

Chronology of Chapter 11 Events

A brief overview of the major steps that typically take place as a company moves through the Chapter 11 process follows. This chronology covers the period from the filing of the Chapter 11 petition through the confirmation of a plan of reorganization and emergence from Chapter 11.

Phase 1: Filing of Chapter 11 Petition

- The company files a voluntary petition to restructure under Chapter 11 of the U.S. Bankruptcy Code.
- The filing triggers an automatic stay that freezes all lawsuits and collection actions against the company.
- The company files “first-day motions” and court conducts “first-day hearings” after which it enters “first-day orders” approving the first-day motions.
- The company obtains debtor-in-possession financing to provide funding for ongoing operations.
- The company operates in the normal course of business as a debtor-in-possession.

Phase 2: Negotiation and Formulation of a Plan of Reorganization

- An official Creditors' Committee is formed by the U.S. Trustee to work with the company on restructuring-related issues. The Court resolves any conflicts.
- A notice is sent out to anyone who may have financial or other claims against the company requesting that they submit a proof of claim by a specific bar date.
- The company finalizes its long-range strategic business plan and develops a plan of reorganization, which, among other things, sets forth how the company plans to repay its creditors.
- The company submits to the Court a Disclosure Statement and its proposed plan of reorganization. The Disclosure Statement outlines the company’s current and projected financial condition and sets forth the important provisions of the plan of reorganization.
- Upon Court approval of the Disclosure Statement, the company sends out the Disclosure Statement and plan of reorganization to all creditors that are entitled to vote on the plan. If the required number of votes in favor of the plan is received, the company will submit the plan to the Court for approval or confirmation.

Phase 3: Confirmation of a Plan of Reorganization and Emergence

- The Court holds hearings to consider whether the plan of reorganization complies with the requirements set forth in the Bankruptcy Code.
- If the Court approves the plan of reorganization, it is confirmed and usually within a few days the plan becomes effective. At that point, the company emerges from Chapter 11 as a reorganized entity.

