

Management Incentive Plans Under a Microscope

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Bankruptcy practitioners, strategic investors and other chapter 11 actors have become increasingly focused on the key economic and legal terms of management incentive plans (MIPs). Finding agreement on the terms of an MIP can be among the most daunting obstacles toward building consensus around a restructuring plan. The timing of negotiating the terms of an MIP may itself be the subject of negotiation, with certain parties seeking to forge agreement early in restructuring negotiations and others seeking to defer committing to MIP terms until a new board of directors is seated. This article provides a brief overview of the key elements of MIPs and certain hotly negotiated legal issues that arise in connection with their negotiation.