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## Banker: Questex Bankruptcy ‘Penalization’ of Lenders

**Alcamo says publisher should see ‘continued success’ following emergence.**

By Jason Fell  
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**Newton, Massachusetts** - based American Spa and Hotel & Motel Management publisher Questex Media Group Holdings earlier this week became the latest over-leveraged magazine publisher to file for bankruptcy protection.

According to the announcement, reached an agreement with its senior lenders and has filed for Chapter 11 in the U.S. bankruptcy court in order to implement a restructuring to reduce its debt and receive a “significant financing.” As part of the agreement, a group of the company’s senior lenders are expected to place a bid to acquire “substantially all” of Questex’s assets, under a Section 363 sale process.

“It was apparently envisioned that when a large principal amount came due, it would be refinanced in a smoothly functioning credit market. That just is not possible today,” **Michael Alcamo**, president of a New York City-based investment banking firm **M.C. Alcamo & Co., Inc.**, told FOLIO: “What will happen is that the value of the debt will be reduced — the lenders will effectively be penalized for lending at excessively high coverage ratios at the outset.”

According to the bankruptcy filing, Questex and eight affiliates [listed](#) assets of \$299 million and liabilities of roughly \$321 million (\$186 million in first-lien debt, \$56 million in second-lien debt and \$59.5 million owed to former principals of companies it acquire). Among them are the former shareholders of FierceMarkets, which are owed \$7.5 million. Questex acquired FireceMarkets in 2008.

“Depending on the results of the 363 auction, it’s possible that the sellers of FierceMarkets may not get paid the remaining \$7.5 million on their seller note,” said Alcamo. “This of course is always a risk a seller accepts at closing and usually is compensated by a higher valuation at closing.”

Alcamo said the bankruptcy filing and pending sale should not affect Questex’s operations and the company’s franchises and assets “remain strong.”

“It is unfortunate that we have to use the word ‘bankruptcy’ because the company is not really bankrupt,” he said. “To try to address mandatory interest payments, business operations had been cut back in recent months, but once the company emerges with a ‘fresh start,’ Questex should continue to be successful.”

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