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### Hedge Funds Moving To Push Allied Systems Into Bankruptcy

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Hedge funds owed nearly \$53 million have moved to push Allied Systems Holdings Inc. into an involuntary bankruptcy case, a remedy for what they said are improper moves by owner Yucaipa Cos.

Affiliates of Black Diamond Capital Management LLC and Spectrum Investment Partners LP asked the U.S. Bankruptcy Court in Wilmington, Del., to move promptly to appoint a trustee to run the company on the alleged grounds it is being "grossly mismanaged."

Atlanta's Allied Systems Holdings specializes in the delivery of new vehicles from car manufacturers to dealerships. John Blount, chief administrative officer and general counsel of the company, Friday said "rogue lenders" were behind the involuntary bankruptcy petition, which had its roots in a running legal battle between the hedge funds and Yucaipa. Most lenders are supportive of the company, and it has adequate liquidity to continue business as usual, Blount said.

Allied and its attorneys haven't yet seen the complete set of accusations backing the involuntary Chapter 11 bankruptcy petition, which was filed Thursday in redacted form.

"We need to see what it says and respond accordingly," Blount said.

Yucaipa didn't respond to a request for comment.

Companies targeted with involuntary bankruptcy petitions are given time to defend themselves against allegations that they are insolvent. Complaints from the hedge-fund investors include claims Allied Systems has refused to talk about restructuring its debts, which are topped by \$296 million in first-lien obligations.

"Yucaipa caused Allied to default on numerous provisions of the credit agreement and other agreements and then interfered with and frustrated the lenders' ability to exercise their rights," the hedge funds contend in court filings.

In a New York lawsuit, the hedge funds have accused Yucaipa, the private-equity owner, of buying up enough of Allied's first-lien debt to control the company's dealings with its lenders. They allege that is in violation of legal protections on the debt.

According to court papers, Yucaipa denies running afoul of debt covenants.

Blount, Allied's general counsel, said he wasn't sure what the unhappy lenders meant when they referred to Allied's defaults.

"I certainly feel very strongly that we are caught in a legal dispute," Blount said. "I think that's why we wound up in this."

Allied emerged from bankruptcy protection in 2007 under a Chapter 11 plan that made Yucaipa its majority owner. Exit financing included a \$265 million senior-secured, first-priority loan and a \$50 million second-lien loan.