

# Chapter 11 Bankruptcy Basics: Debtor In Possession

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Many companies that file for Chapter 11 bankruptcy protection do not end up in a rapid liquidation. Some, after a successful reorganization period, emerge from the bankruptcy process still viable and financially healthy. Other Chapter 11 companies opt to sell their assets via an auction known as a “363 Sale,” named for Section 363 of the Federal Bankruptcy Code.

To pursue either of these objectives, however, companies in bankruptcy require interim financing. This special form of financing is known as Debtor-In-Possession (DIP) financing. DIP financing has priority over a company’s existing debt, equity, and other claims, but it can help give the debtor or company a fresh start under Chapter 11 bankruptcy protection. Regardless, the company is still required to fulfill all obligations under its reorganization plan.

DIP financing requires Bankruptcy court approval as well as the assent or consent of all entities involved in the bankruptcy proceedings, including:

- The debtor
- The lender
- The official creditors’ committee
- The United States Trustee

The “possession” in DIP financing refers to over what the debtor retains control in its post-petition Chapter 11 situation. The debtor controls, and remains responsible for:

- Assets
- Business operations
- Reorganization efforts

DIP financing transactions are complex in nature, generally involving a combination of secured commercial loans and bankruptcy litigation elements. To ensure the best possible outcomes for all those involved, these transactions necessitate the participation of experienced lawyers specializing in commercial finance, insolvency, and creditors' rights.

If you would like more information about debtor-in-possession financing, Chapter 11 bankruptcy, creditors' rights, or if you need assistance from an attorney, **contact [Windtberg & Zdancewicz](#) to schedule an initial consultation.** *The attorneys at [Windtberg & Zdancewicz, PLC](#), provide clients with experienced legal representation in all collection matters. We are experienced in creditor's rights including garnishments, charging orders, attachment, property execution, trustee's sales, foreclosures, judgments, judgment collection, domestication of foreign judgments, and creditor's issues in bankruptcy cases. If you need assistance with your collection matters, please contact us at [\(480\) 584-5660](#).*