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Delaware Bankruptcy Court Dismisses Debtors' Second Chapter 11 Filing

In *In re SC SJ Holdings LLC*, Case No. 21-10549 (Bankr. D. Del. Jan. 30, 2025), the Delaware Bankruptcy Court dismissed the debtors' second chapter 11 bankruptcy because its sole purpose was to modify their previously confirmed and substantially consummated plan in violation of section 1127(b). Section 1127(b) of the Bankruptcy Code bars plan modifications after substantial consummation of a plan. Courts have dismissed chapter

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In *In re Mega Newco Ltd.*, Case No. 24-12031 (Bankr. S.D.N.Y. Feb. 24, 2025), the debtor ("Mega"), a wholly-owned subsidiary of a Mexican financial services firm ("Parent"), sought recognition and enforcement of a U.K. proceeding in the United States through chapter 15 of the Bankruptcy Code ("Chapter 15"). Parent had issued New York law-governed notes and sought to restructure them with the support of an ad hoc group of noteholders. Because the U.S. notes require that to obtain such relief, a foreign debtor must satisfy statutory requirements to have its non-U.S. restructuring "recognized" as a foreign main or non-main proceeding. This requires evidence that the debtor has some presence in the jurisdiction in which it commenced its proceeding. Mega argued in the Bankruptcy Court for the Southern District of New York that because it had its registered office in the U.K. and that its restructuring efforts were negotiated in the U.K., its U.K. scheme should be recognized as a foreign main proceeding. Judge Wiles agreed that as a matter of form, Mega satisfied the chapter 15 requirements. Because there were no objections, he therefore enforced the U.K. note restructuring scheme in the U.S. but expressed reservations about the process used. "[T]he whole structure . . . was created for the purpose of restructuring the U.S. Notes issued by the Parent," Judge Wiles stated. "However, the Parent is not a party to the English Scheme Proceeding, and the Parent's [center of main interests] is in Mexico, not the U.K. . . . If we were routinely to allow this structure in all cases, no matter what the circumstances, the ordinary predicates for Chapter 15 relief could be stripped of meaning." This case illustrates the benefits of cooperation across borders and stakeholders but serves as a cautionary tale about the potential judicial limits to doing so.

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