

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

TRANSMITTAL SHEET FOR OPINIONS FOR POSTING

<i>Will this opinion be published?</i>	No
<i>Bankruptcy Caption:</i>	In re John J. Reilly and Anne H. Reilly
<i>Bankruptcy No.:</i>	23bk11753
<i>Adversary Caption:</i>	Charles Barkley v. John J. Reilly and Anne H. Reilly
<i>Adversary No.:</i>	24ap00184
<i>Date of Issuance:</i>	August 26, 2025
<i>Judge:</i>	Deborah L. Thorne
<u><i>Appearances:</i></u>	
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Summary:

Plaintiff filed an adversary proceeding seeking to deny the debtors' discharge under 11 U.S.C. §§ 727(a)(2)(A), (a)(4)(A) and (a)(5). HELD: The debtors' numerous false statements and omissions were sufficient to support a finding of fraudulent intent under § 727(a)(4), and under that section the discharge will be denied.

United States Bankruptcy Court, Northern District of Illinois

JUDGE	Deborah L. Thorne	Case No.	23-11753
DATE	August 26, 2025	Adversary No.	24-00184
CASE TITLE	Charles Barkley v. John J Reilly and Anne H. Reilly		
TITLE OF ORDER	Judgment Order		

STATEMENT

This matter comes to be heard on the adversary complaint filed by Charles Barkley against John J. Reilly and Anne H. Reilly (“Debtors”) seeking an order denying the discharge of both debtors under 11 U.S.C. §§ 727(a)(2)(A), (a)(4)(A) and (a)(5). A trial was held on August 5, 2025. After reviewing the testimony, admitted exhibits and arguments, the court denies the discharge of both debtors under 11 U.S.C. § 727(a)(4)(A).

I. Background

The case arises out of a failed business enterprise owned by John Reilly. John and his wife, Dr. Anne Reilly, executed a note in 2018 in favor of Charles Barkley to finance the business.¹ The Reillys failed to repay the note. After litigation in the Circuit Court of Cook County a judgment was entered in favor of Barkley on April 9, 2021. (Plaintiff’s Exh. 8².)

It is not disputed that shortly after the entry of the judgment, in May 2021, Barkley served the Reillys with citations to discover assets and over the next two years discovery continued, until an order for turnover (the “Turnover Order”) was entered by the Circuit Court on July 25, 2023. (Adv. Dkt. No. 24, ¶ 20-21; Plaintiff’s Ex. 10³.) The Turnover Order required the Reillys to turnover various assets to Barkley including monies in the amount of \$29,976, a BMW automobile,

¹ Anne signed the note individually and as the Trustee of the Anne H. Reilly Year 2000 Revocable Trust.

² Cited exhibits were admitted at trial on August 5, 2025. Citations to docket entries refer to the adversary proceeding (“Adv. Dkt.”), Case No. 24-00184, or the bankruptcy case (“Bankr. Dkt.”), Case No. 23-11753.

³ Exhibit 10 was not admitted for the truth of the matter asserted, but the Reillys testified that they were familiar with the existence of the Turnover Order and were familiar with its contents.

a \$15,000 cashier's check, Allianz payments, \$46,967.09 received from John's sister's estate, and what the order referred to as "loan" proceeds of \$21,700. The Turnover Order apparently triggered the Reillys' voluntary chapter 7 petition.

During the Bankruptcy Court trial, additional transfers were testified to or put into evidence, all of which were made during the one year prior to the voluntary petition.⁴ John testified that he transferred \$10,000 to Dr. Reilly's mother, Lynne Huedepohl, through a check dated December 26, 2022. On or about November 29, 2022, John transferred two checks to Transamerica, each in the amount of \$12,500 to pay a portion of a loan Dr. Reilly had taken from her Transamerica pension plan.

Dr. Reilly testified that she transferred funds to her daughters, including six checks in February 2022 in the amount of \$1,000 each to "clear out accounts" that she believed Barkley would freeze. (Plaintiff's Exh. 11.) She also transferred an additional \$9,000 in February 2022 to her daughters for tuition, groceries, and other specific purposes she could not recall. *Id.* She testified that she never expected these transfers would be repaid and that she believed she was fulfilling her duty as a parent to help her adult daughters. Dr. Reilly did not disclose these transfers, which were clearly gifts, on her Statement of Financial Affairs ("SOFA"). (Bankr. Dkt. No. 17; Plaintiff's Exh. 5.) In fact, she stated that there were no gifts at all over the value of \$600.

The Reillys filed a voluntary chapter 7 petition on September 5, 2023, shortly after the Turnover Order was entered. (Bankr. Dkt. No. 1.) The Reillys filed their schedules and SOFA on September 15, 2023, and the Reillys signed the SOFA, certifying the following:

⁴ John testified to receiving an inheritance in the approximate amount of \$600,000; it was unclear when he received it. But based on John's testimony, it's apparent that it was the source of funds of certain transfers made by John. If it was received during the two years prior to the petition date, it should have been disclosed in the answer to Part 2, question 5. Whenever it was received, it was not disclosed at all.

I have read the answers on this Statement of Financial Affairs and any attachments, and I declare under penalty of perjury that the answers are true and correct. I understand that making a false statement, concealing property, or obtaining money or property by fraud in connection with a bankruptcy case can result in fines up to \$250,000, or imprisonment for up to 20 years, or both. 18 U.S.C. §§ 152, 1341, 1519, and 3571.

(Bankr. Dkt. No. 17 p. 13.) The schedules were amended several times, but the SOFA was not.

The schedules revealed that fourteen unsecured, undisputed, and nonpriority creditors were owed a total amount of approximately \$6.5 million. The SOFA failed to list at least the following:

- Transfers to daughters in the gross amount of \$15,000;
- Transfer to Transamerica in the amount of \$25,000; and
- Transfer to Lynn Huedepohl in the amount of \$10,000.

The Reillys are well-educated professionals⁵, and each signed the SOFAs indicating that they were making the answers truthfully and under penalty of perjury. Although the Reillys did not employ counsel for the lawsuit in the Circuit Court of Cook County, they did obtain counsel for their bankruptcy case. The court observed that both Dr. Reilly and John Reilly were angry, defensive and frustrated by the discovery process during the Citation proceedings and the adversary complaint filed by Barkley.

II. Discussion

Chapter 7 is designed to provide debtors a financial discharge and a “fresh start.” *Stamat v. Neary*, 635 F.3d 974, 978 (7th Cir. 2010); *In re Chambers*, 348 F.3d 650, 653 (7th Cir. 2003). The privilege is reserved for the “honest but unfortunate debtor.” *Grogan v. Garner*, 498 U.S. 279, 286 (1991) (internal quotation marks and citations omitted). Section 727(a) provides exceptions to the discharge privilege. Section 727(a)(4) states that the court shall grant a

⁵ Anne Reilly holds a PhD from Northwestern University and is a professor at Loyola Quinlan School of Business, and John Reilly is an MBA, businessman and entrepreneur.

discharge, unless “the debtor knowingly and fraudulently, in or in connection with the case . . . made a false oath or account . . .” 11 U.S.C. § 727(a)(4).

The movant must establish grounds for denial of discharge under § 727(a) by a preponderance of the evidence. The discharge provisions should be construed liberally in favor of the debtor and strictly against the creditor. *Sullivan v. Ratz*, 551 B.R. 338, 345 (N.D. Ill. 2016); *see Meyer v. Rigdon*, 36 F.3d 1375, 1385 (7th Cir. 1994) (citing this as a “well recognized principle”); *see also Grogan v. Garner*, 498 U.S. 279, 287 (1991). But once a creditor has borne its burden of proving every element of its case, the debtor bears the burden of production and must refute the charges in a believable manner. *Neary v. Stamat (In re Stamat)*, 395 B.R. 59, 69-70 (Bankr. N.D. Ill. 2008), *aff’d*, 2009 U.S. Dist. LEXIS 78976 (N.D. Ill. 2009), *aff’d*, 635 F.3d 974 (7th Cir. 2011).

The Reillys made a series of false statements by deliberately not disclosing gifts and transfers. The cumulative effect of several false statements is evidence of a reckless disregard for the truth sufficient to support a finding of fraudulent intent under § 727(a)(4). *See In re Costello*, 299 B.R. 882, 899-90 (Bankr. N.D. Ill. 2003); *see also Stamat*, 635 F.3d at 982. And the omissions amount to a reckless disregard for the truth.

The operation of the bankruptcy system depends on honest reporting. The “successful functioning of the Bankruptcy Code hinges both upon the bankrupt’s veracity and his willingness to make a full disclosure.” *Ross v. RJM Acquisitions Funding LLC*, 480 F.3d 493, 496 (7th Cir. 2007) (internal citations omitted). The Reillys failed to honestly list transfers and gifts made to family members. Failing to accurately fill out the Statement of Financial Affairs is punishable by denial of a discharge and may be worthy of a referral for criminal prosecution. *In re Chavin*, 150

F.3d 726, 729 (7th Cir. 1998); *see also Stamat*, 635 F.3d at 982. Because there are sufficient grounds for denial of discharge under 727(a)(4)(A), the court need not pass on the other claims.

III. Conclusion

An order will be entered to deny the Reillys a discharge under § 727 of the Bankruptcy Code.

Dated: August 26, 2025



Honorable Deborah L. Thorne
United States Bankruptcy Judge