

In re American Home Mortgage Holdings, Inc.

February 22, 2011 | Client Update

On February 16, 2011 the Third Circuit Court of Appeals affirmed a Delaware bankruptcy court's 2009 ruling that "commercially reasonable determinants of value" for purposes of measuring damages resulting from the rejection of a repurchase agreement were not limited to the actual sale or market value of an asset; a discounted cash flow valuation can also be utilized. This significant decision, one of first impression, provides helpful guidance in the determination of damages resulting from the termination of a safe harbor contract, such as a repo, in distressed market conditions, but also leaves a number of important questions unanswered.

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.

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