

Vitro's Mexican Plan of Reorganization Denied Comity in the U.S.

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In a Chapter 15 case presenting interesting considerations for cross border lenders and borrowers, the Bankruptcy Court for the Northern District of Texas declined to implement in the United States the plan of reorganization that had been approved by a Mexican bankruptcy court in Vitro's Mexican concurso mercantil proceeding, because the plan (i) did not provide for distributions to noteholders consistent with Chapter 11 of the U.S. Bankruptcy Code, (ii) did not sufficiently protect the interests of U.S. creditors, and (iii) did not protect the noteholders' third-party claims against non-debtor subsidiaries, instead releasing those claims. The Texas bankruptcy court held that the distributions provided under the Mexican plan were not entitled to comity and the third-party releases were contrary to public policy of the United States. The decision has interesting implications which we discuss in this Client Update.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Donald S. Bernstein

+1 212 450 4092
donald.bernstein@davispolk.com

Timothy Graulich

+1 212 450 4639
timothy.graulich@davispolk.com

Marshall S. Huebner

+1 212 450 4099
marshall.huebner@davispolk.com

Ben Kaminetzky

+1 212 450 4259
ben.kaminetzky@davispolk.com

James I. McClammy

+1 212 450 4584
james.mcclammy@davispolk.com

Elliot Moskowitz

+1 212 450 4241
elliot.moskowitz@davispolk.com

Brian M. Resnick

+1 212 450 4213
brian.resnick@davispolk.com

Damian S. Schaible

+1 212 450 4580
damian.schaible@davispolk.com

Karen E. Wagner

+1 212 450 4404
karen.wagner@davispolk.com

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