

## Purchasing Portfolio Company Debt – Threshold Issues for Private Equity Sponsors

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The coronavirus (COVID-19) emergency has led to the debt of many companies in private equity portfolios trading at a significant discount. As a result, an increasing number of private equity sponsors are strongly considering whether to purchase portfolio company debt in the secondary market as an investment opportunity. At the same time, the portfolio companies themselves are considering repurchasing their own debt to accomplish the twin goals of increasing equity value by retiring debt at a discounted price and reducing leverage during this volatile period in the global financial markets.

This memo highlights several legal issues for private equity sponsors and their portfolio companies to consider in evaluating a potential purchase of portfolio company debt.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

**William J. Chudd**

+1 212 450 4089  
william.chudd@davispolk.com

**Derek Dostal**

+1 212 450 4322  
derek.dostal@davispolk.com

**Sartaj Gill**

+1 212 450 6163  
sartaj.gill@davispolk.com

**Michael S. Hong**

+1 212 450 4048  
michael.hong@davispolk.com

**Adam Kaminsky**

+1 202 962 7180  
adam.kaminsky@davispolk.com

**Jason Kyrwood**

+1 212 450 4653  
jason.kyrwood@davispolk.com

**John (J.W.) Perry**

+1 212 450 4949  
john.perry@davispolk.com

**David H. Schnabel**

+1 212 450 4910  
david.schnabel@davispolk.com

**Darren M. Schweiger**

+1 212 450 4575  
darren.schweiger@davispolk.com

**H. Oliver Smith**

+1 212 450 4636  
oliver.smith@davispolk.com

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