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About Bankruptcy Financing

Judge Gives Approval for A&P to Continue Borrowing from Bankruptcy Loan

A judge has given the approval for Great Atlantic & Pacific Tea Co. (GAP) to continue drawing funds from its \$800 million bankruptcy loan after the grocery chain pacified several creditors who were concerned that the financing would prevent them from their entitled 'adequate protection' if their claims diminish in value. A&P's \$800 million debtor-in-possession (DIP) loan was underwritten by J.P. Morgan Chase & Co.

Judge Robert D. Duran of US bankruptcy court in White Plains, New York agreed that the company should not include terms in the financing agreement that disallowed creditors from claiming the money from the loan later in the case.

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Bank of New York Mellon Corp., the indentured trustee representing a group of second-lien noteholders had made an agreement with A&P that allowed A&P to waive adequate protection claims from the DIP loan.

Calpine to Repay Bankruptcy Facility

Calpine Corp. plans to sell \$1.2 billion worth of debt in order to repay the term loan they took up to help them exit bankruptcy in 2008. It will issue senior secured notes (bonds) that will fall due in 2023 and use the cash to repay the bank loan and terminate a related credit facility. The yield of the secured notes might be 7.75% but terms have not been set yet.

Calpine Corp., the nation's largest producer of power from natural gas filed the largest bankruptcy of 2005 and will complete the refinancing of its bankruptcy exit facilities with their bond sale. The bond has been rated a B+ by Standard & Poor. Moody's Investors Service has given the bond a B1 rating which is equivalent to Standard & Poor's. \$3.5 billion worth of bonds were offered by Calpine last year.

In an October 29 earnings call, Calpine's Chief Financial Officer Zamir Rauf said it has raised funds to "establish a longer-dated, staggered and more balanced maturity profile." According to Rauf, over the last 2 years Calpine 'virtually eliminated' its debt maturing in 2014. It has also refinanced its securities due in 2011. The company has also begun to transfer debt into fixed-rate securities from floating-rate first-lien term loans for greater financial flexibility.

According to Bloomberg's data, in its last bond offering, Calpine issued \$2 billion worth of senior secured notes that will become due in February 2021 to yield 495 basis points or 4.95 percentage points. This yield is higher than the typical Treasuries. Trace, the bond price reporting system of the Financial Industry Regulatory Authority reported that the company's \$1.1 billion of 7.875% bonds due July 2020 traded on December 16 at 101.5 cents on the dollar at a spread of 417.3 basis points. The securities were issued on July 20 at 99.146 cents and a spread of 505 basis points, Bloomberg data show.