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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: GARRETT MOTION, INC., et al., Debtors.[1]	Chapter 11 Case No. 20-12212 (MEW) (Joint Administration Requested)

LIMITED OBJECTION AND RESERVATION OF RIGHTS CONCERNING DEBTORS' MOTION TO OBTAIN POSTPETITION FINANCING

Parties-in-interest Gabelli Funds, LLC ("Gabelli") and S. Muoio & Co. LLC ("SM&Co." and, together with Gabelli, the "Funds") object to and reserve their rights with respect to *Debtors' Motion for Entry of Interim and Final Orders, Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, 503, 506, 507 and 552, (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (II) Granting Liens and Providing Claims with Superpriority Administrative*

[1] The last four digits of Garrett Motion Inc.'s tax identification number are 3189. Due to the large number of debtor entities in these Chapter 11 Cases, for which the Debtors have requested joint administration, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed claims and noticing agent at http://www.kccllc.net/garrettmotion. The Debtors' corporate headquarters is located at La Pièce 16, Rolle, Switzerland.

Expense Status, (III) Granting Adequate Protection to the Prepetition Secured Parties, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing and (VI) Granting Related Relief (the "DIP Motion") (ECF No. 17), and in support of this limited objection and reservation respectfully state as follows:

1. Gabelli and SM&Co. own, directly or through affiliates, 824,442 and 182,266 common shares of Garrett Motion, Inc. (the "Company"), respectively, amounting to nearly 1.4% ownership of the Company. Accordingly, the Funds have standing to make this objection and reservation of rights under 11 U.S.C. § 1109(b).

2. Debtors have not demonstrated the need for debtor-in-possession ("DIP") financing at this time or that the facility proposed in the DIP Motion, as revised (the "DIP Facility") (ECF No. 92), is appropriate or approvable. Among other things, based on Debtors' own public filings, the $250 million DIP Facility appears substantially to exceed the Debtors' needs which, in reviewing their updated DIP budget, will in no way surpass $100 million during these Chapter 11 Cases. Nor should Debtors be permitted to enter a DIP Facility that requires priming leans without demonstrating no available alternatives or that may lock them into a liquidation.

3. The Funds concede that Debtors need adequate liquidity to continue business in the ordinary course during this Chapter 11 Cases to maximize the value of the Company and its assets as a going concern. However, Debtors should not be authorized to obtain $250 million in DIP financing without demonstrating a clear necessity – which they have failed to do.

4. By their own admission, Debtors have as much as $297 million cash on hand (ECF No. 46 ¶¶ 2-3), "a strong cash position," and the "ability . . . to delay draws on the DIP."[2] Indeed, even assuming Debtors' updated DIP budget is accurate, Debtors' DIP needs would appear to be

[2] *See* September 21, 2020 Hearing Transcript ("Tr.") at 40:8-9.

more than satisfied by financing of $100 million.[3] According to Debtors' budget, after obtaining $100 million in DIP financing, their average weekly cash on hand until year end would be $147.5 million and would never fall below $43.9 million. (ECF No. 93 at 7).

5. Debtors' stated need for at least $150 million in cushion (ECF No. 95 ¶ 8) is based on conclusory statements in their declarations that provide minimal transparency into why such a substantial amount of liquidity is necessary. In any case, were Debtors to borrow the whole $250 million they propose, their average weekly cash on hand until year end would be $243.9 million – far in excess of the amount they claim to need.

6. Put another way, from Debtors' own filings it appears Debtors will have access to all the liquidity necessary to operate their business in the near term and should not be permitted to add up to $250 million in unnecessary and costly debt to their capital structure and push existing stakeholders further down the waterfall. This is particularly true because any purported shortfall is of Debtors' own making – they apparently failed to draw down on the revolver.

7. Moreover, beyond broad statements in Debtors' declarations, they provide little detail demonstrating a fulsome process was undertaken to secure the least onerous financing arrangement or that more favorable were unavailable. To the contrary, since the DIP Motion there have been at least two subsequent financing proposals – one by Centerbridge Partners, L.P. and Oaktree Capital Management, L.P. and one by the ad hoc group of prepetition secured noteholders – neither of which require priming liens and at least one of which appears to be several million dollars less costly to the estate through the first extension. (ECF 94 at 24-28).

8. At bottom, it is well settled that a motion seeking authorization to obtain debtor-in-possession financing such as the DIP Motion at issue here should be denied where Debtors' have

[3] The Funds note that Debtors' submissions provide no transparency into the large fluctuations in trade and other disbursements reflected in the budget that impact cash on hand.

not met their burden to prove they were unable to obtain unsecured financing that does not require priming liens. *See, e.g.*, *In re Los Angeles Dodgers LLC*, 457 B.R. 308, 312 (Bankr. D. Del. 2011) ("The Court will deny the Motion, premised upon of Section 364(b) of the Bankruptcy Code, 11 U.S.C. § 364(b), which explicitly precludes the [ ] Loan where, as here, Debtors are unable to prove that they are 'unable to obtain unsecured credit allowable under section 503(b)(1) ... as an administrative expense.'"). Nor have debtors met "the burden of demonstrating unsuccessful efforts to obtain less onerous financing." *In re Lo'r Decks at Calico Jacks, LLC*, No. 09-09614-8-RDD, 2010 WL 19659894 (Bankr. E.D.N.C. May 14, 2010).

9. At very least, the Court should deny the DIP Motion to give Debtors more time to seek improved terms or alternative financing at a level they can support in the record.

RESERVATION OF RIGHTS

10. The Funds reserve all their respective rights, claims, defenses, and remedies, including, without limitation, the right to amend, modify, or supplement this Objection and to raise additional objections during the DIP hearing.

Dated: September 29, 2020

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