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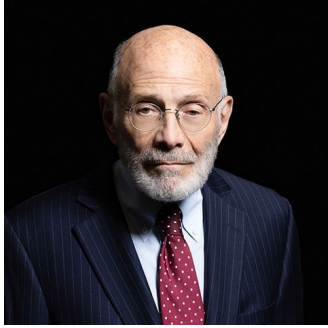
Ninth Circuit Affirms Mandatory Subordination of Investor's Securities Claim in Individual Debtor's Reorganization Case

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"[T]he claims of [an individual debtor's] general unsecured creditors are 'senior to or equal [to]'" a defrauded investor's security claim under Bankruptcy Code (the "Code") § 510(b), held the U.S. Court of Appeals for the Ninth Circuit recently in *In re Del Biaggio*. The investor ("F") had filed a claim against the debtor based on his wrongful failure to fund, through his affiliated limited liability company ("LLC"), his share in an acquisition venture with F. The Ninth Circuit affirmed the lower courts' effective "superimpos[ing]" of the "capital structure [of the debtor's affiliate] ... on the debtor to determine the correct level of priority." In this article, of counsel Michael Cook discusses the Ninth Circuit's decision affirming the subordination of an investor's securities claims.

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