

ALERTS

Bankruptcy Court Approves Non-Market Cramdown Rate on Momentive Secured Creditors

October 15, 2014

On Aug. 26, 2014, the Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) issued an oral bench ruling in connection with Momentive Performance Materials Inc.’s and its affiliated debtors’ (collectively, the “Debtors”) request for confirmation of their joint Chapter 11 plan of reorganization. While the ruling disposed of various matters relating to the proposed plan and confirmation, this *Alert* addresses the Bankruptcy Court’s decision on the interest rate that must be paid on account of new debt securities to be issued to a non-accepting class of secured creditors in a “cramdown” under Section 1129(b) of the Bankruptcy Code. As discussed in this *Alert*, this ruling could potentially have far-reaching implications not only on the returns that investors in secured debt can expect but also on the availability and pricing of capital for distressed and non-distressed borrowers generally.

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