

## Increase the Volume of Internal Communication During Pandemic to Help Chapter 11 Filings Run More Smoothly

A Texas-based oil and gas company needed to restructure. Unique to the situation was that the company entered Chapter 11 having a full support agreement, meaning lenders already approved a plan for it to emerge after reorganization.

Sounds straightforward, right? Not so fast.

Since the filing happened during the pandemic, the communicators it hired weren't on site. "Usually, we sit with the client for a week and train the trainer," says Jennifer Mercer, a partner at **Paladin Management Group** who runs its strategic communication unit.

### PROACTIVE ENGAGEMENT

In pre-COVID-19 times, Mercer's team typically visited companies that hired it and offered communication advice.



**Jennifer Mercer**  
Partner  
Paladin  
Management  
Company

"Town halls and those face-to-face [meetings] are the biggest things that, prior to COVID-19, we would employ a lot. Seeing someone talk to you is different than reading" what will happen in a Chapter 11 scenario, she says.

To combat the lack of in-person contact, Mercer's team prepared a package of content. This included letters, FAQs and hotlines for vendors, employees and thousands of royalty holders, who

own pieces of property where the company drills.

"What makes [royalty holders] unique is that companies don't engage with them on a regular basis," says Mercer. "It was important [that royalty holders] knew out of the gate what happened and why...It brought down the energy and [they] understood it wouldn't impact their monetary relationship."

### INTERNAL IS KEY

One of the biggest issues during Chapter 11 is ensuring employees are productive during the process, says Mercer. "If you don't communicate, you have low morale and people don't perform because they are confused and scared" that they may lose their jobs and benefits.

Mercer advises companies to push communication down through the "next in command," who then reach out to their reports, and so on. This allows employees, within hours, to receive appropriate information.

After leadership receives an explanation of the Chapter 11 process, it receives a playbook that includes a letter, FAQs, talking points, fact sheets and often a visual explaining the filing process.

Employees are one of groups that brings a company's message to the outside world. "So, the better they understand [the Chapter 11 process], the more transparent a company is, the higher the likelihood that employees car-

### MANAGING THE NARRATIVE

Asked about a recent pitfall, Mercer pointed to a company preparing to file for Chapter 11. The company believed its Chapter 11 news would fly under the radar and failed to issue a press release.

Despite reiterating the importance of communicating the news, Mercer's view was not accepted. Worse, the company worked in one of three jurisdictions that has bankruptcy beat reporters (the Southern District of Texas, Houston division; the Southern District of New York; United States Bankruptcy Court for the District of Delaware).

So it was not a surprise that not only was the filing covered in the media. In addition, much of the information in the coverage was inaccurate.

"Things fell apart because [communicators] no longer had" input, Mercer says.

### TIMING IS EVERYTHING

For Mercer, timing drives the schedule for distributing a Chapter 11 press release.

She favors the lead-steer approach—particularly in one of the three districts mentioned above. In these cases, she will give a reporter an embargoed exclusive timed for when the Chapter 11 petition is filed. It's only after the story runs that she sends a press release to other media outlets.

"That first story is the stake in the ground that others will pick up, often citing" it, she says. "It gives third-party credibility."

For example, a *Wall Street Journal* report that a company intends to exit Chapter 11 in 45-60 days has more standing in the public's view than a company report.

"It's effective in [all] crisis situations, not just Chapter 11. It allows you to [better manage] the narrative," she adds. 

ry the message correctly," says Mercer. It's imperative, she says, to describe to staff that Chapter 11 allows a company to restructure its debt to secure its future, which is good for all constituents.

### A SEAT AT THE TABLE

The number one thing that an organization going through Chapter 11 needs to remember is to keep the PR team in the loop, alongside the C-suite, finance departments, attorneys and HR. Unfortunately, PR often is left out of the initial conversation.

"If they don't have the context, it will be hard to [manage] the narrative" once it hits the media, says Mercer. 