ALERTS

District Court Affirms Cramdown Plan in Momentive Case

May 14, 2015

The U.S. District Court for the Southern District of New York, on May 4, 2015, affirmed U.S. Bankruptcy Judge Robert D. Drain's decision confirming the reorganization plan for Momentive Performance Materials Inc. and its affiliated debtors. The Bankruptcy Court's decision was controversial because it forced the debtors' senior secured creditors to accept new secured notes bearing interest at below-market rates. The secured creditors are expected to appeal to the U.S. Court of Appeals for the Second Circuit. This ruling is noteworthy (and troubling for secured creditors, especially those who provide financing to distressed companies) because it sets a road map for Chapter 11 debtors to pursue reorganization plans that seek to force secured lenders to accept new secured notes at below-market rates. And as troubling as that may be in a relatively low interest rate environment, this impact will be amplified as interest rates increase. Consequently, secured creditors will need to re-evaluate pricing to compensate for this increased risk.

Copyright © 2024 Schulte Roth & Zabel LLP

Attorney Advertising

Related People

Adam Harris

Partner

New York

Practices

BUSINESS REORGANIZATION

Attachments

Download Alert

Copyright © 2024 Schulte Roth & Zabel LLP

Attorney Advertising