More Information on Plans of Reorganization, the Disastrous "22"
by Dan Rexford

Having watched thousands of distressed companies over the past 22 years, the difference between a company that survives and thrives, and those that flounder and eventually flop, is where management puts its skill and energy. Those that focus on acquiring additional resources – capital, access to new markets, additional skills and talent, financial acumen, etc. – emerge stronger. Those whose sole focus is completing a plan of reorganization without securing additional resources generally fail.

Law 360, *The Newswire for Business Lawyers* (http://www.law360.com/subscribe) recently reported:

> Constar Enters Ch. 11 Again With Plan in Hand
> Plastic bottle maker Constar International Inc. on Tuesday filed for Chapter 11 bankruptcy, complete with a prepackaged reorganization that will slash up to $150 million in debt, less than a year after emerging from court protection.
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> Retailer Anchor Blue Returns To Ch. 11
> Following a 2009 restructuring retailer Anchor Blue Inc. on Tuesday again turned to Chapter 11 bankruptcy protection, this time to carry out an orderly liquidation of its 117 stores.

Similar examples of repeat filers abound. The mere fact that companies file a second time is evidence that the reorganization plan itself did not fix the underlying problems. The plan may prolong life, but the underlying illness that led to the first bankruptcy will resurface again soon enough if additional resources were not obtained. Small and mid-size businesses simply cannot survive these repeat filings, dubbed "22s" by the pundits (two times 11). Management must count on counsel and other advisors to guide them through the Chapter 11 process while they must focus on running the business and bringing in additional resources as quickly and efficiently as possible.