

Smaller businesses see rise in Q1 bankruptcies

Boston Business Journal, May 2010 - by [Lisa van der Pool](#)



Goulston & Storrs attorneys Jim Wallack and Christine Lynch are handling bankruptcy cases across a spectrum of industries, from manufacturing to retail.

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Local bankruptcy attorneys continued to see steady work in the first quarter, but there was a noticeable shift away from large-company bankruptcy filings.

In Boston, Chapter 11 bankruptcy filings rose to 34 cases between Jan. 1 and March 31, up from 21 filings during the same period last year, according to records in [U.S. Bankruptcy Court](#) in Boston.

“What you’re seeing is smaller businesses filing (for bankruptcy),” said Thomas Bean, a partner at [McDermott Will & Emery](#)’s Boston office. “Commercial real estate is going to be an area of serious concern in 2010 and 2011. There are quite a number of commercial real estate loans maturing this year and next year, and the general sense is there will be insufficient credit available to refinance many of these properties.”

Indeed, no firm with more than \$1 billion in assets filed for Chapter 11 bankruptcy protection during the first quarter, according to a recent report in *American Lawyer*.

Also, there were 34 firms with more than \$100 million in assets that filed for Chapter 11 during that span, down from 74 firms during the first quarter of last year, per *American Lawyer*.

Boston-based [Goulston & Storrs](#) PC is currently representing Austin, Texas-based [Magic Brands](#) LLC in its Chapter 11 bankruptcy filing. Magic Brands, which is the parent company to burger chain [Fuddruckers](#), among other brands, is undergoing a company restructuring.

Goulston & Storrs bankruptcy partners Douglas Rosner, Jim Wallack and Christine Lynch are working on the Magic Brands matter.

“Just like any restaurant in the fast-casual sector, they’ve been impacted by the economic downturn,” Rosner said.

Wallack notes that his firm is handling bankruptcy cases across most industries including technology, manufacturing and retail, but “retail is one of the areas where I have not seen as much activity as I might have anticipated. I would say that retailers got much smarter about managing their inventory.”

Alex Mattera, a bankruptcy lawyer with Boston-based [Demeo & Associates PC](#), said that while last year was more about large bankruptcies, some smaller businesses that had been barely holding on during 2009 are finally filing for protection from creditors this year.

“The word fatigue comes to mind — they’ve run out of credit,” Mattera said.

In addition to handling bankruptcy filings, Christopher Panos, managing partner of the bankruptcy boutique Craig and Macauley PC, said that his firm has been busy on several fronts, including some cases that involve lenders acquiring assets of failed or failing companies.

Earlier this month the law firm closed the asset sale of client [Altus Pharmaceuticals](#) of Waltham, which filed for Chapter 7 bankruptcy protection last year.

Last November, Altus said in its U.S. Bankruptcy Court filing that it owed creditors between \$1 million and \$10 million.