

Nicole L. Greenblatt, P.C.
Anthony R. Grossi
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
601 Lexington Avenue
New York, New York 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Craig S. Primis, P.C.
Ronald K. Anguas, Jr. (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
1301 Pennsylvania Avenue, NW
Washington, DC 20004
Telephone: (202) 389-5000
Facsimile: (202) 389-5200

-and-

Mark McKane, P.C. (admitted *pro hac vice*)
Michael P. Esser (admitted *pro hac vice*)
KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
555 California Street
San Francisco, California 94104
Telephone: (415) 439-1400
Facsimile: (415) 439-1500

Counsel to Honeywell International Inc.

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)
) Chapter 11
)
GARRETT MOTION INC., *et al.*,¹) Case No. 20-12212 (MEW)
)
) Debtors.) (Jointly Administered)
)

**LIMITED OBJECTION TO THE DEBTORS’ MOTION FOR ENTRY OF INTERIM
AND FINAL ORDERS, PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 364, 504, 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 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**

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 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.



Honeywell International Inc. (“Honeywell”) respectfully submits this limited objection (the “Objection”) to the *Debtors’ Motion for Entry of Interim and Final Order, Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, 503, 506, 507 and 552, (I) Authorizing Debtors to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (II) Granting Liens and Providing Claims with Superpriority Administrative Expense Status, (III) Granting Adequate Protection to the Prepetition Secured Parties, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing and (IV) Granting Related Relief* [Docket No. 17] (the “DIP Motion”).² In support of this Objection, Honeywell states as follows:

Preliminary Statement

1. Since the outset of these chapter 11 cases, Honeywell has sought to ensure that the Debtors’ DIP financing, if necessary at all, is obtained on the best possible terms.³ After filing nine declarations in support and four different DIP budgets,⁴ each of which demonstrates increasingly favorable operating performance, it remains unclear whether the Debtors have satisfied their burden to establish (a) a need for incremental DIP financing, (b) that priming DIP financing is necessary or whether alternative junior capital is available and fully explored, and (c) that the terms of the DIP Facility are fair and reasonable, or justified in light of substantial existing cash collateral.

2. The Debtors are still in the process of supplying stakeholders, including Honeywell, with discovery and information regarding the proposed DIP financing and related marketing

² Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the DIP Motion or this Objection, as applicable.

³ See Honeywell Redacted Limited Objection [Docket No. 103] and Honeywell Redacted Sur-Reply [Docket No. 150, Exh. B].

⁴ See Docket Nos. 17, 93, 94, 95, 143, 144, 196, 197, and 198.

process, including filing three declarations less than 24 hours in advance of the objection deadline, as well as scheduled depositions on October 19 and October 20. In light of the foregoing, Honeywell respectfully submits this Objection to ensure that the Debtors meet their statutory burden and reserves all rights to amend or supplement this Objection in light of the ongoing discovery and pending depositions.

Objection

3. The Debtors have not yet adequately demonstrated a need for the requested incremental postpetition financing. The guiding principal in seeking postpetition financing is “need.” *See, e.g., In re Int’l Filter Corp.*, 33 B.R. 952, 956 (Bankr. S.D.N.Y. 1983) (“[I]n almost every operating Chapter 11 case, a principal concern . . . is the economic administration of the estate. In practical terms, that concern translates into the inquiry of the need for post-petition financing[.]”); *In re Tamarack Resort, LLC*, 2010 WL 4117459, at *10 (Bankr. D. Idaho Oct. 19, 2010) (“Debtors often need access to credit in order to advance a reorganization, and often on emergent bases.”).

4. The Debtors filed these chapter 11 cases with approximately \$280 million in cash on hand and significant projected EBITDA gains throughout 2021. Inclusive of the \$100 million interim DIP draw, the Debtors’ October 15 DIP Budget (as defined below) indicates that the Debtors have approximately \$313.6 million of cash on hand as of October 17, 2020. Despite ample liquidity, the Debtors submitted a supplemental declaration from Sean Deason, in which Mr. Deason stated that in his business judgment, the Debtors need an additional \$150 million of DIP financing “to maintain ongoing operations in the ordinary course of business” because of the “Debtors’ financial circumstances and projected liquidity needs.” Deason Declaration [Docket No. 196] ¶ 4.

5. The facts, however, do not clearly support Mr. Deason's statement. A revised DIP forecast, filed as Exhibit A to the supplemental declaration of Scott M. Tandberg [Docket No. 198] (the "October 15 DIP Budget"), projects operating cash burn of less than \$65 million through March 2021. If certain non-operating expenditures are included (*i.e.*, the payment of debt interest and fees and FX related charges), the cash burn is closer to \$110 million. With over \$300 million of cash available today, it would seem that the Debtors have more than ample liquidity to operate their business through the end of March 2021, based on the October 15 DIP Budget, prepared by and submitted to this Court by the Debtors' advisors.

6. Additionally, the Debtors' have outperformed projections since these chapter 11 cases were commenced. The October 2 DIP Budget attached to the Interim DIP Order [Docket No. 169-3] projected cash on hand of approximately \$232 million for the week ending October 17. The October 15 DIP Budget shows actual cash on hand of approximately \$313 million for the week ending October 17 — an ***\$80 million increase*** over originally projected to actual in the span of two weeks. *See* October 15 DIP Budget, at *4. Moreover, the October 2 DIP Budget anticipated net cash flow of (\$110,737,000) for the week ending October 17, which has been revised upward to (\$1,741,000) for the week ending October 17, in the October 15 DIP Budget, a revision of ***over \$100 million***. Based on the Debtors' October 15 DIP Budget, the Debtors will never have less than \$75 million in cash on hand, even without access to \$150 million in additional DIP financing assuming there are no further material upward revisions to the budget (a leap of faith at this point).⁵

7. The record continues to remain unclear whether the Debtors have adequately explored alternative DIP proposals in good faith since entry of the Interim DIP Order. A "debtor

⁵ Notably, the Debtors will save an additional \$3 million in upfront fees should they avoid the subsequent \$150 million DIP draw. *See* October 15 DIP Budget, at *2.

must show that it made a reasonable effort to seek other sources of credit available under section 364(a) & (b)” before seeking financing under section 364(c) and section 364(d). *In re Ames Dept. Stores, Inc.*, 115 B.R. 34, 40 (Bankr. S.D.N.Y. 1990). On the eve of the DIP objection deadline, the Debtors submitted minimal evidence that they continued to explore alternative DIP proposals since October 6. *See Mendelsohn Declaration* [Docket No. 197]. The entirety of that process can be summarized as a one week discussion with limited back and forth between the Debtors, Centerbridge, and Oaktree that resulted in those parties continuing to express interest but declining to provide a signed commitment letter by October 13. *See Mendelsohn Decl.* ¶¶ 7, 8.

8. Finally, it remains unclear whether the proposed terms of the DIP Facility are the best available to the Debtors. The terms of postpetition secured credit must be “fair, reasonable, and adequate.” *See In re Barbara K. Enters., Inc.*, 2008 WL 2439649, at *10 (Bankr. S.D.N.Y. June 16, 2008). Since the Petition Date, the additional time and continued pressure to negotiate with alternative lenders has resulted in improved DIP Facility terms, for the benefit of all of the Debtors’ stakeholders. For example, the Debtors stated in their reply [Docket No. 142] that because of the “unexpected alternative junior DIP proposal unveiled at the Debtors’ first day hearing on September 21, the Debtors seized the opportunity to further improve the DIP Facility’s terms.” Reply ¶ 12. As a result of these negotiations, the Debtors “obtained substantial concessions, including the removal of all milestones and a more flexible and less expensive approach to maturity extensions.” *Id.* Since entry of the Interim DIP Order, the Debtors were able to successfully obtain the consent of the Required Lenders to remove the 1.00% prepayment premium, saving the Debtors up to \$25 million in fees. *See Mendelsohn Decl.* ¶¶ 5, 6. Further, the secured lenders have confirmed that the waiver of default interest in the Debtors’ restructuring

support agreement is portable to an alternative chapter 11 plan that repays these lenders in full in cash, removing another barrier to alternative capital providers.

9. These improvements demonstrate that the initial terms of the DIP Facility were not fair, reasonable, or adequate and that additional time to evaluate the need for subsequent DIP financing will benefit the Debtors and their stakeholders. Furthermore, as previously stated, the Debtors' strong and improving operating and financial position raises questions about whether there is any need for additional DIP financing at all. Honeywell strongly urges the Debtors to pause to evaluate the need for additional DIP funding until necessary and to fully explore relevant junior or alternative financing options as these options are in the best interests of the Debtors and their estates and as required by section 364(c) and section 364(d) of the Bankruptcy Code.

Reservation of Rights

10. Honeywell files this Objection with a full reservation of rights, including the right to amend or supplement this Objection in all respects at any point in advance of the final DIP hearing and to raise additional arguments at the final DIP hearing.

[Remainder of page left intentionally blank.]

New York, New York
Dated: October 16, 2020

/s/ Nicole L. Greenblatt

Nicole L. Greenblatt, P.C.

Anthony R. Grossi

KIRKLAND & ELLIS LLP

KIRKLAND & ELLIS INTERNATIONAL LLP

601 Lexington Avenue

New York, New York 10022

Telephone: (212) 446-4800

Facsimile: (212) 446-4900

- and -

Craig S. Primis, P.C.

Ronald K. Anguas, Jr. (admitted *pro hac vice*)

KIRKLAND & ELLIS LLP

KIRKLAND & ELLIS INTERNATIONAL LLP

1301 Pennsylvania Avenue, NW

Washington, DC 20004

Telephone: (202) 389-5000

Facsimile: (202) 389-5200

-and-

Mark McKane, P.C. (admitted *pro hac vice*)

Michael P. Esser (admitted *pro hac vice*)

KIRKLAND & ELLIS LLP

KIRKLAND & ELLIS INTERNATIONAL LLP

555 California Street

San Francisco, California 94104

Telephone: (415) 439-1400

Facsimile: (415) 439-1500

Counsel to Honeywell International Inc.