# Working documents

The Corporate Restructuring Handbook, by Julian R. Sterling. Companion forms, to print or copy and fill in. The chapter references on each form point to where each item is explained. Status, owner and date columns are left blank on purpose: they are yours.

| | Form | Where in the book |
|---|---|---|
| 1 | The first thirty days: a checklist | Appendix C |
| 2 | The weekly 13-week review: agenda and variance report | Chapter 2, Appendix B |
| 3 | The four clocks: one page for the board | Chapter 1 |
| 4 | The creditor map | Chapters 8, 12, 14, Appendix C |
| 5 | The options memo: one page per option | Chapters 4 to 10, Appendix C |
| 6 | The plan term sheet: a checklist | Chapters 12 to 16 |

## 1. The first thirty days

Appendix C, in the order it is needed. Groups run in parallel; the timing at the head of each group is a guide, not a rule. Record an owner and a date for every line, and a status every week.

| | | | |
|---|---|---|---|
| **Company** | | **Prepared by** | |
| **Date** | | **Reviewed by** | |

| Item | Ch. | Owner | Due | Status |
|---|---|---|---|---|
| **Documents to pull (days 1 to 3): full, executed, amended versions, not the summaries in the lender presentation** | | | | |
| The credit agreement for every facility, with every amendment, waiver and consent since signing | 1, 8 | | | |
| The indenture for every bond issue, with supplemental indentures | 1, 7 | | | |
| The intercreditor agreement and the security documents: what is pledged, by which entities, what is excluded | 12 | | | |
| The list of guarantors and non-guarantor subsidiaries, restricted and unrestricted | 9 | | | |
| Receivables program, factoring and supply-chain finance agreements: advance rate, reserves, whether it revolves, termination triggers | 4 | | | |
| Hedging agreements and their termination events | 3 | | | |
| Material leases, customer contracts with rebate or termination terms, key supplier contracts | 2, 14 | | | |
| Credit insurance arrangements that cover the company's suppliers, as far as the company knows them | 4 | | | |
| Last audited accounts, the auditor's management letter, the timetable for the next audit | 1 | | | |
| Board minutes and compliance certificates delivered to lenders in the last year | 5 | | | |
| Organization chart with bank accounts by entity, and where cash sits by country | 3 | | | |
| **Clocks to map (days 1 to 5): date, amount, clause and consequence for each (form 3)** | | | | |
| Coupon clock: every interest and principal payment in the next twelve months, with each grace period | 1 | | | |
| Cross-default: which documents cross-default to which, at what threshold, before or after grace | 1 | | | |
| Liquidity clock: the first week forecast cash falls below the operating minimum | 1, 2 | | | |
| Covenant clock: every maintenance and springing test, its trigger, headroom in drawing and in EBITDA (Brantwell: 2.5 of drawing) | 1, 3 | | | |
| Maturity clock: every maturity, nearest first | 1 | | | |
| Audit clock: the date the next audit report is signed; any maturity within one year after the statements are issued, the period management assesses for substantial doubt about going concern; whether a report with a going-concern explanatory paragraph (not a qualified opinion) is a default, and every carve-out | 1 | | | |
| All of the above on one page, in date order, for the board | 1 | | | |
| **The forecast (days 1 to 10, then weekly): form 2** | | | | |
| Build the 13-week cash flow by the direct method, week by week, line by line | 2, B | | | |
| Name one owner for each line; each owner states the line's driver in one sentence | 2, B | | | |
| Place every debt service payment in the week it is paid | 2 | | | |
| Show ending cash against the operating minimum; mark the first week below it | 2 | | | |
| Compute usable liquidity by week, and replace "liquidity" on the board slide with it | 3 | | | |

| Item | Ch. | Owner | Due | Status |
| --- | --- | --- | --- | --- |
| Run the forecast with and without the next coupon paid | 5 | | | |
| Price each lever in cash and in weeks at both burn rates, the quarter's and the annual; label borrowing, loans from the plant, supplier-dependent, swept | 4 | | | |
| Compute the break-even insured share before stretching payables: the stretch over the stretched credit period (Brantwell: 10 / 55 = 18.2%) | 4 | | | |
| For a receivables program: advance rate, cost, whether it revolves, what stops it; show the advance, and its reversal, on their own line | 4, B | | | |
| Check that the forecast's lines, annualized, reconcile to LTM EBITDA | 2, B | | | |
| Start the weekly variance report from week 1: forecast, actual, variance, timing or permanent | 2, B | | | |
| Roll forward every week; reconcile opening cash to the bank every week | B | | | |
| Extend a monthly view to at least the nearest maturity | 2 | | | |
| **Advisers (days 1 to 14)** | | | | |
| Engage restructuring counsel for the company in each relevant jurisdiction | 5 | | | |
| Engage a financial adviser for the company | 5 | | | |
| Agree engagement letters with fee structures, budgets and reporting | 5 | | | |
| Add adviser fees to the forecast from engagement letters, including lender advisers the company will pay | 5, B | | | |
| Ask the auditor early how it will approach management's going-concern evaluation, and what evidence it will need | 1 | | | |
| Engage the tax adviser on each option, including cancellation-of-debt income from any exchange | 7 | | | |
| Decide who speaks for the company to creditors: one voice | 5 | | | |
| **Board process (days 1 to 30)** | | | | |
| Counsel's advice, in writing, on directors' duties near insolvency in each relevant jurisdiction | 5 | | | |
| More frequent board meetings; minutes record the information the board had and what it decided | 5 | | | |
| Consider a committee of independent directors to oversee the restructuring | 5 | | | |
| Set the weekly board pack: clocks, usable liquidity by week, variance report, options memo | 1 to 5 | | | |
| Decide the coupon question well before the payment date, forecast run both ways; record who receives the last liquidity if it is paid | 5 | | | |
| Approve levers that change supplier or customer relationships only after pricing the reaction | 4 | | | |
| Review every proposed transaction with the recovery grid by class and the re-default test | 6 to 10 | | | |
| **The creditor map (days 3 to 15): form 4** | | | | |
| List every class: amount, ranking, security, maturity, rate, voting thresholds | 12, 14 | | | |
| Identify the holders, as far as registers, agents and trading information allow | 5, 8 | | | |
| Compute amendment thresholds, sacred rights (do they include amortization, interest and maturity?), and whether a group already holds a majority | 8 | | | |
| Read open-market purchase, investment basket, unrestricted subsidiary and lien subordination language, in the credit agreement and in the notes indenture | 8, 9 | | | |
| Identify ad hoc groups and their advisers | 5 | | | |

| Item | Ch. | Owner | Due | Status |
|---|---|---|---|---|
| Map trade creditors: largest suppliers, critical ones, those covered by credit insurance | 4, 13 | | | |
| List other claims ranking with the unsecured debt: leases, litigation, pensions | 12 | | | |
| Estimate where value breaks at a range of enterprise values; refine as valuations are built | 11, 12 | | | |
| For any support agreement, compute the coalition's share of each class against each threshold | 14, 16 | | | |
| **Communication (days 1 to 30)** | | | | |
| Non-disclosure agreements with a cleansing date for creditors receiving private information | 5 | | | |
| Decide what is disclosed publicly, when, and by whom, with counsel | 5 | | | |
| Message for employees: what is happening, pay and jobs, who to ask | 5 | | | |
| Message for key customers: continuity of supply, quality and service | 5 | | | |
| Message for key suppliers; meet the largest in person before rumor reaches them | 4, 5 | | | |
| Engage with the credit insurers that cover the company's suppliers: their withdrawal can turn a stretch into a net loss (Brantwell: 21.35 out, 15.53 in) | 4 | | | |
| Message for lenders and their advisers, consistent with the forecast they will see | 5 | | | |
| Keep a log of what has been said to whom | 5 | | | |
| **The options memo (days 10 to 30): form 5** | | | | |
| Each option on the same numbers: clocks, usable liquidity, cost and currency, who pays (cash above the minimum counted on both sides), re-default test, documents, tax | 6 to 10 | | | |
| Options covered: levers only, forbearance, amend and extend, exchange, uptier or drop-down, RSA and prepack (and the longer timetable if an impaired class votes no), non-US regimes | 4 to 16 | | | |
| A recommendation, the reasons for it, and the date by which the next decision must be made | C | | | |

### At day 30 the board should answer four questions without looking anything up

| Question | Answer |
|---|---|
| When does the first clock ring? | |
| How much can we actually spend before then? | |
| Who pays for each option we have? | |
| What is the company worth to each of the parties who will decide who owns it? | |

## 2. The weekly 13-week review

Chapter 2 and Appendix B. The same agenda and the same format every week: consistency is itself a form of credibility.

| | | | |
|---|---|---|---|
| **Week reviewed** | | **Chair** | |
| **Date** | | **Package sent to** | |

| # | Item | What | Owner | Done |
|---|---|---|---|---|
| 1 | **Actuals in, opening cash reset** | Replace the forecast for the week just ended with actuals. Reset opening cash for the new first week to the reconciled bank balance. A forecast whose opening cash does not match the bank is not a forecast. | | |
| 2 | **Variances classified** | Every variance above the threshold the CFO sets, line by line, classified Timing or Permanent with the owner's one-line explanation. Reverse timing variances in the week they unwind; carry permanent ones into every future week. | | |
| 3 | **Roll forward** | Drop the oldest week and add a new week 13, built line by line from its drivers, not copied from the week before. | | |
| 4 | **Drivers updated** | Supplier terms, customer payment behavior, the reference rate, adviser engagements, any lever pulled or withdrawn. | | |
| 5 | **Measures recomputed** | First week below the minimum; trough and its week; usable liquidity by week. Compare each with last week and explain the change. | | |
| 6 | **Clocks and decisions** | Any clock that moved this week. Decisions due before next week's review, with owners. | | |
| 7 | **Package sent** | To the board, to the lenders if the documents or a forbearance require it, and to the advisers on both sides, in the same format as last week. | | |

| Measure | This week | Last week | Change explained by |
|---|---|---|---|
| Opening cash per bank ($m) | | | |
| First week below the minimum | | | |
| Trough ($m) and its week | | | |
| Usable liquidity this week ($m) | | | |
| Cumulative variance to date ($m) | | | |
| Of which permanent ($m) | | | |

# Variance report

Positive variance is favorable to cash. Timing: it reverses in a later week. Permanent: carry it into every future week it affects.

| | | | |
|---|---|---|---|
| **Week** | | **Prepared by** | |
| **Date** | | **Threshold for explanation ($m)** | |

| Line | Owner | Forecast | Actual | Variance | T / P | Owner's explanation |
|---|---|---|---|---|---|---|
| **Receipts** | | | | | | |
| Customer collections | | | | | | |
| Other receipts | | | | | | |
| **Operating disbursements** | | | | | | |
| Suppliers | | | | | | |
| Payroll | | | | | | |
| Freight and logistics | | | | | | |
| Other operating costs | | | | | | |
| Rent and utilities | | | | | | |
| Customer rebates | | | | | | |
| Capital expenditure | | | | | | |
| Cash taxes | | | | | | |
| **Advisers** | | | | | | |
| Company restructuring advisers | | | | | | |
| Lenders' advisers paid by the company | | | | | | |
| **Debt service** | | | | | | |
| Term loan interest | | | | | | |
| Term loan amortization | | | | | | |
| Revolver interest and fees | | | | | | |
| Notes coupon | | | | | | |
| **Financing** | | | | | | |
| Revolver drawings or repayments | | | | | | |
| Receivables program and other borrowing | | | | | | |
| **Net variance** | | | | | | |
| **of which timing** | | | | | | |
| **of which permanent** | | | | | | |

# 3. The four clocks

Chapter 1. One page, in date order, for the board. For each clock: the date, the amount, the clause, and what happens when it rings. Brantwell's rang in this order: coupon and liquidity in week 11, covenant on the next 2.5 million drawn, maturity in month 14 read by the auditor around month 5.

| | | | |
|---|---|---|---|
| **Company** | | **Prepared by** | |
| **As of (week 0)** | | **Reviewed by counsel** | |

| Clock | What to record | Date or week | Amount ($m) | Document and clause | Grace or cure | Consequence when it rings |
|---|---|---|---|---|---|---|
| **Coupon** | Every interest and principal payment in the next twelve months | | | | | |
| **Cross-default** | Which document defaults when another does, at what threshold, before or after grace | | | | | |
| **Liquidity** | First week forecast cash falls below the operating minimum | | | | | |
| **Covenant** | Each maintenance or springing test: trigger, test date, headroom in drawing and in EBITDA | | | | | |
| **Maturity** | Every maturity, nearest first | | | | | |
| **Audit** | Report signing date; maturities within one year after the statements are issued; whether a going-concern explanatory paragraph is a default, and the carve-outs | | | | | |

| On one line | Answer |
|---|---|
| Which clock rings first, and when? | |
| Which clocks ring together? | |
| Cash today ($m) | |
| Usable liquidity today: cash plus drawing before any test, less the minimum ($m) | |
| Weekly burn as currently financed ($m) and weeks until the first clock | |
| The decision the board must take before the first clock rings, and by when | |

# 4. The creditor map

Appendix C, section 6, and Chapters 8, 12 and 14. One row per facility or class. The blank workbook on the same page runs the waterfall from the same list.

| | | | |
|---|---|---|---|
| **Company** | | **Prepared by** | |
| **Date** | | **Source of holder data** | |

| Class or facility | Amount ($m) | Ranking and security | Maturity, rate | Holders, ad hoc groups, advisers | Required majority; sacred rights | Blockers: uptier, drop-down, open market |
|---|---|---|---|---|---|---|
| | | | | | | |
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### Trade creditors

| Supplier | Spend a year ($m) | Owed now ($m) | Critical? | Credit insured? | Terms today | Contact, meeting date |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

### Where value breaks, and whether a coalition can deliver the vote

| Enterprise value ($m) | | | | |
|---|---|---|---|---|
| Secured class recovers (%) | | | | |
| Unsecured pool recovers (%) | | | | |
| Fulcrum class | | | | |

| Class | Claims ($m) | Coalition holds ($m) | Share at full turnout | Threshold and its base | Enough on its own? |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |

# 5. The options memo

Appendix C, section 8, and Part II. Every option worked on the same numbers, one page each. Every liability management exercise buys time with somebody's money: each page must say whose.

| | | | |
|---|---|---|---|
| **Company** | | **Prepared by** | |
| **Date** | | **Next decision needed by** | |

| Same numbers for every option | Value used |
|---|---|
| Forecast version and date | |
| LTM EBITDA and the operating case used | |
| Weekly burn as currently financed | |
| Enterprise values used for the recovery grids | |
| Waterfall used: simplified (all value secured, cash above the minimum added, fixed senior claims) or full (unencumbered value, each senior cash claim charged to the pot that bears it, cash at emergence) | |
| Maximum leverage at which the market refinances (re-default test) | |

| Option | Weeks bought | Currency paid in | Who pays | Passes the re-default test? | Rank |
|---|---|---|---|---|---|
| Internal levers only | | | | | |
| Forbearance | | | | | |
| Amend and extend | | | | | |
| Discounted exchange | | | | | |
| Uptier or drop-down (if the documents permit) | | | | | |
| Support agreement and prepackaged case | | | | | |
| A regime outside the US | | | | | |

| Recommendation, the reasons for it, and the date of the next decision |
|---|
| |

## Option: Internal levers only

Chapter 4. Price each lever in cash and in weeks at both burn rates. Strip out borrowing (a receivables program's advance, which reverses at a filing) and what another party can reverse (supplier terms, above the break-even insured share).

| Test | What to answer | Answer, with figures |
|---|---|---|
| **What it buys** | Which clocks move, to when; which clock it leaves ringing; what it does to usable liquidity, not only to cash. Coupon / liquidity / covenant / maturity and audit. | |
| **What it costs** | Cash on day one and a year after; and the currency: cash, priority, collateral or equity. | |
| **Who pays** | The class whose recovery falls, at which values (grid below), with cash above the minimum counted on both sides. Include classes not in the room: trade, holdouts, minority lenders. | |
| **What the documents must allow** | Baskets for debt and liens, amendment thresholds and sacred rights, intercreditor terms, consents needed and from whom. | |
| **The re-default test** | Debt at the next maturity; EBITDA needed at the maximum refinancing leverage; growth a year that implies; cost of the time bought. | |
| **Tax and accounting** | From the advisers: cancellation-of-debt income, going-concern effect, covenant definitions. | |

### Who pays: recovery by class, before and after, in a later default ($m or %)

| Class | EV: | | | | |
|---|---|---|---|---|---|
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |

# Option: Forbearance

Chapter 5. Lenders agree not to exercise remedies for a period, for fees, information and milestones.

| Test | What to answer | Answer, with figures |
|---|---|---|
| **What it buys** | Which clocks move, to when; which clock it leaves ringing; what it does to usable liquidity, not only to cash. Coupon / liquidity / covenant / maturity and audit. | |
| **What it costs** | Cash on day one and a year after; and the currency: cash, priority, collateral or equity. | |
| **Who pays** | The class whose recovery falls, at which values (grid below), with cash above the minimum counted on both sides. Include classes not in the room: trade, holdouts, minority lenders. | |
| **What the documents must allow** | Baskets for debt and liens, amendment thresholds and sacred rights, intercreditor terms, consents needed and from whom. | |
| **The re-default test** | Debt at the next maturity; EBITDA needed at the maximum refinancing leverage; growth a year that implies; cost of the time bought. | |
| **Tax and accounting** | From the advisers: cancellation-of-debt income, going-concern effect, covenant definitions. | |

### Who pays: recovery by class, before and after, in a later default ($m or %)

| Class | EV: | | | | |
|---|---|---|---|---|---|
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |

# Option: Amend and extend

Chapter 6. Maturity, price, covenant and commitments move together. Check what the commitment cut does to any springing trigger, and what the covenant reset does to usable liquidity.

| Test | What to answer | Answer, with figures |
|---|---|---|
| **What it buys** | Which clocks move, to when; which clock it leaves ringing; what it does to usable liquidity, not only to cash. Coupon / liquidity / covenant / maturity and audit. | |
| **What it costs** | Cash on day one and a year after; and the currency: cash, priority, collateral or equity. | |
| **Who pays** | The class whose recovery falls, at which values (grid below), with cash above the minimum counted on both sides. Include classes not in the room: trade, holdouts, minority lenders. | |
| **What the documents must allow** | Baskets for debt and liens, amendment thresholds and sacred rights, intercreditor terms, consents needed and from whom. | |
| **The re-default test** | Debt at the next maturity; EBITDA needed at the maximum refinancing leverage; growth a year that implies; cost of the time bought. | |
| **Tax and accounting** | From the advisers: cancellation-of-debt income, going-concern effect, covenant definitions. | |

### Who pays: recovery by class, before and after, in a later default ($m or %)

| Class | EV: | | | | |
|---|---|---|---|---|---|
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |

# Option: Discounted exchange

Chapter 7. Debt reduced against interest saved; participant against holdout against trade; the minimum condition and exit consents.

| Test | What to answer | Answer, with figures |
|---|---|---|
| **What it buys** | Which clocks move, to when; which clock it leaves ringing; what it does to usable liquidity, not only to cash. Coupon / liquidity / covenant / maturity and audit. | |
| **What it costs** | Cash on day one and a year after; and the currency: cash, priority, collateral or equity. | |
| **Who pays** | The class whose recovery falls, at which values (grid below), with cash above the minimum counted on both sides. Include classes not in the room: trade, holdouts, minority lenders. | |
| **What the documents must allow** | Baskets for debt and liens, amendment thresholds and sacred rights, intercreditor terms, consents needed and from whom. | |
| **The re-default test** | Debt at the next maturity; EBITDA needed at the maximum refinancing leverage; growth a year that implies; cost of the time bought. | |
| **Tax and accounting** | From the advisers: cancellation-of-debt income, going-concern effect, covenant definitions. | |

### Who pays: recovery by class, before and after, in a later default ($m or %)

| Class | EV: | | | | |
|---|---|---|---|---|---|
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |

# Option: Uptier or drop-down

Chapters 8 and 9. Required-lender arithmetic, sacred rights, open-market purchase language, stacked baskets, the notes indenture's capacity. Immediate and later default, class by class.

| Test | What to answer | Answer, with figures |
|---|---|---|
| **What it buys** | Which clocks move, to when; which clock it leaves ringing; what it does to usable liquidity, not only to cash. Coupon / liquidity / covenant / maturity and audit. | |
| **What it costs** | Cash on day one and a year after; and the currency: cash, priority, collateral or equity. | |
| **Who pays** | The class whose recovery falls, at which values (grid below), with cash above the minimum counted on both sides. Include classes not in the room: trade, holdouts, minority lenders. | |
| **What the documents must allow** | Baskets for debt and liens, amendment thresholds and sacred rights, intercreditor terms, consents needed and from whom. | |
| **The re-default test** | Debt at the next maturity; EBITDA needed at the maximum refinancing leverage; growth a year that implies; cost of the time bought. | |
| **Tax and accounting** | From the advisers: cancellation-of-debt income, going-concern effect, covenant definitions. | |

### Who pays: recovery by class, before and after, in a later default ($m or %)

| Class | EV: | | | | |
|---|---|---|---|---|---|
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |

## Option: Support agreement and prepackaged case

Chapters 11 to 15. Three valuations, the waterfall, the DIP need, the cost of time in court (a contested confirmation takes longer), exit capacity against the fall.

| Test | What to answer | Answer, with figures |
|---|---|---|
| **What it buys** | Which clocks move, to when; which clock it leaves ringing; what it does to usable liquidity, not only to cash. Coupon / liquidity / covenant / maturity and audit. | |
| **What it costs** | Cash on day one and a year after; and the currency: cash, priority, collateral or equity. | |
| **Who pays** | The class whose recovery falls, at which values (grid below), with cash above the minimum counted on both sides. Include classes not in the room: trade, holdouts, minority lenders. | |
| **What the documents must allow** | Baskets for debt and liens, amendment thresholds and sacred rights, intercreditor terms, consents needed and from whom. | |
| **The re-default test** | Debt at the next maturity; EBITDA needed at the maximum refinancing leverage; growth a year that implies; cost of the time bought. | |
| **Tax and accounting** | From the advisers: cancellation-of-debt income, going-concern effect, covenant definitions. | |

### Who pays: recovery by class, before and after, in a later default ($m or %)

| Class | EV: | | | | |
|---|---|---|---|---|---|
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |

## Option: A regime outside the US

Chapter 16. Classes, majorities and their base, the comparator, cross-class imposition. With counsel in each jurisdiction.

| Test | What to answer | Answer, with figures |
|---|---|---|
| **What it buys** | Which clocks move, to when; which clock it leaves ringing; what it does to usable liquidity, not only to cash. Coupon / liquidity / covenant / maturity and audit. | |
| **What it costs** | Cash on day one and a year after; and the currency: cash, priority, collateral or equity. | |
| **Who pays** | The class whose recovery falls, at which values (grid below), with cash above the minimum counted on both sides. Include classes not in the room: trade, holdouts, minority lenders. | |
| **What the documents must allow** | Baskets for debt and liens, amendment thresholds and sacred rights, intercreditor terms, consents needed and from whom. | |
| **The re-default test** | Debt at the next maturity; EBITDA needed at the maximum refinancing leverage; growth a year that implies; cost of the time bought. | |
| **Tax and accounting** | From the advisers: cancellation-of-debt income, going-concern effect, covenant definitions. | |

### Who pays: recovery by class, before and after, in a later default ($m or %)

| Class | EV: | | | | |
|---|---|---|---|---|---|
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |
| before | | | | | |
| after | | | | | |

# 6. The plan term sheet: a checklist

Chapters 12 to 16. What a creditor checks before the support agreement is signed. Every later number depends on the first.

| | | | |
|---|---|---|---|
| **Plan** | | **Reviewed for (class)** | |
| **Term sheet version and date** | | **Reviewed by** | |

| Item | What to check | The term sheet says | OK? | Owner |
|---|---|---|---|---|
| **Value** | | | | |
| **Plan value** | Which case it comes from (management, lender, downside), the method (DCF, multiple, blend) and the sensitivity. | | | |
| **The waterfall at the plan value** | Claims as they will stand at emergence: accrued interest, missed coupons, rejection damages, trade after critical vendors, the case's own costs; the cash held at emergence counted. | | | |
| **Value outside the collateral** | The unencumbered share, entity by entity, from the security documents; which senior cash claims are charged to the collateral (DIP, its interest, the fee carve-out) and which are paid first from unencumbered value (priority, cure). | | | |
| **Exit structure** | | | | |
| **Sources and uses at emergence** | DIP, DIP interest, unpaid fees (holdback and success fees), priority claims, cure costs; how each is paid: rights offering, cash above the minimum, exit debt. | | | |
| **Exit debt and take-back** | Amount, rate, maturity, covenants; leverage against the capacity tests. | | | |
| **How far can EBITDA fall** | The fall to zero free cash flow, against the fall since the buyout. Size for the fall, not for the plan. | | | |
| **Dilution, one source at a time** | | | | |
| **Rights offering** | Amount, price and discount to plan equity value; who may participate (an offer to one class only raises equal-treatment questions for counsel); the allocation. | | | |
| **Backstop** | Who backstops; the premium; paid in cash or in equity; paid to some holders within a class only? | | | |
| **Management incentive plan** | The reserve, and its base: is "fully diluted" counted with the MIP inside the total or on top of it? Ask for the table. | | | |
| **Ownership table** | Every holder's units and fully diluted share, adding to 100 percent; the value of one unit after dilution. | | | |
| **Allocation** | | | | |
| **Between classes** | Take-back and equity to the secured class; equity or cash to the unsecured class; how both tie back to the waterfall. | | | |
| **Within the unsecured class** | Notes and trade treated alike or not; convenience classes; how classification was decided (counsel). | | | |
| **At other values** | The same securities revalued at the downside and management values; the values at which the senior class reaches 100 percent, on its securities alone and with the offering and backstop it alone can buy. | | | |
| **Voting** | | | | |
| **Who holds what** | Each class by amount and number; who has signed the support agreement. | | | |

| Item | What to check | The term sheet says | OK? | Owner |
|---|---|---|---|---|
| **Can the signatories deliver** | Two-thirds by amount and more than half by number of those who will actually vote, in each class; which classes are deemed to reject. | | | |
| **Confirmation, in principle (counsel confirms)** | | | | |
| **A rejecting class** | At least one impaired class accepts, counting no insiders' votes; no unfair discrimination; fair and equitable to each rejecting class, the deemed-rejecting old equity included (absolute priority: nothing to a junior class unless the rejecting class is paid in full, and no senior class paid more than in full). | | | |
| **Best interests** | Each holder of a claim in an impaired class that has not accepted the plan receives at least what it would receive in a Chapter 7 liquidation, priced on the same date as emergence; the liquidation analysis behind it. | | | |
| **Feasibility** | The reorganized company can carry what the plan gives it. | | | |
| **Old equity and new value** | What the sponsor keeps; whether any new value contribution is permitted and how it is marketed; the base of its percentage, outstanding or fully diluted. | | | |
| **Other terms** | | | | |
| **Contracts and leases** | Which are assumed (cure costs) and which rejected (damages join the unsecured class). | | | |
| **Releases and exculpation** | Scope; who gives and who receives them. | | | |
| **Milestones** | The DIP's and the support agreement's milestones, the length of case the DIP was sized for, and what happens if one is missed. | | | |