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*Czyzewski v. Jevic Holding Corp.*, No. 15-649

A Chapter 11 bankruptcy is implemented through a plan that assigns allowed claims to classes of different priority

levels. Unsecured claimants without priority are not entitled to any payment on their claims until all priority claims

have been satisfied.

*Czyzewski* involves a company that, shortly before declaring bankruptcy, was acquired in a leveraged buyout. The

bankruptcy court appointed an Official Committee of Unsecured Creditors, which pursued a fraudulent-conveyance

action on behalf of the estate. The parties to that adversarial action negotiated a settlement whereunder funds

would be used to satisfy claims with a lower priority than the unpaid-wage claims of the debtor's former

employees.

Over the objection of the former employees and the U.S. Trustee, the bankruptcy court approved the settlement,

and the district court and court of appeals affirmed. At the Supreme Court, the United States has taken the position

that the Bankruptcy Code does not permit the approval of structured dismissals that contravene the statutory

priority scheme, absent the consent of the creditors.

Because the possibility of a settlement can be expected to arise whenever a debtor is administratively insolvent,

this case may prove significant to the course of proceedings under Chapter 11.