

Bankruptcy Lawyer Discusses All of Trump's Bankruptcies

Michael A. Cibik, Esq. of Philadelphia's Cibik & Cataldo Discusses Takeaways from Trump's Multiple Bankruptcies



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/EINPresswire.com/ -- Any business

person will tell you that declaring bankruptcy is a common practice. Now when we say bankruptcy, we are talking about a business bankruptcy and not a personal bankruptcy. This is how a business is able to stay afloat unless the owner decides to sell it. It's a way for a business owner to only get penalized for their business mistakes. This type of bankruptcy does not touch any personal assets, such as a car or a home. Instead of a personal fresh start, like a Chapter 7 or Chapter 13 bankruptcy, the business can start over.

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Declaring bankruptcy is a smart move to keep your company in business. It's also a way to make it more efficient, too.”

Michael A. Cibik, Partner

With Donald Trump, his bankruptcies were not personal (Chapter 7); they were corporate. Trump himself did not declare bankruptcy – his [bankruptcy lawyers](#) did. His bankruptcy lawyers know bankruptcy law to the “nth”

degree. They know how to negotiate payment plans with creditors. Once consulting his bankruptcy lawyers, Trump, the business owner, had to do the following:

- reorganize the company;
- repay corporate debts through a payment plan;
- develop a corporate budget; and
- get the payment plan and budget approved by the creditors and the bankruptcy court.

So, when it comes to Trump's bankruptcies, they are much less painful than those given to the average business owner. The average business owner does not have expensive assets that they can just sell off to make loan payments. They do not get more time to make payments or have the ability to negotiate their stake in a company. However, Donald Trump's business experience and equity allowed him the ability to do this for his companies. So, [what happened each time Donald Trump declared bankruptcy?](#)

Trump's companies have declared bankruptcy six times:

Trump Taj Mahal 1991 – (\$3 billion in debt) Trump financed the construction of the Atlantic City casino with junk bonds. However, he was unable to pay the high interest rates. This was the only time he had a personal debt – \$900 million dollars. Although it was a corporate bankruptcy, he decided to sell off Trump Shuttle Airline and his Trump Princess 220-foot yacht to reduce his personal debt. Trump ended up losing 10% stake in the casino.

Trump Castle 1992 – \$338 million in debt) Also in Atlantic City, Trump Castle was a hotel-casino. This location went bankrupt due to an inability to make proper payments on bonds. Trump filed for Chapter 11 protection and gave up a 50% share in exchange for better terms on the debt.

Trump Plaza Casino 1992 – (\$550 million in debt) This Trump hotel and casino location in Atlantic City also went bankrupt due to an inability to make proper payments on bonds. Trump filed for Chapter 11 protection and gave up a 50% share in exchange for better terms on the debt.

Trump Plaza Hotel 1992 – (\$550 million in debt) He gave up a 49% stake in the New York City hotel. He remained the CEO but had to give up his salary.

Trump Hotels and Casino Resorts 2004 – (\$1.8 billion in debt) Trump established a publicly traded company called Trump Hotels and Casino Resorts. This entity consolidated Trump Taj Mahal, Trump Castle, and Trump Plaza. Because of this, he considers the bankruptcies of these three establishments as one bankruptcy. He sought Chapter 11 bankruptcy protection and reduced his ownership from 47% to 27%.

Trump Entertainment Resorts 2009 – (\$1.2 billion) After Trump Hotels and Casino Resorts went bankrupt in 2004, Trump Hotels and Casino Resorts was renamed as Trump Entertainment Resorts. The entity ended up needing Chapter 11 bankruptcy protection with the understanding that Trump's ownership would be reduced again to 10% and he would resign as chairman of the board. The bankruptcy was due to a missed bond interest payment.

"Declaring bankruptcy is a smart move to keep your company in business," says Cibik. "It's also a way to make it more efficient, too."

As you can see, the main result is that Trump's stake in these bankrupted companies was reduced. He had effectively distanced himself from them. The only time Donald Trump had personal debt was in 1991. Yet, it was no big deal to sell off his airplane and yacht. The majority of us cannot do this. After this bankruptcy, Trump learned to stop using his own wealth to back loans. He even admitted to using the bankruptcy laws to his own advantage. He also used his name to leverage his percentage of reorganization equity. It would have cost more to remove his name and rebrand, which is why the stakeholders decided to keep it. And if his name wasn't attached to the properties, people would not associate him with bankruptcies.

The main goal of a business bankruptcy to reorganize the business. Donald Trump has managed to create benefits, such as publicity and making money – even though he reduced his stake, the businesses still brought in money. And as much as we would like to blame Trump for his casino bankruptcies, the struggling gaming industry of the 1990s played a large part in their downfall. Trump still had many successes in real estate investments in Manhattan and building projects.

Using Bankruptcy to Stay in Business

We have learned that Donald Trump has declared bankruptcy several times and came out relatively unscathed. He and his team of bankruptcy lawyers know how to play the corporate game. Trump was able to use his own assets to reduce his debt – only once. The rest of us aren't so lucky. However, it's a smart move to keep your company in business. It's also a way to make it more efficient too.

About Cibik & Cataldo:

For the last 35 years, Philadelphia, Pennsylvania debt-relief law firm Cibik & Cataldo, P.C., has provided cost-efficient, superior, and value-oriented legal services to thousands of clients in Philadelphia County and the surrounding areas of Delaware County, Montgomery County, Chester County and Bucks County.

Cibik & Cataldo, P.C., is fully-staffed and concentrates solely on consumer and business bankruptcy matters. The firm does not represent banks, finance companies or insurance companies: only individuals, small business owners, and their claims.

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