

CHAPTER 11 NOT THE SAVIOUR IT ONCE WAS



In 2005 Congress changed the structuring of all bankruptcy law. Chapter 11 was commonly used by companies who were falling behind on payments or were becoming insolvent and needed time to catch up. Since the changes in law came about, companies that go into Chapter 11 without cash "are dead", according to Dennis LeVine, a bankruptcy attorney from Tampa, FL. Why this has happened is that the companies that file Chapter 11 now must be ready to pay these bills up front. Filing used to mean that all debts, including rent and utility bills, were effectively put "on hold" for an amount of time that would be determined by a judge or court, but were almost always months or years. Many experts claim that this change has made it almost impossible for most large businesses to feel protected when filing for this form of "protection". Typically, Chapter 13 is filed when a business plans on completely shutting it's doors and liquidating all of it's assets, but many recent Chapter 11 cases have ended in exactly that fashion. Circuit City filed for Chapter 11 protection late last year and could not find a way out of their crisis. They had run out of cash and though they had come close to brokering deals to save the company on at least three separate occasions, the negotiations all broke off without paperwork being signed. Nosediving since May of 2008, the filing came after the company's stock plummeted in value, losing 87% of it's worth and witnessed the firing of it's CEO. Instead of the move enabling Circuit City to re-organize their assets and restructure the company into a more viable model, they ultimately came to the decision to liquidate. This resulted in the loss of over 34,000 jobs in over 500 retail spaces across America. But many analysts applauded the recent quick decision making of Circuit City's board to ask court approval to liquidate. They met their payments and avoided having their remaining assets seized. This will enable them to pay their employees severance and continue to extend benefits during the liquidation. LeVine said that he still felt that Chapter 11 "can work under certain circumstances". But it has become painfully clear to many businesses that it is not the most ideal route to try. Keep track of employment and economic news at <http://www.employmentcrossing.com> Also, check on this free 7-day trial at <https://www.employmentcrossing.com/lcsignin.php?refid=1500>