PUBLICATIONS

# Ninth Circuit Treats Corporate Insider Fairly in Fraudulent Transfer Case

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The U.S. Court of Appeals for the Ninth Circuit, on Aug. 10, 2010, reversed a district court's adverse $6.7 million fraudulent transfer judgment against a corporate insider, a director of the debtor, in a remarkably sensible opinion. *Decker v. Tramiel* (*In re JTS Corp.*), 617 F.3d 1102 (9th Cir. 2010). The director had bought eight parcels of the debtor's real estate for $10 million in good faith two years prior to bankruptcy. Holding that the director had "no liability to the [plaintiff bankruptcy] trustee for" a constructive fraudulent transfer, the court found that the director was "a good faith transferee … entitled to an offset for the value he paid for the property," and that he was "entitled to [an additional] settlement credit" for "the amount that his codefendants paid in a settlement agreement." 617 F.3d at 1106, 1120. For corporate insiders — private equity funds, controlling shareholders, officers and directors — the case shows that insider status alone is not enough to impose liability, particularly when the insider participates in a good-faith attempt to rehabilitate a financially troubled debtor.

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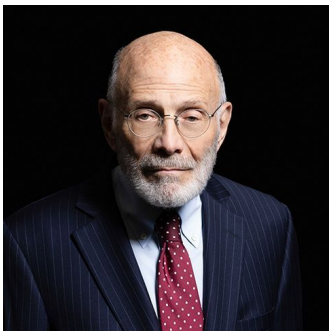

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