



Panelists



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Hypothetical Example – Initial Fact Pattern

- Company is in some financial stress and needs to refinance its near-term maturing debt. Company does not have access to viable refinancing options in the open market and must negotiate primarily with existing creditors. The company has some long-dated debt out there trading at stressed levels.
- Company approaches its lenders to discuss refinancing options. As part of those discussions, and because the company is struggling with liquidity issues, it negotiates a forbearance of interest/coupon with respect to some holders of the near-term maturing debt in order to provide more time to discuss refinancing options. The forbearance agreement lasts for a month.
- The issuer fails to make the payment on the debt that is subject to the forbearance (by more than \$1 million but below the cross-default threshold in the company's other debt obligations). The payment failure is continuing at the time the DC makes its determination.

Hypothetical Example – Additional Facts

Press/company disclosure suggests that:

1. Some lenders that are part of the forbearance are also CDS protection buyers.
2. The company could have sold some core assets to deal with its short-term maturing debt. That was perceived by the market to be a bad idea, but some bondholders that are significant buyers of CDS protection commit to providing some financing if the sponsor makes a contribution and push for a forbearance.
3. Same as #2, but a single lender (also a CDS protection buyer) is a key player in the refinancing and controls the loans/bonds and forbearance.
4. Press articles and/or issuer disclosure identify discussions between the company and lenders regarding the need to trigger the CDS in order to break basis trades and bring more lenders to the negotiation table.
5. Same as #3, but the controlling lender, in order to ensure that the CDS gets triggered, further incentivizes the company to provide specific disclosure on the arrangement by increasing its commitment and actively reviews draft disclosure documents.



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