

**THE ASSOCIATION OF THE BAR  
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**COMMITTEE ON BANKRUPTCY AND CORPORATE REORGANIZATION**

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Senator Hillary Rodham Clinton  
D-New York  
SR-476 Russell Senate Office Building  
Washington, DC 20510-3203

Re: Federal Judicial Appropriations Legislation

Dear Senator Clinton:

We are writing on behalf of the Committee on Bankruptcy and Corporate Reorganization of the Association of the Bar of the City of New York to express our concerns about the fiscal year 2005 budget allocation for the Judiciary presently under consideration by Congress. As described more fully below, we urge you to support full and adequate funding for the federal courts in the fiscal year 2005 budget, and in particular, to support H.R. 4764, the Commerce, Justice, State, the Judiciary, and Related Agencies Appropriations Bill, that would provide a 5.9 percent increase in funding for the federal judiciary for the 2004-2005 fiscal year.

By way of background, our Committee represents the interests of lawyers who practice regularly in the two federal judicial districts that include the City of New York, the United States Bankruptcy Courts for the Southern and Eastern Districts of New York. Our members represent the interests of both debtors and creditors, in business bankruptcy cases of public and private companies and other entities. In particular, our Committee includes many leading members of the business bankruptcy bar. Collectively, we have experience in nearly every major business bankruptcy filed in recent years, in the restructuring of hundreds of millions of dollars in assets and liabilities. Our work on behalf of our clients directly touches the lives and economic well-being of thousands of employees, shareholders, investors, and others in the New York City area and around the country who are affected when a company files for bankruptcy protection.

Full and adequate funding for the federal judiciary has particular consequence for the bankruptcy courts for several reasons. At the outset, the bankruptcy courts are among the busiest courts in the country. Statistics prepared by the Administrative Office of the United States Courts show that in the twelve month period ended June 30, 2004, more than 1.6 million consumer and business bankruptcy cases were filed nationwide, and more than 47,000 bankruptcy cases were filed in the Southern and Eastern Districts of New York. In the four federal judicial districts that

make up New York State, some 72,699 cases were filed in those twelve months. And there is no reason to think that these numbers will decrease in the future.

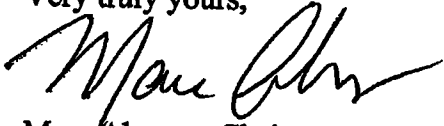
In the large business cases, the availability of efficient and responsive bankruptcy courts permits companies and financial institutions to undertake reorganization efforts that save jobs and preserve value for all interested parties. Business bankruptcy issues are particularly relevant in New York, because so many business bankruptcy cases are filed in our federal courts. As one illustration, more than 3,000 of the 11,048 of the Chapter 11 bankruptcy cases filed in the twelve-month period ended June 30, 2004, were filed in just one district, the Southern District of New York. Recent innovations in the courts, including electronic filing through the Case Management/Electronic Case File System, for example, permit public companies to file for bankruptcy outside of business hours, which may well avoid disruptions to the equity and other capital markets. Two significant examples are the Enron Corp. bankruptcy which was filed on Sunday, December 2, 2001, at 4:56 a.m.; and the WorldCom, Inc. bankruptcy, which was filed on Sunday, July 21, 2002, at 8:55 p.m. Innovations such as electronic case filing, and the administrative staff necessary to support them, will be at risk if courts are not adequately funded. If bankruptcy courts lose adequate funding, then it is not inconceivable that the impact could be felt throughout the capital markets and more generally, in the national economy.

Different, but equally compelling, issues are raised by the substantial number of consumer bankruptcy cases filed in these courts. As the Dow Jones news service recently reported, relying on data collected by the American Bankruptcy Institute, the fraction of households filing for bankruptcy protection nationwide in the last ten years has approximately doubled - there was one bankruptcy filed for every 73 United States households in 2003, compared with one for every 144 households in 1993. In the Southern and Eastern Districts of New York, this translates into more than 43,800 families and individuals making non-business bankruptcy filings in the twelve months ended June 30, 2004. Many of these cases are filed by debtors who are not represented by counsel. As a result, the administrative staffs of our bankruptcy courts must assist thousands of self-represented debtors, many of whom may not speak English as a first language, with the many administrative aspects of their bankruptcy cases. Any decline in funding for administrative personnel would have an immediate, and potentially devastating, impact on the ability of these most vulnerable families and individuals. In recent months, family and individual debtors in these courts have included families who have suffered a loss in income resulting from the September 11 attacks and the war in Iraq. It would be unfortunate indeed if these debtors could not find help at the counter when they come to the bankruptcy court.

We know that you share our pride in the extraordinary work done by the bar and the judiciary in New York's federal courts. The failure to provide minimally adequate funding for the continuation of that work, particularly in these challenging economic times in New York City, would be a grave mistake. Please do not hesitate to contact me if our Committee or the

Association of the Bar of the City of New York may provide you or your staff with additional information about these important issues.

Very truly yours,

A handwritten signature in black ink, appearing to read "Marc Abrams", written in a cursive style.

Marc Abrams, Chair  
Committee on Bankruptcy and Corporate Reorganization

cc: Barbara Berger Opatowsky, Executive Director  
Alan Rothstein, General Counsel  
Molly S. Boast, Chair, Federal Courts