



The Stay Lives On Post-Purdue: *In re Hal Luftig* Shields a Non-Debtor for Five Years

In a recent decision, the United States District Court, Southern District of New York (“District Court”) in *In re Hal Luftig Company, Inc.* affirmed the United States Bankruptcy Court, Southern District of New York (“Bankruptcy Court”) decision, upholding confirmation of Hal Luftig Company, Inc.’s Subchapter V plan. The plan keeps the automatic stay in place for the company’s principal, a non-debtor, for the plan’s full five-year life over the objection of his largest judgment creditor.

It began with theater. Hal Luftig Company is a theatrical production company with Mr. Hal Luftig serving as president and sole shareholder. FCP Entertainment Partners (“FCP”), a former business partner, won a joint and several arbitration award of around \$2.6 million against the company and Mr. Luftig. In December 2022, Hal Luftig Company filed under Subchapter V, seeking and securing an extension of the automatic stay to Mr. Luftig personally under sections 362(a) and 105(a) of Title 11 of the United States Code (“Bankruptcy Code”). The Bankruptcy Court found that judgments enforced against Mr. Luftig personally would frustrate the company’s effort to reorganize.

Hal Luftig Company’s first plan gave Mr. Luftig a non-debtor third-party release in exchange for a one-time contribution of \$500,000 (“Luftig Release”). The Bankruptcy Court recommended confirmation. FCP objected, and in March 2024 the District Court denied confirmation, finding Luftig Release impermissible. Three months later, the Supreme Court decided *Harrington v. Purdue Pharma L.P.*, 603 U.S. 204 (2024), holding that Chapter 11 can’t be used to wipe out claims against a non-debtor unless the affected creditors consent. In response, the company’s third plan replaced the Luftig Release with an extension of the automatic stay to Mr. Luftig that runs until the case closes, is dismissed, or discharge is granted or denied. Mr. Luftig also committed to contribute up to \$100,000 if plan payments fall short. The Bankruptcy Court confirmed the plan in February 2025, even though every voting class rejected it. It found that the extension was necessary for the company’s reorganization and did not make the plan unfair or inequitable. FCP appealed.

On appeal, the District Court considered a question of first impression: can a non-debtor keep the protection of the automatic stay for the life of a five-year plan, over an impaired creditor’s objection? The District Court answered: yes, at least on these facts, refusing to hold that the extension was unlawful *per se*. FCP argued that *Purdue* controlled here, as the extended stay was effectively a discharge for the life of the plan. The District Court read *Purdue* as barring only the permanent, nonconsensual release of non-debtor liability. The stay, by contrast, neither voids FCP’s judgment nor bars collection forever. FCP is free to pursue Mr. Luftig once the plan runs its course. The District Court further rejected FCP’s attack on Mr. Luftig’s \$100,000 commitment because FCP failed to raise it before the Bankruptcy Court and because the commitment needs to cover only missed plan payments, not the full judgment.

Hal Luftig shows that *Purdue* did not foreclose a non-debtor's ability to secure protection in bankruptcy, instead making protection temporary. A principal cannot get a release without creditor consent but can be shielded by the automatic stay for the life of the plan, so long as the stay is necessary for reorganization. However, a longer plan or different set of facts could turn the stay into a prohibited discharge.

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