



Strategic Purchase of Distressed Assets in Bankruptcy

Paul Hammer, Esq.

In Puerto Rico, there is a huge untapped resource of undervalued assets available for sale from bankruptcy estates. An added advantage to buyers is that purchasing assets from companies, or individuals, that have filed for bankruptcy can be done free and clear of all liens, claims and encumbrances on the asset, effectively removing those “warts” from the asset that kept it from being sold in the first place.



These purchases, which are processed under Bankruptcy Code Section 363, also allow potential buyers to make bids at or below current market value. Clearly, it is not hard to imagine that many distressed assets are ripe for the picking at discount prices and under very favorable conditions to investors. In fact, this strategy has been utilized to great effect by investors in the recent high profile bankruptcies of Puerto Del Rey, Berwind Realty and Autos Vega, Inc.

During the current economic downturn on the island, there is an increasing number of financially troubled companies and individuals with assets that are attractive targets for private equity firms and strategic buyers to purchase using Section 363 sales. These prospective buyers should consider the advantages and disadvantages of buying assets through such a sale, how the process works and strategically at what point in the process to engage with the debtor-seller.

After a company or individual files for bankruptcy, court approval must be obtained to sell their assets outside of the ordinary course of business. Section 363 provides a procedure for a debtor to obtain this approval on a motion and a hearing. Although these types of sales are usually conducted by public auction under the supervision of the bankruptcy court, Section 363 sales can also be private, an added advantage to aggressive and prepared investors. Generally, the entire process takes a few months; however, with the employment of proper strategy, this process can be completed sooner.

As shown above, bankruptcy offers substantial advantages and flexibility to investors in the purchase of distressed assets in Puerto Rico. The professionals at Estrella, LLC have used their depth of knowledge of the Bankruptcy Code and experience in financial reorganization to effectuate numerous beneficial sales transactions for Firm clients. To discuss how we can help your business, please contact Bankruptcy and Reorganization Practice Manager Paul Hammer at phammer@estrellallc.com.



Connect with us!

787.977. 5050

www.estrellallc.com

