Bloomberg BRIEF

Distress & Bankruptcy

Friday
July 29, 2016
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Must Reads

Litigation: **Linn Energy** is pressing a *cash* collateral plan. **Arch Coal** could face objections over cleanup liabilities.

Retail Pitfall: A fight over consignment sales in **Sports Authority**'s bankruptcy may make *lenders and vendors* cautious going into the holiday season.

Q&A: Companies may exploit new *loopholes* in fraudulence conveyance rules, said **Brown Rudnick** partner **Ed Weisfelner**.

TerraForm Power Said to Plan to Auction Itself

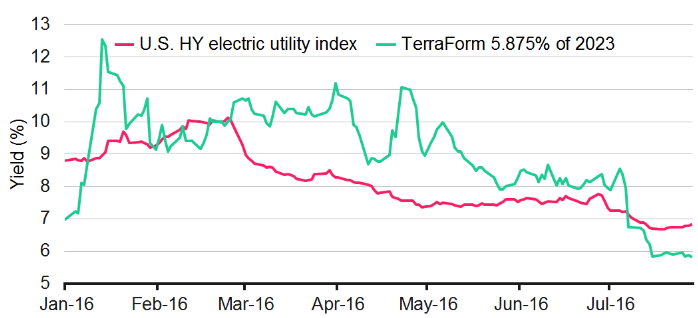
BY JODI XU KLEIN AND SCOTT DEVEAU, BLOOMBERG NEWS

TerraForm Power, the wind-and-solar company formed by the bankrupt **SunEdison**, is setting up a formal auction to sell itself after **Brookfield Asset Management** attempted to take control of the company, according to two people with knowledge of the matter.

TerraForm plans to launch the auction in September, said the people. SunEdison is cooperating with TerraForm on the sales process, which will be run separately from the one SunEdison is planning for its other wind and solar assets, the people said.

SunEdison, the clean-energy giant that filed the year's biggest bankruptcy in April with $16.1 billion of liabilities, had said it was looking to sell its Class B stake in TerraForm. TerraForm's board has the right to approve any buyer for SunEdison's shares, according to one of the people.

TerraForm Bond Outperformed Peers



Source: Bloomberg, BAML
BloombergBriefs.com

The auction follows a purchase proposal by Brookfield that might have hurt the rest of TerraForm's public shareholders, one of the people said. Brookfield and **AppaloosaManagement LP** joined forces earlier this month to bid for SunEdison's stake, spurring TerraForm to announce a so-called poison pill that would prevent buyers from gaining a controlling stake while undervaluing the rest of the company.

Brookfield and Appaloosa remain interested in acquiring control of TerraForm Power, one person said. The two suitors had reached out to SunEdison about buying its Class B shares in TerraForm Power for a premium, but were unable to make progress with the bankrupt company, the people said. The potential buyers had proposed that SunEdison run an auction while granting them stalking-horse status, one of the people said. The two investors hold about 22 percent in standard Class A shares.

Representatives for SunEdison, TerraForm and Brookfield declined to comment and an official at Appaloosa didn't respond to inquiries seeking comment. SunEdison said in a July 25 statement it will work "collaboratively" with TerraForm Power and sister company **TerraForm Global Inc.** on ways to create value with the Class B shares in both companies "through a jointly managed sales process."

SunEdison owns all of TerraForm Power's Class B shares, which give it approximately 91 percent of the voting rights while holding only about 50 percent of the total shares outstanding, according to regulatory filings.

— With assistance from Brian Eckhouse

QUOTE OF THE WEEK

"Brexit did not generate the buying opportunity we thought it might for our distress-related strategies."

*– **Bruce Karsh**, co-chairman and CIO of **Oaktree** on July 28 earnings call*

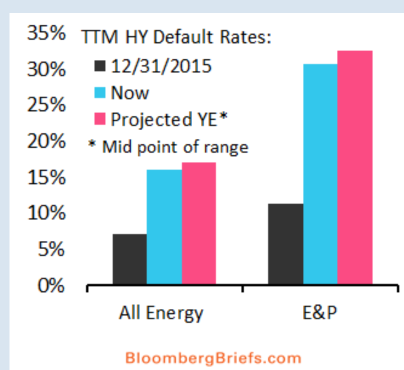
WHAT TO WATCH

- **Aug. 1: iHeart** and **Cenveo** *coupon* date
- **Aug. 9:** Extended *deadline* for **Toys 'R' Us** debt exchange

For more calendar items click here

DEFAULT MONITOR

E&P Filings Stack Up



Source: Fitch

This week's Chapter 11 filings from Halcon and Atlas propelled Fitch's U.S. E&P bond trailing 12-month default rate to 30.7 percent and the energy sector rate to 16 percent. Fitch predicts a year-end E&P default rate of 30-35 percent.

THE WEEK IN DISTRESS

Twin Butte convertible bondholders think they can block the company's sale. **W&T Offshore** and **Foresight Energy** proposed debt swaps. **Toys "R" Us** will give noteholders more time to consider and exchange. The battle over the reorganization of Brazilian telecom **Oi** is heating up.

News

Convertible bondholders seeking to block **Twin Butte Energy**'s plans to sell itself are telling the company they believe they have enough support to nix the transaction, people familiar with the matter said. The convertible note holders have hired an adviser, the people say.
Full story on the web

Isolux Corsan won support from 90 percent of its creditors for a 2 billion-euro ($2.2 billion) debt-restructuring plan. The engineering company intends to ask a Spanish court to impose the plan on other bondholders, according to a statement. Under the proposal, 1.4 billion euros of debt will be turned into convertible instruments, giving creditors 95 percent of the restructured company.
Full story on the web

Toys "R" Us extended to Aug. 9 the deadline for a debt swap designed to buy more time for its turnaround plan. Seventy-six percent of its 10.375 percent notes due in 2017 and 47 percent of the 7.375 percent notes maturing in 2018 were tendered by the original deadline of July 26, the company said.
Full story on the web

W&T Offshore proposed a debt-for-equity swap that would give holders of its $900 million of 8.5 percent senior notes due 2019 a 45 percent stake in the oil and gas explorer and producer plus new PIK toggle notes due in 2020 and 2021.
Foresight Energy offered to swap its 7.875 percent senior notes due 2021. Holders would receive second-lien 15 percent PIK notes due next year that convert to 75 percent of the company's equity if they aren't paid off plus second-lien cash-and-PIK notes due 2021.
Full story about both companies on the web
Separate story about Foresight on the ter minal

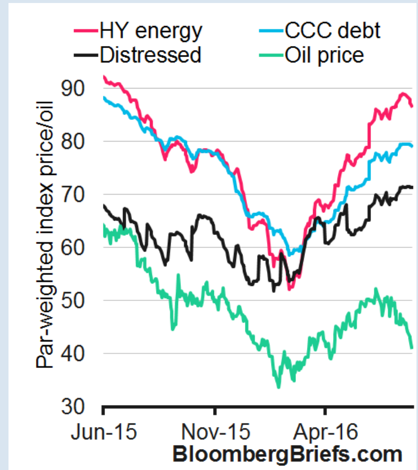
Sabine Oil & Gas won approval of its bankruptcy reorganization plan, which will cut about 2.5 billion of debt and give lenders 93 percent of equity of the reorganized company.
Full story on the terminal

Aurelius Capital Management is scooping up shares of **Oi** to bolster its position in negotiations to restructure $19 billion of debt at the Brazilian telecom, people with knowledge of the matter said. Meanwhile, Brazilian magnate **Nelson Tanure**, who is pushing for control of Oi, is challenging whether the company's largest shareholder Pharol SGPS, in which Oi also holds a stake, can legally hold seats on the board.
Full story about Aurelius on the terminal
Full story re Tanure on the web

Nickel miner **Sherritt International** said noteholders representing 94 percent of its $720 million in senior unsecured debentures approved three-year extensions for three classes of notes.
Company statement on the web

Rolta India missed a $16.5 million coupon on its 8.875 percent U.S. dollar bonds maturing 2019. The company, which makes computer-added design workstations and server and missed another coupon in May, is working to find "a viable resolution," its CFO said.
Full story on the terminal

Defying Oil



Source: BAML, Bloomberg
Prices for U.S. bonds rated CCC and lower and notes deemed distressed barely moved this week, despite a 7 percent drop in oil prices, BAML data show.

Ethan Auerbach is leaving **BlueMountain Capital Management** after distressed-debt holdings he oversaw as partner posted losses this year amid a massive market rally, people with knowledge of the matter said.
Full story on the web

Click here for a scrolling news feed about bankruptcy on the Bloomberg terminal.

Intelligence

By selling assets, refinancing and issuing equity, **Southwestern Energy** won a ratings upgrade to Ba3 from Moody's. But leverage will remain over 6 times at the end of the year.
Full Bloomberg Intelligence analysis

Atlas Resource Partners sold oil and gas hedges to pay down debt before filing for bankruptcy.
Full Bloomberg Intelligence analysis

As much as $165 billion may be at stake in the pending appeal by **Fairholme, Perry Capital**, **Pershing Square** and other **Fannie Mae** and **Freddie Mac** shareholders in their challenge to the government's bailout of the mortgage companies.
Full Bloomberg Intelligence analysis

Click here for more Bloomberg Intelligence analysis.

OAKTREE

Distressed Returned 4% YTD; Brexit No Bonanza but Europe Still Looks Good

Oaktree Capital Group reported a 2 percent gross return for distressed debt in the second quarter, and a 4 percent return year-to-date. In a July 28 earnings call Co-Founders **Bruce Karsh** and **Howard Marks**, and CEO **Jay Wintrob,** discussed investments and potential returns.

On Returns ...

Wintrob: Our closed-end funds had a blended gross return in the second quarter of 1.4 percent, bringing the year-to-date return to 3.4 percent. Distressed debt had a 2 percent gross return in the quarter and a 4 percent return year-to-date, reflecting mixed performance in private assets, and strength in some public equities and energy-related debt securities. Our strongest quarterly gross returns were in real estate debt at 14 percent, global principal at 6 percent, European private debt at 5 percent, and emerging market opportunities and mezzanine finance, both at 3 percent. Given the impact of Brexit on both valuations and currencies at June 30, it's not surprising that our European principal funds had a negative 3 percent return in the quarter.

Marks: We have adjusted downward our clients' [return] expectations and our own expectations as to what our strategies can provide. We're not saying 30 percent anymore or 25 percent or 20 percent, but we're hoping for example to get 15, and we're targeting 15 in the investment decisions that we make, and we still believe we can make 15 and we may fall a little short of that. Our hurdle was eight. We still think, we'll clear the hurdles, and it would be perfectly logical to go to the clients and say look, 10 years ago, the five-year yields 6 percent, today it yields 1 percent, the hurdle should be lower, but we don't want to have that conversation.

Photo: Bloomberg /Amanda Gordon
Howard Marks

On Fundraising ...

Wintrob: We deployed $2.4 billion of capital in the quarter; the most in the last five quarters. Gross capital raised was $3 billion for the second quarter and $10 billion for the last 12 months. In terms of closed-end fundraising, in the second quarter, we closed on additional capital commitments for Opps Xa and Opps Xb, bringing their total commitments to $11.2 billion. Over the balance of this year, we expect additional closes for Opps Xb.

On Brexit ...

Karsh: At quarter end, while we did take some mark-to-market losses related to our U.K. exposure, which was about 8 percent firmwide, we believe our investments in the U.K. will perform well over the medium to long term, given the sovereign state's full control of its monetary and fiscal policy.

While the U.S. credit market showed some weakness immediately after the Brexit vote, it rebounded rapidly in the last few days of the quarter as treasury yields declined. The rally was particularly pronounced in triple-C rated and commodity related bonds including those in the energy, metals and mining industries.

Brexit did not generate the buying opportunity we thought it might for our distressed related strategies, but it's relatively early in this less positive part of the credit cycle.

On European NPLs ...

Karsh: We still see European non-performing loan pools as an important part of the opportunity set and we continue to be active purchasers as banks look to rebuild their balance sheets.

The recovery from February's lows has tampered buying opportunities in the public debt markets. But we are pleased to see multiple Continental European bank sale processes ongoing. In our view, given the strong recovery, it's only natural that the pace of capital deployment may slow as the market goes higher.

As to Europe, we have invested in Europe and we'll keep doing so. We understand the risks that Brexit gives rise to in terms of the EU, but we're going to plow ahead. We haven't seen immediate rate opportunities in the aftermath of Brexit as I mentioned earlier, but it's early days and I think we will start to see some that will be more and more interesting, and we won't hesitate to continue to commit capital to the U.K. and/or Europe.

On Investments by Sector ...

Karsh: The areas that we're deploying are largely energy-related opportunities we've been seeing, power and then I mentioned the European NPL opportunity. And real estate also is seeing some interesting opportunities and also on the emerging market debt side.

Q&A

Rulings May Create Loopholes That Allow Fraudulent Transfers: Creditors' Lawyer

Ed Weisfelner, co-head of bankruptcy and restructuring, Brown Rudnick

> Debtors may exploit recent rulings to immunize asset transfers from court challenges.
> Shareholder committees may be needed in bankruptcies where commodity-price upswings could create value for equity holders.

Interviewed by Tiffany Kary, Bloomberg News, on July 15.

Q: You've represented creditors in fraudulent transfer litigation involving Energy Future Holdings and Lyondell Chemical. What's new in this area?
A: What's dominating the headlines and the thoughts of most practitioners are recent decisions from the Second Circuit [U.S. Court of Appeals] in **Tribune Co**. (*In the Tribune case, creditors were barred from suing public shareholders who sold shares when the company was taken private.— Editor*)

We see fraudulent conveyances in a lot of different contexts, **DuPont** and **Chemours** being principal examples of the extent to which you can spin off your liabilities to a newly-formed company and expect that the original company can safely and completely get rid of its liabilities.

I think a lot of companies are emboldened by how difficult it is to plead and prove a fraudulent conveyance — how expensive it is for creditors to pursue those sort of claims. To my mind, the **Caesars** case is an example of insiders and sponsors taking the view that "I'd rather do it, and temporarily get away with it, than not do it."

Q: So companies and their boards aren't being more careful about such transactions despite cases like Tronox, where billions of dollars were clawed back as a fraudulent conveyance after the chemical company was spun off?
A: I distinguish between independent boards and insider-controlled boards. The former take on a greater responsibility for proposed transactions to ensure that they are not injurious to their creditor constituency. I have no confidence that controlled boards are looking out for future interests when they consider LBOs or spinoffs. When we have the expansion of defenses to fraudulent conveyance like the safe harbor decision in Tribune, I think it emboldens people to structure transactions that one would otherwise think constitute a fraudulent conveyance. I fear people will start to structure deals with a view to take advantage of the safe harbor.

Q: How could they do that?
A: The safe harbor has been construed as [including] transactions that involve the settlement of a securities transaction through intermediaries. The definition of what is a securities transaction has been over-expanded to the point where intelligent, bright professionals can structure transactions to immunize a transaction that one would historically view as a fraud conveyance. If you pass through an intermediary and structure it as a settlement of a securities transaction, you have a get-out-of-jail-free card.

Q: You mentioned Chemours, which isn't in bankruptcy. Is a fraudulent conveyance claim possible outside of Chapter 11?
A: The fact that you're not in a bankruptcy doesn't mean you're not susceptible to fraudulent conveyance law. The problem is that indenture provisions have limitations on individual bondholder actions. You typically have to have a certain majority acting.

Q: In SunEdison, your firm argued for an equity committee, even though it's not clear there will be anything left over for shareholders. Why should this be allowed?
A: Look at **Energy XXI, SunEdison**, and **Breitburn**. When you are in the oil, gas, coal, E&P field, valuation is dramatically impacted by the price of the underlying commodity. Small changes in underlying prices can have an exponential impact on earnings and estate value.

The underlying tension you have is between secured and unsecured creditors wanting to print cheap equity at the trough of commodity prices. They want to get the case over with, own the company before the value shoots up and capital starts leaking down to the lower part of the capital structure. Sometimes management aligns with senior members of the capital structure, looking to see who will control them after the bankruptcy.

There are bankruptcy courts that are concerned if there is untoward collusion between management and senior parts of the capital structure in rushing toward the exit before an inevitable upswing in higher commodity prices. This applies to SunEdison as well because the need for alternative fuel sources isn't as high when oil and gas is cheap.

At A Glance

BASED: New York
DEGREES: BA, New York University, 1977; JD, Brooklyn Law School, 1982
BANKRUPTCY CLIENTS: Ad hoc committee of second-lien noteholders in Energy Future Holdings; creditors committee of Dewey & LeBoeuf; creditors committee of AMR, parent of American Airlines; creditors committee of Lyondell Chemical
PUBLICATIONS: Advanced Fraudulent Transfers: A Litigation Guide, 2014

RETAIL

Sports Authority Consignments Dispute May Make Vendors and Lenders 'Skittish'

BY STEVEN CHURCH AND LAUREN COLEMAN-LOCHNER, BLOOMBERG NEWS

Sports Authority Inc. limped into bankruptcy in March with a straightforward plan to survive as a smaller, more nimble purveyor of bats, balls, sneakers and sweatpants.

Job One? Close unprofitable stores and sell off their inventory.

But almost immediately a fight broke out over who owned some of that inventory: The retailer or the vendors who supplied it on consignment? Employees had to pull more than $25 million in stock from liquidation sales while the company and the suppliers bickered about how deeply to slash prices and who got the money.

The slimming-down process was abandoned. Now Sports Authority, which once boasted almost 500 stores and 14,500 employees, is shutting down entirely.

The meltdown had many causes, but the consignment conflict was a crucial blow and raised an issue many hadn't thought existed. It's making vendors and lenders more cautious as the crucial holiday ordering season dawns, with some suppliers looking into the best ways to secure their interests before a retailer goes bankrupt.

"That's the uncertainty that is bothering people in the industry," said Charles Tatelbaum, a creditors' rights and bankruptcy lawyer at Tripp Scott in Fort Lauderdale, Florida. "We will see a tightening of credit and more scrutiny. The more retail failures there are, the more the vendors are getting skittish."

Changing consumer habits and the rash of retail bankruptcies this year may make those in the industry rethink past practices, said Mike Murray, senior managing director at Wells Fargo & Co.

"You could make the argument that given the state of retail, everyone's going to be analyzing — whether or not it's retailers or lenders — what makes the most sense and, in particular, vendors," he said.

For most of its stock, a retailer typically pays for goods up front and assumes the risk that products won't sell. But retailers also get some items without paying in advance under consignment deals. Suppliers retain the risk in hopes of getting more when the item is bought by a consumer.

Sports Authority took the consignment model further than most.

"A substantial portion" of sales were based on consigned goods from 170 vendors, the company said in court documents. At the start of the bankruptcy, shelves were stocked with 8.5 million consignment items worth $85 million.

Sports Authority asked U.S. Bankruptcy Judge Mary Walrath in Delaware for permission to liquidate consigned goods like any other items. Vendors led by running-shoe maker **Asics America Corp.** fought back, claiming they still owned the goods.

> *"Every lender that watched Sports Authority is going to say to their borrower, 'I want to know that everything that I see in your store is subject to my claims.'"*
>
> — KENNETH ROSEN, LOWENSTEIN SANDLER

Walrath delayed ruling on the ownership question, but handed the vendors a temporary victory, ordering that consignment goods be either sold at normal prices or removed from liquidation sales.

Chains conducting going-out-of-business sales offer steep discounts to clear out doomed locations, with most proceeds going not to the suppliers but to lenders who claim the inventory as collateral.

Such goods take up a small share of shelf space at most chains and are typically favored by luxury retailers and jewelers. But there's heightened interest in these deals, Gary Wassner, chief executive officer at Hilldun Corp., a New York firm that provides financing to suppliers.

"There is an uptick, for multiple reasons, in consignment requests," he said. Even upscale department stores are looking to buy more goods on consignment. Vendors, though, are not enthusiastic about sharing that risk, he said. "We're seeing more requests for it, and brands are very reluctant to do it."

In the meantime, "people are going to have to do a lot more diligence," said Kenneth Rosen, who heads the bankruptcy practice at Lowenstein Sandler LLP. Lenders will want opinion letters detailing what their claims are for all the goods in a store, an added cost.

"I have to logically assume that every lender that watched Sports Authority is going to say to their borrower, 'I want to know that everything that I see in your store is subject to my claims,'" Rosen said. Had the situation in Sports Authority been known, lenders would have likely provided less financing, he said.

Sports Authority asked Walrath to rule that 160 such suppliers had to take a back seat to the lenders, arguing that bankruptcy law overrode the consignment contracts, including the vendors' rights to set prices.

The vendors could have avoided that fight by filing paperwork under the Uniform Commercial Code giving them first call on the proceeds from a consignment sale, said C. Jordan Myers and Mike Parisi, restructuring and financing lawyers at Alston & Bird LLP. The paperwork requires the vendors to also notify a retailer's lenders that the goods can't be claimed as collateral, they said.

By the time Sports Authority and the Asics-led vendor group settled their fight in July, it was too late to save the chain. Several other suppliers refused to settle.

The issue could haunt struggling retailers and their lenders.

"For a retailer to survive and emerge from bankruptcy, almost everything has to go as expected," Myers said. "There can't be any hiccups along the way because the time is so short."

— With assistance from Dawn McCarty

DOWNGRADE WATCH BY JOHN E. MORRIS, BLOOMBERG BRIEFS

Tobacco, Graphite Makers See Ratings Cut

> **S&P** downgraded **Alliance One International** to CCC, citing an oversupply of tobacco and reduced demand, together with the possibility of a distressed exchange of its second-lien notes.
> **S&P** also cut **SGL Carbon SE** to CCC+, saying the company is likely to have an "unsustainable" debt-to-adjusted Ebitda ratio of 15 over the full year.

COMPANY	COUNTRY	CUT TO	FROM	AGENCY	DATE	RATING TYPE	INDUSTRY
Alliance One International Inc	US	CCC	CCC+	S&P	7/28	LT Local, Foreign Issuer Credit	Tobacco Leaf
Gibson Brands Inc	US	CCC	CCC+	S&P	7/28	LT Local, Foreign Issuer Credit	Music Instruments Manufacturing
Halcon Resources Corp	US	Ca	Caa2	Moody's	7/28	LT Corp Family Rating	Crude Oil Production
Olin Corp	US	BB	BB+	S&P	7/28	LT Local, Foreign Issuer Credit	Alkalis & Chlorine Manufacturing
SGL Carbon SE	DE	CCC+	B	S&P	7/27	LT Local, Foreign Issuer Credit	Graphite Products Manufacturing
Trader Corp	CA	B3	B2	Moody's	7/27	LT Corp Family Rating	Publishing
Turkiye Sise ve Cam Fabrikalari AS	TR	BB	BB+	S&P	7/26	LT Local, Foreign Issuer Credit	Glass Product Manufacturing - Building Materials
Basic Energy Services Inc	US	CCC-	CCC+	S&P	7/25	LT Local, Foreign Issuer Credit	Oilfield Services & Equipment Manufacturing
Holdikks SAS	FR	B-	B	S&P	7/25	LT Local, Foreign Issuer Credit	Apparel, Footwear & Accessories Design
Ottawa Holdings Pte Ltd	SG	Caa1	B3	Moody's	7/25	Senior Secured Debt	Publishing & Broadcasting
Outerwall Inc	US	B+	BB-	S&P	7/25	LT Local, Foreign Issuer Credit	Movie & Video Game Rental Stores

Source: Bloomberg ***RATC <GO>***

Note: Table shows downgrades for sub-investment grade companies in the July 25-28 period.

RISK MONITOR BY JOHN E. MORRIS, BLOOMBERG BRIEFS

Default Odds Rise for Hutchinson Technology, Basic Energy

> **Hutchinson Technology**'s default risk rose this week, according to Bloomberg's DRAM function. The U.S. Department of Justice Antitrust Division is *seeking Hutchinson documents* regarding computer hard drive components, the company said July 27. Hutchinson said it is not a target.
> **Basic Energy Services** *said July 21* it is exploring options including a refinancing or restructuring.

COMPANY	TICKER	BLOOMBERG DEFAULT RISK	CHANGE IN DEFAULT RISK	DEFAULT PROBABILITY (%)	1WK CHANGE FROM LOW (%)	CHANGE >1% POINTS	MODEL CDS (BP)
Hutchinson Technology Inc	HTCH US Equity	HY3	-2	1.7	1.0		409
Avangardco Investments Public Ltd	AVGR LI Equity	HY5	-1	4.1	0.2		692
Basic Energy Services Inc	BAS US Equity	DS1	-1	12.2	2.5	▲	2,446
Bristow Group Inc	BRS US Equity	HY5	-1	4.1	0.6		1,271
Broadview Networks Holdings Inc	BVWN US Equity	HY6	-1	6.7	0.8		1,871
Bumi Resources Tbk PT	BUMI IJ Equity	HY6	-1	6.4	0.7		473
Calfrac Well Services Ltd	CFW CN Equity	HY3	-1	1.6	0.2		726
Centrus Energy Corp	LEU US Equity	HY5	-1	4.4	0.7		937
Denbury Resources Inc	DNR US Equity	HY4	-1	2.6	0.3		965
Emeco Holdings Ltd	EHL AU Equity	HY4	-1	2.6	0.3		383
Gol Linhas Aereas Inteligentes SA	GOLL4 BZ Equity	HY3	-1	1.6	0.3		579
Maxcom Telecomunicaciones SAB de CV	MAXCOMCP MM Equity	HY4	-1	2.6	0.2		581

Source: Bloomberg ***DRAM<GO>***

Note: Lower default risk score implies higher risk. Default probability is based on a hybrid Merton structural risk model, driven by financial ratios as well as market cap and volatility. Model CDS price is estimated from default probability. Table shows biggest movers in a six-point scale between HY3 and DS2. For more detail, run *DRAM <GO>*.

MARKETS BY JOHN E. MORRIS, BLOOMBERG BRIEFS

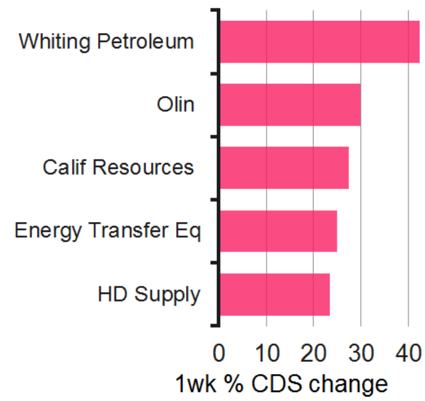
Energy Bonds Dominate List of Biggest Decliners

> **Whiting Petroleum** saw the biggest increase in risk the week ended July 28 as measured by CDS prices, Bloomberg data show. The company reported a second quarter loss July 27.

> **Linn Energy** 6.75 percent bonds that mature in 2020 fell 15.2 percent to 49 cents in the week ended yesterday, to yield 27 percent. Four other Linn and Berry Petroleum bonds fell more than 10 percent as well over the week. **Linn** *faced off in court* this week with creditors over its reorganization plan, which includes the separation of its subsidiary **Berry.**

> In the leveraged loan market, **rue21** and **Noranda Aluminium** saw the biggest price drops over the week.

Energy Risk Up, CDS Show



CMOV<GO> BloombergBriefs.com

Bonds: Energy Note Prices Fell

TICKER	NAME	PRICE	YIELD (%)	1-WK. PRICE CHANGE (%)	1-MO. (%)	LAST PRICE/ 20-DAY AVG
LINE 6 3/4 11/01/20	BERRY PETROL CO	49	27.0	-15.2	58.1	
CRC 5 01/15/20	CALIFORNIA RESOU	47	31.1	-13.0	-8.3	
LINE 8 5/8 04/15/20	LINN ENERGY LLC	18	77.8	-12.5	7.7	
SN 6 1/8 01/15/23	SANCHEZ ENERGY	69	13.6	-11.4	-9.9	
LINE 6 1/2 05/15/19	LINN ENERGY LLC	18	90.1	-11.4	9.4	
EPENEG 9 3/8 05/01/20	EP ENER/EVEREST	60	27.3	-11.2	-14.4	
CRC 6 11/15/24	CALIFORNIA RESOU	46	19.5	-10.8	-2.2	
LINE 7 3/4 02/01/21	LINN ENERGY LLC	17	68.0	-10.5	4.6	
LINE 6 3/8 09/15/22	BERRY PETROL CO	49	21.4	-10.5	57.9	
DNR 5 1/2 05/01/22	DENBURY RESOURCE	65	14.9	-10.4	-8.5	

Source: Bloomberg, Trace

Loans: Retailer, Aluminum Topped Decliners

TICKER	NAME	PRICE	1-WK. PRICE CHANGE (%)	1-MO. (%)	LAST PRICE/ 20-DAY AVG
RUE TL B 1L USD	rue21	50	-8.8	-9.9	
NOR TL B 1L USD	Noranda Aluminum	52	-5.2	2.4	
NOR REV 1L USD	Noranda Aluminum	52	-4.9	2.7	
NOR REV 1L USD	Noranda Aluminum	52	-4.9	2.7	
ACI TL 1L USD	Arch Coal	45	-3.1	3.0	
HGIMC TL B 1L USD	Harvey Gulf	59	-2.9	-2.2	
AMEENE TL 1L USD	American Energy-Marcellus	52	-2.1	-0.6	
TOMSHO TL B 1L USD	TOMS Shoes	50	-1.4	-1.4	
SHERIN TL B2 1L USD	Sheridan Investment Partners I	59	-1.1	-0.4	
PSS TL B 1L USD	Payless	52	-1.0	-0.5	

Source: BVAL Prices at 4 pm on July 28.

Notes (both lists):

Red-highlighted items were valued at more than 50 cents a week ago and are now trading below 50 cents. Entries are ranked according to their percentage price decline over the week to tktktk.

White circle on the trend lines is the last price. The purple diamond is the 20-day moving average. The line represents the low and high for the last four weeks.

BANKRUPTCY FILINGS

C&J, Atlas Resource, Halcon Join Long List of Energy Companies Filing Chapter 11

North American Oil & Gas Bankruptcies in 2016

FILED	COMPANY	SECTOR	TOTAL DEBT ($M)
7/27	Atlas Resource	O&G	1,357
7/27	Halcon Resources Corp	O&G	3,222
7/20	CJ Holding	Drilling/ Services	1,349
6/29	Triangle USA	O&G	689
6/7	Seventy Seven Energy	Drilling/ Services	1,592
6/5	Hercules Offshore	Drilling/ Services	579
6/2	Warren Resources	O&G	486
5/16	Connacher Oil and Gas*	O&G	190
5/16	Breitburn Energy	O&G	3,047
5/16	SandRidge Energy	O&G	4,100
5/12	Penn Virginia	O&G	1,188
5/11	Linn Energy	O&G	5,962
5/11	Berry Petroleum (Linn subsidiary)	O&G	1,733
5/9	Chaparral Energy	O&G	1,758
4/30	Midstates Petroleum	O&G	2,045
4/29	Ultra Resource	O&G	2,459
4/29	Ultra Petroleum	O&G	1,300
4/27	Pacific Exploration*	O&G	5,320
4/15	Goodrich Petroleum	O&G	469
4/14	Energy XXI	O&G	3,123
3/22	Emerald Oil	O&G	260
3/18	Venoco	O&G	633
3/18	Venoco Denver parent	O&G	303
2/15	Paragon Offshore	Drilling/ Services	2,421

Source: Bloomberg Intelligence
** All cases were filed in U.S. courts except asterisked companies, which filed in Canada.*

Three energy companies have filed for Chapter 11 protection in the second half so far: **CJ Holding Co.**, the parent of **C&J Energy Services**, **Atlas Resource Partners LP** and **Halcon Resources Corp.**

Year-to-date, at least 21 publicly traded energy companies in North America have filed for bankruptcy, involving $45.6 billion in total debt.

C&J Energy' restructuring support agreement calls for the company to convert over $1.3 billion in first-lien debt for 100 percent of the common stock of the reorganized company and emerge from bankruptcy with a $100 million asset-based credit line. Holders of at least 83 percent of C&J's debt signed-on to the agreement prior to the July 20 bankruptcy filing. Existing equity holders will receive warrants in the new company. Nabors Industries owned 52 percent of C&J's common stock at the end of 1Q.

— Spencer Cutter, Bloomberg Industries Senior Credit Analyst, and Leon Huang, Credit Analyst

Court links:
Atlas Resources docket on the terminal
Halcon Resources docket on the terminal

Other Recent Filings

DEBTOR	INDUSTRY	LIABILITIES	FILED	COURT	DOCKET #
Nitro Petroleum, Inc.	Oil & Gas	$1M - $10M	7/20	Arizona	*2:16-bk-08288-SHG*
Novation Companies, Inc.	Diversified Finan Serv	$50M - $100M	7/20	Maryland	*16-19745*
Stone Panels, Inc.	Building Materials	$10M - $50M	7/21	ND Texas	*16-32856-hdh11*
Atinum MidCon I LLC	Oil & Gas	$100M - $500M	7/22	SD Texas	*16-33645*
Enterprise Cloudworks Inc	Software	$1M - $10M	7/22	ED Pennsylvania	*16-15198-sr*
Petroglyph Energy Inc. (Gp Of III Exploration II LP)	Oil & Gas	$100M - $500M	7/26	Utah	*16-26471*
Nortel Networks India International Inc.	Telecommunications	$500M - $1B	7/26	Delaware	*16-11714-KG*

Source: Bloomberg Click on docket numbers to see filings on the terminal.

LITIGATION WATCH

Junior Creditors Fight Linn's Plan to Give First-Liens a Claim on Cash

BY JULIA WINTERS, BLOOMBERG INTELLIGENCE LITIGATION ANALYST

> **Linn Energy** is likely to get a ruling by Aug. 5 affirming part of its restructuring support agreement.
> Mine cleanup costs may be an issue in **Arch Coal**'s confirmation hearing next month.

Linn Energy

Linn Energy LLC was in court this week seeking bankruptcy court authority to use cash collateral, which is a component of Linn's restructuring support agreement with its senior secured lenders. Unsecured noteholders and the creditors committee object to the grant of liens on unencumbered assets and avoidance actions.

Bankruptcy Judge David Jones is likely to rule before the interim cash collateral order's 13-week budget period expires Aug. 5, and Linn is likely to prevail. No one has argued that the company doesn't need some access to cash collateral and the alternative would be an even bigger, value-draining battle with secured lenders over non-consensual usage. Also, denying the motion could cause Linn's restructuring support agreement with the first lien lenders to blow up.

NEXT KEY EVENT: Ruling on cash collateral motion, likely by Aug. 5.

ASSETS: $11.6 Billion
LIABILITIES: $8.3 Billion
DEBTORS: Linn Energy, LLC and 14 subsidiaries
AMOUNT OWED:
LINN first-lien lenders: $1.9 billion
LINN second-lien noteholders: $1 billion
LINN unsecured noteholders: $3 billion
Berry first-lien lenders: $900 million
Berry unsecured noteholders: $834 million
MORE: *Full Bloomberg Intelligence analysis*

Arch Coal

Arch Coal Inc. is moving toward a Sept. 13 confirmation hearing on its reorganization plan following approval of its disclosure statement on July 7. More than 75 percent of first-lien lenders and the unsecured creditors' committee support the proposal. The deadline for objections to the plan is Sept. 6.

There may be objections relating to the company's reclamation obligations and surety contracts. Arch says it has yet to find a permanent solution to its environmental reclamation liabilities to Wyoming, which are currently self-bonded. The company has also warned that surety providers may argue that their agreements can't be assumed without their consent.

NEXT KEY EVENT: Sept. 13 confirmation hearing

ASSETS: $5.85 Billion
LIABILITIES: $6.45 Billion
DEBTORS: Arch Coal Inc. and 71 affilitated entities
AMOUNT OWED:
First-lien lenders: $1.9 billion
Second-lien bonds: $350 million
Senior unsecured bonds: $3.225 billion
MORE: *Full Bloomberg Intelligence analysis*

Click for More BI Analysis for the **most up-to-date, full information** on these and other cases.

CALENDAR BY LUCA CASIRAGHI, ANDREW DUNN, JODI XU KLEIN AND RICK GREEN, BLOOMBERG NEWS

Foresight, Cenveo and iHeart in Focus Next Week

> In the U.S., **Foresight Energy** is poised for a debt exchange, while **Exco Resources** offered to buy back some of its debt at a deep discount from face value and warned that its survival is in doubt.
> In Europe, the deadline looms for Gulf Keystone's convertible bonds to accept a restructuring agreement, while Johnston Press will publish results on Thursday.

DATE	COMPANY	EVENT	NOTES AND STORY LINKS
Aug 1	Cenveo	Coupon due on $540m of 6% notes due 2019	S&P *upgraded* company to CCC+ from SD on July 18 after a distressed exchange was completed
Aug 1	Foresight Energy	Company must launch newly approved exchange offer	Company announced *proposed debt swap* on July 25
Aug 1	Gulf Keystone	Deadline for convertible bondholders to accept restructuring agreement	On July 29 DNO *offered to pay* $300 million for Gulf.
Aug 1	iHeartMedia	Coupon due on iHeartCommunications 14% bonds due 2021, 12% cash, 2% payment-in-kind	Company said June 28 it may break off negotiations with some creditors re extension of maturities, cutting interest expense
Aug 1	Solocal	1H results (estimated date)	
Aug 3	Energy Future Holdings	Creditor votes due	
Aug 3	Pacific Sunwear	Creditor votes due	
Aug 3	SandRidge Energy	Deadline for objections to reorganization plan	
Aug 4	Hercules Offshore	Deadline for objections to reorganization plan	
Aug 4	Johnston Press	2Q earnings	Johnston Press bonds quoted at 66 pence
Aug 8	W&T Offshore	Deadline for early tender of new debt swap	Company announced *proposed debt swap* on July 25
Aug 9	Exco Resources	Early tender deadline for $40m debt buyback of senior notes	
Aug 10	New World Resources	Creditors' meeting regarding insolvent Czech unit OKD	
Aug 10	Norske Skog	Shareholders meeting	
Aug 12	Prosafe	Bondholders meeting	
Aug 15	Basic Energy Services	Coupon payment date for senior unsecured notes	Company *said July 21* it's negotiating capital restructuring with certain creditors, hired advisers
Aug 15	Chesapeake Energy	Coupons due on $315m of 6.5% notes due 2017 and $822m of 6.625% notes due 2020	S&P downgraded company to selective default on June 9 due to notes exchange agreement
Aug 15	Logan's Roadhouse	End of grace period on 10.75% notes due 2017	Missed interest payment on April 15
Aug 18	Premier Oil	1H earnings	
Aug 23	Prosafe	Shareholders extraordinary general meeting	
Aug 24	Prosafe	2Q earnings	
Aug 25	Seadrill	2Q earnings	
Aug 25	NordLB	1H interim report	NordLB-backed bonds hit three-tear low on Bremer plan
Aug 26	Banco Espirito Santo	Deadline to file bond claims to BES	
Aug 29	W&T Offshore	Expiration of debt swap offer	
Aug 29	TerraForm Global	Co. must file annual report or be in default on 9.75% notes due 2022	Company posted a financial update on July 19
Aug 29	TerraForm Power	Co. must file annual report or be in default on 5.875% notes due 2023 and 6.125% notes due 2025	
Aug 31	Foresight Energy	Expiration of debt swap offer	
Aug. 31	Touchstone Exploration	New deadline for $1m prepayment originally due July 15 if East Brighton letter of credit remains outstanding.	
Sept 1	American Gilsonite	$270m of 11.5% notes due in 2017 become current liabilities	S&P said June 9 that liquidity sources are "insufficient" to meet obligations over next 12 months
Sept 15	Tervita	End of grace period on $335m of 10.875% notes due 2018	Company is in talks with sub holders on a recapitalization

Source: Bloomberg News/Bloomberg Intelligence

Bloomberg Brief: Distress & Bankruptcy

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DISTRESS & BANKRUPTCY CHEAT SHEET

For the Bloomberg Professional Service

Here's an overview of useful functions for investors, managers and advisers with an interest in distressed debt or bankruptcy. Each function is linked to the terminal. If you have any feedback about this page or the content of the Briefs, please contact James Crombie, Brief editor, at *jcrombie8@bloomberg.net*

Dashboard

> *DIS<GO>* **Distressed Debt Dashboard.** Identifies U.S. distressed debt.
> *BCY<GO>* **Bankruptcy Dashboard**. Provides industry and case-level detail for U.S. bankruptcies with reported liabilities greater than $500 million.
> *BLAW<GO>* **Bloomberg Law platform.** Click 'Practice Centers,' then 'Bankruptcy' for Bankruptcy Treatise.

Price & Index

> *TACT<GO>* Overview of fixed income trading activity from TRACE.
> *BNKRINDX Index<GO>* Proprietary index tracking Chapter 11 activity with reported liabilities above $100 million.

Borrower Fundamentals

> *DRSK<GO>* **Bloomberg Default Risk.** Analyzes credit health of a company by estimating its default probability over the next year. Model can be customized.
> *DRAM<GO>* **Bloomberg Default Risk Monitor.** Shows default risk of individual members of a portfolio, sector, index or security list.
> *CAST<GO>* **Capital Structure.** Overview of a debtor's organizational and capital structure, ranked by seniority, the specific borrowing entity, and whether debt has recourse up the corporate tree. Identifies key issuing entities and type of debt issued, charts curves for multiple debt tiers and compares spread, yield and price.
> *DDIS<GO>* **Debt Distribution.** Maturity distribution of debt for a selected issuer, sector, fixed income index or custom universe of securities from the SRCH function. Enables analysis of an issuer or group of issuers to meet obligations to debt holders.
> *CCA<GO>* **Credit Comparable Analysis.** Overview of a company from a credit perspective, both over time and versus peers, to assess credit risk, market indicators and market compensation for risk.
> *DES<GO>* Security or loan description.
> *COV<GO>* Covenant information showing protections for specific loans and bonds.
> *AGGD<GO>* **Aggregated Debt**. Displays list of creditors for a specific borrower, to determine who has exposure and who is affected by an issuer's rating change or bankruptcy.
> *ISSD<GO>* **Issuer Description**. Detailed financial, operating and economic information on a borrower.
> *SPLC<GO>* **Supply Chain Analysis**. Supply chain breakdown to analyze revenue exposure for a company, its suppliers and customers. For distressed companies or companies in bankruptcy, allows analysis of suppliers with high revenue exposure.

Debt Search

> *SRCH<GO>* **Bond Search.** Finds distressed bonds and holders.
> *LSRC<GO>* **Loan Search.** Finds distressed borrowers based on customized criteria.

Equity Screening

> *EQS<GO>* Customizable screening tool to search for distressed companies by sector, product or geographic segmentation, fundamentals, capital structure, credit and more.

Bloomberg Intelligence

> *BI DIST<GO>* **Distressed credit dashboard**
> *BI CREDIT<GO>* **General credit dashboard**
> *BI OILS BKCY<GO>* **Oil & Gas bankruptcy watchlist**

News

> *NI DISTRESSED<GO>* Distressed corporate bonds
> *NI DBON<GO>* Distressed debt
> *NI FORBEAR<GO>* Forbearance agreements, credit waivers
> *NI GOCONCERN<GO>* Going concern doubts
> *NI BCY<GO>* Bankruptcies
> *NI BNABKY<GO>* BLAW news
> *NI DEFAULT<GO>* Payment defaults
> *NI DFL<GO>* Distressed munis
> *NI HYL<GO>* High-yield bonds
> *NI LEVLOANS<GO>* Leveraged loans

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