

## Blue Bird Body Company

February 2006

Fastest ever Chapter 11 reorganisation

### Speed read

Blue Bird, manufacturers of the iconic yellow school buses in the US, filed a pre-packaged Chapter 11 plan in the bankruptcy court in Nevada on Thursday January 26, 2006. On Friday January 27, 2006, the plan was confirmed, over the objection of one of the impaired creditors. The company's stay in bankruptcy lasted less than two days, which is the shortest span between the filing of Chapter 11 petitions and confirmation of a reorganisation plan of any Chapter 11 case in US bankruptcy history.

### Background

As part of the restructuring of UK bus manufacturer Henlys plc in October 2004, Blue Bird was spun off into a new holding company named Peach County Holdings, Inc. Peach County was owned by Volvo (42.5%), the secured lenders (42.5%), the Henlys Pension Trustee (5%) and management (10%).

In early January 2006 Volvo pulled out of talks to acquire full ownership of the Company (including the debt). The Company had an urgent need for new funding for the building season, but in the ensuing two weeks the necessary unanimous agreement could not be reached on terms that were satisfactory to all the lenders. However, the Company and its legal and financial advisers informed the lender group that the Company could not survive a traditional Chapter 11 case given to the nature of its business – particularly due to its numerous government contracts and single-source suppliers.

The Company was informed of the failure to reach a consensual agreement on January 19 and immediately proposed a "one-day" Chapter 11 to be filed one week later. While such a short stay in Chapter 11 had never been achieved before, the lenders were prepared to consider and work towards such an option as the only other alternative was for the Company to liquidate.

## Key commercial issues

The Chapter 11 case included: the filing of a pre-packaged Chapter 11 plan in Nevada for Blue Bird Body Company and certain of its affiliates; a partial secured debt to equity conversion (including cram-down of the dissenting lender); the elimination of the existing equity; an amendment to the terms of the unconverted secured debt, and the negotiation of a new \$52.5 million priority revolving credit facility for working capital. In addition to development of the plan, agreement on the terms of the old and new money and resolution of that and other issues, the deal required intercreditor issues to be negotiated, agreement by shareholders and lenders to the terms of a restructuring agreement, a new corporate charter and new management arrangements.

The Royal Bank of Scotland plc and Lloyds TSB Bank plc, as joint co-ordinators for the secured lenders, led the negotiations with a diverse lender group, including UK, European and US institutions and par and distressed holders.

## Other lessons

The case involved an unprecedented pre-pack breaking the record for the shortest ever Chapter 11 case in US bankruptcy history (less than two days). The previous fastest Chapter 11 case was 13 days. Furthermore, the confirmation order was granted notwithstanding the objection of an impaired creditor. In addition, consent was obtained from all the existing equity holders (bar the objecting creditor), for the deal which saw all existing equity cancelled.

## Advisors

Allen & Overy LLP provided legal advice (London and New York) to The Royal Bank of Scotland plc and Lloyds TSB Bank plc as joint co-ordinators for the secured lenders. The Company was represented by Skadden, Arps, Slate, Meagher & Flom LLP and advised by Kroll Zolfo Cooper.

<p><b>Key contacts</b> If you require advice on any of the matters raised in this document, please call any of our partners or your usual contact at Allen &amp; Overy.</p>	<p><b>Peter Schulz</b> peter.schulz@allenoverly.com</p> <p><b>David Frauman</b> david.frauman@allenoverly.com</p>	<p><b>Carolyn Conner</b> carolyn.conner@allenoverly.com</p> <p><b>Hugh McDonald</b> hugh.mcdonald@newyork.allenoverly.com</p>
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### Allen & Overy LLP

One New Change London EC4M 9QQ United Kingdom Tel +44 (0)20 7330 3000 Fax +44 (0)20 7330 9999 www.allenoverly.com

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