Restructuring in LBOs & Leveraged Transactions

Available as an in-house course

Course Overview:

The past few years have seen rising leverage, the evolution of more complex-laminated structures and the erosion of lender protection in loan documentation.

This has created a volatile cocktail which is now being shaken by economic forces in the shape of rising interest rates and higher costs. It is against this background that defaults are expected to revert to normal levels and will presage a wave of restructurings.

Matters have been complicated further by the absence of any direction on how the new market will respond to the new dispensation featuring laminated structures, the transferability of loans and ability to relocate corporate jurisdiction.

This program explores the practical issues, options and tactics which will face parties in leveraged deals as they pick their way through the corporate debris. The programme will also appeal to those involved in general debt restructurings.

Course Content:

Background

- Evolution of LBO debt
- Higher risk – the case for and against
- Timing – credit or economic crunch
- Players in the Capital structure – different roles & angles

Triggers

- Defaults vs Events of Default
- Insolvency & Wrongful trading (Cheyne case)

Directors' Duties & Insolvency

- Types of Directors
- Directors' duties (2006 Act)
- Tests for Insolvency
- Mitigating risk

Issues with Syndicated debt

- Role of the Agent Bank (especially Security Trustee)
- Syndicate composition – who is in /out (sub-participations)
- Transfer rights and restrictions
- Waivers & Restrictions (Majorities & Super majorities)
- Events of Default & Sponsor flexibility

Restructuring Route Map

- Valuation (where is the fulcrum capital)
- Review of the Loan docs (Senior, Mezz and Inter-creditor)
- Review your Weapons
- Inter-creditor – Theory vs Reality (why the payment waterfall doesn't always flow as expected)

Restructuring Options and Issues

- Covenant waivers / resets
- Debt buyback – methods & practical issues
- Hamburger strategy (buy either side of your debt to protect interests and give information)
- M&A Demergers
- New money (internal)
- New money (external)
- Consensual vs non-consensual
- Pre-packaged sales as a tool for reconstruction in LBOs

Formal Procedures

- CVA
- Scheme of Arrangement
- Appointment of an Administrator
- Winding up (compulsory or voluntary)
- Administrative Receivership

Hot Legal / Regulatory issues

- Jurisdiction & Impact of COMI
- Overview of UNCITRAL
- Pensions Regulator & Moral Hazard