

November 2025

Restructuring Department Bulletin

S.D.N.Y. Affirms Validity of PDVSA Notes

Paul, Weiss secured a major win for an ad hoc group of holders of notes issued by *Petróleos de Venezuela, S.A. (PDVSA)*, secured by 50.1% of *CITGO Holding's* stock, when Judge Katherine P. Failla (S.D.N.Y.) upheld the notes' validity under Venezuelan law. The judgment is worth more than \$2.8 billion. In 2020, Judge Failla held New York law governed and that the notes and pledge were valid; the Second Circuit later certified the choice-of-law question to the New York Court of Appeals and, in 2024, remanded for a determination under Venezuelan law. On September 18, 2025, Judge Failla again ruled the notes and pledge valid, rejecting PDVSA's and the Republic's readings of Venezuelan law as inconsistent with binding authority and expert writings.

Texas District Court Finds Exclusive Equity Rights Offering and Backstop Violates Equal Treatment in ConvergeOne

In *In re ConvergeOne Holdings Inc.*, Case No. 24-02001 (S.D. Tex. Sept. 25, 2025), the U.S. District Court for the Southern District of Texas held that ConvergeOne's chapter 11 plan did not treat similarly situated creditors equally by providing backstop fees and discounted equity purchase rights exclusively to a "majority lender" group. Having previously held that the appeal was not equitably moot, the District Court reversed the confirmation order concerning the treatment of the "minority lenders," who were excluded from the opportunity to participate in the plan's equity rights offering, and thus, received lower recoveries as compared to the "majority lenders" in the same class.

ConvergeOne's prepackaged bankruptcy included a discounted equity rights offering backstopped by certain majority lenders. The minority lenders objected to confirmation arguing that such treatment violated section 1123(a)(4) of the Bankruptcy Code, which requires a reorganization plan to treat each claim in a class equally, unless the

GRR and ABI Recognize Paul, Weiss in Annual Awards

Paul, Weiss was shortlisted by *Global Restructuring Review* and the American Bankruptcy Institute for several 2025 awards. The firm is a finalist for *GRR's* "Chapter 11 Firm of the Year," for leading the Diamond Sports Group, 23andMe, Mitel and Rite Aid restructurings; "Pioneering Spirit Award," for innovative work on 23andMe; and "Impactful Judgment of the Year," for our appellate win on behalf of a Serta Simmons lenders group. Partner Chris Hopkins is a finalist for *GRR's* "Future Leader" award. Additionally, Chris was recognized in ABI's annual "40 Under 40" Emerging Leaders in Insolvency Practice.

claimant agrees otherwise. The Bankruptcy Court confirmed the plan, finding the backstop necessary and reasonable.

On appeal, the District Court rejected the argument that the majority lenders received more consideration in exchange for the additional financial obligation of backstopping the equity rights offering. Relying on the U.S. Supreme Court's decision in *LaSalle* and the Fifth Circuit's decision in *Serta*, the District Court concluded that exclusive investment rights reserved for a subset of a class constitute "treatment for a claim" that can produce unequal recoveries. The District Court also found the backstop failed equal-treatment scrutiny because (a) the majority lenders gave no upfront consideration for the opportunity to participate in the backstop, (b) the minority lenders lacked a meaningful opportunity to propose alternatives before the prepackaged filing, and (c) the backstop terms did not undergo a market test. While currently on appeal, this decision may impact the use of non-pro rata backstopped rights offerings, particularly in the Fifth Circuit, requiring either open participation for all class members or a true market test.

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

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