

RIGHTS OFFERINGS – USE AND IMPACT

PRESENTED BY:

KELLI NORFLEET, HAYNES AND BOONE, LLP
BILL WALLANDER, VINSON & ELKINS LLP

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INTRODUCTION

- Rights offerings are often consummated in complex chapter 11 cases to raise equity upon exiting bankruptcy.
- While rights offerings are beneficial to the debtor and often non-controversial, issues can emerge in terms of opportunity to participate, fees charged, and impact on non-participating parties.
- This presentation will focus on the following topics:
 - Rights Offerings Overview
 - Backstop Commitments
 - Securities Law Exemption
 - Common Objections/Challenges to Rights Offerings
 - Rights Offering Math

Rights Offerings Overview

RIGHTS OFFERINGS OVERVIEW THE BASICS

- In the most basic sense, a rights offering provides a company's existing creditors and/or securities holders an opportunity to purchase additional securities in the company in proportion to their existing holdings at a specified price
- In the chapter 11 context, rights offerings are used as a source of exit capitalization for the reorganized debtor upon emergence from bankruptcy
 - Rights offerings are particularly useful when other sources of exit financing are limited and/or prohibitively expensive
 - A rights offering provides one or more classes of creditors or existing equity holders the opportunity, as part of their treatment under a chapter 11 plan, to purchase their pro rata share of additional securities (e.g., notes or stock) in the reorganized debtor at a specific price per share
 - The ability to participate in a rights offering is often a critical component of the treatment given to certain classes in a chapter 11 plan
- A rights offering may be implemented in connection with solicitation of a chapter 11 plan or following plan confirmation but prior to the plan effective date.

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