

### § 1174. Liquidation

On request of a party in interest and after notice and a hearing, the court may, or, if a plan has not been confirmed under section 1173 of this title before five years after the date of the order for relief, the court shall, order the trustee to cease the debtor's operation and to collect and reduce to money all of the property of the estate in the same manner as if the case were a case under chapter 7 of this title.

(Pub. L. 95-598, Nov. 6, 1978, 92 Stat. 2644.)

#### HISTORICAL AND REVISION NOTES

##### LEGISLATIVE STATEMENTS

Section 1174 of the House amendment represents a compromise between the House bill and Senate amendment on the issue of liquidation of a railroad. The provision permits a party in interest at any time to request liquidation. In addition, if a plan has not been confirmed under section 1173 of the House amendment before 5 years after the date of order for relief, the court must order the trustee to cease the debtor's operation and to collect and reduce to money all of the property of the estate in the same manner as if the case were a case under chapter 7 of title 11. The approach differs from the conversion to chapter 7 under section 1174 of the Senate bill in order to make special provisions contained in subchapter IV of chapter 11 applicable to liquidation. However, maintaining liquidation in the context of chapter 11 is not intended to delay liquidation of the railroad to a different extent than if the case were converted to chapter 7.

Although the House amendment does not adopt provisions contained in sections 1170(1), (2), (3), or (5), of the Senate amendment such provisions are contained explicitly or implicitly in section 1123 of the House amendment.

#### SENATE REPORT NO. 95-989

Section 1174 permits the court to convert the case to a liquidation under chapter 7 if the court finds that the debtor cannot be reorganized, or if various time limits specified in the subchapter are not met. Section 77 [section 205 of former title 11] does not authorize a liquidation of a railroad under the Bankruptcy Act [former title 11]. If the railroad is not reorganizable, the only action open to the court is to dismiss the petition, which would in all likelihood be followed by a State court receivership, with all of its attendant disadvantages. If reorganization is impossible, the debtor should be liquidated under the Bankruptcy Act.

#### SUBCHAPTER V—SMALL BUSINESS DEBTOR REORGANIZATION

### § 1181. Inapplicability of other sections

(a) **IN GENERAL.**—Sections 105(d), 1101(1), 1104, 1105, 1106, 1107, 1108, 1115, 1116, 1121, 1123(a)(8), 1123(c), 1127, 1129(a)(15), 1129(b), 1129(c), 1129(e), and 1141(d)(5) of this title do not apply in a case under this subchapter.

(b) **COURT AUTHORITY.**—Unless the court for cause orders otherwise, paragraphs (1), (2), and (4) of section 1102(a) and sections 1102(b), 1103, and 1125 of this title do not apply in a case under this subchapter.

(c) **SPECIAL RULE FOR DISCHARGE.**—If a plan is confirmed under section 1191(b) of this title, section 1141(d) of this title shall not apply, except as provided in section 1192 of this title.

(Added Pub. L. 116-54, §2(a), Aug. 23, 2019, 133 Stat. 1079.)

### Statutory Notes and Related Subsidiaries

#### EFFECTIVE DATE

Section effective 180 days after Aug. 23, 2019, see section 5 of Pub. L. 116-54, set out as an Effective Date of 2019 Amendment note under section 101 of this title.

### § 1182. Definitions

In this subchapter:

(1) **DEBTOR.**—The term “debtor”—

(A) subject to subparagraph (B), means a person engaged in commercial or business activities (including any affiliate of such person that is also a debtor under this title and excluding a person whose primary activity is the business of owning single asset real estate) that has aggregate noncontingent liquidated secured and unsecured debts as of the date of the filing of the petition or the date of the order for relief in an amount not more than \$7,500,000 (excluding debts owed to 1 or more affiliates or insiders) not less than 50 percent of which arose from the commercial or business activities of the debtor; and

(B) does not include—

(i) any member of a group of affiliated debtors that has aggregate noncontingent liquidated secured and unsecured debts in an amount greater than \$7,500,000 (excluding debt owed to 1 or more affiliates or insiders);

(ii) any debtor that is a corporation subject to the reporting requirements under section 13 or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m, 78o(d)); or

(iii) any debtor that is an affiliate of an issuer, as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c).

(2) **DEBTOR IN POSSESSION.**—The term “debtor in possession” means the debtor, unless removed as debtor in possession under section 1185(a) of this title.

(Added Pub. L. 116-54, §2(a), Aug. 23, 2019, 133 Stat. 1079; amended Pub. L. 116-136, div. A, title I, § 1113(a)(1), (5), Mar. 27, 2020, 134 Stat. 310, 311.)

#### AMENDMENT OF PARAGRAPH (1)

*Pub. L. 116-136, div. A, title I, § 1113(a)(5), Mar. 27, 2020, 134 Stat. 311, as amended by Pub. L. 117-5, § 2(a)(1), Mar. 27, 2021, 135 Stat. 249, provided that, 2 years after Mar. 27, 2020, paragraph (1) of this section is amended to read as follows:*

*(1) Debtor.—The term “debtor” means a small business debtor.*

*See 2020 Amendment note below.*

#### Editorial Notes

##### AMENDMENTS

2020—Par. (1). Pub. L. 116-136, §1113(a)(5), amended par. (1) generally. Prior to amendment, par. (1) consisted of subpars. (A) and (B) defining “debtor”.

Pub. L. 116-136, §1113(a)(1), temporarily amended par. (1) generally. Prior to amendment, text read as follows: “The term ‘debtor’ means a small business debtor.”

### Statutory Notes and Related Subsidiaries

#### EFFECTIVE DATE OF 2020 AMENDMENT

Pub. L. 116-136, div. A, title I, §1113(a)(3), Mar. 27, 2020, 134 Stat. 311, provided that: “The amendment

made by paragraph (1) [amending this section] shall apply only with respect to cases commenced under title 11, United States Code, on or after the date of enactment of this Act [Mar. 27, 2020].”

Pub. L. 116-136, div. A, title I, §1113(a)(5), Mar. 27, 2020, 134 Stat. 311, as amended by Pub. L. 117-5, §2(a)(1), Mar. 27, 2021, 135 Stat. 249, provided in part that the amendment made by section 1113(a)(5) of Pub. L. 116-136 is effective 2 years after Mar. 27, 2020.

EFFECTIVE DATE

Section effective 180 days after Aug. 23, 2019, see section 5 of Pub. L. 116-54, set out as an Effective Date of 2019 Amendment note under section 101 of this title.

**§ 1183. Trustee**

(a) **IN GENERAL.**—If the United States trustee has appointed an individual under section 586(b) of title 28 to serve as standing trustee in cases under this subchapter, and if such individual qualifies as a trustee under section 322 of this title, then that individual shall serve as trustee in any case under this subchapter. Otherwise, the United States trustee shall appoint one disinterested person to serve as trustee in the case or the United States trustee may serve as trustee in the case, as necessary.

(b) **DUTIES.**—The trustee shall—

(1) perform the duties specified in paragraphs (2), (5), (6), (7), and (9) of section 704(a) of this title;

(2) perform the duties specified in paragraphs (3), (4), and (7) of section 1106(a) of this title, if the court, for cause and on request of a party in interest, the trustee, or the United States trustee, so orders;

(3) appear and be heard at the status conference under section 1188 of this title and any hearing that concerns—

(A) the value of property subject to a lien;

(B) confirmation of a plan filed under this subchapter;

(C) modification of the plan after confirmation; or

(D) the sale of property of the estate;

(4) ensure that the debtor commences making timely payments required by a plan confirmed under this subchapter;

(5) if the debtor ceases to be a debtor in possession, perform the duties specified in section 704(a)(8) and paragraphs (1), (2), and (6) of section 1106(a) of this title, including operating the business of the debtor;

(6) if there is a claim for a domestic support obligation with respect to the debtor, perform the duties specified in section 704(c) of this title; and

(7) facilitate the development of a consensual plan of reorganization.

(c) **TERMINATION OF TRUSTEE SERVICE.**—

(1) **IN GENERAL.**—If the plan of the debtor is confirmed under section 1191(a) of this title, the service of the trustee in the case shall terminate when the plan has been substantially consummated, except that the United States trustee may reappoint a trustee as needed for performance of duties under subsection (b)(3)(C) of this section and section 1185(a) of this title.

(2) **SERVICE OF NOTICE OF SUBSTANTIAL CONSUMMATION.**—Not later than 14 days after the

plan of the debtor is substantially consummated, the debtor shall file with the court and serve on the trustee, the United States trustee, and all parties in interest notice of such substantial consummation.

(Added Pub. L. 116-54, §2(a), Aug. 23, 2019, 133 Stat. 1079.)

**Statutory Notes and Related Subsidiaries**

EFFECTIVE DATE

Section effective 180 days after Aug. 23, 2019, see section 5 of Pub. L. 116-54, set out as an Effective Date of 2019 Amendment note under section 101 of this title.

**§ 1184. Rights and powers of a debtor in possession**

Subject to such limitations or conditions as the court may prescribe, a debtor in possession shall have all the rights, other than the right to compensation under section 330 of this title, and powers, and shall perform all functions and duties, except the duties specified in paragraphs (2), (3), and (4) of section 1106(a) of this title, of a trustee serving in a case under this chapter, including operating the business of the debtor.

(Added Pub. L. 116-54, §2(a), Aug. 23, 2019, 133 Stat. 1080.)

**Statutory Notes and Related Subsidiaries**

EFFECTIVE DATE

Section effective 180 days after Aug. 23, 2019, see section 5 of Pub. L. 116-54, set out as an Effective Date of 2019 Amendment note under section 101 of this title.

**§ 1185. Removal of debtor in possession**

(a) **IN GENERAL.**—On request of a party in interest, and after notice and a hearing, the court shall order that the debtor shall not be a debtor in possession for cause, including fraud, dishonesty, incompetence, or gross mismanagement of the affairs of the debtor, either before or after the date of commencement of the case, or for failure to perform the obligations of the debtor under a plan confirmed under this subchapter.

(b) **REINSTATEMENT.**—On request of a party in interest, and after notice and a hearing, the court may reinstate the debtor in possession.

(Added Pub. L. 116-54, §2(a), Aug. 23, 2019, 133 Stat. 1080.)

**Statutory Notes and Related Subsidiaries**

EFFECTIVE DATE

Section effective 180 days after Aug. 23, 2019, see section 5 of Pub. L. 116-54, set out as an Effective Date of 2019 Amendment note under section 101 of this title.

**§ 1186. Property of the estate**

(a) **INCLUSIONS.**—If a plan is confirmed under section 1191(b) of this title, property of the estate includes, in addition to the property specified in section 541 of this title—

(1) all property of the kind specified in that section that the debtor acquires after the date of commencement of the case but before the case is closed, dismissed, or converted to a case under chapter 7, 12, or 13 of this title, whichever occurs first; and