



Insights

Default Interest in Chapter 11: What Sagamore Partners Means for Lenders

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This article examines the current treatment of default interest by bankruptcy courts and analyzes how a creditor's claim for default interest could be treated as part of a chapter 11 plan process. Some background regarding that plan process will also be provided, so as to give the reader an understanding of the two circumstances under which a debtor can propose a confirmable reorganization plan without the support of secured creditors. These two nonconsensual situations are known under the Bankruptcy Code as reinstatement pursuant to sections 1123 and 1124 of the Bankruptcy Code and cram-down, pursuant to section 1129(b) of the Bankruptcy Code.

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