Automotive Supply Chain Alert: Chassix Bankruptcy Looming

By Linda M. Watson, Joel D. Applebaum / Feb 26, 2015

Today, the Wall Street Journal reported that Chassix, Inc. is poised to file bankruptcy as early as the first week of March 2015. Chassix labels itself as "the industry's largest single integrated resource for high-quality, precision chassis casting and machining solutions," so a bankruptcy will likely have repercussions up and down the supply chain. More specifically, the bankruptcy could significantly impact its trade creditors and suppliers, as well as customers, many of whom are directed buys.

According to the report, Chassix will seek approval of a prearranged bankruptcy plan currently under negotiation that would possibly exchange significant bond debt for equity and re-work its major supply contracts with its largest customers. The report further provides that the on-going plan discussions are "fluid" and a deal and subsequent bankruptcy filing is not assured. Chassix is currently in default on at least one of its bond issuances and the grace period on that default is said to expire on March 4, 2015.

In light of this report, along with other articles late last year indicating that Chassix had begun restructuring negotiations with its bondholders and other principal constituents, vendors and suppliers to Chassix need to evaluate their business and legal options to insure their ability to service their own supply chain obligations and to mitigate any losses caused by a Chassix bankruptcy. Clark Hill PLC has a legal team in place that is addressing these issues and that has already handled several supply chain disputes with Chassix over the last three months involving adequate assurance of performance, payment terms, and other related issues. For more information, contact Joel Applebaum, Co-Leader, Corporate Restructuring & Bankruptcy Practice Group, at japplebaum@clarkhill.com | 248.988.5883; or Linda Watson, Co-Leader, Automotive Practice Group, at lwatson@clarkhill.com | 248.988.5881.