

A photograph showing a group of people's hands reaching towards the center, stacked on top of each other in a circle. The hands are of various skin tones and are wearing different colored sleeves, suggesting a diverse team. The background is a bright, slightly blurred indoor setting.

Our Global Footprint & Expertise: Key to Australian/UK Restructure

Slater and Gordon Limited (S&G) – Restructure 2017

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As originally announced in August 2017, S&G's restructuring and recapitalisation was implemented by creditors' scheme of arrangement on 22 December 2017.

Key to the restructuring plan was the separation of S&G's Australian and UK businesses and the restatement of facilities for those businesses to reflect new funding and control arrangements agreed by senior lenders.

GLAS acts as agent and security trustee on S&G's new facility lines in both Australia and the UK. GLAS also acts as note trustee, registrar and paying agent on S&G's new UK convertible note facility alongside its role as equity registrar for S&G UK's lender shareholders.

Setting the scheme

S&G's difficulties were widely acknowledged in the market by the time of its restructuring announcement via the Australian Stock Exchange (ASX) on 17 March 2017².

To that point, more than 94% of S&G's debt had already been sold to undisclosed secondary debt buyers. The ASX announcement affirmed that this consortium of new senior lenders would 'work cooperatively ... to enter into binding agreements to reset its debt structure to ensure that the company has a sustainable level of debt and a stable platform for its future operations both in Australia and the UK.'³ The announcement further confirmed that the intended restructure would involve a debt for equity swap to be implemented by way of lender scheme of arrangement.

A separation of power

S&G's respective restructuring updates on 31 August 2017 and 30 October 2017⁴ as well as the Senior Lender Scheme Explanatory Statement lodged with ASX on 30 October 2017⁵ gave details of the proposed steps and timing for the scheme's implementation. Pre-implementation, the total aggregate of S&G group debt owing to senior lenders was more than A\$761m. Post-implementation of the scheme, the group's debt would be permanently reduced by combination of release, refinance and restatement of facilities as between its Australian and UK operations on the following basis:

Australia

- (a) New super senior secured A\$65m 3 year working capital facility.
- (b) Restated super senior secured A\$60m 5 year working capital facility.
- (d) New secured £250m 5 year interest-free convertible note facility.

UK

- (c) New super senior secured 3 year working capital facility denominated in the sterling equivalent of up to A\$25m.
- (d) New secured £250m 5 year interest-free convertible note facility.

Underpinning the restructure of the facilities on these terms upon implementation, a separation of the S&G group's Australian and UK business would simultaneously be effected by way of transfer of all shares in S&G's UK subsidiaries to a new UK holding company – such that shareholder control of the respective Australian and UK borrower entities under the restructured facilities would be wholly independent. Post-implementation, the new senior lenders would be issued with approximately 95% of all shares in S&G as Australian borrower and 100% of the shares in the new UK holding company as parent of the UK borrower. As partial consideration for the transfer of shares from S&G to the senior lender owned UK holding company, S&G would be entitled to exclude and retain the first A\$40m of proceeds that might otherwise be mandatorily applied in reduction of the restructured facilities in the event of the successful prosecution of its ongoing claim against Watchstone Group Plc (formerly Quindell Plc) in the High Court of England.

Certain guarantee, overdraft, credit card and other bilateral ancillary facilities available to S&G's Australian and UK businesses would continue to remain available post-implementation on ostensibly similar terms to those in place pre-implementation.

“GLAS was chosen based upon their track record as a willing, capable and proactive agency provider.”



GLAS is a pioneer in the non-bank loan agency, structured finance & corporate trustee market place.

One small step

Gilbert + Tobin (G+T) and Sullivan & Cromwell LLP (S&C) provided Australian law and English law counsel to the lenders respectively – with S&C also advising the noteholders under the convertible note facility. In addition to its strong relationships with both G+T and S&C, GLAS’ global footprint and expertise was a key determinant in its selection to assist in the restructure and the ongoing administration of the restructured arrangements. GLAS was mandated to act as agent and security trustee on both the new and restated super senior Australian dollar facilities as well as the sterling denominated new super senior facility. GLAS was also mandated to act as note trustee, registrar and paying agent on the new convertible note facility alongside its role as equity registrar for the lender shareholders in the new UK holding company. Alongside G+T and S&C, GLAS worked with S&G throughout the course of 2017 to ensure the eventual successful implementation of the restructure.

The approval conferred by the Federal Court of Australia (Victorian Division) on 14 December 2017 ratified the senior lender scheme of arrangement as well as an inter-conditional scheme propounded by S&G for the settlement of all claims against it by certain existing shareholders. All necessary legal and regulatory approvals having been received, and with all applicable conditions precedent certified as satisfied, the schemes became effective as at 15 December 2017. Implementation of the senior lender

scheme proceeded in accordance with its pre-agreed steps and the implementation date of the restructure was confirmed as at 22 December 2017.

The fluency of the eventual progress through the restructuring implementation steps was testament to the planning and diligence of all parties involved. As with most instances of true professionalism, the outwardly seamless outcome achieved by the parties on 22 December 2017 belied the reality of a uniquely challenging financial landscape for the S&G group at an equally challenging time of year. Set against mounting internal cost tensions, the pressure to agree and coordinate the recapitalised funds flows for utilisation from the implementation date was undoubtedly felt.

One giant leap

GLAS looks forward to continuing to act for the senior lenders and to building its relationship with S&G as it continues in its own rebuilding. In the immediate wake of the restructure, it was of interest to note the observation within certain segments of the media that S&G was now the first law firm to be owned by a hedge fund⁴.

While this is not a comment that is noteworthy in the context of our immediate involvement nor wider experience, we also look forward to continuing to play a role in the restructured arrangements as they mature – including when the current voluntary escrow restrictions and stapling arrangements in respect of senior lenders’ debt, notes and shares come to an end.

- 1 CLAS has offices in the UK (London), the USA (New York), Australia (Sydney) and Singapore.
- 2 Slater and Gordon Group, [website], 2018, <https://www.slatergordon.com.au/investors/asx-announcements>, (accessed 29 April 2018).
- 3 See note 2 above.
- 4 See note 2 above.
- 5 Slater and Gordon Group, [website], 2018, <https://www.slatergordon.com.au/investors/recapitalisation>, (accessed 29 April 2018).
- 6 N. Rose, 'Slater & Gordon becomes first law firm owned by hedge fund', Legal Futures, 22 December 2017, <https://www.legalfutures.co.uk/latest-news/slater-gordon-becomes-first-law-firm-owned-hedge-fund#>, (accessed 29 April 2018).

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