

Bethlehem Steel Corporation

Chapter 11 Primer

A Chapter 11 filing is a voluntary action taken by a United States company to resolve financial problems, such as excessive debt or major liabilities. Chapter 11 provides a process for a company to define and resolve its liabilities under a court-supervised process. Under a Chapter 11 bankruptcy filing a company continues its normal business operations.

The company will immediately seek authority to continue to provide employees with the salaries and benefits that existed prior to the Chapter 11 filing. It is also able to do business with suppliers and customers in a routine manner so that it can continue to create funds to satisfy creditors. The court gives amounts due to suppliers for material or services provided after a Chapter 11 filing preferential status so that they may continue to be paid under normal terms.

After a company files Chapter 11, one or more official committees that represent the interests of general unsecured creditors and/or other creditors may be appointed. Normally these committees are actively involved in the process to monitor and protect the interests of unsecured and certain other creditors during the Chapter 11 proceedings.

Another major step in the Chapter 11 process is providing notice to anyone who believes they have a claim, financial or otherwise, against a company. Notice procedures are established by the court and notice is given to people with claims alerting them that their claims must be brought forward by a certain date. By the end of the notice period, all claims must be submitted or they will be barred forever.

The Chapter 11 process will end when the court has approved a plan of reorganization for a company. This plan is usually developed by a company in conjunction with its creditors. The approved plan of reorganization establishes the amount, type and timing of payment that will be made to the holders of allowed claims, as well as the capital structure of the reorganized company.