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What Is the Absolute Priority Rule and How Does It Affect Payment on My Claim In Chapter 11 Bankruptcy?

Creditor's Rights Toolkit

CONTACTS

David M. Fournier | Evelyn J. Meltzer | Kenneth A. Listwak | Tori Lynn Remington

Under the Absolute Priority Rule, for a Chapter 11 plan to be confirmable, claims of a higher priority must be paid in full in order for lower priority claims to receive any recovery, and all creditors must be paid in full in order for equity interest holders to retain any interest in the debtor, or receive any distribution under the plan. The Absolute Priority Rule is embodied in Section 1129(b)(2) of the Bankruptcy Code.

This article discusses the key issues of the Absolute Priority Rule in a Chapter 11 bankruptcy. To access this article and read other insights from our Creditor's Rights Toolkit, [please click here](#).

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