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What Is an Executory Contract and What Will Happen to My Executory Contract in Bankruptcy?

Creditor's Rights Toolkit

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An executory contract is a contract where both parties have significant ongoing obligations. In a bankruptcy case, the debtor can either retain the contract (and cure any default) or reject it, with rejection treated as a pre-petition breach and any damages becoming a general unsecured claim. It's crucial for the contract counterparty to work with experienced bankruptcy counsel to understand leverage points, review cure claims, demand clarity for adequate assurance, and file a timely claim in case of contract rejection.

This article discusses what may happen to your executory contract during a bankruptcy case. To access this article and read other insights from our Creditor's Rights Toolkit, please click here.

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