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News About Bankruptcy

Small Business Bankruptcies Down

According to credit rating agency Equifax, the number of bankruptcies among small businesses has fallen by 15% in the first quarter of this year although the numbers are still higher than before the recession. These numbers comprise of the bankruptcies in the metro areas. Compared to the first quarter of 2008 (just before the recession), the number this year is higher by 30%. 'Small business' according to Equifax's definition is a company with less than 100 employees.

Reza Barazesh, who is the senior vice president of Equifax Commercial Information Solutions cautioned, "Our latest analysis shows that while business failures may be on the decline, conflicting trends are still making us question if the worst is behind us."

The highest state in number of small businesses filing for reorganizations or bankruptcy filings is California. Four of the top five metro areas in terms of number of bankruptcies are found in California. Los Angeles metro area topped the entire nation with 1,048 Chapter 7 and Chapter 11 small business bankruptcy filings the first 3 months of this year. In second place was Riverside-St Bernardino-Ontario with 629 bankruptcies followed by Sacramento with 434 bankruptcy filings and San Diego with 400 bankruptcy filings. The fifth place went to Houston with 363 bankruptcies among small businesses.

On the other hand, the region that showed the biggest percentage of improvement in number of bankruptcies is Denver where bankruptcies fell by 26%. “Only time will tell if these patterns are just a market aberration resulting from current economic turbulence or a sign of change to come,” Barazesh said.

Nebraska Book Co Bankruptcy Plan Approved

Nebraska Book Co, one of the largest college bookstores in the country, has filed for bankruptcy in which it applied for approval to give control of the 96-year-old company to bondholders.

Under the bookstore chain’s bankruptcy proposal, holders of its 8.625% subordinated notes will receive a 78% share of the company, \$110 million of new unsecured notes and \$30.6 million in cash. This would mean the bondholders stand to recover about 87 cents for every dollar they invested. Furthermore, Holders of Nebraska Book’s 11% senior discount notes would get the remaining equity in the company, and recover about 7 cents on every dollar invested. All secured creditors will be repaid in full.

US Bankruptcy Judge Peter Walsh approved Nebraska’s disclosure statement that described its Chapter 11 reorganization plan as above. This clears the way for a vote among the shareholders for going ahead with the bankruptcy proposal.