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The Traditional Approach

Two traditional ways to restructure in Chapter XI:

Plan of Reorganization

- Time consuming
- Costly
- DIP financing required
- Extended negative impact

Pre-Pack

- Faster
- Less costly
- Minimize negative impact on business

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The Pendulum Swings

The history of bankruptcy is like a pendulum with a very long arc.

Pre-2005: As long as the underlying business was viable, all parties would take their lumps and support a restructuring.

Even the “stigma” of bankruptcy had faded . . . and bankruptcy evolved into a pro-active strategic option. A chance to re-start.

Post-2005: Lines hardened.

Lender’s risk profiles shifted from *preserving their clients* to *preserving their balance sheets*.

Post 2008

The 2008 financial crisis made things significantly worse.

Reorganizations *became increasingly rare*, and the more likely outcome for years now has been “363” sales and liquidations.

A Better Option

If a company has *the right attributes*, it has an excellent chance of achieving all the benefits of a restructuring *while avoiding the cost, damage and negative exposure* of a formal court process.

This is Synergy's "**Preemptive Reorganization.**" It is the basis on which we have acquired and advised distressed companies for over 20 years.

Benefits of Synergy's Preemptive Reorganization

Top 10 Goals

Minimal cost / Completed in 90-120 days

Executives not distracted from running the Business

No holes to dig out of (e.g., imbalanced inventory)

No negative repercussions with customers or employees (a competitor's heyday)

New credit line with liquidity

Eliminate burdensome legacy contracts (e.g., leases, I.T.)

Eliminate non-contributing/non-strategic assets (e.g., warehouse, fleet, machinery)

Eliminate non-contributing business functions (e.g., Product Development/Design)

Downsize workforce

Re-set Compensation and Incentive Plans

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Prerequisites for a Preemptive Reorganization

Common/Complimentary Interests

Continuing competitive advantage

History of profitability

Agreement on what went wrong

Viable vision of the future

Limited number of parties

Ability to Save Face

Critical Mass

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The Right Attributes

Do not try this your own. It will not work for the following reasons:

- Negotiations are likely to fall short because of existing relationships
- Creditors will be skeptical about internally-generated forward-looking forecasts and commitments
- Creditors will be concerned about inconsistent treatment
- Distorted perception of leverage will inhibit concessions

An Independent, Third-Party Intermediary Avoids These Issues

Timing is Critical

Countless businesses that could have preemptively reorganized never got the chance *because they didn't act soon enough*.

Trust your instincts. ACT as soon as things are heading in the wrong direction.

An experienced, professional advisor is always valuable . . .

. . . but never more so than to help you execute a Preemptive Reorganization *while you still have time*.

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Next Steps

For a confidential, no-cost consultation
for you or your client:

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