

119TH CONGRESS
1ST SESSION

S. _____

To amend title 11, United States Code, to improve protections for employees and retirees in business bankruptcies.

IN THE SENATE OF THE UNITED STATES

Mr. DURBIN (for himself, Mr. HAWLEY, Mr. SCHATZ, Ms. DUCKWORTH, and Ms. KLOBUCHAR) introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend title 11, United States Code, to improve protections for employees and retirees in business bankruptcies.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Protecting Employees and Retirees in Business Bank-
6 ruptcies Act of 2025”.

7 (b) TABLE OF CONTENTS.—The table of contents of
8 this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Findings.

2

TITLE I—IMPROVING RECOVERIES FOR EMPLOYEES AND
RETIREES

- Sec. 101. Increased wage priority.
- Sec. 102. Claim for stock value losses in defined contribution plans.
- Sec. 103. Priority for severance pay and contributions to employee benefit plans.
- Sec. 104. Financial returns for employees and retirees.
- Sec. 105. Priority for WARN Act damages.

TITLE II—REDUCING EMPLOYEES' AND RETIREES' LOSSES

- Sec. 201. Rejection of collective bargaining agreements.
- Sec. 202. Payment of insurance benefits to retired employees.
- Sec. 203. Protection of employee benefits in a sale of assets.
- Sec. 204. Claim for pension losses.
- Sec. 205. Payments by secured lender.
- Sec. 206. Preservation of jobs and benefits.
- Sec. 207. Termination of exclusivity.
- Sec. 208. Claim for withdrawal liability.

TITLE III—RESTRICTING EXECUTIVE COMPENSATION PROGRAMS

- Sec. 301. Executive compensation upon exit from bankruptcy.
- Sec. 302. Limitations on executive compensation enhancements.
- Sec. 303. Prohibition against special compensation payments.
- Sec. 304. Assumption of executive benefit plans.
- Sec. 305. Recovery of executive compensation.
- Sec. 306. Preferential compensation transfer.

TITLE IV—OTHER PROVISIONS

- Sec. 401. Union proof of claim.
- Sec. 402. Exception from automatic stay.
- Sec. 403. Effect on collective bargaining agreements under the Railway Labor Act.

1 **SEC. 2. FINDINGS.**

2 The Congress finds the following:

- 3 (1) Business bankruptcies have increased
- 4 sharply in recent years and remain at high levels.
- 5 These bankruptcies include several of the largest
- 6 business bankruptcy filings in history. As the use of
- 7 bankruptcy has expanded, job preservation and re-
- 8 tirement security are placed at greater risk.

1 (2) Laws enacted to improve recoveries for em-
2 ployees and retirees and limit their losses in bank-
3 ruptcy cases have not kept pace with the increasing
4 and broader use of bankruptcy by businesses in all
5 sectors of the economy. However, while protections
6 for employees and retirees in bankruptcy cases have
7 eroded, management compensation plans devised for
8 those in charge of troubled businesses have become
9 more prevalent and are escaping adequate scrutiny.

10 (3) Changes in the law regarding these matters
11 are urgently needed as bankruptcy is used to ad-
12 dress increasingly more complex and diverse condi-
13 tions affecting troubled businesses and industries.

14 **TITLE I—IMPROVING RECOVERIES FOR EMPLOYEES AND**
15 **RETIREES**
16 **RETIREES**

17 **SEC. 101. INCREASED WAGE PRIORITY.**

18 Section 507(a) of title 11, United States Code, is
19 amended—

20 (1) in paragraph (4)—

21 (A) by redesignating subparagraphs (A)
22 and (B) as clauses (i) and (ii), respectively;

23 (B) in the matter preceding clause (i), as
24 so redesignated, by inserting “(A)” before
25 “Fourth”;

1 (C) in subparagraph (A), as so designated,
2 in the matter preceding clause (i), as so rededesignated—
3

4 (i) by striking “\$10,000” and inserting “\$20,000”;

6 (ii) by striking “within 180 days”;
7 and

8 (iii) by striking “or the date of the
9 cessation of the debtor’s business, whichever
10 occurs first,”; and

11 (D) by adding at the end the following:

12 “(B) Severance pay described in subparagraph
13 (A)(i) shall be deemed earned in full upon the layoff
14 or termination of employment of the individual to
15 whom the severance is owed.”; and

16 (2) in paragraph (5)—

17 (A) in subparagraph (A)—

18 (i) by striking “within 180 days”; and

19 (ii) by striking “or the date of the
20 cessation of the debtor’s business, whichever
21 occurs first”; and

22 (B) by striking subparagraph (B) and inserting the following:
23

1 “(B) for each such plan, to the extent of
2 the number of employees covered by each such
3 plan, multiplied by \$20,000.”.

4 **SEC. 102. CLAIM FOR STOCK VALUE LOSSES IN DEFINED**
5 **CONTRIBUTION PLANS.**

6 Section 101(5) of title 11, United States Code, is
7 amended—

8 (1) in subparagraph (A), by striking “or” at
9 the end;

10 (2) in subparagraph (B), by striking the period
11 at the end and inserting “; or”; and

12 (3) by adding at the end the following:

13 “(C) right or interest in equity securities
14 of the debtor, or an affiliate of the debtor, if—

15 “(i) the equity securities are held in a
16 defined contribution plan (within the
17 meaning of section 3(34) of the Employee
18 Retirement Income Security Act of 1974
19 (29 U.S.C. 1002(34))) for the benefit of
20 an individual who is not an insider, a sen-
21 ior executive officer, or any of the 20 high-
22 est compensated employees of the debtor
23 who are not insiders or senior executive of-
24 ficers;

1 “(ii) the equity securities were attrib-
2 utable to either employer contributions by
3 the debtor or an affiliate of the debtor, or
4 elective deferrals (within the meaning of
5 section 402(g) of the Internal Revenue
6 Code of 1986), and any earnings thereon;
7 and

8 “(iii) an employer or plan sponsor
9 who has commenced a case under this title
10 has committed fraud with respect to such
11 plan or has otherwise breached a duty to
12 the participant that has proximately
13 caused the loss of value.”.

14 **SEC. 103. PRIORITY FOR SEVERANCE PAY AND CONTRIBU-**
15 **TIONS TO EMPLOYEE BENEFIT PLANS.**

16 Section 503(b) of title 11, United States Code, is
17 amended—

18 (1) in paragraph (8)(B), by striking “and” at
19 the end;

20 (2) in paragraph (9), by striking the period and
21 inserting a semicolon; and

22 (3) by adding at the end the following:

23 “(10) severance pay owed to employees of the
24 debtor (other than to an insider of the debtor, a sen-
25 ior executive officer of the debtor, the 20 highest

1 compensated employees of the debtor who are not in-
2 siders or senior executive officers, any department or
3 division manager of the debtor, or any consultant
4 providing services to the debtor), under a plan, pro-
5 gram, or policy generally applicable to employees of
6 the debtor (but not under an individual contract of
7 employment), or owed pursuant to a collective bar-
8 gaining agreement, for layoff or termination on or
9 after the date of the filing of the petition, which pay
10 shall be deemed earned in full upon such layoff or
11 termination of employment; and

12 “(11) any contribution to an employee benefit
13 plan that is due on or after the date of the filing of
14 the petition.”.

15 **SEC. 104. FINANCIAL RETURNS FOR EMPLOYEES AND RE-**
16 **TIREES.**

17 Section 1129(a) of title 11, United States Code is
18 amended—

19 (1) by striking paragraph (13) and inserting
20 the following:

21 “(13) With respect to retiree benefits, as that
22 term is defined in section 1114(a), the plan—

23 “(A) provides for the continuation after
24 the effective date of the plan of payment of all
25 retiree benefits at the level established pursuant

1 to subsection (e)(1)(B) or (g) of section 1114
2 at any time before the date of confirmation of
3 the plan, for the duration of the period for
4 which the debtor has obligated itself to provide
5 such benefits, or if no modifications are made
6 before confirmation of the plan, the continu-
7 ation of all such retiree benefits maintained or
8 established in whole or in part by the debtor be-
9 fore the date of the filing of the petition; and
10 “(B) provides for recovery of claims arising
11 from the modification of retiree benefits or for
12 other financial returns, as negotiated by the
13 debtor and the authorized representative (to the
14 extent that such returns are paid under, rather
15 than outside of, a plan).”; and
16 (2) by adding at the end the following:
17 “(17) The plan provides for recovery of dam-
18 ages payable for the rejection of a collective bar-
19 gaining agreement, or for other financial returns as
20 negotiated by the debtor and the authorized rep-
21 resentative under section 1113 (to the extent that
22 such returns are paid under, rather than outside of,
23 a plan).”.

1 **SEC. 105. PRIORITY FOR WARN ACT DAMAGES.**

2 Section 503(b)(1)(A)(ii) of title 11, United States
3 Code is amended by inserting “any back pay, civil penalty,
4 or damages for a violation of any Federal or State labor
5 and employment law, including the Worker Adjustment
6 and Retraining Notification Act (29 U.S.C. 2101 et seq.)
7 and any comparable State law, and” before “wages and
8 benefits” each place that term appears.

9 **TITLE II—REDUCING EMPLOY-**
10 **EES’ AND RETIREES’ LOSSES**

11 **SEC. 201. REJECTION OF COLLECTIVE BARGAINING AGREE-**
12 **MENTS.**

13 Section 1113 of title 11, United States Code, is
14 amended by striking subsections (a) through (f) and in-
15 serting the following:

16 “(a) The debtor in possession, or the trustee if one
17 has been appointed under this chapter, other than as pro-
18 vided in section 103(m) for collective bargaining agree-
19 ments covered by the Railway Labor Act (45 U.S.C. 151
20 et seq.), may reject a collective bargaining agreement only
21 in accordance with this section. In this section, a reference
22 to the trustee includes the debtor in possession.

23 “(b) No provision of this title shall be construed to
24 permit the trustee to unilaterally terminate or alter any
25 provision of a collective bargaining agreement before com-
26 plying with this section. The trustee shall timely pay all

1 monetary obligations arising under the terms of the collec-
2 tive bargaining agreement. Any such payment required to
3 be made before a plan confirmed under section 1129 is
4 effective has the status of an allowed administrative ex-
5 pense under section 503.

6 “(c)(1) If the trustee seeks modification of a collec-
7 tive bargaining agreement, the trustee shall provide notice
8 to the labor organization representing the employees cov-
9 ered by the collective bargaining agreement that modifica-
10 tions are being proposed under this section, and shall
11 promptly provide an initial proposal for modifications to
12 the collective bargaining agreement. Thereafter, the trust-
13 ee shall confer in good faith with the labor organization,
14 at reasonable times and for a reasonable period in light
15 of the complexity of the case, in attempting to reach mutu-
16 ally acceptable modifications of the collective bargaining
17 agreement.

18 “(2) The initial proposal and subsequent proposals
19 by the trustee for modification of a collective bargaining
20 agreement shall be based upon a business plan for the re-
21 organization of the debtor, and shall reflect the most com-
22 plete and reliable information available. The trustee shall
23 provide to the labor organization all information that is
24 relevant for negotiations. The court may enter a protective
25 order to prevent the disclosure of information if disclosure

1 could compromise the position of the debtor with respect
2 to the competitors in the industry of the debtor, subject
3 to the needs of the labor organization to evaluate the pro-
4 posals of the trustee and any application for rejection of
5 the collective bargaining agreement or for interim relief
6 pursuant to this section.

7 “(3) In consideration of Federal policy encouraging
8 the practice and process of collective bargaining and in
9 recognition of the bargained-for expectations of the em-
10 ployees covered by the collective bargaining agreement,
11 modifications proposed by the trustee—

12 “(A) shall be proposed only as part of a pro-
13 gram of workforce and nonworkforce cost savings
14 devised for the reorganization of the debtor, includ-
15 ing savings in management personnel costs;

16 “(B) shall be limited to modifications designed
17 to achieve a specified aggregate financial contribu-
18 tion for the employees covered by the collective bar-
19 gaining agreement (taking into consideration any
20 labor cost savings negotiated within the 12-month
21 period before the filing of the petition), and shall be
22 not more than the minimum savings essential to per-
23 mit the debtor to exit bankruptcy, such that con-
24 firmation of a plan of reorganization is not likely to
25 be followed by the liquidation, or the need for fur-

1 ther financial reorganization, of the debtor (or any
2 successor to the debtor) in the short term; and

3 “(C) shall not be disproportionate or overly bur-
4 den the employees covered by the collective bar-
5 gaining agreement, either in the amount of the cost
6 savings sought from such employees or the nature of
7 the modifications.

8 “(d)(1) If, after a period of negotiations, the trustee
9 and the labor organization have not reached an agreement
10 over mutually satisfactory modifications, and further ne-
11 gotiations are not likely to produce mutually satisfactory
12 modifications, the trustee may file a motion seeking rejec-
13 tion of the collective bargaining agreement after notice
14 and a hearing. Absent agreement of the parties, no such
15 hearing shall be held before the expiration of the 21-day
16 period beginning on the date on which notice of the hear-
17 ing is provided to the labor organization representing the
18 employees covered by the collective bargaining agreement.
19 Only the debtor and the labor organization may appear
20 and be heard at such hearing. An application for rejection
21 shall seek rejection effective upon the entry of an order
22 granting the relief.

23 “(2) In consideration of Federal policy encouraging
24 the practice and process of collective bargaining and in
25 recognition of the bargained-for expectations of the em-

1 ployees covered by the collective bargaining agreement, the
2 court may grant a motion seeking rejection of a collective
3 bargaining agreement only if, based on clear and con-
4 vincing evidence—

5 “(A) the court finds that the trustee has com-
6 plied with the requirements of subsection (c);

7 “(B) the court has considered alternative pro-
8 posals by the labor organization and has concluded
9 that such proposals do not meet the requirements of
10 subsection (c)(3)(B);

11 “(C) the court finds that further negotiations
12 regarding the proposal of the trustee or an alter-
13 native proposal by the labor organization are not
14 likely to produce an agreement;

15 “(D) the court finds that implementation of the
16 proposal of the trustee shall not—

17 “(i) cause a material diminution in the
18 purchasing power of the employees covered by
19 the collective bargaining agreement;

20 “(ii) adversely affect the ability of the
21 debtor to retain an experienced and qualified
22 workforce; or

23 “(iii) impair the labor relations of the
24 debtor such that the ability to achieve a feasible
25 reorganization would be compromised; and

1 “(E) the court concludes that rejection of the
2 collective bargaining agreement and immediate im-
3 plementation of the proposal of the trustee is essen-
4 tial to permit the debtor to exit bankruptcy, such
5 that confirmation of a plan of reorganization is not
6 likely to be followed by liquidation, or the need for
7 further financial reorganization, of the debtor (or
8 any successor to the debtor) in the short term.

9 “(3) If, during the bankruptcy, the trustee has imple-
10 mented a program of incentive pay, bonuses, or other fi-
11 nancial returns for an insider of the debtor, a senior exec-
12 utive officer of the debtor, any of the 20 highest com-
13 pensated employees of the debtor who are not insiders or
14 senior executive officers, any department or division man-
15 ager of the debtor, or any consultant providing services
16 to the debtor, or such a program was implemented within
17 180 days before the date of the filing of the petition, the
18 court shall presume that the trustee has failed to satisfy
19 the requirements of subsection (c)(3)(C).

20 “(4) In no case shall the court enter an order reject-
21 ing a collective bargaining agreement that would result in
22 modifications to a level lower than the level proposed by
23 the trustee in the proposal found by the court to have com-
24 plied with the requirements of this section.

1 “(5) At any time after the date on which an order
2 rejecting a collective bargaining agreement is entered, or
3 in the case of a collective bargaining agreement entered
4 into between the trustee and the labor organization pro-
5 viding mutually satisfactory modifications, at any time
6 after that collective bargaining agreement has been en-
7 tered into, the labor organization may apply to the court
8 for an order seeking an increase in the level of wages or
9 benefits, or relief from working conditions, based upon
10 changed circumstances. The court shall grant the request
11 only if the increase or other relief is not inconsistent with
12 the standard set forth in paragraph (2)(E).

13 “(e) During a period during which a collective bar-
14 gaining agreement at issue under this section continues
15 in effect and a motion for rejection of the collective bar-
16 gaining agreement has been filed, if essential to the con-
17 tinuation of the business of the debtor or in order to avoid
18 irreparable damage to the estate, the court, after notice
19 and a hearing, may authorize the trustee to implement
20 interim changes in the terms, conditions, wages, benefits,
21 or work rules provided by the collective bargaining agree-
22 ment. Any hearing under this subsection shall be sched-
23 uled in accordance with the needs of the trustee. The im-
24 plementation of such interim changes shall not render the

1 application for rejection moot and may be authorized for
2 not more than 14 days in total.

3 “(f)(1) Rejection of a collective bargaining agreement
4 constitutes a breach of the collective bargaining agree-
5 ment, and shall be effective no earlier than the entry of
6 an order granting such relief.

7 “(2) Notwithstanding paragraph (1), solely for pur-
8 poses of determining and allowing a claim arising from
9 the rejection of a collective bargaining agreement, rejec-
10 tion shall be treated as rejection of an executory contract
11 under section 365(g) and shall be allowed or disallowed
12 in accordance with section 502(g)(1). No claim for rejec-
13 tion damages shall be limited by section 502(b)(7). Eco-
14 nomic self-help by a labor organization shall be permitted
15 upon a court order granting a motion to reject a collective
16 bargaining agreement under subsection (d) or pursuant to
17 subsection (e), and no provision of this title or of any other
18 provision of Federal or State law may be construed to the
19 contrary.

20 “(g) The trustee shall provide for the reasonable fees
21 and costs incurred by a labor organization under this sec-
22 tion, upon request and after notice and a hearing.

23 “(h) A collective bargaining agreement that is as-
24 sumed shall be assumed in accordance with section 365.”.

1 **SEC. 202. PAYMENT OF INSURANCE BENEFITS TO RETIRED**
2 **EMPLOYEES.**

3 Section 1114 of title 11, United States Code, is
4 amended—

5 (1) in subsection (a), by inserting “, without re-
6 gard to whether the debtor asserts a right to unilat-
7 erally modify such payments under such plan, fund,
8 or program” before the period at the end;

9 (2) in subsection (b)(2), by inserting “, and a
10 labor organization serving as the authorized rep-
11 resentative under subsection (c)(1),” after “section”;

12 (3) by striking subsection (f) and inserting the
13 following:

14 “(f)(1) If a trustee seeks modification of retiree bene-
15 fits, the trustee shall provide a notice to the authorized
16 representative that modifications are being proposed pur-
17 suant to this section, and shall promptly provide an initial
18 proposal. Thereafter, the trustee shall confer in good faith
19 with the authorized representative at reasonable times and
20 for a reasonable period in light of the complexity of the
21 case in attempting to reach mutually satisfactory modi-
22 fications.

23 “(2) The initial proposal and subsequent proposals
24 by the trustee shall be based upon a business plan for the
25 reorganization of the debtor and shall reflect the most
26 complete and reliable information available. The trustee

1 shall provide to the authorized representative all informa-
2 tion that is relevant for the negotiations. The court may
3 enter a protective order to prevent the disclosure of infor-
4 mation if disclosure could compromise the position of the
5 debtor with respect to the competitors in the industry of
6 the debtor, subject to the needs of the authorized rep-
7 resentative to evaluate the proposals of the trustee and
8 an application pursuant to subsection (g) or (h).

9 “(3) Modifications proposed by the trustee—

10 “(A) shall be proposed only as part of a pro-
11 gram of workforce and nonworkforce cost savings
12 devised for the reorganization of the debtor, includ-
13 ing savings in management personnel costs;

14 “(B) shall be limited to modifications that are
15 designed to achieve a specified aggregate financial
16 contribution for the retiree group represented by the
17 authorized representative (taking into consideration
18 any cost savings implemented within the 12-month
19 period before the date of filing of the petition with
20 respect to the retiree group), and shall be no more
21 than the minimum savings essential to permit the
22 debtor to exit bankruptcy, such that confirmation of
23 a plan of reorganization is not likely to be followed
24 by the liquidation, or the need for further financial

1 reorganization, of the debtor (or any successor to
2 the debtor) in the short term; and

3 “(C) shall not be disproportionate or overly bur-
4 den the retiree group, either in the amount of the
5 cost savings sought from such group or the nature
6 of the modifications.”;

7 (4) in subsection (g)—

8 (A) by striking the subsection designation
9 and all that follows through the semicolon at
10 the end of paragraph (3) and inserting the fol-
11 lowing:

12 “(g)(1) If, after a period of negotiations, the trustee
13 and the authorized representative have not reached agree-
14 ment over mutually satisfactory modifications and further
15 negotiations are not likely to produce mutually satisfac-
16 tory modifications, the trustee may file a motion seeking
17 modifications in the payment of retiree benefits after no-
18 tice and a hearing. Absent agreement of the parties, no
19 such hearing shall be held before the expiration of the 21-
20 day period beginning on the date on which notice of the
21 hearing is provided to the authorized representative. Only
22 the debtor and the authorized representative may appear
23 and be heard at such hearing.

1 “(2) The court may grant a motion to modify the
2 payment of retiree benefits only if, based on clear and con-
3 vincing evidence—

4 “(A) the court finds that the trustee has com-
5 plied with the requirements of subsection (f);

6 “(B) the court has considered alternative pro-
7 posals by the authorized representative and has de-
8 termined that such proposals do not meet the re-
9 quirements of subsection (f)(3)(B);

10 “(C) the court finds that further negotiations
11 regarding the proposal of the trustee or an alter-
12 native proposal by the authorized representative are
13 not likely to produce a mutually satisfactory agree-
14 ment;

15 “(D) the court finds that implementation of the
16 proposal shall not cause irreparable harm to the af-
17 fected retirees; and

18 “(E) the court concludes that an order granting
19 the motion and immediate implementation of the
20 proposal of the trustee is essential to permit the
21 debtor to exit bankruptcy, such that confirmation of
22 a plan of reorganization is not likely to be followed
23 by liquidation, or the need for further financial reor-
24 ganization, of the debtor (or a successor to the debt-
25 or) in the short term.

1 “(3) If, during the bankruptcy, a trustee has imple-
2 mented a program of incentive pay, bonuses, or other fi-
3 nancial returns for insiders of the debtor, senior executive
4 officers of the debtor, the 20 highest compensated employ-
5 ees of the debtor who are not insiders or senior executive
6 officers, any department or division managers of the debt-
7 or, or any consultants providing services to the debtor, or
8 such a program was implemented within 180 days before
9 the date of the filing of the petition, the court shall pre-
10 sume that the trustee has failed to satisfy the require-
11 ments of subsection (f)(3)(C).”; and

12 (B) in the matter following paragraph
13 (3)—

14 (i) by striking “except that in no
15 case” and inserting the following:

16 “(4) In no case”; and

17 (ii) by striking “is consistent with the
18 standard set forth in paragraph (3)” and
19 inserting “assures that all creditors, the
20 debtor, and all of the affected parties are
21 treated fairly and equitably, and is clearly
22 favored by the balance of the equities”;

23 (5) in subsection (h)(1), by inserting “for a pe-
24 riod of not longer than 14 days” before the period;
25 and

1 (6) by striking subsection (k) and redesignating
2 subsections (l) and (m) as subsections (k) and (l),
3 respectively.

4 **SEC. 203. PROTECTION OF EMPLOYEE BENEFITS IN A SALE**
5 **OF ASSETS.**

6 (a) REQUIREMENT TO PRESERVE JOBS AND MAIN-
7 TAIN TERMS AND CONDITIONS OF EMPLOYMENT.—Sec-
8 tion 363 of title 11, United States Code, is amended by
9 adding at the end the following:

10 “(q)(1) In approving a sale or lease of property of
11 the estate under this section or a plan under chapter 11,
12 the court shall give substantial weight to the extent to
13 which a prospective purchaser or lessee of the property
14 will—

15 “(A) preserve the jobs of the employees of the
16 debtor;

17 “(B) maintain the terms and conditions of em-
18 ployment of the employees of the debtor; and

19 “(C) assume or match the pension and health
20 benefit obligations of the debtor to the retirees of
21 the debtor.

22 “(2) If there are two or more offers to purchase or
23 lease property of the estate under this section or a plan
24 under chapter 11, the court shall approve the offer of the
25 prospective purchaser or lessee that will best carry out the

1 actions described in subparagraphs (A) through (C) of
2 paragraph (1).”.

3 (b) CHAPTER 11 PLANS.—Section 1129(a) of title
4 11, United States Code is amended by adding at the end
5 the following:

6 “(17) If the plan provides for the sale of all or
7 substantially all of the property of the estate, the
8 plan requires the purchaser of the sale to carry out
9 the actions described in subparagraphs (A) through
10 (C) of section 363(q)(1).”.

11 **SEC. 204. CLAIM FOR PENSION LOSSES.**

12 Section 502 of title 11, United States Code, is
13 amended by adding at the end the following:

14 “(l) The court shall allow a claim asserted by an ac-
15 tive or retired participant, or by a labor organization rep-
16 resenting such participants, in a defined benefit plan ter-
17 minated under section 4041 or 4042 of the Employee Re-
18 tirement Income Security Act of 1974 (29 U.S.C. 1341,
19 1342), for any shortfall in pension benefits accrued as of
20 the effective date of the termination of such pension plan
21 as a result of the termination of the plan and limitations
22 upon the payment of benefits imposed pursuant to section
23 4022 of that Act (29 U.S.C. 1322), notwithstanding any
24 claim asserted and collected by the Pension Benefit Guar-
25 anty Corporation with respect to such termination.

1 “(m) The court shall allow a claim of a kind described
2 in section 101(5)(C) by an active or retired participant
3 in a defined contribution plan (within the meaning of sec-
4 tion 3(34) of the Employee Retirement Income Security
5 Act of 1974 (29 U.S.C. 1002(34))), or by a labor organi-
6 zation representing such participants. The amount of such
7 claim shall be measured by the market value of the stock
8 at the time of contribution to, or purchase by, the plan
9 and the value as of the commencement of the case.”.

10 **SEC. 205. PAYMENTS BY SECURED LENDER.**

11 Section 506(c) of title 11, United States Code, is
12 amended—

13 (1) by adding “(1)” after “(c)”; and

14 (2) by adding at the end the following:

15 “(2) If one or more employees of the debtor have not
16 received wages, accrued vacation, severance, or any other
17 compensation owed under a plan, program, policy or prac-
18 tice of the debtor, or pursuant to the terms of a collective
19 bargaining agreement, for services rendered on or after
20 the date of the commencement of the case, or the debtor
21 has not made a contribution due under an employee ben-
22 efit plan on or after the date of the commencement of the
23 case, such unpaid obligations shall be deemed reasonable,
24 necessary costs and expenses of preserving, or disposing
25 of, property securing an allowed secured claim and benefit-

1 ting the holder of the allowed secured claim, and shall be
2 recovered by the trustee for payment to the employees or
3 the employee benefit plan, as applicable, even if the trust-
4 ee, or a successor or predecessor in interest has otherwise
5 waived the provisions of this subsection under an agree-
6 ment with the holder of the allowed secured claim or a
7 successor or predecessor in interest.”.

8 **SEC. 206. PRESERVATION OF JOBS AND BENEFITS.**

9 Chapter 11 of title 11, United States Code, is amend-
10 ed—

11 (1) by inserting before section 1101 the fol-
12 lowing:

13 **“§ 1100. Statement of purpose**

14 “A case under this chapter involving a debtor that
15 is not an individual shall have as its principal purpose the
16 reorganization of its business to preserve going concern
17 value to the maximum extent possible through the produc-
18 tive use of its assets and the preservation of jobs that will
19 sustain productive economic activity.”;

20 (2) in section 1129—

21 (A) in subsection (a), as amended by sec-
22 tion 104 of this Act, by adding at the end the
23 following:

24 “(18) If the plan contemplates continuation of
25 the debtor’s business, the proponent of the plan has

1 demonstrated that the reorganization preserves
2 going concern value to the maximum extent possible
3 through the productive use of the assets of the debt-
4 or and preserves jobs that sustain productive eco-
5 nomic activity.”; and

6 (B) in subsection (c)—

7 (i) by inserting “(1)” after “(c)”; and

8 (ii) by striking the last sentence and
9 inserting the following:

10 “(2) If the requirements of subsections (a) and (b)
11 are met with respect to more than 1 plan, the court shall,
12 in determining which plan to confirm—

13 “(A) consider the extent to which each plan
14 would preserve going concern value through the pro-
15 ductive use of the assets of the debtor and the pres-
16 ervation of jobs that sustain productive economic ac-
17 tivity; and

18 “(B) confirm the plan that better serves such
19 interests.

20 “(3) A plan that incorporates the terms of a settle-
21 ment with a labor organization representing employees of
22 the debtor shall presumptively constitute the plan that sat-
23 isfies this subsection.”; and

24 (3) in the table of sections, by inserting before
25 the item relating to section 1101 the following:

“1100. Statement of purpose.”.

1 **SEC. 207. TERMINATION OF EXCLUSIVITY.**

2 Section 1121(d) of title 11, United States Code, is
3 amended by adding at the end the following:

4 “(3) For purposes of this subsection, cause for reduc-
5 ing the 120-day period or the 180-day period includes—

6 “(A) the filing of a motion pursuant to section
7 1113 seeking rejection of a collective bargaining
8 agreement if a plan based upon an alternative pro-
9 posal by the labor organization is reasonably likely
10 to be confirmed within a reasonable time; and

11 “(B) the proposed filing of a plan by a pro-
12 ponent other than the debtor, which incorporates the
13 terms of a settlement with a labor organization if
14 such plan is reasonably likely to be confirmed within
15 a reasonable time.”.

16 **SEC. 208. CLAIM FOR WITHDRAWAL LIABILITY.**

17 Section 503(b) of title 11, United States Code, as
18 amended by section 103 of this Act, is amended by adding
19 at the end the following:

20 “(12) with respect to withdrawal liability owed
21 to a multi-employer pension plan for a complete or
22 partial withdrawal pursuant to section 4201 of the
23 Employee Retirement Income Security Act of 1974
24 (29 U.S.C. 1381) where such withdrawal occurs on
25 or after the commencement of the case, an amount
26 equal to the total benefits payable from such pension

1 plan that accrued as a result of employees' services
2 rendered to the debtor during the period beginning
3 on the date of commencement of the case and end-
4 ing on the date of the withdrawal from the plan.”.

5 **TITLE III—RESTRICTING EXECU-**
6 **TIVE COMPENSATION PRO-**
7 **GRAMS**

8 **SEC. 301. EXECUTIVE COMPENSATION UPON EXIT FROM**
9 **BANKRUPTCY.**

10 Section 1129(a) of title 11, United States Code, as
11 amended by sections 104 and 206 of this Act, is amend-
12 ed—

13 (1) in paragraph (4)—

14 (A) by adding “(A)” after “(4)”;

15 (B) in subparagraph (A), as so designated,
16 by striking “Any payment” and inserting “Sub-
17 ject to subparagraph (B), any payment”; and

18 (C) by adding at the end the following:

19 “(B)(i) Subject to clause (ii), the plan does not
20 provide for payments or other distributions to, or for
21 the benefit of, an insider of the debtor, a senior ex-
22 ecutive officer of the debtor, any of the 20 highest
23 compensated employees of the debtor who are not in-
24 siders or senior executive officers, any department or

1 division manager of the debtor, or any consultant
2 providing services to the debtor, unless—

3 “(I) the payments or other distributions
4 are part of a program that is generally applica-
5 ble to all full-time employees of the debtor; and

6 “(II) the payments or distributions do not
7 exceed the compensation limits established in
8 section 503(c)(1) in comparison to the non-
9 management workforce of the debtor.

10 “(ii) The requirement under clause (i) shall not
11 apply to the compensation described in paragraph
12 (5)(C).”; and

13 (2) in paragraph (5)—

14 (A) in subparagraph (A)(ii), by striking
15 “and” at the end;

16 (B) in subparagraph (B), by striking the
17 period at the end and inserting “; and”; and

18 (C) by adding at the end the following:

19 “(C) the compensation disclosed under subpara-
20 graph (B) has been approved by, or is subject to the
21 approval of, the court as—

22 “(i) reasonable when compared to individ-
23 uals holding comparable positions at com-
24 parable companies in the same industry as the
25 debtor; and

1 “(ii) not excessive or disproportionate in
2 light of economic losses of the nonmanagement
3 workforce of the debtor.”.

4 **SEC. 302. LIMITATIONS ON EXECUTIVE COMPENSATION EN-**
5 **HANCEMENTS.**

6 Section 503(c) of title 11, United States Code, is
7 amended—

8 (1) in the matter preceding paragraph (1), by
9 inserting “and subject to section 363(b)(3)” after
10 “subsection (b)”;

11 (2) in paragraph (1)—

12 (A) in the matter preceding subparagraph

13 (A)—

14 (i) by inserting “, a senior executive
15 officer of the debtor, any the 20 highest
16 compensated employees of the debtor who
17 are not insiders or senior executive officers,
18 any department or division manager of the
19 debtor, or any consultant providing serv-
20 ices to the debtor” before “for the pur-
21 pose”; and

22 (ii) by inserting “or for the payment
23 of performance or incentive compensation,
24 or a bonus of any kind, or other financial
25 returns designed to replace or enhance in-

1 centive, stock, or other compensation in ef-
2 fect before the date of the commencement
3 of the case,” after “remain with the debt-
4 or’s business,”;

5 (B) by amending subparagraph (A) to read
6 as follows:

7 “(A) the transfer or obligation is part of a
8 program that is generally applicable to all full-
9 time employees of the debtor; and”;

10 (C) by striking subparagraph (B);

11 (D) by redesignating subparagraph (C) as
12 subparagraph (B); and

13 (E) in subparagraph (B), as so redesign-
14 ated—

15 (i) in clause (i), by striking “10” and
16 inserting “2”; and

17 (ii) in clause (ii)—

18 (I) by striking “25” and insert-
19 ing “10”; and

20 (II) by striking “insider” and in-
21 serting “person”;

22 (3) in paragraph (2)—

23 (A) in the matter preceding subparagraph
24 (A), by inserting “, a senior executive officer of
25 the debtor, any of the 20 highest compensated

1 employees of the debtor who are not insiders or
2 senior executive officers, any department or di-
3 vision manager of the debtor, or any consultant
4 providing services to the debtor,” before “, un-
5 less”; and

6 (B) in subparagraph (B), by striking “10”
7 and inserting “2”; and

8 (4) by amending paragraph (3) to read as fol-
9 lows:

10 “(3) other transfers or obligations to, or for the
11 benefit of, an insider of the debtor, a senior execu-
12 tive officer of the debtor, the 20 highest com-
13 pensated employees of the debtor who are not insid-
14 ers or senior executive officers, any department or
15 division manager of the debtor, or any consultant
16 providing services to the debtor that are outside of
17 the ordinary course of business, except as part of a
18 plan of reorganization and subject to the approval of
19 the court under paragraphs (4) and (5) of section
20 1129(a).”.

21 **SEC. 303. PROHIBITION AGAINST SPECIAL COMPENSATION**
22 **PAYMENTS.**

23 Section 363 of title 11, United States Code, as
24 amended by section 203 of this Act, is amended—

1 (1) in subsection (b), by adding at the end the
2 following:

3 “(3) No plan, program, or other transfer or obliga-
4 tion to, or for the benefit of, an insider of the debtor, a
5 senior executive officer of the debtor, the 20 highest com-
6 pensated employees of the debtor who are not insiders or
7 senior executive officers, any department or division man-
8 ager of the debtor, or any consultant providing services
9 to the debtor shall be approved if the debtor has, on or
10 after the date that is 1 year before the date of the filing
11 of the petition—

12 “(A) discontinued any plan, program, policy, or
13 practice of paying severance pay to the nonmanage-
14 ment workforce of the debtor; or

15 “(B) modified any plan, program, policy, or
16 practice described in subparagraph (A) in order to
17 reduce benefits under the plan, program, policy, or
18 practice.”; and

19 (2) in subsection (c)—

20 (A) in paragraph (1), by striking “If the
21 business” and inserting “Except as provided in
22 paragraph (5), if the business”; and

23 (B) by adding at the end the following:

24 “(5) In the case of a transaction that is a transfer
25 or obligation described in paragraphs (1) through (3) of

1 section 503(c), the trustee shall obtain the prior approval
2 of the court after notice and an opportunity for a hear-
3 ing.”.

4 **SEC. 304. ASSUMPTION OF EXECUTIVE BENEFIT PLANS.**

5 Section 365 of title 11, United States Code, is
6 amended—

7 (1) in subsection (a), by striking “and (d)” and
8 inserting “(d), (q), and (r)”;

9 (2) by adding at the end the following:

10 “(q) No deferred compensation arrangement for the
11 benefit of an insider of the debtor, a senior executive offi-
12 cer of the debtor, or any of the 20 highest compensated
13 employees of the debtor who are not insiders or senior ex-
14 ecutive officers shall be assumed if a defined benefit plan
15 for employees of the debtor has been terminated pursuant
16 to section 4041 or 4042 of the Employee Retirement In-
17 come Security Act of 1974 (29 U.S.C. 1341, 1342), on
18 or after the date that is 1 year before the date of the com-
19 mencement of the case.

20 “(r) No plan, fund, program, or contract to provide
21 retiree benefits for insiders of the debtor, senior executive
22 officers of the debtor, or the 20 highest compensated em-
23 ployees of the debtor who are not insiders or senior execu-
24 tive officers shall be assumed if the debtor has obtained
25 relief under subsection (g) or (h) of section 1114 to impose

1 reductions in retiree benefits or under subsection (d) or
2 (e) of section 1113 to impose reductions in the health ben-
3 efits of active employees of the debtor, or has otherwise
4 reduced or eliminated health benefits for employees or re-
5 tirees of the debtor on or after the date that is 1 year
6 before the date of the commencement of the case.”.

7 **SEC. 305. RECOVERY OF EXECUTIVE COMPENSATION.**

8 (a) IN GENERAL.—Subchapter III of chapter 5 of
9 title 11, United States Code, is amended by inserting after
10 section 562 the following:

11 **“§ 563. Recovery of executive compensation**

12 “(a) If a debtor has obtained relief under section
13 1113(d) or section 1114(g), by which the debtor reduces
14 the cost of its obligations under a collective bargaining
15 agreement or a plan, fund, or program for retiree benefits
16 (as defined in section 1114(a)), the court, in granting re-
17 lief, shall determine the percentage diminution in the value
18 of the obligations when compared to the obligations of the
19 debtor under the collective bargaining agreement, or with
20 respect to retiree benefits, as of the date of the commence-
21 ment of the case under this title before granting such re-
22 lief. In making its determination, the court shall include
23 reductions in benefits, if any, as a result of the termi-
24 nation pursuant to section 4041 or 4042 of the Employee
25 Retirement Income Security Act of 1974 (29 U.S.C. 1341,

1 1342), of a defined benefit plan administered by the debt-
2 or, or for which the debtor is a contributing employer, ef-
3 fective at any time on or after 180 days before the date
4 of the commencement of a case under this title. The court
5 shall not take into account pension benefits paid or pay-
6 able under that Act as a result of any such termination.

7 “(b) If a defined benefit pension plan administered
8 by the debtor, or for which the debtor is a contributing
9 employer, has been terminated pursuant to section 4041
10 or 4042 of the Employee Retirement Income Security Act
11 of 1974 (29 U.S.C. 1341, 1342), effective at any time on
12 or after 180 days before the date of the commencement
13 of a case under this title, but a debtor has not obtained
14 relief under section 1113(d), or section 1114(g), the court,
15 upon motion of a party in interest, shall determine the
16 percentage diminution in the value of benefit obligations
17 when compared to the total benefit liabilities before such
18 termination. The court shall not take into account pension
19 benefits paid or payable under title IV of the Employee
20 Retirement Income Security Act of 1974 (29 U.S.C. 1301
21 et seq.) as a result of any such termination.

22 “(c) Upon the determination of the percentage dimi-
23 nution in value under subsection (a) or (b), the estate shall
24 have a claim for the return of the same percentage of the
25 compensation paid, directly or indirectly (including any

1 transfer to a self-settled trust or similar device, or to a
2 nonqualified deferred compensation plan under section
3 409A(d)(1) of the Internal Revenue Code of 1986) to any
4 officer of the debtor serving as member of the board of
5 directors of the debtor within the year before the date of
6 the commencement of the case, and any individual serving
7 as chairman or lead director of the board of directors at
8 the time of the granting of relief under section 1113 or
9 1114 or, if no such relief has been granted, the termi-
10 nation of the defined benefit plan.

11 “(d) The trustee or a committee appointed pursuant
12 to section 1102 may commence an action to recover such
13 claims, except that if neither the trustee nor such com-
14 mittee commences an action to recover such claim by the
15 first date set for the hearing on the confirmation of plan
16 under section 1129, any party in interest may apply to
17 the court for authority to recover such claim for the ben-
18 efit of the estate. The costs of recovery shall be borne by
19 the estate.

20 “(e) The court shall not award postpetition com-
21 pensation under section 503(c) or otherwise to any person
22 subject to subsection (c) of this section if there is a reason-
23 able likelihood that such compensation is intended to reim-
24 burse or replace compensation recovered by the estate
25 under this section.”.

1 (b) TECHNICAL AND CONFORMING AMENDMENT.—

2 The table of sections for chapter 5 of title 11, United
3 States Code, is amended by inserting after the item relat-
4 ing to section 562 the following:

“563. Recovery of executive compensation.”.

5 **SEC. 306. PREFERENTIAL COMPENSATION TRANSFER.**

6 Section 547 of title 11, United States Code, is
7 amended by adding at the end the following:

8 “(j)(1) The trustee may, based on reasonable due dili-
9 gence in the circumstances of the case, avoid a transfer—

10 “(A) made—

11 “(i) to, or for the benefit of, an insider of
12 the debtor (including an obligation incurred for
13 the benefit of an insider under an employment
14 contract), a senior executive officer of the debt-
15 or, the 20 highest compensated employees of
16 the debtor who are not insiders or senior execu-
17 tive officers, any department or division man-
18 ager of the debtor, or any consultant providing
19 services to the debtor made in anticipation of
20 bankruptcy; or

21 “(ii) in anticipation of bankruptcy to a
22 consultant who is formerly an insider and who
23 is retained to provide services to an entity that
24 becomes a debtor (including an obligation under

1 a contract to provide services to such entity or
2 to a debtor); and

3 “(B) made or incurred on or within 1 year be-
4 fore the filing of the petition.

5 “(2) No provision of subsection (c) shall constitute
6 a defense against the recovery of a transfer described in
7 paragraph (1).

8 “(3) The trustee or a committee appointed pursuant
9 to section 1102 may commence an action to recover a
10 transfer described in paragraph (1), except that, if neither
11 the trustee nor such committee commences an action to
12 recover the transfer by the time of the commencement of
13 a hearing on the confirmation of a plan under section
14 1129, any party in interest may apply to the court for
15 authority to recover the claims for the benefit of the es-
16 tate. The costs of recovery shall be borne by the estate.”.

17 **TITLE IV—OTHER PROVISIONS**

18 **SEC. 401. UNION PROOF OF CLAIM.**

19 Section 501(a) of title 11, United States Code, is
20 amended by inserting “, including a labor organization,”
21 after “A creditor”.

22 **SEC. 402. EXCEPTION FROM AUTOMATIC STAY.**

23 Section 362(b) of title 11, United States Code, is
24 amended—

1 (1) in paragraph (28), by striking “and” at the
2 end;

3 (2) in paragraph (29), by striking the period at
4 the end and inserting “; and”; and

5 (3) by inserting after paragraph (29) the fol-
6 lowing:

7 “(30) of the commencement or continuation of
8 a grievance, arbitration, or similar dispute resolution
9 proceeding established by a collective bargaining
10 agreement that was or could have been commenced
11 against the debtor before the filing of a case under
12 this title, or the payment or enforcement of an
13 award or settlement under such proceeding.”.

14 **SEC. 403. EFFECT ON COLLECTIVE BARGAINING AGREE-**
15 **MENTS UNDER THE RAILWAY LABOR ACT.**

16 Section 103 of title 11, United States Code, is
17 amended by adding at the end the following:

18 “(m) Notwithstanding sections 365, 1113, or 1114,
19 neither the court nor the trustee may change the wages,
20 working conditions, or retirement benefits of an employee
21 or a retiree of the debtor established by a collective bar-
22 gaining agreement that is subject to the Railway Labor
23 Act (45 U.S.C. 151 et seq.), except in accordance with
24 section 6 of that Act (45 U.S.C. 156).”.