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Is Chapter 11 Bankruptcy A Possibility? Have You Remembered Your Employee Benefit Plans?

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In recent years bankruptcy has become a necessity for many companies. Some companies are liquidated under chapter 7 of the Bankruptcy Code, but many other companies reorganize under chapter 11 of the Bankruptcy Code and emerge as viable ongoing concerns.

As bankruptcy looms, financial pressures may cause a company to overlook employee benefits issues, even though the company faces substantial liabilities for its employee benefit programs. However, by planning ahead for employee benefits issues in chapter 11 bankruptcy, a company may be able to maximize the benefits to its creditors and current employees.

Although some issues, such as collectively bargained obligations, are common to all types of employee benefit plans, a company facing a chapter 11 bankruptcy filing should individually consider the impact of bankruptcy with respect to each of its defined contribution plans, defined benefit plans, executive plans, and welfare benefit plans.

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