67 days was the longer portion of the 180-day period under § 1408(1)); *In re Shorts Auto Parts of Warren, Inc.*, 136 B.R. 30, 34 (Bankr. N.D.N.Y. 1991) (finding venue appropriate because record established that principal place of business was in the district for 152 days of the 180 days preceding the petition date).

Movants also contend that permitting venue to rest on recently opened bank accounts would render § 1408 meaningless and allow debtors to file “anywhere.” The Court disagrees. Section 1408 contains its own limiting principle by requiring that principal assets be located in the district for the 180 days preceding filing, or for a longer portion of that period than in any other district. The statute does not require longevity of ownership, historical nexus, operational activity, or a qualitative business purpose. See, e.g., *In re LTL Mgmt. LLC*, 2021 WL 5343945, at *2 (Bankr. W.D.N.C. Nov. 16, 2021) (finding that venue was proper even though debtor was only formed as an entity two days prior to filing date). Rather, the statute merely requires location and comparative duration during the relevant 180-day period. The Court chooses not to judicially graft additional requirements onto the statute. See, e.g. *Food & Drug Admin. v. R. J. Reynolds Vapor Co.*, 606 U.S. 226; *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118. Likewise, the Court is unpersuaded by the “file anywhere” parade of horrors. If a debtor truly has operating facilities, collectable receivables, significant intellectual property, inventory, or other significant assets in another district for a longer portion of the 180-day period, then venue properly would lie there and/or could be transferred there under § 1412 as the situation may demand. This Court applies the statute, as written, to the facts presented. The Norwood Accounts existed for 16 of the 180 days preceding

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the filing of the bankruptcy case and, importantly, were not located in any other district. As of the Petition Date, the balances in the Adequate Assurance Account and the DIP Account were \$1,048,975 and \$1,000, respectively. Because, as set forth below, the Norwood Accounts were the Debtors' principal assets—quantitatively and qualitatively—venue is proper in this district under [§ 1408\(1\)](#).⁶

b) The Patents

***9** The Debtors concede that MCC-Norwood owned five U.S. patents and seven foreign⁷ reciprocal patents (the “Patents”) throughout the entire Venue Period. MCC-Norwood owned the Norwood Accounts for, at most, 16 days during this same period. Thus, comparatively, MCC-Norwood owned the Patents for the longer portion of the 180-day lookback period. However, as discussed, this Court adopts an Asset-Based Approach; therefore, the fact that Debtor owned the Patents for a longer portion of the Venue Period is of no moment. Rather, this Court compares the quantitative and qualitative value of the Patents to the quantitative and qualitative value of the Norwood Accounts and concludes that the Norwood Accounts are more accurately the “principal asset” for venue purposes.

The parties dispute the value of the Patents. The Debtors assert that the Patents are valueless. However, the Court determines that the alleged lack of economic or monetary value of the Patents is not necessarily dispositive for the venue inquiry. The question for purposes of [§ 1408](#) is whether the Patents constitute assets that MCC-Norwood owned. The Court determines that they do, regardless of whether they have economic value. See, e.g., [In re Canavos](#), 108 B.R. 55, 58 n.4 (Bankr. E.D. Pa. 1989) (finding that stock valued at zero dollars did not preclude the asset from being a “principal asset” upon which venue could rest in the district); [In re Ryan](#), 38 B.R. 917, 920 (Bankr. N.D. Ill. 1984) (finding that assets that were so encumbered with debt as to have, in debtor's view, no value nevertheless provided the basis for venue).⁸ Indeed, the Code does not define the term “asset”. Accordingly, this Court must look to context and the term's ordinary meaning. See [FCC v. AT & T Inc.](#), 562 U.S. 397, 131 S. Ct. 1177, 1178, 179 L. Ed. 2d 132 (2011). Black's Law Dictionary includes a definition for the term “asset” that does not reference value. Black's Law Dictionary (12th ed. 2024) (defining “asset” as

“[t]he entries on a balance sheet showing the items of property owned, including cash, inventory, equipment, real estate, accounts receivable, and goodwill”). The fact that courts evaluate assets from a qualitative perspective, in addition to a quantitative one, further supports this conclusion. See [In re Houghton Mifflin Harcourt Pub. Co.](#), 474 B.R. at 136 (emphasizing “the importance of the assets in question”) (emphasis in original). Certainly, economic or monetary value factors into the analysis. But dollar signs, alone, do not carry the day. Debtors' bald assertion that the Patents are “valueless historical artifacts,” does not suffice to eliminate the Patents from consideration as Debtors' “principal assets” under [§ 1408](#) and/or preclude them from serving as a basis for venue.

***10** Nevertheless, the Court cannot—on this record—assign a specific dollar value to the Patents. Indeed, the Court agrees with the Debtors that “[v]aluation analyses regarding patents are highly technical and typically require significant expert testimony.” *Debtors' Obj.* ¶ 32, ECF No. 302. However, no party has offered into evidence documentation or testimony that this Court would expect to accompany a “highly technical” valuation. Although the Court—based on the existing record—would be hard-pressed to find that the Patents have *no* economic or monetary value,⁹ the record is insufficient to demonstrate that the Patents have a quantitative or qualitative value that exceeds that of the Norwood Accounts. Notably, the qualifying term “principal” signifies importance. See, e.g., [In re Szanto](#), 2022 WL 4391803, citing Webster's Collegiate Dictionary (11th ed. 2012) which defines “principal” as “most important, consequential, or influential”); see also *Principal*, BLACK'S LAW DICTIONARY (12th ed. 2024) (“Chief; primary; most important”). Therefore, it is not enough that the record establishes that the Patents have some value. Rather, the record must demonstrate that the Patents have such primary or important value that they—rather than the Norwood Accounts—are the principal assets for the [§ 1408](#) venue analysis. Movants, as the parties challenging venue, carry the burden of so demonstrating by a preponderance of the evidence. See [In re Neufeld](#), 2012 WL 5845590, at *1 n.3. (explaining that the burden for establishing that the case was filed in the wrong district rests with the party challenging venue). Movants have not satisfied that burden here; they have not demonstrated, by a preponderance of the evidence, that the Patents are more important, consequential, or influential than the more-than-\$1 million in the Norwood Accounts that

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Debtors need to make adequate assurance payments, among other things. On this record, the Court cannot conclude that the Patents—although likely having some value—are the Debtors’ “principal” assets during the Venue Period.

c) Intercompany Balances

Debtors’ books and records contain certain entries that the Cross-Holders cite as alternative principal assets. Debtors describe these entries as “internal tracking and reporting of book entries” and label them “Journal Entry Allocations.” *Debtors’ Opp’n* ¶ 39, ECF No. 302. In contrast, the Cross-Holders characterize these recorded entries as gross and net “intercompany receivables,” in excess of \$158 and \$102 million, respectively, and which they assert are assets of the MCC-Norwood estate located outside of New Jersey. *Cross-Holders’ Reply* ¶ 22, ECF No. 336; *In re J & L Plumbing & Heating, Inc.*, 186 B.R. 388 (stating that location of debtor’s principal accounts receivable could be proper venue for case under bankruptcy venue provision). Accordingly, Cross-Holders argue that these balances constitute MCC-Norwood’s principal assets during the Venue Period. At the outset, the Court notes that these intercompany obligations were reclassified and eliminated prior to the petition filing and thus were not assets to be considered as principal assets on the filing date. More significantly, the evidentiary record, including the expert report and testimony of Matthew S. Jacques, do not support the finding that such ledger entries constitute principal assets when analyzed quantitatively or qualitatively. Mr. Jacques was retained to review MCC-Norwood’s historical financial records and assess the significance of certain intercompany receivable balances reflected in its financial records during the Venue Period. After reviewing MCC-Norwood’s books and records, including its general ledger activity and trial balances, Mr. Jacques concluded:

MCC-Norwood’s legacy intercompany receivables balance, reflected as an asset in its financial records in the 180 days preceding its Chapter 11 bankruptcy filing, should have been eliminated contemporaneously to the closure and sale of the Norwood Facility that occurred in December 2023 and did not represent assets of economic value to MCC-Norwood in the 180 days preceding its Chapter 11 bankruptcy filing.

*11 *Jacques Decl.* ¶ 15, ECF No. 350.

The Court finds this opinion credible, well-supported, and un rebutted. Indeed, although Movants challenged Mr. Jacques’ conclusions during cross-examination, they did not produce a competing expert to discredit the accounting maneuvers undertaken by Debtors in eliminating journal entries attributable to closed facilities.

i) Nature of the Intercompany Balances

The record reflects that MCC-Norwood historically functioned as an operating legal entity whose accounting activity was administered through MCC’s consolidated systems. During its operational period:

- MCC-Norwood did not maintain its own bank account.
- Cash transactions were processed through MCC.
- Intercompany receivables and payables were recorded to reflect internal allocations of revenue and expense.
- All such intercompany balances were eliminated in consolidation under GAAP.

When the Norwood facility ceased operations in July 2023 and was sold in December 2023, no additional operating activity occurred. The intercompany balances remaining on MCC-Norwood’s trial balance were legacy accounting entries arising from historical operating allocations. These balances were not cash-settled, were not subject to arm’s-length collection efforts, and were not treated internally as enforceable claims. *See Debtors’ Reply* ¶ 39, ECF No. 302. Rather, they represented bookkeeping entries that, under ordinary accounting practice, should have been eliminated upon facility closure.

ii) 2025 Reclassification Entries

During 2025, MCC undertook a review of dormant entities and closed facilities, including MCC-Norwood. In connection with that review, journal entries were recorded in November 2025 eliminating MCC-Norwood’s intercompany receivable

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and payable balances to zero, with corresponding entries to retained earnings. The evidence establishes:

- Three journal entries were recorded between August 2, 2025 (180 days prepetition) and November 11, 2025.
- On November 12, 2025, an entry entitled “Norwood IC Balance Sheet Reclassification” eliminated the balances entirely.
- The majority of the intercompany balance—approximately \$99.95 million—was with the Parent Company (via FCCS entities MC9000 and MC9001), with the remainder spread across various affiliates.

Critically, Mr. Jacques concluded that the November and December 2025 entries were “a matter of timing, not economic substance ... [and] the product of historical inter-entity record keeping,” reflecting no economic benefit to MCC-Norwood during the 180-day Venue Period. *Jacques Decl.* ¶ 25, ECF No. 350.

iii) Lack of Economic Value

The evidence further demonstrates:

- The balances were internal accounting allocations, not third-party receivables.
- They were never cash-settled.
- They were eliminated in consolidation under GAAP.
- They were removed from MCC-Norwood's books without economic consequence.
- There were no expectations of collection and no evidence of realizable value.

As Mr. Jacques explained, the residual balance was “an aggregation of operating activities prior to the plant's closure and sale,” historically not settled, and not expected to be settled. *Id.* at ¶ 25. An accounting entry reflecting internal allocations does not, without more, constitute a realizable asset. [Section 1408](#) concerns the location of a debtor's *principal assets*—that is, assets with economic substance or qualitative value—not bookkeeping artifacts arising from

consolidated accounting processes. Wholly absent in the record is any evidence that the intercompany obligations are supported by promissory notes, contractual agreements, prior cash settlement history, or any other basis by which the MCC-Norwood could seek enforcement of such journal entries from the corporate parent or other affiliates. Indeed, given that any enforceable intercompany obligation owing to MCC-Norwood would also serve as collateral securing MCC-Norwood's liability on the approximate \$5.5 billion of funded debt, the Court sees no scenario in which MCC-Norwood can recover or make use of these intercompany payables as part of its reorganization.

iv) Potential Claims

*12 Movants' suggestion that elimination entries could give rise to avoidance actions is also speculative. *See Cross-Holders' Reply* ¶¶ 27-29, ECF No. 336. Hypothetical, unfiled, contingent litigation rights do not transform internal ledger balances into principal assets for venue purposes. Were it otherwise, virtually every consolidated corporate debtor would have indeterminate venue based on theoretical intercompany adjustments.

v) Summary of Intercompany Balance Analysis

In light of the foregoing, the Court finds that Movants have not demonstrated, by a preponderance of the evidence, that the book entries in question constitute MCC-Norwood's principal asset during the Venue Period. The Court finds Mr. Jacques' Declaration and testimony credible and logical. The Court acknowledges that, on cross-examination, counsel questioned and criticized Mr. Jacques' methods. For example, counsel pointed out that there had been no similar reclassification of intercompany receivables for an affiliate entity (“W&S Mason”) that likewise closed in 2023. *See Tr. of Feb. 26, 2026 Hrg.* 140:5-6, ECF No. 376. However, Mr. Jacques explained that his review was limited to MCC-Norwood. *Id.* at 140:24-25. When further pressed and asked why he failed to consider the accounting treatment of other facilities before rendering his opinion, Mr. Jacques responded that he “felt confident with the materials [he] had” in order to reach his own conclusions. *Id.* at 143:3-9. Subsequently in his testimony, Mr. Jacques conceded that another accountant might disagree with his

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reclassification of asset accounts following closure of the business. *Tr. of Feb. 26, 2026 Hrg.* 154:21-24, ECF No. 376. However, nothing in the record suggests that Mr. Jacques' treatment of the intercompany balances in this case was improper. The record conclusively establishes that "[t]here is no explicit rule around the treatment of intercompany balances [,]" *id.* at 155:10-11, and Mr. Jacques adequately explained his reasoning and methodology, *see, generally, Jacques Decl.*, ECF No. 350; *see also Tr. of Feb. 26, 2026 Hrg.* 156:9-14, ECF No. 376; *id.* at 160:2-12.

The fact that other dormant entities continue to report transactions via ledger entries carries little weight, given the possible need to address potential offsets, credits, refunds or chargebacks. Movants did not produce their own expert to further discredit Mr. Jacques or to explain alternate treatment of the intercompany balances, and why such alternate treatment would be more appropriate. Accordingly, the Court is persuaded by the testimony given by Mr. Jacques, and Movants have not demonstrated by a preponderance of the evidence that the journal entries constitute enforceable intercompany receivables that exceed the quantitative and qualitative value of the Norwood Accounts so as to constitute the principal assets during the Venue Period.

d) D&O Insurance Policies

The Cross-Holders assert that MCC-Norwood "held insurance rights for the 180 days preceding the chapter 11 filings, including rights under the Debtors' directors' and officers' liability insurance coverage" (the "D&O Policy"). *Cross-Holders' Reply* ¶ 30, ECF No. 336. Indeed, "[i]t has long been the rule in this Circuit that insurance policies are considered part of the property of a bankruptcy estate." *ACandS, Inc. v. Travelers Cas. & Sur. Co.*, 435 F.3d 252, 260 (3d Cir. 2006) (collecting cases); *see also, In re LTL Management, LLC*, 638 B.R. 291, 317 (Bankr. D.N.J. 2022). However, it is not enough that MCC-Norwood "held insurance rights" for the entire Venue Period. Rather, to succeed in their motion, Movants must demonstrate by a preponderance of the evidence that the D&O Policy (and/or other insurance policies) is so important and so valuable to MCC-Norwood to constitute MCC-Norwood's "principal asset" under § 1408. They have not done so.

*13 The Court notes that the D&O Policy is shared, subject to a substantial \$250,000 retention, untriggered during the relevant period, and contingent. Additionally, there is no evidence of active coverage litigation, proceeds payable, or of realized value. Instead, the policy provides contingent, theoretical coverage only; it does not increase MCC-Norwood's worth or reduce liabilities and—given that MCC-Norwood has been dormant for nearly two years—it does not appear to have any qualitative importance to this debtor. Simply put, Movants have failed to demonstrate that the insurance policies displace the Norwood Accounts as the principal asset for purposes of venue under § 1408.¹⁰

2. UST's Motion to Dismiss

The UST seeks dismissal of MCC-Norwood's bankruptcy case for alleged bad faith, relying heavily on *In re LTL Management, LLC*, 64 F.4th 84 (3d Cir. 2023). The comparison fails. MCC-Norwood is not a newly created bankruptcy vehicle. In *LTL Management*, the debtor was created immediately prior to filing through a divisional merger: a "Texas Two-Step." MCC-Norwood was formed in 2014, was not created on the eve of bankruptcy, was not formed through a divisional merger, and does not serve as a synthetic litigation entity. These are fundamental distinctions. Likewise, MCC-Norwood is in genuine financial distress. In *LTL Management*, the debtor had access to an extraordinary funding agreement—described by the Third Circuit as "an ATM disguised as a contract"—effectively eliminating financial distress. MCC-Norwood has no such backstop. Rather, MCC-Norwood is: (1) a guarantor of \$5.5 billion in funded debt; (2) jointly and severally liable with all other related entities; (3) balance-sheet insolvent; (4) has no independent cash flow; and (5) faces matured and accelerated obligations. Simply put, this constitutes financial distress, and the mere absence of operations does not negate distress.

For a guarantor entity, the absence of revenue in the face of billions in liability underscores such financial distress. MCC-Norwood's chapter 11 filing serves a valid bankruptcy purpose. The restructuring seeks to modify funded indebtedness across the enterprise. Excluding MCC-Norwood would leave guaranty claims unresolved, permit piecemeal enforcement, undermine plan feasibility, and increase fragmentation risk. This is a traditional balance-sheet

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restructuring. Even under *LTL Management*, distress plus valid reorganizational purpose equals good faith. Both are present here. Accordingly, the § 1112(b) motion is denied.

3. Transfer Under 28 U.S.C. § 1412

For reasons discussed, the Court finds that venue is proper in this district pursuant to § 1408(1) because the Debtors' principal assets during the Venue Period—the Norwood Accounts—were located in this district longer than in any other during the 180-day look-back period. However, in certain situations, a case transfer may still be warranted despite “literal and technical compliance with the venue statute[.]” *In re Patriot Coal Corp.*, 482 B.R. at 741. The applicable statute and Rule provide that, even where venue is proper, a bankruptcy court may transfer to “a district court for another district, in the interest of justice or for the convenience of the parties.” 28 U.S.C. § 1412; see also FED. R. BANKR. P. 1014(a)(1). “The decision whether venue should be transferred lies within the sound discretion of the bankruptcy court.” *In re Evola*, 2025 WL 3728102, at *14 (Bankr. D.N.J. Dec. 17, 2025) (collecting cases) (internal quotations and citations omitted). When assessing transfer under § 1412, “[a] flexible approach is necessary because ‘venue does not easily submit to hard and fast rules.’” *In re Enron Corp.*, 284 B.R. 376, 390 (Bankr. S.D.N.Y. 2002) (quoting *In re Abacus Broad., Corp.*, 154 B.R. 682 (Bankr. W.D. Tex. 1993)); see also *In re Innovative Comm’n Co., LLC*, 358 B.R. 120; *In re LaGuardia Assocs., L.P.*, 316 B.R. 832, 837 (Bankr. E.D. Pa. 2004) (citing *In re Manville Forest Products Corp.*, 896 F.2d 1384, 1391 (2d Cir. 1990)).

*14 In considering the appropriateness of transfer under § 1412, this Court is guided by case law, which employs a non-exhaustive list of factors. For example, in *In re RCS Cap. Corp.*, a Delaware bankruptcy court observed that the Third Circuit acknowledged a host of factors, including:

- (1) plaintiff's choice of forum, (2) defendant's forum preference, (3) whether the claim arose elsewhere, (4) location of the books and records, (5) the convenience of the parties as indicated by their relative physical and financial condition, (6) the convenience of the witnesses—but only to the extent that the witness may actually be

unavailable at trial, (7) the enforceability of the judgment, (8) practical considerations that would make the trial easy, expeditious, or inexpensive, (9) the relative administrative difficulty in the two fora resulting from congestion of the courts' dockets, (10) the public policies of the fora, (11) the familiarity of the judge with the applicable state law, and (12) the local interest in deciding local controversies at home.

In re RCS Cap. Corp., 2018 WL 2410178, at *1 (Bankr. D. Del. May 17, 2018) (citing *Jumara v. State Farm Ins. Co.*, 55 F.3d 873, 879 (3d Cir. 1995)). Of course, the list of factors changes slightly when courts consider whether to transfer a *bankruptcy case*. For example, a bankruptcy court in the District of Delaware recently considered slightly different factors, including:

- (1) Whether transfer promotes the economic and efficient administration of the bankruptcy estate;
- (2) whether transfer facilitates judicial efficiency;
- (3) whether the parties will receive a fair trial in either venue.
- (4) whether either forum has an interest in deciding the controversy;
- (5) whether transfer would affect enforceability of any judgment rendered; and
- (6) whether the plaintiff's original choice of forum should be disturbed

In re AmeriFirst Fin., Inc., 2023 WL 7029873, at *3 (Bankr. D. Del. Oct. 25, 2023). And, historically, other courts from within the Third Circuit have considered:

- (1) the proximity of creditors of every kind to the Court;
- (2) the proximity of the bankrupt (debtor) to the Court;
- (3) the proximity of the witnesses necessary to the administration of the estate;
- (4) the location of the assets;
- (5) the economic administration of the estate; and

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(6) the necessity for ancillary administration if bankruptcy should result.

In re Oklahoma City Assocs., 98 B.R. 194, 199 (Bankr. E.D. Pa. 1989) (citing *Matter of Commonwealth Oil Ref. Co., Inc.*, 596 F.2d 1239, 1247 (5th Cir. 1979)); see also, e.g. *In re Kennedy*, 2013 WL 5230026, at *1 (Bankr. E.D. Pa. Sept. 9, 2013) (identifying an eight-factor test and observing that “[a]s with the application of any multi-factor judicial test, ... ‘[n]ot all of the factors may be relevant in a particular case; the factors that are relevant may not be entitled to equal weight’”) (quoting *In re Alcorn Corp.*, 2012 WL 2974889, at *3 (Bankr. E.D. Pa. July 20, 2012)).

Here, unsurprisingly, none of the parties have expressed concerns touching on these factors. No party has taken issue with the fairness, costs or efficiency of this Court's continued administration of this case; nor has any party suggested that the Court's location poses difficulties for witnesses, stakeholders and their professionals.¹¹ There is no basis to conclude that transfer would serve the interest of justice or be more convenient for the parties. As explained, MCC-Norwood does not have any employees or customers. It is a subsidiary of an international corporation, a guarantor of \$5.5 billion in funded debt owed to creditors around the world, and the present record indicates that *all* of its assets are intangible. Accordingly, nothing in the record establishes that a different district would provide greater proximity to its creditors, assets, or witnesses—or would otherwise be more convenient for those involved.

***15** The Court appreciates that the manner in which the Debtors have employed the venue statute strikes many as being inconsistent with the “interest of justice”. However, courts consistently hold that a primary consideration “under the interest-of-justice prong is whether transfer would promote the economic and efficient administration of the bankruptcy estate.” *Commonwealth Assisted Living, LLC, Series E v. Vestavia Hills, Ltd.*, 616 B.R. 159, 173 (Bankr. N.D. Ala. 2020); see also *In re AmeriFirst Fin., Inc.*, 2023 WL 7029873, at *3 (Bankr. D. Del. Oct. 25, 2023) (“When weighing the interest of justice, bankruptcy courts lend the most significance to “the economic and efficient administration of the estate.”); *In re Bavelis*, 453 B.R. 832, 870 (Bankr. S.D. Ohio 2011) (stating that the most important factor the economic and efficient administration of the debtor's estate); *In re Enron Corp.*, 284 B.R. at 387

(explaining that “[t]he factor given the most weight is the promotion of the economic and efficient administration of the estate”). Here, transfer to another district would not promote the economic and efficient administration of the bankruptcy estate—rather, it would increase costs and delay the ongoing administration of these chapter 11 estates.

As an initial matter, through several hearings and status conferences, this Court has:

- entered a scheduling order;
- set confirmation timelines;
- supervised first-day relief;
- addressed several emergent motions; and
- invested judicial resources.

If the case were transferred, the proceedings would necessarily be delayed so that a transferee court could familiarize itself with the case. This delay would increase administrative costs and may disrupt certain restructuring milestones in the Restructuring Support Agreement and the DIP documents. This Court has set hearing dates and deadlines, including a final hearing on DIP financing, which is scheduled for March 17, 2026. The Debtors will need to draw upon the DIP facility to continue funding payroll, utilities, taxes, insurance and vendors, and generally maintain operations. The transfer of the case risks imperiling the Debtors’ reorganization and could give rise to uncertainty among lenders, vendors, the market and thousands of employees. The interest of justice favors continuity, not disruption. A transfer of a case such as this—in which the Debtors intend to reorganize rather than liquidate—would not serve the economic and efficient administration of the estate, facilitate judicial efficiency, or the interest of justice. As a bankruptcy court in the Southern District of New York succinctly explained:

This Court has gained such a familiarity with, and insight into, this case, that a transfer of venue would only thwart the efficient administration of the case and work an injustice in the case and to all parties involved A transfer of venue would have imposed on the new court the burdensome task of moving up along the ‘learning curve’ and

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would have delayed the entire reorganization process. Ultimately, a delay in the reorganization process would not have worked in favor of the convenience of the parties or the interest of justice.

In re Vienna Park Props., 128 B.R. 373, 377–78 (Bankr. S.D.N.Y. 1991) (internal quotations and citations omitted). Thus, while this Court is confident that any bankruptcy court in any another district could fairly and effectively administer these estates, the time and effort that court would have to expend in familiarizing itself with this case weigh against transfer. *See In re Patriot Coal Corp.*, 482 B.R. at 752–53 (explaining that “bankruptcy courts routinely apply and interpret other states’ laws and regulatory regimes,” and that the cases and the interests involved “will be incapable and caring hands wherever they are heard”).

This Court finds that no other forum has a significant interest in administering these estates. Indeed, no party persuasively argued or introduced facts indicating that a specific transferee district would better serve the interest of justice and/or be more convenient for the parties. The arguments were instead limited to “transfer” or “deny transfer.”¹² In sum, the Court concludes that Movants have not demonstrated by a preponderance of the evidence that another forum has a greater interest in administering these estates. This factor likewise weighs against transfer.

^{*16} The Court further respects the deference afforded to Debtors’ choice of forum. *See In re PermaLife Prods., LLC*, 432 B.R. 503, 516 (Bankr. D.N.J. 2010) (quoting *In re Hechinger Inv. Co. of Del., Inc.*, 288 B.R. 398, 402 (Bankr. D. Del. 2003) and explaining that there is a “strong presumption in favor of maintaining venue where the bankruptcy case is pending”). Here, MCC-Norwood filed in New Jersey. That choice of forum should not be disturbed unless Movants demonstrate by a preponderance of the evidence that transfer is appropriate. *See, e.g. In re DBSI, Inc.*, 478 B.R. 192, 195 (Bankr. D. Del. 2012); *In re Onco Inv. Co.*, 320 B.R. 577, 579 (Bankr. D. Del. 2005) (collecting cases and stating that “[a] plaintiff’s choice of venue should only be disturbed when the balance weighs heavily in favor of the defendant’s motion for transfer”). Movants have not satisfied that burden, thus, the Court determines that Debtors’ decision to file in this district weighs against transfer.

Notwithstanding, the Court recognizes that a debtor’s choice of venue is not entitled to absolute deference. Indeed, as discussed, cases may be transferred despite the fact that a debtor has technically complied with the venue statute. *See, e.g. In re Patriot Coal Corp.*, 482 B.R. 718. However, the safeguards to venue—implicit in the time constraints in the statute and the ability to transfer under § 1412 in the interest of justice—are only triggered when the circumstances so require. Such circumstances are not present here. No allegations were made or evidence presented suggesting that Debtors filed in this district to hinder another party in interest or to take advantage of any favorable caselaw.¹³ Holders of more than 83% of Debtors’ prepetition funded debt support venue in this district. And, while “venue is not determined by popular vote,” *In re Caesars Ent. Operating Co., Inc.*, 2015 WL 495259, at *6, such high consensus weighs against the notion that Debtors are disingenuously seeking advantages by filing here. Additionally, transfers under § 1412 are fact-specific and courts that have transferred limit the scope of their rulings. *See, e.g., In re LTL Mgmt. LLC*, 2021 WL 5343945, at *2 (explaining that decision to transfer venue is based on a “case-by-case analysis of the facts underlying each particular case”) (collecting cases) (internal quotations and citations omitted); *In re Patriot Coal Corp.*, 482 B.R. at 748–9 (limiting scope of ruling and explaining fact-specific analysis). Simply put, the facts of this case do not involve the complicated interests at play in cases like *Patriot Coal*—which implicated employees, local governments, retirees, and their dependents—nor does it present such an egregious affront to the integrity of the bankruptcy system so as to warrant transfer. Several other courts considering venue transfer have examined the analogous facts and likewise determined that transfer was not warranted. *See In re AmeriFirst Fin., Inc.*, 2023 WL 7029873, at *5 (finding that “forming Delaware entities to hold its acquired stock does not represent the brazen manipulation of venue”); *see also, e.g. In re Amazing Energy MS, LLC*, 2020 WL 4730890, at *9 (Bankr. S.D. Miss. June 25, 2020) (movants failed to establish that debtor formed new subsidiary for the purpose of establishing venue; therefore, there was no need—as there was in *Patriot Coal*—to avoid rewarding the debtors’ forum-shopping efforts).

^{*17} The Court also finds there will be no prejudice to the interests of stakeholders in denying the Motions. The vast majority of creditors have signed on to the RSA and have

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supported the Debtors' initial choice of venue; even the Cross-Holders assented to these chapter 11 cases moving forward in New Jersey when they proposed their own alternative DIP financing. In their documentation for that proposal, they expressed that they were prepared to stipulate to proper venue in this forum, and to waive all venue-related objections. *See Ex. 1 to Rosenblum Decl.*, ECF No. 78-1. In contrast, a transfer and the attendant delays—including a ruling on the final hearing on the DIP Motion, which the Court already adjourned several weeks *sua sponte*—would risk noncompliance with existing milestones and deadlines and would likely necessitate additional financing in the interim; indeed, further delay could possibly place at risk the full amount of DIP financing available, as well as the exit financing and equity investments. In short, the delays and complications that accompany a transfer would jeopardize the success of the reorganization and be “materially prejudicial to the interests of [the Debtors, its employees, and] the creditors whose money here is on the line.” *In re Houghton Mifflin Harcourt Pub. Co.*, 474 B.R. at 138. For these reasons, the Court declines to transfer the case.

Finally, the Court addresses what it will call the “gut check” factor. Although this Court finds that the Debtors here did **not** take the same “eve-of-filing steps taken by the [d]ebtors” in *Patriot Coal*, 482 B.R. at 742, and did **not** so thwart the requirements of the venue statute as to warrant court action and transfer, no party can deny that the Norwood Accounts were opened so that MCC-Norwood could file in this district. Given the number and variety of debtors in this case, it is likely that venue would have been appropriate in multiple districts. Instead, Debtors created a situation that enabled MCC-Norwood to file in New Jersey. To the extent this does not “sit right” with the parties in interest, the Court shares that sentiment. However, this is the situation intentionally created by Congress when it elected to broadly draft—and decline to tailor—the venue statute. It is not this Court's place to “close loopholes in legislation[.]” *In re Patriot Coal Corp.*, 482 B.R. at 745. And this case does not present the type of circumstances wherein Debtors' exploitation of a loophole contravenes the purpose for which the statute was intended. *Id.*

For the foregoing reasons, the Court DENIES the Movants' Motions. Debtors are directed to submit a form of order consistent with this Court's ruling.

All Citations

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III. Conclusion

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Footnotes

- ¹ To the extent that any of the findings of fact might constitute conclusions of law, they are adopted as such. Conversely, to the extent that any conclusions of law constitute findings of fact they too are adopted as such.
- ² The Cross-Holders cite *In re EDP Med. Computer Sys., Inc.*, 178 B.R. 57, 63 (M.D. Pa. 1995) in support of this proposition. As an initial matter, the *EDP* case does not involve or address amendments to petitions; *EDP* therefore, does not support the Cross-Holders' argument. Rather, the court in *EDP* analyzed the underlying facts and determined that the debtor "is not a resident nor is its principal place of business located in Pennsylvania, and all of its assets are located in New York." *EDP*, 178 B.R. at 63. In other words, the *EDP* court conducted precisely the type of analysis this Court now undertakes to determine whether venue is proper. The Cross-Holders add a parenthetical to their *EDP* citation, explaining that "bankruptcy courts faced with improperly venued proceedings must either dismiss or transfer the case—they cannot retain it[.]" *Cross-Holders' Reply* at ¶ 8. This Court agrees. Nevertheless, *EDP* does not support the Cross-Holders' argument that a petition cannot be amended to clarify venue; rather, the decision merely confirms the obvious, that a court must consider all relevant factors analyzing whether venue is proper.
- ³ Additionally, it is undisputed that the Norwood Accounts—which serve as the basis for venue and whose existence the petition was amended to reflect—were opened *before* the initial MCC-Norwood petition was filed. This further negates the UST's argument that the timing of amendment should impact the weight accorded to the facts asserted therein.
- ⁴ For all examples and hypotheticals employed in this Opinion, the Court considers only the location of the principal assets as a basis for venue, not place of incorporation or principal place of business.
- ⁵ Cross-Holders point out that Englewood Cliffs, NJ is not in the Trenton vicinage and suggest that filing in Trenton, rather than Newark, also violates local rules. Local Bankruptcy Rule 1002-1 concerns administrative case assignment. It does not implicate subject matter jurisdiction or statutory venue. There is a myriad of factors considered by the Clerk of Court and its Chief Judge (in their absolute discretion) with regard to case assignment and having no relevance to these motions. Indeed, even if reassignment within this district were warranted, and it is not, it would not justify dismissal or transfer to another federal district.
- ⁶ The Court summarily rejects the Cross-Holders' contention—raised during oral argument—that MCC-Norwood does not "own" the Norwood Accounts because they were funded by MCC and/or other entities. The record establishes that MCC-Norwood is the owner of the Norwood Accounts, regardless of the origin of the funds therein. No further discussion is warranted.
- ⁷ Section 1408(1) refers to principal assets located in the United States. Since no party has taken a position or introduced evidence, with respect to the location of the foreign patents, the Court bottoms its venue analysis on the location of the U.S. patents only.
- ⁸ The Court notes that the term "asset" is not defined in the Bankruptcy Code. Nevertheless, the Court finds support for its position that the term is not tied to value in the term's use in other definitions under the Code, in other contexts, and in illustrative examples. To begin, certain definitions in the Code mention "assets," generally, and without any reference to value. *See, e.g.* 11 U.S.C.A. § 101(23) (defining "foreign proceeding" and referring to "the assets and affairs of the debtor"); *id.* at § 101(41)(A), (C) (defining the term "person" to include a governmental unit that "acquires an asset from a person [.]" or "is the legal or beneficial owner of an asset"—again, without any reference to value). In contrast, other definitions in the Code explicitly refer to the value of assets. *See, e.g. id.* at § 101(18)(B)(i) (defining the term family farmer and requiring—among other things—that "more than 80 percent of the value of its assets consists of assets related to the farming operation other sections"); *id.* at § 101(19A)(B)(ii)(I) (discussing the percent of the value of an entity's assets that must be related to the commercial fishing operation to meet definition of "family fisherman"). Finally, the Court can conceive of circumstances in which something a debtor owns is deemed "valueless" but nevertheless remains an asset. For example, a debtor may be unable to sell environmentally contaminated real estate. Although the contaminated real property is, in essence, valueless, it remains, of course, an asset of the debtor. Additionally, a debtor may depreciate the value of an asset, such as machinery, to zero for tax purposes (or other administrative or accounting purposes). The asset, although valued at zero on paper, still remains an asset and may still be utilized in operations to produce revenue or sold for scrap.
- ⁹ Debtors contend that "MCC-Norwood derives no qualitative benefit from the primary purpose of the Legacy Patents, namely, to provide the holder with the exclusive right to the underlying technology." *Id.* at ¶ 33. But this allegation, without more, does not

In re Multi-Color Corporation, Slip Copy (2026)

establish that MCC-Norwood derives *no benefit* from the Patents and, more importantly, *does not negate the fact that Debtors own and use the Patents*. The record demonstrates that Debtors paid fees to maintain the Patents—some as recently as October 2025. The fact that Debtors continue to voluntarily incur these fees suggests that the Patents are worth to Debtors at least the amount of said fees. The Debtors further concede that at least one Patent remains in use at one of Debtors’ operating facilities to service the needs of a customer. The fact that at least one Patent remains in active use, suggests that it has some usefulness and value to Debtors. Finally, the Patents continue to serve as listed collateral securing the Debtors’ various secured obligations.

10 Cross-Holders also cite MCC-Norwood's “other contract rights” as assets existing outside of New Jersey. *Cross-Holders’ Reply* ¶¶35-36, ECF No. 336. As with the D&O Policy, the Cross-Holders have not demonstrated that these other assets surpass the Norwood Accounts in terms of value and significance so as to constitute MCC-Norwood's principal assets.

11 Indeed, to date, with all hearing having been handled remotely, no one has had to leave the confines of their office.

12 Or, in the case of the UST: “dismiss.”

13 To the contrary, the record demonstrates that—if any party was seeking a competitive edge—it appears to be the Cross-Holders. As will be discussed, the Cross-Holder group was willing to consent to venue in this district so long as this Court ruled in its favor. Moreover, its unsupported request for a transfer to the District of Delaware appears to be bottomed on the Cross-Holders’ belief that it would receive more favorable treatment in that district. *See Tr. of Jan. 30, 2026 Hrg.* 154:19 – 155:1, ECF No. 85 (referring to a case presided over by “Judge Goldblatt down in Delaware where he said quite explicitly on analogous circumstances that he wasn't going to approve a DIP with a roll-up unless it had a carve-out for exactly the violation – the ability to pursue relief for the violation we're talking about here”); *see also In re Patriot Coal Corp.*, 482 B.R. 718, 750 (Bankr. S.D.N.Y. 2012) (“But it is not in the interest of justice merely to swap one party's perceived home field advantage for another.”).

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In re Patriot Coal Corp., 482 B.R. 718 (2012)

482 B.R. 718
United States Bankruptcy Court,
S.D. New York.

In re PATRIOT COAL CORPORATION, et
al., Debtors.

No. 12–12900 (SCC).
|
Nov. 27, 2012.

Synopsis

Background: Following filing of Chapter 11 cases of debtor-coal company and 98 of its subsidiaries, mine workers union and sureties filed motions to transfer cases, in the interest of justice and for convenience of parties, to Southern District of West Virginia. United States Trustee (UST) moved for entry of order transferring cases to district in which venue was proper. Debtors and others objected.

Holdings: The Bankruptcy Court, [Shelley C. Chapman](#), J., held that:

debtors did not act in bad faith in filing their cases in New York bankruptcy court;

debtors' purposeful creation of venue-predicate affiliates in New York on eve of filing had to be considered as part of "interest of justice" analysis under venue transfer statute;

transfer of venue was required in the interest of justice, even though debtors did not act in bad faith in filing their cases in New York;

transfer of cases to Southern District of West Virginia was not warranted for convenience of the parties;

interest of justice did not warrant transfer of cases to Southern District of West Virginia; and

transfer of cases to Eastern District of Missouri was in the interest of justice and, among other available venue choices, best served convenience of the parties.

Cases transferred.

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In re Patriot Coal Corp., 482 B.R. 718 (2012)

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***MEMORANDUM DECISION ON MOTIONS TO
TRANSFER VENUE PURSUANT TO 28 U.S.C. § 1412***

[SHELLEY C. CHAPMAN](#), Bankruptcy Judge.

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*722 The narrow question before the Court is deceptively simple—should the chapter 11 cases of Patriot Coal Corporation and its ninety-eight affiliated debtors be transferred to another district? The broader question before the Court, however, is dauntingly complex—what is justice? In order to answer the narrow question the Court must attempt to answer the broader question and give meaning to the “interest of justice” test for venue transfer set forth in 28 U.S.C. § 1412. This decision will thus address not only the relatively scant case law on venue transfer in large bankruptcy cases but will also examine the historical basis of the concept of venue; the decades-old controversy surrounding the domicile/affiliate rule; and, last but not least, the meaning of justice in the context of the Patriot cases.

It is of utmost importance to note at the outset what is unquestionably not in dispute in these cases: the critical importance of Patriot Coal to its employees—union and non-union alike—and its retirees, as well as their thousands of dependents. The employees' lives and livelihoods depend on the outcome of these cases. The retirees' health and access to health care depend on the outcome of these cases. Indeed, without the dedication and sacrifice of the coal miners and their families, there would be no coal, and there would be no Patriot Coal. That being said, this chapter 11 proceeding is not a two-party dispute. It is not “*UMWA v. Patriot*.” It is not “*us v. them*.” It is a collective proceeding in which the Bankruptcy Court is charged with applying the Bankruptcy Code and other applicable law to achieve the overarching goal of chapter 11—to maximize the value of the Debtors' estates for the benefit of all stakeholders and guide the Debtors, if at all possible, through chapter 11 and beyond to emergence as a stronger company, financially and operationally. This decision will determine which bankruptcy court will have that privilege and responsibility.

PROCEDURAL HISTORY

We turn first to a description of the procedural history of these cases.

On July 9, 2012 (the “Petition Date”), Patriot Coal Corporation (“Patriot”) and ninety-eight of its subsidiaries (collectively, the “Debtors”) filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. Promptly thereafter, pursuant to 28 U.S.C. § 1412, the United Mine Workers of

America (the “UMWA”) filed a motion *723 to transfer the Patriot chapter 11 cases to the Southern District of West Virginia (the “UMWA Motion”), in the interest of justice and for the convenience of the parties.¹ A month later, Argonaut Insurance Company, Indemnity National Insurance Company, U.S. Specialty Insurance, and Westchester Fire Insurance Company (collectively, the “Sureties”) filed a motion to transfer the above-captioned chapter 11 cases to the Southern District of West Virginia [Dkt. No. 287] (the “Sureties' Motion”). The Sureties' Motion also seeks transfer in the interest of justice and for the convenience of the parties.

Two joinders to the UMWA Motion and the Sureties' Motion were subsequently filed, one by American Electric Power, Monongahela Power Company and Hope Gas, Inc., d/b/a Dominion Hope [Dkt. No. 178] and one by the West Virginia Attorney General [Dkt. No. 390]. In addition, the Commonwealth of Kentucky, Energy and Environmental Cabinet, Department for Natural Resources (the “Kentucky DNR”) filed a notice in which it expressed support for (but did not join) the request for transfer of the cases to the Southern District of West Virginia. [Dkt. No. 392.]

On August 22, 2012, two days after the deadline for filing joinders had passed, the United States Trustee (the “U.S. Trustee”) filed a separate motion (the “UST Motion,”) for entry of an order transferring the Debtors' chapter 11 cases “to a district where venue is proper.” [Dkt. Nos. 406, 407.] The UST Motion seeks transfer in the interest of justice; it does not seek transfer to any specific district, nor does it seek transfer for the convenience of the parties. Two joinders were filed to the UST Motion shortly thereafter. On August 27, 2012, the United Mine Workers of America 1992 Benefit Plan, the United Mine Workers of America 1993 Benefit Plan, the United Mine Workers of America 1974 Pension Trust and the United Mine Workers of America Combined Benefit Fund (collectively, the “UMWA Health and Retirement Funds”) filed a joinder to the UST Motion only. [Dkt. No. 423.] On August 28, 2012, CompassPoint Partners, L.P., Frank Williams, and Eric Wagoner, an informal group of holders of common stock of Patriot (collectively, the “Interested Shareholders”)² filed a joinder to the UST Motion only. [Dkt. No. 433.] The UST Motion and the joinders thereto were placed on the same briefing schedule as the earlier-filed motions, and all of the Motions³ were set for hearing on September 11, 2012.

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On August 27, 2012, the Debtors filed an objection to the Motions [*724 Dkt. No. 425] (the “Debtors’ Objection”) and a declaration from Patriot’s Senior Vice President and then-Chief Financial Officer, Mark N. Schroeder. (Declaration of Mark N. Schroeder in Opposition to (i) Motion of the United Mine Workers of America to Transfer the Case to the Southern District of West Virginia, (ii) Sureties’ Motion to Transfer Jointly Administered Cases to Southern District of West Virginia, and (iii) Motion of the United States Trustee to Transfer in the Interest of Justice, dated Aug. 27, 2012 [Dkt. No. 426] (“Schroeder Venue Decl.”).⁴) Two additional objections to the Motions were filed by (i) the Committee, together with the Declaration of Jordan Kaye in Support of the Committee Objection [Dkt. No. 424, 424–1]⁵ and (ii) Citibank, N.A., as administrative agent for the new money lenders and letter of credit issuers under that certain Superpriority Secured Debtor-in-Possession Credit Agreement, dated as of July 9, 2012 (the “First Out DIP Agent”). [Dkt. No. 427.]

In addition, joinders to the Debtors’ Objection were filed by thirty-five of the Debtors’ unsecured creditors, and an additional fourteen creditors authorized the Debtors to state that they supported the Debtors’ opposition to the Motions. (Declaration of Jacquelyn A. Jones, dated October 5, 2012 [Dkt. No. 931] (the “Jones Declaration”).⁶ Complete lists of the parties who (i) filed joinders to the Debtors’ Objection or (ii) authorized the Debtors in writing to state that they supported the Debtors’ Objection to the Motions are included as Exhibits B and C to the Debtors’ Proposed Findings of Fact [Dkt. No. 938] and as Exhibits A and B to the Jones Declaration.

On August 31, 2012, the Sureties filed a reply memorandum in response to the Debtors’ Objection and in further support of the Sureties’ Motion [Dkt. No. 502], along with the Declaration of Roland B. Doss in support of their reply memorandum [Dkt. No. 502–1].

Also on August 31, 2012, (i) the UMWA filed an omnibus reply to the objections filed to the UMWA Motion [Dkt. No. 506], along with the Declaration of Michael Buckner in Support of Omnibus Reply to [sic] the United Mine Workers of America to Objections to Motion of the United Mine Workers of America to Transfer the Case to the Southern

District of West Virginia [Dkt. No. 507] (“Buckner Decl.”) and (ii) the U.S. Trustee filed an omnibus reply to the objections filed to the UST Motion [Dkt. No. 509], along with the Supplemental Declaration of Andrea B. Schwartz [Dkt. No. 510].

On September 10, 2012, just one day prior to the scheduled September 11 hearing on the Motions (the “Hearing”), a *725 “Stipulation of Facts for the Purposes of a Hearing on the Motions to Transfer Venue” was submitted to the Court for signature. (Stipulation of Facts for the Purposes of a Hearing on the Motions to Transfer Venue, dated Sept. 10, 2012 [Dkt. No. 546] (the “Stipulation”).) The parties to the Stipulation were (i) each of the Movants, (ii) the Debtors, and (iii) the Committee (collectively, the “Parties”). The UMWA Health and Retirement Funds were not parties to the Stipulation.

Pursuant to the Stipulation, the Parties agreed that “the declarations ... and exhibits submitted by the Parties in connection with the Motions and the responses thereto may be admitted into evidence.” The Parties also stipulated to the admission into evidence of (i) the Declaration of Mark N. Schroeder Pursuant to Local Bankruptcy Rule 1007–2, dated July 9, 2012 [Dkt. No. 4] (“Schroeder First Day Decl.”), (ii) the voluntary petitions of PCX Enterprises, Inc. and Patriot Beaver Dam Holdings, LLC, (iii) the Revised List of Creditors Holding the 50 Largest Unsecured Claims, and (iv) the Debtors’ Form 10–Q filed with the Securities and Exchange Commission on August 9, 2012 (“Form 10–Q”). (Stipulation ¶ 1.) The Parties further “agreed to not examine (either through direct or cross) any of the declarants, including with respect to the: (i) Stipulation of Facts, (ii) documents listed in the Stipulation of Facts, or (iii) Declarations and exhibits annexed thereto, and the facts contained therein are stipulated to expressly by the Parties.” (Stipulation ¶ 2.)

As a consequence of the Stipulation, none of the facts submitted by any of the Parties was contested.⁷ There was no direct testimony or cross-examination of any witnesses at the Hearing. Notwithstanding the fact that no witnesses took the stand to testify, the Hearing on the Motions lasted approximately sixteen hours over two days.⁸ At the conclusion of the Hearing, the factual record closed. *See* Sept. 12, 2012 Hr’g. Tr. at 450:25–451:19.

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On October 5, 2012, proposed findings of fact and conclusions of law and post-hearing memoranda were filed with the Court by ten parties. Those parties are as follows: (i) the Debtors [Dkt. Nos. 938, 950]; (ii) the Committee [Dkt. No. 908]; (iii) Bank of America, N.A., the Second Out DIP Agent [Dkt. No. 939]; (iv) Citibank, N.A., the First Out DIP Agent [Dkt. No. 952]; (v) Wilmington Trust Company [Dkt. No. 862]; (vi) Caterpillar Inc., Caterpillar Financial Services Corporation, and Caterpillar Global Mining LLC (collectively, “Caterpillar”) [Dkt. No. 860]; (vii) the UMWA [Dkt. Nos. 956, 958]; (viii) the Sureties [Dkt. Nos. 888, 902]; (ix) the U.S. Trustee [Dkt. Nos. 871, 873]; and (x) the *726 UMWA Health and Retirement Funds [Dkt. No. 867]. The Committee; Bank of America, N.A.; Citibank, N.A.; the Ad Hoc Noteholders;⁹ and Caterpillar each joined in the proposed finding of fact filed by the Debtors.

On or about September 12, 2012, the Court began to receive letters from retiree members of the UMWA who had been employed by Patriot, and/or by Peabody, Magnum, or Arch. Approximately 386 letters have been received as of the date of this decision and all of them have been placed on the docket of these cases. Pursuant to the Court's direction requiring the UMWA to disclose the facts and circumstances surrounding the outpouring of letters to the Court, the UMWA filed the Declaration of Robert J. Scaramozzino, dated October 24, 2012 [Dkt. No. 1469], which includes as an attachment thereto a copy of a September 28, 2012 letter sent by the UMWA to its members encouraging them to write letters to the Court. Because the record of the proceeding on the Motions was closed at the conclusion of the Hearing, the letters are not a part of the record with respect to the Motions. Nonetheless, each and every letter has been reviewed by the Court and is a part of the record of the Debtors' cases.

For the reasons set forth in detail below, the UST Motion is granted. The UMWA Motion and the Sureties' Motion are granted in part and denied in part. Having considered the Motions, the voluminous memoranda in support of and in opposition to the Motions, the arguments of counsel at the Hearing, and all of the evidence, including the Stipulation, the Declarations, and all documentary exhibits admitted into evidence, as well as the post-trial proposed findings of fact and memoranda, and, mindful that a court should not blindly accept findings of fact and conclusions of law proffered by the parties (see *St. Clare's Hosp. and Health Ctr. v. Ins. Co. of*

North Am., (*In re St. Clare's Hosp. and Health Ctr.*), 934 F.2d 15 (2d Cir.1991) (citing *United States v. El Paso Natural Gas Co.*, 376 U.S. 651, 656, 84 S.Ct. 1044, 12 L.Ed.2d 12 (1964))), and having conducted an independent analysis of the law and the facts, the Court makes the following findings of fact and conclusions of law.¹⁰

FINDINGS OF FACT

I. The Commencement of the Cases

1. On June 1, 2012, debtor PCX Enterprises, Inc. (“PCX”) was incorporated under the laws of the State of New York. (Stipulation ¶ 3(a).)¹¹ PCX does not have any employees. (Schroeder Venue Decl. ¶ 37.) PCX does not have any business operations nor does it have an office in New York. (Transcript of the Patriot Coal 341 Meeting on August 23, 2012 (“341 Mtg. Tr.”) at 21:1–2; 23:6–8 (attached to Omnibus Reply to the Objections to UMWA Motion [Dkt. No. 506] as Ex. A).) The principal asset of PCX is a business checking account in the amount of \$97,985; the *727 account was opened at a branch of Capital One Bank, located at 1432 Second Avenue, New York, New York, 10021. (Stipulation ¶ 3(c).)

2. On June 14, 2012, debtor Patriot Beaver Dam Holdings, LLC (“Patriot Beaver Dam”) was formed under the laws of the State of New York. (Stipulation ¶ 3(b).) Patriot Beaver Dam does not have any employees. (Schroeder Venue Decl. ¶ 37.) Patriot Beaver Dam does not have an office in New York. (341 Mtg. Tr. at 36:16–17.) The principal asset of Patriot Beaver Dam is a certificate evidencing a 100% membership interest in Beaver Dam Coal Company, LLC; it is held in New York by counsel to the First Out DIP Agent. (Stipulation ¶ 3(c).)

3. Pursuant to an assumption agreement, effective as of June 1, 2012, PCX became a guarantor of Patriot's obligations under the Credit Facility (as defined below). Pursuant to an assumption agreement, effective as of June 14, 2012, Patriot Beaver Dam became a guarantor of Patriot's obligations under the Credit Facility. (Schroeder Venue Decl. ¶ 25.)

4. Pursuant to pledge supplements, effective as of June 1, 2012 and June 14, 2012, PCX and Patriot Beaver Dam, respectively,

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granted a security interest in all of their respective rights, titles, and interests in and to all of their personal property to secure their guarantee obligations. In connection with these secured guarantees, Bank of America, N.A., as administrative agent of the Credit Facility, filed UCC Financing Statements in June 2012 that cover “all of the assets ... whether now existing or hereafter arising” of PCX and Patriot Beaver Dam. (Schroeder Venue Decl. ¶ 26.)

5. Pursuant to the Fourth Supplemental Indenture, dated as of June 22, 2012, PCX and Patriot Beaver Dam became guarantors of the obligations of Patriot, as issuer, to pay the principal of, premium (if any), and interest on the Senior Bonds (as defined below). (Schroeder Venue Decl. ¶ 32.)

6. Pursuant to the Second Out DIP Facility (as defined below) and the Final Order (I) Authorizing Debtors (A) To Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e), and (B) To Utilize Cash Collateral Pursuant to 11 U.S.C. § 363 and (II) Granting Adequate Protection to Prepetition Secured Lenders Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364, dated August 3, 2012 [Dkt. No. 275], the agents under the DIP Facilities (as defined below) have superpriority liens on the assets of PCX and Patriot Beaver Dam. (Schroeder Venue Decl. ¶ 53.)

7. On July 9, 2012, PCX filed a voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Its petition lists the county of residence of PCX as “New York County, NY” and indicates that the principal assets of PCX are located in “New York, NY.” PCX filed in this District because the “[d]ebtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District” and because “[t]here is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District.” (In re PCX Enterprises, Inc., No. 12–12899–sc [Dkt. No. 1].)

8. On July 9, 2012, Patriot Beaver Dam filed a voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Its petition lists the *728 county of residence of

Patriot Beaver Dam as “New York County, NY” and indicates that the principal assets of Patriot Beaver Dam are located in “New York, NY.” Patriot Beaver Dam filed in this District because the “[d]ebtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District.” (In re Patriot Beaver Dam Holdings, LLC, No. 12–12898–sc [Dkt. No. 1].)

9. The Petitions of PCX and Patriot Beaver Dam both list their mailing address as: c/o CT Corporation System, 111 8th Avenue, New York, N.Y. 10011. (In re Patriot Beaver Dam Holdings, LLC, No. 12–12898–sc [Dkt. No. 1] and In re PCX Enterprises, Inc., No. 12–12899–sc [Dkt. No. 1].)

10. Of particular significance to the Court's decision and analysis is the fact that the Parties stipulated prior to the Hearing that the Debtors formed both PCX and Patriot Beaver Dam to ensure that the provisions of 28 U.S.C. § 1408(1)¹² were satisfied, and for no other purpose. (Stipulation ¶ 3(d).)

11. On the Petition Date, Patriot filed a voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. The petition lists the county of residence of Patriot as “Saint Louis County, MO” and indicates that the principal assets of Patriot are located in “New York, NY.” According to the petition, Patriot filed in this District because “[t]here is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District.” (In re Patriot Coal Corporation, No. 12–12900–sc [Dkt. No. 1].)

12. Patriot is the direct or indirect parent of each of the Debtors, including PCX and Patriot Beaver Dam. (Schroeder First Day Decl. ¶ 16). Patriot's corporate headquarters is located at 12312 Olive Boulevard, Suite 400, St. Louis, Missouri, 63141. (In re Patriot Coal Corporation, No. 12–12900–sc [Dkt. No. 1].)

13. On the Petition Date, the ninety-six other Debtors each filed a voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. According to their petitions, each of these Debtors filed in this District because “[t]here is a

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bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District.”

II. The Debtors' Business and Operations

A. Formation and Domicile of the Debtors

14. Prior to October 31, 2007, Patriot and a number of its subsidiaries were wholly-owned subsidiaries of Peabody Energy Corporation (“Peabody”), the world's largest private-sector coal company, and their operations were a part of Peabody's operations. On October 31, 2007, Patriot was spun off from Peabody through a dividend of all outstanding shares of Patriot. (Schroeder Venue Decl. ¶ 5.)¹³ The agreements *729 relating to Patriot's October 31, 2007 spin-off from Peabody included a Delaware choice of law provision. (*Id.*)

15. On July 23, 2008, Patriot acquired Magnum Coal Company. The agreements relating to Patriot's acquisition of Magnum Coal Company included a Delaware choice of law provision. (Schroeder Venue Decl. ¶ 6.) Prior to its acquisition by Patriot, Magnum had acquired certain assets of Arch Coal, Inc. The agreements relating to Magnum's acquisition of Arch included a New York choice of law provision. (*Id.*)

16. With respect to the domicile of the ninety-nine Debtors, thirty-seven were formed in West Virginia while sixty-two were formed in other states, including fifty in Delaware, five in Virginia, four in Kentucky, two in New York (PCX and Patriot Beaver Dam), and one in Indiana. (Schroeder Venue Decl. ¶ 7.)

B. The Debtors' Operations

17. The Debtors' principal business is the mining and preparation of metallurgical coal and thermal coal. (Schroeder First Day Decl. ¶ 6.) The Debtors' mining operations are located in Appalachia and the Illinois Basin, with the Appalachian operations located in West Virginia and the Illinois Basin operations located in Kentucky. (Form 10–Q at 43.) Nine of the Debtors' twelve active mining complexes are located in West Virginia and three are located in Kentucky. (Stipulation ¶ 3(e).)

18. The states of residence listed on the Voluntary Petitions of the ninety-nine Debtors are as follows: West Virginia (where 54 entities are located); Missouri (where forty entities are located); Kentucky (where three entities are located); and New York (where two entities, Beaver Dam and PCX, are located). (Debtors' Voluntary Petitions, Case Nos. 12–12898 to 12–12911, 12–12913, 12–12914, and 12–12916 to 12–12999, Dkt. No. 1 for each).

19. The Debtors own, lease, or hold under other arrangements coal reserves, surface property, and other real estate interests in various counties in many states, including Illinois, Indiana, Kentucky, Missouri, Ohio, Pennsylvania, and West Virginia. (Schroeder First Day Decl. ¶ 7.)

20. The Debtors' operations include company-operated mines, contractor-operated mines, coal preparation facilities, and train, barge, and truck loading facilities. The Debtors also export coal under various throughput arrangements through ship loading terminals located in Baltimore, Maryland; Hampton Roads, Virginia; Newport News, Virginia; and New Orleans, Louisiana. (Schroeder Venue Decl. ¶ 15.)

21. In 2011, the Debtors sold a total of 31.1 million tons of coal. The Debtors supply coal to a diverse base of domestic and international customers, including electricity generators, industrial users, and steel and coke producers in various countries across North America, Europe, South America and Asia, including Belgium, Bosnia and Herzegovina, Brazil, Canada, China, France, Hungary, Italy, Japan, Mexico, South Korea, Spain, Sweden, the Ukraine, and the United Kingdom, and various states in the United States, including Florida, Georgia, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Tennessee, West Virginia, and Wisconsin. (Schroeder Venue Decl. ¶ 4.) Nearly 95 percent of this coal was sold to customers *730 outside of West Virginia. Roughly one million tons of coal—or approximately three percent of total sales volume—were sold to customers in New York and an additional twenty-nine percent of the total sales volume was exported to international customers. (Schroeder Venue Decl. ¶ 16.)

22. The Debtors are involved in lawsuits in many jurisdictions around the country, and have been named as defendants in cases commenced in Illinois, Indiana, Kentucky, Louisiana, Missouri, New York, North Carolina, and Pennsylvania.

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(Schroeder Venue Decl. ¶ 21.) The Debtors are also defendants in several pending lawsuits in West Virginia. (*See generally* Form 10–Q.)

23. The Debtors have been subject to litigation in West Virginia regarding selenium. (Form 10–Q, p. 20.)

24. The Debtors are parties to a court-approved consent decree in the U.S. District Court for the Southern District of West Virginia regarding allegations of selenium pollution from Debtors' operations. (Sureties' Motion, Exhibit B (Consent Decree in *Ohio Valley Environmental Coalition v. Patriot Coal Corp.*, Case No. 3:11–00115, 2012 WL 895939 (S.D.W.V. March 15, 2012)).)

III. The Debtors' Management and Board of Directors

A. The Debtors' Management

25. The Debtors' corporate headquarters and executive offices are located in St. Louis, Missouri. Many of the Debtors' key corporate functions are based in St. Louis. These include the following departments: Accounting, Accounts Payable, Accounts Receivable, Financial Reporting, Treasury, Tax, Internal Audit, Legal, Sales and Market Research, Contract Management, Payroll, Corporate Development, Planning, Information Services, Human Resources, and Benefits. (Schroeder Venue Decl. ¶ 8.) All of the Debtors' books and records, including those established post-petition, are located in St. Louis, Missouri. (341 Mtg. Tr. at 14:13–21.)

26. At the time of the Hearing, Patriot's executive management team was comprised of the following six members: Irl F. Engelhardt, Chairman and Chief Executive Officer; Bennett K. Hatfield, President and Chief Operating Officer; Robert W. Bennett, Senior Vice President and Chief Marketing Officer; Charles A. Ebetino, Jr., Senior Vice President—Global Strategy and Corporate Development; Joseph W. Bean, Senior Vice President of Law and Administration, General Counsel, and Assistant Secretary; and Mr. Schroeder. (Schroeder Venue Decl. ¶ 10.)¹⁴

27. Three members of the Debtors' executive management team—Mr. Engelhardt, Mr. Bean, and Mr. Schroeder—work in St. Louis, Missouri and reside in Missouri or Illinois. A

fourth member of the executive management team, Mr. Ebetino, resides in Ohio and has an office in Patriot's corporate headquarters in St. Louis, Missouri and an office in Charleston, West Virginia. The two remaining members of the executive management team, Mr. Hatfield and Mr. Bennett, reside in West Virginia and have offices in (i) Charleston, West Virginia and (ii) Patriot's corporate headquarters in St. Louis, Missouri. (Schroeder Venue Decl. ¶ 11.)

B. Patriot's Board of Directors

28. At the time of the Hearing, there were eight directors on Patriot's board of *731 directors (the “Board”): J. Joe Adorjan; Bobby R. Brown; Irl F. Engelhardt; Michael P. Johnson; Janiece M. Longoria; John E. Lushefski; Michael M. Scharf; and Robert O. Viets.¹⁵ (Schroeder Venue Decl. ¶ 12.) The directors reside in Arkansas, Florida, Illinois, Missouri, New Jersey, Oklahoma, and Texas. (Schroeder Venue Decl. ¶ 13.)

29. At the time of the Hearing, there had been approximately fifty-five meetings of the Board following Patriot's spin-off from Peabody in October 2007. Thirty-two of the fifty-five meetings were held in person, including twenty-nine in Missouri, one in West Virginia, one in Texas, and one in Florida. The remaining twenty-three meetings were conducted telephonically. (Schroeder Venue Decl. ¶ 14.)

IV. The Debtors' Prepetition and Postpetition Capital Structure

A. Prepetition Capital Structure

30. Patriot, as borrower, and substantially all of the other Debtors, as guarantors, were parties to that certain \$427.5 million Amended and Restated Credit Agreement, dated as of May 5, 2010 by and among substantially all of the Debtors, Bank of America, N.A., as administrative agent, and the lenders party thereto (as amended, supplemented, modified, or amended and restated from time to time, the “Credit Facility”). The Credit Facility provided for the issuance of letters of credit and direct borrowings, was governed by New York law, and included a New York forum selection clause. (Schroeder Venue Decl. ¶ 24.)

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31. Patriot is also party to a \$125 million accounts receivable securitization program, which provided for the issuance of letters of credit and direct borrowings. The operative agreement, dated as of March 2, 2010, is governed by New York law and includes a New York forum selection clause. This agreement is among (i) non-Debtor Patriot Coal Receivables (SPV) Ltd., (ii) Debtor Patriot Coal Corporation, as Servicer, (iii) various purchasers and LC participants, and (iv) Fifth Third Bank, as Administrator and as LC Bank. (Schroeder Venue Decl. ¶ 27; Stipulation at ¶ 3(f).)

32. Patriot has issued two series of unsecured notes: (a) \$250 million in 8.25% senior unsecured notes due 2018 (the “Senior Bonds”); and (b) \$200 million in 3.25% unsecured convertible notes due 2013 (the “Convertible Bonds”). The indenture trustees named in these debt instruments are located in Delaware and Minnesota, respectively [Dkt. No. 98 at 3] and the instruments are governed by New York law. (Schroeder Venue Decl. ¶ 28.)

33. As of July 11, 2012, entities based in New York appear to hold the largest amounts of Senior Bonds and Convertible Bonds. (Schroeder Venue Decl. ¶¶ 29–31.)

34. In 2005, Debtor Cleaton Coal Company issued unsecured promissory notes in conjunction with an exchange transaction involving the acquisition of Illinois Basin coal reserves. The promissory notes and related interest are payable in annual installments of \$1.7 million and mature in January 2017. These instruments are governed by Kentucky law. (Schroeder Venue Decl. ¶ 33.)

B. The DIP Facilities

35. The Credit Facility has been replaced by Debtor-in-Possession (“DIP”) facilities. (Schroeder Venue Decl. ¶ 24 *732 n.1.) On July 9, 2012, Patriot entered into the Superpriority Secured Debtor-in-Possession Credit Agreement (the “First Out DIP Facility”). The First Out DIP Facility matures in October 2013, with a possible extension to December 2013. [Dkt. No. 78–1 at § 1.01.] On July 11, 2012, Patriot entered into the Amended and Restated Superpriority Secured Debtor-in-Possession Credit Agreement (the “Second Out DIP Facility”). The Second Out DIP Facility matures in October 2013, with a possible extension to December 2013. [Dkt. No. 78–1 at § 1.01.] The Court has

authorized the financing contemplated by the First Out DIP Facility and the Second Out DIP Facility (together, the “DIP Facilities”) on a final basis, pursuant to which Patriot may borrow and obtain letters of credit up to an aggregate principal or face amount of \$802 million. [Dkt. No. 275 at ¶ 6(a).] Three of the five agents under the DIP Facilities and joint lead arrangers are headquartered in New York. (Schroeder Venue Decl. ¶ 48.)

36. Both the First Out DIP Facility and the Second Out DIP Facility contain (a) a New York choice of law provision and a New York forum selection clause (Schroeder Venue Decl. ¶ 52; Dkt. No. 78–1 at § 12.14(a)-(b); Dkt. No. 78–3 at § 10.14(a)-(b)) and (b) a covenant that obligates the Debtors to comply with applicable environmental laws and regulations. [Dkt. No. 78–1 at § 6.13; Dkt. No. 78–3 at Article VI.]

37. As reflected on Schedule 2.01 to the Second Out DIP Facility, three of the four Sureties are beneficiaries of letters of credit in the outstanding principal amount of \$32.4 million. Each Second Out DIP lender agreed to make advances to reimburse the issuers of those letters of credit for amounts, if any, drawn by the Sureties. (Schroeder Venue Decl. ¶ 54.)

V. Parties-in-Interest in the Debtors' Chapter 11 Cases

A. The Debtors' Material Contracts and Leases

38. The Debtors own, lease, or hold under other arrangements coal reserves, surface property, and other real estate interests in many states, including Illinois, Indiana, Kentucky, Missouri, Ohio, Pennsylvania, and West Virginia. (Schroeder Venue Decl. ¶ 34.)

39. Of the fifteen largest lessors from whom Debtors lease property, measured by coal reserves, six are headquartered in West Virginia. The other nine lessors are headquartered in other states, including Tennessee, Virginia, Kentucky, Pennsylvania, and Missouri. (Schroeder Venue Decl. ¶ 35.)

40. The Debtors have entered into a master equipment lease with each of their twenty equipment lessors. The twenty equipment lessors are headquartered in at least a dozen states, including California, Connecticut, Illinois, and New Jersey.

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Of the twenty master leases, four are governed by New York law. (Schroeder Venue Decl. ¶ 19.)

41. Approximately 78 percent of the Debtors' 2011 coal sales were under term (one year or longer) coal supply agreements that specify the coal sources, quality and technical specifications, shipping arrangements, pricing, force majeure, and other provisions unique to agreements reached with each purchaser. (Schroeder Venue Decl. ¶ 17.) New York law governs forty-one of the Debtors' sixty-five coal sales contracts. These contracts represent approximately forty-three percent of the Debtors' committed sales. Two of the Debtors' sales contracts are governed by West Virginia law, amounting to five percent of the Debtors' committed sales volume. (Schroeder Venue Decl. ¶ 18.)

*733 42. The Debtors entered into indemnity agreements with the sureties that issue surety bonds on the Debtors' behalf. The indemnity agreement that governs the relationship between the Debtors and Westchester Fire Insurance Company—one of the four Sureties—is governed by New York law and includes a New York forum selection clause. None of the other three indemnity agreements is governed by West Virginia law. (Schroeder Venue Decl. ¶ 20.)

43. The issuers of the Debtors' surety bonds are located in various states, including Tennessee, Minnesota, Pennsylvania, Connecticut, and New Jersey. (Schroeder First Day Decl., Ex. A, Sched. 5; UMW Motion, Ex. D (Patriot Creditors).) The Debtors have a total of \$238 million of outstanding surety bonds. (Schroeder First Day Decl., Ex. A, Sched. 5.) The bonds issued by the four Sureties who filed the Sureties' Motion¹⁶ total approximately \$69 million and comprise approximately 29 percent of the total surety bonds issued by the Debtors. *See id.*; Sept 12, 2012 Hr'g. Tr. at 131:19–132:7.

44. The Sureties have headquarters and have issued bonds in the Debtors' cases as follows:¹⁷ (i) Indemnity National Insurance Company is based in Knoxville, Tennessee and has issued approximately \$11 million in bonds; (ii) Westchester Fire Insurance Company is based in Philadelphia and has issued approximately \$5 million in bonds; (iii) Houston Casualty, the parent of U.S. Specialty Insurance, is based in Houston and has issued approximately \$24 million in bonds; and (iv) Argonaut Insurance Company is based in Houston and California and has issued approximately \$26.5 million in

bonds.¹⁸ More than 34 percent (over \$23 million) of the approximately \$69 million in total bonds issued by the Sureties consists of bonds in favor of state and local regulators outside of West Virginia.

45. Under the Second Out DIP Facility, Bank of America issued letters of credit in the aggregate principal amount of approximately \$32 million as collateral for three of the four Sureties' bond obligation. (FF ¶ 37). That collateral reduces the Sureties' exposure by nearly 50 percent—to approximately \$37 million in total.¹⁹ Of this contingent unsecured exposure, the maximum amount supporting the Sureties' obligations to regulators in West Virginia is approximately \$25 million. Indemnity National Insurance Company, one of the four Sureties, has zero West Virginia-related economic exposure, and another of the Sureties, Westchester Fire Insurance Company, has less than \$1 million in West Virginia-related maximum economic exposure.²⁰

46. None of the issuers of the Debtors' letters of credit is located in New York; these issuers are located in North Carolina, Ohio, and Pennsylvania. (Schroeder First Day Decl., Ex. A, Sched. 5; UMW Motion, Ex. D (Patriot Creditors).)

***734 B. The Debtors' Current and Former Employees**

47. The Debtors collectively employ more than 4,000 people in active status, working in both full-time and part-time positions. These employees include miners, engineers, truck drivers, mechanics, electricians, administrative support staff, managers, directors, and executives. Approximately 42 percent of these employees are unionized and are represented by the UMW under collective bargaining agreements; the majority of Patriot's employees are not members of the UMW. (Schroeder Venue Decl. ¶ 36).

48. As of July 2012, there were approximately 11,860 retirees covered as primary insureds under benefit plans administered by the Debtors (the "Retirees"). The Retirees reside in forty-one different states, with approximately thirty-eight percent living in West Virginia. Approximately fifty percent of the Retirees live in the Illinois Basin coal region, which includes Illinois, Indiana, and Kentucky. (Schroeder Venue Decl. ¶ 39.)

49. Of the 11,860 Retirees, 10,388 were UMW members. The unionized Retirees reside in thirty-nine different states,

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with approximately thirty-nine percent living in West Virginia and approximately fifty percent in the Illinois Basin region. (Schroeder Venue Decl. ¶ 40.) There are approximately 4,000 retired UMWA members in Illinois, Indiana, and Western Kentucky. (Buckner Decl. ¶ 7.)

50. Nine of the ninety-nine Debtors are signatories to collective bargaining agreements: Highland Mining Company, LLC; Hobet Mining, LLC; Apogee Coal Company, LLC; Heritage Coal Company LLC; Pine Ridge Coal Company, LLC; Mountain View Coal Company, LLC; Colony Bay Coal Company; Eastern Associated Coal, LLC; and Gateway Eagle Coal Company, LLC. (Schroeder Venue Decl. ¶ 38.)

51. The UMWA's headquarters are located in Triangle, Virginia. (Buckner Decl. ¶ 4.) The UMWA is represented in these cases by Kennedy, Jennik & Murray, P.C., with offices at 113 University Place, New York, New York.

52. A bargaining team has been established by the UMWA in order to conduct negotiations with the Debtors pursuant to [section 1113 of the Bankruptcy Code](#). (Buckner Decl. ¶ 3.) The team is composed of three International District Vice Presidents who oversee jurisdictions in which Debtors conduct active mining operations. They are Joe Carter, Mike Caputo, and Steve Earle. The other member of the negotiating team is UMWA President Cecil Roberts. All of the members of the UMWA negotiating team currently reside and work in West Virginia with the exception of Steve Earle, who resides and works in Kentucky. (Buckner Decl. ¶¶ 3–7.)

53. At the end of August 2012, the UMWA held “mass membership” meetings in both Evansville, Indiana and Charleston, West Virginia for its active and retired members and their dependents in order to review developments in the Debtors' cases to date and to provide information to members. (Buckner Decl. ¶ 9.)

C. The Debtors' Creditors and Claimholders

54. According to the “List of Creditors Holding 5 Largest Secured Claims” [Dkt. No. 4, Schedule A], the Debtors' five largest secured creditors are located in California, Illinois, Missouri, New Jersey, and Ohio. Several of these creditors

have offices and operations across the country and throughout the world. (Schroeder Venue Decl. ¶ 41.)

55. There are seven members of the Committee. The members, who were appointed on July 18, 2012, are: (1) Wilmington *735 Trust Company, located in Wilmington, Delaware; (2) U.S. Bank National Association, located in Boston, Massachusetts; (3) United Mine Workers of America, located in Triangle, Virginia; (4) UMWA Health and Retirement Funds, located in Washington, D.C.;²¹ (5) Gulf Coast Capital Partners, LLC, located in Naples, Florida; (6) Cecil Walker Machinery, located in Louisville, Kentucky; and (7) American Electric Power, located in Columbus, Ohio. (Schroeder Venue Decl. ¶ 42.)

56. The Debtors' fifty largest unsecured creditors hold approximately \$507 million in liquidated claims. This total does not include the value of unliquidated claims. (Schroeder Venue Decl. ¶ 44.)

57. Of the Debtors' fifty largest unsecured creditors, ten are based in West Virginia, and their claims account for approximately \$9.6 million of the approximately \$507 million in liquidated unsecured claims against the Debtors. (Schroeder Venue Decl. ¶ 45.) None of the Debtors' fifty largest unsecured creditors is located in New York. (Revised List of Creditors Holding the 50 Largest Unsecured Claims [Dkt. No. 98].)

58. The Debtors' largest unsecured creditor from West Virginia ranks thirteenth on their list of the largest unsecured claims, with an unliquidated claim estimated at less than \$3.2 million. The Debtors' largest unsecured creditor, Wilmington Trust Company, which is located in Wilmington, Delaware, has a \$250 million claim. (Schroeder Venue Decl. ¶ 46.)

59. The twenty top vendors of the Debtors for the first six months of 2012 have headquarters in twelve different states, with five located in West Virginia and two located in New York. (Schroeder Venue Decl. ¶ 47; Stipulation at ¶ 3(g).) Of the five located in West Virginia, two supported retaining venue in the Southern District of New York and the other three did not assert a position.

60. Twenty of the Debtors' fifty largest unsecured creditors—including six of the ten creditors from West Virginia—filed

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timely joinders in support of the Debtors' Objection. In addition, five of the remaining top-fifty creditors of the Debtors, including two from West Virginia, timely submitted letters or e-mails to the Debtors requesting that the Debtors represent to the Court that they oppose the Motions and support these cases remaining in the Southern District of New York. Two top-fifty creditors offered untimely support for the Debtors' Objection, for a total of twenty-seven out of the top-fifty unsecured creditors supporting this Court retaining venue in New York. [Dkt. Nos. 423 and 433, respectively.]

61. American Electric Power (located in Canton, Ohio), Monongahela Power Company (located in Greensburg, Pennsylvania), and Hope Gas, Inc., d/b/a Dominion Hope (located in Carlsburg, West Virginia) filed a timely joinder in support of the Motions. [Dkt. No. 98.] The West Virginia Attorney General filed the other timely joinder in support of the Motions. [Dkt. No. 390.] Untimely joinders (to the UST Motion only) were filed by the UMWA Health and Retirement Funds, located in Washington, D.C., and the Interested Shareholders, located in Connecticut and Virginia.

VI. Commencement of the Debtors' Chapter 11 Cases

62. A number of events led to the commencement of the Debtors' chapter 11 *736 cases, including reduced demand for coal, increased regulation of power plants and coal mining, and substantial legacy labor costs. (Schroeder First Day Decl. ¶¶ 21–39.)

63. In recent years, the demand for coal has decreased, in large part because alternative sources of energy have become increasingly attractive to electricity generators in light of declining natural gas prices and more burdensome regulation of the coal industry. At the same time, the Debtors' liabilities have increased as the Debtors face sharply rising costs to comply with such regulations. (Schroeder First Day Decl. ¶ 21.)

64. The Debtors also have substantial legacy costs, primarily in the form of medical benefits and pension obligations. The Debtors currently provide benefits to more than three times the number of retirees and non-active employees and those parties' dependents than to active employees. (Schroeder First Day Decl. ¶ 33.)

65. As a result of these factors, the Debtors' financial performance has experienced a significant decline. For the twelve months ended March 31, 2012, the Debtors reported revenues of \$2.33 billion and Adjusted EBITDA of \$164 million from the sale of approximately 29.4 million tons of coal. The Debtors' net loss during the same period was \$198.5 million. (Schroeder First Day Decl. ¶ 13.)

66. The Debtors elected to commence their chapter 11 cases in New York because they determined that it was in the best interests of all stakeholders to do so. No evidence was submitted to the contrary. As Mr. Schroeder stated in his Declaration:

The Debtors determined that the Southern District of New York (the “SDNY”) is the optimal venue for the Debtors' chapter 11 cases and in the best interests of the Debtors, their creditors and other stakeholders and these estates. The Debtors' legal and financial advisors are all located in New York, and the Debtors' significant financial creditors, along with their professional advisors, are also located in New York. Moreover, along with their advisors, the agent under the proposed “first out” DIP financing facility and two of the three arrangers under the proposed DIP financing facilities are New York-based institutions, and the DIP financing contemplates that the Debtors' cases be venued in the SDNY. I believe that had we filed in one of the other jurisdictions that were also available to us (i) most of our domestic and foreign creditors would have been inconvenienced and (ii) the costs and inefficiency of administration of the estates would have materially increased.

(Schroeder First Day Decl. ¶ 43.) Pursuant to the Stipulation, the Debtors did not call Mr. Schroeder to testify as a witness, nor was he cross-examined by the UMWA or any other party.

DISCUSSION

Against the foregoing extensive factual backdrop, the Court now turns to the questions of law presented by the Motions. The analysis begins, as it must, with the applicable statutory provisions.

I. The Bankruptcy Venue Statute—28 U.S.C. § 1408

Section 1408 of title 28 of the United States Code provides:

Except as provided in section 1410 of this title, a case under [title 11](#) may be commenced in the district court for the district—

(1) in which the domicile, residence, principal place of business in the United States, or principal assets in the United ***737** States, of the person or entity that is the subject of such case have been located for the one hundred and eighty days immediately preceding such commencement, or for a longer portion of such one-hundred-and-eighty-day period than the domicile, residence, or principal place of business, in the United States, or principal assets in the United States, of such person were located in any other district; or

(2) in which there is pending a case under [title 11](#) concerning such person's affiliate, general partner, or partnership.

[28 U.S.C. § 1408.](#)

The linkage between venue and particular geographic locations dates back hundreds of years. The original meaning of “venue” under English law was the neighborhood from which jurors were to be drawn because of their personal knowledge of the facts and the parties. The jurors' personal knowledge formed the basis for the jury's decision in actions at law, including those involving title to land, trespass, and debt. The use of such a jury of so-called “recognitors” was well established by 1200 A.D. in the circuit courts that travelled throughout England. After the English law courts settled at Westminster after 1200 (in order to avoid the inconvenience of judges travelling and moving court records), the key factor in determining the place of trial continued to be the convenience of the courts, not that of the parties. The Statute of Westminster in 1285 thus specifically authorized the trial of cases at Westminster *nisi prius*—“unless before” that time a circuit court had arrived in the local community to conduct a trial, hence the name “*Nisi Prius*” courts. Otherwise, the jurors and litigants would travel to Westminster for the trial.²²

As proof by sworn witnesses replaced proof by jurors, the necessity of using local jurors diminished. Nonetheless, there continued to be a requirement that a plaintiff “lay” an action

in the county in which the claim arose, regardless of whether the action was local or transitory in nature. “Transitory” actions were those not identified with any particular location, including actions on contracts and debt, while “local” actions were those so closely connected with the place in which they arose that it was held they could *only* have arisen there. Trespass to land, ejectment, and replevin fell into the latter category.²³ As the distinction between transitory and local actions developed in sixteenth and seventeenth century England, personal actions on debt and on contracts no longer had to be venued where they arose but could also be brought where the defendant and/or his chattels could be found.²⁴

The rules and procedures of the English judicial system were in large measure continued in America with the enactment of the Federal Judiciary Act of 1789. Significantly, however, the fears and prejudices of the colonists led Congress and state legislatures to give increased emphasis to the need to protect the defendant's interests ***738** in laying venue.²⁵ Venue was generally required to be laid where the defendant resided. Local federal courts were established to ensure fairness and convenience to defendants.²⁶ The principal factors we continue to look to today under applicable venue statutes and case law—convenience of the parties and witnesses, the location of the defendant, and the scope and type of jurisdiction required for enforcement of judgments—are thus deeply rooted in history. Notably, personal knowledge of the facts at issue in a case by the trier of fact ceased long ago to be a venue consideration.

Federal practice with respect to venue has continued to evolve to keep pace with the rapidly changing nature of our nation, from the development of interstate commerce to the rise of the corporation and national banks to the dawn of the digital age. Life and the law are decidedly more complex than they were when the very first federal court convened, here in the Southern District of New York in 1789. Nonetheless, the concept of venue remains one of fairness and convenience. To the extent that geography can be cited as a basis for venue rules, it is important to keep the foregoing history in mind, for it is fairness, rather than geography, that has been and should continue to be the key factor in determining the appropriateness of venue. See Note: [Forum Shopping Reconsidered](#), 103 Harv. L. Rev. 1677, 1688–89 (1990) (forum shopping violates “fair play by allowing parties to circumvent fate” and “highlights elements of randomness in

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the administration of justice”). While the Court agrees with the UMWA's observation that venue based on domicile implies that there is “a nexus between a person and a place of such permanence as to control the creation of legal relations and responsibilities of the utmost significance,” *Williams v. North Carolina*, 325 U.S. 226, 65 S.Ct. 1092, 89 L.Ed. 1577 (1945),²⁷ it does not necessarily follow that the only location that satisfies this test in these cases is West Virginia. The tenor of the Motions of both the UMWA and the Sureties reflects unfortunate remnants of the types of “geographic” fears and prejudices that are unfounded and have no place in this matter.

II. Transfer of Venue Pursuant to 28 U.S.C. § 1412

We turn next to the transfer of venue pursuant to [section 1412 of title 28 of the United States Code](#), which provides that “[a] district court may transfer a case or proceeding under [title 11](#) to a district court for another district, in the interest of justice or for the convenience of the parties.” 28 U.S.C. § 1412.²⁸ [Section 1412](#) is written in the disjunctive, meaning that each of the two prongs—“in the interest of justice” or “for the convenience of the parties”—constitutes an independent ground for transferring venue. *See In re Asset Resolution LLC*, 2009 WL 4505944, at *2, 2009 Bankr.LEXIS 3711 at *6 (Bankr.S.D.N.Y. Nov. 24, 2009). According to the Second Circuit:

The “interest of justice” component of [§ 1412](#) is a broad and flexible standard which must be applied on a case-by-case basis. It contemplates a consideration of whether transferring venue would promote the efficient administration of the bankruptcy estate, judicial economy, timeliness, and fairness....

Gulf States Exploration Co. v. Manville Forest Prod. Corp. (In re Manville Forest Prod. Corp.), 896 F.2d 1384, 1391 (2d Cir.1990). The decision of whether to transfer venue pursuant to [section 1412](#) is within a court's discretion according to “an individualized, case-by-case consideration of convenience and fairness.” *Manville*, 896 F.2d at 1391 (citations omitted).

A movant seeking transfer of a bankruptcy case to a different venue bears the burden of proof, and that burden must be carried by a preponderance of the evidence. *Manville*, 896 F.2d at 1390. Moreover, the Second Circuit has stated that the district in which the underlying bankruptcy case is pending “is

presumed to be the appropriate district for hearing and determination of a proceeding in bankruptcy.” *Id.* at 1391. A debtor's choice of forum is entitled to great weight if venue is proper pursuant to [section 1408](#). *See, e.g., In re Enron Corp.*, 284 B.R. 376 (Bankr.S.D.N.Y.2002) (“*Enron II*”). As will be seen, the failure of certain of the Movants to carry their burden of proof played a significant role at the Hearing and in the Court's decision.

Courts in the Second Circuit have applied the flexible standard embodied in [section 1412](#) in various ways, some using specified factors, *see In re Dunmore Homes, Inc.*, 380 B.R. 663, 671–72 (Bankr.S.D.N.Y.2008) (citing *Enron Corp. v. Arora (In re Enron Corp.)*, 317 B.R. 629, 638–39 (Bankr.S.D.N.Y.2004) (“*Enron III* ”)), and some without applying a factor test, *see Grumman Olson Indus. v. McConnell (In re Grumman Olson Indus.)*, 329 B.R. 411, 437 (Bankr.S.D.N.Y.2005). It has also been noted that it is “appropriate to add as an additional relevant factor, though it may rarely be applicable, the integrity of the Bankruptcy Court system.” *In re Eclair Bakery Ltd.*, 255 B.R. 121, 142 (Bankr.S.D.N.Y.2000).³⁰ While a court considering a transfer of venue must base its analysis on the facts underlying the particular case before the court, *see, e.g., Enron III*, 317 B.R. at 638, a number of decisions in this District, while factually distinguishable, are instructive.

In *Dunmore Homes*, the court granted a motion pursuant to [section 1412](#) to transfer a chapter 11 case filed in the Southern District New York to the Eastern District of California, despite the fact that [*740 section 1408](#) had been satisfied. After examining each of the factors courts have considered in evaluating the convenience of the parties³¹ and the interest of justice³² prongs under [section 1412](#), Judge Glenn identified numerous facts that weighed in favor of transfer of the *Dunmore Homes* case, including the location of the debtor's management, employees, and office and the location of parties-in-interest in the case, all of which were based in California. *Dunmore Homes*, 380 B.R. at 677. The court also noted that the debtor lacked any ties to New York other than its recent incorporation and its efforts to secure financing there. While the court recognized that a debtor's selection of venue is afforded great weight, it concluded that the “thin nexus” of the debtor to New York and the “overwhelming contacts” between the debtor and California, “combined with no overriding factors making it substantially more likely that

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the Debtor's prospects for a successful reorganization would be enhanced if this Court were to retain jurisdiction" mandated a transfer of venue in the interest of justice. *Id.* at 675–76. The court also concluded that the moving parties had met their burden under the "convenience of the parties" prong of [section 1412](#) as well as the "interest of justice" prong. *Id.* at 677.

In the first of three venue-related decisions in the *Enron* chapter 11 cases, Judge Gonzalez denied motions to transfer venue from the Southern District of New York to the Southern District of Texas pursuant to [section 1412](#). *In re Enron Corp.*, 274 B.R. 327 (Bankr.S.D.N.Y.2002) ("*Enron I*"). Although all but three of the debtors had their principal place of business in Texas and some creditors were best served by the case being transferred to Texas, the court denied the motions to transfer venue filed by several creditors and parties-in-interest, finding that the movants did not show by a preponderance of the evidence that transfer of venue was in the interest of justice or for the convenience of the parties and that, after considering "matters of judicial economy, timeliness and fairness as well as the efficient administration of the estate, the interest of justice [was] best served by retaining jurisdiction." *Id.* at 351. Among other things, facts that the court emphasized in its ruling included: (i) all of the parties "most essential" to the reorganization of the debtors were located in New York, (ii) the *741 creditors' committee strongly opposed transfer of venue, (iii) the debtors' finances were "extremely complex" and they would need access to the capital markets and financial experts in New York, and (iv) a learning curve had already been established in the cases which contributed to judicial economy. *Id.* at 350–51.

In *Enron II*, the court denied a motion to transfer venue of the chapter 11 case of one of Enron's subsidiaries, San Juan Gas Company, Inc., to the District of Puerto Rico. The movant, an unsecured creditor of San Juan Gas, did not dispute that venue was proper pursuant to [section 1408](#) but sought transfer, pursuant to [section 1412](#), solely of the San Juan Gas chapter 11 case. *Enron II*, 284 B.R. at 385. After employing the *CORCO* factors and giving the most weight to the promotion of the economic and efficient administration of the estate, the court concluded that the creditor did not meet its burden to show that the transfer was warranted for the convenience of the parties or in the interest of justice. *Id.* at 406. The court found that centralizing parent and subsidiary debtors in the

same district (as contrasted with the creditor's request to "fragment" the case) furthers the objectives of the Bankruptcy Code and may be in the interest of justice. *Id.* at 404.³³

The case in the bankruptcy context that comes closest to the facts here at issue is *In re Winn–Dixie Stores, Inc.*, Case No. 05–11063(RDD) (Bankr.S.D.N.Y. April 12, 2005) ("*Winn–Dixie*"). In *Winn–Dixie*, the debtors sought venue in New York by incorporating an entity shortly before their chapter 11 filing, admittedly solely to establish venue and meet the requirements of [section 1408](#). See *Winn–Dixie*, Hr'g. Tr. at 166. After a creditor filed a motion to transfer venue to the Bankruptcy Court for the Middle District of Florida, where the debtors' supermarket operations and management were primarily located, the debtors at first opposed the motion but later consented to the transfer. In a decision issued from the bench, the court found that transfer of the debtors' cases was in the interest of justice under [section 1412](#) and ordered their transfer, overruling the objection of the creditors' committee. *Id.* Judge Drain stated that "[g]iven the circumstances here ... and really solely the following factor, that [the Winn–Dixie affiliate entity] was formed solely to establish venue in New York, I conclude that transfer of venue here would be in the interests of justice under [Section 1412](#) and therefore will order the transfer of the cases to the Middle District of Florida." See *Winn–Dixie*, Hr'g. Tr. at 166–167.

Having set forth the factual background as well as the applicable statutory and decisional framework, we turn next to the consideration of the Motions.

III. The Debtors' Cases Must be Transferred from this District Pursuant to 28 U.S.C. § 1412

No party disputes that [section 1408](#) of title 28 has been "satisfied" in these cases; the parties stipulated to this fact prior to the Hearing. By incorporating PCX and Patriot Beaver Dam in New York in the weeks prior to the Petition Date, the Debtors achieved literal and technical compliance with the venue statute and used these entities as a basis for filing all of the Patriot chapter 11 cases in New York. The Debtors argue that this fact is dispositive—and requires that the cases remain in this District. The U.S. Trustee has also *742 argued that this fact is dispositive—and requires that the cases be transferred to another District. Stated differently, it is the Debtors' position that the eve-of-filing steps taken by the Debtors to

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satisfy the venue statute should not be considered in the “interest of justice” analysis. The Court disagrees with the Debtors, for the following reasons.

A. The Debtors Did Not Act In Bad Faith in Filing in this District

No party has alleged, and there is no evidence in the record, that the Debtors acted in bad faith in filing their chapter 11 cases in New York. Indeed, it could be argued that doing so was entirely consistent with, or even required by, the Debtors' fiduciary duties. In the Schroeder First Day Declaration, Mr. Schroeder stated that

The Debtors determined that the Southern District of New York (the “SDNY”) is the optimal venue for the Debtors' chapter 11 cases and in the best interests of the Debtors, their creditors and other stakeholders and these estates..... I believe that had we filed in one of the other jurisdictions that were also available to us (i) most of our domestic and foreign creditors would have been inconvenienced and (ii) the costs and inefficiency of administration of the estates would have materially increased.

(Schroeder First Day Decl. ¶ 43, FF ¶ 66.) The Schroeder First Day Declaration was admitted into evidence, and none of the Movants elected to cross-examine Mr. Schroeder on this or any other statement in his two declarations. The evidence in the record thus establishes that the Debtors chose to file in this District in good faith, and several of the Movants acknowledged as much on the record.³⁴

At the Hearing, there was speculation (but no evidence) by the Movants as to why the Debtors determined to file these cases in New York. The UMW, when asked why the Debtors chose New York, said “venue was better for them in New York.”³⁵ When questioned further by the Court, counsel for the UMW stated that “them” referred to the 99 Debtors who filed chapter 11 petitions; counsel reluctantly conceded that, in a chapter 11 case, a debtor is comprised of its economic stakeholders and that the Debtors here may in fact have chosen New York to maximize value to their stakeholders.³⁶ No allegations were made or evidence adduced that the Debtors improperly sought to avoid another district or to hinder another party in interest,³⁷ although the Sureties *743 did argue that filing in this District

was motivated in part by Patriot's attempt to “escape”³⁸ its environmental obligations, implying that this Court would be less inclined to protect West Virginia's land and natural resources, and by extension, the health and welfare of her citizens—or less capable of doing so—than a West Virginia court. As the Court indicated at the Hearing in the strongest possible terms, such arguments are without merit.³⁹

B. The Debtors' Literal Compliance with Section 1408

Notwithstanding the absence of bad faith on the part of the Debtors and the deference to which the Debtors' venue choice is entitled, the Court concludes that the Debtors' purposeful creation of the venue-predicate affiliates in New York on the eve of filing must be considered in the “interest of justice” analysis set forth in [section 1412](#). To ignore it would be to condone the Debtors' strategy and elevate form over substance in a manner that courts have found impermissible; it would run afoul of any reasonable application of the intent of the venue statute. While the Debtors did in fact comply with [section 1408](#), *how* they complied with the statute must be taken into account when considering the “interest of justice” prong of [section 1412](#).

The Court has searched extensively for analogues to the facts here presented, for situations in which courts have looked beyond “literal compliance” with a statute and declined to uphold a party's course of conduct notwithstanding such compliance. In the bankruptcy context, “artificial impairment” cases come to mind, in which a plan proponent nominally impairs the claims of a class in order to achieve technical compliance with the cramdown provisions of section 1129(a)(10). *See, e.g., Windsor on the River Assocs. v. Balcor Real Estate Fin. (In re Windsor on the River Assocs., Ltd.)*, 7 F.3d 127, 132–33 (8th Cir.1993) (rejecting manufacture of an impaired class for sole purpose of ensuring plan approval by at least one impaired class); *In re Washington Assoc.*, 147 B.R. 827, 831 (E.D.N.Y.1992) (same); *In re Dunes Hotel Assoc.*, 188 B.R. 174, 184 (Bankr.D.S.C.1995) (same). In the realm of tax law, another area of the law in which courts are called upon to interpret and apply the provisions of a complex statute, the “substance-over-form doctrine”⁴⁰ provides a useful analytical framework in which to explore the notion that literal compliance with a statute may not be sustainable if the actions taken do not comport with the statute's purpose.

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In the landmark tax case of *Helvering v. Gregory*, 69 F.2d 809 (2d Cir.1934), the taxpayer Evelyn Gregory owned a corporation (United Mortgage) which in turn owned another corporation (Monitor). To minimize the taxes she would pay on United Mortgage's sale of its valuable shares in Monitor, Mrs. Gregory formed another corporation and transferred the shares of Monitor from United Mortgage to the newly formed corporation as a "reorganization," in literal compliance with the provisions of the tax code. She then wound up the new corporation (which was in existence for only a few days and had no business purpose), taking the Monitor *744 shares as a liquidating dividend. After the government assessed a deficiency against her for using the "reorganization" to avoid the payment of taxes on the transaction, Mrs. Gregory filed a claim with the United States Board of Tax Appeals, which ruled in her favor and expunged the deficiency. The government appealed the Board's decision to the Second Circuit. In a decision by Judge Learned Hand, the Second Circuit reversed the Board's order, finding that the transaction undertaken by the taxpayer was not what was contemplated by the statute. As the Court observed, in words that are compellingly applicable here:

[I]f what was done here ... was what was intended by [the statute] it is of no consequence that it was all an elaborate scheme to get rid of income taxes, as it certainly was. *Nevertheless, it does not follow that Congress meant to cover such a transaction, not even though the facts answer the dictionary definitions of each term used in the statutory definition.* It is quite true, as the Board has very well said, that as the articulation of a statute increases, the room for interpretation must contract; *but the meaning of a sentence may be more than that of the separate words, as a melody is more than the notes, and no degree of particularity can ever obviate recourse to the setting in which all appear, and which all collectively create.*

Id. at 810–811 (emphasis added).

The taxpayer appealed the Second Circuit's decision to the Supreme Court, arguing that she had complied with all elements of the statute and that her motive should not make unlawful what the statute permits. The Supreme Court affirmed the Second Circuit's ruling, pointing out that

although a new corporation was created, it was for no purpose other than to avoid the payment of taxes, and when that function was fulfilled, it was wound up. The Court stated that:

The whole undertaking, though conducted according to the terms of subdivision (B), was in fact an elaborate and devious form of conveyance masquerading as a corporate reorganization, and nothing else. The rule which excludes from consideration the motive of tax avoidance is not pertinent to the situation, *because the transaction upon its face lies outside the plain intent of the statute.* To hold otherwise would be to exalt artifice above reality and to deprive the statutory provision in question of all serious purpose.

Gregory v. Helvering, 293 U.S. 465, 470, 55 S.Ct. 266, 79 L.Ed. 596 (1935) (emphasis added). Simply put, what was done was not "the thing which the statute intended." *Id.* at 469, 55 S.Ct. 266.⁴¹

So too here. Notwithstanding the absence of bad faith on the part of the Debtors in filing these cases in the Southern District of New York in literal compliance with section 1408, this Court cannot allow the Debtors' venue choice to stand, as to do so would elevate form over substance in way that would be an affront to the purpose of the bankruptcy venue statute and the integrity of the bankruptcy system. Creating PCX and Patriot Beaver Dam solely for the purpose of establishing venue is not "the thing which the statute intended."

*745 C. The Applicability of the *Winn–Dixie* Decision

Although at the Hearing the Debtors advanced eleven separate arguments as to why *Winn–Dixie* is distinguishable from the instant case, the Court is convinced that Judge Drain's straightforward rationale for transferring the *Winn–Dixie* cases in the interest of justice applies with equal force in these cases and is not at odds with the Second Circuit's decision in *Capitol Motor Courts v. LeBlanc Corp.*, 201 F.2d 356 (2d Cir.1953). As in the Patriot cases, the debtors in *Winn–Dixie* sought venue in New York by incorporating an entity shortly before their chapter 11 filing, admittedly solely to establish venue and meet the requirements of section 1408. In its decision, the court stated that "the interests of justice require transfer where ... the facts were created to fit the statute," which is distinguishable from "applying the statute to fit the

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facts.” *Winn–Dixie*, Hr’g. Tr. at 169–170. The court emphasized that it was transferring the cases not because venue was established in bad faith or wrongfully, but “simply because I don’t believe it just to exploit the loophole in the statute to obtain venue here.” *Id.* at 167; *see also In re Jitney Jungle*, Case No. 99–3602(MFW) (Bankr.D.Del. Dec. 7, 1999), Hr’g. Tr. at 168:20–21 (“finding that [venue] is not illegal does not establish that it is fair”). Moreover, as Judge Drain aptly observed, “the interests of justice prong of [section 1412] will not always serve the convenience of the parties,” *Winn–Dixie*, Hr’g. Tr. at 167, an observation that can be traced to Judge Friendly in *New York Central Railroad Co. v. U.S.*, 200 F.Supp. 944 (S.D.N.Y.1961), which was a decision on a section 1404(a) motion.

Whether one characterizes the creation of venue as exploiting a loophole or as simply not fair, one thing is clear: it is not the thing which the statute intended. While the Court agrees, at least as a general matter, with the Debtors’ observation that it is the province of Congress and not the courts to close loopholes in legislation,⁴² nothing in our jurisprudence requires the Court to condone every strategy devised by clever lawyers to outsmart statutory purpose and language, even where, as here, they do so with the best of intentions. To do so here would violate Judge Friendly’s oft-quoted maxim that “[t]he conduct of bankruptcy cases not only should be right but must seem right.” *In re Ira Haupt & Co.*, 361 F.2d 164, 168 (2d Cir.1966). Since the integrity of the bankruptcy process is implicated, and in the absence of any evidence that upsetting the Debtors’ selected venue will have dire consequences for the Debtors’ stakeholders, these cases should and must be transferred.

In reaching its decision, the Court considered and rejected several additional arguments advanced by the Debtors, including the following. In the Debtors’ Objection, they note that for years Congress has declined to close the “loophole” and change the venue statute. Specifically, the Debtors point to the fact that a bill introduced in the House of Representatives in 2011 was not enacted, *see* H.R. 2533, 112th Cong. (2011), and argue that this demonstrates that Congress is aware of the purported venue “loophole” and has declined to remedy it.⁴³ But the history of proposed venue “reforms” in Congress is a long and tortuous one that has generated much controversy among politicians, bankruptcy practitioners, and academics; given the current political climate *746 in

Congress, its inaction on H.R. 2533 can hardly be viewed as a decision on the merits of the proposals to remove domicile as a predicate for venue and/or to abolish or modify the affiliate filing rule.

The Debtors quite correctly point out that if the Patriot corporate group already happened to have either (a) one or more affiliates incorporated in New York prior to the months leading up to the chapter 11 filing or (b) one or more affiliates with a principal place of business in New York, the Debtors could have taken advantage of those facts and properly filed these cases in New York. *See, e.g., Enron I*, 274 B.R. at 341 (finding that section 1408 was satisfied because debtor EMC maintained its principal place of business in New York). They question the logic of allowing the propriety of a venue selection to turn on such “happenstance.”⁴⁴ The Court expresses no view as to whether the decision on the Motions would be different if those were the facts presented, except to echo Judge Drain’s observations in *Winn–Dixie* that the creation of facts to fit the statute is a far cry from taking advantage of the facts as they existed before the Debtors embarked on their path to a chapter 11 filing.⁴⁵

Here, as in *Winn–Dixie*, the Debtors created facts in order to satisfy the statute, as opposed to taking advantage of the facts as they existed. Permitting the Debtors’ cases to remain in this District under these circumstances would all but render the venue statute meaningless. It would allow potential large corporate debtors to choose what they view as the optimal venue for their bankruptcy cases and, in preparation for filing chapter 11, incorporate an affiliate in that location for purposes of satisfying section 1408. If “past is prologue,” many major financial institutions in their capacities as post-petition lenders would use their influence on their borrowers to cause the debtors’ filings to occur in this District. Sept. 12, 2012 Hr’g. Tr. at 183–4; 312–314; *see generally* DIP Agreement at Article IV. Section 1408 should not be interpreted in a way that gives debtors a free pass to conduct their cases here, or in any other district they choose.

D. Administrative Efficiency and the Convenience of the Parties

Finally, the Debtors, citing *Enron I* and *Enron II*, argue that the “interest of justice” argument propounded by the U.S. Trustee cannot outweigh the convenience to all parties and the

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administrative efficiency of proceeding in this District. They maintain that it cannot be in the interest of justice to transfer these cases “where all parties concede that venue was properly laid, where the costs to the estates and the creditor community would be enormous, and where the U.S. Trustee does not even argue that another forum would be more convenient.” Debtors’ Objection at pp. 3–4, 36–40, 57–58. The Debtors argue in essence that since venue in this District will allow them to achieve the best chapter 11 outcome for the most of their stakeholders, the means (incorporating PCX and Patriot Beaver Dam) justify the ends and therefore the Motions should be denied. They assert that transferring these cases would eliminate “the tremendous efficiencies that are gained by proceeding in New York City, a global transportation *747 hub” and “undermine the goal of the Bankruptcy Code of maximizing the value of these estates.”⁴⁶ There is some merit to the Debtors’ observations on this point. While such a utilitarian view of justice is compelling, and consistent with the Court’s finding that the Debtors have not acted in bad faith, it unfortunately cannot be squared with the venue statute. While it is true that under *CORCO* the factor given the most weight by courts is typically the promotion of the economic and efficient administration of the estate, 596 F.2d at 1247, this factor cannot be given the most weight in every case. If it were, a forum such as the Southern District of New York would invariably trump other venues in the section 1412 analysis relating to large corporate chapter 11 cases because of its convenient access to capital markets, its transportation accessibility, and its concentration of leading chapter 11 practitioners.

Finally, the Debtors argue that venue in this District is supportable because the Debtors do have connections to New York. New York entities hold the largest amount of the Senior Bonds and Convertible Bonds; virtually all of the Debtors’ prepetition debt instruments and both of their DIP agreements are governed by New York law or contain a New York forum selection clause; New York law governs forty-one of the Debtors’ sixty-five coal sales contracts; the key business information of Patriot and its subsidiaries is hosted in New York; and the Debtors’ professionals, the agents under the DIP Facilities (three of five) and their counsel, counsel for the Committee, and counsel for many of the Debtors’ key stakeholders (including the UMW) are located in New York. It cannot be said, however, that Patriot has a meaningful presence in New York. The Debtors have no operations or

assets or employees in New York. The fact that New York law governs many of the Debtors’ sales contracts is not dispositive, as the law of West Virginia or other states may apply in equal force to environmental and other issues that may arise during the pendency of the Debtors’ bankruptcy cases. While most of the key professionals in these cases are located in New York, allowing the cases to remain here because the professionals are here would be condoning a “bootstrap” venue selection strategy that is at odds with the purpose of the venue statute, and with the interest of justice.

To be clear, ordering the transfer of the Debtors’ cases is a particularly difficult call in light of the overwhelming support the Debtors have received from their stakeholders⁴⁷ and the evidence that it would be administratively efficient to conduct the cases in this District. The Motions are opposed by the Committee,⁴⁸ as well as by forty-nine individual creditors. Such creditors include (a) twenty-seven of the Debtors’ top-fifty creditors, including eight of the ten located in West Virginia;⁴⁹ *748 (b) the agents under the DIP Facilities, who have agreed to finance borrowings by the Debtors of up to an aggregate principal or face amount of \$802 million; and (c) Wilmington Trust Company, the indenture trustee for \$250 million in Senior Bonds and a creditor of all of the Debtors. These parties argue that the Movants failed to establish that a venue transfer would result in a better outcome for the Debtors’ stakeholders as a whole, “whether such stakeholders are calculated by counting heads or counting dollars.” (Post-Hearing Brief of First Out DIP Agent ¶ 6). These parties also contend that the Movants introduced little, if any, evidence that established that transfer of these cases from New York would serve the convenience of all parties in these cases, or that the Southern District of West Virginia is more convenient than New York. As discussed more fully below, the Court agrees, and for that reason, among others, the Patriot cases will not be transferred to the Southern District of West Virginia.

E. The Limited Scope of the Court’s Ruling

In directing transfer of these cases in the interest of justice, the Court is not establishing a *per se* or categorical rule; accordingly, the teaching of cases such as *United States v. Noland*, 517 U.S. 535, 116 S.Ct. 1524, 134 L.Ed.2d 748 (1996) is not implicated. As the Court indicated at the Hearing, the result here may indeed have been different if the

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U.S. Trustee had been the only party-in-interest seeking to transfer the Debtors' cases—that is, if no *economic* party-in-interest had sought to transfer venue.⁵⁰ It may also have been different if there were any evidence in the record of substantial, let alone “catastrophic,” economic consequences of moving the cases in the form of increased costs of administration and thus lower economic recoveries to stakeholders.⁵¹

With respect to the former point, the Court wholeheartedly concurs with Judge Gerber's observations in *In re Houghton Mifflin Harcourt Publ'g Co.*, 474 B.R. 122, 124 (Bankr.S.D.N.Y.2012) regarding the importance of deferring to the collective wisdom of the parties with “money on the line.” If the entirety of the Debtors' economic stakeholders had implored the Court to leave venue unchanged because a transfer of venue would have taken dollars from their pockets, it would be difficult to square the interest of justice with the purposeful infliction of economic harm on a debtor's creditors. But that is not this case. While it is clear that there is vast creditor support for the Patriot Debtors' venue choice, it is not the unanimous support that was present in *Houghton Mifflin*.

With respect to the issue of the economic consequences of transferring the cases, although the Debtors did not have any burden to meet on this issue, there is nonetheless nothing in the record that leads the Court to believe that transfer will have significant let alone “enormous” economic consequences here. The Court recognizes that the transfer of these cases may well involve some increased costs for the estates, but the mere possibility that there will be such costs does not warrant a different result. The efficient administration *749 of the cases is of course an important factor in the Court's analysis, but it would not be appropriate to treat it as a dispositive factor. As discussed above, given the arguments of the Debtors and DIP Agents about the importance of New York in the financial world, adopting such an approach would lead to venue in this District more often than it otherwise should. Needless to say, the courts in this District stand ready to handle any and all cases that rightfully belong in this District. That has always been the case and will remain so hereafter.

Doing justice in a particular case can impose a cost, and we as a society have determined that we are prepared to pay that cost from time to time to ensure the integrity of our laws and our system of government. Indeed our jurisprudence is replete

with examples of socially costly conflicts between differing notions of justice. One obvious example is the so-called “exclusionary rule,” which curtails the use of illegally obtained evidence in criminal trials. As the Supreme Court has noted, “[t]he exclusionary rules generates ‘substantial social costs,’ *U.S. v. Leon*, 468 U.S. 897, 907, 104 S.Ct. 3405, 82 L.Ed.2d 677 (1984), which sometimes include setting the guilty free and the dangerous at large.” *Hudson v. Michigan*, 547 U.S. 586, 591, 126 S.Ct. 2159, 165 L.Ed.2d 56 (2006). The cost to the Patriot estates of transferring these cases to another district is impossible to determine; it may be material or it may be *de minimis*.⁵² It is a cost that the estates will simply have to bear, and the Court is confident that the parties will work together to minimize it.

IV. Neither the Interest of Justice nor the Convenience of the Parties Compels Transfer of the Patriot Cases to the Southern District of West Virginia

While the UMWA Motion and the Sureties' Motion request that the Court transfer the Debtors' cases to the Southern District of West Virginia, the Court finds that the evidence in the record has not established that the “interest of justice” or the “convenience of the parties” supports or requires transfer of the cases to the Southern District of West Virginia. With respect to the latter prong of the [section 1412](#) test, there is no evidence in the record that transferring the cases to West Virginia would meaningfully serve the convenience of the parties.⁵³ With respect to the former prong, the arguments *750 of the UMWA and the Sureties can be summarized quite simply. Rather than have the cases proceed here in “lower Manhattan”⁵⁴ where “the financiers and the bankers”⁵⁵ are, the cases should be heard in West Virginia, where the coal is and where there are judges who “understand,” who “live near coal miners, grew up with them, worship with them and break bread with them.”⁵⁶ In other words, the UMWA and the Sureties would have this Court give them, rather than the Debtors' lenders, what they perceive to be the home field advantage. But it is not in the interest of justice merely to swap one party's perceived home field advantage for another. The Court categorically rejects such a parochial formulation of justice.

The UMWA has advanced an “interest of justice” argument based on its subjective perception of fairness (or advantage) to its members and their desire to have the Debtors' cases

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transferred to West Virginia and West Virginia only. At the Hearing, counsel for the UMWA argued that if the cases were not transferred to West Virginia, any other result would not “*seem right*” to the UMWA's members.⁵⁷ To be clear, the UMWA represents approximately forty percent of the Debtors' workforce; it does not speak for nearly sixty percent of the workforce.⁵⁸ The UMWA views this fact as immaterial since, it argues, the Debtors are free to reduce nonunion employee costs without ***751** resort to the Court.⁵⁹ This is a divisive and troubling viewpoint, to say the least. As observed by the First Out DIP Agent, “[t]he fact that a single constituency may prefer a particular venue over the Debtor's chosen forum is patently insufficient to warrant a transfer of venue in the interest of justice. In fact, a transfer on such facts would be particularly unjust in the face of an impression that the transfer is being made to advantage such party over other stakeholders.”⁶⁰ Or, as objecting creditor Caterpillar stated at the Hearing:

[W]hen you're talking about the appearance of justice ... you have to take into account the flip side of that and that by moving this to West Virginia there will at least be the appearance or the suggestion that perhaps some party in this case believes that that court is more sympathetic whether they are or not. And I think we can all agree in the room today that one court is not going to be any more inclined to side with one party or another than another, but the point remains that the constituency of the union apparently believes that may be true and that leads us right into the appearance of what is just and what is right. And for that reason, frankly, we think it is more appropriate to keep the case in what may be a more neutral territory.

Sept. 12, 2012 Hr'g. Tr. at 396:14–397:5.

While the UMWA and the Sureties acknowledge that they believe that both this Court and the West Virginia court would be “fair” and “sympathetic,”⁶¹ the record leaves little doubt that the UMWA believes it would be *fairer to them* for the Debtors' cases to be heard in West Virginia by a West Virginia judge whose experience living in “coal country” would help him better “understand” their concerns.⁶² Simply put, they wish to benefit from proceeding in what they perceive as a more empathetic forum, ruling out the possibility that a judge anywhere else could understand their concerns.⁶³ Putting aside the debate over whether empathy should be a factor in judicial decision-making,⁶⁴ granting such a request would not be in the

interest of justice. As the UMWA itself urges, the “perception of justice” is just as important a concern as technical compliance ***752** with the law.⁶⁵ Transferring these cases to West Virginia would create a perception problem of an even greater magnitude than would retention of them in this District. As appropriately summarized by Caterpillar,

[T]he UMWA [has] based its Motion not on what venue would better lead to an efficient and effective reorganization or on what venue would be better able to address the interests of all of the Debtors' constituents, but rather on the unionized workers' perception that the Southern District of West Virginia would be a more advantageous forum for them and for them alone.

Post-Hearing Submission of Caterpillar at p. 3. Despite conceding that the Debtors did not act in bad faith in filing in this District, the UMWA asks this Court to transfer the cases to West Virginia because to do anything else will not seem fair to the UMWA members and could have a negative impact on their willingness to engage in good faith negotiations with the Debtors. That is not a request for justice; that is an ultimatum. It is forum-shopping that is just as inappropriate as the forum selection strategy employed by the Debtors, if not worse.

The Sureties advance a similarly myopic argument.⁶⁶ Noting, quite properly, that the location of the Debtors' mining operations and the environmental obligations stemming from the mines have a “profound impact” on the people and the environment of West Virginia, the Sureties argue that the cases therefore should be heard there. They argue that the state regulatory authorities of Kentucky and West Virginia play the major role in governmental oversight of the Debtors' environmental compliance, and because the “evidence” of enormous environmental liabilities is also there, the cases should be transferred to West Virginia.⁶⁷

Particularly in light of the perception and convenience concerns discussed above, the Court finds that neither the location of certain of the Debtors' mining operations nor the location of the Debtors' regulators justifies transferring the Debtors' cases to West Virginia, and it rejects the Sureties' argument on this point. The Sureties have not met their burden under the law or the facts to show that the existence of such regulatory regimes mandate transfer to West Virginia or to any other particular location. Only two regulators (the West

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Virginia Attorney General and the Kentucky DNR) filed statements in support of the Motions, one of which specified that it was not a joinder. Notably, no one on behalf of the West Virginia Attorney General even appeared at the Hearing, either in-person or telephonically, to urge the transfer of the Debtors' cases to West Virginia. Moreover, as the Sureties concede, bankruptcy courts routinely apply and interpret other states' laws and regulatory regimes, and the applicable law pertaining to a particular environmental dispute arising in these cases could be analyzed *753 in either forum without issue.⁶⁸ Consistent with well-established case law, *see, e.g., Midlantic Nat'l Bank v. N.J. Dept. of Environmental Protection*, 474 U.S. 494, 106 S.Ct. 755, 88 L.Ed.2d 859 (1986), bankruptcy courts wherever located are acutely aware of the role they must play as stewards of the environment. The citizens of West Virginia should rest assured that these cases and the interests of their state will be in capable and caring hands wherever they are heard.

For all of the foregoing reasons, the Court cannot conclude that it would be in the interest of justice to transfer the Debtors' cases to West Virginia. The analysis regarding the appropriate venue for these cases must focus on the interests and convenience of *all* parties, not just those of the UMWA, notwithstanding the volume of the UMWA's voice and how fervently it believes in its position. The Court must consider and give appropriate weight to the opposition of, among others, the Committee; twenty-seven of the Debtors' fifty largest unsecured creditors, eight of whom are located in West Virginia; the agents under the DIP Facilities, who have agreed to finance borrowings by the Debtors of up to an aggregate principal or face amount of \$802 million; and Wilmington Trust Company, the indenture trustee for \$250 million in Senior Bonds and a creditor of all of the Debtors. The Court also gives weight to the fact that only a small portion of the total anticipated claims against the Debtors are held by parties based in West Virginia;⁶⁹ the majority of the Debtors' trade creditors and counterparties to leases and executory contracts are based elsewhere. The Court also notes that the UMWA Health and Retirement Funds did not join the request of the Sureties and the UMWA to transfer the cases to West Virginia; rather, the funds only joined the request of the U.S. Trustee to transfer venue of the cases to "an appropriate jurisdiction."⁷⁰ Finally, even apart from the serious perception issues discussed above, neither the UMWA nor the Sureties carried their burden of establishing that a transfer of these cases to

West Virginia would be convenient for the parties as contemplated by the second prong of [section 1412](#).

V. The Patriot Cases Shall Be Transferred to the United States Bankruptcy Court for the Eastern District of Missouri

If not to West Virginia, where then should the Patriot cases be transferred? The Southern District of West Virginia is only one of a number of possible venues that may be proper for the Debtors' chapter 11 cases pursuant to [section 1408](#),⁷¹ including districts in Delaware, Kentucky, Illinois, Missouri, Indiana, and Virginia.⁷²

In light of the foregoing findings and conclusions and consistent with well-settled law that the location of a debtor's *754 assets⁷³ is not an important venue consideration, particularly when a debtor is reorganizing rather than liquidating,⁷⁴ the Court concludes that transferring these cases to the Eastern District of Missouri will serve the interest of justice and, as among venue choices other than this District, best serve the convenience of the parties. The Debtors' corporate headquarters and executive offices are located in St. Louis, Missouri and many of the Debtors' key corporate functions are based there. All of the Debtors' books and records, including those established post-petition, are located in St. Louis, Missouri. Several members of the Debtors' executive management team work in St. Louis and reside in Missouri or Illinois, and the remaining members, despite residing elsewhere, have offices in Patriot's corporate headquarters in St. Louis. Of the thirty-two in-person meetings that have been held by Patriot's Board, twenty-nine were held in Missouri. Moreover, the corporate headquarters of Peabody are also in St. Louis; this fact is significant in light of the issues that have been raised by the UMWA with respect to its spin-off of Patriot and its responsibility to provide promised cradle-to-grave health care benefits to Patriot employees and retirees who worked for Peabody prior to the spin-off.

While the Court has declined to accept the argument that the physical location of the coal in West Virginia is a significant factor here, the Court notes that the proximity of St. Louis to the Illinois Basin region also supports the transfer of the cases to St. Louis. While the Court also does not accept the arguments advanced by the UMWA that the participation of

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its members *as witnesses* in hearings is a critical factor in these cases, the Court does agree with the UMWA that it is important to consider the desire of the UMWA members to attend and observe hearings in these cases, the outcome of which will fundamentally affect their lives. While St. Louis may not be as convenient as Charleston for some employees and retirees, it is by no means remote from coal country. Indeed, the evidence reflects that more Patriot retirees live in the Illinois Basin than in West Virginia or any other location. St. Louis is accessible by car or bus from southern Illinois, southern Indiana,⁷⁵ and Kentucky. St. Louis is also a convenient and accessible transportation hub for the many parties-in-interest and professionals who will be required to travel to hearings.⁷⁶ And, as was demonstrated *755 by the video broadcast of the Hearing, technology can and should be utilized to allow unlimited real-time access to these proceedings for those who are unable to travel to St. Louis.

CONCLUSION

Although they are not part of the record on the Motions, hundreds of hand-written letters have been received by the Court from “the people whose hands mine the Debtors' coal”⁷⁷ and their widows and children. Many of them enclosed family pictures, or lists of ailments and medications. Some of them asked for a personal response. All of them were respectful, and compelling. This decision reflects the Court's attempt to craft a just and balanced solution to the question of which bankruptcy court will become the next custodian not only of these cases but also of these letters.

As it would have been a great privilege to preside over these cases, it is with considerable regret that the Court concludes that the Patriot chapter 11 cases shall be transferred to the United States Bankruptcy Court for the Eastern District of Missouri, in the interest of justice pursuant to [28 U.S.C. § 1412](#).

IT IS SO ORDERED.

All Citations

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Footnotes

- ¹ On July 19, 2012, the UMWA filed a corrected version of its motion. [Dkt. Nos. 116, 127.] The UMWA Motion was initially scheduled to be heard on August 2, 2012. [Dkt. No. 127.] On July 25, 2012, by agreement among the Debtors, the Official Committee of Unsecured Creditors (the “Committee”), and the UMWA, the hearing to consider the UMWA Motion was adjourned to September 11, 2012. [Dkt. No. 183.] On July 26, 2012, the Debtors filed a notice of relevant deadlines set by the Court with respect to the UMWA Motion. Pursuant to that notice, all joinders to the UMWA Motion were to be filed by August 20, 2012; all objections to the UMWA Motion were to be filed by August 24, 2012; and any reply by the UMWA or joinder to any objection was to be filed by August 29, 2012. [Dkt. No. 196.]
- ² On August 24, 2012, the Interested Shareholders filed a motion to appoint an equity committee in the Debtors' cases. By agreement of the parties, this motion is currently scheduled to be heard on December 11, 2012. [Dkt. No. 416.]
- ³ The UMWA Motion, the Sureties' Motion, and the UST Motion collectively will be referred to herein as the “Motions.” The UMWA, the Sureties, and the U.S. Trustee collectively will be referred to herein as the “Movants.”
- ⁴ Mr. Schroeder's present title is Senior Vice President of Financial Planning. Patriot's new Chief Financial Officer is John E. Lushefski.
- ⁵ As described *infra* at p. 23, the Committee is comprised of seven members; the Court understands that the Committee voted 4–3 to oppose the Motions. *See* Sept. 12, 2012 Hr'g. Tr. at 294:20–295:4.
- ⁶ At the Hearing, the Court requested that the Debtors file a declaration explaining the process the Debtors employed in soliciting joinders to their position. *See* Sept. 12, 2012 Hr'g. Tr. at 451:2–19. As set forth more fully in the Jones Declaration, twenty-nine of the thirty-five timely-filed joinders appear to have been prepared using a template provided by the Debtors. Timely joinders to the Debtors' Objection were timely filed by twenty of the top-fifty unsecured creditors, including six of the ten top-fifty creditors from West Virginia. One late joinder was filed by a top-fifty creditor. In total, the Debtors received support—in the form of both timely and untimely joinders or support correspondence—from a total of forty-nine creditors, including twenty-seven of the top-fifty creditors and eight of the ten top-fifty creditors from West Virginia.
- ⁷ No party-in-interest served a single document request or deposition subpoena or requested any discovery from the Debtors or from any other party. At the outset of the second day of the Hearing, counsel to the UMWA Health and Retirement Funds, without prior notice to any party or the Court, sought to call a witness. The Court denied the request, for the reasons set forth on the record. *See* Sept. 12, 2012 Hr'g. Tr. 94:23–95:25.
- ⁸ The Hearing was made available by live video broadcast to courtrooms in the Southern District of West Virginia and the Eastern District of Missouri. The Court understands that hundreds of interested parties viewed the Hearing at these locations. The broadcast was made possible thanks to the efforts of Vito Genna, the Clerk of Court for the United States Bankruptcy Court for the Southern District of New York, and his counterparts in the Southern District of West Virginia and the Eastern District of Missouri, Matthew Hayes and Dana McWay. The Court expresses its gratitude to them for helping achieve the Court's goal of providing access to the Hearing to as many people as possible. *See* Sept. 11, 2012 Hr'g. Tr. at 40–41.
- ⁹ The “Ad Hoc Noteholders” are comprised of institutions holding approximately \$100.6 million (or 40.2%) of the Senior Bonds. *See* Joinder of Ad Hoc Noteholders to Debtors' Objection and Creditors' Committee's Objection [Dkt. No. 480].
- ¹⁰ The findings of fact and conclusions of law herein shall constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any finding of fact later shall be determined to be a conclusion of law, it shall be so deemed, and to the extent any conclusion of law later shall be determined to be a finding of fact, it shall be so deemed.
- ¹¹ As discussed *supra* at pp. 5–6, the Parties stipulated to certain facts in the Stipulation. Such facts have been included in the Court's Findings of Fact.

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- 12 Paragraph 3(d) of the Stipulation reads as follows: “The Debtors formed both PCX and Patriot Beaver Dam to ensure that the provisions of Section 1408(1) of the Bankruptcy Code were satisfied, and for no other purpose.” At the Hearing, it was clarified by the parties that the words “of the Bankruptcy Code” were erroneously included in this subsection, and Paragraph 3(d) should have instead stated “the provisions of [Section 1408\(1\) of title 28 of the United States Code](#) were satisfied, and for no other purpose.”
- 13 Counsel for the Debtors remarked at the Hearing that the “circumstances surrounding Patriot’s spinoff from Peabody will most assuredly be looked at with extraordinary seriousness by both the Debtors and the Creditors’ Committee.” Sept. 12, 2012 Hr’g. Tr. at 226:16–18.
- 14 Mr. Lushefski was appointed Chief Financial Officer on September 21, 2012, increasing Patriot’s executive management team to seven members. Mr. Lushefski resides in New Jersey and works in Patriot’s corporate headquarters in St. Louis, Missouri.
- 15 Mr. Lushefski resigned from the Board when he was named Chief Financial Officer of Patriot.
- 16 The Sureties issue reclamation bonds to bond the Debtors’ environmental reclamation obligations. These bonds are contingent debt. *See* Sept. 12, 2012 Hr’g. Tr. at 17:24–18:8.
- 17 It is worth noting that when the Court first inquired at the Hearing about the location of the Sureties, counsel for the Sureties did not know where their clients were located. *See* Sept. 12, 2012 Hr’g. Tr. at 17:8–18:8.
- 18 *See* Sept. 12, 2012 Hr’g. Tr. at 49:6–17.
- 19 *See* Sept. 12, 2012 Hr’g. Tr. at 423:18–23 (Sureties’ counsel’s acknowledgement that the Sureties’ “uncollateralized exposure across the Debtors’ obligations” is only approximately \$37 million).
- 20 *See* Sureties’ Motion, Exhibit C; Post–Hearing Memorandum of Bank of America at pp. 3–5.
- 21 The UMW Health and Retirement Funds are represented by (i) Morgan, Lewis & Bockius LLP, which is located in Philadelphia, Pennsylvania and New York, New York and (ii) Mooney, Green, Sandon, Murphy & Welch, P.C., which is located in Washington, D.C.
- 22 *See* Shirley M. Sortor, *Venue Problems in Wisconsin*, 56 Marq. L. Rev. 87 (1972).
- 23 *Id.* at 88.
- 24 *Id.* at 89. Since the United States Bankruptcy Court is a court of equity, it is worth noting that the history of venue in English courts of equity, or Chancery courts, is altogether different from that of the law courts. Chancery was originally a religious court that sat only in Westminster; its *subpoena* power extended to all of England. Since its decisions were based on evidence given by witnesses under oath, there was no concept of laying venue in a particular locale for the purpose of forming a jury of local citizens with personal knowledge of the facts of a case. *Id.* at 90.
- 25 Charles Warren, *New Light on the History of the Federal Judiciary Act of 1789*, 37 Harv. L. Rev. 49, 72 (1923).
- 26 Sortor at 92. Kentuckians, then citizens of Virginia, threatened to secede from the Union unless provided with a local court. *See* William Wirt Blume, *Place of Trial of Civil Cases—Early English and Modern Federal*, 48 Mich. L. Rev. 1, 36 (1949).
- 27 UMW Post–Hearing Mem. of Law at p. 3.
- 28 While [section 1412](#) is applicable in bankruptcy cases in which venue is “proper,” [section 1406 of title 28](#) is applicable to bankruptcy cases in which venue is improper. It provides that “the district court in a district in which a case is filed laying venue in the wrong division or district shall dismiss, or if it be in the interest of justice, transfer such case to any district or division in which it could have been brought.” The Motions have been brought pursuant to [section 1412](#) only.
- 29 This formulation of the test for interfering with a party’s venue choice can be traced to the case of *Holmes v. Wainwright*, 102 Eng. Rep. 624 (K.B. 1803), in which Lord Ellenborough, C.J., stated that venue should be changed only if “all the conveniences and

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justice of the case preponderates in favor of the application.” By 1803, Lord Ellenborough had the benefit of some 700 years of learning on venue disputes in England, dating back to the reign of William II. *See generally*, Blume at 28.

Bankruptcy courts in the District of Delaware have frequently articulated and applied a “center of gravity” test in determining whether to transfer bankruptcy cases. *See, e.g., In re Ernst Home Center, Inc.*, Case No. 96–01088(PJW) (Bankr.D.Del. August 28, 1996) (transferring case to Washington because “center of gravity” of the case was on the West Coast, not in Delaware).

The court in *Dunmore Homes* stated that the “convenience of the parties” prong has six factors: (i) proximity of creditors of every kind to the court, (ii) proximity of the debtor, (iii) proximity of witnesses necessary to the administration of the estate, (iv) location of the assets, (v) economic administration of the estate, and (vi) necessity for ancillary administration if liquidation should result. *See Dunmore Homes*, 380 B.R. at 676 (citations omitted). These factors are sometimes referred to in the caselaw as the “CORCO factors,” as they were set forth in the Fifth Circuit’s decision in *In re Commonwealth Oil Refining Co.*, 596 F.2d 1239 (5th Cir.1979), *cert. denied*, 444 U.S. 1045, 100 S.Ct. 732, 62 L.Ed.2d 731 (1980) (“CORCO”) which affirmed a decision of the bankruptcy court declining to transfer venue of oil refining debtors from Texas to Puerto Rico. The factor given the most weight is the promotion of the economic and efficient administration of the estate. *CORCO*, 596 F.2d at 1247.

The court in *Dunmore Homes* listed the considerations regarding the interest of justice as whether: (i) transfer would promote the economic and efficient administration of the bankruptcy estate, (ii) the interests of judicial economy would be served by the transfer, (iii) the parties would be able to receive a fair trial in each of the possible venues, (iv) either forum has an interest in having the controversy decided within its borders, (v) the enforceability of any judgment would be affected by the transfer, and (vi) the plaintiff’s original choice of forum should be disturbed. *See Dunmore Homes*, 380 B.R. at 671–72 (citing *Enron III*, 317 B.R. at 638–39).

The third *Enron* decision also denied transfer of venue pursuant to section 1412 after analyzing the *CORCO* factors based on the facts. *See Enron III*, 317 B.R. 629 (Bankr.S.D.N.Y.2004).

See, e.g., Sept. 11, 2012 Hr’g. Tr. at 69:3–5 (“[Ms. Jennik]: I am not aware of evidence that [the filing] was made in bad faith.”); Sept. 12, 2012 Hr’g. Tr. at 12:5–6 (“[Ms. Schwartz]: The United States Trustee does not assert that there was bad faith; that wasn’t part of our motion....”); *id.* at 45:12–17 (“[Mr. Meldrum]: [W]e don’t—I think like everybody—doubt that the debtors attempted to do their best in selecting venue, and they obviously have a lot of considerations to balance. We don’t think there was any sort of inside gaming going on for the benefit of somebody who hasn’t been hurt.”); Sept. 11, 2012 Hr’g. Tr. at 113:23–114:4 (“[Ms. Schwartz]: I thought I understood the Court to say, would it be a breach of that duty if they didn’t try to file a case where the substantive law was better. THE COURT: Well, in good faith, in good faith, which—[Ms. Schwartz]: No one’s saying other than that.”); Sept. 12, 2012 Hr’g. Tr. at 119:12–14 (“[Mr. Goodchild, for UMW Health and Retirement Funds]: I know everybody else has said that they don’t challenge bad—or challenge good faith, or anything like that.”)

See Sept. 11, 2012 Hr’g. Tr. at 69:16–18.

See Sept. 11, 2012 Hr’g. Tr. at 69:21–71:4.

See e.g., In re EB Capital Management LLC, 2011 WL 2838115, 2011 Bankr.LEXIS 2764 (Bankr.S.D.N.Y. July 14, 2011); *see also In re Eclair Bakery Ltd.*, 255 B.R. at 132 (transferring case after finding that the debtor had filed for bankruptcy in another district three previous times and was indisputably shopping for a different result).

See Sureties’ Reply Memorandum at p. 7.

See Sept. 12, 2012 Hr’g. Tr. at 30:25–32:1.

See Allen D. Madison, *The Tension Between Textualism and Substance—Over—Form Doctrines in Tax Law*, 43 Santa Clara L. Rev. 699 (2003).

It is beyond the scope of this opinion to address, let alone attempt to resolve, the debate between strict textualists, such as Justice Antonin Scalia, and modern textualists who, like Hand and Sutherland, acknowledge that statutory language has meaning only in context. *See generally*, John F. Manning, *What Divides Textualists from Purposivists*, 106 Colum. L. Rev. 1 (2006); John M. Walker, Jr., *Judicial Tendencies in Statutory Construction: Differing Views on the Role of the Judge*, 58 N.Y.U. Ann. Surv. Am. L. 203 (2002).

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42 See Debtors' Objection, pp. 47–49.

43 See *id.*

44 See Sept. 12, 2012 Hr'g. Tr. at 280:9–23.

45 See *Winn–Dixie*, Hr'g. Tr. at 169 (“I should note ... that my decision makes a critical distinction between creating the facts to fit the statute, which I believe is undeniable here, as opposed to applying the statute to fit the facts. Again, in the context of forum shopping, this is a very big distinction.”).

46 Debtors' Objection at p. 5.

47 The Court notes that the U.S. Trustee took a position in *Winn–Dixie* which is contrary to its position in these cases; the U.S. Trustee opposed the transfer of the venue of the *Winn–Dixie* debtors' cases, urging the court to listen instead to the “true stakeholders” in the case who held almost \$600 million in debt and who also opposed transfer of the cases. See *Winn–Dixie*, Hr'g. Tr. at 107.

48 Courts have held that the position of the Committee on a motion to transfer venue, while not dispositive, should be given weight in light of its statutory role as a fiduciary to and representative body of the unsecured creditors. See *Enron I*, 274 B.R. at 345.

49 Of the Debtors' fifty largest unsecured creditors, ten are based in West Virginia, and their claims account for approximately \$9.6 million of the approximately \$507 million in liquidated unsecured claims against the Debtors. (Schroeder Venue Decl. ¶ 45; FF ¶ 57.)

50 See Sept. 12, 2012 Hr'g. Tr. at 429–444.

51 In their joinder, the Ad Hoc Noteholders argue that the relief requested in the Motions “courts disaster in a variety of ways.” There is no evidence in the record of such disastrous consequences. See Joinder of Ad Hoc Noteholders to Debtors' Objection and Creditors' Committee's Objection at p. 3.

52 This is underscored by the UMWA's view that the *principle* of having the cases heard in West Virginia is more important to them than the specter of increased costs to the stakeholders, including their members. At the Hearing, counsel for the UMWA stated that, even if all other things were equal but estate administration would cost less in this District than it would in West Virginia, “the mine workers—and I'm speculating here—but on that hypothetical, I believe the mine workers would want that case to be heard in West Virginia.... That's where they are. That's where they work. And they think the judges in that community should be deciding the bankruptcy case.” See Sept. 11, 2012 Hr'g. Tr. at 73:2–23, 74:16–22. Stated differently, the UMWA believes its members would rather receive a lower monetary recovery from a West Virginia judge than a higher monetary recovery from this Court. It is important to note in this context that the UMWA does not speak for the majority of Patriot's employees or, of course, the Debtors' other creditors.

53 As the Court observed at the Hearing, the Movants failed to provide evidence that the Debtors' cases could be handled more efficiently or more conveniently in West Virginia. See, e.g., Sept. 12, 2012 Hr'g. Tr. at 81:1–90:19 (“The Court: What's the evidence for the very sweeping statement that it would be less costly to move the case to West Virginia? [M]y point, Ms. Jennik is that you don't know, so ... you've made a claim that it would cost less in terms of professional fees, but there is no actual evidence.... there is no coherent cost model that's been presented on which I can conclude that the statement you made is supported by the facts....”); Sept. 12, 2012 Hr'g. Tr. at 39:21–48:8.

54 See UMWA Post Hearing Mem. of Law at p. 2 (“These issues are critical to the thousands of interested persons in West Virginia, and to the state of West Virginia, and it does not ‘seem right’ to them that issues so important to their lives and to the state's economy will be resolved far away in lower Manhattan.”).

55 See Sept. 11, 2012 Hr'g. Tr. at 71:24–72:2 (“[Ms. Jennik]: And I don't know exactly where they held meetings, but I don't think it is essential to the case that it be heard in New York because the financiers and the bankers are in New York.”); *id.* at 68:21–68:24 (“[Ms. Jennik]: [T]he debtors and the objectors have argued that these cases need to be in New York, because this is where the bankers are. This is the financial center of the world.”).

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- 56 See UMW Reply at 24; *see also* Sept. 12, 2012 Hr'g. Tr. at 411:20–24 (“[Ms. Jennik]: ... but a judge in West Virginia understands the impact of this case, the decisions that are made in this case will be felt not in New York but in West Virginia. That's the group of people that will be impacted by the decisions made in this case.”).
- 57 See Sept. 12, 2012 Hr'g. Tr. at 410:21–411:1 (“[Ms. Jennik]: [I]t does not seem right to the miners and the retirees in West Virginia and Kentucky that a judge remote from them would decide their fate.”); *see also id.* at 415:5–14 (“[Ms. Jennik]: What I am saying is that the members, the members who make the ultimate decision on whether they will accept any negotiated agreement are very fearful and distrustful and would not—do not perceive that it would be fair to them if the case is not decided in West Virginia. And so when you asked me yesterday would the union oppose the—would the union make the same motion if the case was brought in St. Louis or Delaware or somewhere else, the union members believe that the case should be heard in West Virginia. That's what they believe. That's what they believe is fair treatment of them.”); *id.* at 416:19–21 (“[Ms. Jennik]: [I]t will not seem right to them. It will not seem right to them that a court very far away from them decides their fate.”). Counsel for the UMW also stated that negotiations between the Debtors and the UMW “will be that much more difficult if members think they are not being treated fairly,” which is how they will feel if the Debtors' cases are administered by a court other than the Bankruptcy Court for the Southern District of West Virginia. *See id.* at 414:6–16.
- 58 In addition, only nine of the ninety-nine Debtors are signatories to the collective bargaining agreement with the UMW; the remaining Debtors have no direct obligation to the UMW or its members.
- 59 See UMW Reply at 5, fn. 5.
- 60 Post-Hearing Brief of First Out DIP Agent at 8.
- 61 See Sureties' Post-Hearing Memorandum at p. 4 (“The Sureties do not doubt that either forum will provide fairness in these bankruptcy proceedings.”); Sept. 11, 2012 Hr'g. Tr. 75:25–76:5 (“[Ms. Jennik]: I think judges in general are sympathetic to the plight of those who are not wealthy.... And I think that would be true in the Southern District of New York and the Southern District of West Virginia.”).
- 62 See, e.g., Sept. 11, 2012 Hr'g. Tr. at 76:7, 77:2–77:4; Sept. 12, 2012 Hr'g. Tr. at 411:20–24.
- 63 See generally, Martha L. Minow and Elizabeth V. Spelman, *Passion for Justice*, 10 Cardozo L. Rev. 37 (1988) (the ability to place yourself in someone's shoes can be knowledge-based as well as experience-based); Sonia Sotomayor, *A Latina Judge's Voice*, 13 Berkeley La Raza L.J. 87, 92 (2002) (“[W]e should not be so myopic as to believe that others of different experiences or backgrounds are incapable of understanding the values and needs of people from a different group.”); *see also* President Barack Obama, Press Briefing by Press Secretary Robert Gibbs (May 1, 2009) (“[J]ustice isn't about some abstract legal theory or footnote in a case book; it is about how our laws affect the daily realities of people's lives—whether they can make a living and care for their families.... that quality of empathy, of understanding and identifying with people's hopes and struggles [is] an essential ingredient for arriving at just decisions and outcomes.”).
- 64 See, e.g., Kathryn Abrams, *Empathy and Experience in the Sotomayor Hearings*, 36 Ohio N.U. L. Rev. 263 (2010).
- 65 UMW Post-Hearing Mem. of Law at p. 2.
- 66 The Court notes that the Sureties represent 29 percent of the total face amount of surety bonds issued to the Debtors. *See* FF ¶ 43. Of this 29 percent, only approximately \$25 million, or 10.5 percent, represents contingent unsecured exposure supporting the Sureties' obligations to regulators in West Virginia. FF ¶ 45. No other surety bond issuers joined the Sureties' Motion.
- 67 See Sept. 12, 2012 Hr'g. Tr. at 28:12–20 (“[Mr. Meldrum]: I want it to go to West Virginia because that's where the operations are, that's where the evidence is, that's where the value is, that's where the enormous environmental liabilities are, that's where the regulators are, that's where the engineers are.”).
- 68 See Sept. 12, 2012 Hr'g. Tr. at 37:11–23.

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- 69 Of the Debtors' fifty largest unsecured creditors, ten are based in West Virginia, and their claims account for approximately \$9.6 million (or approximately 1.89 percent) of the approximately \$507 million in liquidated unsecured claims against the Debtors. FF ¶ 57.
- 70 See Joinder of UMWA Health and Retirements Funds to UST Motion [Dkt. No. 423].
- 71 The language of [section 1412](#) does not by its terms limit transfer of a bankruptcy case only to a district in which the case could have been commenced under [section 1408](#); instead, [section 1412](#) simply states that the court may transfer a case under [title 11](#) to a court “for another district.” See [28 U.S.C. § 1412](#).
- 72 See Debtors' Objection at p. 15, fn. 6.
- 73 The Court also rejects the UMWA's argument that a particular court's level of experience with coal cases is an important factor; neither the Bankruptcy Code nor the venue statute contemplates courts being specialized by industry or otherwise.
- 74 See, e.g., [CORCO](#), 596 F.2d at 1248 (denying motion to transfer venue and reasoning that the location of assets “is of little importance in a Chapter XI proceeding where the goal is financial rehabilitation, not liquidation”); [Enron II](#), 284 B.R. at 390 (reasoning that “[t]he location of the assets is not as important when the ultimate goal of the bankruptcy case is rehabilitation rather than liquidation”). The Court also notes that although nine of the Debtors' twelve mining complexes are located in West Virginia, the Debtors have substantial assets in other jurisdictions as well.
- 75 At the end of August 2012, the UMWA held “mass membership” meetings in Evansville, Indiana and Charleston, West Virginia for its active and retired members and their dependents in order to review developments in the Debtors' cases to date and to provide information to members. (Buckner Decl. ¶ 9, FF ¶ 53.) The choice of the Evansville meeting location by the UMWA undoubtedly reflects the fact that there are a large number of UMWA members residing in the Illinois Basin area.
- 76 In considering alternative venues, courts have considered transportation options, especially where parties-in-interest do not all reside in the same place. See, e.g., [Enron I](#), 274 B.R. at 339, 351 (comparing accessibility of New York and Houston, Texas and declining to transfer debtors' cases to Houston).
- 77 UMWA Post-Hearing Mem. of Law, p. 3.

119TH CONGRESS
2D SESSION

H. R. 8111

To amend title 28, United States Code, to modify venue requirements relating to bankruptcy proceedings.

IN THE HOUSE OF REPRESENTATIVES

MARCH 26, 2026

Ms. LOFGREN (for herself and Mr. CLINE) introduced the following bill; which was referred to the Committee on the Judiciary

A BILL

To amend title 28, United States Code, to modify venue requirements relating to bankruptcy proceedings.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Bankruptcy Venue Re-
5 form Act”.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—Congress finds that—

8 (1) bankruptcy law provides a number of venue
9 options for filing bankruptcy under chapter 11 of

1 title 11, United States Code, including, with respect
2 to the entity filing bankruptcy—

3 (A) any district in which the place of in-
4 corporation of the entity is located;

5 (B) any district in which the principal
6 place of business or principal assets of the enti-
7 ty are located; and

8 (C) any district in which an affiliate of the
9 entity has filed a pending case under title 11,
10 United States Code;

11 (2) the wide range of permissible bankruptcy
12 venue options has led to an increase in companies
13 filing for bankruptcy outside of their home States—
14 the district in which the principal place of business
15 or principal assets of the company is located;

16 (3) the practice described in paragraph (2) is
17 known as “forum shopping”;

18 (4) forum shopping has resulted in a concentra-
19 tion of bankruptcy cases in a limited number of dis-
20 tricts;

21 (5) forum shopping—

22 (A) prevents small businesses, employees,
23 retirees, creditors, and other important stake-
24 holders from fully participating in bankruptcy

1 cases that have tremendous impacts on their
 2 lives, communities, and local economies; and

3 (B) deprives district courts of the United
 4 States of the opportunity to contribute to the
 5 development of bankruptcy law in the jurisdic-
 6 tions of those district courts; and

7 (6) reducing forum shopping in the bankruptcy
 8 system will strengthen the integrity of, and build
 9 public confidence and ensure fairness in, the bank-
 10 ruptcy system.

11 (b) PURPOSE.—The purpose of this Act is to prevent
 12 the practice of forum shopping in cases filed under chapter
 13 11 of title 11, United States Code.

14 **SEC. 3. VENUE OF CASES UNDER TITLE 11.**

15 Title 28, United States Code, is amended—

16 (1) by striking section 1408 and inserting the
 17 following:

18 **“§ 1408. Venue of cases under title 11**

19 **“(a) PRINCIPAL PLACE OF BUSINESS WITH RE-**
 20 **SPECT TO CERTAIN ENTITIES.—**

21 **“(1) IN GENERAL.—**Except as provided in para-
 22 graph (2), for the purposes of this section, if an en-
 23 tity is subject to the reporting requirements of sec-
 24 tion 13 or 15(d) of the Securities Exchange clause
 25 1934 (15 U.S.C. 78m, 78o(d)), the term ‘principal

1 place of business’, with respect to the entity, means
2 the address of the principal executive office of the
3 entity as stated in the last annual report filed under
4 that Act before the commencement of a case under
5 title 11 of which the entity is the subject.

6 “(2) EXCEPTION.—With respect to an entity
7 described in paragraph (1), the definition of the
8 ‘principal place of business’ under that paragraph
9 shall apply for purposes of this section unless an-
10 other address is shown to be the principal place of
11 business of the entity by clear and convincing evi-
12 dence.

13 “(b) VENUE.—Except as provided in section 1410,
14 a case under title 11 may be commenced only in the dis-
15 trict court for the district—

16 “(1) in which the domicile, residence, or prin-
17 cipal assets in the United States of an individual
18 who is the subject of the case have been located—

19 “(A) for the 180 days immediately pre-
20 ceding such commencement; or

21 “(B) for a longer portion of the 180-day
22 period immediately preceding such commence-
23 ment than the domicile, residence, or principal
24 assets in the United States of the individual
25 were located in any other district;

1 “(2) in which the principal place of business or
2 principal assets in the United States of an entity,
3 other than an individual, that is the subject of the
4 case have been located—

5 “(A) for the 180 days immediately pre-
6 ceding such commencement; or

7 “(B) for a longer portion of the 180-day
8 period immediately preceding such commence-
9 ment than the principal place of business or
10 principal assets in the United States of the en-
11 tity were located in any other district; or

12 “(3) in which there is pending a case under
13 title 11 concerning an affiliate that directly or indi-
14 rectly owns, controls, or holds 50 percent or more of
15 the outstanding voting securities of, or is the general
16 partner of, the entity that is the subject of the later
17 filed case, but only if the pending case was properly
18 filed in that district in accordance with this section.

19 “(c) LIMITATIONS.—

20 “(1) IN GENERAL.—For the purposes of para-
21 graphs (2) and (3) of subsection (b), no effect shall
22 be given to a change in the ownership or control of
23 an entity that is the subject of the case, or of an af-
24 filiate of the entity, or to a transfer of the principal
25 place of business or principal assets in the United

1 States of an entity that is the subject of the case,
2 or of an affiliate of the entity, to another district,
3 that takes place—

4 “(A) within 1 year before the date on
5 which the case is commenced; or

6 “(B) for the purpose of establishing venue.

7 “(2) PRINCIPAL ASSETS.—

8 “(A) PRINCIPAL ASSETS OF AN ENTITY
9 OTHER THAN AN INDIVIDUAL.—For the pur-
10 poses of subsection (b)(2) and paragraph (1) of
11 this subsection—

12 “(i) the term ‘principal assets’ does
13 not include cash or cash equivalents; and

14 “(ii) any equity interest in an affiliate
15 is located in the district in which the hold-
16 er of the equity interest has its principal
17 place of business in the United States, as
18 determined in accordance with subsection
19 (b)(2).

20 “(B) EQUITY INTERESTS OF INDIVID-
21 UALS.—For the purposes of subsection (b)(1),
22 if the holder of any equity interest in an affil-
23 iate is an individual, the equity interest is lo-
24 cated in the district in which the domicile or
25 residence in the United States of the holder of

1 the equity interest is located, as determined in
2 accordance with subsection (b)(1).

3 “(d) BURDEN.—On any objection to, or request to
4 change, venue under paragraph (2) or (3) of subsection
5 (b) of a case under title 11, the entity that commences
6 the case shall bear the burden of establishing by clear and
7 convincing evidence that venue is proper under this sec-
8 tion.

9 “(e) OUT-OF-STATE ADMISSION FOR GOVERNMENT
10 ATTORNEYS.—The Supreme Court shall prescribe rules,
11 in accordance with section 2075, for cases or proceedings
12 arising under title 11, or arising in or related to cases
13 under title 11, to allow any attorney representing a gov-
14 ernmental unit to be permitted to appear on behalf of the
15 governmental unit and intervene without charge, and with-
16 out meeting any requirement under any local court rule
17 relating to attorney appearances or the use of local coun-
18 sel, before any bankruptcy court, district court, or bank-
19 ruptcy appellate panel.”; and

20 (2) by striking section 1412 and inserting the
21 following:

22 **“§ 1412. Change of venue**

23 “(a) IN GENERAL.—Notwithstanding that a case or
24 proceeding under title 11, or arising in or related to a case
25 under title 11, is filed in the correct division or district,

1 a district court may transfer the case or proceeding to a
2 district court for another district or division—

3 “(1) in the interest of justice; or

4 “(2) for the convenience of the parties.

5 “(b) INCORRECTLY FILED CASES OR PRO-
6 CEEDINGS.—If a case or proceeding under title 11, or aris-
7 ing in or related to a case under title 11, is filed in a
8 division or district that is improper under section 1408(b),
9 the district court shall—

10 “(1) immediately dismiss the case or pro-
11 ceeding; or

12 “(2) if it is in the interest of justice, imme-
13 diately transfer the case or proceeding to any dis-
14 trict court for any district or division in which the
15 case or proceeding could have been brought.

16 “(c) OBJECTIONS AND REQUESTS RELATING TO
17 CHANGES IN VENUE.—Not later than 14 days after the
18 filing of an objection to, or a request to change, venue
19 of a case or proceeding under title 11, or arising in or
20 related to a case under title 11, the court shall enter an
21 order granting or denying the objection or request.”.

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