

**🔑 Small Business Reorganization Act of 2019**

The Small Business Reorganization Act (SBRA) of 2019 becomes effective on February 19, 2020. It amends Title 11 of the U.S. Code to create a new subchapter V to Chapter 11 for the reorganization of small business debtors. The current law regarding small business debtors is not repealed. The law creates an alternate procedure that small business debtors may elect to use.

The Advisory Committee on Bankruptcy Rules has not had enough time to make permanent rules regarding the SBRA. Interim rules have promulgated and adopted by this Court. See the General Order, **Adoption of Interim Bankruptcy Rules Small Business Reorganization Act of 2019**, at <https://www.okwb.uscourts.gov/court-info/local-rules-and-orders/general-orders>. A copy of the interim rules is filed with the General Order.

The following is a very brief synopsis of the legislation and is not intended to be a comprehensive analysis. For more information, refer to the Interim Rules with redline version and committee notes at <https://www.uscourts.gov/rules-policies/pending-rules-and-forms-amendments>.

The SBRA:

- Defines a small business debtor as a person engaged in commercial or business activity with an aggregate noncontingent liquidated secured and unsecured debts as of its bankruptcy filing date of not more than \$2,725,625;
- Requires the appointment of an individual to serve as trustee to perform duties like those of a chapter 12 trustee and requires the

- trustee to monitor the debtor's progress toward confirmation of a reorganization plan;
- Provides that a committee or creditors will be appointed only upon a showing of cause;
  - Requires that the bankruptcy court hold a status conference within 60 days of commencement of the case and requires the debtor to file a report 14 days before the status conference detailing the debtor's efforts to attain a consensual plan of reorganization;
  - Provides that only the debtor may propose a plan;
  - Requires that the debtor file a plan within 90 days of commencement of the case;
  - Eliminates the requirement of filing a disclosure statement, unless otherwise directed by the court. If no disclosure statement is filed, the reorganization plan must provide a brief history of the debtor's business operations, a liquidation analysis, and projections of the debtor's ability to make plan payments;
  - Provides for confirmation of a plan consensually or nonconsensually;
  - Eliminates the "absolute priority" rule for small business debtors, permitting a bankruptcy court to confirm a plan over the objection of creditors if the plan does not discriminate unfairly and is fair and equitable;
  - Permits discharge of the debtor after completion of all payments due within the first 3 years of the plan or such longer period (not to exceed 5 years) as the court may fix.

Official Forms 101, 201, 309E1, 309E2, 309F1, 309F2, 314, 315, and 425A have also been promulgated. The forms and committee notes are available at <https://www.uscourts.gov/rules-policies/pending-rules-and-forms-amendments/pending-changes-bankruptcy-forms>.