

Say It Ain't So! – L.A. Dodgers File for Bankruptcy

By John Skiba, Arizona Bankruptcy Attorney

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Today it was announced that the Los Angeles Dodgers filed for chapter 11 bankruptcy protection, proving that no matter how much money you have, you can always go broke. The Dodgers were reportedly running extremely low on cash and risking not being able to meet their obligations and thus filed to hold off creditors while the organization regrouped. So what individuals like me and you learn from a large multi-million dollar organization filing for bankruptcy? Below are a couple of things we can learn:

Sometimes Bankruptcy is Filed Just to Buy Time

The owner of the Dodgers, Frank McCourt, alleges that the reason behind the bankruptcy filing is that Major League Baseball would not approve a media deal the Dodgers had negotiated with Fox Sports. The filing of the bankruptcy invoked the automatic stay –holding off the Dodgers creditors, so that the Dodgers could continue to work with MLB to reach an agreement on the media deal.

Similarly, in many individual bankruptcy cases, what people need is time. You may have an auction coming up on your home that you need to stop, or you may be getting sued and need some additional time to secure funds to reach a settlement. Whatever the reason, bankruptcy can buy you time.

Immediately upon filing of the bankruptcy case the court will issue an order that stops all collection efforts against you and your property. This will give you time and breathing room to reorganize your financial affairs.

Divorce Often Results in a Bankruptcy Filing

Mr. and Mrs. McCourt, the owners of the Dodgers, are currently going through a messy and very public divorce proceeding. While not a stated reason for the bankruptcy filing, often when a couple goes through a divorce a bankruptcy filing by one or both spouses will follow.

During the divorce proceedings a division of debts and assets will occur. Often the parties have significant amounts of debts that they will not be able to pay now that they are living on only one income. This can, and often does, result in a bankruptcy filing.

One important thing to note, the divorce decree signed by you and your ex-spouse is a binding agreement – but is not binding on your creditors. You and your ex-spouse must abide by the terms of the agreement but your creditors could care less which one of you they collect from, just so long as they collect. This means that if your ex-spouse files for bankruptcy that the debts he/she agreed to pay in the divorce decree will continue to come after you for payment, even though your ex-spouse agreed to pay them in the divorce.

If you ex-spouse is filing for bankruptcy is it also important to meet with a bankruptcy attorney to understand the different rights you have under chapter 7 bankruptcy and chapter 13 bankruptcy.

I offer a free bankruptcy consultation where we can discuss your specific situation to determine if bankruptcy is a good option for you.

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