



Message From Chris....

At some point along the way, we've all signed personal guaranties and, likewise, we have also asked others to sign them for us. **Why?** It's time to clear the air on what is accomplished when a personal guaranty is secured in a business transaction (whether it's a loan, a lease or some other form of contract) and, conversely, how bankruptcy laws enter into the picture with their own set of mandates. This is good stuff for everyone to know... (don't forget to click on my Facebook or YouTube links below to also see my short video on this material).

Big Picture on Personal Guaranties and Bankruptcy Laws

Personal guaranties ensure that, regardless of whether the person with whom we're dealing uses an incorporated entity (e.g., a corporation or an LLC) to conduct their business with us, we can always go find that person (referred to as a "natural person" under the eyes of the law) to collect our money. In other words, if the natural person later on: **a)** defaults on their contractual obligations, **b)** dissolves their incorporated entity, and **c)** then goes down the street, and resumes their business operations under the name of a newly formed, incorporated entity, we can always go find the natural person and collect the debt.

Against this backdrop are the bankruptcy laws which, among other things, declare that any payments received by a creditor from a debtor within ninety (90) days of such debtor personally filing a petition for bankruptcy are avoidable by other creditors (if other creditors later complain and challenge such payments made to you). *What this means is that if the debtor works out a payment arrangement (or a settlement arrangement) with you and starts making payments, then, if within ninety (90) days later they personally file a petition for bankruptcy, then the payments made to you during the ninety (90) day period are avoidable if other creditors complain.*

Accordingly, if you've got a personal guaranty and go get cash from the debtor, that's great.... However, keep your "eyes open" as to whether your debtor later files (or may likely file) bankruptcy within 90 days of your receiving the money. **In certain situations, you may be better off to avoid all trouble by taking a lump sum settlement early on before the debtor's financial picture further deteriorates and decides to personally file for bankruptcy.**

What My Clients Are Saying

"Chris is a crucial extension of my company for any and all legal aspects of my business. He always keeps my best interests in mind when preparing and executing legal and business

documents. By having an honest attorney with great integrity like Chris, I can better focus on my company's business operations and take comfort in knowing that he's able to handle any legal situation."

Brant Seaton / Owner / Red Rock Foods, LLC / Haltom City, Texas

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