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

IN THE HOUSE OF REPRESENTATIVES
JUNE 25, 2020

Mr. Nadler (for himself, Mr. Norcross, Mr. Cicilline, Mrs. Demings, Mr. Johnson of Georgia, Ms. Jayapal, Ms. Scanlon, Ms. Dean, and Ms. Garcia of Texas) introduced the following bill; which was referred to the Committee on the Judiciary

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Protecting Employees and Retirees in Business Bankruptcies Act of 2020”.

(b) Table of Contents.—The table of contents of this Act is as follows:

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

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.

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.

SEC. 2. FINDINGS.

The Congress finds the following:

(1) Business bankruptcies have increased sharply in recent years and remain at high levels due to the impact of the COVID–19 pandemic. As the use of bankruptcy has expanded, job preservation and retirement security are placed at greater risk.

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

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

TITLE I—IMPROVING RECOVERIES FOR EMPLOYEES AND RETIREES

SEC. 101. INCREASED WAGE PRIORITY.

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

(1) in paragraph (4)—

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

(B) in the matter preceding clause (i), as
so redesignated, by inserting “(A)” before “Fourth”;
(C) in subparagraph (A), as so designated, in the matter preceding clause (i), as so redesignated—

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

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

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

(D) by adding at the end the following: 

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

(2) in paragraph (5)—

(A) in subparagraph (A)—

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

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

(B) by striking subparagraph (B) and inserting the following:
“(B) for each such plan, to the extent of the number of employees covered by each such plan, multiplied by $20,000.”.

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

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

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

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

(3) by adding at the end the following:

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

“(i) the equity securities are held in a defined contribution plan (within the meaning of section 3(34) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(34))) for the benefit of an individual who is not an insider, a senior executive officer, or any of the 20 highest compensated employees of the debtor who are not insiders or senior executive officers;
“(ii) the equity securities were attributable to either employer contributions by the debtor or an affiliate of the debtor, or elective deferrals (within the meaning of section 402(g) of the Internal Revenue Code of 1986), and any earnings thereon; and

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

SEC. 103. PRIORITY FOR SEVERANCE PAY AND CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS.

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

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

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

(3) by adding at the end the following:

“(10) severance pay owed to employees of the debtor (other than to an insider of the debtor, a senior executive officer of the debtor, the 20 highest
compensated employees of the debtor who are not ins-
siders or senior executive officers, any department or
division manager of the debtor, or any consultant
providing services to the debtor), under a plan, pro-
gram, or policy generally applicable to employees of
the debtor (but not under an individual contract of
employment), or owed pursuant to a collective bar-
gaining agreement, for layoff or termination on or
after the date of the filing of the petition, which pay
shall be deemed earned in full upon such layoff or
termination of employment; and

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

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

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

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

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

“(A) provides for the continuation after
the effective date of the plan of payment of all
retiree benefits at the level established pursuant
to subsection (e)(1)(B) or (g) of section 1114
at any time before the date of confirmation of
the plan, for the duration of the period for
which the debtor has obligated itself to provide
such benefits, or if no modifications are made
before confirmation of the plan, the continu-
ation of all such retiree benefits maintained or
established in whole or in part by the debtor be-
fore the date of the filing of the petition; and

“(B) provides for recovery of claims arising
from the modification of retiree benefits or for
other financial returns, as negotiated by the
debtor and the authorized representative (to the
extent that such returns are paid under, rather
than outside of, a plan).”; and

(2) by adding at the end the following:

“(17) The plan provides for recovery of dam-
ages payable for the rejection of a collective bar-
gaining agreement, or for other financial returns as
negotiated by the debtor and the authorized rep-
resentative under section 1113 (to the extent that
such returns are paid under, rather than outside of,
a plan).”.
SEC. 105. PRIORITY FOR WARN ACT DAMAGES.

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

TITLE II—REDUCING EMPLOYEES’ AND RETIREES’ LOSSES

SEC. 201. REJECTION OF COLLECTIVE BARGAINING AGREEMENTS.

Section 1113 of title 11, United States Code, is amended by striking subsections (a) through (f) and inserting the following:

“(a) The debtor in possession, or the trustee if one has been appointed under this chapter, other than as provided in section 103(m) for collective bargaining agreements covered by the Railway Labor Act (45 U.S.C. 151 et seq.), may reject a collective bargaining agreement only in accordance with this section. In this section, a reference to the trustee includes the debtor in possession.

“(b) No provision of this title shall be construed to permit the trustee to unilaterally terminate or alter any provision of a collective bargaining agreement before complying with this section. The trustee shall timely pay all
monetary obligations arising under the terms of the collective bargaining agreement. Any such payment required to be made before a plan confirmed under section 1129 is effective has the status of an allowed administrative expense under section 503.

“(c)(1) If the trustee seeks modification of a collective bargaining agreement, the trustee shall provide notice to the labor organization representing the employees covered by the collective bargaining agreement that modifications are being proposed under this section, and shall promptly provide an initial proposal for modifications to the collective bargaining agreement. Thereafter, the trustee shall confer in good faith with the labor organization, at reasonable times and for a reasonable period in light of the complexity of the case, in attempting to reach mutually acceptable modifications of the collective bargaining agreement.

“(2) The initial proposal and subsequent proposals by the trustee for modification of a collective bargaining agreement shall be based upon a business plan for the reorganization of the debtor, and shall reflect the most complete and reliable information available. The trustee shall provide to the labor organization all information that is relevant for negotiations. The court may enter a protective order to prevent the disclosure of information if disclosure
could compromise the position of the debtor with respect
to the competitors in the industry of the debtor, subject
to the needs of the labor organization to evaluate the pro-
posals of the trustee and any application for rejection of
the collective bargaining agreement or for interim relief
pursuant to this section.

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

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

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

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

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

“(2) In consideration of Federal policy encouraging
the practice and process of collective bargaining and in
recognition of the bargained-for expectations of the em-
ployees covered by the collective bargaining agreement, the court may grant a motion seeking rejection of a collective bargaining agreement only if, based on clear and convincing evidence—

“(A) the court finds that the trustee has complied with the requirements of subsection (c);

“(B) the court has considered alternative proposals by the labor organization and has concluded that such proposals do not meet the requirements of subsection (c)(3)(B);

“(C) the court finds that further negotiations regarding the proposal of the trustee or an alternative proposal by the labor organization are not likely to produce an agreement;

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

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

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

“(iii) impair the labor relations of the debtor such that the ability to achieve a feasible reorganization would be compromised; and
“(E) the court concludes that rejection of the collective bargaining agreement and immediate implementation of the proposal of the trustee is essential to permit the debtor to exit bankruptcy, such that confirmation of a plan of reorganization is not likely to be followed by liquidation, or the need for further financial reorganization, of the debtor (or any successor to the debtor) in the short term.

“(3) If, during the bankruptcy, the trustee has implemented a program of incentive pay, bonuses, or other financial returns for an insider of the debtor, a senior executive officer of the debtor, any of the 20 highest compensated employees of the debtor who are not insiders or senior executive officers, any department or division manager of the debtor, or any consultant providing services to the debtor, or such a program was implemented within 180 days before the date of the filing of the petition, the court shall presume that the trustee has failed to satisfy the requirements of subsection (c)(3)(C).

“(4) In no case shall the court enter an order rejecting a collective bargaining agreement that would result in modifications to a level lower than the level proposed by the trustee in the proposal found by the court to have complied with the requirements of this section.
“(5) At any time after the date on which an order rejecting a collective bargaining agreement is entered, or in the case of a collective bargaining agreement entered into between the trustee and the labor organization providing mutually satisfactory modifications, at any time after that collective bargaining agreement has been entered into, the labor organization may apply to the court for an order seeking an increase in the level of wages or benefits, or relief from working conditions, based upon changed circumstances. The court shall grant the request only if the increase or other relief is not inconsistent with the standard set forth in paragraph (2)(E).

“(e) During a period during which a collective bargaining agreement at issue under this section continues in effect and a motion for rejection of the collective bargaining agreement has been filed, if essential to the continuation of the business of the debtor or in order to avoid irreparable damage to the estate, the court, after notice and a hearing, may authorize the trustee to implement interim changes in the terms, conditions, wages, benefits, or work rules provided by the collective bargaining agreement. Any hearing under this subsection shall be scheduled in accordance with the needs of the trustee. The implementation of such interim changes shall not render the
application for rejection moot and may be authorized for not more than 14 days in total.

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

“(2) Notwithstanding paragraph (1), solely for purposes of determining and allowing a claim arising from the rejection of a collective bargaining agreement, rejection shall be treated as rejection of an executory contract under section 365(g) and shall be allowed or disallowed in accordance with section 502(g)(1). No claim for rejection damages shall be limited by section 502(b)(7). Economic self-help by a labor organization shall be permitted upon a court order granting a motion to reject a collective bargaining agreement under subsection (d) or pursuant to subsection (e), and no provision of this title or of any other provision of Federal or State law may be construed to the contrary.

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

“(h) A collective bargaining agreement that is assumed shall be assumed in accordance with section 365.”.
SEC. 202. PAYMENT OF INSURANCE BENEFITS TO RETIRED
EMPLOYEES.

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

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

(2) in subsection (b)(2), by inserting ‘‘, and a labor organization serving as the authorized rep-
resentative under subsection (c)(1),’’ after ‘‘section’’;

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

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

“(2) The initial proposal and subsequent proposals by the trustee shall be based upon a business plan for the reorganization of the debtor and shall reflect the most complete and reliable information available. The trustee
shall provide to the authorized representative all information that is relevant for the negotiations. The court may enter a protective order to prevent the disclosure of information if disclosure could compromise the position of the debtor with respect to the competitors in the industry of the debtor, subject to the needs of the authorized representative to evaluate the proposals of the trustee and an application pursuant to subsection (g) or (h).

“(3) Modifications proposed by the trustee—

“(A) shall be proposed only as part of a program of workforce and nonworkforce cost savings devised for the reorganization of the debtor, including savings in management personnel costs;

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

“(C) shall not be disproportionate or overly bur-

den the retiree group, either in the amount of the
cost savings sought from such group or the nature
of the modifications.”;

(4) in subsection (g)—

(A) by striking the subsection designation
and all that follows through the semicolon at
the end of paragraph (3) and inserting the fol-

lowing:

“(g)(1) If, after a period of negotiations, the trustee
and the authorized representative have not reached agree-
ment over mutually satisfactory modifications and further
negotiations are not likely to produce mutually satisfac-
tory modifications, the trustee may file a motion seeking
modifications in the payment of retiree benefits after no-
notice and a hearing. Absent agreement of the parties, no
such hearing shall be held before the expiration of the 21-
day period beginning on the date on which notice of the
hearing is provided to the authorized representative. Only
the debtor and the authorized representative may appear
and be heard at such hearing.
“(2) The court may grant a motion to modify the payment of retiree benefits only if, based on clear and convincing evidence—

“(A) the court finds that the trustee has complied with the requirements of subsection (f);

“(B) the court has considered alternative proposals by the authorized representative and has determined that such proposals do not meet the requirements of subsection (f)(3)(B);

“(C) the court finds that further negotiations regarding the proposal of the trustee or an alternative proposal by the authorized representative are not likely to produce a mutually satisfactory agreement;

“(D) the court finds that implementation of the proposal shall not cause irreparable harm to the affected retirees; and

“(E) the court concludes that an order granting the motion and immediate implementation of the proposal of the trustee is essential to permit the debtor to exit bankruptcy, such that confirmation of a plan of reorganization is not likely to be followed by liquidation, or the need for further financial reorganization, of the debtor (or a successor to the debtor) in the short term.
“(3) If, during the bankruptcy, a trustee has implemented a program of incentive pay, bonuses, or other financial returns for insiders of the debtor, senior executive officers of the debtor, the 20 highest compensated employees of the debtor who are not insiders or senior executive officers, any department or division managers of the debtor, or any consultants providing services to the debtor, or such a program was implemented within 180 days before the date of the filing of the petition, the court shall presume that the trustee has failed to satisfy the requirements of subsection (f)(3)(C).”; and

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

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

“(4) In no case”; and

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

(5) in subsection (h)(1), by inserting “for a period of not longer than 14 days” before the period; and
(6) by striking subsection (k) and redesignating subsections (l) and (m) as subsections (k) and (l), respectively.

SEC. 203. PROTECTION OF EMPLOYEE BENEFITS IN A SALE OF ASSETS.

(a) REQUIREMENT TO PRESERVE JOBS AND MAINTAIN TERMS AND CONDITIONS OF EMPLOYMENT.—Section 363 of title 11, United States Code, is amended by adding at the end the following:

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

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

“(B) maintain the terms and conditions of employment of the employees of the debtor; and

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

“(2) If there are two or more offers to purchase or lease property of the estate under this section or a plan under chapter 11, the court shall approve the offer of the prospective purchaser or lessee that will best carry out the
actions described in subparagraphs (A) through (C) of paragraph (1).”.

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

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

SEC. 204. CLAIM FOR PENSION LOSSES.

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

“(l) The court shall allow a claim asserted by an active or retired participant, or by a labor organization representing such participants, in a defined benefit plan terminated under section 4041 or 4042 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341, 1342), for any shortfall in pension benefits accrued as of the effective date of the termination of such pension plan as a result of the termination of the plan and limitations upon the payment of benefits imposed pursuant to section 4022 of that Act (29 U.S.C. 1342), notwithstanding any claim asserted and collected by the Pension Benefit Guaranty Corporation with respect to such termination.
“(m) The court shall allow a claim of a kind described in section 101(5)(C) by an active or retired participant in a defined contribution plan (within the meaning of section 3(34) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(34))), or by a labor organization representing such participants. The amount of such claim shall be measured by the market value of the stock at the time of contribution to, or purchase by, the plan and the value as of the commencement of the case.”.

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

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

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

(2) by adding at the end the following:

“(2) If one or more employees of the debtor have not received wages, accrued vacation, severance, or any other compensation owed under a plan, program, policy or practice of the debtor, or pursuant to the terms of a collective bargaining agreement, for services rendered on or after the date of the commencement of the case, or the debtor has not made a contribution due under an employee benefit plan on or after the date of the commencement of the case, such unpaid obligations shall be deemed reasonable, necessary costs and expenses of pre-
serving, or disposing of, property securing an allowed secured claim and benefitting the holder of the allowed secured claim, and shall be recovered by the trustee for payment to the employees or the employee benefit plan, as applicable, even if the trustee, or a successor or predecessor in interest has otherwise waived the provisions of this subsection under an agreement with the holder of the allowed secured claim or a successor or predecessor in interest.”.

SEC. 206. PRESERVATION OF JOBS AND BENEFITS.

Chapter 11 of title 11, United States Code, is amended—

(1) by inserting before section 1101 the following: “1100. Statement of purpose A debtor commencing a case under this chapter shall have as its principal purpose the reorganization of its business to preserve going concern value to the maximum extent possible through the productive use of its assets and the preservation of jobs that will sustain productive economic activity.”;

(2) in section 1129—

(A) in subsection (a), as amended by section 104, by adding at the end the following:

“(18) The debtor has demonstrated that the reorganization preserves going concern value to the
maximum extent possible through the productive use of the assets of the debtor and preserves jobs that sustain productive economic activity.”; and

(B) in subsection (e)—

(i) by inserting “(1)” after “(c)”;

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

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

“(A) consider the extent to which each plan would preserve going concern value through the productive use of the assets of the debtor and the preservation of jobs that sustain productive economic activity; and

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

“(3) A plan that incorporates the terms of a settlement with a labor organization representing employees of the debtor shall presumptively constitute the plan that satisfies this subsection.”; and

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

“1100. Statement of purpose.”.
SEC. 207. TERMINATION OF EXCLUSIVITY.

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

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

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

“(B) the proposed filing of a plan by a proponent other than the debtor, which incorporates the terms of a settlement with a labor organization if such plan is reasonably likely to be confirmed within a reasonable time.”.

TITLE III—RESTRICTING EXECUTIVE COMPENSATION PROGRAMS

SEC. 301. EXECUTIVE COMPENSATION UPON EXIT FROM BANKRUPTCY.

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

(1) in paragraph (4)—

(A) by adding “(A)” after “(4)”;

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(B) in subparagraph (A), as so designated, by striking “Any payment” and inserting “Subject to subparagraph (B), any payment”; and

(C) by adding at the end the following:

“(B)(i) Subject to clause (ii), the plan does not provide for payments or other distributions to, or for the benefit of, an insider of the debtor, a senior executive officer of the debtor, any of the 20 highest compensated employees of the debtor who are not insiders or senior executive officers, any department or division manager of the debtor, or any consultant providing services to the debtor, unless—

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

“(II) the payments or distributions do not exceed the compensation limits established in section 503(c)(1) in comparison to the nonmanagement workforce of the debtor.

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

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

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

(C) by adding at the end the following:

“(C) the compensation disclosed under subparagraph (B) has been approved by, or is subject to the approval of, the court as—

“(i) reasonable when compared to individuals holding comparable positions at comparable companies in the same industry as the debtor;

“(ii) not more than the amount corresponding to the 50th percentile of the compensation of the individuals described in clause (i); and

“(iii) not excessive or disproportionate in light of economic losses of the non-management workforce of the debtor.”.

SEC. 302. LIMITATIONS ON EXECUTIVE COMPENSATION ENHANCEMENTS.

Section 503(e) of title 11, United States Code, is amended—
(1) In the matter preceding paragraph (1), by inserting “and subject to section 363(b)(3)” after “subsection (b)”;

(2) in paragraph (1)—

(A) in the matter preceding subparagraph (A)—

(i) by inserting “, a senior executive officer of the debtor, any the 20 highest compensated employees of the debtor who are not insiders or senior executive officers, any department or division manager of the debtor, or any consultant providing services to the debtor” before “for the purpose”; and

(ii) by inserting “or for the payment of performance or incentive compensation, or a bonus of any kind, or other financial returns designed to replace or enhance incentive, stock, or other compensation in effect before the date of the commencement of the case,” after “remain with the debtor’s business,”;

(B) by amending subparagraph (A) to read as follows:
“(A) the transfer or obligation is part of a program that is generally applicable to all full-time employees of the debtor; and’’;

(C) by striking subparagraph (B);

(D) by redesignating subparagraph (C) as subparagraph (B);

(E) in subparagraph (B), as so redesignated—

   (i) in clause (i), by striking ‘‘10’’ and inserting ‘‘2’’; and

   (ii) in clause (ii)—

      (I) by striking ‘‘25’’ and inserting ‘‘10’’; and

      (II) by striking ‘‘insider’’ and inserting ‘‘person’’;

(3) in paragraph (2)—

   (A) in the matter preceding subparagraph (A), by inserting ‘‘, a senior executive officer of the debtor, any of the 20 highest compensated employees of the debtor who are not insiders or senior executive officers, any department or division manager of the debtor, or any consultant providing services to the debtor,’’ before ‘‘, unless’’; and
(B) in subparagraph (B), by striking “10” and inserting “2”; and

(4) by amending paragraph (3) to read as follows:

“(3) other transfers or obligations to, or for the benefit of, an insider of the debtor, a senior executive officer of the debtor, the 20 highest compensated employees of the debtor who are not insiders or senior executive officers, any department or division manager of the debtor, or any consultant providing services to the debtor that are outside of the ordinary course of business, except as part of a plan of reorganization and subject to the approval of the court under paragraphs (4) and (5) of section 1129(a).”.

SEC. 303. PROHIBITION AGAINST SPECIAL COMPENSATION PAYMENTS.

Section 363 of title 11, United States Code, is amended—

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

“(3) No plan, program, or other transfer or obligation to, or for the benefit of, an insider of the debtor, a senior executive officer of the debtor, the 20 highest compensated employees of the debtor who
are not insiders or senior executive officers, any de-
partment or division manager of the debtor, or any
consultant providing services to the debtor shall be
approved if the debtor has, on or after the date that
is 1 year before the date of the filing of the peti-
tion—

“(A) discontinued any plan, program, pol-
icy, or practice of paying severance pay to the
nonmanagement workforce of the debtor; or

“(B) modified any plan, program, policy,
or practice described in subparagraph (A) in
order to reduce benefits under the plan, pro-
gram, policy, or practice.”; and

(2) in subsection (e)—

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

(B) by adding at the end the following:

“(5) In the case of a transaction that is a
transfer or obligation described in paragraphs (1)
through (3) of section 503(c), the trustee shall ob-
tain the prior approval of the court after notice and
an opportunity for a hearing.”.
SEC. 304. ASSUMPTION OF EXECUTIVE BENEFIT PLANS.

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

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

(2) by adding at the end the following:

“(q) No deferred compensation arrangement for the benefit of an insider of the debtor, a senior executive officer of the debtor, or any of the 20 highest compensated employees of the debtor who are not insiders or senior executive officers shall be assumed if a defined benefit plan for employees of the debtor has been terminated pursuant to section 4041 or 4042 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341, 1342), on or after the date that is 1 year before the date of the commencement of the case.

“(r) No plan, fund, program, or contract to provide retiree benefits for insiders of the debtor, senior executive officers of the debtor, or the 20 highest compensated employees of the debtor who are not insiders or senior executive officers shall be assumed if the debtor has obtained relief under subsection (g) or (h) of section 1114 to impose reductions in retiree benefits or under subsection (d) or (e) of section 1113 to impose reductions in the health benefits of active employees of the debtor, or has otherwise reduced or eliminated health benefits for employees or re-
tirees of the debtor on are after the date that is 1 year
before the date of the commencement of the case.”.

SEC. 305. RECOVERY OF EXECUTIVE COMPENSATION.

(a) In General.—Subchapter III of chapter 5 of
title 11, United States Code, is amended by inserting after
section 562 the following:


“(a) If a debtor has obtained relief under section
1113(d) or section 1114(g), by which the debtor reduces
the cost of its obligations under a collective bargaining
agreement or a plan, fund, or program for retiree benefits
(as defined in section 1114(a)), the court, in granting re-
lief, shall determine the percentage diminution in the value
of the obligations when compared to the obligations of the
debtor under the collective bargaining agreement, or with
respect to retiree benefits, as of the date of the commence-
ment of the case under this title before granting such re-
lief. In making its determination, the court shall include
reductions in benefits, if any, as a result of the termi-
nation pursuant to section 4041 or 4042 of the Employee
Retirement Income Security Act of 1974 (29 U.S.C. 1341,
1342), of a defined benefit plan administered by the debt-
or, or for which the debtor is a contributing employer, ef-
fective at any time on or after 180 days before the date
of the commencement of a case under this title. The court
shall not take into account pension benefits paid or payable under that Act as a result of any such termination.

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

“(c) Upon the determination of the percentage diminution in value under subsection (a) or (b), the estate shall have a claim for the return of the same percentage of the compensation paid, directly or indirectly (including any transfer to a self-settled trust or similar device, or to a nonqualified deferred compensation plan under section 409A(d)(1) of the Internal Revenue Code of 1986) to any officer of the debtor serving as member of the board of
directors of the debtor within the year before the date of
the commencement of the case, and any individual serving
as chairman or lead director of the board of directors at
the time of the granting of relief under section 1113 or
1114 or, if no such relief has been granted, the termi-
nation of the defined benefit plan.

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

“(e) The court shall not award postpetition compen-
sation under section 503(c) or otherwise to any person
subject to subsection (e) of this section if there is a reason-
able likelihood that such compensation is intended to reim-
brurse or replace compensation recovered by the estate
under this section.”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—
The table of sections for chapter 5 of title 11, United
States Code, is amended by inserting after the item relat-
ing to section 562 the following:

“563. Recovery of executive compensation.”.
TITLE IV—OTHER PROVISIONS

SEC. 401. UNION PROOF OF CLAIM.
Section 501(a) of title 11, United States Code, is amended by inserting “, including a labor organization,” after “A creditor”.

SEC. 402. EXCEPTION FROM AUTOMATIC STAY.
Section 362(b) of title 11, United States Code, is amended—

(1) in paragraph (27), by striking “and” at the end;

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

(3) by inserting after paragraph (28) the following:

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

SEC. 403. EFFECT ON COLLECTIVE BARGAINING AGREEMENTS UNDER THE RAILWAY LABOR ACT.
Section 103 of title 11, United States Code, is amended by adding at the end the following:
“(m) Notwithstanding sections 365, 1113, or 1114, neither the court nor the trustee may change the wages, working conditions, or retirement benefits of an employee or a retiree of the debtor established by a collective bargaining agreement that is subject to the Railway Labor Act (45 U.S.C. 151 et seq.), except in accordance with section 6 of that Act (45 U.S.C. 156).”