

NON-GUARANTOR ENTITIES

Significant domestic or foreign non-guarantor entities must be identified because these entities have not explicitly promised to repay the debt

The portion of EV derived from these subs does not directly support the rated debt
Debt and certain nondebt claims at these subs have a structurally higher priority

The portion of the company's EV stemming from these subs must be estimated and treated separately in recovery analysis

Understand the breakout of a company's cash flow and assets
Any equity value that remains after satisfying the structurally superior claims would be available to the estate
Well-structured debt will include covenants to restrict the amount of debt at such subs
Well-structured debt will take a lien on the stock of such subs to ensure a priority interest in their equity value

In practice, the pledge of foreign subsidiary stock owned by US entities is usually limited to 65% of voting stock for tax purposes

The residual value not captured by secured lenders through stock pledges --> general unsecured pool

