

## Summary of Chapter 7 – Liquidation Under Title 11 of the U.S. Code

Chapter 7 of Title 11 of the United States Code governs liquidation bankruptcy, typically used when a debtor—either an individual or a business—is insolvent and cannot continue operations. A trustee is appointed to collect, liquidate, and distribute the debtor's non-exempt assets.

*Below is a high-level summary of the key sections within Chapter 7:*

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- **§701 – Interim Trustee:** Appoints an interim trustee to oversee the estate until a permanent trustee is selected.
- **§702 – Election of Trustee:** Outlines the process by which creditors can elect a permanent Chapter 7 trustee.
- **§704 – Duties of Trustee:** Defines trustee responsibilities, including collecting assets, examining proofs of claim, and distributing proceeds.
- **§707 – Dismissal of a Case:** Specifies conditions under which a Chapter 7 case may be dismissed for abuse or other cause.
- **§721 – Authorization to Operate Business:** Allows a trustee to temporarily continue the business if in the best interest of the estate.
- **§725 – Disposition of Certain Property:** Outlines procedures for handling property with competing interests.
- **§726 – Distribution of Property of the Estate:** Establishes the priority order for creditor payments (secured, unsecured, equity, etc.).
- **§727 – Discharge:** Addresses the debtor's eligibility for a discharge of debts (mostly applicable in individual filings).
- **§741–§753 – Stockbroker Liquidation:** Specific rules for stockbrokers undergoing Chapter 7 liquidation.
- **§761–§767 – Commodity Broker Liquidation:** Specific provisions related to commodity brokers in liquidation.

**Note: Businesses do not receive a discharge under Chapter 7. After the trustee distributes assets and closes the case, the business entity is permanently dissolved.**