

Hertz Confirms New Sponsor Offer In Seesaw Del. Ch. 11

By **Jeff Montgomery**

Law360 (May 4, 2021, 12:57 PM EDT) -- Hertz Global confirmed early Tuesday receipt of a sweetened sponsorship offer from the original plan backers for the bankrupt rental giant's Chapter 11, potentially setting up a final three-day deadline for a topping offer by the current leader and a potential auction on May 10.



Hertz Global said Tuesday it has received a sweetened sponsorship offer for its Chapter 11, potentially setting up an auction on May 10. (iStock.com/ablokhin)

Affiliates of Knighthead Capital Management LLC, Certares Opportunities LLC, and Apollo Capital Management LP met Hertz's Sunday deadline for its new offer, intended to trump earlier, usurping bids led by Centerbridge Partners LP, Warburg Pincus LLC and Dundon Capital Partners LLC.

Hertz has until 5 p.m. Tuesday to determine if the latest overture beats the offer from Centerbridge, with the Centerbridge group having a 5 p.m. Friday deadline for countering if they are deemed to have been topped. If Hertz goes to an auction, current schedules call for a hearing on May 14 to approve the result and, if required, distribution of new plan solicitation materials.

Although full details were not available, the latest bid from the Knighthead group would allow full payment of all secured and unsecured debt and would support about \$5.8 billion in stock investments and rights offerings. If Hertz declares that the Knighthead/Certares/Apollo offer is superior, Centerbridge will have until Friday to counter and tip the process into a full-blown auction.

In announcing the development, Hertz said it "has not yet made any determination regarding the revised proposal and will evaluate it in accordance with the procedures established by the bankruptcy court."

Hertz has yet to disclose all of the latest offer's terms, including Apollo's role in the financing. But the plan envisions \$2.9 billion in direct common stock investments, \$1.5 billion in direct preferred stock investments and a \$1.36 billion rights offering.

Holders of common stock, faced with a wipeout under Hertz's door-opening plan, would receive \$0.50 per share in cash and the possibility of a share in 10-year warrants for 10% of the company or

in some cases a chance of access to common stock shares included in the rights offering.

Common to both current offers is the debtor's emergence from bankruptcy as a publicly traded company, although the anticipated enterprise value of the company under the Knighthood/Certares/Apollo plan was not released.

Hertz filed for Chapter 11 protection in May with about \$20 billion of debt, citing a major downturn in business as the COVID-19 pandemic ravaged the travel industry. The company said its business declined by 75% almost immediately after widespread business and travel restrictions were implemented in March 2020.

The case opened with a sponsorship commitment from Knighthood and Certares, but switched to the deal offered by Centerbridge on March 31. Knighthood and Certares countered at the 11th hour in mid-April, just ahead of a plan disclosure hearing.

On April 28, Knighthood and Certares filed a reservation of rights with the court, with the bidders disputing a Hertz report that the original sponsors' counter offer was "not fully documented and did not have any committed exit financing."

"We look forward to working further with the debtors in an auction process that puts the full details of our efforts and proposed transaction before all constituents and the court for ultimate approval," the Knighthood team said in its reservation.

Representatives for the debtor did not immediately respond to a request for comment.

Hertz and its affiliates are represented by Thomas E. Lauria, Matthew C. Brown, J. Christopher Shore, David M. Turetsky, Andrew T. Zatz, Andrea Amulic, Jason N. Zakia, Roberto J. Kampfner, Ronald K. Gorsich, Aaron Colodny, Andrew Mackintosh and Doah Kim of White & Case LLP and Mark D. Collins, John H. Knight, Brett M. Haywood, Christopher M. DeLillo and J. Zach Noble of Richards Layton & Finger PA.

The ad hoc committee of shareholders is represented by Robert J. Dehney, Eric D. Schwartz, Joseph C. Barsalona II and Brett S. Turlington of Morris Nichols Arsht & Tunnell LLP and Andrew K. Glenn, Shai Schmidt, Richard Ramirez and Naznen Rahman of Glenn Agre Bergman & Fuentes LLP.

The Knighthood group is represented by Michael W. Yurkewicz and Morton R. Branzburg of Klehr Harrison Harvey Branzburg LLP and Stephen E. Hessler, AnnElyse Scarlett Gains and John R. Luze of Kirkland & Ellis LLP.

The ad hoc noteholder group is represented by Rachel C. Strickland, Daniel Forman and Agustina G. Berro of Willkie Farr & Gallagher LLP and Edmon L. Morton, Matthew B. Lunn and Joseph M. Mulvihill of Young Conaway Stargatt & Taylor LLP.

The unsecured creditors are represented by Jennifer R. Hoover, Kevin M. Capuzzi and John C. Gentile of Benesch Friedlander Coplan & Aronoff LLP and Thomas Moers Mayer, Amy Caton and Alice J. Byowitz of Kramer Levin Naftalis & Frankel LLP.

Centerbridge Partners LP is represented by Andrew Harmeyer, Nelly R. Almeida and Gerard Uzi of Milbank LLP and David B. Stratton of Troutman Pepper Hamilton Sanders LLP.

The case is In re: The Hertz Corp. et al., case number 1:20-bk-11218, in the U.S. Bankruptcy Court for the District of Delaware.

--Additional reporting by Rick Archer and Vince Sullivan. Editing by Alyssa Miller.