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2011 Biggest Asset Bankruptcy wins Court Approval for Loan

The biggest bankruptcy by assets for 2011 was filed last week by Miamisburg based NewPage Corp, the largest maker of coated paper in the country, listing $3.4 billion in assets and $4.2 billion in debts. NewPage applied and was granted approval by the bankruptcy court for a debtor-in-possession loan of up to $600 million to continue operations while it undertakes the restructuring of at least $2.6 billion worth of bonds. The company intends to borrow the money from JPMorgan Chase & Co. Lawyers for both sides have been busy hammering out the deal since US Bankruptcy Judge Kevin Gross said he would sign the approval granting NewPage the permission to borrow the money over the next few weeks.

The loan holds a provision where senior bondholders, who are owed $1.77 billion, are allowed to withdraw consent to let the company use cash being held as collateral. If that were to happen, the loan would be in default and NewPage would lose access to cash needed to operate. Although such an event is considered extremely remote by lawyers of both sides, nevertheless the loan agreement will allow the company time to come to court to resolve any dispute.

According to debt research firm ClearSights Inc, the bankruptcy filing of NewPage might spark a race between the four biggest debt investment firms for a controlling stake in the restructured company. Leading the chase would be Cerberus Capital Management LP and Oaktree Capital Management LP. Cerberus bought over NewPage in 2005 while

Oaktree bought some of the company’s most senior bonds. This would likely see the other two debt investment firms, Apollo Global Management LLC and Avenue Capital Group, which own the company’s second- lien notes, reduce their stakes.

The $600 million loan would likely comprise of a $250 million term loan and another $350 million revolving loan. NewPage’s bankruptcy papers show that the term loan’s interest would be based on the London’s interbank offered rate (or some other similar interest rate benchmark) plus 7.5% while the revolving loan would pay a rate based on a benchmark plus as much as 3.25%.

If you wish to apply for bankruptcy protection, call us at (813) 200 4133 for a free evaluation and consultation.