PUBLICATIONS | 08.06.2026

The Insolvency Insider: Updates in Restructuring

Issue No. 6: July 2026

Late June and July 2026 produced several notable bankruptcy court rulings addressing administrative expense priority for chargebacks, adjustable cramdown interest-rate structures, and the enforceability of rights of first refusal in complex sale processes. These decisions have meaningful implications for parties seeking administrative expense treatment, debtors proposing long-term cramdown plans, and contract counterparties seeking to enforce transfer restrictions in chapter 11 sale transactions.

Postpetition Chargebacks Not Entitled to Administrative Priority

[redacted]

On July 14, 2026, Chief Judge Glenn of the United States Bankruptcy Court for the Southern District of New York issued a decision in *In re NeueHouse Inc., et al.* denying administrative expense priority for a payment processor seeking reimbursement of postpetition chargebacks arising from prepetition customer transactions. Judge Glenn denied Stripe LLC's ("Stripe") request for an $813,085 administrative expense claim, holding that the chargeback obligations neither (i) arose from a postpetition transaction with the jointly-administered chapter 7 estates nor (ii) conferred a concrete benefit on the estates.

The underlying transaction with Stripe that gave rise to the chargebacks occurred prepetition and stemmed from a prepetition services agreement. Stripe argued that the Debtors' chapter 7 estates effectively induced continued services from Stripe by failing to reject the prepetition contract and by allowing chargebacks to continue to be processed after the petition date.

Judge Glenn reaffirmed the well-established principle that a debt is not entitled to administrative priority solely because the right to payment arose postpetition. In doing so, the court noted that a claim is entitled to administrative expense priority only if it (i) arises from a postpetition transaction with the estate and (ii) provides an actual and necessary benefit to the estate. The court reaffirmed that mere inaction by a debtor is not sufficient to create a postpetition transaction. Instead, a debtor must affirmatively act to "induce" performance by its contract counterparty. In *NeueHouse*, neither the Debtors nor the chapter 7 trustee contracted with, nor did they otherwise communicate with, Stripe with respect to the prepetition contract or the chargebacks more generally following the filing.

The court also held that Stripe failed to demonstrate that the transactions giving rise to the chargebacks provided any legitimate benefit to the chapter 7 estates. The court found that Stripe's asserted benefit in the form of customer goodwill was highly speculative. The estates were no longer operating the Debtors' businesses and Stripe had separately contracted with a third-party to assume operations under a completely separate agreement that provided no direct benefit to the Debtors' estates. Accordingly, any purported goodwill benefit was too speculative to give rise to an administrative claim under section 503(b) of the Bankruptcy Code.

The decision underscores bankruptcy courts' continued reluctance to expand administrative expense treatment beyond the strict language of section 503(b). Creditors seeking administrative priority, particularly in the context of a chapter 7 bankruptcy, cannot rely solely on the timing of payment obligations or the implied continuation of contractual arrangements after a bankruptcy filing. Instead, the creditor must establish both that the claim arose from a postpetition transaction that the debtor induced the creditor to perform and that the transaction resulted in a demonstrable benefit to estate operations.

Bankruptcy Court Rejects Fixed-Rate Challenge to Adjustable Cramdown Treatment

[redacted]

On July 7, 2026, Judge G. Michael Halfenger of the United States Bankruptcy Court for the Eastern District of Wisconsin rejected the argument that the Bankruptcy Code categorically requires a cramdown rate set at confirmation to be fixed for the full payment term. Computershare Trust Company, N.A., the indenture trustee for the secured debt acting at the direction of Wisconsin & Milwaukee Hotel Funding LLC, held a $26 million secured claim. The debtor's fourth amended plan proposed to pay that claim over 18 years at the five-year Treasury note rate plus 320 basis points, with the Treasury component reset on the fifth, tenth, and fifteenth anniversaries of the plan's effective date. Computershare objected that the Bankruptcy Code required a fixed cramdown rate and sought to introduce expert testimony supporting an 18-year Treasury benchmark if the court required a fixed-rate approach. The court rejected Computershare's challenge, held that its earlier approval of the five-year reset structure was the "law of the case," and excluded the proposed fixed-rate testimony.

The dispute followed an earlier evidentiary hearing addressing valuation, feasibility, stay relief, and the interest rate necessary to satisfy the Bankruptcy Code's cramdown provisions. In a December 5, 2025 order, the court denied stay relief and determined that the appropriate cramdown rate was the prevailing five-year Treasury note rate plus 320 basis points, with the rate to reset every five years. The debtor incorporated that ruling into its fourth amended plan. Computershare then objected to confirmation, arguing that present value could not be calculated "as of the effective date of the plan" if the applicable rate could change on future adjustment dates.

The court first held that the December 2025 cramdown rate ruling was the law of the case. The court's previous order expressly recognized that the plan proposed to reset the cramdown rate every five years and concluded that *Till* did not foreclose that approach.

The court separately rejected Computershare's statutory argument that the Bankruptcy Code requires a fixed cramdown rate. Computershare argued that the court could not determine present value unless the rate was fixed for the entire 18-year term because the total amount of future payments would otherwise remain unknown. The court disagreed. It explained that section 1129(b)(2)(A)(i)(II) does not require the debtor to know the total dollar amount of every future payment at confirmation. Instead, the debtor must show that the plan will pay Computershare the value of its secured claim, together with an appropriate interest component to compensate for the delay in payment. In reaching that conclusion, the court relied on the Seventh Circuit's decision in *Airadigm Communications, Inc.*, and Justice Thomas's concurrence in *Till*, for the proposition that deferred payments must include interest sufficient to compensate the creditor for the decreased value caused by delayed payment. The court used those authorities to reject Computershare's broader premise that present value can be determined only through a fixed interest rate set at confirmation for the full repayment period.

The court ultimately concluded that an adjustable rate can satisfy that requirement. The five-year Treasury benchmark incorporated market expectations about inflation and interest rates over each five year period, while the reset mechanism allowed plan payments to adjust as those expectations changed over the 18-year term. If rates increased, Computershare's payments would increase to reflect changed market conditions. If rates decreased, the payments could decrease because the market would reflect a lower compensable risk. Although the court acknowledged that a fixed, longer term Treasury benchmark might be acceptable in another case, Computershare had not shown that such an approach was required.

The decision is useful for debtors seeking to defend adjustable cramdown rate structures where the reset mechanism is tied to a market-based benchmark, supported by an evidentiary record, and presented as a way to preserve present value while accounting for future changes in interest rate conditions. It also provides a cautionary reminder for secured creditors: objections to a plan's interest rate structure should be raised when the rate is first litigated, not held back for confirmation after the debtor has incorporated the court's prior ruling into a plan.

Right of First Refusal Cannot Derail Multi-Asset Sale Process

[redacted]

On June 29, 2026, Judge Stacey G.C. Jernigan of the Bankruptcy Court for the Northern District of Texas overruled objections by Madison Manor, Inc. ("Madison") to the sale of substantially all assets of the Genesis Healthcare[1] debtors. Madison, a minority partner in a non-debtor partnership that owned a Maryland skilled nursing facility, argued that a contractual right of first refusal ("ROFR") entitled it to purchase the debtors' partnership interests and carve that facility out of an enterprise-wide sale involving approximately 175 nursing facilities.

The dispute arose from the Debtors' proposed sale of a particular skilled nursing facility (the "LCSN Facility") that was encompassed within the assets being sold to a successful bidder after two court-approved bidding processes and auctions. Madison owned 25% of the non-debtor entity that owned the LCSN Facility, while two debtor affiliates owned the remaining 75% partnership interests. The partnership agreement gave Madison a ROFR if the debtor partners wished to sell their entire partnership interests to a third party. Among other arguments, Madison contended that the Debtors were required to allocate a portion of the buyer's more than $1 billion purchase price to the Bowie partnership interests and provide Madison a post-auction opportunity to match that allocated price.

The Court concluded that the Debtors substantially complied with the ROFR. Madison received written notice of the stalking horse bids, both auction processes, and the proposed sale transactions. Although Madison filed objections purporting to preserve its rights, it did not attend either auction, submit a whole-company or piecemeal bid, request an allocation during the bidding process, or unequivocally elect to match an offer within the 30-day period required by the partnership agreement. As a result, Madison was deemed to have declined the opportunity to exercise its ROFR, leaving the Debtors free under the contract to transfer the partnership interests to the buyer.

The opinion is notable for its treatment of ROFRs under section 365(f). Looking to *Adelphia* and *Mr. Grocer*, the Court held that enforcing the ROFR in the circumstances presented would operate as an impermissible restriction on assignment. The Court emphasized that the sale involved a large, integrated nursing-home enterprise, that bidders largely valued the assets on an aggregate basis, and that a post-auction allocation exercise could undermine value maximization and chill future bankruptcy sales. The Court therefore held that Madison's requested enforcement of the ROFR would conflict with section 365(f)'s policy favoring assignability of executory contracts.

Genesis provides useful guidance for debtors and purchasers dealing with rights of first refusal, purchase options, consent rights, and other transfer restrictions embedded in partnership agreements or operating documents. The decision does not render every ROFR unenforceable in bankruptcy. Rather, it reinforces that courts will examine the facts and circumstances of the sale process, including whether enforcement would interfere with a value-maximizing transaction. The decision also offers a cautionary lesson for parties seeking to preserve preemptive purchase rights: filing objections may not be enough. A party that wants to exercise a ROFR in a chapter 11 sale process should actively participate in the auction process and comply precisely with the contractual exercise mechanics.

[1] The Genesis Healthcare cases have produced a number of notable rulings. A prior ruling by the District Court for the Northern District of Texas addressing the extension of the automatic stay to nondebtors was previously addressed in the May 2026 issue of the Insolvency Insider.

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