

Workouts: **The Stimulus Package for Struggling Small Businesses** *Attorneys SmolenPlevy De-stress Distressed Firms*

(Vienna, VA) –Banks, automakers and insurance companies are in line for bailouts. But is there similar help available for small businesses hit by the economic downturn, where owners are struggling to keep up with growing debt payments? Attorneys [Jason Smolen](#) and [Daniel Ruttenberg](#) of SmolenPlevy in Vienna, Virginia (www.smolenplevy.com) suggest the answer is a **workout**.

In its most basic form, a workout is a restructuring of debt. It can be a welcome alternative for companies trying to avoid foreclosure or bankruptcy. “The concept is fairly simple,” says Jason Smolen, cofounding principal of SmolenPlevy. “The lender agrees to new loan terms which the borrower can afford.”

Lenders might be willing to go along with a workout because it can avoid expensive alternatives like foreclosing on property it doesn’t want or collecting pennies on the dollars it’s owed. “These factors create room to negotiate,” says Smolen. “Many lenders would rather get their money back over time than have to fire-sell a company it doesn’t want.”

But crafting a successful workout requires a careful and strategic dance with the lender. “Many questions have to be answered,” explains Dan Ruttenberg of SmolenPlevy. “Who and what sort of entity is the lender? Is the borrower current or delinquent on payments? Is the debt nonrecourse—that is—secured by a pledge of collateral? What are the borrower’s potential sources of capital?”

Prior to meeting with creditors, the owner of the small business firm must put together a reorganization plan showing how it will sustain itself on a cash flow basis going into the future. This involves preparing forecasted financial statements for three through five years into the future. The financial statements should also show how it will generate enough cash flow to also pay off its creditors.

A financial workout is complex and usually involves many creditors. It is usually handled by an attorney. There is no set format for a financial workout. It can include any provisions that are acceptable to both the small business and the creditors that are involved. If one or two creditors don’t agree to the terms of whatever agreement is reached, the workout will fall through and then the firm will have to file for bankruptcy. A workout depends completely on whether or not the creditors are willing to work with the small business and each other. If the small business satisfies the objectives of the creditors, then the workout will be successful.

For media interviews with Jason Smolen or Daniel Ruttenberg of SmolenPlevy, please contact Colleen Orme (703) 861-5457 or Ormec686@aol.com or Marc Silverstein at On The Marc Media. (410) 963-2345 or at marc@onthemarcmedia.com