Cullen | Dykman

# 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