

# **Distressed Debt and Special Situations Seminar**

# Introduction and Opening Remarks

## Presented By: Steven B. Nadel

- Why Distressed Debt and Special Situations are Hot
- Introduction of Panelists

# Term Asset Backed Securities Loan Facility ("TALF")

**Presented By: Greg B. Cioffi and Dewen Tarn**

- Purpose of TALF
- Who is Eligible to Participate as a Borrower
- Key Terms and Conditions
- Regulatory and Documentational Concerns
- Recent Developments

# Lessons of Lyondell

## Presented By: Ronald L. Cohen and John R. Ashmead

- Risks and Dangers of Preliminary Injunction
  - Creditors Enjoined from Taking Action Against Non-Debtors
  - Guarantees Can be Blocked
  - Unequal Treatment of Creditors
- Important Deciding Factors
  - Potential Loss of Control by Management
  - Potential for Multiple Foreign Involuntary Insolvencies
  - Risk of Loss of DIP Financing
  - Minimal/Theoretical Harm to Creditors

# Credit Default Swap Issues

## Presented By: Ronald L. Cohen and John R. Ashmead

- Risk of Credit Event (Default/Bankruptcy) is Transferred – Incentives of Creditors Shift
- Creditors Less Willing to Negotiate Out-Of-Court Workouts – More Likely to Encourage Bankruptcy Filing
- Debtors and Other Creditors Face Uncertainty
- CDSs Have Complicated Major Bankruptcies: AbitibiBowater Inc., General Growth Properties, LyondellBasell, General Motors Corp.

# Exchange Offer Controversies

Presented By: Ronald L. Cohen and  
John R. Ashmead

- Borrowers Offer Junior Lenders Additional Collateral and Higher Interest Rates in Exchange for Lower Debt or More Time to Pay as Maturity Nears
- Potential for Junior Lenders to Share Collateral Pool and/or Priority with Senior Lenders
- Freescale Semiconductor, Inc. – Senior Lenders Sue Company and Junior Lenders Over Exchange Offer

## Exchange Offer Controversies, Continued

- Realogy Corp. – Attempt to Exchange \$1.1B in Old Bonds for \$500M in New Debt
- Need to be Aware of Indenture or Credit Agreement Provisions Permitting Exchange Offers

# **CLO, CDO and Other Investment Opportunities**

**Presented By: Greg B. Cioffi, David H. Sagalyn,  
Craig A. Sklar and James E. Abbott**

- Investment Opportunities in CLO and CDO Debt
  - Potential Value in Distressed Classes
  - Foreclosure Sales
- Voting Rights May Increase Investment Value
  - Event of Default Overview
  - Right to Block Acceleration and Liquidation



# CLO, CDO and Other Investment Opportunities, Continued

- Key Document Provisions May Increase Investment Value
  - Over-Collateralization Event of Default Triggers
  - Deep Discount Asset Substitution
- Distressed Asset Transaction Considerations
  - Due Diligence
  - Structuring the Transaction
  - Purchase Price Considerations

# Distressed Loan Trading

## Presented By: Renée Eubanks

- Par vs. Distressed – When Does It Matter and Why
  - Overview of Issues
  - Strategies of Holders vs. Traders
  - The Importance of Shift Dates
- Distressed Debt Settlement Timing – T+20 and Counting
  - Overview of Issues
  - Common Sources of Delay
  - Tips to Improve Settlement Times

# Distressed Loan Trading, Continued

- Handling Borrower Information – Proceed With Caution
  - Overview of Issues
  - Bank Debt Industry Practice and Protections
  - Impact of Receipt of Material Non-Public Information
  - Intralinks and Operations Outsourcing

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