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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

THE FUND SHAREHOLDERS' STATEMENT CONCERNING THE BID PROCEDURES MOTION

Gabelli Funds, LLC, S. Muoio & Co. LLC, Esopus Creek Value Series Fund LP – Series "A" and Hutch Capital Management LLC (collectively, the "Fund Shareholders") respectfully submit this statement concerning *Debtors' Motion for One or More Orders (A) Authorizing and Approving Bid Procedures, (B) Authorizing and Approving the Stalking Horse Bid Protections, (C) Scheduling a Sale Hearing, (D) Authorizing and Approving Assumption and Assignment Procedures, (E) Approving Notice Procedures and (F) Granting Other Relief* (the "Bid Procedures Motion") (ECF No. 18). [1]

1. The Fund Shareholders, who collectively beneficially hold more than 2.35% of the common equity of Garrett Motion, Inc. ("Garrett" or the "Company"), are neither aligned with the

[1] We apologize for the late submission. It is made with Debtors' consent and we thought it important to reflect a few points in light of the submission by the Consortium.

binding transaction sponsored by Centerbridge Partners, L.P., Oaktree Capital Management, L.P., certain clients of Jones Day who hold equity securities and Senior Notes, and Honeywell International Inc. (the "Consortium") nor specifically proponents of the stalking horse bid by KPS Capital Partners, LP ("KPS").

2. As the Court noted during the prior hearing on the Bid Procedures Motion, the Court is not faced with a plan confirmation decision. The core issues before the Court are whether a competitive process is necessary for the benefit of all stakeholders and whether agreement to a $63 million break fee with a $21 million expense cap is reasonable under the exercise of the Debtors' business judgment. The Fund Shareholders believe the answer to both questions must be "yes" at the current stage of these Chapter 11 Cases.

3. First, the Consortium proposal is a "no shop/no auction" plan that effectively "locks up" Honeywell by agreeing to pay it what appears to be 100% of its putative claim. Leaving aside the reasonableness of that agreement under all of the circumstances here (an issue not before the Court), it clearly has a chilling effect on any alternative plan proposal that might seek to negotiate with Honeywell because under the Coordination Agreement no party may do so unless it agrees to pay Honeywell 30% more than it is paid under the Consortium proposal. By contrast, the KPS bid is subject to overbid either under the existing RSA framework or by alternative plan. In this regard, the choice for the Court is clear – only the KPS bid supports a competitive process and that alone should resolve the question of whether the KPS bid or Consortium proposal is *currently* in the best interests of all stakeholders.

4. Second, the value of a competitive process is already manifest here. The existence of the original KPS bid provoked the Consortium proposal, which in turn motivated KPS to improve its bid by $500 million dollars and, just today, the Consortium improved its proposal by

an $84 million payment to equity holders on a contingent basis if the break fee is disallowed. Moreover, ongoing discussions have indicated a competitive process will encourage participants currently in the Virtual Data Room to surface with competing bids, and both KPS and the Consortium may be encouraged to improve their offers. Such a result is, of course, impossible without a level-competitive and fair playing field, something that will not exist without a fully committed stalking horse bid.

5. Third, (and leaving aside that the break fee and expense cap at approximately 3.2% of deal price is well within the range of typical fees approved in this Circuit), the arguments made at the prior hearing by respective counsel for the Consortium repeatedly mischaracterized the break fee as a payment being made by equity. But as the Court is aware, the fee is only payable in the event of an overbid in an amount exceeding the combined stalking horse bid and break fee. In essence, if the fee is paid at all it will be paid out of the overbid, not out of the stalking horse bid.

6. Fourth, Debtors and other stakeholders such as the Fund Shareholders made every effort to reduce the break fee and to cap expenses. In response, KPS agreed to cap expenses, and effectively reduced the break fee/expense from 4% to 3.2% as a function of the $500 million bid improvement. Simply put, the break fee and capped expenses are a reasonable price to pay for the clear benefits for all stakeholders found in a competitive process. In this regard, the Fund Shareholders also note that a fair reading of the Consortium proposal is that it includes an uncapped amount of fees and expenses, though the economics are not detailed.

7. Fifth, The KPS bid is fully committed. While Centerbridge and Oaktree appear to stand behind the issuance of the Series A preferred stock, it is obvious that substantial additional debt must be raised to fund the Consortium proposal. In that regard, as noted in their letter, while they have two “highly confident” letters, they do not yet appear to have fully committed financing

for their proposal. Moreover, there are reasonable concerns about whether it can be fully committed and on what terms given the extremely high leverage inherent in the proposal, which call into question whether the stated preliminary ratings related terms in their bank letters (BB/Ba2 rating) are achievable. As this Court is aware, there is an ocean between a fully committed bid and one that is not fully committed. While the Consortium proposal may become fully committed over time, it is not fully committed today, and it is difficult to see why that also does not disqualify it from consideration for present purposes.

8. One final point. There were unaffiliated shareholders listening during the prior hearing and a number of those funds have reached out to Entwistle & Cappucci, Proskauer and others seeking representation or to otherwise express support for a competitive process. Thus, when Jones Day states that they represent "shareholders" it should be noted those are only the shareholders that have been otherwise incentivized to sign onto the Consortium proposal. Jones Day does not speak for the Fund Shareholders and other shareholders like them, who are aligned only behind the idea that a competitive process is in the best interests of all stakeholders as opposed to being aligned behind any given bid at this stage of the Chapter 11 Cases.

Dated: October 23, 2020

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