CLIENT ALERTS & INSIGHTS

A Clearer Path to the Merits: Simply Interior Homes Addresses Post-Confirmation Jurisdiction

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Key Takeaways

- Bankruptcy courts may retain post-confirmation "related-to" jurisdiction, but the claims must be specifically identified and meaningfully connected to the debtor's financial distress, plan implementation or anticipated creditor recoveries.
- The four-part framework in *Simply Interior Homes* puts added emphasis on the confirmation record: parties seeking to preserve claims should clearly identify them, establish why retention is necessary to the plan and ensure the plan or confirmation order limits the exception to those claims.
- Boilerplate retention provisions may not be enough. Careful drafting and a well-supported evidentiary record at confirmation can help avoid lengthy jurisdictional disputes and keep the focus on the merits of post-confirmation claims.

In a recent opinion in *In re Simply Interior Homes, LLC*, Judge Goldblatt addresses when a bankruptcy court may exercise 'related-to' jurisdiction over claims after confirmation of a chapter 11 plan.

Once a plan is confirmed and becomes effective, estate property generally reverts back to the reorganized debtor, and the bankruptcy estate ceases to exist. However, the Bankruptcy Code allows bankruptcy courts to retain jurisdiction for claims that are "related to" the bankruptcy estate if the plan provides for post-confirmation retention.

Under Third Circuit precedent in *In re Resorts, Int'l*, courts apply a "close nexus" test to determine whether bankruptcy courts may exercise related-to jurisdiction over claims post-confirmation.

In *Simply Interior Homes*, Goldblatt establishes a four-part test to determine when a cause of action may be preserved as property of the bankruptcy estate after the plan has been confirmed: (1) whether the causes of action are identified with sufficient specificity; (2) whether the causes of action bear a material connection to the debtor's financial distress, plan consummation or anticipated creditor recoveries; (3) whether retaining the causes of action as estate property is necessary to the plan's implementation, rather than serving merely as a means of selecting a litigation forum; and (4) whether the plan or confirmation order limits the exception to the identified claims.

Case Background

Simply Interior Homes and its affiliated debtors operated a home textile and décor business. The debtors were formed in 2025 through a "carve-out" transaction involving a company now known as Live Comfortably and a private equity sponsor. The debtors allege the transaction left the new business undercapitalized, causing it to operate with a significant deficit from which it never fully recovered. The debtors then filed for bankruptcy in June 2026.

During the bankruptcy case, the debtors liquidated their inventory and conducted a sale process of their intellectual property. The debtors, Committee of Unsecured Creditors and secured lenders ultimately reached a global settlement that formed the basis for a liquidating plan. Under the proposed plan, a post-confirmation liquidating trust formed to act as the "representative of the estate" and pursue claims arising from the 2025 carve-out transaction that formed the debtors.

Jurisdiction Dispute and Analysis

In his opinion, Goldblatt noted the challenge courts have faced is applying the "close nexus" standard. Specifically, in *Resorts*, the Third Circuit did not define what constitutes a "close nexus," but instead only identified examples of circumstances in which the standard may or may not be satisfied. As a result, courts did not consistently apply *Resorts*, and determinations on whether a sufficiently close nexus exists became "rather messy."

Previously, in *In re SunPower Corp.*, Goldblatt offered a "best practice" for handling post-confirmation claims while remaining faithful to *Resorts*. There, the court noted that the "default rule is one of revesting, and an exception would require a genuine showing that the circumstances of the case are such that the success of the plan requires that a cause of action remain property of the bankruptcy estate after the plan becomes effective."

Building on *SunPower*, the court in *Simply Interior Homes* explains that a plan may depart from § 1141(b)'s ordinary revesting rule for specified causes of action. To determine whether such a departure is appropriate, the court will consider whether the proponent has established, with notice and an adequate evidentiary record, that: (1) the causes of action are identified with sufficient specificity; (2) the causes of action bear a material connection to the debtor's financial distress, plan consummation or anticipated creditor recoveries; (3) retaining the causes of action as estate property is necessary to the plan's implementation (and not a means of forum shopping); and (4) the plan or confirmation order limits the exception to the identified claims.

Applying this standard, the court concluded that the debtors satisfied the four elements. The plan specifically identified the causes of action arising from the carve-out transaction, the supporting declaration contained specific factual support for retaining those claims and permitting their prosecution, and the accompanying confirmation brief specifically argued that the retention of jurisdiction would satisfy the *Resorts*' "close nexus" standard. That said, the court still required the debtors to revise the confirmation order to make clear that any claims other than the specific claims noted above were not being retained by the trust.

Practical Implications

As the court noted, litigating "related-to" jurisdiction can extend litigation up to several years before the parties ever get to address the actual merits of the case. This decision aims to provide parties with a clear, mechanical framework to determine whether post-confirmation jurisdiction exists. However, the court noted that this test is not a cure-all and that the contours may still need to be fleshed out on a case-by-case basis. Regardless, *Simply Interior Homes* stresses the importance of specifically and precisely addressing "related-to" jurisdiction at confirmation and avoiding boilerplate retention language. This will allow parties to focus their resources on what matters most: the merits of the underlying claims.

Benesch's Restructuring & Bankruptcy team helps debtors, creditors, lenders, committees and other stakeholders navigate complex Chapter 11 proceedings from pre-bankruptcy planning through confirmation and post-confirmation disputes. As courts continue to refine the boundaries of bankruptcy jurisdiction, our team is prepared to help clients structure plans, preserve and pursue claims, and address the litigation and jurisdictional issues that can shape recoveries.

With contribution from Karla Kiefer, a law clerk on Benesch's Restructuring & Bankruptcy team.