Managing Your Balance Sheet

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Choosing the right liability management alternative to restructure or retire outstanding debt securities or to manage risk and reduce funding costs may depend on a number of factors. Below we summarize the principal considerations for issuers.

	Benefits	Consideration
Redemptions	• Efficiency (no registration required, no documentation needed) • Flexible (may redeem all or part of an outstanding class of debt securities)	• Requires deploying cash on hand • Expensive (redemption price usually preserves yield to maturity) • Notice generally must be outstanding between 30 and 60 days (rates may fluctuate during the time period)
Repurchases	• Efficiency (no registration required and no documentation needed) • Privately negotiated • Pricing takes advantage of market fluctuations • Less transparency • For financial institutions, may help improve Tier 1 regulatory capital position • May be part of an ongoing repurchase program	• Requires deploying cash on hand • May result in retiring only a small percentage of securities from a limited number of holders • May require public disclosure • May trigger the application of the tender offer rules
Debt Tenders	• Efficiency (no registration required and not subject to SEC review, unless the securities are convertible debt) • Flexible (able to retire an entire series or class of debt securities) • Able to approach all holders (subject to compliance with applicable tender offer rules) • May engage investment bank to undertake the tender • Can be paired with a consent solicitation	• Requires deploying cash on hand • If subject to the tender offer rules, debt tenders must be held open for a specified time period and be in compliance with other conditions • Holdout issue • Convertible debt tenders generally are subject to the tender rules for equity securities • Must pay all investors of the same class the same price (if subject to the tender offer rules)
Private exchange offer	• Efficiency (no registration required and not subject to SEC review, unless convertible debt) • Does not require deploying cash on hand • Flexible (able to retire an entire series or class of debt securities) • May engage investment bank to solicit • Able to pre-certify investor status • No section 11 liability in respect of offering memorandum • Can be paired with a consent solicitation • Often can be accomplished on a tax- free basis for debt holders	• Generally limited to QIBs • Holdout issue • The new securities issued in the exchange may be restricted securities (but holder may be able to tack its holding period from the original issue date of the tendered security) • Holders may request registration of the resale of the new securities

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3(a)(9) exchange offer	• Efficiency (no registration required and not subject to SEC review) • Flexible (able to retire an entire series or class of debt securities) • Does not require deploying cash on hand (only minimal costs) • Able to approach all holders (subject to compliance with applicable tender offer rules) • No section 11 liability with regard to offering memorandum • Can be paired with a consent solicitation • Often can be accomplished on a tax-free basis for debt holders	• New securities may be restricted securities (but holder may be able to tack its holding period) • Limited ability to engage and compensate an investment bank for solicitation • Holdout issue • May be integrated with other offers made in close proximity to the exchange offer • Must pay all investors of the same class the same price (if subject to the tender offer rules)
Registered exchange offer	• Efficiency (able to retire an entire series or class of debt securities) • Does not require deploying cash on hand • New securities are freely transferable • May engage an investment bank to solicit exchanges; no restrictions on compensation to the investment bank • Able to approach all holders (subject to compliance with the tender offer rules) • Can be paired with a consent solicitation • Often can be accomplished on a tax-free basis for debt holders	• Time consuming (subject to SEC review and filing requirements) • Generally must remain open for 20 business days (if subject to the tender offer rules) • Section 11 liability • Holdout issue • Must pay all investors of the same class the same price (if subject to the tender offer rules)

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	Benefits	Consideration
Debt for equity exchanges	• Often used by issuers under distressed conditions or even as an alternative to bankruptcy because of upside potential for investors • Improves the issuer's debt-to-equity ratio, also potentially improving the issuer's credit ratings • Does not require deploying cash on hand (only minimal costs) • Can be paired with a consent solicitation • Often can be accomplished on a tax-free basis for debt holders	• If registered, can be time consuming (subject to SEC review and filing requirements) • Must remain open for a specified time period if subject to the tender offer rules • Equity issuance may trigger securities exchange issuance limitations or shareholder vote requirement • Terms of equity securities may be onerous • Must pay all holders of the same class the same price (if subject to the tender offer rules)
Equity for equity exchanges	• Does not require deploying cash on hand • Terms of new securities may be less onerous • Generally a tax-free transaction • Able to approach all holders subject to compliance with the tender offer rules	• Must be permitted under state law • If registered, can be time consuming (subject to SEC review and filing requirements) • Must remain open for a specified time period if subject to the tender offer rules • No balance sheet impact • •Must pay all holders of the same class the same price (if subject to the tender offer rules)
Consent solicitation	• May be undertaken alone or paired with a tender offer or exchange offer; however, SEC guidance does not permit exit consents to be solicited in connection with expedited tenders • Allows the issuer to modify onerous or restrictive covenants • Not subject to SEC review or to the tender offer rules • No section 11 liability • Does not require deploying cash on hand (only minimal costs) • Generally tax-free unless considered a significant modification of the outstanding debt securities	• May require a supermajority to enact modifications • The Trust Indenture Act does not permit modification of interest, principal, maturity and other provisions without 100% approval; TIA provisions may serve to limit certain amendments that deprive holders of a right to a source of payment • Modifications may result in the remaining securities being considered "new" for Securities Act purposes • Holdout issue