

**"In distressed situations, creditors
often leave material value on the table.
Not because of the borrower.
Because of each other."**

Daniel Vnuk, MEcon, MBA

When creditors fragment, value leaks. Alignment is not diplomacy. It is capital protection.

Structured coordination often preserves more value
than adversarial escalation.

Governance | Capital Preservation | Disciplined Process

Litigation is not a strategy. It is a tax on misalignment.

When creditors stop coordinating:

- legal fees escalate
- timelines stretch → opportunity cost
- capital is trapped in uncertainty instead of being redeployed
- asset value deteriorates
- negotiating leverage weakens

Misalignment usually begins quietly...

- one lender enforcing
- another negotiating
- equity resisting
- advisors protecting mandates

That's when recoveries start leaking.

The Misalignment Audit

Three checks. If you answer "Yes" to any, value is already leaking.

1. The Information Check

Does each creditor base their strategy on a different set of numbers?

- Multiple financial models floating around?
- No shared Independent Business Review (IBR)?
- Equity controlling the data room?

*If you checked any box, coordination isn't
Optional - it's capital preservation.*

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The Misalignment Audit

Three checks. If you answer "Yes" to any, value is already leaking.

2. The Governance Check

Is there a locked-step process, or is everyone moving alone?

- Creditors filing separate motions?
- Advisors advocating for different timelines?
- No formal standstill or coordination agreement?

*If you checked any box, coordination isn't
Optional - it's capital preservation.*

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The Misalignment Audit

Three checks. If you answer "Yes" to any, value is already leaking.

3. The Incentive Check

Are internal priorities overriding the collective recovery?

- One lender short-term hedging while others seek restructuring?
- Advisors protecting mandates rather than optimizing outcomes?
- Equity using creditor division to delay?

*If you checked any box, coordination isn't
Optional - it's capital preservation.*

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Credit Committee Lens

Alignment = Controllable Recovery

Litigation = Market-Determined Recovery

Board-Level Perspective

- Alignment reduces volatility in recovery outcomes.
- Litigation increases duration and uncertainty.
- Structured dialogue enhances capital stability.

Representative situation:

**€200M capital structure. 4 creditor groups. No alignment.
Result: 18 months in court, €5M in fees, 27% recovery.
Structure determined outcome-not the business.**

Alignment is uncomfortable because it requires:

- transparency of downside
- recognition of loss
- re-ordering of priorities
- governance discipline

But discomfort is cheaper than court.

Consensus is a Technical Milestone, not a Feeling.

- Independent Business Review (IBR) as a common ground.
- Inter-creditor transparency.
- Lock-step governance.

Before escalating to litigation, ask:

Is this dispute about law -
or about structure?

If structure is unclear, court will not fix it.
It will price it.

Process Risk of Litigation

- Extended timelines dilute recoveries.
- Legal escalation rarely restores value.
- Delay frequently becomes the largest cost.
- The court prices the asset, but the process burns the cash flow.

Two Roads to Recovery: Fragmentation vs. Alignment

Fragmented path

- Litigation spiral
- Value leakage
- Court-driven pricing
- Advisors protecting individual mandates

Aligned path

- Faster outcome
- Higher recovery
- Controlled process
- Lock-step governance

"One path is priced by the court. The other is preserved by design."
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Execution Reality

- Multi-creditor standstill design.
- Governance lock-in before enforcement.
- Incentive restructuring before escalation.

The goal is not to agree on everything.

The goal is to agree on the preservation of value.

**In stressed capital structures,
structure determines recovery.**

In stressed capital structures, governance design is often the real differentiator.

Happy to exchange perspectives with peers navigating similar situations.

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