

# Table of Contents

<b>Chapter I: Causes of Action</b> .....	1
A. Introduction .....	1
B. Intentional Fraudulent Conveyances .....	3
C. Constructive Fraudulent Conveyances .....	7
<b>Chapter II: Commencing Litigation</b> .....	11
A. Choice of Forum: Federal or State Court .....	11
B. Bankruptcy Courts’ Authority to Adjudicate Fraudulent Transfer Actions.....	13
1. <i>Bankruptcy Court Authority and Article III Concerns</i> .....	13
2. <i>Withdrawal of the Reference</i> .....	20
C. Choice-of-Law Issues in Fraudulent Transfer Actions .....	25
1. <i>State Law Choice-of-Law Approaches to Fraudulent Transfer Claims</i> .....	26
2. <i>Bankruptcy Choice-of-Law Approaches to Fraudulent Transfer Claims</i> .....	28
D. Parallel Litigation in the Fraudulent Transfer Context.....	30
1. <i>Parallel Litigation Concerning the Treatment of Claims</i> .....	30
2. <i>Potential Companion Common Law Claims</i> .....	40
<b>Chapter III: Standing</b> .....	45
A. Trustees and Debtors, Creditors and Creditors’ Committees, Liquidating Trusts, Officers and Shareholders of the Debtor .....	45
1. <i>Trustees and Debtors</i> .....	45
2. <i>Creditors and Creditors’ Committees</i> .....	48
3. <i>Liquidating Trusts</i> .....	50
B. Comparison of Who May Avoid a Transfer: Creditors at the Time of the Transfer Versus Current Creditors .....	51
<b>Chapter IV: Proving the Elements</b> .....	55
A. Actual Intent.....	55
1. <i>Intent of the Transferor</i> .....	56
2. <i>Transferee Control of Transferor</i> .....	56
3. <i>Standard of Proof</i> .....	56

4. <i>The “Badges of Fraud”</i> .....	57
5. <i>Beyond the “Badges”: Alternative Means to Prove Fraudulent Intent</i> .....	61
B. <b>Constructive Fraud</b> .....	63
1. <i>Adequacy of Consideration</i> .....	63
2. <i>The Financial Condition of the Debtor</i> .....	74
3. <i>Valuation Methods</i> .....	79
4. <i>Special Issues Related to Financial Condition and Valuation</i> .....	83
C. <b>The Collapsing Doctrine</b> .....	87
1. <i>Legal Standard for Collapsing Transactions</i> .....	88
2. <i>Collapsing in LBOs and Other Leveraged Transactions</i> .....	93

**Chapter V: Affirmative Defenses** ..... 99

A. <b>Statute of Limitations Defenses</b> .....	99
1. <i>Look-Back Periods</i> .....	100
2. <i>Statute of Limitations Under § 546(a)</i> .....	103
B. <b>Bankruptcy Code § 548(c): Good Faith for Value Defense</b> .....	105
1. <i>Burden of Proof</i> .....	106
2. <i>Value</i> .....	106
3. <i>Ponzi Scheme Cases</i> .....	107
4. <i>Good Faith</i> .....	108
C. <b>Affirmative Defenses Under the UFTA and UFCA</b> .....	110
D. <b>Indirect Benefit Rule</b> .....	112
E. <b>The “Mere Conduit” Defense</b> .....	114
1. <i>Dominion and Control</i> .....	115
2. <i>Good Faith</i> .....	116
3. <i>The Paloian Decision</i> .....	116
F. <b>Transfers to Religious or Charitable Entities</b> .....	116
G. <b><i>Res Judicata</i> and Collateral Estoppel</b> .....	118
H. <b><i>In Pari Delicto</i></b> .....	119

**Chapter VI: Section 502 and Claim Disallowance**..... 121

A. <b>Section 502(d)</b> .....	122
1. <i>Section 502(d) and the Creation of a Lien or Security Interest</i> .....	123
2. <i>Section 502(d) and the Incurrence of an Obligation</i> .....	123
3. <i>Section 502(d) and Transferred Claims</i> .....	124
B. <b>Section 502(h)</b> .....	126

**Chapter VII: Settling Fraudulent Transfer Claims**..... 127

    A. Legal Standard Governing Settlements Under Bankruptcy Rule 9019..... 127

        1. *Pre-Plan Settlements*..... 128

        2. *Settlements Within a Plan of Reorganization*..... 132

    B. Standing to Pursue and Settle Claims ..... 134

        1. *Applicable Legal Standard*..... 134

        2. *Authority to Settle Fraudulent Transfer Claims — Shared or Exclusive?*..... 137

        3. *In re Lyondell Chemical Company* ..... 138

        4. *In re Tribune Company* ..... 141

**Chapter VIII: Modern Issues** ..... 145

    A. Leveraged Transactions..... 145

        1. *Leveraged Transactions Generally* ..... 145

        2. *Common Participants in Fraudulent Transfer Litigation Arising from Leveraged Transactions* ..... 147

        3. *Leveraged Transactions: Potential Avoidable Obligations and Transfers*..... 147

        4. *Grounds for Avoidance of Obligations and Transactions in Leveraged Transactions* ..... 148

        5. *Leveraged Transactions: Common Defenses*..... 150

        6. *Leveraged Transactions: Market Evidence/Data Consideration*..... 159

    B. The § 546(e) Safe Harbor..... 173

        1. *Original Enactment and Broader Constructions* ..... 173

        2. *Applicability of the Safe Harbor and Current Construction Issues*..... 175

        3. *Prospects for Limitations on the Safe Harbor* ..... 177

        4. *Section 546(e), Preemption Doctrine and Standing Issues*..... 177

    C. When a Creditor May Recover More than Par ..... 184

**Chapter IX: Conclusion**..... 189

**Index**..... 193