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From the Sacramento Business Journal:

<https://www.bizjournals.com/sacramento/news/2019/10/08/local-bankruptcies-up-87-this-year.html>

Local bankruptcies up 87% this year

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Bankruptcies are on the rise throughout the region, and local experts aren't surprised.

Business bankruptcies are up 87%, as of Sept. 27, according to documents filed in the U.S. Bankruptcy Court for the Eastern District of California. The Sacramento region has seen 55 filings for Chapter 7, Chapter 11 and Chapter 12 bankruptcy from businesses so far this year, according to an analysis by American City Business Journals, the Sacramento Business Journal's parent company.

Longtime bankruptcy attorney Mark Gorton, with Sacramento law firm Boutin Jones Inc., said while he's hearing of national firms that are gearing up their bankruptcy divisions, that isn't the case yet in Sacramento.

"It doesn't feel like a really busy time yet," Gorton said. "I've been through several of these businesses cycles over my career, and when we're in it, we are in it."

Gorton said the decade-long economic recovery that the region has been enjoying may be coming to a close. But unlike in past major recessions, Gorton said he isn't seeing large bankruptcy cases that pull in big teams of attorneys.

Some of the more notable bankruptcies this year have included when SlideBelts filed for Chapter 11 bankruptcy protection in August. The company previously made the Business Journal's Fastest Growing Companies list. It listed \$1 million to \$10 million in liabilities in its court filings, with assets estimated to be in the same range.

Last month, Sacramento architecture firm Coact Designworks received an involuntary petition for Chapter 7 bankruptcy. Through the petition, a group of creditors is seeking payment for \$1.2 million in liabilities.

Despite this year's increase in bankruptcies, the local economy still appears strong, Gorton said. That has seen him shift more of his law practice toward real estate transactions and commercial lending.

"It's hard to be a bankruptcy lawyer when things are so good," Gorton said.

The local trend rings similar to national trends, said Sanjay Varshney, a local economist and business professor at California State University Sacramento. He said that nationally, the quality of corporate debt is deteriorating.



BORISLAV STEFANOV

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"When you talk about bankruptcies going up, that's a leading indicator of how frothy the economy is," Varshney said. "The economy has done well in the last several years. We may be getting towards the end of the economic cycle."

Within this trend, small businesses are likely to be the most vulnerable as they come under economic pressure, he said.

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