

# **NewsOK Q&A: Laws allow for various contingencies in dealing with bankrupt companies**

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**Q: Can a lender still do business with a bankrupt company?**

A: Most generally, yes. When a business files for bankruptcy, the type of case is most commonly a Chapter 11 case. In a Chapter 11, it's possible for the company to remain in possession of its assets, including equipment and inventory, and continue to do business. This includes interacting with vendors and lenders on a regular basis. As a creditor, the safeguard in place for repayment of any loan made to a company operating under a Chapter 11 is that post-petition debts are given priority as an administrative claim. This helps to eliminate some of the risk, and provide assurances of repayment. However, if the type of case filed is a Chapter 7, the company will no longer be operating its business and all of its assets are scheduled for liquidation.

**Q: Can goods that are shipped to a Chapter 11 debtor be recovered?**

A: The Bankruptcy Code does allow for reclamation of recently shipped goods, pursuant to 11 U.S.C. Section 546. There's a somewhat tight timeline for exercising the right of reclamation, which must be precipitated by making demand.

**Q: How can I get paid by a Chapter 11 debtor?**

A: An option for making a payment claim, which is not unique to a Chapter 11 case, is for a creditor to file a proof of claim. The proof of claim will set forth the balance due and payment terms. The deadline to get a claim on file will vary from court to court, and the required form is typically provided with notice of the filing. Payment on a proof of claim can take a while, so be prepared to wait for the case to come to completion.