

**EXERCISE****RESTRUCTURING OPTIONS FOR DISTRESSED COMPANIES****Background**

You represent Tempo Cycles, Inc., a manufacturer of road bikes and accessories. They're in significant financial distress and are considering restructuring their business. They hope to come out of the process with a fresh start, become profitable once again, and continue growing.

Your client tells you the following:

- They have lots of creditors – both secured and unsecured.
- They're on very good terms with most of their creditors, especially their largest creditor, who wants the business to succeed and seems open to working out a deal pretty quickly.
- There are a few creditors, however, that have not been willing to negotiate with the company so far.
- The company is behind on some payments and a few suppliers have threatened to start collection efforts against the company.
- The company has about 40 retail locations and feels that many of the leases have terms that are particularly onerous on the company.

Tempo's Board of Directors would like to hear your views on what sort of restructuring transaction might be best suited to their situation.

**Instructions**

Come prepared to discuss what you'll tell the client, being sure to cover:

- The main considerations between in-court and out-of-court restructurings.
- What restructuring option(s) you'd recommend for the company and why.