

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF VERMONT**

In re:

**MODIFICATION OF
THE LOCAL RULES OF PRACTICE AND PROCEDURE
IN THE BANKRUPTCY COURT
FOR THE DISTRICT OF VERMONT**

STANDING ORDER # 16-07

**TO ADD LOCAL RULE 1019-1
TO ENLARGE TIME FOR THE CHAPTER 13 TRUSTEE
TO FILE A FINAL REPORT AND ACCOUNT, AND
TO REQUIRE NOTICE OF DISBURSEMENT OF FUNDS,
UPON CONVERSION OF CASE FROM CHAPTER 13
TO CHAPTER 7**

Federal Bankruptcy Rule 1019(5)(B)(ii) provides that following the conversion of a chapter 13 case to a case under chapter 7, the chapter 13 trustee shall file, and transmit to the United States Trustee, a final report and account not later than 30 days following conversion, unless the Court directs otherwise.

At the request of the standing chapter 13 trustee and the Office of the U.S. Trustee, and after due consideration of their rationale, this Court has determined an expansion of the 30-day timeframe is warranted in this District, and to enhance transparency, advance notice of proposed distribution is also warranted, when the chapter 13 trustee is holding funds at the time a notice of conversion is filed.

Therefore, IT IS HEREBY ORDERED that, effective immediately, a new Local Rule, designated as Vt. LBR 1019-1, shall be enacted and read as follows:

**FILING OF THE CHAPTER 13 TRUSTEE'S FINAL REPORT AND ACCOUNT,
AND NOTICE OF TRUSTEE'S PROPOSED REFUND OR
DISBURSEMENT OF FUNDS ON HAND,
UPON CONVERSION OF A CASE FROM CHAPTER 13 TO CHAPTER 7**

- (a) **Filing of Trustee's Final Report and Account after Conversion.** When a chapter 13 case is converted to a case under chapter 7, the chapter 13 trustee shall file, and transmit to the United States Trustee, a final report and account, not later than 60 days after conversion of the case.

(b) **Notice of Refund or Disbursement of Funds on Hand.**

- (1) If the chapter 13 trustee has funds on hand, at the time a notice of conversion of a case from chapter 13 to chapter 7 is filed, then, within 14 days of the conversion, the chapter 13 trustee shall file a “Standing Trustee’s Notice of Refund” (the “Notice”). The Notice shall indicate the amount of the funds the chapter 13 trustee has on hand; the source of those funds, if known; whether those funds were derived from the debtor’s post-petition wages; and to whom the chapter 13 trustee proposes to disburse those funds.
- (2) If the source of the funds on hand was post-petition wages, no further notice is necessary and the chapter 13 trustee may refund those funds to the debtor, as set forth in this Rule.
- (3) If the source of the funds was other than post-petition wages, the chapter 13 trustee shall serve a copy of the Notice on the debtor, the debtor’s attorney, the chapter 7 trustee, and all parties listed on the mailing matrix.

(c) **Objection to Proposed Refund or Disbursement of Funds.** The chapter 7 trustee and any interested parties shall have 7 days within which to file an objection to the proposed refund or disbursement of funds, or otherwise assert a colorable claim to the funds the chapter 13 trustee held as of the time of the conversion.

(d) **Order Authorizing Refund or Disbursement of Funds on Hand.** The chapter 13 trustee shall obtain an order authorizing the refund or disbursement of funds, consistent with the following:

- (1) In the event all funds on hand came from the debtor’s post-petition wages, and no objection was filed within 7 days of the filing of the Notice, the chapter 13 trustee shall promptly disburse the funds on hand to the debtor.
- (2) In the event the funds on hand came, in part or whole, from a source other than the debtor’s post-petition wages, and no objection was filed within 7 days of the service of the Notice, the chapter 13 trustee shall promptly disburse the funds on hand in the manner set forth in the Notice.
- (3) In the event an objection to the Notice is filed, the chapter 13 trustee shall not disburse the funds on hand until the Court enters an order adjudicating the objection and specifying how the funds are to be disbursed.

SO ORDERED.

December 9, 2016
Burlington, Vermont



Colleen A. Brown
United States Bankruptcy Judge