

Restructuring Firm Snapshot: Bridge Associates LLC

Wednesday, May 10, 2006 --- For Bridge Associates LLC, a “willingness to think outside the box” has helped to make the firm one of the leaders in the turnaround and restructuring world over the past decade, according to the company's top executives.

While working on behalf of creditors in the Durango Georgia Paper liquidation case, Bridge Associates looked at the property and decided that the struggling paper mill would actually make a better resort, an idea that found appeal with the parties involved.

“We are nimble and not tied to conventions- having to turn things around instantly has allowed us to carve a different niche,” said Anthony Schnelling, a founding member and one of the managing directors of Bridge Associates.

Over the past few years, Bridge Associates has been involved in such big-name bankruptcy cases as Tower Automotive Inc. and United Airlines, but Schnelling vividly remembers the firm's humble beginnings.

Bridge Associates was founded in 1997 by Schnelling and two former bankers, who decided that a lull in bankruptcy business signified the right time to start a restructuring firm.

“1997 was not quite as slow [in terms of bankruptcies] as it is today but quite close,” he said. “We took the show on the road and built the company out in the heartland of the U.S.”

Formerly known as Restoration Management, the firm received a boost early on from another big-name restructuring firm, AlixPartners, which brought Bridge Associates on board to help with a company's liquidation.

After working on a series of small to mid-sized turnarounds, Bridge Associates discovered that there was a significant amount of opportunity in the interim turnaround business.

For Bridge Associates, the InaCom Inc. bankruptcy case represented the “first milestone” for the firm, said Schnelling, a former insolvency attorney himself.

Hired to “pick up the debris” from the computer design services and hardware provider's implosion, Bridge Associates initially faced dismal recovery projections of zero in the case.

By the end, though, the company was able to return all of the secured debt

and issue a recovery in excess of \$.40 for unsecured creditors.

The success helped to catapult Bridge Associates into the upper echelon of the restructuring world, a place where the firm is determined to remain.

By no means large, Bridge Associates believes that its small size has enabled the firm to provide clients with quality not just quantity, according to Schnelling.

“We have 30 people now and we are very deliberate about how quickly we grow,” he said. “We have built our business by being a group that provides very strong management.”

Many of the firm’s associates actually hail from companies that Bridge Associates has previously represented, a fact that the company relishes.

“A lot of our people have been through troubled situations and joined us from cases that we have actually worked on,” he said. “We are very heavily focused on a cadre of senior people, who really understand the clients and what the personnel of the clients are going through.”

While Bridge Associates does employ some younger associates, the company tends to gravitate more towards senior management types when hiring, given their crucial operational experience.

“It is easier to teach somebody how a work out is done than to teach somebody how to effectively operate or manage a business,” said Schnelling.

Bridge Associate’s team of seasoned veterans has proved to be an attractive option for the non-union retirees of beleaguered auto supplier Tower Automotive Inc.

The group has enlisted the firm’s services in its battle against Tower over the proposed elimination of retiree medical benefits.

In the United Airlines bankruptcy case, the Bridge Associates crew worked on the opposite side of the table, helping to prepare a business plan feasibility report for parent company UAL Corp. and its labor leadership.

“The benefit of a smallish organization is that there is a lot of flexibility and very little bureaucracy,” said Schnelling.

Bridge Associate’s ability to adapt will help the firm in the coming years, with insiders predicting an uptick in bankruptcies soon.

“The next wave of bankruptcies is going to come out of the developments occurring right now,” said Schnelling, noting the explosive growth of the second-lien market, the rise in oil and commodity prices and the enormous liquidity in the market.

Schnelling predicts that there will be a “systematic change” in the U.S. work force, as companies that are struggling with overwhelming legacy costs begin more and more to look overseas.

“We are under tremendous pressure from countries in which the population is tasting the first fruits of industrialization,” he said. “It is not a surprise that all of the big airline and automotive cases are focused on legacy costs.”

Though the market is currently flooded with an enormous amount of liquidity, Schnelling believes that the world has not really changed, as some have said, but that it simply represents another cycle.

“It is a musical chairs game that we are living in,” he said. “Every time the music stops, there is still somebody with money to invest.”

The result has been that many operational problems have been “papered over,” in favor of short-term solutions but these businesses will not be able to escape the day of reckoning forever, says Schnelling.

“It is not a question of ‘if’ the cycle changes- it is more of a question of when,” he said.

But whenever that day comes, Bridge Associates will be up for the challenge, just as it was when one of its founding partners abruptly passed away from cancer early in the firm’s history.

Despite the blow, the firm has continued to grow and flourish and carry on his legacy, according to Schnelling.

“I think Craig would be very very happy to see how the firm has developed,” he said. “I think it would be much beyond what he had hoped.”

--By Anne Urda, anne.urda@portfoliomedia.com