

Thou Shall Not Interfere with Special Purpose Entities' Contractual Obligations

"A recent decision of the New York Court of Appeals, *Sutton v. Pilevsky* held that federal bankruptcy law does not preempt state law tortious interference claims against non-debtors who participated in a scheme that caused a debtor—in this case a bankruptcy remote special purpose entity—to breach contractual obligations intended to ensure that the entity remains a Special Purpose Entity (SPE) and to facilitate the lenders' enforcement of remedies upon a future bankruptcy filing, if any," discusses Dechert LLP in their *KnowLedge* blog.

"The ruling likely has significant implications for structured finance providers and may have broader implications as well. Interestingly, in this case the defendants were strangers to SPE financing; after all, the sponsor and its related persons are usually subject to liability on the loan under standard bad acts carve-out guaranty, making it unnecessary to sue them for causes of actions outside the scope of their guaranty."

Read the article.