



Debt Relief: A Primer for Distressed Businesses

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For businesses and individuals in financial distress, there are numerous remedies available under federal and state law to relieve the pressure. Here's a very brief outline for business (with more to follow in subsequent alerts including regarding individual relief):

- A. First, evaluate if you need to reorganize or liquidate. Is the business temporarily stressed or fundamentally damaged irreparably?
- B. Reorganization can be achieved while being relieved from payment of some or all existing debt.
- C. If what you need is time, that's available too.
- D. Under federal law, a business can choose between reorganizing (or liquidating) under chapter 11 or liquidating under Chapter 7 of the United States Bankruptcy Code.
- E. For small businesses, there's even a recently effective provision which is faster and less expensive.
- F. Besides federal law, there are also state law remedies including assignments for the benefit of creditors and receiverships.
- G. Beyond that, there are concepts of amicable arrangements and voluntary workouts and "standstill" forbearance agreements.
- H. At times like these, it is advantageous to creditors that they cooperate with their debtors, including forgiving or postponing payment of debt.
- I. The federal bankruptcy law includes an automatic stay which will stop debt collection efforts immediately upon the filing of a petition under the Bankruptcy Code.

These are highlights and the foregoing is not intended as legal advice to any individuals or businesses. For advice consult experienced insolvency counsel.

Practices

- Bankruptcy and Creditors' Rights