

Digital Assets: Passing Fad or New Frontier?

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As a result of the collapse of Three Arrows Capital in May 2022 and the more recent FTX collapse, restructuring headlines have been featuring the cryptocurrency market. Despite all the media hoopla, bitcoin and ethereum returned approximately 30% in January 2023, while the S&P 500 only managed a meager 5% rally. Many view this rollercoaster cryptocurrency market as nothing more than a fad. Still, longer-term digital asset believers have experienced more resounding blows in past cycles, where fortunes lost were made up in the subsequent periods.

Influenced by savvy investors and friends who went all in, I became interested in digital assets a few years ago. In 2021, I initially chose digital assets as a topic for a *JCR* issue to explore the collective expertise of innovators from the restructuring field about the possible uses of blockchain technology. However, with the events of 2022, most public attention has turned to fraud and failures in the digital asset space.

Looking back to the internet boom/bust of the late '90s/early 2000s and prior crypto currency cycles, we gained valuable perspectives on market behavior in early-stage technology adoption. Similar to the adoption curve in the internet age, I believe demand for digital assets and blockchain technology will likely increase. Ultimately, our current cryptocurrency restructuring cycle will elevate our understanding of this nascent market and contribute to the path forward.

Please join me in thanking our contributing authors for sharing their

insights and takeaways from their collective experiences in this space.

We begin this edition with an article from Lyle Bauck and Ken Ehrler from M3 Partners on the novel issues and challenges that turnaround professionals are facing with crypto exchanges.

Second, Sayan Bhattacharyya and Samantha Martin of Paul Hastings outline the fundamentals of bitcoin mining and the evolution of the infrastructure created to support bitcoin's growth.

Third, Eric Kurtzman and Justin Doles of Stretto, examine the considerations that fiduciaries should apply to cryptocurrency, as digital assets differ from fiat money or traditional "currency."

Finally on the topic of digital assets, Jacob Laufer, a former restructuring banker turned digital asset consultant, describes stablecoins, their role in the current crypto restructuring cycle, and the current and future use cases of stablecoins.

In addition, we have two articles covering recent events. Sheryl Giugliano explains the recent U.S. 3rd Circuit Court of Appeals decision dismissing the bankruptcy cases of Johnson & Johnson (Texas Two-Step). Lastly, Jamila Willis, Katie Allison and Shelby Nace of DLA Piper provide background on the precursors of the 2022 retail industry bankruptcy filings which were largely related to supply chain challenges. ■