



U.S. Department of Justice

Executive Office for United States Trustees

Office of the Director

Washington, DC 20530

PRESS RELEASE

For Immediate Release

February 15, 2013

U.S. Trustee Program's Settlement with Law Firm Includes Monetary Remedies, Independent Review

WASHINGTON—The U.S. Trustee Program has filed in bankruptcy court a national settlement with law firm Kaye Scholer LLP in the bankruptcy case of GSC Group, Inc. If approved by the Bankruptcy Court for the Southern District of New York, the proposed settlement will resolve the U.S. Trustee's allegations that Kaye Scholer failed to make accurate and complete disclosures in the case. In particular, the U.S. Trustee alleged that Kaye Scholer filed inaccurate documents about its retention as counsel to the chapter 11 debtor.

Under the proposed settlement, Kaye Scholer will pay \$1.5 million; adopt policies and procedures approved by an independent expert to ensure the accuracy and completeness of disclosure, including checks for conflicts of interest and assurance that attorneys review documents filed in their name; establish a special compliance review committee to certify under penalty of perjury the law firm's continuing compliance; and provide training to its attorneys and other staff to ensure the accuracy and completeness of documents it files in bankruptcy court.

If approved by the bankruptcy court, the settlement will mark the first time the U.S. Trustee Program has obtained relief that includes an independent expert's review of a law firm's practices.

"Leading law firms are not above the bankruptcy rules of disclosure and other professional obligations, and this agreement shows that violations will be addressed transparently and appropriately," stated Clifford J. White III, Director of the Executive Office for U.S. Trustees. "I am pleased that Kaye Scholer has agreed to monetary remedies and independent review of its practices, so that the practices of the law firm, from senior partners on down, will be improved in the future."

Director White noted that "the relief provided in this settlement, in conjunction with relief agreed to by financial adviser Capstone Advisory Group LLC in this same case, should cause all professionals in the bankruptcy system to review their own internal practices. Professionals in large bankruptcy cases are paid extraordinary sums of money, and failing to follow the rules pertaining to disclosure of possible conflicts of interest and related matters is not acceptable."

Director White also commended U.S. Trustee Tracy Hope Davis for bringing the original action in the bankruptcy court in Manhattan, as well as attorneys who worked on the case, including Trial Attorney Andrea Schwartz of the U.S. Trustee's Office in Manhattan and Trial Attorney Carole Ryczek of the U.S. Trustee's Office in Madison, Wis.

The case is *In re GSC Group Inc.*, U.S. Bankruptcy Court, Southern District of New York, No. 10-14653.

Contact: Jane Limprecht, Public Information Officer
Executive Office for U.S. Trustees, (202) 305-7411

[End]