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In Desperate Times… Travelport Puts $1.15 Billion in Collateral Value Beyond the Reach of Its Creditors

Pratt's Journal of Bankruptcy Law

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Locke Lord's **David Ruediger**, **George Ticknor**, **Jason Ulezalka**, **Jonathan Young** and **Stephen Humeniuk** co-authored an article in Pratt's Journal of Bankruptcy Law discussing how certain borrowers experiencing adverse economic conditions have taken advantage of flexible terms in their credit agreements to transfer collateral beyond the reach of their senior secured creditors. The article focuses on Travelport as a recent borrower to avail itself of a weak covenant structure in its credit documents to transfer assets in such a manner. The article also discusses J.Crew and PetSmart having made similar moves in their own high-profile cases.

"The J. Crew, PetSmart and Travelport cases are timely reminders to secured lenders to consider the interplay of the baskets in their credit agreements, as well as the cumulative availability to borrowers under these baskets. Such review is particularly warranted for credit agreements that—in line with recent trends—provide multiple baskets for dispositions, restricted payments, and other transactions, and then permit those baskets to be used both individually and in the aggregate," they write.

To read the article, please click here.

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