

Understanding Chapter 11 Bankruptcy

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Chapter 11 Bankruptcy - When Your Assets are Large

Some of the well-known forms of bankruptcy are Chapter 7 and Chapter 13. However, these forms of bankruptcy do have some limitations by factors like the amount of debts you have. An individual or business with debts that exceed \$336,900.00 unsecured or secured debts with a total of at least \$1,010,650.00 needs to file Chapter 11 bankruptcy. Chapter 11 is usually more applicable to businesses since incurring such extent of debt is much more possible.

How Chapter 11 Works

Chapter 11 can be characterized as restructuring of debt payments. It works like a Chapter 13 bankruptcy, actually. Instead of having debts cleared, a payment plan is constructed between the filer and the creditors so the debt is repaid.

In a Chapter 11, though, assets are often sold or liquidated to repay debts first. In a Chapter 11 bankruptcy scenario, it is usually the goal that the business stays afloat and continues in operation during the process.

The main idea is the company gets a fresh start. Then they can resume business and rebuild.

Filing a Chapter 11 Bankruptcy

Filing a Chapter 11 bankruptcy follows the same lines as filing any type of bankruptcy. Papers and documents must be filed with the court

while creditors get their chance to stake a claim for repayment. The court directs the selling of assets, if any, and controls the businesses finances during the process.

A Chapter 11 bankruptcy can take years to complete as it is a complex process. This is why businesses are allowed to stay operational during the process. This type of bankruptcy was created to help prevent job loss and other impacts on employees when a business ends up in financial trouble.

Payment of debts is undertaken in a structured manner. Secured debts are paid first

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