

## Q&amp;A

**Buckfire Sees More Restructurings Out Of Court Amid Anemic Economy**

Slower-than-expected economic growth likely will force many companies to restructure their balance sheets and much of that will be done outside of a bankruptcy court, according to **Ken Buckfire**, chief executive of **Miller Buckfire**, and **Harvey Golub**, the restructuring firm's chairman. The Miller Buckfire executives said this next wave of restructurings likely will occur in the next year. Both executives were interviewed by Bloomberg Television on Wednesday. The following are excerpts from that interview.

**Q: In which industry sectors would you see some restructuring?**

**A:** We'll see this process of adjustment playing out across every sector of the economy where leverage has been employed to facilitate the growth of a business, but growth has not materialized. There will have to be an adjustment from the balance sheet that supported the model that people thought they had when the economy was growing to the one that we actually will have, which is zero to no growth for the foreseeable future. It's a process of adjustment. Financial restructuring is always there to help strategic restructuring, not the other way around.

**Q: If you were expecting more of this restructuring, we're going to see more stresses than in the economy?**

**A:** It is our expectation. Many companies were built on balance sheets assuming normal economic growth, two or three percent a year. But, in a world where economic growth is zero to one or one-

and-a-half those balance sheets simply don't work. That puts a lot of stress on company operations. Revenues don't grow at the rate expected. They can't service the debt or pay down debt the way they expected, and therefore they're going to have to restructure to reposition their strategies.

**Q: What would those restructurings look like? Are we talking about spinoffs?**

**A:** They may involve spinoffs. They may involve reduction in capacity, sale of units of the business that cannot support themselves. They may involve separating good and bad assets and doing different things with the good and bad assets.

**Q: One of the things that may arise from all of these restructurings is more layoffs, right? Are we going to see that increase in the months to come?**

**A:** I think you are going to see that because companies are going to get more conservative about their own economic prospects. They are, therefore, not going to invest as much in projects which might require more labor. And, they're going to continue to reduce costs because they can control that. You'll see more and more of that over the next few years.

**Q: You'll see restructurings, but not outright bankruptcies?**

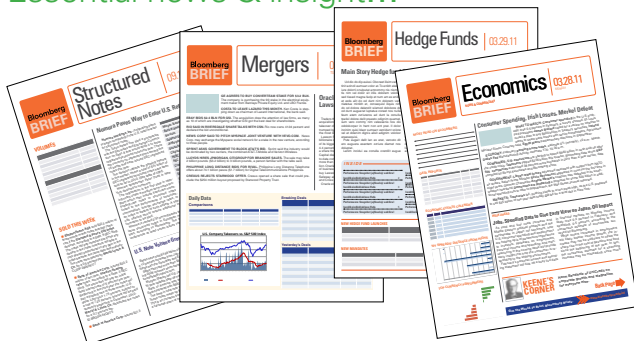
**A:** The culture of restructuring has changed. In past years, past decades restructuring a company was the last thing that a company wanted to do. They fiddled around the edges and they postponed

tough decisions until they absolutely had to do a restructuring. And that was normally then done in Chapter 11 or in a dissolution of the company. Companies are realizing more and more that engaging in a restructuring activity prior to bankruptcy – prior to the necessity for bankruptcy – is often a better way to go. A better restructuring can take place, better arrangements with debtors and with other constituents can be made so that the company doesn't have to actually go into default. Or, if it does all the agreements were laid out ahead of time. So, they will be engaged in advisors earlier in the process before the necessity to actually file.

**Q: Is that what we're seeing with Kodak?**

**A:** Yes. In the case of Kodak they are quite correctly trying to buy more time to establish their turnaround plan. And if they can find the financing that allows them to do that, that's a logical thing to do. Again, no bankruptcy, no default and in fact many of the largest transactions that we've been involved in over the last 15 years did not go to bankruptcy and did not have a default. They were financially-driven restructurings that got no attention because, by definition, they didn't go bankrupt. So we're going to see that become a very dominant trend in the next cycle which will begin probably in the next year where the capital markets are much more understanding of these kind of circumstances and will finance companies that have balance sheet issues, but are fundamentally good companies. That's a very important factor underlying what we think will happen in the next few years.

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