

‘It Really Worked’: Opposing Firms Join Forces to Save a Business From Bankruptcy

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Christopher Jarvinen, left and Joshua Dobin, right.

Here's how two opposing Miami law firms rethought traditional Chapter 11 bankruptcy infighting to help a struggling chain of Florida shoe stores restructure while other retailers folded.

Instead of fostering the antagonism that typically pits floundering companies against unsecured creditors, debtor's counsel from Meland Russin & Budwick

and creditor representatives from Berger Singerman looked ahead. They collaborated instead of digging in their heels, and in the end, helped create a business plan to bring Traffic Shoes back from the brink.

Rather than throwing up roadblocks and filtering every request through attorneys, the parties adopted a business-focused spirit of co-operation with guidance from U.S. Bankruptcy Judge Robert A. Mark. They recruited Soneet Kapila and Melissa Davis, Fort Lauderdale-based accountants who specialize in bankruptcy, for a four-wall analysis of revenue projections and expenditures, then shared that report among all parties. From the outset, both sides wanted a solution that would keep Traffic Shoes in business, paying taxes, supporting real estate and providing jobs. In the end, they crafted a confirmed plan to pay a 26 percent minimum distribution to general unsecured creditors.

"It was much better than the alternative, which was liquidation," said Meland Russin & Budwick Miami partner Joshua Dobin.

The attorneys, accountants and Traffic Shoes principal David Goodman reviewed business expenses, modified leases with multiple landlords, renegotiated with vendors and worked with creditors on a plan to reduce the chain's footprint from 85 to 66 stores.

The firms worked on behalf of the official committee of unsecured creditors and debtors Traffic Inc., Traffic Las Plazas Inc., Traffic Plaza Del Norte Inc. and Medley-based Goodman and Dominguez Inc. They handled the case as other retailers, like Loehmann's, Dots LLC, The Limited and Simply Fashion Stores Ltd., lumbered through bankruptcy that wiped out thousands of jobs or shuttered hundreds of brick-and-mortar operations.

"It really worked," said Berger Singerman partner Christopher Jarvinen, legal counsel to the official committee of unsecured creditors. "We didn't do it blindly."

The case resulted in a level of cooperation Jarvinen had never seen before in nearly two decades handling more than 70 Chapter 11 retail bankruptcies.

"Rather than being at the debtors' throat, doing an expensive investigation, we focused on taking steps to enable reorganization," he said.

The Traffic Shoes companies used an advanced inventory system and Dobin allowed them to be forthcoming and have direct contact with creditors' counsel. Their cooperation allowed for quick access and helped stave off adversary actions.

"The debtor was leanly staffed with just a couple of people in the finance department. At first I thought this was a red flag—an intention to hobble certain capabilities—but it wasn't," Jarvinen said. "The people we dealt with at the company were very good. They cared about the company and gave us what we needed."