



In the past, when companies in distress turned to restructuring professionals, those professionals often had a one-size-fits-all solution: Chapter 11 bankruptcy. However, as the cost and complexity of Chapter 11 have increased, so has the risk that filing a company for an unplanned Chapter 11 could result in dismissal of the case or conversion to Chapter 7.

Particularly for middle market companies without the resources and liquidity of large cap companies, it is critical that the treatment fits the patient, lest the patient expire on the operating table. As a result, experienced restructuring professionals must be prepared to counsel clients on non-bankruptcy alternatives to meet client goals.

The task of restructuring professionals is made more complex by the influx of private capital into the middle market. In many situations, a middle market company will have both debt and equity on its balance sheet held by the same sponsor and also by third-party lenders and investors. Along with these multiple layers of debt and equity, and multiple stakeholders, come lengthy—and sometimes difficult to penetrate and harmonize—intercreditor agreements and operating agreements. Even if a company could survive a bankruptcy filing if left to its own devices, internecine battles between creditors and investor groups would hamper and jeopardize a reorganization.

For these reasons, restructuring professionals advising in the middle market cannot merely be proverbial traffic cops, just advising on the “rules of the road.” Restructuring professionals must also master a client’s capital and operational structures, understand the economics of the enterprise, and then wed this understanding with expertise in the different legal processes available to accomplish client goals. Our article in the September edition of the Journal of Public Renewal reviews certain of the processes, along with their strengths and drawbacks.

You can read the entire article by visiting the Turnaround Management Association website, or by the digital edition of this month’s JPR.



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