Index

Absolute priority rule, 110, 120
Acme Metals, 30
Adamar, 77
Ad hoc committees, 84
Agfa-Gevaert, 4
Algoma Steel, 29–32
  cash flow analysis, 31–32
  new substantial issuer bid, 31
  purchase offer, 32
  reorganization, 30–31
  special dividend, 31
AlixPartners, 82
American Airlines, 66–67
American International Group (AIG), 89, 136
Ameristar Casinos Inc., 74–75
Andrews Plan, 14
Appaloosa Management, 5
Appel, Larry, 57
Arbess, Dan, 109
Arch Wireless, 9
Armstrong World Industries, 18, 116, 125, 126–129
Asbestos producers, 115–129
  Armstrong World Industries, 18, 116, 125, 126–129
  Congoleum, 116, 125–126, 128
  Federal Mogul, 116, 123–125, 128
  Johns-Manville, 116, 117–118
  legal liability as leverage, 115–116, 123, 129, 133–134
  Owens Corning, 66, 116, 118–121, 177–184
  USG Corporation, 116, 121–122
  W. R. Grace, 116
  Walter Industries, 116
Asian currency devaluation (1990s), 103
Asset-based revolving credit facility (ABL), 41–45
AT&T Annual Stock Picking Contest, 3
Audubon, John James, 17
Automatic stay provisions, 98, 136
Axe sheets, 7–8
Aztar Corporation, 74–75, 77, 78
Bailouts, 89, 95, 98, 112–113, 135–136
Bank of America, 27–28, 41–44, 50, 89
Basel III, 28, 87
Bayou Steel, 30
Bear Stearns, 18, 21, 27–28, 96
Becker, George, 104
Bennett Management, 105
Berkshire Hathaway, 65, 117, 118
Bethlehem Steel, 30, 104
BI-LO, 59–60, 157–176
Birmingham Steel, 30
Blackstone Group, 22
Blocking position, 55
Bloom, Ron, 104
Bloomberg, Sandy, 41
Bond offerings, cash reserve for interest payments, 13
Bonuses, 85, 94, 136
Breast implants, 9
Breed Technologies, Inc., 50–52, 66
Buffett, Warren, 4, 63, 65, 117, 118, 121–122
Buybacks, 14–15, 31, 32, 36–37, 57
Buy-side analysts, 14, 28–29, 55, 66, 68
Calpine, 18
Canada, 9, 30–32
Capstone Advisory Group, 82
Carlyle Group, 50–51
Cerberus Capital Management, 96–100, 104
INDEX

Chapter 11 bankruptcy, 6, 18. See also
Fulcrum securities; names of specific companies
exemption from SEC registration requirements, 49, 92
net operating loss carryforwards, 29, 36, 55, 139–140
"Chapter 22" bankruptcy, 33
Chrysler Automotive, 82, 89, 95–113, 135–136
acquisition by Daimler, 96–99
agent bank, 101–106, 108
cash flow analysis, 100
Cerberus buyout loans, 98–100, 104
corporate structure, 99
cost of bailout, 112–113
debt-restructuring plan, 100–106, 108
employee pension and health liabilities, 102–103, 110
first-lien loans, 99–100, 104–108, 112
liquidation analysis, 106, 107
organizational structure, 96, 97
Recovery and Transformation Plan (2007), 102–103
reorganizations, 95–96, 103–105, 108–111
second-lien loans, 98–99
third-lien loans, 103–104
workout analysis, 100–103, 113
Chrysler Financial, 96, 100, 109
Chrysler LLC, 96
Cinigoup, 27–28, 96, 108
Class-action lawsuits, 9, 15, 109–110
legal liability as leverage for asbestos producers, 115–116, 123, 129, 133–134
Tropicana, 83, 87
Winn-Dixie, 59–61
Cogan, Marshall, 9
Collateralized loan obligation (CLO) funds, 87, 98–100
Collins & Aikman, 53
Colony Capital LLC, 74–75
Columbia University, 3–4
Companies' Creditors Arrangement Act (CCAA; Canada), 30
Compensation:
executive, 59, 66, 85, 94, 136
professional fees, 81–83, 93–94
Conflicts of interest:
Chrysler Automotive reorganization, 95–96, 103–105, 108–111
professional fees in bankruptcy filings, 81–83, 93–94
Tweetere reorganization, 46–47
watching for, 134
Winn-Dixie Stores, Inc., 59–61, 157–176
Congoleum, 116, 125–126, 128
Costco, 71
Counterparty risk, 52, 98, 132
Covenant-lite loans, 98–99
Credit default swaps (CDS), 52–54
Credit events, 53, 69, 99
Creditors' committees, 34, 69–70, 88–93, 134
Creditor trust, 34–35, 36
Credit Suisse, 33, 78, 105
Daily axe sheets, 7–8
Daimler, 96, 98–99, 104
Daimler-Benz AG, 96
Dalton Investments, 36
Davis, Carl, 56
Deal fatigue, 6, 35
Debtor-in-possession (DIP) loans, 33, 40, 44–46, 83–84
Delphi Automotive, 53
Delphi Corporation, 51
Derivatives:
counterparty risk, 52, 98, 132
credit default swaps (CDS), 52–54
interest-rate swaps, 78
quick derivative collateral liquidation, 98
subprime loan swaps, 97–98
Dividends, special, 31, 55, 57, 118, 128–129
Dixie Home Stores, 56
Dodd-Frank Wall Street Reform and Consumer Protection Act (2010), 28
Donaldson, Lufkin & Jenrette (DLJ), 8
Dr. Totorra's Dog Kennel, 2–3
Dunne, Pete, 73
Index

Dynegy Holdings, 22–24
  cash flow analysis, 24
  chapter 11 bankruptcy, 22–24
  reorganization, 23–24
  short sales, 24
  silo subsidiaries, 22
Dynegy Inc., 18, 22–24

EBITDA (earnings before interest, taxes, dividends, and amortization), 10–11
  Algoma Steel, 31–32
  Breed Technologies, Inc., 51
  Dynegy Holdings, 24
  Marvel Entertainment Group, 10–11, 14
  Northwest Airlines, 25
  Tropicana Casinos and Resorts Inc., 75, 76, 91–92
  Tweeter Home Entertainment Group, 42
  Washington Group International (WGI), 33, 35–36
  Winn-Dixie Stores, Inc., 57, 58, 60
  80/20 rule, 64, 134
  Einhorn, David, 35
  Elliott Management, 108, 109
  Enron, 85
  Environmental regulations. See also Asbestos producers
  Foamex and, 9
  Ernst & Young, 82
  Essar Steel Algoma, 29–32
  Executive compensation, 59, 66, 85, 94, 136

FAIR Act, 120, 121
Federal Deposit Insurance Corporation (FDIC), 89
Federal Mogul, 116, 123–125, 128
Fiat, 104, 106, 108, 110, 111
Fiduciary Partners, 5–6
  59 Maiden Lane Associates, 10
  Financial crisis of 2008 - 2009, 17, 21, 52–54, 57, 100, 102–103, 131
  Financial derivatives, 32–34
  Financial modeling database, 67–68
  Firestone Tire & Rubber, 9
  First-lien term loans, 99–100, 104–108, 112

Fleer/Skybox, 10, 11
  Foamex International Inc. (FMXI), 8–9
  Foamex-JPS Automotive LP (FJPS), 8–9
  Foamex LP, 8–9
  foosball, 71–72
  Footprint reduction, 56, 57
  Ford Heights Waste Tire to Energy Facility (Illinois), 10
  Ford Motor, 136
  Franklin Mutual Advisers Funds, 80
  Fraudulent transfers, 24, 34
  Freedom Forge Corporation, 30
  Front-running, 8
  Fulcrum securities:
    in Algoma Steel deal, 29–32
    debt-to-equity conversion, 27
    defined, 17–18
    in Federal Mogul deal, 123
    forms of corporate debt, 27–28
    in Marvel Entertainment Group deal, 15
    nature of, 27–28, 37–38
    in Northwest Airlines deal, 25–28
    recognizing, 133, 135
    regulation of bank balance sheets, 28, 87
    in Tropicana deal, 80–81, 83–84
    in Tweeter Home Entertainment Group, Inc. deal, 45–46
    in vulture investing, 17–18
    in Washington Group International (WGI) deal, 29–30, 32–33, 34–37
    waterfall effect and, 18, 38, 106, 110–112, 123
  Fundamental research and analysis, 4–5, 7–11, 16, 40, 64–72
  Gabelli, Mario, 4
  Geithner, Timothy, 104
  Gendell, Jeffrey, 35
  General Electric (GE) Capital Corporation, 44–45, 50
  General Motors (GM), 18, 89, 103, 104, 112, 135–136
  Geneva Steel, 30
  Gittis, Howard, 14
  Global Crossing, 13
  Globalstar LP, 19
  Globalstar Telecommunications, 13, 18–21
  capital structure, 18, 19
  short sale, 18–21
INDEX

Goldman Sachs, 27–28, 37, 60, 71, 96, 100, 108, 136
Goodyear Tire, 30, 104
Grace (W.R.), 116
Grant of administrative claim status, 136
Great American Group Inc., 45
Great Depression, 111, 128
Great Recession of 2008-2010, 74, 75, 89
Greece, 52, 131
Greenlight Capital, 35
“Haircuts,” 52
Harbinger Capital Partners LLC, 80
Hedge funds. See also Vulture investing
hold-out, 111–112
proposed tax increase, 111
Hilco Trading, 45
Hold-out hedge funds, 111–112
Hoover Dam, 33
Iacocca, Lee, 95
Icahn, Carl, 6, 15, 23, 89–90, 123
Icahn & Co., 89–90
Icahn Enterprises, 23
Indiana Gaming Commission, 77, 80–81, 86
Insider status, 70, 120, 134
Interest-rate swap agreements, 78
International Steel Group, 104
International Swaps and Derivatives
Association (ISDA), 52
Internet bubble crash (2000), 35, 96–97
Intrieri, Vincent:
Dynegy Holdings bankruptcy, 23
Tropicana Casinos bankruptcy, 23, 89–91
Investment committee, 67–72
Iridium, 13, 19
capital structure, 21, 22
Irv Lerner’s, 1–2
Johns, H. W., 117
Johns-Manville Asbestos Injury Trust, 117
Johns-Manville Corporation, 116, 117–118
JPMorgan Chase, 96, 101–106, 108
Junk bonds, 19, 27–28
Keystone Consolidated, 30
King Street Capital Management, 105
Kirkland & Ellis, 82
Kirpalani, Susheel, 24
Klarman, Seth, 4
Kmart, 18
Krause, Tim, 100
Kurtzman Carson Consultants, 82
LandCo (Tropicana LV), 77–78, 81, 82, 87, 90–91
Lazard Frères, 82, 104
Legal liabilities, as leverage, 115–116, 123, 129, 133–134
Lehman Brothers, 18, 27–28, 52, 89, 132, 136
Leverage. See also Fulcrum securities; Short sales
dealer-in-possession (DIP) loans, 33, 40, 44–46, 83–84
defined, 17
junk bonds, 19, 27–28
legal liability as, 115–116, 123, 129, 133–134
loan-to-peer arrangements, 39–48, 61–62, 132–133
securitized mortgages, 28, 96–97
Levitz Furniture, 24
Liability channeling injunction, 123
Lifland, Burton R., 117
Liquidation analysis, 106, 107
Litigation trusts, 90–91, 133
Loan-to-peer arrangements, 61–62, 132–133
sourcing deals, 40–41
time frame for, 40
Tweeter Home Entertainment Group, Inc., 39–48
Lock-up provisions, 39–48, 49
Lone Star Funds, 59, 60
Long/short trades, 54, 62, 132
Loomis Sayles, 105
Loral Space & Communications Inc., 19
LTV Steel, 30, 104
Lurvey, David, 90, 91
Lychee, Peter, 57–59
Macy’s & Forbes, 10–12
Magna, 2
Maidenform, 9–10
Index

Manville Corporation, 117
Marking to market, 101–102
Marvel Entertainment Group, 10–15, 89–90
acquisitions, 11–12
bankruptcy protection, 15
bond offerings, 12–13
corporate structure, 10, 12
cash flow analysis, 10–11, 13–14
discount notes, 12
discovery, 12
emergence from reorganization, 15
financial history, 11
net enterprise value, 10–11
Perelman buyout plan (Andrews plan), 14
Marvel Holdings, 10–13
Marvel III Holdings, 10–13
Marvel Parent, 10–13
McGovern, Francis E., 116
M.D. Sass, 6, 7–15, 35, 36
Merrill Lynch, 6–7, 27–28, 89
Metals USA, 30
Metrocall, 9
MF Global, 132, 136
Michigan, State of, 110
Michigan Law Review, 112
Milton, William, 56
MobileMedia, 9
Monopoly, value of, 2–3
Moral hazard, 136
Morgan Stanley, 96, 108, 136
Morris, Nichols, Arsh & Tunnel LLP, 82
Morrison Knudsen Corporation, 33
Mortgages, securitized, 28, 96–97
Motorola, 19
Mouillard, Louis-Pierre, 63
National Steel, 30
Negotiation strategy, 32, 45–46, 64–65, 89–91
Net enterprise value, 10–11
Net operating loss carryforwards (NOLs), 139–140
advantages of, 29, 55
nature of, 29
Washington Group International (WGI), 36
New Century Financial, 18, 97–98
New Jersey Casino Control Commission (NJCCC), 75–77, 80–81, 86
Northwest Airlines, 18, 53
capital structure, 25, 26
cash flow analysis, 35
short sales, 25–27
“No-shop” provision, 60
Obama, Barack, 95, 104, 106, 111
Okeelanta Cogeneration Facility (Florida), 10
OpCo (Tropicana AC), 77–78, 80–81, 82–84, 87, 88–93
Oppenheimer, 105
Original-issue lenders, 133
conflict with equity investors, 48–52
Marvel Entertainment Group, 13–15
Tropicana Casinos and Resorts, Inc., 74, 80, 87–93
Overleverage, 131
Owens Corning, 66, 116, 118–121, 177–184
Pacific Ethanol, 18
PageNet, 9
Panini, 11, 12
Pareto, Vilfredo, 64
Pareto Principle, 64, 134
Par value, 15, 27
Passive trading positions, 69
Patience, 48–52, 134–135
Paulson, Henry (Hank), 103
Paulson, John, 31
Pension Benefit Guarantee Corporation (PBGC), 6, 135
Perella Weinberg, 105, 109
Perelman, Ronald, 10–15, 32
Petit, Edward, 71
Pinnacle Entertainment Inc., 74–75
Presidential Task Force on the Automotive Industry, 104
Private-equity approach, 48–52, 132–133
Breed Technologies, Inc., 50–52
Tweeter Home Entertainment Group, Inc., 41–48, 51–52, 71
Werner Co., 49
Professional fees, 81–83, 93–94
Proposals, stockholder, 36, 37, 55, 57, 59

193
INDEX

Proxy fights, 55
Purchase offers, 32

Qualified settlement fund, 118, 123, 126, 128
Quinn Emanuel Urquhart & Sullivan, LLP, 24

Railroad bankruptcies, 111
Raytheon, 33–34, 36
Real estate:
  real estate investment trust (REIT), 97–98
  securitized mortgages, 28, 96–97
  subprime borrowers, 97–98
Retco, 136
Republic Engineered Products, 30
Republic Technologies, 30
Repurchase of stock, 14–15, 31, 32, 36–37, 57
Revlon, 32
Richards, Layton & Finger, 82
Robinson, Philip, 1
Roe, Mark, 112
Rogers, Jimmy, 4
Royal Bank of Scotland, 78
Rubin, Jim, 7–8
Rule 2004 motions, 85–87
"Run rate" revenues, 57
Rutgers College, 3

SALT Hedge Fund Conference (Las Vegas), 71
Sass (M.D.), 6, 7–15, 35, 36
Say-on-pay shareholder proposals, 59
Schuller International Group, 117
Schultze Asset Management LLC:
  investment methods and strategy, 63–72
  origins of, 3, 15–16
Second-lien loans, 98–99
Securitized mortgages, 28, 96–97
Self-dealing, 59–61
Sell-side analysts, 29
Sell-side brokers, 7–8, 14
Settlement rules, CDS market, 53–54
Sheetrock, Incorporated, 121
Sheffield Steel, 30
Short sales, 66–67, 97–98
  Congoleum, 126
  Dynegy Holdings, 24
  Globalstar Telecommunications, 18–21
  long/short trades, 54, 62, 132
  nature of, 18, 38
  Northwest Airlines, 25–27
  short squeeze, 25–26
  uncovered shorts, 27
  Short squeeze, 25–27
  Silo subsidiaries, 22
  Silver Point Capital, 83–84
Skadden, Arps, Slate, Meagher & Flom, 45
SkyBox International, 11
Special dividends, 31, 55, 57, 118, 128–129
Special-purpose vehicles (SPVs), 100
Spin-offs, debt financing for, 19
Stairway Capital, 105
Standby airline ticket coupons, 6–7
State of Michigan, 110
Steel industry, 29–32, 104
Stein, Gary S., 77, 86–87
Stockholder proposals, 36, 37, 55, 57, 59
Stock repurchase, 14–15, 31, 32, 36–37, 57
Stohler, Gene, 51
Stroock & Stroock & Lavan LLP, 82
Structured credit funds, 27–28
Subprime borrowers, 97–98
Summers, Larry, 104
Swaps:
  credit default, 52–54
  interest-rate, 78
  subprime loans, 97–98
Takings clause, 109–110
Taxes. See also U.S. Internal Revenue Code
  net operating loss carryforwards (NOLs), 29, 36, 55, 139–140
  proposed increases on hedge fund, 111
TCW Group, 105
Tepper, David, 5
Third-lien loans, 103–104
Third Point Management, 36
Tiger Capital Group LLC, 45
Tivoli Audio, 47
Too-big-to-fail mentality, 89, 112–113, 136
Total enterprise value (TEV):
  defined, 31
  Federal Mogul, 125
**Index**

| Tropicana Casinos and Resorts Inc., 92 | loan-to-own investment, 39–48 |
| Toy Biz Inc., 10, 11, 15 | reorganization, 44–46 |
| Trace Foam Company Inc., 8–9 | tightening credit cycle, 42–44 |
| Trace International, 9 | Tweeter Newco LLC, 46–48 |
| Trade claims, 133 | UBS Prime Brokerage, 24 |
| Trans World Airlines (TWA), 5–7 | Uncovered short sales, 27 |
| Trico Steel, 30 | Undertaking, 23 |
| Tropicana Atlantic City (AC), 74–78, 80–93 | United Airlines, 18 |
| Ad Hoc Committee of Subordinated Noteholders, 84 | U.S. Bank Holding Company Act, 28, 87 |
| bankruptcy filing, 81–83, 85–87 | U.S. Bankruptcy Code, 136 |
| cash flow analysis, 75, 76, 91–92 | automatic stay provisions, 98, 136 |
| credit bid auction of Atlantic City casino, 92–93 | Canadian equivalent, 30 |
| debtor-in-possession (DIP) loan, 83–84 | Chapter 11, 6 (see also Chapter 11 bankruptcy) |
| formation of, 74–75 | fairness provisions, 110 |
| Indiana Gaming Commission review of Aztar license, 77, 80–81, 86 | Section 363, 110, 111 |
| LandCo (Tropicana LV), 77–78, 81, 82, 87, 90–91 | Section 366, 81 |
| litigation trust, 90–91 | Section 524(g), 116 |
| NJCC denial of license renewal, 75–77, 80–81, 86 | Section 1129, 106, 110, 111 |
| OpCo (Tropicana AC), 77–78, 80–81, 82–93 | U.S. Constitution, takings clause, 109–110 |
| original-issue lenders, 74, 80, 87–93 | U.S. Internal Revenue Code: |
| professional fees, 81–83 | asbestos trust as qualified settlement fund, 118, 123, 126, 128 |
| reorganization plan, 87–93 | net operating loss carryforwards, 29, 36, 139–140 |
| Rule 2004 motions, 86 | Section 382, 139–140 |
| Unsecured Creditors Committee, 82, 84, 85–86 | Section 386, 29, 36, 139–140 |
| working capital needs, 83–87 | U.S. Justice Department, 82 |
| Tropicana Entertainment, LLC, 73 | U.S. Securities and Exchange Commission (SEC), 10 |
| Tropicana Las Vegas (LV), 74, 77–78, 81, 82, 87, 90–91 | Chapter 11 exemption from filing procedures, 49, 92 |
| Troubled Asset Relief Program (TARP), 103–105, 108–111 | short sale regulation, 54 |
| Tweeter Home Entertainment Group, Inc.: capital structure, 42, 43 | United Steelworkers Union (UAW), 104 |
| cash flow analysis, 42 | Unsecured creditor warrants, 34–35, 36 |
| ethics issues for CEO, 46–47 | URS Corporation, 36 |
| liquidators, 44, 45–46, 47 | US Air, 18 |
| | USG Corporation, 116, 121–122 |
| | Valuation gap, 29 |
| | Van Kampen Funds, Inc., 50 |
| | Volcker Rule, 28, 87 |

195
INDEX

Voluntary employee beneficiary association (VEBA), 103
Vulture investing. See also Fulcrum securities
confidence in abilities, 5, 16
cutthroat world of, 7–9
daily axe sheets in, 7–8
daily “scorecard” in, 16
fundamental company analysis in, 4–5, 7–11, 16, 40, 64–72
goal of, 17, 64, 67–68, 74
investment philosophy, 54, 62, 132–137
nature of work, 2
passive trading positions, 69
post-bankruptcy equity, 28–32
sell-side brokers and, 7–8, 14
special information rights for vulture funds, 40
styles of, 5
training for, 3–5
vultures (birds) compared with, 1, 17, 39, 63, 73, 95, 115, 131
Wak Get Rich Fund (WGRF), 3, 16

W. R. Grace, 116
Wak Get Rich Fund (WGRF), 3, 16
Wall Street Journal Award for Excellence in Economics, 3
Walter Industries, 116
Warrants, unsecured creditor, 34–35, 36

Washington, Dennis, 33, 34
Washington Construction Group, 33
Washington Group International (WGI), 29–30, 32–37, 141–155
capital structure, 33
cash flow analysis, 33, 35–36
debtor-in-possession (DIP) loans, 33
merger with URS Corporation, 37
Raytheon engineering and construction (RE&C) acquisition, 33–34, 36
Washington Mutual, 89
Waterfall effect, 18, 38, 106, 110–112, 123
WCI Steel, 30
Weirton Steel, 30
Werner Co., 49
Wheeling-Pittsburgh Corp., 104
Wheeling-Pittsburgh Steel, 30
Whitebox Advisors, 36
Wimar Tahoe Corporation, 74
Winkler, Robert, 71
Winn-Dixie Stores, Inc., 55–61
cash flow analysis, 57, 58, 60
conflicts of interest, 59–61, 157–176
post-reorganization strategy, 56–57
reorganization plan, 55–56, 57
sale to Bi-Lo, 59–60, 157–176
Winn & Lovett, 56
Wolf, Block, Schorr, & Solis-Cohen, 14
Wood, John George, 39, 95, 131
WorldCom, 85

Yung, William, 74–75, 77, 78, 85, 86, 90–91
Stay in touch!

Subscribe to our free Finance and Accounting eNewsletters at www.wiley.com/ene newsletters

Visit our blog: www.capitalexchangeblog.com

Follow us on Twitter
@wiley_finance

“Like” us on Facebook
www.facebook.com/wileyglobalfinance

Find us on LinkedIn
Wiley Global Finance Group