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Bankrupt companies carry risks, rewards for buyers

By Sonya Hubbard – Staff Writer

“Besides price, Pat Trysla, managing director at Frontier Investment Banking Corp., said that when a buyer gets assets through a bankruptcy proceeding, it takes them free and clear of unsecured creditors’ claims. (Different rules apply to secured creditors, who have more protection in a bankruptcy case.)

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“Being the first bidder can be tricky,” Trysla said. He said the first party to make a bid is called the “stalking horse.” Its bid sets the minimum price, but other parties may come in and offer more money. Courts favor a competitive bidding process so that the unsecured creditors will receive as much money on their claims as possible, he said.