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# Corporate bankruptcies on decline in Houston

Premium content from Houston Business Journal - by Christine Hall, Reporter

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The number of Chapter 7 bankruptcy liquidation cases and Chapter 11 bankruptcy reorganizations filed in the Houston-Galveston region have declined sharply in the past 12 months, due in part to the region's ability to weather the economic downturn.

A Houston Business Journal examination of records in the U.S. Bankruptcy Court for the Southern District of Texas shows Chapter 7 filings fell 11 percent in the first quarter of 2011 compared to a year earlier. At the same time, Chapter 11 reorganization cases dropped 21 percent during the latest three-month period.

The Burlingame, Calif.-based National Bankruptcy Report Center said earlier this month that Texas was "an example of the largest state that has suffered relatively little from the crisis," and as a result, the state was 45th in the U.S. for bankruptcy filing rates.

In Chapter 7, a trustee takes over control of the assets, often involving a liquidation, while company management typically stays in charge in Chapter 11.

"We see less in Houston because the economy is more stable, so it wouldn't surprise me if the number of filings were lower than other metro areas," said **Bruce Ruzinsky**, a partner and head of the Houston bankruptcy practice for [Jackson Walker](#) LLP. "There has been a fairly steady stream of small and medium businesses filing for Chapter 11, mostly in the real estate area."

Most of the bankruptcies he deals with were filed due to cash-flow problems, and he sees an increase in filings typically on the day prior to the real estate foreclosure day — the first Tuesday of the month.

Many of the bankruptcy cases seen in **Robin Russell's** office are in the oil and gas sector. She also said filings are down because "the economy is doing better, and Texas is doing better particularly."

But Russell, Houston managing partner and cochair of the bankruptcy and financial restructuring practice at [Andrews Kurth](#) LLP, also said many of the biggest commercial bankruptcy cases are still heard outside Texas.

"We see the ones of significance, even Texas-based companies, moving away from filing in Texas to Delaware and the southern district of New York," she said.

Of the small-business filings she sees, more cases that originally file for Chapter 11 end up in Chapter 7 because the company doesn't have the ability to reorganize, Russell said.

The process is also more sophisticated, she added. Twenty years ago, banks were more reactive to a business client filing bankruptcy, in most cases finding out after the company filed. But today, the banks are more proactive, she noted.

"It is much less common for a big company to just file without sitting down with lenders for months in advance," Russell said. "You don't want to go into bankruptcy with your bank mad at you because essentially the bank owns you at that point."

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