

Restructuring 101

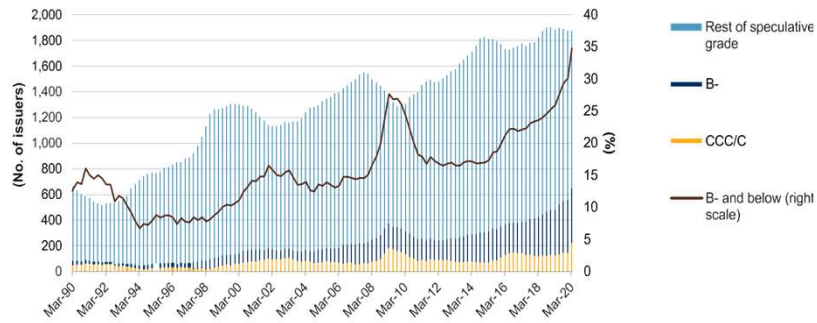
Oscar N. Pinkas (Dentons)
Lynn P. Harrison, III (Dentons)
Geoffrey A. Richards (Raymond James)
Rashid Lattouf (Staple Street Capital)

November 2020

Intro to Restructuring

- Financial restructuring
 - Alter the financial obligations of a company
- Operational restructuring
 - Alter the operations of a company
- Why?
 - Poor financial performance vs expectations
 - Unsustainable capital structure
- How?
 - Actions and solutions vary depending on circumstances

Increase in Speculative Grade Debt over Time

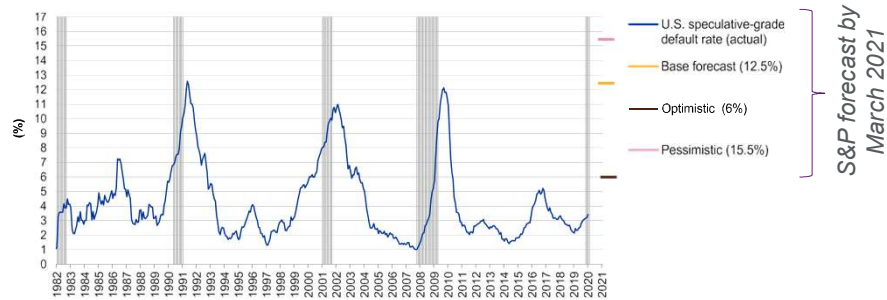


Sources: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.
Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

Per S&P report dated 5/28/20. "Default, Transition, and Recovery: The U.S. Speculative-Grade Corporate Default Rate Is Likely To Reach 12.5% By March 2021"

大成 DENTONS

Near-term Defaults Anticipated



Note: Shaded areas are periods of recession as defined by the National Bureau of Economic Research.

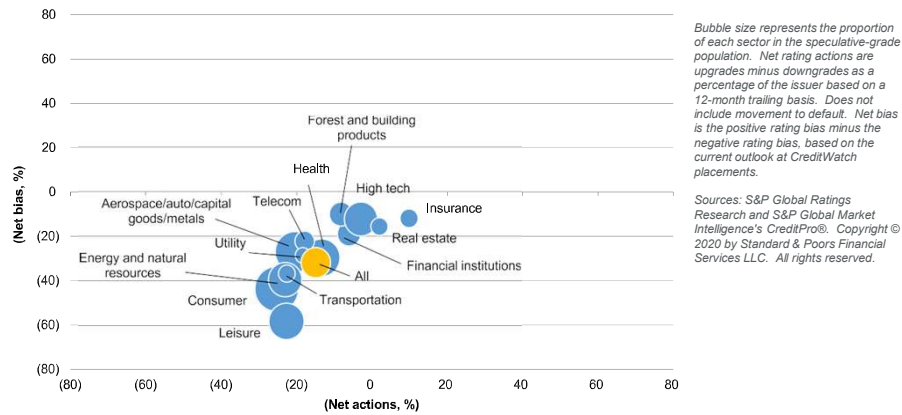
Sources: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.

Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

Per S&P report dated 5/28/20. "Default, Transition, and Recovery: The U.S. Speculative-Grade Corporate Default Rate Is Likely To Reach 12.5% By March 2021"

大成 DENTONS

Industries Impacted



Per S&P report dated 5/28/20. "Default, Transition, and Recovery: The U.S. Speculative-Grade Corporate Default Rate Is Likely To Reach 12.5% By March 2021"

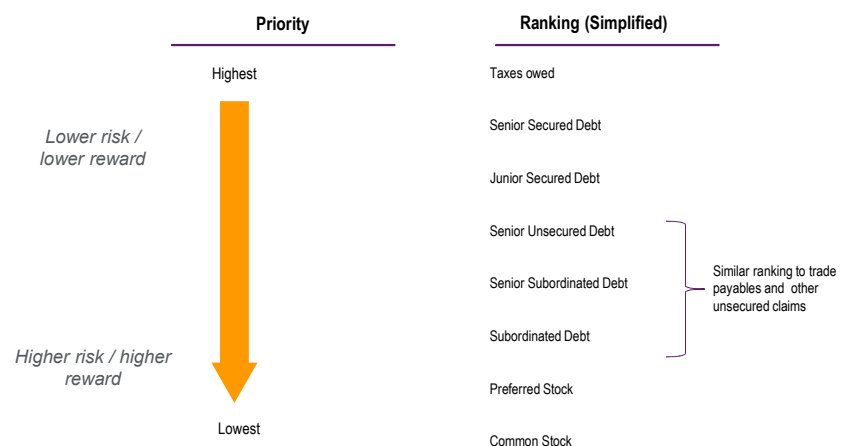
Operations / Diagnosing Financial Distress

- What caused the financial distress?
 - Have sales declined?
 - Are sales not converting to earnings?
 - Are earnings not converting to cash flow?
- Can it be fixed?
 - Idiosyncratic issue or major industry disruption?
- How soon can it be fixed?
- Will it require new capital to fix?

Restructuring Community

- Advisors
 - Bankruptcy lawyers
 - Turnaround consultants
 - Restructuring bankers
- Investors
 - Special situations / turnaround-oriented private equity
 - Credit / “distressed” hedge funds
 - Special situations lenders
- Specialties
 - Spectrum of expertise in operational and/or balance sheet restructuring

Credit and Credit Structure



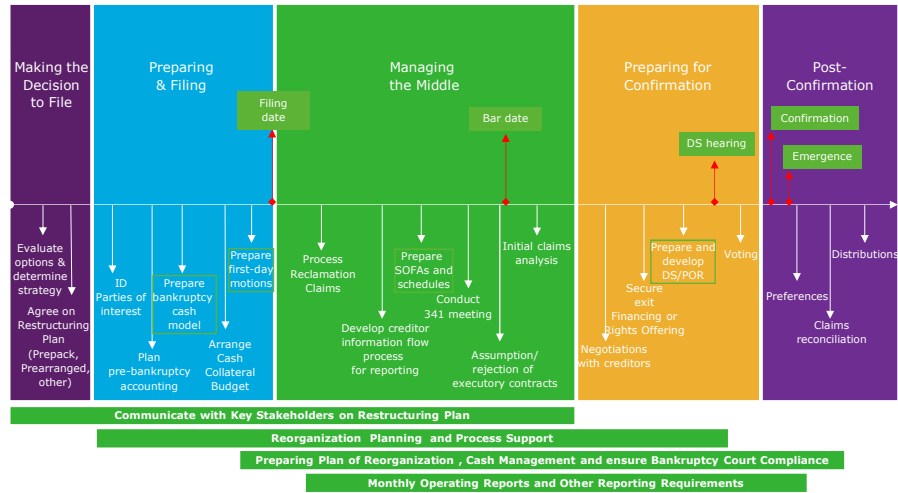
Triggers for a Financial Restructuring

- Covenant / technical default
 - Affirmative
 - Negative
 - Financial
- Maturity
 - Inability to refinance
- Liquidity
 - Run out of money

Types of Financial Restructuring

- Out-of-court restructuring
 - Amendment
 - Forbearance
 - Exchange
- Reasons to move to a court driven process
 - Automatic stay
 - Voting thresholds / holdouts
 - Valuation dispute / inter-creditor issues
 - Non-financial creditors
 - Sale of assets free and clear
 - Limited Insulation from D&O Liability/Exposure

Bankruptcy Process and Timeline



大成 DENTONS

Chapter 11 Variants and Possible Outcomes

Types of filings

Traditional

- Company files without a pre-determined plan
- Utilizes bankruptcy timeframe to develop turnaround plan and begins implementation
- Determines debt capacity based on revised business plan capabilities
- Negotiates with creditors to restructure balance sheet and re-allocate ownership
- Raises capital to emerge from bankruptcy
- Generally takes 12-24 months in court

Pre-Arranged/ Pre-Packaged

- Company negotiates a restructuring plan prior to filing
- Pre-arranged has sufficient support (via a negotiated restructuring support agreement (RSA)) to confirm a plan but has not solicited votes or may require court approval to "cram down" the plan on certain creditors
- Pre-pack has all votes necessary to confirm plan on the day filed
- Traditionally used to fix balance sheet only
- Most creditors unimpaired, with the exception of those sponsoring the plan with debt for equity exchanges
- Generally takes 2-12 months in court

Chapter 11 process

Possible outcomes

Reorganize

- Company operations and structure substantially similar to pre-filing
- Balance sheet restructured based on debt capacity
- Ownership interests likely redistributed

Sell

- Company sold "free and clear" of prepetition debt in a "section 363" transaction
- Results in business continuation under a new owner
- Proceeds of the sale distributed to creditors in respect of their claims

Liquidate

- Company operations are wound down and all assets are sold
- Could be done in Chapter 11 by management or via conversion to a Chapter 7, with a court appointed trustee in charge
- Proceeds from the sale of assets are distributed to creditors to cover their claims

大成 DENTONS

Discussion / Q&A

大成 DENTONS

Thank you

大成 DENTONS

Dentons US LLP
1221 Avenue of the Americas
New York, NY 10020-1089
United States

Dentons is the world's largest law firm, delivering quality and value to clients around the globe. Dentons is a leader on the Acritas Global Elite Brand Index, a BTI Client Service 30 Award winner and recognized by prominent business and legal publications for its innovations in client service, including founding Nextlaw Labs and the Nextlaw Global Referral Network. Dentons' polycentric approach and world-class talent challenge the status quo to advance client interests in the communities in which we live and work. www.dentons.com.

© 2020 Dentons. Dentons is a global legal practice providing client services worldwide through its member firms and affiliates. This publication is not designed to provide legal advice and you should not take, or refrain from taking, action based on its content. Please see dentons.com for Legal Notices.

大成 DENTONS