

TOUGH ECONOMY COULD CAUSE NEW BANKRUPTCIES



As the economy continues to struggle, experts warn that new bankruptcies will occur across the entire business spectrum. It has been three years since Lehman Brothers filed for bankruptcy, which single handedly created a ripple effect for other big-name companies to file for bankruptcy. No business is safe in this economy; with hair salons, paper companies, restaurants, and companies offering renewable energy all filing for bankruptcy within the past couple of months. The causes of all these bankruptcies just does not include the struggling economy. Other causes include low consumer spending, tight lending practices, and a junk-bond market. Companies in areas of business such as the media, tourism, real estate, shipping and energy are all at risk in this tough economy. One company that has been the focus of news reports regarding bankruptcy recently has been AMR Corp's American Airlines. American Airlines could possibly have to go to court to restructure its labor contracts, but spokespeople for the company claim that bankruptcy is not the goal for the company at this time. Another major company, Kodak, has denied the reports that it will need to file for bankruptcy sometime in the near future. Instead, they have been working with a law firm that is known for helping companies through the bankruptcy process to find new ways to offset the money they are losing from their traditional photography business. Bankruptcy experts have warned that another United States recession could cause major bankruptcy filings across the country, which could rival the ones filed back in 2008 when Lehman Brothers filed. The bankruptcy filing by the Lehman Brothers was the largest bankruptcy filing in United States history, accounting for \$639 billion, but none of the experts are predicting a filing as large as Lehman Brothers this time around. "It's getting busier for everyone I know," said Jay Goffman, the co-head of the Global Restructuring Group at law firm Skadden Arps, Slate, Meagher & Flom. "I think 2012 will be a busy year and 2013 and 2014 will be extraordinarily busy years in restructuring." Experts say that predicting a bankruptcy wave is very difficult to do because it depends on various factors such as the European debt crisis, how much money can be lent to companies in trouble by banks, and whether or not the economy lands in a double-dip recession. "It is possible that one or two sovereign debt defaults would increase the pressure we'd feel in the U.S. credit market. Then we might see an environment like we had in 2008," said Peter Fitzsimmons, president for North America for turnaround advisory firm AlixPartners LLP. Bankruptcy filings in the United States have picked up of late, with 10 companies with at least \$100 million assets filed in the month of September. This is the most filings in one month since 17 companies with \$100 million assets filed back in April, which was the busiest month since 2009. Some of the recent filings come from Evergreen Solar and Solyndra, NewPage Corp, Graceway Pharmaceuticals, Hussey Copper Corp. and the Dallas Stars of the National Hockey League. Since the month of October began, five companies have filed for bankruptcy, including Friendly's and Open Range Communications Inc.