

# Subject Index

- Absolute priority:  
claims, 34  
doctrine, 26, 34  
violations of, 34
- Adelphia Communications Corp., 184
- Adjusted present value. *See* Valuation
- Aeromexico, 271
- Agency effects/costs, 35, 132, 133
- A.H. Robins, 28
- Algorithmics, 291
- Allegheny International, 30, 31, 41–42
- Allen, Judge William A., 43–44
- Altman Foothill Reports, 184
- Altman/NYU Salomon Center:  
Combined Defaulted Securities Index, 210  
Defaulted Bank Loan Index, 205, 206,  
210, 214  
Defaulted Bond Index, 179, 203, 206,  
208, 213
- Analyst modified rating, 266
- Apasco, S.A. de C.V., 278
- Argentina, 260, 280
- Asset sales, 127
- Australia, 260
- Automatic stay, 61
- Baesa, S.A., 271
- Banco Comercial Portugues, 322
- Bank for International Settlements, 168
- Bank setoffs, 31
- Bankruptcy(ies), 4, 58  
costs of. *See* Costs of bankruptcy  
cram-down. *See* Cram-down provision  
direct costs, 1. *See also* Costs of bankruptcy  
employee claims, 29  
exclusivity period, 33, 49  
executory contracts, 29, 61  
filings, 8–11, 27  
industry, 11  
international, 55  
largest, 15  
leases, 29, 54  
legal, 14  
municipal, 28  
plan, 33, 37, 89  
plan confirmation rates, 78–81  
preference(s), 53  
prepackaged. *See* Prepackaged  
bankruptcy(ies)  
priorities, 29, 35, 54  
taxes, 39, 54  
theory, 7  
time in reorganization, 38, 98  
trading claims, 30
- Bankruptcy Abuse Prevention and  
Consumer Protection Act of 2005, 10,  
11, 45, 47, 294
- Bankruptcy Act of 1898, 21
- Bankruptcy Reform Act of 1978 (1978  
Bankruptcy Code), 3, 21, 26–29, 31, 39
- Bankruptcy Tax Bill of 1980, 40
- Basel Accord on credit risk capital adequacy  
(Basel II Accord), 168, 233, 236, 252,  
286, 315
- Basel II Commission, 320
- Beaver, W., 238
- Bethlehem Steel Corporation, 87, 189
- Bond rating equivalent (BRE) method, 249
- Brazil, 260, 280
- Bright-line responsibility, 43
- British Commonwealth system, 55
- Burlington Industries, 229
- Business failure(s), 4, 13
- Campeau Corp., 127
- Canada, 260
- Capital cash flow(s). *See* Valuation
- Capital structure arbitrage, 193
- Cash flow(s), 87
- Cemex, S.A. de C.V., 278
- Chandler Act of 1938, 22, 25
- Chapter 7, 3, 7, 9, 25, 81, 116
- Chapter 9, 28
- Chapter X, 14, 23, 24
- Chapter XI, 22–24
- Chapter 11, 32. *See also* Bankruptcy(ies)  
“Chapter 22,” 12, 88–90, 295  
“Chapter 33,” 12  
“Chapter 44,” 90
- Chateaugay, 31
- Chief restructuring officer (CRO), 294
- CIT Finance, 293

- Citigroup's High Yield Bond Index, 176, 177, 208, 210  
 Clark Pipe & Supply, 37  
 Collins & Aikman, 296  
 Congress Finance, 293  
 Conseco, 3  
 Continental Airlines, 28, 88  
 Controladora Comercial Mexicana (CCM), 276  
 Corporate governance, 219  
 Corporate restructuring(s), 122–126  
   advisers, 294  
 Costs of bankruptcy, 93, 139, 140  
   direct, 93, 94  
   implications, 101  
   indirect, 93, 95, 99, 132  
 Cram-down provision, 34, 38  
 Credit Lyonnais Bank Netherland, 44, 220  
 CreditMetrics, 237, 251  
 Credit pricing model(s):  
   first-generation, 309  
   reduced-form, 312  
   second-generation, 311  
 Credit Research Foundation, 284  
 Credit risk. *See* Credit value at risk model(s)  
 CreditSights' BondScore, 191, 235, 291  
 Credit value at risk model(s), 314, 327  
 Creditors committee, 32  
 Cross-border bankruptcies. *See* United Nations Commission on International Trade Law (UNCITRAL)  
 Crystal Oil, 98  
  
 Debt-for-equity swaps, 135  
 Debt securities:  
   default risk, 147  
   illiquidity, 147  
   paydown, 141, 143  
   ratings, 146  
 Debtor-in-possession (DIP):  
   financing, 44, 45, 32, 293  
   lending, 46–47  
 Default(s), 4, 5, 148  
   age, 156  
   cumulative rate(s), 173  
   fallen angel, 156  
   industry, 153  
   loss(es), 159  
   loss rate, 159–163  
   rate(s), 6, 7, 148, 151, 320, 328  
   rate comparison, 179  
   recovery. *See* Recovery rate(s)  
   technical, 5  
 Deferred-payment interest bonds. *See* LBO financing  
 Deleveraging, 133  
 DESC, S.A. de C.V., 276  
 Detroit News, 288  
  
 Dina, S.A. de C.V., 278  
 Direct bankruptcy costs, 41. *See also* Costs of bankruptcy  
 Discharge of indebtedness, 40  
 Discriminant analysis, 239  
 Disinterestedness, 50, 51, 295  
 Distress prediction model(s):  
   applications, 281, 297  
   development, 233, 240  
 Distress restructuring, 5, 148  
 Distressed firm:  
   costs, 139  
   valuation. *See* Valuation  
 Distressed security(ies), 183  
   investment strategies, 188  
   investors, 187, 199–201  
   market size, 183, 217  
 Drexel Burnham Lambert, 145, 292  
 Dun & Bradstreet, 4, 13, 234  
 Durango, S.A. de C.V., 278  
  
 E-II Holdings, 104  
 Eastern Airlines, 21, 87, 220  
 Economic value, 8  
 Emerging market score (EMS) model, 247, 248, 265  
   application, 271  
   modification, 272  
   performance, 275  
 Employee claims. *See* Bankruptcy(ies)  
 Enron, 3, 184, 237, 255  
 Equitable subordination, 36  
 Equity receiverships, 21  
 Exchange offers, 88  
 Exclusivity period. *See* Bankruptcy(ies)  
 Exide Technologies, 104  
 Expected default frequency model, 191, 233, 235, 252, 290  
 Exposure at default (EAD), 308  
  
 Failing company doctrine, 288  
 Failure, economic, 4  
 Fallen angel(s), 147. *See also* Default(s)  
 Federal Reserve Board, 282  
 Femsal, S.A. de C.V., 276  
 Financial Accounting Standards Board (FASB), 226  
 Finland, 261  
 Finovia, 188  
 Fitch:  
   Ratings, 308  
   Risk, 291  
 Footstar Inc., 80  
 Ford Motor Company, 4, 147  
 Foster Wheeler Corp., 156  
 France, 261  
 Franklin Mutual Recovery Fund, 214  
 Fraudulent conveyance, 36

- Free cash flow. *See* Valuation  
Fresh Start Accounting, 41, 115  
Fruehauf Trailer Corporation, 225  
Function/location matrix, 302–303
- “G” reorganization, 42, 43  
Gateway Corporation, 127  
GE Capital, 293  
Gemex, S.A. de C.V., 276  
General Motors Corporation, 4, 147, 284  
Genetic algorithms, 235  
Germany, 261  
Global Crossing, 102, 184  
GMD, S.A. de C.V., 278  
Government’s Accounting Audit Agency, 296  
Greece, 262  
Gruma, S.A. de C.V., 276  
Grupo Sidek, 276  
Grupo TMM, 276  
Grupo Tribasa, 278  
GTI Corporation, 298–306
- High yield bond(s), 145, 274  
    break-even yield, 178  
    new issues, 178  
    yield spread(s), 176  
Hillsborough Holdings, 127
- ICA (Empresas ICA S.A. de C.V.), 278  
*In re Investors Funding Corporation*, 289  
India, 262  
Insolvency, 4, 5, 28  
    deepening, 5, 289  
    zone of, 43, 220  
Interco Inc., 129  
Intermet Corp., 296  
Internal-rate-based (IRB) approach, 168  
International bankruptcy(ies). *See*  
    Bankruptcy(ies)  
International distress models, 259–264  
International Steel Group, 87, 189, 190  
Interstate Bakeries, 156  
Interstate Commerce Commission, 24  
Investment strategy(ies), 188  
    active control, 189  
    active/noncontrol, 191  
    passive investors, 191  
Isosceles PLC, 127  
Israel, 262  
Italy, 262
- J.P. Morgan, 193  
Japan, 262  
Japonica Partners, 30  
Jefferies & Co., 193. *See also* Restructuring advisers  
Johns Manville Corp., 28, 36
- Junk bond(s), 125, 145  
Just-in-time inventory, 296
- Kamakura, 291  
Key employee retention plans, 49  
Kmart, 79, 87, 102, 225, 229  
Kohlberg Kravis Roberts & Co. (KKR), 134  
Krispy Kreme, 293
- LaFleur, J., 298–302, 305  
Law firms:  
    Davis Polk & Wardwell LLP, 14, 47  
    Kirkland & Ellis LLP, 14  
    Skadden Arps, Slate, Meager & Flom LLP, 14, 47  
    Strook, Strook & Lavan LLP, 14  
    Weil Gotshal & Manges LLP, 14  
    Wilkie-Farr & Gallagher LLP, 14  
LBO financing:  
    balcony financing, 125  
    deferred-payment interest bonds, 126  
    equity financing, 126  
    mezzanine financing, 125  
    orchestra financing, 126  
    payment-in-kind bonds, 126  
    preferred financing, 126  
    reset notes, 126  
    subordinated debt, 126  
LBO restructuring, 136  
Lease rejection(s), 54  
Level 3 Communications, 148, 191  
Leveraged buyout (LBO), 121, 124, 127–128, 131–134, 136, 140–143  
    cash out, 127  
    successful, 127, 141  
Leveraged recapitalizations, 99, 123, 129, 135  
Leveraged restructurings, 123  
Linear discriminant structure, 239  
Liquidation, 7, 25  
    value, 86, 116  
Loan(s):  
    default, 204  
    pricing, 282  
    size, 205  
Logistic analysis/regression, 235, 239  
Long-Term Capital Management, 151  
Loss given default (LGD), 251, 307, 316–317, 318, 321–322, 328  
LTV Corporation, 30, 36, 87, 102, 189
- Macy’s, 134, 135  
Malaysia, 263  
Management buyouts (MBOs), 99, 124–125, 127  
Management compensation, 224. *See also* Options  
Mercer-Oliver-Wyman, 291

- Mergers and acquisitions, 123  
 Merry-Go-Round, 81  
 MGM/UA Communications, 44  
 Milken, M., 145  
 Mirant, 104  
 Mittal Steel Group, 190  
 MNC Commercial Corp., 36  
 Modigliani, F., and Miller, M., 113, 129–132  
 Moody's, 168, 249, 278, 326  
   debt ratings, 146  
   Default Risk Service, 316  
   High Yield Debt Market, 179  
   Investors Service, 308  
   LossCalc model, 318  
 Moody's/KMV's expected default frequency model. *See* Expected default frequency model  
 Mortality of corporate bonds:  
   approach(es), 168  
   cumulative rate, 169  
   loss(es), 170, 172  
   marginal rate, 169  
   rate, generally, 168, 171, 250  
   survival rate, 169  
 Multiple discriminant analysis (MDA), 239  
 Municipal bankruptcies, 28  
  
 National Association of Credit Managers (NACM), 284  
 National Bankruptcy Conference, 22  
 National Gypsum, 79, 103, 104, 127  
 Net operating loss (NOL) carryovers. *See* Tax loss carryforwards  
 Netherlands, 263  
 Neural networks, 235  
 New Generation Research, 81  
  
 Olympia & York Development Company, 55  
 Options:  
   management compensation, 118, 226  
   repricing/rescission, 226  
 Owens Corning, 214  
  
 Pacific Gas & Electric, 102  
 Parmalat, 55  
 Pathe Communications Corporation, 43, 44, 220  
 Pay-in-kind bonds (PIKs). *See* LBO financing  
 Pegasus Communications, 148  
 Penn Central, 4, 26  
 Pension Benefit Guarantee Corp., 190  
 Pillowtex, 90  
 Postbankruptcy performance, 79  
   operating performance, 84  
   stock performance, 90  
 Postpetition interest, 36  
  
 Prediction of corporate distress, 233  
   emerging markets, 265. *See also* Emerging market score (EMS) model  
 Preferences. *See* Bankruptcy(ies)  
 Prepackaged bankruptcy(ies), 5, 48, 51–53, 98  
 Probit, 235  
 Procyclicality, 319  
  
 Quadratic-discriminant analysis, 235  
  
 Rating agency(ies):  
   comparisons, 278  
   Dominion Bond Rating Service, 245  
   Duff & Phelps, LLC, 278  
   Fitch, 245  
   Moody's, 245, 246. *See also* Moody's Standard & Poor's, 245, 246. *See also* Standard & Poor's  
 Ratio analysis, 238  
 RCN Corp., 153  
 Recovery rate(s), 159, 163, 166, 307, 308, 319, 320  
   default rate association, 326, 327  
 Recursive partitioning, 235  
 Regal Cinemas, 229  
 Reorganization process, 21–78  
 Required average return on capital (RAROC), 283  
 Restructuring advisers:  
   Blackstone Group, 294  
   Chanin Capital Partners, 294  
   Evercore Partners, 294  
   FTI Consulting Inc., 294  
   Giuliani Partners, 294  
   Greenhill & Co., 294  
   Houlihan Lokey Howard & Zukin, 294  
   Jefferies & Co., 294  
   Lazard Freres, 294  
   Miller Buckfire, 294  
   Miller-Mathis & Co., 294  
   N.M. Rothschild & Sons, 294  
 Revere Copper & Brass, 31  
 RiskMetrics, 291. *See also* CreditMetrics  
 RJR Nabisco, 125, 134  
 Ross, W.L., 189, 228  
  
 San Luis, S.A. de C.V., 276  
 Sarbanes-Oxley, 44  
*Schacht v. Brown*, 289  
 Schaefer Beer, 288  
 Schuylkill Permanent Bridge Company, 235  
 Section 364, 44. *See also* Debtor-in-possession (DIP)  
 Securities and Exchange Commission (SEC), 22, 24, 33  
 Singapore, 263  
 South Korea, 263  
 Southland Corporation, 52, 98, 127

- Spain, 263
- Standard & Poor's, 168, 207, 249, 278, 307  
 Credit Pro database, 319  
 debt ratings, 146  
 Risk Solutions, 291
- Standard Industrial Classification codes, 105
- Stelco, 153
- Storage Technology, 104
- SunGard, 125
- Tax-free reorganization, 42, 43
- Tax loss carryforwards, 42
- Tax Reform Act of 1986, 43
- Tax shields, 113
- Telefonos de Mexico, 279
- Televisa, S.A. de C.V., 276
- Temporary debt, 140
- Texaco, 28
- Time in reorganization. *See*  
 Bankruptcy(ies)
- Total enterprise value, 106
- Tower Air, 81
- Tower Automotive, 296
- Trade claims. *See* Bankruptcy(ies)
- Tricom, 148
- Trump Hotels & Casino Resorts, 148, 153,  
 294
- Turkey, 263
- Turnaround consulting firm(s):  
 AlixPartners, 293  
 Alvarez and Marsal, 293  
 BBK, Ltd., 293  
 Huron Consulting, 293  
 Kroll, Zolfo, Cooper, 293  
 XRoads Solutions Group, 293
- Turnaround Management Association, 293
- Turnaround managers, 293–294, 295
- Turnarounds & Workouts*, 28
- Type I accuracy, 244, 255
- Type II error, 244, 255, 285
- USAir, 148, 153
- U.S. Trustee, 14, 32, 39, 49, 79, 220
- United Kingdom, 264
- United Merchants and Manufacturing  
 (UMM), 26
- United Nations Commission on  
 International Trade Law (UNCITRAL),  
 56–57
- Model Law on Cross-Border Insolvencies,  
 56
- Uruguay, 264
- Valuation:  
 adjusted present value, 109, 113  
 beta, 111, 115  
 capital asset pricing model, 110  
 capital cash flow(s), 113  
 capital structure, 121, 129  
 “comparable company” approach,  
 105–108  
 “comparable M&A transaction”  
 approach, 107, 109  
 discounted cash flow method(s),  
 109  
 distressed firm, 103  
 free cash flow, 109, 110  
 liquidation, 116  
 in reorganization, 33  
 strategic use, 117  
 terminal value, 111, 112
- Vitro Corporation, 276
- Vulture investing, 81, 188, 224, 228
- WCI Steel Corporation, 104, 107, 111,  
 113
- Weighted average cost of capital (WACC),  
 109  
 unlevered, 115
- Westpac Banking Corporation, 322
- Wilson Foods, 36
- WIND telecom, 125
- WorldCom, 3, 102, 170, 184, 224, 233,  
 236, 257
- W.T. Grant, 4, 26
- XO Communications, 229
- Yields on high yield bond portfolios. *See*  
 High yield bond(s)
- Youngstown Sheet & Tube, 36
- Yukos, 153
- Z-Score(s), 235, 238  
 bond rating equivalent, 245  
 model, 191, 233, 236, 240, 249, 267,  
 290  
*vs.* rating(s), 255
- Z'-Score model, 245, 246, 248
- Z"-Score, 243, 248, 257, 268  
 emerging market(s). *See* Emerging market  
 score (EMS) model  
 model, 243, 248, 249  
*vs.* rating(s), 257
- ZETA®, 238, 242