

You Can Restructure Your Insolvent Business With a Chapter 11 Bankruptcy

After you file Chapter 11 Bankruptcy, you can operate your business under bankruptcy court protection while you prepare and propose a plan of reorganization.

CHICAGO, ILLINOIS, UNITED STATES, August 20, 2020 /EINPresswire.com/ -- After you file [Chapter 11 Bankruptcy](#), you can continue to operate your business under bankruptcy court protection while you prepare and propose a plan of reorganization to your creditors.

In addition, you can also file a Chapter 11 Bankruptcy to sell all or part of your business's assets, usually under the control of your current management.

Exactly What is Chapter 11 Bankruptcy?

Chapter 11 Bankruptcy is a type of Bankruptcy that allows a business owner to reorganize his business under the protection of the bankruptcy court. This is usually done when the business is not doing well financially.

Once filed, the business owner in Chapter 11 is called a "debtor in possession." At that time, the business is allowed to operate without a trustee until a reorganization plan is confirmed, the case is dismissed or the case is converted to a Chapter 7 Liquidation Bankruptcy.

A Chapter 11 plan allows the owner (the debtor in possession) to restructure the business or to sell the business assets under more favorable terms than a Chapter 7 liquidation bankruptcy. Under a Chapter 11 bankruptcy, the debtor and creditors can plan for an orderly sale of assets and quicker distribution of proceeds than would take place under Chapter 7.

A Chapter 11 bankruptcy is available to nearly any corporation, partnership or individual.

Chapter 11 Bankruptcy Cases For An Individual

A Chapter 11 bankruptcy for an individual person is like a case under a Chapter 13 bankruptcy.

Assets for an individual debtor include the debtor's earnings and property the debtor acquired after Chapter 11 filing until the case is closed, dismissed or converted.

The plan's funding may be from the debtor's future earnings. A reorganization plan cannot be confirmed over a creditor's objection unless the debtor commits all of his disposable income over five years unless the reorganization plan pays the claim in full plus interest over a shorter period of time.

You File A Disclosure Statement And Reorganization Plan

The business owner (debtor) has 120 days to file a reorganization plan, a period which may be extended or shortened by the bankruptcy court. When the period has expired, a creditor or the trustee may file a competing plan.

A reorganization plan and a disclosure statement must be filed with the bankruptcy court before the debtor may seek confirmation of the reorganization plan. The disclosure statement must contain facts including the debtor's assets, liabilities, and business affairs so the creditor can make an informed judgment about the plan.

Once the disclosure statement is approved by the bankruptcy court and the ballots are collected and checked, the court will hold a confirmation hearing to decide whether to confirm the reorganization plan.

Under the Bankruptcy Code, the claims are deemed to accept the plan if the plan is accepted by creditors that hold at least 2/3 in amount and over 1/2 in number of the allowed claims in the class.

If impaired classes of claims exist, the court cannot confirm a plan unless it has been accepted by at least one class of non-insiders who hold impaired claims.

Creditors holding unimpaired claims are considered to have agreed to the plan.

Getting Your Bankruptcy Discharge Under A Chapter 11 Bankruptcy

Once the plan is confirmed, the debtor must make plan payments and is bound by the provisions of the reorganization plan. The confirmed plan creates new contractual rights, superseding pre-bankruptcy contracts. Confirmation of the plan discharges a debtor from any debt arising before the confirmation date.

There are, of course, exceptions to the general rule that an order confirming a plan operates as a discharge. Confirmation of a plan of reorganization discharges any type of debtor – corporation, partnership or individual – from most types of pre-petition debts. It does not, however, discharge an individual debtor from debts that cannot be discharged in a Chapter 7 or Chapter 13 case.

An individual debtor will still be liable for these debts to the extent that they are not paid in the Chapter 11 Bankruptcy case. The bankruptcy discharge is not available to an individual debtor until all payments have been made under the reorganization plan.

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