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THE CREDIT REPORT

A Publication by the IWIRC - Virginia Network

20 YEAR ANNIVERSARY

20 YEARS OF CONNECTION

Inside this Edition:

20 YEARS of IWIRC VIRGINIA

THEN, NOW & NEXT

As part of our celebration of IWIRC Virginia's 20th anniversary, we asked our members to reflect on the past, present, and future by answering three simple questions:

- *What were you doing in 2006 when IWIRC Virginia was just getting started?*
- *What's one thing your younger self would never believe about your career today?*
- *Twenty years from now, what do you hope your life looks like?*

The responses were thoughtful, funny, inspiring, and wonderfully personal — and they tell the story of the incredible community we have built over the last two decades. Here's what our members had to say:

HON. REBECCA CONNELLY

Then: My son was 10 and my daughter 8. I lived in Lexington. In 2006 I was a chapter 13 trustee still suffering from PTSD after BAPCPA went into effect on October 17, 2005. I had a staff of 6 full time employees and a part time staff attorney. There was no such thing as remote hearings or remote 341 meetings. And VAWB had only started accepting electronic filings about a year previously (October 2004). We sent faxes, used cassette tapes to record 341 meetings, wrote paper checks, and used paper road maps or atlases for driving directions. We had land lines and sometimes used answering services.

Now: My younger self never ever foresaw that I would be a bankruptcy judge, living in Charlottesville (Albemarle County) and chair of the Bankruptcy Rules Committee (part of the US Judicial Conference Advisory Committee on the Federal Rules of Bankruptcy Procedure).

NISHA PATEL

Then: I spent the summer of 2006 studying abroad in the University of London and then took a trip to Cyprus and Egypt with extended family.

Now: My younger self would never believe that I got into bankruptcy practice – or that I would regularly find myself in a room with all-female professionals.

Next: By 2046, I hope that Ryan and I are both taking advantage of our empty nest to travel more.

HON. KEVIN HUENNEKENS

Then: I became a bankruptcy judge in 2006 .

Next: I hope to still be a member of IWIRC in 2046.

HANNAH HUTMAN

Then: I graduated from William and Mary in 2006 and went to work in Dayton, Ohio. I was a young bankruptcy and restructuring associate at a mid-size firm and the "new" post BAPCPA 2005 Code was so novel and scary to the older attorneys!

Now: My career today is truly what my younger self aspired for, so I guess she may not believe that I actually pulled it off!

Next: This is hard, there isn't much I would change, except maybe figuring out how to do to the work and make the money without having to enter my time!

KELLY BARNHART

Then: I was two years into my legal career and beginning to feel a bit more comfortable practicing in the bankruptcy courts and I was finally getting to handle my own cases and serving as second chair on Chapter 11 matters — diving into first day motions and finding my footing in the courtroom. It was an exciting, formative time: everything felt new but also a little nerve-wracking.

Now: That I went from associate to a partner, to a firm owner, and then, in what seems to be a big leap/change of pace, a chapter 12/13 trustee.

Next: Continue to open doors for young attorneys just starting out the way those doors were opened for me; I will always be appreciative of the chance/opportunity I was given and believe in paying it forward and I hope to continue finding ways to serve the legal community and the public and give back to the profession that has given me so much.

RACHEL GREENLEAF

Then: I was busy causing just enough mischief & mayhem at my all women's college, while somehow managing to be the top scorer on our field hockey team that season.

Now: Younger me had a much different idea of what success looked like, but I think she would be okay with how things have turned out so far.

Next: Surrounded by enough rescue cats and dogs that I'm probably on some kind of watch list.

Recent Developments

New Cases You Need to Know.

***Goddard v. Burnett*, Case No. 25-1303, 2026 WL 1140872, 2026 U.S. App. LEXIS 12406 (4th Cir. Apr. 28, 2026)**: The above-median debtor owned three luxury vehicles, all purchased within 32 months before filing: a 2015 Chevrolet Corvette, a 2021 GMC Sierra 1500, and a 2022 Genesis G70, with monthly payments totaling approximately $3,060. Of the debtor's $84,700 in unsecured debt, over $35,000 in personal loans taken out around the time he purchased the vehicles.

The debtor proposed a Chapter 13 plan that would pay off the secured loans on the vehicles while paying unsecured creditors only 7.7% of their claims, leaving him with unencumbered ownership of the vehicles and discharging over $78,000 in unsecured debt. Although the plan satisfied § 1325(b)'s disposable income requirement, the bankruptcy court denied confirmation as not proposed in good faith as required by § 1325(a)(3).

On appeal, the Fourth Circuit affirmed, holding that compliance with § 1325(b) does not preclude a good-faith inquiry under § 1325(a)(3). Even though the debtor contributed all of his disposable income as statutorily required, the bankruptcy court did not clearly err in finding that the plan was not proposed in good faith. Evidence of lack of bad faith included the debtor's use of prepetition unsecured loans, which would be mostly discharged, to finance his purchase of the luxury vehicles.

***Cook v. Chapter 13 Tr. (In re Chapter 13 Tr.)*, 172 F.4th 420 (4th Cir. 2026):** The bankruptcy court denied confirmation of the debtor's first three proposed Chapter 13 plans for failure to meet the good faith requirement and liquidation test.. Over the debtor's objection, the bankruptcy court confirmed the debtor's fourth proposed plan, which he appealed, arguing that the bankruptcy court should have confirmed the first plan. The district court dismissed the appeal as equitably moot.

The Fourth Circuit reversed, holding that the equitable mootness doctrine did not bar appellate review. Equitable mootness applies when granting relief on appeal is impractical or inequitable. While that may be appropriate in complex bankruptcy cases, the doctrine did not apply to bar review of a Chapter 13 confirmation order, where "[t]here is no egg to unscramble.". Here, effective relief was practical, as the debtor sought only to adjust his plan on a going forward basis.

In *Mac Panel Co. v. Va. Panel Corp.*, 283 F.3d 622, 625 (4th Cir. 2002), the Fourth Circuit adopted the following four-factor test to determine whether the equitable mootness doctrine should apply: (1) whether the appellant sought and obtained a stay; (2) whether the plan or other equitable relief ordered has been substantially consummated; (3) the extent to which the relief requested on appeal would affect the success of the plan or other equitable relief granted; and (4) the extent to which the relief requested on appeal would affect the interests of third parties. Here, the *Mac Panel* factors weighed against equitable mootness: although the debtor did not seek a stay, the plan was not substantially consummated; the requested relief would not affect the plan's success; and the impact on third parties was minimal.

Moving to the merits, the Fourth Circuit found that denial of confirmation of the first plan was not clearly erroneous, as the court had found evidence of lack of good faith by inaccuracies in sworn documents, shifting explanations for expenses, and the debtor's inconsistent testimony.

***Schultz v. The Martin L. Grp., P.C.*, Case No. 1:25-CV-1598 (LMB/IDD), 2026 WL 1081499, 2026 U.S. Dist. LEXIS 88037 (E.D. Va. Apr. 21, 2026):** After the debtor filed Chapter 11 pro se, he retained Martin Law Group ("MLG") as his counsel. MLG filed an employment application but no order approving its application was ever docketed. After the case converted to Chapter 7, MLG filed a fee application for pre-conversion services. The debtor objected to the fees, alleging misconduct and malpractice. The bankruptcy court approved slightly reduced fees. In addition to objections concerning whether the fees related to

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Elder Insolvency on the Rise: Issues Facing Elder, Older & Incapacitated Individuals

On May 12, Hannah Hutman, David Cox, and Malissa Giles (*clockwise from top left*) provided important practical advice for lawyers considering representing elderly or legally incompetent clients.

Stay tuned for IWIRC's next educational program!

Bankruptcy in the Age of AI: Evolving Risks, Responsibilities, and Restructuring Realities

On May 19, **Morgan Mumford**, **Liv Maier**, and Judge Keith Phillips presented to the RBA Bankruptcy Section on the intersection of artificial intelligence and bankruptcy law, discussing practical insights, cautionary tales, and forward-thinking strategies to navigate bankruptcy in an era defined by artificial intelligence.

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necessary and beneficial services, the debtor appealed on the grounds that the bankruptcy court lacked the authority to award fees without an order approving MLG's employment.

On appeal, the district court determined that the bankruptcy court could exercise its equitable discretion to award fees to a bankruptcy professional who had timely filed an employment application and provided necessary and beneficial services for which the bankruptcy court determined that the fees were reasonable. The court limited *David v. King*, 109 F.4th 653 (4th Cir. 2024), to preclude only a former trustee from filing an employment application based on the express language of § 327 and FRBP 2014. The court found no clear error in the award of fees.

***Malloy v. Schelin*, Case No. 3:25CV300-MHL, 2026 WL 825334, 2026 U.S. Dist. LEXIS 63819 (E.D. Va. Mar. 25, 2026):** After modifying the stay to permit the contract buyers to litigate whether they could enforce a land-sale agreement against the debtor, the state court entered final judgment granting specific performance. The contract buyers in turn sought relief from stay in order to enforce the specific performance provision. The bankruptcy court modified the stay for 120 days and the debtor appealed the order modifying the stay. While the appeal was pending, the 120-day period expired without the contract buyers closing on the property. In fact, the contract buyers indicated that they were no longer to purchase the property for a variety of stated reasons. The district court dismissed the appeal as moot, finding that the automatic stay had been reinstated during the pendency of the appeal. As such, the appeal no lingered presented a live controversy and effective relief could not be granted.

***Davis v. St. Amour*, Case No. 7:23-CV-00593-TTC, 2026 WL 820668, 2026 U.S. Dist. LEXIS 63277 (W.D. Va. Mar. 25, 2026), *appeal docketed*, Case No. 26-6484 (4th Cir. Apr. 23, 2026):** The pro se plaintiff filed a § 1983 civil rights claim against various corrections officers and medical staff employed by Wellpath, LLC, at the Western Virginia Regional Jail. Wellpath filed for bankruptcy in the Southern District of Texas in 2004. Its confirmed plan provided an opt-out third-party release for Wellpath employees and agents. The plaintiff did not opt out of the release and argued he did not receive adequate notice of the opt-out requirement.

The district court determined that the defendants were clearly covered by the third-party release, which the debtor acknowledged he did not opt out of. Any challenges to the sufficiency of the notice should be brought before the bankruptcy court, not the district court. And, although not properly before it, the district court indicated the plaintiff would like be unsuccessful as the bankruptcy court found in other instances that the notice provided to claimholders, including incarcerated individuals, to be sufficient. Accordingly, the court dismissed the plaintiff's claims against the released parties.

***Schultz v. Clear Sky Fin., LLC*, No. 1:25-cv-1335 (LMB/IDD), 2026 WL 964293, 2026 U.S. Dist. LEXIS 82464 (E.D. Va. Mar. 20, 2026), *appeal docketed*, Case No. 26-1348 (4th Cir. Mar. 30, 2026):** Pre-petition, the pro se debtor's company got an $850k loan to flip a property in northern Virginia. The debtor later got a $700k loan from Clear Sky to cure the default on the first loan and continue to fund renovations. After defaulting on the Clear Sky loan and filing for bankruptcy, the debtor challenged the validity of the Clear Sky lien and alleged that Clear Sky fraudulently induced him into entering illegal mortgage loans disguised as commercial loans to evade Virginia consumer lending laws.

The Clear Sky loan docs specifically provided that the loans were for business/investment purposes only and not for personal, family, or household use. The bankruptcy court disagreed, finding that the loan was a commercial loan. The debtor did not appeal that determination. Instead, the debtor appealed on various procedural grounds as well as raising an alleged conflict of interest.

The district court dismissed the appeal. First, the court determined that scrivener errors in Clear Sky's notice of removal did not render it defective, as 28 USC § 1447(c) only authorizes remand for defects in removal that violate statutory requirements. The debtor's claims of conflicts of interest were procedurally barred because they were not raised before the bankruptcy

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court. But, even assuming they had, those claims had been denied as meritless when previously decided by the district court on prior appeals.

***In re Andrews*, Case No. 26-50158-RBC, 2026 WL 1459793, 2026 Bankr. LEXIS 1295 (Bankr. W.D. Va. May 22, 2026):** A chapter 7 debtor filed a skeletal petition in the Western District of Virginia. The court issued its standard deficiency order, giving the debtor 14 days to file the missing documents or request a hearing. After the debtor failed to do either, the Court dismissed the case.

The debtor moved to vacate dismissal pursuant to FRBP 60(b)(1), blaming a "disruption of counsel's office software." The court denied the motion to vacate, finding that there was no excusable neglect under *Pioneer Inv. Servs. v. Brunswick Assocs. Ltd. P'ship*, 507 U.S. 380 (1993). The court found that the neglect was not excusable in this case – counsel acknowledged at the hearing that the case had been incorrectly coded by his software as a complete filing, that he knew it was incorrectly coded but failed to address it, that he received the deficiency notice, and that he had all the documents but failed to file them.

The debtor alternatively argued that dismissal of the case on the deficiency notice without further notice or a hearing violated the debtor's due process rights. Judge Connelly squarely rejected the approach taken by the Eastern District of Virginia in response to *No v. Gorman*, 891 F.3d 138 (4th Cir. 2018). Although § 707(a) permits the court to dismiss the case after notice and a hearing, § 102 defines "notice and a hearing" to mean appropriate notice and opportunity for hearing under the circumstances. The court found that the deficiency order provided sufficient notice and opportunity for hearing in that it notified the debtor that (1) the documents that had not been filed, (2) the deadline for filing them, (3) the possible consequence of not filing them (including dismissal), and (4) the procedure to request a hearing on the asserted deficiencies. No further notice or opportunity for hearing was required under the Code and the FRBP.

***In re Piland*, Bankr. W.D. Va. No. 25-50725, 2026 WL 1191199, 2026 Bankr. LEXIS 1092 (Bankr. W.D. Va. Apr. 30, 2026) (Connelly, J.):** The creditor sought FRBP 2004 examinations of the debtor and his non-filing spouse to determine whether the debtor's case should be converted or dismissed for abuse under § 707(b)(1). Section 707(b)(1) applies only to debtors whose debts are "primarily consumer debts." Thus, the bankruptcy court first had to determine whether the debtor had primarily consumer debts as a threshold matter.

The Chapter 7 debtor's Schedule F listed consumer debts totally $140k and Schedule E listed assessed tax liabilities of $157k. The IRS transcripts for two of the tax years indicated that the IRS designated those years' liabilities as uncollectible. The creditor argued that the "uncollectible" tax liabilities should be excluded from the calculation of the total debt, which caused the debtor to have primarily consumer debts.

The bankruptcy court applied a statutory analysis to hold that the "uncollectible" amounts should be included and, as such, the debtor did not have primarily consumer debts. A "consumer debt" is defined by § 101(8) as "debt incurred by an individual primarily for a personal, family, or household purpose." A "debt" is defined under § 101(12) as a "liability on a claim." And a "claim" is defined by § 101(5)(A) as a "right to payment," without reference to collectibility or enforceability.

The designation as "currently not collectible" did not mean that the liability did not exist. Indeed, interest and penalties continued to accrue on these liabilities. Therefore, the bankruptcy court determined that they were "debt" that should be included in the calculation of total debt. Since the debtor's total tax debt exceeded his consumer debt, the debtor did not have primarily consumer debts, rendering § 707(b) inapplicable. As § 707(b) was inapplicable, the court denied the FRBP 2004 exams as lacking merit.

Beyond the Courtroom: *An Afternoon of Art and Conversation*

Blending cultural exploration with professional networking, ***The Art of Perspective*** brought together members of the Virginia and DC Networks for an afternoon of meaningful connection, thoughtful dialogue, and fellowship with Judge Klinette Kindred.

The event began with a private tour of *Making Their Mark: Works from the Shah Garg Collection* at the National Museum of Women in the Arts and concluded with a lively happy hour at Immigrant Food, providing attendees an opportunity to continue conversations in a relaxed and welcoming atmosphere.

MEMORIES THAT Connect

Favorite IWIRC Moments

Over the past twenty years, IWIRC Virginia has been more than a professional network. It has been a source of friendship, mentorship, support, and unforgettable moments. From conferences and cocktails to career milestones and lifelong connections, our members shared the memories that have made this community so special.

One of my favorite IWIRC Virginia memories was of a gathering at Blenheim vineyard in Charlottesville in 2019. It was a lovely weather day and members from around the state gathered for fellowship in Charlottesville shortly after I had bought a house in the area. We gathered over wine while my husband painted closets and bathroom walls before we moved in. One of the most special memories was of the support from IWIRC Virginia upon my selection and investiture. I still wear the robe IWIRC helped to purchase.

- Judge Connelly

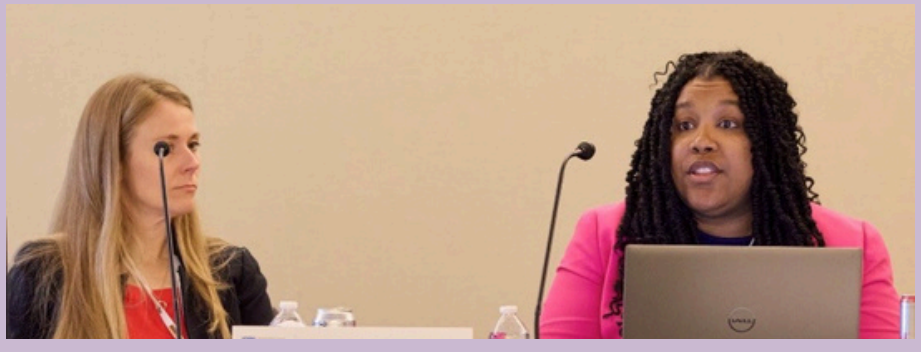
I remember when IWIRC first started in Virginia, and attending events as a new associate, where I found myself in the same room as seasoned attorneys and judges – people I admired and respected, and who I might otherwise never have had the change to interact with. IWIRC has a way of making those connections feel natural and welcoming rather than intimidating. IWIRC has connected me with talented individuals beyond my neck of woods, colleagues I would never have met through my day-today practice and has made a statewide network into something that feels personal.

- Kelly Barnhart

My first IWIRC experience was a "Paint and Sip" event. I had just graduated law school, moved to Richmond, and started clerking for Judge Huennekens. I was struggling to find my footing in a town where I knew almost no one. I sat next to Gus Epps as we painted the James River Bridge over more than a few glasses of wine. That night gave me real hope that I could make Richmond my home. And here I am, almost fifteen years later, finally feeling like I am settling in.

- Rachel Greenleaf

IWIRC Virginia *takes the stage* at ABI Spring Meeting



Five members of the Virginia Network were featured speakers at the 2026 American Bankruptcy Institute Spring Meeting in Washington, D.C. in April.

Counterclockwise from top left: Paula Beran, Judge Elizabeth Gunn, Hannah Hutman, Veronica Brown-Moseley, and Rachel Greenleaf.

Your go-to source for navigating the practical (and sometimes perplexing) realities of insolvency and restructuring.

From courtroom complications to career curveballs to candid conundrums, Miss Reese Truct-Shering offers strategic advice for the situations that show up in your daily practice.

Have a question for Miss Reese? Send it to iwircvirginia@gmail.com *because chances are, if you're wondering about it, someone else is too.*

An older attorney in the office keeps asking me to run "errands" for them and it is starting to make me uncomfortable. Help!

Trust your instincts. If it feels off, it probably is. There's a difference between collegial help and inappropriate delegation. Start by setting polite but firm boundaries: "I'm tied up with billable work. Can I help you with something substantive instead?" If the behavior continues or escalates, document it and consider raising it with a trusted mentor or HR. Professional development should not include personal errands.

I think my client is hiding assets, what should I do?

This is one problem where caution is not optional. You cannot knowingly present false information to the court. Slow down and assess carefully. Ask direct, clarifying questions and give the client an opportunity to correct or explain. If you confirm dishonesty, you may need to counsel the client on disclosure obligations and potential consequences. If the client refuses to comply, withdrawal may be necessary. In some situations, additional ethical duties may be triggered.

Still unsure about what to do? Call the VSB ethics hotline at (804) 775-0564.

Member News

Doug Foley, **Jen McLemore**, and **Brandy Rapp** were named 2026 Virginia Super Lawyers in the practice area of Bankruptcy: Business. **Hannah Hutman** was named a 2026 Virginia Super Lawyer in the area of Creditor-Debtor Rights. **Jen McLemore** recieved the special distinction of being listed in the Top 100 Virginia Super Lawyers.




The Virginia State Bar recognized **Nancy Schlichting** on this year's Pro Bono Honor Roll.

On June 5, at the Virginia Bar Association's 27th Annual Bankruptcy Law Conference:

- **Kelly M. Barnhart** presented *Case Law Update – Recent Developments.*
- **Judge Kevin Huennekens** spoke on *Alternatives to Bankruptcy for Troubled Companies.*

Jen Wuebker serves as the current Chair of the Bankruptcy Section of the Virginia Bar Association.

Hannah Hutman will present at the 2026 ABI Southeast Bankruptcy Workshop on *Cracks in the Market: Subprime Lending Under Pressure*

Mary Balthasar (*left*) was sworn into the Maryland bar.

Nisha Patel was recently appointed as a director on the ABI's Consumer Bankruptcy Committee.

The following members were appointed to the 2026-2027 Board for the Tidewater Bankruptcy Bar Association: **Donna Hall** (President), **Kelly Barnhart** (Secretary), and **Mary Balthasar** (Seminar Committee Chair).

The following members were elected as officers of the Richmond Bar Association, Bankruptcy Section for the 2026-2027 bar year: **Jen McLemore** (Chair), **Rachel Greenleaf** (Chair-Elect), and **Nisha Patel** (Executive Committee).

NOTE *from the* EDITOR

This issue offers an opportunity to reflect on the members and moments that have shaped our network over the past twenty years. The stories in these pages remind us that our greatest strength has always been our community - people willing to lead, mentor, collaborate, and invest in one another.

But anniversaries are not only about looking backward. They are also an opportunity to look ahead. Our world is evolving rapidly, bringing new technologies, challenges, and expectations. As we navigate this changing environment, our relationships will remain essential, not only for professional growth, but for sustaining a sense of connection with the world around us.

In these uncertain times, I hope our network continues to grow, lead with kindness, create space for new and unheard voices, and elevate one another. Here's to the next twenty years.

In solidarity,
Rachel Greenleaf