

November 17, 2021

Update: Nondebtor Release Legislation Approved by House Judiciary Committee

On November 3, 2021, the House Committee on the Judiciary voted 23 to 17 to report proposed legislation H.R. 4777, the Nondebtor Release Prohibition Act of 2021 (the “NRPA”), to the full United States House of Representatives for consideration. The NRPA proposes to, among other things, limit, or prohibit entirely, the use of third-party releases in chapter 11 bankruptcies, as well as substantially restrict access to bankruptcy courts for corporate debtors by requiring the dismissal of cases where the debtor is the product of a divisional merger (such as the “Texas Two-Step” transaction).

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S. 2497 of the same title was also introduced in the United States Senate where it remains in the preliminary phase of review by the Senate Committee on the Judiciary. No hearings or votes have taken place to date.

On October 13, 2021, Ropes & Gray published [The Way Is Shut: Nondebtor Release Legislation Proposes Mandatory Dismissal on Account of Pre-Bankruptcy Liability Management Transactions](#) discussing the NRPA and its sweeping implications for corporate decision-making and bankruptcy practice. We encourage you to contact your Ropes & Gray team to discuss this proposed legislation more fully as we continue to track its progress through Congress.