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11th Circuit Affirms the Denial of a Motion to Amend Bankruptcy Claims Post-Confirmation in the Winn-Dixie Stores Bankruptcy Cases

The Eleventh Circuit Court of Appeals affirmed a district court decision (which had, in turn, affirmed a bankruptcy court decision) sustaining the debtors' (Winn-Dixie Stores, Inc. et al.) objections to the appellants' (IRT Partners, L.P. and Equity One, Inc.) attempt to amend their claims post-confirmation of the debtors' plan of reorganization. You can read the court's full opinion and download a copy of it from our blog: <http://blog.ch11cases.com/2011/06/read-11th-circuits-opinion-affirming.html>

The claims arose in connection with Winn-Dixie's rejection of leases with the appellants during its chapter 11 cases. The appellants filed proofs of claim for rejection damages, which the debtors subsequently successfully sought to have reduced (without objection, appearance, or appeal by appellants). IRT Partners, L.P.'s original claim was for \$20,364.24 and was reduced to \$11,636.71; Equity One, Inc.'s original claim was for \$87,498.59 and was reduced to \$16,913.96.

On November 9, 2006, the bankruptcy court entered an order confirming Winn-Dixie's plan of reorganization. Neither appellant objected to the plan of reorganization. The plan provided for unsecured claims (including the claims of the appellants) to be paid by the distribution of new Winn-Dixie common stock, and Winn-Dixie made distributions to the appellants on December 22, 2006, and January 9, 2007.

On January 5, 2007, each appellant filed an amended proof of claim which included the reduced original claim amount and also sought additional claims for rejection damages. The new claim amounts for IRT Partners, L.P. and Equity One, Inc. were \$185,244.67 and \$878,478.41, respectively. Winn-Dixie objected to the attempted amendments and the bankruptcy court sustained the objection on the basis that the doctrine of *res judicata* barred the amended claims.

The district court affirmed the bankruptcy court's decision and agreed that the legal issue on appeal was the *res judicata* effect of Winn-Dixie's confirmed reorganization plan. The appellants argued that "this framing of the issue was a mistake of law, and that the correct legal question was under what conditions amendments to claims should be allowed under *In re International Horizons, Inc.*, 751 F.2d 1213 (11th Cir. 1985)."

The Eleventh Circuit agreed with both the bankruptcy court and the district court. It held: "The question in this case is not when a claim may be amended in the general case – for which *International Horizons* provides a test – but rather whether a confirmed reorganization plan precludes subsequent efforts to amend prior claims – an issue not addressed by *International Horizons* because it did not involve an attempt to amend a claim post-confirmation." The court further stated that "post-confirmation amendment – while not prohibited – is not favored, and only the most compelling circumstances justify it." The court found no compelling circumstances justifying the amendments in the facts of this case.