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6 **UNITED STATES BANKRUPTCY COURT**
7 **DISTRICT OF ARIZONA**

8 In the matter of:

9 CHAPTER 7 ATTORNEY
10 REQUIREMENTS

**SECOND AMENDED GENERAL
ORDER 25-2**

11
12 This Second Amended General Order 25-2 supplements, provides for comments, and
13 extends the Effective Date of General Order 25-2 as follows:

14 1. General Orders dated and filed August 1, 2018, and December 1, 2022, adopted the current
15 version of Local Rules of Bankruptcy Procedure for the United States Bankruptcy Court for
the District of Arizona (hereinafter referred to as the Local Bankruptcy Rules); and

16 2. Local Bankruptcy Rule 9029-1(d) authorizes the Court, upon determining that an
17 immediate need exists, to implement an amendment – including a technical, clarifying, or
18 conforming amendment – without prior notice or comment by the bar or the public, with such
19 amendment adopted under this subsection to thereafter be circulated for comment and
reevaluated by the Local Rules of Bankruptcy Procedure Advisory Committee and the Court
in accordance with the procedures set forth in subsection (c) of that Rule; and

20 3. 28 U.S.C. §§ 2071 and 2077, Rule 9029 of the Federal Rules of Bankruptcy Procedure
21 (the “FRBP”), and Rule 83 of the Federal Rules of Civil Procedure (the “FRCP”) authorize
22 this Court to prescribe and implement Local Rules of Bankruptcy procedure, including issuing
general orders, not inconsistent with FRBP; and

23 4. Local Bankruptcy Rule 9010-1(a) requires any attorney representing a debtor to comply
24 with the Bankruptcy Code, the FRBP, the Local Bankruptcy Rules, and the Arizona Rules of
25 Professional Conduct; and Local Bankruptcy Rule 9010-1(c) further provides that an attorney
26 who files a debtor’s bankruptcy petition, or who files a notice of appearance on a debtor’s
27 behalf, must represent the debtor in all matters, other than adversary proceedings, until the
28 case is closed or the Court enters an order approving withdrawal or substitution of counsel;
and

1 5. 11 U.S.C. §§ 526-528 authorize the Court to review the conduct of debtor's counsel for
2 compliance with the Bankruptcy Code, including, without limitation, ensuring that:
3 (1) counsel performs all services agreed to be provided in connection with the case; (2) any
4 waiver by the debtor of any protections or rights afforded by the Code is unenforceable against
5 the debtor but may be enforced against counsel; (3) any contract between the debtor and
6 counsel complies with the requirements of §§ 527 and 528, or is otherwise void and
7 unenforceable; (4) counsel provide the disclosures and information required by § 527; and
8 (5) counsel timely executes and provides the debtor with a written contract that clearly and
9 conspicuously explains all the services to be provided, the fees and charges, and the terms of
10 payment; and

11 6. 11 U.S.C. § 329 authorizes the Court, whether or not counsel seeks compensation, to
12 require the filing of a statement disclosing any compensation paid or agreed to be paid to
13 counsel for services rendered in contemplation of or in connection with the case, if such
14 payment was made within one year before the filing of the petition, including the source of
15 such compensation, and further authorizes the Court to cancel any agreement or order the
16 return of any payment to the estate or to the payor to the extent that the compensation exceeds
17 the reasonable value of the services provided; and

18 7. Rule 2016(b), FRBP, requires that within 14 days after the filing of a bankruptcy petition,
19 every debtor's counsel, whether or not seeking compensation, must file a statement as
20 required by § 329, and must file a supplemental statement within 14 days after any payment
21 or agreement to pay not previously disclosed; and

22 8. Rule 2017, FRBP, authorizes the Court to determine whether any direct or indirect payment
23 or transfer of money or property to an attorney for services rendered or to be rendered in
24 connection with the case was excessive, whether made in contemplation of a bankruptcy filing
25 or after the filing of the petition, and regardless of whether such payment, transfer, or
26 agreement is made directly or indirectly; and

27 9. Historically, debtor's counsel in chapter 7 cases obtained full payment of the anticipated
28 cost of representation before the filing of the bankruptcy petition, whether based on a flat fee
or an estimate of hourly fees, and such prepetition retainer agreements typically encompassed
all services expected to be rendered by counsel during the administration of the case; and

10. § 727(b) permits a Chapter 7 debtor to discharge debts that arose before the filing of the
petition, and if debtor's counsel contracts in a prepetition retainer agreement to provide post-
petition services with the expectation of enforcing payment under the prepetition agreement,
such enforcement may violate § 524(a)(2)(prohibiting the commencement or continuation of
any action to collect a debt that has been discharged under § 727); *see also In re Biggar*, 110
F.3d 685 (9th Cir. 1997); and

11. Some prospective debtors lack sufficient funds to pay the full cost of legal services
necessary to prosecute a Chapter 7 bankruptcy case, including paying the filing fee, before
the chapter 7 bankruptcy petition is filed; in response, counsel developed bifurcated fee

1 agreements, under which debtors pay only the filing fee and little or no upfront amount for
2 the Chapter 7 petition, and are informed that after filing they may either retain their current
3 counsel under a separate post-petition retainer agreement, hire different counsel, or proceed
4 without counsel and represent themselves; and

5 12. Arizona Supreme Court Rule 42, of the Rules of Professional Conduct at ER 1.5(b),
6 requires that the scope of representation and the basis or rate of the fee and any client-
7 responsible expenses be communicated to the client in writing, either before or within a
8 reasonable time after commencing representation, and further requires that any changes to the
9 basis or rate of the fee or expenses be communicated in writing before the client incurs charges
10 at the higher rates; and

11 13. In the Court's view, consistent with the Arizona Rules of Professional Conduct and the
12 disclosure requirements in §§ 526 and 527, debtors must execute a separate post-petition
13 agreement for legal services to be rendered and paid from the debtor's post-petition earnings,
14 and any such agreement must clearly inform the debtor that the resulting obligation is not
15 dischargeable in the pending chapter 7 case, because it arises from a distinct post-petition
16 obligation rather than from any prepetition contractual duty, and therefore is not subject to
17 discharge under § 727(b); and

18 14. In the Court's view, to allow counsel to be compensated post-petition from the debtor's
19 post-petition earnings without violating the discharge injunction, to ensure debtors are fully
20 informed of the legal services to be provided, to provide written disclosure of such services,
21 and to ensure compliance with 11 U.S.C. §§ 526 and 527, debtors must execute two separate
22 agreements: one for prepetition legal services and a second for post-petition services, with the
23 post-petition agreement signed after the date of the order for relief to ensure its enforceability
24 and that the resulting obligation is not subject to discharge; and

25 15. Fees charged for both pre- and post-petition services must be reasonable, the terms of the
26 agreements must be disclosed in accordance with Rule 2016, FRBP, and counsel may be
27 required to file supplemental disclosures under subsection (b)(2) of this Rule after the petition
28 is filed; additional requirements may arise under § 329 and Rule 2017, FRBP, including the
potential obligation for counsel to file contemporaneous time records or other documentation
detailing the time and costs incurred and amounts paid or agreed to be paid, in order to
establish the reasonableness of the fees considering the services provided; and

16. Some counsel attempt to limit post-petition legal services by requiring debtors to agree to
pay separate amounts from their post-petition earnings for each service, based either on
counsel's flat fees or on hourly rates for the provision of those services; and

17. Bifurcated fee agreements may lead debtors to forgo counsel for reasonably anticipated
post-petition legal services due to the additional costs because counsel want to be
compensated on a per-service basis, resulting in debtors appearing pro se in bankruptcy court
proceedings and contested matters, even though they were represented at the time the Chapter
7 petition was filed, a situation that conflicts with Local Bankruptcy Rule 9010-1(c)(1); and

1 18. Some debtors may not be informed that, under the current version of Local Bankruptcy
2 Rule 9010-1, counsel who file a debtor's bankruptcy petition are obligated to provide all legal
3 services necessary for the administration of the case, excluding certain adversary proceedings,
4 regardless of the terms of any pre- or post-petition fee agreement, unless the Court permits
counsel to withdraw or substitutes counsel; and

5 19. Some of the retention agreements used by debtors' counsel are not clear and conspicuous,
6 and the Court believes that counsel attaching a copy of General Order 25-2 to retention
7 agreements would foster more transparency and better inform debtors of their rights and of
counsel's duties; and

8 20. The Court has observed that debtors who enter bifurcated fee arrangements and agree to
9 pay from their post-petition earnings for legal services often pay more than debtors who pay
10 the full amount for the same services at the outset of counsel's representation; and

11 21. Some counsel use factoring agents or third-party lenders to finance Chapter 7 cases,
12 raising concerns regarding: (1) the reasonableness of the total fees charged; and (2) the
13 adequacy of disclosure of the financial arrangements, including the difference between the
14 amount the debtor agrees to pay the factor for counsel's representation and the amount the
15 factor agrees to pay counsel, the full disclosure of all fees and charges imposed on the debtor
under any factoring agreement as required by §§ 526–528, and the consequences that should
be imposed on counsel if such disclosures are deemed inadequate; and

16 22. Some factoring agreements attempt to characterize the funds advanced by the factor to
17 counsel as a loan from the factor to the debtor, creating an apparent borrower-lender
18 relationship with the debtor promising to pay the factor directly, even though the debtor never
met with or agreed to borrow funds from the factor and no funds were ever actually loaned to
the debtor by the factor; and

19 23. Prior to 2018, a Local Rules of Bankruptcy Procedure Advisory Committee (the
20 "Committee") was formed and appointed by the Chief Judge, and the Committee, among
21 other responsibilities, reviewed and approved the promulgation of Rights and Responsibilities
22 Agreements ("RARAs") – detailing the duties of counsel to Chapter 7 debtors and the duties
23 of debtors in Chapter 7 cases – as a new Local Bankruptcy Rule in the District of Arizona;
and

24 24. The Committee-approved RARAs included, among other provisions (1) a Mandatory
25 Attorney Declaration (Counsel must file a signed declaration within seven days of case
26 commencement attesting that specified non-delegable duties were personally performed
27 before filing); (2) Pre-Filing Attorney Duties (Counsel must personally meet with the debtor
28 before accepting fees or filing, review the debtor's financial situation, and explain bankruptcy
and non-bankruptcy options, chapter consequences, fee arrangements, ethical fee standards,
discharge of unpaid prepetition fees, limits on withdrawal for nonpayment, and counsel's
obligation to continue representation); (3) Required Debtor Advisements (Counsel must

1 advise the debtor regarding disclosure obligations, exemptions, prepetition transfers and
2 debts, nondischargeable debts, creditor scheduling, pre-bankruptcy planning, credit
3 counseling and financial management requirements, trustee cooperation and §341 meeting
4 obligations, tax filing and payment duties, and insurance requirements); (4) Document
5 Review and Filing Responsibilities (Counsel must obtain and review all necessary documents,
6 advise of risks if documents are unavailable, retain records per ethical rules, review completed
7 filings with the debtor, ensure signatures under oath, protect personally identifiable
8 information, timely file accurate documents, and provide the debtor copies of all filings;
9 (5) Post-Filing Non-Delegable Duties (Counsel must attend §341 meetings (or arrange
10 permitted substitute counsel), advise on trustee requests and turnover duties, and represent
11 the debtor through closure of the administrative case); (6) Scope of Ongoing Representation
(Representation includes docket monitoring, creditor and trustee communications,
amendments, reaffirmation matters and hearings, defense of objections, assistance with
document requests and Rule 2004 exams, and advising the debtor of continuing obligations
after discharge); and (7) Fees and Withdrawal Limitations (Limited additional fees are
permitted in specific circumstances (e.g., continued §341 meetings or debtor-caused
amendments), but nonpayment generally does not justify withdrawal; and

12 25. The bankruptcy bench in the District of Arizona, in 2018–2019, elected not to adopt the
13 RARAs proposed by the Committee and described above, concluding that the enactment of
14 Local Bankruptcy Rule 9010-1 alone should be sufficient to inform practitioners of their
duties and responsibilities to Chapter 7 debtors; and

15 26. The District of Arizona has observed: (1) violations of Local Bankruptcy Rule 9010-1;
16 (2) widespread use of bifurcated fee agreements by counsel, including failure in some cases
17 to utilize written post-petition fee agreements; (3) attempts by counsel to limit their duties
18 and responsibilities in contravention of Local Bankruptcy Rule 9010-1; (4) charges exceeding
the amounts disclosed in the filings made with the petition and schedules; and (5) inadequate
compliance by counsel with §§ 526–528 and Rules 2016 and 2017, FRBP; and

19 27. General Order 25-2 implements limited, specific technical, clarifying, and conforming
20 changes to the Local Bankruptcy Rules without including all prior Committee-approved
21 requirements for counsel under the RARAs, and requires only that counsel: (1) perform a
22 defined list of minimum pre- and post-petition services and obtain the debtor’s execution of
23 a written fee agreement detailing these services in compliance with §§ 526–528 and Rule
24 2016, FRBP; (2) perform a defined list of post-petition services and obtain execution of a
25 separate post-petition fee agreement in compliance with §§ 526–528 and Rules 2016–2017,
26 FRBP, if counsel intends to be compensated from the debtor’s post-petition earnings and
asserts such fees are not dischargeable; and (3) file a copy of the written fee agreement(s) at
the outset of the case and provide supplemental disclosures consistent with the Code and
Rules.

27 Based upon the foregoing,

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1 IT IS ORDERED that:

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- 3 1. Written comments regarding Second Amended General Order 25-2 and the
- 4 attached Chapter 7 Attorney Requirements may be submitted to the Court on or
- 5 before February 20, 2026, no later than 5:00 p.m.;
- 6 2. If after reviewing submitted comments, the Court determines further input would
- 7 be helpful, the Court will set a time and place to permit discussion on matters raised
- 8 by the written materials received; and
- 9 3. Absent further Court directive, Second Amended General Order 25-2, and the
- 10 attached Chapter 7 Attorney Requirements, shall take effect on March 31, 2026,
- 11 and shall govern all bankruptcy cases and proceedings commenced or converted to
- 12 Chapter 7 thereafter.

13 IT IS FURTHER ORDERED that the Clerk shall post a copy of this Order in the


14 Clerk's office and on the Court's website at www.azb.uscourts.gov, indicating that copies

15 shall be made available upon request.

16 DATED and FILED this 28th day of January, 2026.

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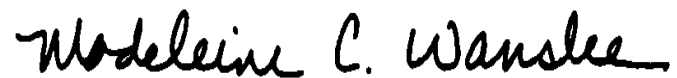
18 Honorable Eddward P. Ballinger, Jr., Chief Judge

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20 Honorable Daniel P. Collins

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22 Honorable Brenda Moody Whinery

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24 Honorable Madeleine C. Wanslee

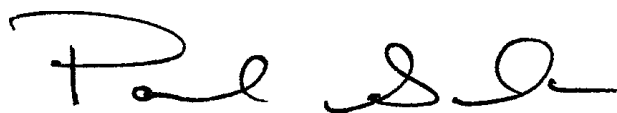
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26 Honorable Brenda K. Martin

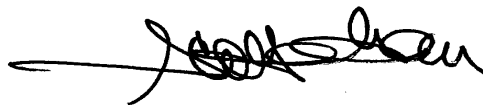
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Honorable Paul Sala



Honorable Scott H. Gan

Chapter 7 Attorney Requirements

(a) Initial Disclosures. Counsel's initial disclosure of attorney compensation (the "Initial Disclosure") must identify the terms and total amount of compensation to be paid to the attorney representing the debtor. Counsel's retention agreement(s) are to be attached to counsel's Initial Disclosure.

(b) Minimum Required Services. Unless otherwise ordered by the Court, attorneys who file a voluntary chapter 7 case in this district must provide the following legal services pertaining to the debtor's bankruptcy case (the "Minimum Required Services"):

- (1) Reviewing financial documents and information;
- (2) Consulting, planning and advising, including office visits, email and telephone communications regarding the Minimum Required Services;
- (3) Providing advice regarding pre-filing credit counseling;
- (4) Preparing/filing the bankruptcy petition, statement of social security number, schedules and summary of assets and liabilities, statement of financial affairs, statement of intention, means test forms, payment advice declaration, master mailing list, and declaration re: electronic filing;
- (5) Preparing/filing amendments to the petition, schedules, and statements, if appropriate;
- (6) Preparing/filing an application for a waiver of the filing fee or to pay the filing fee in installments, if appropriate;
- (7) Preparing/filing bankruptcy notice(s) in state court actions, if applicable;
- (8) Appearing at the §341 meeting of creditors and continued meetings;
- (9) Assisting debtors in fulfilling their obligations under Local Rule 2003-2, including completing Local Form 2003-2(a)(2), and responding to requests from the Chapter 7 trustee;
- (10) Preparing/filing motions to vacate a dismissal order, provided the dismissal order was not caused by the debtor's action or inaction;
- (11) Preparing/filing motions to extend the stay, if appropriate, and attending related hearings;
- (12) Preparing/filing reaffirmation agreements, if appropriate, and attending related hearings;

- (13) Responding to non-adversary proceeding creditor motions and objections, and attending related hearings if the debtor objects to the motion;
- (14) Responding to motions for stay relief, and attending related hearings if the debtor objects to the motion;
- (15) Responding to motions for turnover, and attending related hearings if the debtor objects to the motion;
- (16) Preparing/filing redemption motions, if appropriate, and attending related hearings;
- (17) Preparing/filing § 522(f) lien avoidance motions, if appropriate, and attending related hearings;
- (18) Preparing/filing motions for abandonment, if appropriate, and attending related hearings;
- (19) Responding to objections to claimed exemptions, and attending related hearings if the debtor objects to the motion;
- (20) Drafting and mailing any necessary correspondence;
- (21) Filing debtor changes of address; and
- (22) Providing advice regarding the need to obtain and, if necessary, filing a post-filing education course certificate.

(c) Bifurcated Fee Agreements for Minimum Required Services. A Chapter 7 debtor and counsel may agree to bifurcate counsel's services and debtor's payment obligations for the Minimum Required Services into pre-petition and post-petition agreements only as follows:

- (1) Counsel and the debtor must enter into a pre-petition agreement that provides, at a minimum, that counsel shall provide the services identified in paragraph (b)(1) through (12) of this General Order;
- (2) Counsel and the debtor must enter into a post-petition agreement under which counsel shall provide all of the Minimum Required Services not included in the pre-petition agreement.
- (3) The post-petition agreement must be:
 - (A) Signed by the debtor and counsel post-petition;
 - (B) Filed with the Court; and,

(C) Disclosed under 11 U.S.C. § 329 and Fed. R. Bankr. P. 2016(b).

(4) The pre-petition and post-petition agreements are subject to Court review for reasonableness, including with regard to the reasonableness of the allocation of counsel's fees to pre-petition and post-petition services.

(5) Notwithstanding the terms of any pre-petition agreement limiting counsel's responsibilities, counsel shall timely provide all of the Minimum Required Services until the Court enters an order, after hearing and for cause, excusing such performance or authorizing counsel to withdraw.

(d) Other Post-Petition Fee Agreements. The debtor and debtor's counsel may agree to separate post-petition fee agreements for legal services in a Chapter 7 bankruptcy case that are not included in the Minimum Required Services. All such agreements must be filed with the Court, disclosed under 11 U.S.C. § 329 and Fed. R. Bankr. P. 2016(b), and are subject to Court review for reasonableness.

(e) Third-Party Financing. In any case involving agreements with third parties for financing or factoring of fees earned or to be earned in a Chapter 7 bankruptcy case, debtor's counsel must attach signed copies of any such financing or security agreement(s) to: (i) counsel's Initial Disclosure; or, (ii) a separate notice filed with the Court within ten business days of such financing or security agreements being entered into. This General Order does not pertain to the general financing of an attorney's assets or law practice.

(f) Duty to Supplement Disclosure. Counsel must timely file any supplemental statements required by Fed. R. Bankr. P. 2016(b)(2) and attach a copy of all related compensation agreement(s) to such statements.

(g) Notice to Debtors. Counsel shall provide a copy of General Order 25-2 to all potential debtor clients within twenty-four (24) hours of entering into any fee agreement. Failure to timely provide a copy of this General Order may result in the voiding of a fee agreement and an order to disgorge all fees received.