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Capital Solutions & Restructuring Group Bulletin

Chrome ("23andMe") Debtors Win Dismissal of California AG's Appeal of Order Approving Bankruptcy Sale

On September 29, 2026, the U.S. District Court for the Eastern District of Missouri dismissed the state of California's appeal of a bankruptcy court's order approving the sale of Paul, Weiss client, Chrome's (f/k/a 23andMe's) assets for $302.5 million.

Following briefing, U.S. District Judge Cristian Stevens heard oral argument on September 14, 2026, and dismissed the appeal on standing and mootness grounds without reaching California's argument that the sale violated state law. Judge Stevens held that California lacked appellate standing because it suffered no pecuniary harm from the sale and separately lacked standing under Federal Rule of Bankruptcy Procedure 2018(b), which bars appeals by state attorneys general appearing on behalf of consumer creditors and in the public interest. He also held that the appeal was statutorily moot under Bankruptcy Code section 363(m), which bars appeals of completed bankruptcy asset sales to good-faith purchasers absent a stay.

California subsequently appealed Judge Stevens' decision to the Eighth Circuit but later entered into a stipulation with the Chrome debtors that resolved, among other things, the sale order appeal and the claims filed by California in the debtors' bankruptcy cases, which purported to seek billions of dollars in penalties. The stipulation was approved by the bankruptcy court on October 26, 2026.

Bankruptcy Court Declines to Rule Texas Two-Step Funding Agreement Is Not "Value" as a Matter of Law in *In re DBMP*

In *In re DBMP LLC*, the U.S. Bankruptcy Court for the Western District of North Carolina declined to decide on summary judgment whether the funding agreement at the center of CertainTeed's 2019 Texas Two-Step (the "Funding Agreement") constitutes "value" for purposes of a constructive fraudulent transfer claim. The restructuring allocated approximately 97% of the prior entity's ("Old CertainTeed's") assets to New CertainTeed, while DBMP

Did You Know...

- Sean Mitchell was named an American Bankruptcy Institute "40 Under 40" honoree. The annual program highlights rising leaders in the U.S. restructuring industry. Honorees will be recognized at an awards ceremony at ABI's Winter Leadership Conference in December.
- Alice Eaton spoke on a panel, "The New Chapter 11 Playbook: Fulcrum Creditor Power and Its Consequences," at the National Conference of Bankruptcy Judges' annual meeting. Participants discussed conflicts that may arise among groups of creditors in chapter 11 cases and the potential consequences of these disputes.
- Jamie Sprayregen spoke on a panel at the Chicago Booth Credit Forum exploring current trends and developments in the restructuring market.
- John Weber will take part in Expert Webcast's "Duties of Officers and Directors in Distress" webinar on November 4. The session will cover key considerations for officers and directors navigating corporate distressed situations.
- *IFLR1000* ranked Paul, Weiss among the leading UK law firms in its 2027 directory, recognizing the firm in eight corporate, restructuring and industry categories. Liz Osborne was named a Woman Leader, an elite ranking category reserved for the most prominent women lawyers.

received the asbestos liabilities, certain, limited assets, and a Funding Agreement requiring New CertainTeed to fund asbestos-related liabilities that DBMP cannot satisfy from its own resources. DBMP filed for chapter 11 ninety-two days later.

The asbestos claimants argued that the Funding Agreement falls within the Bankruptcy Code's (and similar state statutes') exclusion of an "unperformed promise to furnish support to the debtor" from the definition of value. The court agreed that the exclusion is not limited to familial support and can extend to commercial arrangements. But it rejected the claimants' broader argument that any unperformed promise of support is categorically excluded. Instead, the court held that enforceability, likelihood of performance, and the surrounding circumstances bear on whether an executory promise constitutes value. Here, those considerations pointed in both directions. New CertainTeed has continued to perform under the Funding Agreement, but the agreement was not negotiated at arm's length and is nonassignable. Because the inquiry presents a mixed question of law and fact, the court held that further factual development is required before determining whether the Fundin Agreement constitutes reasonably equivalent value.

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