

ALERTS

Bankruptcy Claims Trading: Seventh Circuit Clarifies that Acquired Rights May Include a “Cure” Claim but Recovery is Still Not Guaranteed

March 1, 2011

On Feb. 18, 2011, the Seventh Circuit Court of Appeals (the “Circuit Court”) held that (i) an assignment of unsecured contract claims from AT&T to ReGen Capital I, Inc. (“ReGen”) was broad enough to include right to receive “cure” payments in the event the debtor, UAL Corporation (“United”), assumed the underlying executory contracts, but (ii) ReGen could not successfully assert a “cure” claim because United had not assumed the executory contracts, even though United’s confirmed plan of reorganization included them on a list of assumed contracts. *ReGen Capital I, Inc. v. UAL Corp. (In re UAL Corp.)*, ___ F.3d ___, 2011 WL 559702 (7th Cir. Feb. 18, 2011). This decision is important for bankruptcy claims investors because it both clarifies the scope of assignable rights in a claims trade and also serves as a reminder to claims investors to vigilantly analyze the terms of a debtor’s plan of reorganization to protect their recovery rights. Additionally, the decision’s broader implication is to require purchasers of claims arising from an executory contract to take affirmative steps to ensure that their seller’s actions or failure to act do not result in the rejection of the underlying executory contract.

Related People



**David
Karp**

Partner
New York

Practices

BUSINESS REORGANIZATION

DISTRESSED DEBT AND CLAIMS TRADING

Attachments

⤵ [Download Alert](#)