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Seventh Circuit Voids Lien-Securing Rescue Loan

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A “bank [making a secured rescue loan] had information that should have created the requisite suspicion ... to conduct a diligent search for possible dirt” — *i.e.*, whether the debtor had the right to pledge \$312 million of customer securities, held the U.S. Court of Appeals for the Seventh Circuit on Jan. 8, 2016 in *In re Sentinel Management Group, Inc.* In this article, of counsel Michael L. Cook discusses the court’s decision, which reversed the district court, voided the defendant bank’s lien as a fraudulent transfer, and rejected the bank’s good-faith defense.

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