



HARMON
PARTNERS

ALTERNATIVES TO CHAPTER 11

GUIDE TO FINANCIAL TOOLS

When dealing with a distressed company, Chapter 11 is just one of many options to consider. In fact, Chapter 11 is often not the best option or even a feasible option, and alternatives are usually less expensive and allow companies to retain more control. Examples include out-of-court negotiated workouts using forbearance and composition agreements, assignments for the benefit of creditors, trust mortgages, and receiverships. In order to identify the best option available, a series of important financial questions must be answered correctly. The analyses below are the primary tools used by restructuring professionals to answer those questions. They also represent reporting requirements needed to facilitate any of the options.

ASSESSING THE OPTIONS

CASH FLOW

Is there enough cash flow to survive through restructuring or bankruptcy?

BUSINESS VIABILITY

Can the business be turned around?

INCOME STATEMENT PROJECTIONS

- Impact of Restructuring Activities
- Viability & Return to Profitability
- Projected Covenant Compliance

CASH FLOW PROJECTIONS

- Detailed Sales Projections
- Creditor Payment Plan
- Collateral & Loan Usage Analysis

RESTRUCTURING PLAN

Road Map to Recovery

CREDITOR NEGOTIATIONS

Can an out-of-court agreement with creditors be reached?

LIQUIDATION ANALYSIS

- Net Liquidation Proceeds
- Wind Down Budget
- Creditor Recovery Waterfall

FUNDING OPTIONS

If more funding is needed, how much, when, and from where?