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# Restructuring Department Bulletin

## Paul, Weiss Receives Top Rankings in *Chambers USA*

Chambers & Partners recognized Paul, Weiss and six restructuring lawyers as among the best in the country for bankruptcy law in the publication's 2025 USA Guide. The Paul, Weiss Restructuring Department was ranked as Band 1 in the "Bankruptcy/Restructuring: The Elite" category nationwide and in New York, and restructuring partners Paul Basta, Alice Eaton, Brian Hermann, Elizabeth McColm, Andrew Rosenberg and Kenneth Ziman were ranked across various "Bankruptcy/Restructuring" USA and New York categories.

## Paul, Weiss Earns Top Restructuring Rankings in *The Legal 500*

*The Legal 500* recognized Paul, Weiss as a top restructuring firm and nine restructuring lawyers as among the best in their practice in its 2025 U.S. rankings. The firm was named a Tier 1 law firm nationwide in the Restructuring category. Additionally, Paul Basta and Andrew Rosenberg were named as "Hall of Fame" restructuring lawyers; Jacob Adlerstein, Alice Eaton, Brian Hermann, Kyle Kimpler and Elizabeth McColm were named "Leading Partners"; and Brian Bolin and Sean Mitchell were named "Next Generation Partners" in the Restructuring category.

## Fifth Circuit Awards Ownership of Reorganized Sanchez Energy to Secured Creditors Based on Single Satisfaction Rule

In *In re Sanchez Energy Corp.*, 139 F.4th 411 (5th Cir. 2025), the Fifth Circuit considered whether the bankruptcy court's allocation of a significant equity stake to unsecured creditors in the reorganized company, based on the hypothetical value of avoided liens, violated section 550 of the Bankruptcy Code, which provides that the estate may recover, on account of avoidable transfers, "the property transferred, or, if the court so orders, the value of such property." The bankruptcy court determined that the secured creditors' prepetition liens were preferential transfers and attributed a

### Did You Know...

In *In re ONHAFC Investors, LLC*, 2025 WL 1353850 (Bankr. D. Del. May 8, 2025), Judge Goldblatt recognized an exception to the Third Circuit rule that fraudulent transfer actions must benefit creditors—defrauded investors with subordinated section 510(b) claims. The court held that, outside of bankruptcy, these defrauded investors would be creditors with standing to assert fraudulent transfer actions.

hypothetical value to the avoidable liens that would put the estate in the same position it was prior to the preference, which, under Sanchez's chapter 11 plan, resulted in unsecured creditors receiving about 70% of the equity in the reorganized company. On appeal, the Fifth Circuit reversed. Emphasizing the plain meaning of section 550, the Fifth Circuit held that section 550(a) allows a debtor to recover either the property transferred or its value, but not both, and section 550(d) limits such recovery to a "single satisfaction." The Fifth Circuit concluded that the secured creditors' return of the liens under the plan constituted the estate's single recovery and that "extrinsic considerations", including any leverage the secured creditors had in the DIP financing process based on their prepetition liens, did not justify ignoring the statutory text. As a result, the Fifth Circuit decided that the DIP lenders, who had valid liens, were entitled to all the equity in the reorganized company, given the value of their liens exceeded the stipulated enterprise value of the reorganized company. Notably, on July 1st, the Fifth Circuit denied a request for rehearing, thus, upholding its decision.

The decision underscores the importance of the "single satisfaction" rule and that a double recovery for the avoidance of prepetition liens that are otherwise returned to the estate is impermissible.

**Please contact any of our Restructuring Partners to discuss these or other topics in greater depth.**

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