Table of Contents

PART I. CREATION OF THE CREDITOR-DEBTOR RELATIONSHIP 1

CHAPTER 1. STRUCTURING THE CREDIT TRANSACTION 1

§ 1:1 Creditor's objectives
§ 1:2 Debtor's objectives
§ 1:3 Collateral
§ 1:4 Guaranties and letters of credit—Guaranties
§ 1:5 —Letters of credit
§ 1:6 Preferences and fraudulent transfers—Overview
§ 1:7 —Preferences
§ 1:8 —Fraudulent transfers
§ 1:9 Regulatory considerations

CHAPTER 2. DOCUMENTING THE CREDIT TRANSACTION 11

§ 2:1 The Loan Agreement—Overview
§ 2:2 —Representations and warranties
§ 2:3 —Covenants
§ 2:4 —Events of default
§ 2:5 The Guaranty—Overview
§ 2:6 —Types of guaranties
§ 2:7 —Suretyship defenses
§ 2:8 —Bankruptcy
§ 2:9 —Rights of guarantor
§ 2:10 —Comfort letters
§ 2:11 —Fraudulent transfers
§ 2:12 —Spousal guaranties
§ 2:13 Letters of Credit—Overview
§ 2:14 —Mechanics
§ 2:15 —Bankruptcy
§ 2:16 The Subordination Agreement—Overview

§ 2:17 —Bankruptcy
§ 2:18 Loan Participations
§ 2:19 —Control
§ 2:20 —Interest and fees
§ 2:21 —Insolvency of lead bank
§ 2:22 —Sharing of setoffs
§ 2:23 —Duties of disclosure and care
§ 2:24 —Documentation
§ 2:25 Syndicated Loans

Appendix 2A. Loan Agreement 58
Appendix 2B. Unconditional [Continuing/Nonrecourse] Guaranty 91
Appendix 2C. Subordination Agreement 103
Appendix 2D. Participation Agreement 110

CHAPTER 3. PERSONAL PROPERTY COLLATERAL 127

§ 3:1 Introduction
§ 3:2 Scope of Article 9—Overview
§ 3:3 —Preemption
§ 3:4 —Excluded transactions
§ 3:5 —True leases
§ 3:6 —Consignment
§ 3:7 Types of Collateral—Overview
§ 3:8 —Goods, inventory, and equipment
§ 3:9 —Accounts
§ 3:10 —Instruments
§ 3:11 —Promissory notes
§ 3:12 —Chattel paper
§ 3:13 —Letter-of-credit rights
§ 3:14 —Supporting obligations
§ 3:15 —Health-care-insurance receivables
§ 3:16 —General intangibles
§ 3:17 —Payment intangibles
§ 3:18 —Software
§ 3:19 —Deposit accounts
§ 3:20 —Investment property
§ 3:21 —Commercial tort claims

§ 3:22 Attachment
§ 3:23 Perfection—Overview
§ 3:24 —By filing—What to file
§ 3:25 —Perfection by filing—Where to file
§ 3:26 —Perfection by possession
§ 3:27 —Perfection by control
§ 3:28 —Automatic
§ 3:29 Priority—Overview
§ 3:30 —Purchase money security interests
§ 3:31 —Purchasers
§ 3:32 —Fixtures
§ 3:33 —Unpaid sellers
§ 3:34 Restrictions on Assignment
§ 3:35 2022 Amendments

Appendix 3A. Security Agreement 172
Appendix 3B. Control Agreement for Deposit Accounts 188

CHAPTER 4. REAL PROPERTY COLLATERAL 195
§ 4:1 Introduction
§ 4:2 Determination of Debtor's (Mortgagor's) Interest—Survey
§ 4:3 —Title insurance
§ 4:4 Identifying Encumbrances
§ 4:5 —Competing liens
§ 4:6 —Easements
§ 4:7 —Restrictive covenants
§ 4:8 —Zoning and other land use controls
§ 4:9 —Encroachments and access
§ 4:10 Leases
§ 4:11 Contracts and Options
§ 4:12 Creation of a Valid Mortgage—Execution and recording
§ 4:13 —Consideration
§ 4:14 —Purchase money mortgages
§ 4:15 —Refinancing
§ 4:16 —Future advances
§ 4:17 —Property encumbered
§ 4:18 —Rents
§ 4:19 —Due on sale or encumbrance

§ 4:20 —Warranties and covenants
§ 4:21 —Release
§ 4:22 —Contracts and licenses
§ 4:23 Environmental Liability
§ 4:24 —EPA Rule
§ 4:25 —Statutory validation of EPA Rule
§ 4:26 —RCRA
§ 4:27 —State lender liability issues
§ 4:28 Real Estate Finance—Securitized loans
§ 4:29 —Participating loans
§ 4:30 —Mezzanine loans

CHAPTER 5. SPECIAL PROBLEMS RELATING TO THE CONSUMER DEBTOR 219
§ 5:1 Introduction
§ 5:2 Equal Credit Opportunity Act and Regulation B—Overview
§ 5:3 —Credit application
§ 5:4 —Evaluation process
§ 5:5 —Acting on the credit application
§ 5:6 —Records retention
§ 5:7 Equal Credit Opportunity Act—Consequences of failure to comply
§ 5:8 Truth in Lending Act and Regulation Z—Overview
§ 5:9 —Consumer Financial Protection Bureau
§ 5:10 —Credit transactions covered
§ 5:11 —Excluded credit transactions
§ 5:12 —Disclosure requirements
§ 5:13 —Right of rescission
§ 5:14 —Consequences of failure to comply
§ 5:15 —Credit cards and mortgages
§ 5:16 Consumer Leasing Act and Regulation M—Overview
§ 5:17 —Transactions covered
§ 5:18 —Disclosure requirements
§ 5:19 —Coverage for advertising
§ 5:20 —Consequences of failure to comply
§ 5:21 Credit Practices Rules—Overview
§ 5:22 —Unfair acts and practices
§ 5:23 —Cosigners of consumer debt

§ 5:24 —Pyramiding
§ 5:25 —Civil liability
§ 5:26 Fair Credit Reporting Act—Overview
§ 5:27 —Regulation of consumer reporting agencies
§ 5:28 —Regulation of users of credit reports
§ 5:29 —Consequences of failure to comply
§ 5:30 Fair Debt Collection Practices Act—Application
§ 5:31 —Regulation F
§ 5:32 —Consequences of failure to comply
§ 5:33 Federal Trade Commission Holder in Due Course Rule—Overview
§ 5:34 —Application of the Rule
§ 5:35 —Effect of rule on creditors

PART II. THE DISTRESSED DEBTOR 257

CHAPTER 6. THE WORKOUT 257
§ 6:1 Introduction
§ 6:2 The Troubled Debtor—Danger signs
§ 6:3 —Sources of information
§ 6:4 —Initial steps
§ 6:5 —Alternatives available
§ 6:6 Working With the Debtor—Introduction
§ 6:7 —The forbearance agreement
§ 6:8 —Restructuring in and out of bankruptcy
§ 6:9 —Feasibility of restructure out of bankruptcy
§ 6:10 —The restructure out of bankruptcy
§ 6:11 —Creditor representative concerns
§ 6:12 —Specific provisions of restructure out of bankruptcy
§ 6:13 Plan Support Agreements

Appendix 6A. Pre-Workout Agreement 280
Appendix 6B. Forbearance Agreement 282
Appendix 6C. Debt Settlement Agreement 291

CHAPTER 7. REMEDIES 299
§ 7:1 Introduction

§ 7:2 Remedies of the Unsecured Creditor—Overview
§ 7:3 —Prejudgment garnishment and attachment
§ 7:4 —State law insolvency proceedings
§ 7:5 —Involuntary bankruptcy
§ 7:6 —Fraudulent transfers
§ 7:7 —The reclaiming seller
§ 7:8 Remedies of the Secured Creditor—Overview
§ 7:9 —Personal property foreclosures—Repossession of collateral
§ 7:10 — —Disposition of collateral
§ 7:11 — —Notice
§ 7:12 — —Commercial reasonableness
§ 7:13 — —Collection of accounts and general intangibles
§ 7:14 —Retention of collateral
§ 7:15 —Real estate foreclosures
§ 7:16 —Fraudulent transfers
§ 7:17 —Preferential transfers
§ 7:18 —Successor Liability

CHAPTER 8. LENDER LIABILITY... 335
§ 8:1 Introduction
§ 8:2 Theories of Lender Liability—Common-law fraud
§ 8:3 —Duress
§ 8:4 —Tortious interference with contract and business relationship
§ 8:5 —Implied covenant of good faith and fair dealing
§ 8:6 —Breach of fiduciary duty
§ 8:7 —Other common-law theories of lender liability
§ 8:8 —Deepening insolvency
§ 8:9 —Equitable subordination
§ 8:10 —Recharacterization
§ 8:11 —Statutory causes of action
§ 8:12 —Excessive control of the debtor and its consequences
§ 8:13 —Liability for taxes of the debtor
§ 8:14 —Liability under securities laws
§ 8:15 —"Insider" under Bankruptcy Code
§ 8:16 Avoiding Lender Liability—Overview
§ 8:17 —Course of conduct
§ 8:18 —Understanding legal rights
§ 8:19 —Written communications
§ 8:20 —File maintenance

§ 8:21 —Attitude
§ 8:22 —Control

PART III. THE DEBTOR IN BANKRUPTCY 375

CHAPTER 9. AN OVERVIEW OF THE BANKRUPTCY ALTERNATIVE 375
§ 9:1 Introduction
§ 9:2 The Bankruptcy Code—Structure
§ 9:3 —Types of relief
§ 9:4 —Types of claims
§ 9:5 Bankruptcy court jurisdiction—The court structure
§ 9:6 —Core vs. noncore proceedings
§ 9:7 —Jurisdiction over international transactions
§ 9:8 —Foreign creditors' remedies
§ 9:9 Principal parties in a bankruptcy case—Debtor
§ 9:10 —Trustees and examiners
§ 9:11 —Ombudsman
§ 9:12 —U.S. Trustee
§ 9:13 —Committees
§ 9:14 —Attorneys, accountants, and other professionals
§ 9:15 —Other principal parties in interest
§ 9:16 —Individual creditors
§ 9:17 Definitions
§ 9:18 Sequence of events in a bankruptcy case—Chapter 7 case
§ 9:19 —Chapter 11 case
§ 9:20 —Chapters 12 and 13 cases
§ 9:21 —Involuntary case

CHAPTER 10. MAINTENANCE OF THE STATUS QUO 411
§ 10:1 Introduction
§ 10:2 The automatic stay—Bankruptcy Code § 362(a)
§ 10:3 Section 552
§ 10:4 Restraints on the debtor or trustee
§ 10:5 Adequate protection
§ 10:6 Conclusion

CHAPTER 11. BANKRUPTCY CAUSES OF ACTION 423
§ 11:1 Introduction
§ 11:2 Turnover of property
§ 11:3 The trustee's strong-arm clause
§ 11:4 Statutory liens
§ 11:5 Preferences
§ 11:6 Fraudulent transfers and obligations
§ 11:7 Equitable subordination
§ 11:8 Postpetition transfers
§ 11:9 Offsets
§ 11:10 Limitations on bankruptcy causes of action

CHAPTER 12. OPERATIONS OF DEBTOR IN BANKRUPTCY 443
§ 12:1 Introduction
§ 12:2 Ordinary course of business and diminution of the estate
§ 12:3 Impact of a Chapter 11 filing on general conduct of the business—Insurance
§ 12:4 —Maintenance
§ 12:5 —Cost-cutting
§ 12:6 —Purchase of assets
§ 12:7 —Selling assets
§ 12:8 —Abandonment of assets
§ 12:9 —Foreign assets
§ 12:10 —Related entities
§ 12:11 —Doing business
§ 12:12 —Payment of Administrative Expenses
§ 12:13 —Regulatory powers
§ 12:14 Contracts and leases
§ 12:15 Personnel and professionals
§ 12:16 Use of cash collateral
§ 12:17 Handling money
§ 12:18 Reporting
§ 12:19 Bankruptcy fees
§ 12:20 Conclusion

CHAPTER 13. APPOINTMENT OF COMMITTEES 467
§ 13:1 Introduction

§ 13:2 Types of committees
§ 13:3 Membership on a committee
§ 13:4 Fiduciary duties of committees and their members
§ 13:5 Structuring a committee

Appendix 13A. Sample Bylaws for Unsecured Creditors' Committee 480

CHAPTER 14. DUTIES AND POWERS OF COMMITTEES 485
§ 14:1 Introduction
§ 14:2 The role of a committee in administration and operation
§ 14:3 Investigations by a committee
§ 14:4 Committee participation in negotiation and confirmation of a plan
§ 14:5 Request by a committee for the appointment of a trustee or examiner
§ 14:6 Other duties
§ 14:7 Conclusion

Appendix 14A. Sample Letter Soliciting Acceptances of Reorganization Plan 495

CHAPTER 15. THE INDENTURE TRUSTEE 497
§ 15:1 Introduction
§ 15:2 Historical perspective
§ 15:3 The structure of the TIA
§ 15:4 Powers of the indenture trustee
§ 15:5 Instructing the indenture trustee
§ 15:6 The Bankruptcy Code and the indenture trustee
§ 15:7 Role of the indenture trustee on a creditors' committee
§ 15:8 Construction of the indenture
§ 15:9 Payment of the indenture trustee

CHAPTER 16. WORKING WITH A DEBTOR IN A REORGANIZATION 509
§ 16:1 Introduction

§ 16:2 Dealing with the involuntary debtor
§ 16:3 Trade creditors dealing with a Chapter 11 debtor
§ 16:4 Cooperation by a secured creditor
§ 16:5 —Installment lender
§ 16:6 —Real estate lender
§ 16:7 —Principal lender
§ 16:8 —Advantages of moderate demands
§ 16:9 Cash collateral and financing orders
§ 16:10 Procedural guidelines
§ 16:11 Conclusion

Appendix 16A. Final Order Authorizing Debtor's Use Of Cash Collateral And Providing Adequate Protection 526

CHAPTER 17. CREDITOR REMEDIES 541
§ 17:1 Introduction
§ 17:2 Proof of claim
§ 17:3 Relief from the automatic stay
§ 17:4 Conversion and dismissal
§ 17:5 Appointment of trustee or examiner
§ 17:6 Limitations on authority of the debtor in possession or trustee
§ 17:7 Proposing a plan of reorganization
§ 17:8 Additional remedies

Appendix 17A. Official Bankruptcy Form 410: Proof of Claim 561
Appendix 17B. Official Bankruptcy Form 410A: Instructions for Mortgage Proof of Claim Attachment 564

CHAPTER 18. THE PLAN OF REORGANIZATION 571
§ 18:1 Introduction
§ 18:2 Types of reorganization plans—Overview
§ 18:3 —Compromise
§ 18:4 —Extension
§ 18:5 —Pro rata participation
§ 18:6 —Conversion to equity

§ 18:7 —Transfer of assets
§ 18:8 —Combination plans
§ 18:9 —Pros and cons
§ 18:10 Negotiating the plan—Advantages of simplicity
§ 18:11 —Creditor representative
§ 18:12 —Third party proponent
§ 18:13 —Parties involved in the negotiations
§ 18:14 —Deferral of immediate cash return
§ 18:15 —Allocation of returns between secured and unsecured creditors
§ 18:16 —Evaluation of liquidation option and plan's feasibility
§ 18:17 —Management and ownership
§ 18:18 —Cooperation required from secured and unsecured creditors
§ 18:19 Plans of reorganization—Overview
§ 18:20 —Contents of a plan of reorganization
§ 18:21 —Classification
§ 18:22 —Impairment
§ 18:23 —Implementation
§ 18:24 —Contracts, suits, and settlements
§ 18:25 —Sale and liquidation
§ 18:26 —Retention of bankruptcy court jurisdiction
§ 18:27 —Creditor options
§ 18:28 —Consolidation of multiple related debtors
§ 18:29 —Time schedules
§ 18:30 —Priority claims
§ 18:31 —Additional provisions
§ 18:32 Disclosure statements
§ 18:33 How to read a plan and disclosure statement
§ 18:34 Events prior to the confirmation hearing—Hearing on disclosure statement
§ 18:35 —Mailing of documents
§ 18:36 —Solicitation of acceptances or rejections
§ 18:37 —Voting
§ 18:38 The confirmation hearing—Notice
§ 18:39 —Types of confirmation
§ 18:40 Criteria for confirmation—Overview
§ 18:41 —Compliance, solicitation, and disclosure
§ 18:42 —Regulated industries
§ 18:43 —Return to creditors
§ 18:44 —Acceptance by creditors
§ 18:45 —Priority creditors

§ 18:46 —Retiree benefits
§ 18:47 —Feasibility
§ 18:48 —"Cramdown"
§ 18:49 —Section 1111(b) Election
§ 18:50 —Absolute Priority Rule
§ 18:51 Postconfirmation concerns—Overview
§ 18:52 —Modification
§ 18:53 —Revocation
§ 18:54 —Dismissal and conversion to liquidation
§ 18:55 —Preservation of interest
§ 18:56 —Enforcement orders
§ 18:57 —Disputed claims
§ 18:58 —Delays in distribution

Appendix 18A. Sample Plan of Reorganization 611
Appendix 18B. Sample Disclosure Statement 621

CHAPTER 19. THE INDIVIDUAL DEBTOR 649

§ 19:1 Introduction
§ 19:2 Types of relief
§ 19:3 Chapter 7
§ 19:4 Chapter 13
§ 19:5 Chapter 11
§ 19:6 Creditor concerns
§ 19:7 Discharge
§ 19:8 Dischargeability of debts
§ 19:9 Objections to Chapter 7 Discharge
§ 19:10 Reaffirmations
§ 19:11 Exempt property
§ 19:12 Secured claims on residential real property

Appendix 19A. Statement of Current Monthly Income and Means Test Calculation (Chapter 7)—Official Forms 122A, 122A-1 Supp., and 122A-2 681
Appendix 19B. Statement of Current Monthly Income (Chapter 11)—Official Form 122B 694
Appendix 19C. Statement of Current Monthly Income and Calculation of Commitment Period

and Disposable Income (Chapter 13)—Official Forms 122C-1 and C-2 696
Appendix 19D. Reaffirmation Agreement Cover Sheet—Official Form 427 728
Appendix 19E. Form 2400A Reaffirmation Documents 731
Appendix 19F. Official Bankruptcy Form 410S-1 Supplement 1: Proof Of Claim 738
Appendix 19G. Official Bankruptcy Form 410S-2 Supplement 2: Proof Of Claim 741

CHAPTER 20. SMALL BUSINESS REORGANIZATIONS 745
§ 20:1 Introduction
§ 20:2 Appointment of trustee
§ 20:3 Powers and duties of debtor in possession
§ 20:4 Professional persons and committees
§ 20:5 Property of the estate
§ 20:6 Status conference and plan filing
§ 20:7 Disclosure requirements
§ 20:8 Plan requirements
§ 20:9 Plan confirmation by cramdown
§ 20:10 Plan payments
§ 20:11 Modification of a plan
§ 20:12 Discharge
§ 20:13 Conclusion

CHAPTER 21. MASS TORT CLAIMS 761
§ 21:1 Introduction
§ 21:2 When does a tort victim have a claim?
§ 21:3 Notice
§ 21:4 Parity treatment
§ 21:5 Claims disposition
§ 21:6 Environmental claims
§ 21:7 Conclusion

Table of Laws and Rules

Table of Cases
Index