

9th Circ. Subchapter V Case Clarifies Commitment Periods

Brian Shaw and David Doyle analyze the *Legal Service Bureau Inc. v. Orange County Bail Bonds Inc.* decision, which addresses the commitment period under Section 1191(c)(2) of the Bankruptcy Code in an article titled, "9th Circ. Subchapter V Case Clarifies Commitment Periods," in *Law360*.

"One of the most radical changes in Subchapter V involves its standards on cramdown, or confirming a plan over the objection of a dissenting class of creditors," Brian and David noted.

The article explains how the appropriate length of a commitment period is decided, given that the absolute priority rule does not apply under Subchapter V, unlike a traditional Chapter 11.

Brian and David concluded that creditors should always carefully review the language of a proposed Subchapter V plan, one should never make assumptions on the commitment period that debtors and creditors want, and debtors should always take their baseline economic commitment to achieve cramdown.

"The BAP's decision to fall back on a three-year commitment period rather than a five-year period when none was identified under Section 1191(c)(2)(B) in the plan is consistent with the common view that three years is the norm and a longer commitment period is for more extraordinary circumstances," they stated.

To read the full article, [click here](#).



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