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## The End Of The Beginning: Alternatives To Bankruptcy



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COMMENTARY  
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“Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.”

When he uttered these prophetic words Winston Churchill could just as well have been talking about alternatives to bankruptcy and not the 1942 British defeat of the German Afrika Korps in Egypt.

Bankruptcy has been described as both an end and a beginning. An end to a bad cycle of events caused by errors in judgment, financial mismanagement, or even malfeasance. A beginning with a clean slate.

Bankruptcy however does not come cheap. It introduces costs: financial, administrative, and emotional. It eats up time one would prefer to put to better uses. It serves up its own complexities. All these costs wrest control from parties already embroiled in an already out-of-control situation.

Take heart though for legal alternatives to bankruptcy exist. These alternatives have their roots in English Common Law. They are less harsh, cheaper, more time-efficient, less complex, not to mention kinder and gentler on the ego.

Sadly, these options are virtually unknown to the people who would most benefit from them, entrepreneurs

whose gritty determination and steely vision often prevents them from seeing not just the forest from the trees but the fire that threatens the forest.

Granted, there are times when a bankruptcy filing remains your only option. But isn't it comforting to know that you have alternatives?

One such alternative is a General Assignment – more often called an Assignment for the Benefit of Creditors (ABC) – offers, in most states, an alternative to court-supervised processes for the resolution of debtor/creditor relationships by contractual agreement.

### A General Assignment Defined

Under a General Assignment a business entity (the Assignor) transfers its assets to a third party fiduciary (the Assignee). This third party fiduciary receives the assets then sells them via piecemeal or bulk (turn-key or going concern) method, depending upon what the Assignee deems to be in the creditor's best interests.

A General Assignment is a contract between the Assignor and the Assignee that provides for this process.

The Assignee may formally assume the secured debt of the entity entering into the Assignment and confirm any existing security interests in exchange for the use of a secured creditors' collateral during the liquidation.

A General Assignment requires no court oversight or involvement in most states. An Assignee's decisions regarding the conduct of a General Assignment is subject to the business judgment of the Assignee.

### General Assignment Benefits

A General Assignment's benefits often outstrip its liabilities. At its best, a General Assignment provides for a win-win-resolution for creditors/debtors.

Because there is a transfer of all assets, the Assignor entering into the Assignment is “judgment proof” because it becomes an asset-less corporate shell. Furthermore, jobs can often be preserved. Finally, the assets are sold for fair market value and sometimes to the owners of the existing company.

As the saying goes, the worst time to fortify your house is when the wolves are breaking down the front door. An ABC, if deemed appropriate to your particular situation, can protect you and your interests as you transition yourself down the road from beginning to end.

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