

## **Chapter 11 Bankruptcy**

Chapter 11 bankruptcy is a unique and specialized tool for Tacoma clients who seek to restructure their debt. The bankruptcy attorneys at Morton McGoldrick are uniquely prepared to guide their Tacoma clients through this process. Chapter 11 is usually for businesses who want to restructure their debts or for individuals who do not qualify to file Chapter 7 or 13 bankruptcies. Normally, under a Chapter 11, the debtor will propose a Reorganization Plan and seek approval of the plan from creditors. The experienced bankruptcy attorneys at Morton McGoldrick represent Tacoma clients regularly and successfully in Chapter 11 bankruptcies.

### **How Does Chapter 11 Benefit an Individual or a Business?**

Chapter 11 bankruptcy is primarily a tool used by corporations, partnerships, or limited liability companies who are not eligible to file Chapter 13. It is also used by individuals who make too much money to qualify for Chapter 7 bankruptcy and have too much debt to qualify for Chapter 13 bankruptcy. At Morton McGoldrick our bankruptcy attorneys assist our Tacoma clients who need the benefit of reorganization to maintain and preserve their businesses.

The filing of a Chapter 11 bankruptcy creates an automatic stay which prevents creditors from taking any action to collect against the debtor. The individual who files, or the business entity that files, becomes the debtor in possession. Chapter 11 gives the debtor in possession many tools to restructure its debts and business. For example, a debtor in possession can reject or cancel contracts, obtain new financing, and modify the payment terms of debts owing to its creditors.

Under Chapter 11 bankruptcy, creditors will be broken out into different classes. Each class of creditor is permitted to vote on whether to accept or reject the plan. Upon confirmation of a Reorganization Plan, a debtor normally will dismiss the bankruptcy and continue to pay its creditors pursuant to the Reorganization Plan. Morton McGoldrick's bankruptcy attorneys can help you or your Tacoma business successfully navigate and complete the Chapter 11 process.

### **What Are the Risks of Filing Chapter 11 Bankruptcy?**

If you are unable to complete a Chapter 11 bankruptcy, your creditors or the United States Trustee might seek to convert your case to Chapter 7 bankruptcy. Unlike a Chapter 13 bankruptcy, a debtor who files Chapter 11 bankruptcy has no automatic right to dismiss the case.

In addition, if your creditors do not vote to accept your Reorganization Plan and the company's assets are worth less than the amount of debt owed, the owners of the company in bankruptcy can lose their ownership interest in the company. This is because of something known as the Absolute Priority Rule.

Due to the complexity and serious consequences of filing Chapter 11 bankruptcy, an attorney experienced in Chapter 11 cases is essential.

**Notable Chapter 11 Cases from Brett Wittner, attorney at Morton McGoldrick**

Brett Wittner has handled some large Chapter 11 cases in Washington. Among those cases are:

Rock Pointe Holdings Company, LLC <http://www.spokesman.com/stories/2012/jan/20/rock-pointe-owners-file-for-bankruptcy/>

<http://www.spokanejournal.com/local-news/rock-pointe-office-complex-owners-file-for-chapter-11-reorganization/>

Hanna Heights, LLC <http://www.thenewstribune.com/news/business/article25876180.html>

Prium Tacoma Buildings, LLC

Winthrop Hotel, LLC

<http://www.thenewstribune.com/news/business/article25859614.html>