

The LMT Playbook.

How sponsors move value out of your reach — and the drafting that would have stopped them.

The Extended Edition: a teacher's walkthrough of the six liability-management families — drop-down, uptier, double-dip, coercive exchange, vote manufacturing, negotiated priming — built for credit analysts, in-house counsel, and lenders who read protection off the document, not off the market cycle.



Independent commentary, built on public sources and fair use.

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Independent commentary

A free, non-commercial teaching aid.

Analysis and criticism of publicly reported market events, court rulings, and drafting practice, published to accompany the LevFin Academy site. It teaches you to read the document; it sells you nothing here.

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Primary transaction documents, court records, rating-agency data, and published covenant research. Where a statistic originates with a research provider, it is attributed generically; all figures remain the property of their owners.

NOT ADVICE

Not legal or investment advice

An educator's reading of public documents.

Nothing here is legal, credit, or investment advice. Every real deal requires primary-document review with qualified counsel. The document is the fact; this deck is the commentary.



Three transactions that redefined lender rights.

2016 • US

J. Crew moves brand IP into an unrestricted subsidiary using ordinary Permitted Investment capacity, then borrows against it outside existing liens. First-lien lenders watch their best collateral leave the group. No covenant is breached.

2020 • US

Serta: 52% of the term loan amends pro-rata sharing and exchanges into super-priority, priming the 48% minority. Fifth Circuit voids it 31 Dec 2024 — not an "open market purchase"; Mitel, same day in New York, upholds one.

2025 • EU

Altice: a board resolution on 28 Nov 2025 designates Portugal and Caribbean — c. 80% of consolidated EBITDA — unrestricted. A €13.5bn build-up basket, accruing since 2012, makes it breach-free at ~25x leverage. €750m of subsidiary debt sits structurally senior.

THE THESIS

Recovery now depends on drafting, not seniority.

- J. Crew: structural — collateral left the perimeter without a covenant breach.
- Serta: contractual — a majority amendment primed the minority on identical paper.
- Altice: a €13.5bn basket accruing since 2012, spent by board resolution — no lender consent.
- Three transactions, one lesson: read protection off the document, not the cycle.

Source: Public court records; primary transaction documents; published covenant research.



One sentence, six families, fifteen questions.

PART	THEME	WHAT IT COVERS
I	Foundations	Perimeter, waterfall, Covenant EBITDA, sacred rights
II	The Four Covenants	Debt, RP, Investments, Asset Sales, and each one's weak spot
III	The Six Families	Drop-down, uptier, double-dip, exchange, vote manufacturing, negotiated priming
IV	The Constitutional Defense	Sinclair, Commscope, Pfleiderer, Atalian, Stonegate: rule over trick
V	The Playbook	The fifteen-line checklist; five syndication-call questions

- **The promise under attack** You cannot be subordinated without your consent — the spine of every anti-LMT covenant ever drafted.
- **The attack surface** Each LMT family attacks one of the four words: you · subordinated · without · your consent.
- **The method** Part V compresses the deck into a fifteen-line checklist you can run on any credit agreement.



Every figure on this deck was fact-checked against source.

VERIFIED PRINTS

Market data

Numbers that exist in a published source.

2018–2025 European loan averages, the US BSL share of LMTs, the 44- and 52-deal covenant surveys, Fitch recovery data — cited generically to published covenant research on the slide where each appears.

ILLUSTRATIVE

Calzada Packaging

A fictional teaching company, not a real credit.

€100m EBITDA, €500m TLB at 5.0x, S+375. Every euro figure derives from a published market average multiplied through Calzada's base — "illustrative" means constructed, never observed.

CASE RECORD

Dated events

Every case name maps to a dated, verified event.

Serta and Mitel, 31 Dec 2024. Ardagh, Nov 2024. Adler, Jan 2024. Altice, 28 Nov 2025. Codere, Apr 2023. Court records and primary documents, not summaries.

DERIVATIONS

Cash every ratio

Multiples into money, on every slide.

Every ratio is cashed into euros so an abstraction cannot hide behind a multiple. "2.0x of EBITDA" is a shrug; "€200 million" is a fact.

What an instructor cannot do: invent a covenant statistic to make a slide land. Every quantitative claim traces to primary transaction documents, court records, rating-agency data, or published covenant research. When a figure is a Calzada derivation, not a market print, the slide says so.

Source: Primary transaction documents; court records; rating-agency data; published covenant research.

PART ONE · FOUNDATIONS

Perimeter, waterfall, EBITDA, sacred rights.

The four concepts every liability management transaction attacks.



The Restricted Group is the perimeter of your claim.

INSIDE • BOUND • PLEDGED

Restricted + Guarantor

This is where your recovery lives.

Bound by every covenant, up-streaming a guarantee and, in secured deals, collateral. In enforcement, this box pays you directly. Everything you underwrote assumed value stays here.

INSIDE • BOUND • NO GUARANTEE

Restricted, Non-Guarantor

Covenants bind it; it owes you nothing.

Its own creditors are paid before anything up-streams to you. Transfers into it from guarantors are typically permitted without limit in bonds and most European loans — the standing leakage route.

OUTSIDE

Unrestricted Subsidiary

Not part of your claim at all.

Outside every covenant. Free to borrow, pledge, and pay whomever it likes. Designation typically permits automatic release of its guarantee and security — no separate lender consent.

ABOVE

Holdco, above the perimeter

Structurally last in every line.

Notes issued above the group reach operating value only through equity, after every claim below. Subsidiary guarantees of holdco notes, subordinated to senior debt, are cold comfort.

- **Covenants bind at the perimeter.** Every ratio, basket, and default is measured across the Restricted Group only. What sits outside neither counts for you nor answers to you.
- **Coverage tests overstate.** An 80% guarantor coverage test can drop excluded-jurisdiction EBITDA from its denominator and count limited-value guarantees in full — read the calculation, not the headline.
- **Local law shapes the perimeter.** Corporate-benefit and financial-assistance rules constrain upstream and cross-stream guarantees in some European jurisdictions — the perimeter you get is the perimeter local law allows.
- **Draw it on a napkin.** If you cannot sketch which entities sit in each box, and which box your claim lives in, you cannot analyse an LMT.

Source: Published covenant research (2023–24); LevFin-Book Teaching Editions.



Designation is a Restricted Payment — a deemed investment at FMV.

01 · NO DEFAULT	No Event of Default may be continuing. A stretched-but-current issuer clears this on any ordinary Tuesday — the test screens out the dying, not the dangerous.
02 · CAPACITY ≥ FMV	The designation is a deemed investment sized at the fair market value of the group's interest in the subsidiary. Capacity stacks: the dedicated unrestricted-subsidary basket plus the builder plus general investment baskets, combined for one move.
03 · CLEAN SUBSIDIARY	The subsidiary must carry no restricted-group debt or lien that survives designation. Fixed by sequencing: raise the subsidiary-level debt first, designate second — the debt then travels out with the entity.
04 · RELEASE	Once designated, the subsidiary's guarantee and security are typically released — the covenants permit it, with no separate lender consent. Your claim shrinks by board resolution.
05 · THE TWO- STEP DIVIDEND	Designation converts investment capacity into dividend capacity. Neiman Marcus designated its MyTheresa entities unrestricted, then spun them to shareholders — the proceeds-from-unrestricted-subsidaries carve-out did the second step, with no ratio test and no default blocker.

WHY FMV IS THE FIGHT

The valuation is the covenant. The rest is arithmetic.

- Third-party valuations and fairness opinions typically apply only to Asset Sales — not to transfers to unrestricted subsidiaries.
- Debt raised at the subsidiary first depresses the equity FMV the baskets must cover.
- Intralot noteholders alleged 'manufactured factors to depress the value' of the designated crown jewel.
- Calzada, illustrative: €321m of stacked capacity clears a €280m crown-jewel FMV — €41m spare.
- Demand third-party valuations and fairness opinions on every transfer to an unrestricted subsidiary.

Source: Published covenant research; Calzada figures are illustrative constructions.



The boundary the J. Crew blocker never saw.

01 · CROSS THE INNER LINE	Move the IP from a guarantor to a non-guarantor Restricted Subsidiary. Such transfers are typically permitted without limit in high-yield bonds and most European loans. Still 'inside' — but no longer guaranteeing or securing your debt.
02 · THE TRAPDOOR CLAUSE	The non-guarantor may invest 'proceeds' of investments made in it into Unrestricted Subsidiaries. J. Crew read the contributed IP itself as 'proceeds' — a reading most would struggle with, and one no court ever decided.
03 · OUT OF THE GROUP	72% of group brand IP landed in the unrestricted subsidiary, outside every covenant — then was licensed back to the operating company, adding costs the restricted group never carried before.
04 · BORROW AGAINST IT	The unrestricted subsidiary borrowed against the moved IP and repaid PIK debt at a holding company above the Restricted Group. Existing lenders kept an operating shell; the lawsuit, filed preemptively by the company, was never decided.
05 · THE BLACK HOLE	Where unlimited guarantor-to-non-guarantor transfers meet a trapdoor, leakage capacity is effectively unlimited. Found in a few US loans and one US high-yield bond (Superior Industries) — removed in the final terms after failing to clear.

THE INTERMEDIATE STOP

Inside the group is not inside your claim.

- Pluralsight, 2024: Vista's support arrived as a loan to a non-guarantor, secured on IP originally pledged to existing term lenders.
- \$50m of priming debt stranded \$1.5bn of first-lien loans outside the moved collateral.
- 'Restricted IP' definitions invite a two-step: move to a non-guarantor first, then out.
- A blocker aimed only at unrestricted subsidiaries waves the intermediate stop straight through.
- The fix: material IP must sit with a borrower or guarantor at all times.

Source: Published covenant research (Oct 2023 and Dec 2024); LevFin-Book Teaching Editions.



Three flavours of seniority — and where each one breaks.

FLAVOUR	WHAT RANKS YOU	WHERE IT BREAKS	THE PROOF
Contractual (payment)	Right to payment; the intercreditor waterfall and turnover	A majority vote can amend the waterfall	Swissport: €380m super senior via simple bondholder majority
Lien	Order of enforcement proceeds over shared collateral	'Super senior' lives in the ICA, not the lien	Matalan: basket upsized £60m to £100m by simple majority
Structural	Position in the tree; subsidiary creditors are paid first	Drop-downs; generous non-guarantor debt capacity	86% of 2023 sponsor bonds: full non-guarantor Credit Facilities basket

- **Effective seniority is the quiet fourth.** European collateral often stops at share pledges, accounts, and intragroup receivables; debt secured on hard assets outside the net is effectively senior to you.
- **The European gap.** European high-yield bonds rarely make ranking sacred; European TLBs need all-lender consent for a priming tranche, US bonds commonly affected-holder consent.
- **The drafting answer.** Miller Homes and Lottomatica set 90% consent to expressly subordinate the notes; the stronger fix makes super senior capacity increases a 90% matter.

Source: Published covenant research (Jan 2023 and Mar 2024).



Covenant EBITDA is not GAAP EBITDA.

COVENANT VS GAAP • SAME P&L

30–40%

Two identical companies can print Covenant EBITDA 30–40% apart on the drafting of the add-back menu alone.

EBITDA in a credit agreement is a defined term, not an accounting output. Every downstream ratio — leverage, coverage, the RP basket, the incremental cap — keys off it; every grower basket scales with it. Neither end of the ratio can be read off the accounts.

- **Both ends are drafted.** The leverage numerator, Indebtedness, is a covenant term too. What the definition omits, the ratio never sees.
- **Revolver drawings excluded.** Just over 25% of 2021 issues carved working-capital RCF drawings out of ratio calculations — often super-senior debt, invisible to leverage.
- **Shareholder funding and pensions excluded.** Subordinated shareholder funding and pensions fall outside Indebtedness — Assemblin's super-senior SEK 240m pension facility ranks first, counts as zero.
- **Basket debt excluded.** Modulaire's ratios excluded general-basket, numerical-basket and revolving debt from testing; Virgin Media-O2 carved £500m plus a £330m basket from covenant ratios.
- **IFRS 16 mismatch.** Some docs keep lease effects in EBITDA but carve pre-IFRS 16 leases out of debt — denominator inflates, numerator shrinks.

Source: Published covenant research; primary offering documents.



Add-backs are drafted so the savings never have to arrive.

UNCAPPED • RUN-RATE

Cost savings & synergies

Projected, not realized — booked at full run-rate.

Modern covenants run three-plus pages of expected savings, uncapped, on a 24–36 month look-forward. Published research flags savings that may never be realised inside the instrument's tenor.

THE GRAMMAR TRAP

Action vs realisation

The window caps the plan, not the savings.

The last antecedent rule ties 'within 24 months' to the actions, not the result. H1 2024: 88% of bonds, 95% sponsor-backed, set no realisation deadline; capped windows average 15 months.

PRO FORMA • ZERO FLOOR

Acquisitions & new contracts

Full-year EBITDA for a target held one day.

A target's full-year EBITDA counts even if held one day; 'expected' revenue from new contracts counts before it is earned. Individual add-backs carry a zero floor — adjustments raise EBITDA, never cut it.

THE RATCHET

High-water-mark super grower

Basket sizing holds at peak EBITDA for the life of the deal.

Once the grower peaks, capacity never falls with EBITDA. In 37% of 2024 sponsored European HY bonds; over 30% of new H1 2024 European SFAs; rare in final US loans.

The compounding effect: every grower basket, ratio test and step-down scales off the same defined term. The debt covenant alone runs a blanket prohibition plus 30–40 permitted baskets, and pick-your-poison reallocation lets inflated capacity migrate between covenants.

Arxada shows the arithmetic: after its 2021 notes, EBITDA rose, then fell to CHF361m — yet the super grower held debt capacity near CHF1,900m, 5.2x trough EBITDA. Reading capacity off reported LTM EBITDA undershoots it by roughly CHF450m.

Source: Published covenant research; primary offering memoranda.



Same money, different constitutional order.

PROVISION	LEVERAGED LOAN	HIGH YIELD BOND
Amendment default	Required Lenders: over 50% of commitments	Plain majority binds ordinary matters
Economic sacred terms	Affected-lender consent; a short, exhaustive list	Unanimity (US) or 90% (European HY)
Pro-rata sharing	Payments shared ratably; the anti-Serta sacred right	Not a bond concept; selective tenders customary
Debt buybacks	Open-market purchases; non-pro-rata exchanges structurable in most sponsor documents	Tender and exchange offers, exit consents attached
Enforcement	Agent as conduit; a single lender can sue	Trustee as gatekeeper; 25% needed to instruct
Guarantee and collateral release	The credit agreement is in the driver's seat	43 of 44 auto-release when the loans do

- **Convergence** 71.6% of surveyed 2025 EU loans sit on the loose end; only 25.1% show converged terms.
- **Lien subordination** 59.1% of surveyed loans require affected-lender consent; 72.7% of bonds route it through supermajority instead.
- **The lesson** Same borrower, same collateral, two constitutions. Read both documents before you price either instrument.

Source: Published covenant research: survey of 44 dual-tranche secured financings, Jul 2023–Sep 2024; convergence figures from a 2025 EU loan-terms survey.



What affected-creditor consent delivers, and what it does not.

CONSENT TO SUBORDINATE	LOANS	BONDS
Affected-creditor consent: payment subordination	59.6% of credit agreements	53.8% of bond documents
Affected-creditor consent: lien subordination	59.6%	17.3%
Of those protected: zero exceptions	16.1% (5 deals)	82.1% payment; 56% lien
Of those protected: multiple stacked exceptions	71% (22 deals)	14.3% payment; 33% lien
Supermajority route to lien subordination	None observed	Over 71%, typically 66⅔%

THE PULL-A-SERTA TEST

An exception-riddled veto is an offer term, not a veto.

- Pro-rata opportunity exception: offer everyone the exchange, then subordinate whoever declines.
- DIP-facility exception: bankruptcy financing primes with no affected-lender vote at all.
- Only 5 of 52 surveyed credit agreements carry the veto clean, with zero exceptions.
- In over 70% of protected loans, a ratable offer unlocks full subordination.
- Bonds run leaner: fewer carry the veto, but 82.1% of payment-subordination vetoes carry zero exceptions.

Source: Published covenant research; survey of 52 dual-tranche secured financings, Jul 2023–Nov 2024.



Sacred rights: the promise the majority cannot erase.

01 • AMEND AROUND IT

The right survives; its exceptions are the target. Serta's 52% amended the pro-rata sharing exception and dressed the exchange as an open-market purchase — the each-lender vote never triggered.

02 • EXCHANGE, NOT AMEND

Your loan's terms never change, so no sacred vote is owed. The majority exchanges into new super-priority paper; your untouched loan now simply ranks beneath it.

03 • NEW TRANCHE, NOT OLD

Structural Adjustment clauses admit new facilities on participating-lender consent alone. Unless the drafting expressly restricts new tranches to pari or junior ranking, a priority tranche can be introduced above you with no all-lender vote.

04 • SILENCE AS CONSENT

Snooze-you-lose: miss the consent window, typically ten business days, and your commitment is disregarded from the count — in loose drafting even on all-lender matters. "Delay and it's okay" variants deem you approving.

THE SACRED LIST

Sacred rights protect the words, not the outcome.

- Principal, interest rate, maturity: no reduction or extension without affected-lender consent.
- Pro-rata sharing and waterfall order: the anti-Serta pair.
- Release of all or substantially all guarantees and collateral.
- The voting thresholds themselves — or everything above is provisional.
- Everything else moves at Required Lenders, above 50%.

Source: Published covenant research and legal commentary; primary transaction documents.



Transfer provisions decide who is allowed to own your loan.

WHITELIST

The pre-approved list

Named funds transfer freely — until the list itself is qualified.

Sponsors now write restrictions into the whitelist itself: related entities running distressed or loan-to-own strategies are deemed not approved and need separate consent — even when the fund is named.

BLACKLIST

The DQ list

A US TLB import, migrating into European agreements.

Transfers to listed entities need company consent in its sole discretion. The list can be added to over time — and it does not usually fall away, even in default.

SOLE DISCRETION

The overriding bar

Three categories the company can always refuse.

Competitors and their controlling shareholders, private equity funds other than independent debt funds, and loan-to-own or distressed investors: no reasonableness standard, no deemed consent.

FALL-AWAY

When the gate opens

Distress is the moment transferability returns.

Most recent agreements release the restriction during a non-payment or insolvency event of default. A small number release on any default. A sponsor-friendly minority never release it at all.

- **The default rule** Company consent, often reasonableness-qualified; deemed consent — now on the decline — after typically ten business days of silence.
- **Loan-to-own, defined** Principal business or material activity: buying debt with a view to owning the equity, or exploiting holdout and blocking positions.
- **The liquidity cost** European loans trade less liquidly than bonds; transfer restrictions are a major contributing factor.
- **Why it shapes the LME** A blocking stake is a seat at the restructuring table. Transfer control decides who gets one — and whether a lender co-op can ever form.

Source: Published legal commentary on European transfer and assignment provisions.



Meet Calzada, the company every ratio gets cashed into.

CALZADA PACKAGING	FIGURE	WHY IT MATTERS
Business	Valencia corrugated packaging; three-year sponsor hold	Ordinary company, market-standard document
LTM EBITDA	€100m	The base every basket multiplies
Term Loan B	€500m at 5.0× net leverage, S+375	The paper you hold
Group leverage	5.2× (year-four assumption)	Stretched but current — LMT territory
Largest subsidiary	Calzada Iberia: €40m EBITDA, 40% of group	The crown jewel a drop-down targets
Iberia valuation	7.0× industrial multiple → €280m FMV	The deemed investment a designation must clear

- **Cash every multiple.** "2.0× of EBITDA" is a shrug. "€200 million" is a fact.
- **Every ratio becomes euros.** Every basket, gate, and add-back on the slides ahead is translated into euros on this company.
- **Illustrative, and labelled.** Calzada is a construction: every euro figure derives from a published multiple, never a market print.

Source: Illustrative construction; euro figures derive from published multiples.

PART TWO · THE FOUR COVENANTS

Selected covenant rights read like calls and puts.

Debt · Restricted Payments · Investments · Asset Sales — and the weak spot each one hides.



One page: the four covenants and the weak spot each one hides.

CH. 5

Debt Covenant

The umbrella: one prohibition, then the exceptions eat it.

A blanket ban on 'Indebtedness', softened by 2.0x FCCR ratio debt plus baskets — 29 clauses in one EU deal, 38 in one US deal. Growers scale with EBITDA; reclassification refills spent baskets.

CH. 6

Restricted Payments

Dividends, buybacks, and investments in Unrestricted Subs.

The builder accrues 50% of consolidated net income with a zero floor and never resets. 75.3% of 2025 EU loans add a starter; a soft ratio condition often exempts investments.

CH. 7

Investments Covenant

Permits and caps investments outside the guarantor group.

The dedicated Unrestricted-Sub basket averages 1.76x EBITDA in 2025 EU loans — €176m on Calzada. Sized for a joint venture; it is the pipe every J. Crew drop-down flows through.

CH. 8

Asset Sale Covenant

Excess disposal proceeds must prepay debt, in theory.

Net-leverage step-downs — 24% of EU loans in 2018, 78% by late 2025 — let disposal cash suppress the ratio that should sweep it. Stonegate's perimeter move sidesteps the covenant entirely.

Four covenants, one design: a hard prohibition softened by baskets that scale with Covenant EBITDA. The weak spot is never the rule — it is the exception, drafted as the greater of a fixed number and a percentage of an EBITDA the borrower helps define.

Source: Published covenant research; primary transaction documents. Calzada figures are illustrative constructions.



Growers and reclassification: how baskets double themselves.

01 GROWER	A grower basket is sized as the greater of a fixed euro amount and a percentage of Covenant EBITDA — often 100%. As EBITDA rises the percentage limb takes over; the fixed number becomes a floor, not a cap.
02 SUPER-GROWER	Aggressive sponsor deals add a high watermark: the floor permanently steps up to the highest level the grower ever reaches. EBITDA can fall 20%; basket capacity holds at the peak.
03 SEQUENCE	The issuer maxes out ratio debt first, then draws the baskets. Incurring basket debt first would raise leverage and shrink ratio capacity — the order itself is a capacity decision.
04 RECLASSIFY	EBITDA rises — 50% in the published illustration — and leverage falls back through the ratio test. Basket debt reclassifies as ratio debt; the baskets empty out and stand ready to re-lever.
05 THE RESULT	One euro of debt counts against two allowances in sequence; reported cap and effective cap diverge. One check: day-one credit facilities must be locked into their basket — some deals (Upfield) omit the lock.

CALZADA • DAY ONE	SIZING	EUROS
General debt basket	3.18x EBITDA · 2025 EU avg	€318m
Free-and-clear starter	0.97x EBITDA · no ratio test	€97m
Ratio debt	up to 5.0x total leverage	incremental
Non-guarantor sub-cap	1.5-2.0x EBITDA	€150-200m
General basket, 2018 to 2025	1.04x to 3.18x	tripled

Source: Published covenant research; Calzada figures are illustrative constructions.



The incremental-debt stack: freebie, ratio, reclassify, repeat.

01 FREEBIE

Soft-capped basket at the greater of a fixed amount and usually 100% of EBITDA — no ratio test. Calzada draws €97m day one (0.97x, the 2025 EU free-and-clear average) at any leverage.

02 RATIO STACK

Unlimited pari-secured incremental subject to a senior secured net leverage test, usually set at opening leverage — 5.0x for Calzada. Same-day drafting excludes basket debt from the calculation, so freebie and ratio stack in one incurrence.

03 REFILL

EBITDA grows 50% to €150m; the 5.0x test now covers €750m of debt. Reclassify the €97m freebie into ratio capacity — the freebie empties and refills at 0.97x of the new EBITDA: €146m.

04 PREPAYMENTS

Voluntary prepayments rebuild incremental capacity. The check: confirm that repaying junior or unsecured debt cannot rebuild room for senior secured incrementals — in loose drafting it does.

05 ESCAPE HATCHES

Inside-maturity baskets — nearly 60% of surveyed EU deals, sized 50-100% of EBITDA — let new debt mature before your TLB. Incremental equivalent debt raised outside the agreement can escape the maturity and MFN conditions altogether.

THE MFN ILLUSION

MFN protection is subject to so many exceptions that over time it has become largely redundant.

- Europe: 100bps over effective yield, six-month sunset in ~80% of deals; US: 50-100bps, 6-12 months.
- Scope is sometimes limited to ratio-basket debt — freebie and general-basket incrementals escape.
- Margin-only MFN ignores floors, fees, and OID — the yield gap hides there.
- Acquisition, investment, and capex debt carved out — many incrementals fund exactly that.
- De minimis thresholds usually run 50-100% of EBITDA; US deals reach 200%.

Source: Published covenant research on European leveraged loans; Calzada figures are illustrative constructions.



The builder basket — a ratchet that only turns one way.

APR 2018	TeamSystem's original clause: 50% of consolidated net income from the first quarter after issue, treated as one accounting period — minus 100% of any deficit. Losses claw back everything the basket has built.
FEB 2021	The zero floor: the whole-period CNI figure cannot go below zero. TeamSystem adds a €30m starter the 2018 formulation would have cancelled — day-one capacity now survives a loss-making year.
JUL 2024	Positive-CNI-only: each loss quarter is deemed zero; profitable quarters accrue at 50%. The clock is backdated to the 2021 issue date, so refinancing surrenders nothing already built.
SAME P&L	One company, two live formulations, two balances: zero versus €19.4m accrued since Q1 2021. The zero-floor version must first earn back through a €290m aggregate deficit before one euro builds.
FEDRIGONI	The same drift elsewhere: the 2020 notes' €22m starter sat exposed to CNI deficits; the positive-CNI-only refinancing locks a €60m-plus starter in from day one — despite losses every quarter.

THE RATCHET

Losses are deemed zero. Profits accrue forever.

- Calzada day one: €92m of RP drawer at the 2025 EU-loan average, 0.92× EBITDA.
- 75.3% of 2025 EU loans carry a starter amount; capacity exists before any profit.
- Equity contributions, converted debt, unrestricted-sub distributions, and returned builder investments feed it at 100%.
- Health checks erode: loose docs block only payment or insolvency defaults; builder investments sometimes skip the blocker and the €1 ratio test.
- Most permitted-payment baskets spend without draining the builder. Capacities stack; they do not net.

Source: Published covenant research; primary bond documentation; LevFin-Book Teaching Editions.



The Available Amount — capacity that refills itself.

FEED 01

Retained excess cash flow

The sweep's leftovers become dividend room.

Excess cash flow the loan sweep does not capture is 'retained' and feeds the Amount. Arxada's bonds define it only by reference to a facilities agreement bondholders cannot read.

FEED 02

Equity contributions

Sponsor cash in refills the drawer euro for euro.

IPO proceeds, closing overfunding, and net cash proceeds received after closing feed the Amount. Excluded Contributions the sponsor injects refill restricted-payment capacity euro for euro.

FEED 03

Returns on investments

What comes back can leave again.

Principal repaid on a Permitted Investment, distributions up from unrestricted subsidiaries, proceeds of an investment sold — each refills the drawer, restored for the next exit.

FEED 04

Permitted debt

The controversial prong: debt capacity becomes dividend capacity.

Under the loosest 'reallocation' reading, unused debt headroom converts to RP room without borrowing a euro. None of the seven bonds carrying the concept requires a corresponding reduction.

- **The usage split** Only three of seven European deals ratio-test Available Amount dividends; all seven permit investments with no ratio condition.
- **The blocker erosion** Four deals block usage only on an event of default; two on payment or insolvency only; one has none.
- **Birkenstock, April 2021** The permitted-debt prong turned 2.17× of day-one RP-and-investment capacity into at least 7.14× EBITDA, before any other feed.
- **The drain** Dividends and investments draw it down — but declined asset-sale proceeds refill it: repayment declined becomes dividend room.



Altice France — RP capacity that switches off the asset-sale sweep.

THE SETUP

Mid-2023: Altice France faces more than €1bn of bonds due 2025. Management floats using data-centre sale proceeds for buybacks — €1.1bn of secured bonds and €500m-equivalent of term loans due Q1 2025 in focus.

THE HATCH

Each series of secured notes excludes from 'Asset Disposition' any disposal whose proceeds fund Restricted Payments or Permitted Investments. Spend proceeds as an RP and the sweep never engages.

THE CAPACITY

Published research mapped up to €810m of fixed dividend room under the tightest general basket — €1,590m aggregated with investment baskets — plus a build-up basket accruing 100% of EBITDA less 1.4× interest since 2014.

THE PATHWAYS

Upstream to the holdco — owner of all but one share — which repays whichever series it chooses, no pro-rata offer. Or fund an Unrestricted Subsidiary that repurchases any notes, unconstrained by covenants.

THE STEP-UP

Retire the tightest series — the 2027 secured notes — and the caps reset: fixed dividend capacity rises to €1,225m; unrestricted-subsidiary investment capacity to €3,675m.

THE LESSON

Asset-sale protection is only as strong as RP capacity is small.

- The sweep governs proceeds only while they remain 'Asset Disposition' proceeds.
- RP capacity re-labels the cash; the covenant built to catch it never engages.
- The tightest series binds the whole group — retire it and the fixed caps step up.
- An unrestricted subsidiary can buy back any series; covenants do not follow cash out.
- Read Asset Sales and Restricted Payments as one system, or you have read neither.

Source: Published covenant research (June 2023); company disclosures.



The Unrestricted-Sub basket is the pipe crown jewels leave through.

01 • SIZE

A dedicated Unrestricted-Sub investment basket, sized greater-of a fixed amount and a percentage of EBITDA. The 2025 EU-loan average: 1.76x EBITDA — €176m on Calzada's €100m base.

02 • ADD THE BUILDER

50% of consolidated net income accruing since the closing-date quarter, plus starter, contributions, and returns of investments. Calzada's year-five balance: €145m. Borrowers generally owe no periodic report of the accumulated figure.

03 • STACK

Baskets aggregate for a single designation: €176m dedicated plus €145m builder is €321m of investment capacity, stacked into one move.

04 • PRICE THE JEWEL

Calzada Iberia — €40m EBITDA, 40% of the group — at a 7.0x industrial multiple: €280m fair market value. Designation is a deemed investment at exactly that number.

05 • IT CLEARS

€321m of capacity against a €280m deemed investment: the designation clears with €41m to spare. No covenant breached, no lender asked.

WHY THE GAUGE READS LOW

Sized for a joint venture, used to relocate 40% of the group.

- The dedicated basket doubled: 0.85x EBITDA in 2018 to 1.76x in 2025 EU loans.
- Quarterly zero floor: two £10m loss quarters plus six £10m gains build £60m, not £40m.
- High-watermark starters reset permanently to their percentage of peak LTM EBITDA; the gauge never reports downward.
- Amend-and-extend deals with CNI back-dated to the original issue date can carry years of unseen accrual.

Source: Published covenant research (2025 EU loan averages); Calzada figures are illustrative constructions.



Pick your poison: the same euro of capacity has four exits.

EXIT 1 • CASH

The Dividend

Capacity pays the sponsor directly.

RP capacity funds a distribution. Where the 'solely for purposes of' carve-out is drafted, asset-sale proceeds ride out this door too — the two-step done in one; only FMV and cash-consideration tests survive.

EXIT 2 • ASSETS

The UR-Sub Investment

The asset leaves; the cash follows later.

The same capacity funds an unrestricted-sub designation — a deemed investment at fair market value. This is the drop-down pipe; the dividend simply arrives one step later, outside your covenants.

EXIT 3 • JUNIOR DEBT

The Junior Prepayment

Value steps down the structure, past you.

Restricted-debt-payment covenants catch only payment-subordinated paper. Second lien is lien-subordinated — its prepayment is 'not prohibited hereunder,' and some Net Proceeds definitions deduct it before your sweep is even measured.

EXIT 4 • SPIN-OFF

The Non-Cash Distribution

The division is distributed, not sold.

A spin-off made with RP capacity is not an Asset Sale at all. The covenant, its FMV test, and its sweep never engage — the sale happens later, outside the group.

- **Underwrite the aggregate.** One euro of capacity has four exits. Grade total leakage capacity in euros, not the label on any single drawer.
- **Reallocation compounds it.** Pick-your-poison clauses shift unused debt capacity into RP or investment capacity — a gauge that was tight yesterday is loose today, no amendment required.
- **It is mainstream.** The mechanic runs through roughly 40% of US broadly-syndicated loans and about half of sponsor-owned European high yield.
- **Pushback wins.** Merlin capped two-way reallocation at 200%; IRCA trimmed its cap from €450m to €160m; D&G deleted the mechanic pre-pricing.

Source: Published covenant research; published legal commentary; primary transaction documents.



The step-down funds itself with the cash it should sweep.

BEFORE SALE	Calzada Logística, illustrative: net leverage of (€300m debt less €100m cash) over €50m EBITDA = 4.0x. Top tier of the step-down grid — 100% of any disposal proceeds owed to the sweep.
+€100M PROCEEDS	The ratio is computed net of cash. Proceeds net against debt before the required prepayment is fixed: 2.0x — the 0% tier. Nothing is owed.
-€50M JUNIOR DEBT	Cash prepays junior paper — not payment-subordinated, so no restricted-payment limit applies. The senior ratio drifts back to 3.0x. Still €0 to you.
-€50M DIVIDEND	The Available Amount and RP drawer pay the balance out to the sponsor. The ratio returns to 4.0x. Still €0 to you.
END STATE	Same 4.0x you started at. €50m gone to junior lenders, €50m gone as a dividend, €0 swept to your term loan.

PUBLISHED RESEARCH • AUG 2024

Asset disposals are the most basic LME tool.

- Net-leverage step-downs sat in 24% of EU loans in 2018; 78% by late 2025.
- Reinvestment windows: historically 365 days, now often 540, plus 180 more once proceeds are committed.
- Sub-threshold leakage: de minimis, general-basket, and non-core carve-outs never reach the sweep.
- Unrestricted-sub equity sales bypass the covenant entirely — a standard Asset Disposition exception.
- The 75% cash-consideration test dilutes through Designated Non-Cash Consideration and per-transaction 50% variants.

Source: A European covenant-research desk (Aug 2024); published legal commentary. Calzada figures illustrative.



Stonegate: the disposal that became a covenant.

LATE 2024

Stonegate Pub Company moves 1,034 pubs to a subsidiary outside its guarantor group. Nothing is sold to anyone; the perimeter moves around the assets.

WHY NOTHING TRIPPED

J. Crew and Chewy blockers police the Investments covenant. This was a disposal to a non-guarantor restricted sub — and intra-group disposals are a standard exception to the Asset Disposition definition itself.

THE MARKET'S ANSWER

The Stonegate Blocker, written into the asset-sale covenant: caps disposals above a stated fair market value to non-guarantor restricted subs and third parties, subject to a 'bona fide business purposes' carve-out.

MAR 2026

Maxeda's amended notes implement a Stonegate Blocker at a €5m FMV threshold — the drafting response is already printing in European deals.

THREE WEAKNESSES • ONE FIX

Purpose tests defend you with an argument, not a rule.

- 'Bona fide business purposes' is subjective; an adviser can script a narrative for almost any dropdown.
- 'Primary purpose' tests are fact-specific; courts often defer to management's stated purpose.
- A fixed FMV threshold invites death by a thousand cuts through sequenced sub-threshold disposals.
- The fix: aggregation language — related transactions count as one, substance over form.

Source: Published covenant research; primary transaction documents.

PART THREE · THE SIX LMT FAMILIES

Six roads to the same destination.

Drop-down · uptier · double-dip · exchange · vote manufacturing · negotiated priming.



Learn the six families by what they do to you.

FAMILY	MECHANIC	WHAT IT DOES TO YOU
Drop-down	Assets move to an unrestricted or non-guarantor subsidiary	The asset leaves — your collateral backs someone else's loan
Uptier / priming	Majority lenders amend and exchange into a super-priority tranche	Priority leaves — the majority jumps the non-consenting minority
Double-dip	Non-guarantor borrows and on-lends the proceeds to the group, which guarantees both facilities	Claims multiply — \$100 of new money holds \$200 of claims
Coercive exchange	Tender offer plus exit consents stripping covenants from holdouts	Your own exit is weaponized — decline and hold gutted paper
Vote manufacturing	New notes issued to friendly holders just before the vote	The ballot is stuffed — threshold cleared without genuine consent
Negotiated priming	Consensual super-senior tranche blessed by supermajority consent	Consent is engineered — non-participants still drop a rung

- **The count is rising.** At least 46 new LMTs tracked in 2024 against 27 in 2023; at least 19 launched or closed in Q4 alone.
- **Hybrids are rising.** Several 2024 deals combined multiple LMT structures in one transaction; Envision's 2022 hybrid ran a drop-down under an uptier — close both doors.
- **One promise under attack.** Each family attacks one element of 'you cannot be subordinated without your consent.'

Source: Published covenant research; LMT quarterly tracking through Q4 2024.



There are four directions of 'down,' not one.

CONTRACTUAL

Contractually senior

The intercreditor is amended so a new tranche ranks ahead of yours.

The only direction old documents contemplated. Serta's road: a Required-Lender amendment inverts a waterfall the minority believed was sacred.

TEMPORAL

Temporally senior

Pari passu until the cash runs out.

Inside-maturity debt is repaid before yours though it ranks beside you. Bonds barely restrict it; loan maturity protections increasingly key off the original maturity only.

EFFECTIVE

Effectively senior

Pari on paper; better secured in fact.

Extra collateral or guarantees you do not share — including liens on non-collateral assets through the general Permitted Liens basket. The double-dip lives here.

STRUCTURAL

Structurally senior

Debt sitting closer to the assets than you are.

A non-guarantor entity borrows; in insolvency nothing upstreams until its own creditors are repaid in full. The Altice road — and every drop-down's destination.

- **Sinclair, Jan 2025.** The recap produced the market's cleanest enumeration of all four directions — anti-LMT drafting must reach each one.
- **17x day one.** One recent US loan showed 17x EBITDA of day-one incremental general-purpose first-lien debt capacity — built largely by cross-covenant reallocation.
- **Decoy baskets.** The restricted-debt-payment basket restricts nothing most US borrowers will ever do — until it converts into unrestricted-sub investment capacity.
- **Disregarded debt.** One US deal let the borrower disregard chosen debt — up to the greater of \$776m and 1.00x EBITDA — when running its coverage test.

Source: Published covenant research on LME enablers and European priming capacity.



The drop-down in four moves — none of them a breach.

- 01 Find the investment capacity. Designation is a deemed investment at fair market value. Stack the dedicated unrestricted-sub basket and the builder until capacity clears the target's FMV — the dedicated pipe averages 1.76x EBITDA in 2025 EU loans.
- 02 Designate the subsidiary unrestricted. A board resolution moves the entity outside the covenants. Guarantees and security from that subsidiary release automatically on designation — the credit support leaves the moment the entity does.
- 03 Move the assets across. IP is the classic cargo (J. Crew); an operating crown jewel is the aggressive version (Altice, Envision). A valuation opinion sizes the deemed investment — Intralot noteholders alleged 'manufactured factors' depressed theirs.
- 04 Raise structurally senior debt at the unsub. Outside your covenants, it borrows against the moved assets; its creditors are paid before anything upstreams. J. Crew's sub borrowed and repaid holdco PIK debt above the restricted group.

THE LINEAGE

Each generation added a layer the last blocker missed.

- J. Crew 2016: the trapdoor — 'proceeds' language read as fresh, uncapped investment capacity.
- Envision 2022: the hybrid — a drop-down stacked under an uptier for certain existing lenders.
- Pluralsight 2024: the boundary — value parked inside the perimeter but outside the guarantees.
- The market's answer: J. Crew plus Serta blockers plus an unrestricted-sub basket under 1.5x EBITDA.

Source: Published covenant research.



J. Crew — the deal that named a decade of blockers.

DEC 2016	J. Crew Brand LLC formed as an unrestricted subsidiary; TPG/Leonard Green sponsors.
Q1 2017	72% of group brand IP designated out of the restricted group under ordinary Permitted Investment capacity; relicensed back to the OpCo so trading continues.
THE TRAPDOOR	Two steps under the hood: IP first to a non-loan party, then through the 'proceeds' trapdoor clause into the unrestricted sub. J. Crew sued its own lenders preemptively — for leverage.
JUL 2017	Exchange offer completed — IP as collateral for new PIK notes. Existing TLB lenders left with an operating shell.
AFTERMATH	No covenant breached. Court-approved settlement paid term lenders a fraction of their claim; every drop-down blocker since is named after this deal.

THE J. CREW BLOCKER • CH 6 • § 6.9

A blocker is worth its weakest qualifier.

- Binds the whole restricted group, not just the borrower.
- Covers every investment basket — and Restricted Payments capacity too.
- Covers all material assets, not IP only — the Accell lesson.
- Catches designating an entity that holds the IP, not just transferring the IP.
- Carries only narrow, defined exceptions.

Source: Published covenant research.



Envision and Pluralsight — the drop-down grown up.

MAY 2022	Envision (KKR) executes the drop-down leg: AmSurg, the group's valuable subsidiary, is financed into an unrestricted subsidiary. The best assets now sit outside the perimeter, free to secure new money.
AUG 2022	The uptier leg closes: an uptier refinancing for certain existing lenders. Two families stacked in one structure — participants step up twice; the excluded step down twice.
MAY 2023	Envision files Chapter 11. Participating lenders recover roughly 85% blended on AmSurg claims and about 30% at remainco. Non-participants, left fourth-out or worse, recover essentially nothing.
JUN 2024	Pluralsight (Vista): IP moves to a non-guarantor restricted subsidiary; a \$50m priming term loan is secured on it. The existing \$1.5bn of first-lien loans — private credit paper — sit stranded outside the new collateral.
AFTERMATH	Pluralsight's private credit lenders later took over the company — published research asked at the time whether it was the proverbial 'canary in the mine' for LMEs in private credit.

THE ENVISION BLOCKER

A hybrid attack needs a stacked defense.

- A J. Crew blocker — the asset door closed.
- A Serta blocker — the priority door closed.
- Unrestricted-sub investment capacity below 1.5x EBITDA — the pipe itself narrowed.
- All three must be present; two of three leaves the hybrid a lane.
- Pluralsight's sequel lesson: blockers aimed at unrestricted subs never reached the guarantee boundary.

Source: Published covenant research; LMT quarterly tracking; Fitch recovery analysis of 2023 emergers.



Altice International — 80% of EBITDA gone by midnight.

MAY 2024

The rehearsal: Altice France designates Altice Media unrestricted in connection with its sale. The sale completes that summer; a portion of the €1.55bn proceeds lands beyond creditors' reach. Negotiations drag on.

SEP-OCT 2025

Altice Portugal — then a Restricted, Guarantor subsidiary — raises €750m of senior secured debt at its own level; €2bn of further capacity reserved.

28 NOV •
EVENING

Board resolution confirms the €13.5bn Available Amount — 100% of EBITDA less 1.4× consolidated interest, accruing since 1 October 2012 — and confirms the investment carve-out from the leverage gate.

28 NOV •
MIDNIGHT

Altice Portugal and Altice Caribbean — c. 80% of consolidated EBITDA — designated unrestricted, effective midnight, at roughly 25× group leverage. Lender consent obtained: none.

1 DEC • OPEN

By market open the guarantees are released, the assets are out of the security package, and the €750m stands structurally senior.

THE FAILURE MODE

No covenant breached. No lender asked. One board resolution.

- The €13.5bn build-up basket had been accruing since 1 October 2012.
- Basket formula: 100% of EBITDA less 1.4× consolidated interest.
- The 4× ratio gate exempted investments — the carve-out did the work.
- At roughly 25× group leverage, the designation still cleared — the gate never applied to it.
- Altice France had rehearsed the move in May 2024 with Altice Media.

Source: Published covenant research; company announcements; primary transaction documents.



Serta — the three enabling clauses.

- 01 Majority amendment mechanic. Most terms move on Required Lenders — just over 50%. Only sacred rights need each-lender consent, and the 2016-vintage Serta paper carried no anti-subordination language on that list.
- 02 The 'open market purchase' carve-out. Pro rata sharing allowed non-pro-rata repayment '(A) through Dutch Auctions open to all Lenders ... on a pro rata basis or (B) through open market purchases.' The term was never defined.
- 03 No pro-rata-opportunity requirement. The borrower could offer the majority a non-ratable sweetener — the new priority — without extending the same trade to the minority.
- 04 The execution. The 52% exchanged at a discount into super-priority first-out and second-out tranches, with a third-out left open for further exchanges. The 48% were primed on identical paper; roughly 30 cents of recovery moved.

WHAT THE FIFTH CIRCUIT HELD

An open market is a designated market.

- Here, the designated market was the secondary market for syndicated loans.
- A privately negotiated exchange with hand-picked lenders is not a purchase on it.
- Any wider reading renders the Dutch auction exception superfluous — forbidden surplusage.
- Ratable treatment is 'an important background norm' — often called a lender's sacred right.
- The undefined term sat beside a 'meticulous' Dutch auction definition. The contrast decided it.

Source: Published covenant research; Fifth Circuit opinion in *In re Serta Simmons*, 31 Dec 2024.



One day, two rulings, opposite results — the drafting decided both.

	SERTA • 5TH CIRCUIT	MITEL • NY APP. DIV.
Case	Excluded Lenders v. Serta Simmons Bedding	Ocean Trails CLO VII v. MLN Topco
Clause	'Open market purchases', undefined, beside a meticulously defined Dutch auction	'Purchases' at any time, with no 'open market' qualifier
Holding	A private, negotiated exchange is not an open market purchase	Plain contract language permitted the private exchange
Result	2020 uptier voided; remanded to Judge Lopez, SDTX	2022 uptier upheld; consent solicitations stand
And	Plan indemnity struck as favouring similarly situated creditors	New York courts are not bound by the Fifth Circuit

THE FORUM LESSON

Same day. Same technique. Opposite outcomes.

- The rulings do not conflict — each court enforced its own contract's words.
- There is no one-size-fits-all uptier protection; the individual agreement decides.
- Templates drafted since the Serta exchange already add 'open market or other privately negotiated purchases.'
- Buyback carve-outs are rarely sacred — a simple majority can amend them away first.
- Read the exception, not the case law: your protection is jurisdiction-contingent drafting.

Source: Public court opinions; published covenant research.



Better Health — the uptier engineered to survive the Fifth Circuit.

DEC 2024

Better Health (Physician Partners), a Kinderhook Industries company, launches an uptier exchange offer — a \$112.5m new-money component, four proposed payment priorities — landing within weeks of the Fifth Circuit's Serta ruling.

01

Create a new class. The ad hoc group obtains a maturity extension of only its own loans — done with the consent of 'adversely and directly affected' lenders: themselves.

02

Exchange within that class. The newly separate class is exchanged into super-priority debt plus new money. Non-ratable treatment of a single class — the exact Serta issue — never arises.

03

Offer the rest a ratable trade. A pro-rata exchange offer goes to the remaining holders, formally satisfying ratable treatment. No 'open market purchase' carve-out is ever invoked.

WHY IT SURVIVES

Manufacture the class first. Subordinate inside it.

- The Fifth Circuit policed one exception — 'open market purchase.' This design never invokes it.
- The court's own safe harbour: Dutch auctions open to all lenders, pro rata.
- Ratable offers to every remaining holder satisfy the letter of pro rata sharing.
- If upheld, Serta barely reaches agreements permitting affected-lender maturity extensions.
- Post-Serta uptiers trend consensual — the haves-and-have-nots economics persist.

Source: Published covenant research; primary transaction documents.



Two claims for the same money: the double-dip, step by step.

- 01 Issue at a non-guarantor. A non-guarantor or unrestricted subsidiary issues the new notes — outside your covenant perimeter, structurally senior on its own assets.
- 02 Take credit support from the group. The restricted group guarantees the new debt. Claim one: the new lenders now recover against your guarantors, alongside you.
- 03 On-lend and pledge. The issuing entity lends the proceeds back into the group via an intercompany loan — and pledges that receivable to the new lenders. Claim two: a secured route into the same estate.
- 04 Count the claims. The new lender recovers on the guarantee and on the pledged intercompany loan — two independent paths against one pool of value. You still have one.

ARDAGH • APOLLO • APR 2024

Two independent recovery paths. You still have one.

- Apr 2024: Apollo lent AIHS — unrestricted holder of ~76% of AMPSA — €790m plus a \$250m-equivalent exchange loan.
- Dip one: all material AIHS assets pledged, including the AMPSA stake — ~\$1.56bn.
- Dip two: AIHS subscribed new ARGID 2029 secured notes, redeeming the 2025 maturity.
- The pledge moved value worth up to 67 points from the senior unsecured notes.
- Arini and Canyon sued, alleging fraudulent transfer. At Home and Sabre ran the same trade.

Source: Published covenant research (Apr 2024); company press release of 15 April 2024.



The dip clears because conditions test a single moment.

TIER	DESIGNATION CONDITION	WHAT IT STOPS
Strongest	No debt recourse to the group, at designation and after	Blocks credit support — though arguably not a proceeds loan; rarer in Europe than the US
Robust	Non-recourse debt only; arm's length; no keep-wells; continuing	Breach re-restricts the sub; the dip risks unwinding
EU standard	No group equity, debt, or lien — at designation only	Nothing. A moment later, the sub takes both
Weakest	Investments capacity is the only condition	Nothing. The on-loan and its lien clear day one

PARI PASSU, BUT BETTER

Pari passu on paper. Better in every way that pays.

- The secured on-loan shares enforcement proceeds pari passu with the lenders it dilutes.
- The same creditor also sits structurally senior on the moved assets. Two dips.
- Refinancing carveouts bar the group refinancing UR-sub debt — not the reverse.
- So a proceeds loan refinancing a secured near maturity can take the same collateral.

Source: Published covenant research (Nov 2022): unrestricted-subsidary designation provisions in European loans and bonds.



Codere priced the exit so nobody could afford to hold out.

FEB 2023	Published covenant research sizes the priming headroom: fixed debt baskets up to €185.8m with growers, ratio debt shut by negative cash flow, investments capacity ~€107.4m, a J. Crew blocker live. That map framed the consents to come.
MAR 29 2023	Lock-up signed: 60.3% of super senior notes, 57.5% of senior notes, 65.5% of subordinated notes. Enough to force the exchange path whatever the consent vote returns.
THE SWEETENER	€100m of New First Priority Notes — first-out, 11% cash coupon, due June 2027, a 5% deferred issue fee, a 3% PIK backstop fee. Consenting super senior holders may subscribe; the ad hoc committee backstops it all.
THE STICK	If 50–90% sign, exchanges launch: exchanged notes rank ahead of holdouts, whose covenants — Debt, Liens, Asset Sales — are stripped by bare-majority exit consent. Maturities push to 2027; super senior coupons reset to 1% cash plus 15% PIK.
THE QUIET MOVE	Simple majority also stretched the interest grace periods — 30 days to 91 on the March coupon, 30 to 61 on April — pre-waiving the default that lets 25% of holders accelerate. Sacred on substance, majority on form.

THE PRISONER'S DILEMMA

Decline, and you hold gutted paper while everyone else moves.

- Tender with the crowd: you take the new terms — better than every alternative.
- Hold alone: you own covenant-stripped, subordinated paper with diminished liquidity.
- Hold together: collectively best; individually a free-rider risk none can bear.
- Assenagon [2012] polices expropriation by exit consent — but later readings are narrow.
- Codere also sought to cut the future interest-consent threshold from 90% to 75%.

Source: Published covenant research (Feb–Apr 2023); company cleansing presentation and term sheet, 29 March 2023.



Casino: the LME that arrived one consent at a time.

JUN 2022	GreenYellow draws bids near €1.5bn. The Asset Sale definition has a trapdoor: proceeds routed as Restricted Payments under the 3.5x leverage carveout skip the application-of-proceeds waterfall entirely — no par offer, no sweep.
OCT 2022	After a downgrade, bondholder-identification exercises begin. Below-par buybacks run, some funded with disposal proceeds. The wall: €199m of EMTNs due January 2023, €529m March 2024, €357.4m February 2025 — plus €719.83m of Quatrim secured notes due January 2024.
THE GRADIENT	Consent thresholds slope downward: 90% to amend sacred rights in the high-yield notes; EMTNs amend by simple majority at a meeting — the second convocation needs no quorum — or 80% by written resolution.
APR 2023	EP Global (Křetínský) proposes up to €750m of a €1.1bn capital increase — conditional on a 'very substantial' cut in unsecured debt via equitization and repurchases. Teract plans could move French retail assets to an unrestricted subsidiary.
APR-MAY 2023	A consent solicitation asks 2026 and 2027 holders — simple majority, expiring 19 May — to pre-waive any default from a French conciliation. The waiver has no time limit and no tie to any transaction. Acceleration rights go with it.

THE LESSON

An LME is rarely one event. It is a series.

- Each ask was small: a routing election, a buyback, a waiver.
- The Quatrim secured notes shrank from €800m to €552.775m across three published snapshots — no headline event.
- The secured notes' Payments for Consents covenant: any inducement must be offered to all holders.
- Conciliation, once court-sanctioned, can rank new money ahead of existing creditors.
- Grade each consent against the endgame, not against its own stated purpose.

Source: Published covenant research (Jun 2022 to Apr 2023); company announcements.



Intralot, 2021 — the ballot printed the night before the meeting.

01 THE PROBLEM

Intralot's 2024 Notes needed a maturity extension. Sacred rights in a typical European HY indenture move at 90% consent; the ad hoc committee held well below the threshold.

02 THE LOCK-UP

A supportive consortium was locked in at a discount to par under a private lock-up agreement — committed votes, secured before the fight.

03 THE MINT

Fresh notes were issued to that consortium just before the ballot, carrying the same voting rights as existing paper. The denominator of the vote expanded overnight.

04 THE CLOSE

The enlarged supportive bloc crossed 90% of the newly enlarged total. Non-participants were dragged into the extension — consent manufactured, not gathered.

THE LESSON

The denominator is as negotiable as the numerator.

- A 90% threshold assumes a fixed voting pool. Nothing fixes it.
- Check whether freshly issued notes can vote immediately — enfranchisement timing decides who counts.
- Ask for disenfranchisement of affiliate-held and freshly minted paper.
- An English scheme needs only 75% — a lower bar for the same result.



The capacity screen: size the priming debt before it happens.

01 THE TRIGGER

Consolis, October 2022: a ratings downgrade, net leverage at 5.5x on €77.2m LTM EBITDA, and a €30m liquidity term loan already parked at non-guarantors, secured on subsidiary shares and €40m of real estate.

02 DEBT COVENANT

Which baskets survive? Secured ratio debt (3.2x senior secured test) is gone with €357m outstanding. The fixed baskets — general, non-guarantor, local lines — still total up to ~€75m, subject to prior use.

03 LIENS COVENANT

Where can it sit? Super senior liens on Collateral for Credit Facilities debt; up to €35m of liens on non-Collateral assets; sale-leasebacks uncapped. Non-Collateral security is the effectively senior pocket.

04 RP • INVESTMENTS

What can leave? A drop-down needs capacity equal to FMV moved. The 3.4x leverage carveout is dead at ~6.3x gross; the builder is ratio-gated; fixed investment baskets still stack to ~€145m.

05 THE TALLY

Read the pockets together: ~€75m of incremental debt, €35m securable on assets outside your collateral, ~€145m of investment capacity for a structurally senior drop-down — all read off the document, before any deal.

WHY SCREEN BEFORE STRESS

Capacity is a fact of the document, not of the cycle.

- Three covenants set the answer: Debt, Liens, Restricted Payments.
- Ratio-tested capacity dies first in stress; greater-of baskets hold their euro floors.
- Non-guarantor caps size the structurally senior pocket — here, greater of €30m and 30% of EBITDA.
- Uncapped sale-leaseback carveouts are the priming line most screens under-count.
- Run it at underwriting on every credit you hold — not after the downgrade.

Source: Published covenant research (October 2022 capacity screen); company disclosures.



Four European cases the market learned from.

NOV 2025 • PERIMETER

Altice International

The perimeter is the whole game.

A board resolution designated ~80% of consolidated EBITDA unrestricted at ~25x leverage — €13.5bn build-up basket, investments exempt from the ratio gate, no lender consent. Ratios did not fail; the boundary did.

JAN 2024 • PARI PASSU

Adler

Equal rank is substantive, not a coincidence of maturity.

The Court of Appeal overturned a plan repaying six pari passu series sequentially by maturity. Departing from rateable distribution needs a proper basis; new money or a maturity extension can supply one.

FRANCE • SERIAL CONSENTS

Casino

Each consent resets the baseline for the next.

Facing stress, Casino returned to noteholders with consent solicitation after consent solicitation. Serial consents rewrite a document a slice at a time: each vote is priced alone, and the erosion compounds.

Q1 2023 • RESTRUCTURING

Accentro

A maturity extension is bought, not granted.

Three more years cost: coupons up 2%, collateral covering 73% of NAV, a dividend prohibition, guaranteed minimum redemptions, a debt covenant permitting no other financial indebtedness. In restructuring, terms tighten.

Read the four together and the direction is clear: in Europe value leaves out-of-court, through loose perimeters and majority consents, and returns only through litigation or restructuring leverage. The document you sign at par decides which side of that exchange you stand on.

Source: Published covenant research; public court filings; company announcements.

PART FOUR · THE CONSTITUTIONAL DEFENSE

Blockers are tactical.
Covenants are constitutional.

Sinclair · Commscope · Pfleiderer · Atalian · Stonegate.



Blockers close one door. Anti-LMT covenants state a rule.

	BLOCKERS • TACTICAL	ANTI-LMT • CONSTITUTIONAL
Scope	One named exploit each	Any transaction that subordinates you
Members	J. Crew • Serta • Chewy • Envision • double-dip	Sinclair • Commscope • Pfleiderer • Atalian
Drafted by	Sponsor counsel, primary market, exceptions included	Lender counsel, in negotiated restructurings
Failure mode	Elastic exceptions that fatally weaken the protection	Undefined terms and intent tests invite disputes
When written	After the last burglary	Before the next one

THE DOCTRINE

Blockers ban the trick; anti-LMT covenants ban the outcome.

- Sponsor-drafted blockers carry exceptions that can fatally weaken the protection they purport to provide.
- Lender-drafted blockers, written with counsel in negotiated transactions, tend to do what you expect — a rare sighting.
- Narrow sacred rights leave holders exposed to changes made elsewhere — the whack-a-mole problem.
- All four constitutional covenants restrict a spectrum of LMTs; none bans them outright.
- Their aim: norms for distress — predictable outcomes, preserved value, balanced competing interests.

Source: Published covenant research; published legal commentary.



The five-blocker family: every door it closes has a known key.

BLOCKER	WHAT IT BLOCKS	THE KNOWN BYPASS
J. Crew	Material-IP transfer to an Unrestricted Subsidiary	Non-investment routes; narrow IP definitions; the non-guarantor two-step
Serta	Non-pro-rata uptier via majority amendment	Privately negotiated purchases carved out; bona-fide ratable-offer exceptions
Chewy	Guarantee release when a sub ceases wholly-owned	'Primary purpose' tests, determined by the borrower in good faith
Envision	Any UR-sub investment outside one dedicated basket	Silent on non-guarantor restricted subs — the Pluralsight door
Double-dip / pari plus	Multiple pari and effectively senior claims from the same debt	Day-one unsubs escape if tested only at designation

- **Adoption is not protection.** J. Crew language sat in 80% of H1 2024 European loans and virtually every new US broadly syndicated deal.
- **Chewy went mainstream.** Featured in more than 50% of H1 2024 new European broadly syndicated loans — often as tick-the-box drafting.
- **The Envision residue.** Fencing UR-sub investments into one basket converts every other investment basket into a legitimate-business basket — if the fence holds.

Source: Published covenant research; primary transaction documents.



A blocker is worth its weakest qualifier.

ROUTE	'Shall not constitute a Permitted Investment' bars one road of four. The builder basket, the general RP baskets, and plain disposals still carry the same material IP to the same unrestricted subsidiary.
PURPOSE	A purpose-limited blocker bars only transfers made for the 'primary purpose' of a secured drop-down financing. Transfer the IP, then spin the UR-sub's shares out under the RP covenant: no secured raise, no breach.
ASSET	'Material IP' invites definitional games. A Material-Adverse-Effect qualifier, seen especially in Europe, sets a very high bar, and an IP-only blocker misses non-IP crown jewels. Two 2024 European HY deals widened it to material assets after pushback.
PERIMETER	'Restricted IP' tied to Security Jurisdictions enables the two-step: move the IP to a non-guarantor — typically unlimited — where it stops being 'Restricted', then onward to the unrestricted subsidiary with RP capacity.
COUNTERPARTY	The blocker stops leakage to unrestricted subsidiaries only — never to third parties or the sponsor. With day-one RP capacity above 6.5x in some deals, the spin-off exit stays wide open.

Source: Published covenant research; primary transaction documents.

THE CHEWY FINDING

Is there a Chewy blocker? Read the qualifier before you answer.

- Yes — and in more than half of H1 2024 new European broadly syndicated loans.
- Three of five sampled formulations turn on 'primary purpose'; determinations often sit with the borrower in good faith.
- In PetSmart/Chewy itself the release was probably a side benefit, not the primary purpose.
- The lender-friendly form: objective conditions, capacity retested, no purpose language at all.
- Unnecessary where every sub must guarantee or release is not automatic. Check first.



The four constitutional covenants of 2024-25, clause by clause.

US • JAN 2025

Sinclair

Bars all four directions of priming, and the circumvention play.

Prohibits any exchange, refinancing, amendment or extension — or transaction designed to circumvent — uptiering holders into contractually, effectively (double dip, pari plus), temporally or structurally senior debt. Exits: defined Permitted LM Transactions.

US • DEC 2024

Commscope §3.20

A matching right, not a prohibition.

Bars any 'Senior Financing' — and any activity intended to enable one, impair credit support, or strip covenants — unless each affected holder may provide its pro-rata share on the same economic terms.

DE • MID-2024

Pfleiderer

Caps the priming debt; gates the designation; hardens consent.

Priming-debt cap: greater of €50m and a share of LTM EBITDA; never owed to sponsor or parent. Designations: 'bona fide business reasons and not made as part of a liability management transaction.'

FR • 2024

Atalian

The vintage benchmark: no Unrestricted Subsidiaries at all.

Designation ability removed; build-up basket and its leverage carve-out eliminated. 90% consent to release any collateral or any guarantee, and to subordinate holders — expressly reaching the intercreditor and security documents.

- **Born in restructurings.** All four emerged from restructurings implemented using LMTs — lender protections written into the new paper.
- **Two architectures.** The European pair lives in the Amendments provision as 90% consent rights; the US pair stands alone — Commscope's covenant amendable by simple majority.
- **None is a ban.** Commscope and Pfleiderer run on pro-rata offer exceptions; Sinclair pre-negotiates Permitted LM Transactions. They police norms, not possibility.
- **The residual flaws.** Sinclair trusts its four-direction list; Commscope's intent test invites fact disputes; Pfleiderer never defines 'liability management transaction'; Atalian omits payment subordination against outside debt.

Source: Published covenant research; primary transaction documents.



The co-op is a truce. The anti-co-op clause pre-bans it.

THE TRIGGER	Most co-ops go effective only once 50%+ of the class has signed — the minimum bloc that can vote down a coercive exchange with covenant strip.
THE COVENANT	Signatories agree to no side-deals with the borrower and accept transfer restrictions: paper moves only to another signatory or an adherent. A shield, not an interface — some co-ops even bar communications with the company.
THE TENOR	Many run six months, with three- or six-month extensions. Remedies: specific performance and injunctive relief — an unwind order — under New York law even for European credits.
THE LIMIT	Strong against uptiers, weak against drop-downs. With basket capacity the borrower moves assets unilaterally, outside the contractual framework the truce polices.
THE TIMING	In Europe's first material foray — 2024, Altice and reportedly Ardagh — the horse had bolted: Altice's assets already sat outside the restricted group; Ardagh had already agreed its priming deal with Apollo. Sign the truce before the war.

THE SPONSOR'S ANSWER

One draft hid the anti-co-op clause in the counterparts boilerplate.

- Late 2024: first attempted in an EU loan — StepStone. Withdrawn under investor pushback.
- Early 2025: first success in US BSL documentation; a single European deal by end-2025.
- Sanctions: disenfranchisement, Disqualified-Lender status, forfeited interest and fees, or a duty to report joining.
- Optimum Communications alleged an existing co-op violates the Sherman Act — treble-damage exposure if it lands.
- Doctrine: oppose at documentation; if present, check the reporting trigger; take legal advice first.

Source: Published covenant research; published legal commentary.



Adler: pari passu is substantive, not a coincidence of maturity.

THE PLAN	Adler's wind-down plan preserved sequential repayment of six pari passu senior-note series by maturity date. The latest-dated 2029s — left holding the residual risk of an inadequate fund — dissented and were crammed down.
JAN 2024	The Court of Appeal overturns the sanction — the first appeal on a UK restructuring plan. Preserving maturities was a 'clear departure' from the pari passu distribution of the insolvency alternative.
THE TEST	Cross-class cramdown removes a dissenting class's veto, so the light-touch rationality test is not enough: the court must find a fair distribution of the restructuring surplus — and ask whether a fairer plan, harmonised maturities, existed.
THE EXCEPTION	Departures survive with 'a good reason or proper basis'. The 2024s' new security passed: their one-year maturity extension was an additional accommodation. New-money elevation is the paradigm justification.
THE CODA	Shareholders kept 77.5% of the equity — no jurisdiction to compel a transfer for nothing. Aggregate Holdings promptly revised its own plan to compensate €245m of junior creditors instead of wiping them out.

FROM THE JUDGMENT

Sequential payments from a potentially inadequate fund are not a rateable distribution.

- Pari passu is substantive: equal rank means equal loss-sharing, not a coincidence of maturity.
- No absolute priority rule in UK plans — unlike US Chapter 11 — but differences need justification.
- Balance-of-probabilities comfort is not certainty; the risk of unequal loss itself breaches the principle.
- Coercive exchanges and series-vs-series offers under English law must now survive Adler scrutiny.
- English-law paper carries a substantive pari passu backstop NY-law indentures lack — issuance drifts to NY.

Source: Published covenant research on the appeal judgment; public court record.



The market dialed back priming flexibility — then found new doors.

H2 2021 • H1 2022	Peak looseness. Nearly 70% of sponsored European high-yield deals carry day-one Unrestricted-Sub investment capacity at or above 1.0x opening EBITDA; average starter amounts peak at 26% of opening EBITDA in H1 2022.
H2 2022 • EARLY 2023	The dial-back. UR-sub capacity at or above 1.0x falls to 50% of deals; starter baskets drop to 33% of early-2023 deals, averaging 12% of EBITDA; every early-2023 deal requires deleveraging before ratio-based RPs.
EARLY 2023	J. Crew blockers appear on 50% of early-2023 sponsor-backed deals — inclusion becomes the standard ask. Lawyers confirm tightening now concentrates in pre-marketing; covenant conversations happen before launch.
2024	The reversal in practice. Hunkemöller uptiers with 68.2% consent under simple-majority amendments; Accell is primed despite a reported J. Crew blocker; Stonegate sells 1,034 pubs to Unrestricted Subs; Ardagh double-dips over €1bn to Apollo.
2025-26	The reload. Available-RP-Capacity reallocation in nearly half of sponsored US and European loans; an elastic Serta-blocker carve-out turns the sacred right into a majority vote; ECF step-downs drift from 50/25/0 toward 25/12.5/0.

THE LESSON

The dial-back was real. It was also cyclical, partial, and reversible.

- Tightening clusters after volatility — the H2 2022 window — and erodes as issuance returns.
- Inclusion statistics measure presence, not strength — grade the exceptions, not the existence.
- 2024's transactions walked through doors the dial-back never touched: asset sales, majority amendments, permitted liens.
- Anti-co-op clauses keep probing — four attempts survived to European marketing; the rest died in pre-marketing.
- The new phase is pre-emptive: LME playbooks now published on stressed names before any transaction.

Source: Published European covenant research and legal commentary, 2021–2026; public transaction records.



The 2025 EU loan averages — every headline covenant looser than 2018.

COVENANT CAPACITY	2018 AVG	2024 AVG	2025 AVG
General debt basket (x LTM EBITDA)	1.04x	2.07x	3.18x
Free-and-clear starter (% LTM EBITDA)	~35%	~72%	97%
RP drawer (x LTM EBITDA)	0.32x	0.68x	0.92x
UR-sub Investments basket (x LTM EBITDA)	0.85x	1.44x	1.76x
Portability (% of deals)	~2%	5%	16%
Serta-risk docs (% of deals)	~10%	24%	35%

- **Builder starter** ~15% of EBITDA in 2018, ~28% in 2024, 33.3% in 2025 — and 75.3% of deals now carry one, up from ~40% in 2018.
- **Permissiveness index** 3.11 in 2018, 3.72 in 2024, 4.02 in 2025 — the most permissive documentation since 2017 on the published index.
- **Cash it** On illustrative Calzada's €100m EBITDA: €318m general debt basket, €97m free-and-clear, €92m RP drawer, €176m UR-sub basket — before the builder accrues.

Source: Published European loan-market covenant averages, 2018–2025; Calzada figures are illustrative constructions.



Post-LMT restructurings return ~23% to first lien; non-LMT paths ~53%.

FITCH • 2024 EMERGERS

~23%

First-lien recovery after an LMT, vs ~53% on non-LMT restructuring paths.

Serta's out-group third-out paper recovered roughly 1.5 cents on the dollar. The LMT is not a workout technique. It is a substitution technique: it exchanges senior lenders for junior lenders on the same collateral, before the workout begins.

- **First lien is no longer first.** Anti-drop-down and anti-uptier drafting now determines seniority in default — not the day-one collateral package.
- **Pricing has not adjusted.** EU loan margins tightened through 2024–2025 while documentation loosened. Spread does not compensate for the doc drift; lender selection does.
- **The workout premium has moved.** Recovery upside sits with the sponsor and the lenders leading the LMT — ad-hoc groups over steering committees.

Source: Fitch Ratings recovery data; published covenant research.



Five drafting moves remove ~€200m of leakage capacity.

DRAFTING MOVE	2025 VINTAGE	TIGHTER COUNTERPROPOSAL
UR-sub Investments basket	€176m (1.76x EBITDA)	€100m (1.0x), Pfleiderer bona-fide gate, 'not part of an LMT'
General debt basket	€318m (3.18x EBITDA)	€150m (1.5x), no reclassification loop, €30m non-guarantor sub-cap
Asset-sale step-down	Standard step-down (78% of EU loans)	100% sweep until leverage <2.5x plus 24 months clean
Amendment threshold	50.1% Required Lenders	90% over ICA, security, designation, priming cap, LMT waiver
Anti-cooperation clause	Rising in US BSL, appearing in EU	Deleted — coordination is the only fully-general defence
Sinclair four-direction cap	Absent	No priming in any direction without a pro-rata offer

LEAKAGE CAPACITY REMOVED

~€200m

Unrestricted-sub, free-and-clear, and RP-drawer capacity removed – roughly two turns of the recovery gap Fitch measured.

Source: Calzada is an illustrative construction; baskets sized off published 2025 EU-loan averages.

PART FIVE · THE PLAYBOOK

Read protection off the document.

Fifteen questions to ask on every deal, and the five you cannot leave a syndication call without.



The fifteen-line diligence checklist, on one page.

PERIMETER · CAPACITY	MECHANICS · EXITS	THE BLOCKER FAMILY	THE CONSTITUTION
01 Restricted Group perimeter: map Restricted, Non-Guarantor, Unrestricted	05 Step-down: trigger leverage and clean period; absence ~40 bps	09 Chewy: guarantee release on minority equity sale caught?	13 Commscope §3.20: intent override present? If not, ask
02 UR-sub basket in euros: over 1.0x, ask bona-fide gate	06 Portability: present? On what leverage? A pre-agreed change-of-control waiver	10 Stonegate: non-guarantor drop-down disposals caught in Asset Sales?	14 Atalian scope: 90% consent over ICA and security documents?
03 General debt basket in euros: over 1.5x, ask sub-cap	07 J. Crew: IP and material-asset transfers to UR-subs barred?	11 Serta/Mitel: pro-rata sharing sacred? Any open-market-purchase carve-out?	15 Anti-cooperation: absent, confirm; present, no signature without legal advice
04 Reclassification loop: if present, one basket becomes all baskets	08 Pluralsight: value moved to Non-Guarantor Restricted Subs caught?	12 Sinclair four-direction anti-LMT: present? If not, negotiate in	—

Fifteen answers, one discipline: read each as a euro figure and a named blocker — never as market convention, never off the cycle.

Source: The author's open teaching materials; primary transaction documents.



Five questions you cannot leave a syndication call without.

-
- 01 DROP-DOWN** Can the borrower designate my primary EBITDA-generating sub as Unrestricted? This is the Altice and J. Crew question. If yes without a Pfleiderer bona-fide gate, you are one board resolution away from disintermediation.
-
- 02 UPTIER** Can a majority of my class prime the rest of us on the same paper? The Serta and Mitel question. Sacred-right protection over pro-rata sharing is the answer; anything short of that is a jurisdictional bet.
-
- 03 DOUBLE-DIP** Does the pledge structure allow the same collateral to secure a new lender twice? The At Home and Ardagh question. The double-dip runs through non-guarantor drafting and the definition of Permitted Refinancing Indebtedness.
-
- 04 CONSENT** Can the borrower change the intercreditor or release security by ordinary majority? The Atalian question. If the ICA and security documents fall outside the 90% net, the blockers above can be dismantled underneath you.
-
- 05 CO-OP** Am I permitted to coordinate with other lenders without notifying the borrower? The anti-co-op question. Coordination is the only fully-general defence to any LMT — never sign a facility that removes it.
-

Source: The author's open teaching materials.



What you can now read off any credit agreement in twenty minutes.

- | | |
|---------------|---|
| 01 PERIMETER | Point to the Restricted Group, the Non-Guarantor Restricted Subs, and the Unrestricted Subs on a corporate tree. Enumerate the four directions of down — contractual, effective, temporal, structural — and match each LMT family to its direction. |
| 02 COVENANTS | Pull the Debt basket, the RP drawer, the UR-sub Investments basket, and the asset-sale sweep in euros, not ratios. Identify grower, super-grower, reclassification, and builder mechanics without a spreadsheet. |
| 03 FAMILIES | Name the family from the fact pattern — J. Crew, Serta, At Home, Codere, Intralot, Pluralsight. Cite the ancestor case, the covenant it exploits, and the blocker that closes it. |
| 04 DEFENSE | Choose between Sinclair, Commscope §3.20, Pfeleiderer, Atalian, and Stonegate based on the specific exposure. Understand why supermajority scope matters as much as any single blocker. |
| 05 DISCIPLINE | Read the fifteen-line checklist end to end. Ask the five questions on every syndication call. Cash every ratio into a euro figure. Read protection off the document, never off the market cycle. |

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Source: The author's open teaching materials.



You found the leak. The next discipline is pricing it.

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Where every claim on this deck comes from.

PRIMARY

Court records and transaction documents

The primary document is the fact.

Serta, Fifth Circuit, 31 Dec 2024. Mitel, NY Appellate Division, same day. Adler, UK Court of Appeal, Jan 2024. Public filings and the deals' own documents anchor every case fact.

RATING AGENCIES

Recovery studies

Rating-agency data, cited as subject-matter fact.

Fitch Ratings recovery data on 2024 emergers: first-lien recovery of roughly 23% after an LMT versus roughly 53% on non-LMT restructuring paths.

RESEARCH

Published covenant research and legal commentary

Cited generically; read the primary reports.

Survey figures, documentation indices, and case notes originate with published covenant research and legal commentary. If you subscribe to a provider, read the primary report — this deck is no substitute.

OPEN MATERIALS

The author's open teaching repos

Original commentary, open on GitHub.

The teaching editions and Covenants Bible chapters behind this deck, plus loan-versus-bond convergence tables and modelling references, are open on the author's GitHub and at levfinacademy.com.

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