



*Businesses facing financial and operational challenges are pushed to the brink with demands beyond the normal daily operations. To reduce the pain associated with the turnaround lifecycle, it is critical to identify a trusted partner who has technical and industry-specific expertise that is quickly scalable.*

*Our Turnaround & Restructuring Services (T&RS) experts help businesses accomplish their goals beyond existing bandwidth by providing exceptional people with the experience and leadership for complex turnaround and restructuring situations within an effective cost structure.*

## **Fresh-Start Overview:**

Emergence from bankruptcy is a complex process full of unique events. These “one-time” events place significant burden on management and involve numerous parties and workstreams that must be synchronized in parallel for the successful emergence. Fresh-Start is codified in Accounting Standards Codification 852: *Reorganizations* (ASC 852) as the reporting requirements for those entities that are emerging from Chapter 11 Reorganization. This type of accounting requires the implementation of the Plan of Reorganization and the application of fair value concepts in determining the organization value to establish the new basis of financial reporting for the emerging company.

Two criteria must be met, and if met, the company must adopt ASC 852 reporting upon emergence:

- ✓ *Reorganization value of the assets immediately before the date of confirmation is less than the post-petition liabilities and allowed claims.*
- ✓ *Control changes (i.e., the pre-petition shareholders lose control of the emerging entity by receiving less than 50% of the voting shares of the emerging entity).*

The Chapter 11 process involves many steps, and Fresh-Start reporting represents preparation for emergence:

### Accounting & Reporting

- Establish applicability of Fresh-Start
- Facilitate auditor timeline and reporting requirements
- Establish process surrounding Liabilities Subject to Compromise

### Bankruptcy

- Review Plan of Reorganization and Disclosure Statement for Fresh-Start impacts
- Establish recovery reporting
- Resolve impacts of unique bankruptcy events



System Impacts	<ul style="list-style-type: none"> <li>• Establish cutoff processes to facilitate the closure of the predecessor company</li> <li>• Assess reporting needs of the successor company</li> </ul>
Valuation	<ul style="list-style-type: none"> <li>• Facilitate the revaluation of balance sheet for the successor company</li> <li>• Establish fair value allocation to the reporting units</li> </ul>
Tax Effects	<ul style="list-style-type: none"> <li>• Assess tax strategy and impact</li> <li>• Coordinate the tax impacts related to the emergence process</li> </ul>

**Our qualifications to serve:**



**FOR MORE INFORMATION, PLEASE CONTACT:**



**Brian Markley, CPA | Managing Partner, T&RS**

Brian Markley serves as the Managing Partner and national lead of SolomonEdwards’ Turnaround & Restructuring Services practice. He is a seasoned financial advisor with over 25 years of accounting, reorganization of companies, litigation consulting, and forensics experience, including significant experience in corporate turnaround and bankruptcy situations. He has worked on behalf of debtors, secured and unsecured creditors, and trustees. In addition to in-court restructurings, he advises clients through post-acquisition transition services and out-of-court financial and operational analysis of troubled companies.

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**L. Michael Fleming, CIRA | Principal, T&RS**

Michael Fleming is a Principal in SolomonEdwards’ Turnaround & Restructuring Services practice in Boston. He is an experienced financial advisor with over 20 years of financial, management and restructuring experience and is a Certified Insolvency and Restructuring Advisor (CIRA). He has created complex connected systems to manage large global teams resulting in real-time resolution and has advised client executives, attorneys and teams through a variety of distressed and non-distressed situations ranging in size from small companies through the largest bankruptcies in U.S. history.

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