The Plan of Reorganization

KENT STATE

Law and Economics-Charles W. Upton

The Plan of Reorganization

Due the 87 th National Bank on a mortgage on the building	\$50,000
Due the Internal Revenue Service	\$10,000
Due the Employees	\$30,000
Due miscellaneous creditors	\$30,000
Due Famous Dan's Pies, a specialty of the store	\$10,000
Due Acme Venture Capital	\$150,000

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The Plan of Reorganization

Secured Creditors

Due the 87 th National Bank on a mortgage on the building	\$50,000
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Secured Creditors

	Due the 87 th National Bar on a mortgage on the	nk	\$50,000
The secured creditors get \$100,000, leaving \$110,000 for the others		\$10,000	
		\$30,000	
		\$30,000	
	Due Famous Dan's Pies, specialty of the store	а	\$10,000
	Due Acme Venture Capit	al	\$150,000

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Acme Venture Capital

Stand in line

• Unsecured Creditors?

Acme Venture Capital

- Unsecured Creditors?
- Preferred Shareholders?



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Acme Venture Capital

- Unsecured Creditors?
- Preferred Shareholders?
- Secured Creditors?

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Acme Venture Capital

- Unsecured Creditors?
- Preferred Shareholders?
- Secured Creditors?
- Probably. If so they should get the rest. But...

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Johnny

• In theory Johnny gets zero. But...

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Johnny

- In theory Johnny gets zero. But...
- Keep Johnny motivated to manage the restaurant

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The Plan of Reorganization

Johnny

- In theory Johnny gets zero. But...
- Keep Johnny motivated to manage the restaurant
- · Nuisance value as shareholder

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The Plan of Reorganization

My Guess

Debt	Amount	Payment	
87 th National Bank	\$50,000	\$50,000	
IRS	\$10,000	\$10,000	
Employees	\$30,000	\$30,000	
Due miscellaneous creditors	\$30,000		
Famous Dan's Pies	\$10,000	\$10,000	
Acme Venture Capital	\$150,000	≈\$85,000	
Johnny		≈\$25,000	

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End

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