Using Bankruptcy as a Tool

Harris & Dickey

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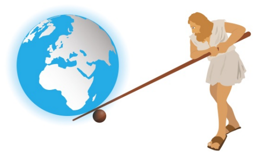
"Give me a place to stand, and a lever long enough, and I will move the world. "
— Archimedes



Interesting quote, isn't it? Tools, in the right hands, can be effective. We sometimes gaze with awe and amazement as we look upon the beautiful and creative work of talented artisans, a well-crafted and well-built structure, or even the efficiently and effectively repaired faucet. The right tools, in the right hands, make all the difference. The same is true in business and finance.

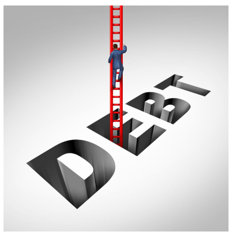
Even bankruptcy can be used efficiently and effectively as a *tool* to improve the business. Doesn't filing for bankruptcy mean that the company is going out of business? Not necessarily. A lot of large, mid-size, and small companies have filed for Chapter 11 and successfully *reorganized*. Household names such as American Airlines, General Motors, Hostess, and Six Flags all filed for bankruptcy and did not go out of business. Harris & Dickey professionals have worked with middle market companies that filed Chapter 11 and successfully emerged as reorganized, stronger businesses.

What's the secret?

Owners and executives can greatly improve their chances of reorganizing their companies by:

- Hiring the right attorneys and financial advisors
- Bringing in these professionals very early in the process
- Recognizing and acting on the need to reorganize, whether in or outside of Chapter 11
- Conducting a thoughtful restructuring process with all options on the table
- Working with trusted, experienced professionals, to "pull the trigger" on the Chapter 11 at the optimal time to plan and prepare for the filing

Is Chapter 11 the right *tool* for every situation?



Of course not. That is akin to only having a hammer in the toolbox where every issue or problem looks like a nail. One of the benefits of bringing in professionals early in the process is to have the time, money, and creditor goodwill and cooperation necessary to turnaround the company without the need for filing a Chapter 11. Every case is different.

In stark contrast, it usually doesn't end well for most companies that: (a) "stiff-arm" their lenders; (b) make superficial changes; (c) refuse to make the hard decisions; (d) stretch vendor payables to the point of being placed on COD or cash in advance (CIA) terms; and/or (e) only do what is necessary to get that next forbearance agreement with the bank. The end result is usually liquidation through some form of forced sale. Creditors and lenders have only so much patience. Some companies are now unknowingly trying the patience of their creditors during this period of what could be called "COVID Forbearance."

In our discussions with lenders, "COVID Forbearance" is rampant. This forbearance will certainly come to end as it has in the past. It could happen abruptly. Owners and executives must play out this scenario in their minds. How would they respond? Where would they turn if the bank "cuts them off?" The goal should be to avoid being in this situation. Deny, delay, and deflect is never a good strategy. Harris & Dickey can help. For more information, contact John Tittle, Jr., CPA/CFF/CGMA, CTP, CIRA, CDBV, who leads our Bankruptcy & Restructuring Practice, at john.tittle@harris-dickey.com or 817.312.9691 or the Founders/Partners noted below.

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