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## RECENT ALTERNATIVES TO TRADITIONAL DEBTOR-IN-POSSESSION FINANCING

*In recent years, distressed companies and lenders have been more creative in how they structure post-petition financing arrangements. With companies struggling during the pandemic that until recently had no end in sight, access to traditional debtor-in-possession (“DIP”) financing has proven to force existing lenders to treat post-petition financing as more of a long game. In this article, the author discusses how distressed companies and institutional lenders have explored alternative financing avenues; specifically, this article discusses the advantages and disadvantages of four recent exemplar case studies, two of which involved a debtor’s use of cash collateral in lieu of entering into a post-petition financing facility, one of which involved a “hybrid” financing facility, and one of which involved the sale of stock to raise cash.*

By Maris J. Kandestin \*

A company in distress as a result of the pandemic or other macroeconomic headwinds may have difficulty procuring affordable post-petition financing for its chapter 11 case. During the pandemic, which until recently had no end in sight, some lenders were more reluctant to provide new money financing on reasonable terms, especially if the lenders have no interest in owning the distressed assets in question. As a result, distressed companies have turned to their institutional lenders more often, seeking to use cash collateral to finance their case, with companion DIP commitments to ensure that additional liquidity is readily available if necessary to fund operations and the administration of the chapter 11 case. Over the past year or so, the industry has witnessed debtors and lenders negotiate the use of cash collateral in novel ways in lieu of procuring

outside DIP financing. In addition to relying purely on cash collateral during the entirety of a chapter 11 case, some companies have procured additional cash immediately prior to a chapter 11 filing through single-draw term loans and, in one instance, a debtor-in-possession’s attempt to raise cash during a chapter 11 case through the sale of unissued common stock.

In light of the recent spate of debtors-in-possession defaulting under, or otherwise failing to perform in accordance with, their DIP obligations during the pandemic,<sup>1</sup> institutional lenders can greatly benefit from

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<sup>1</sup> See, e.g., *In re Bouchard Trans. Co., Inc.*, No. 20-34682 (DRJ) (Bankr. S.D. Tex. 2020); *In re VIP Cinema Holdings, Inc.*, No. 20-10345 (MFW) (Bankr. D. Del. 2020); *In re CraftWorks*

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consenting to the use of cash collateral to fund a distressed company's operations and provide sufficient runway for the company to achieve its goals in chapter 11. By providing such consent, prepetition lenders can receive court-approved protections and benefits typically associated with DIP financing arrangements, and can also help insulate or even improve their investments.

This article provides an overview of recent trends in how chapter 11 cases have been financed over the past year; brief exemplar case studies; and an analysis of some of the benefits and drawbacks of each alternative. It is important to note that none of the options discussed in this article negate the need for a debtor to enter into a DIP financing arrangement later in the chapter 11 case, and indeed, in many cases, such financing becomes necessary and DIP commitments are lined up prior to launching a chapter 11 case.

## I. PURE USE OF CASH COLLATERAL

The Bankruptcy Code defines the term cash collateral to include "cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents whenever acquired in which the estate and an entity other than the estate have an interest . . . ."<sup>2</sup> Oftentimes, companies in financial distress do not have sufficient cash on hand to finance operations and fund chapter 11 restructuring, but in some instances an otherwise healthy company, or a company that plans sufficiently in advance of a filing, may have sufficient cash available to achieve its goals in chapter 11.

The consensual use of cash collateral to assist in a company's reorganization presents several benefits for debtors and lenders. For debtors, they can avoid the expense of negotiating a DIP facility, as well as the fees

and expenses typically attached to such facilities. For lenders, orders approving a debtor's use of cash collateral can provide the same guardrails and protections that DIP lenders traditionally receive. These benefits include adequate protection provisions, control over case milestones, credit bid rights, and releases.<sup>3</sup> Recent examples of companies utilizing cash collateral in lieu of entering into a DIP facility can be found in the *NPC International, Inc.*<sup>4</sup> and *CEC Entertainment, Inc.*<sup>5</sup> bankruptcy cases.

### A. *NPC International, Inc.*

NPC was the largest domestic franchisee of Pizza Hut™ and Wendy's™ restaurants when it entered chapter 11. Although some quick service restaurants ("QSRs") witnessed an uptick in revenues during the pandemic due to increased consumer demand for carryout food options,<sup>6</sup> NPC was unable to avoid chapter 11. These revenues, however, helped provide NPC with sufficient anticipated cash flows to fund its chapter 11 cases without the need to enter into a DIP facility.<sup>7</sup> Prior to the filing, NPC negotiated the consensual use of cash collateral and a restructuring support agreement with certain of its prepetition lenders. In exchange, NPC's

<sup>3</sup> The disadvantages to lenders with respect to providing consent under a cash collateral model, as opposed to a DIP model, are discussed in Section II, *infra*.

<sup>4</sup> *In re NPC Int'l, Inc.*, No. 20-33353 (Bankr. S.D. Tex. 2020) — hereinafter referred to as "NPC."

<sup>5</sup> *In re CEC Entm't, Inc.*, No. 20-33163 (Bankr. S.D. Tex. 2020) — hereinafter referred to as "CEC."

<sup>6</sup> Pizza Hut and other pizza chains were reported to have experienced growth during the pandemic due to changing consumer behavior. In May 2020, Pizza Hut had its highest sales in delivery and carryout in the U.S. in eight years. See Heather Haddon, *Fast Food Franchisee NPC International Expected to File for Bankruptcy*, WSJ PRO – BANKRUPTCY, June 29, 2020, <https://www.wsj.com/articles/fast-food-franchisee-npc-international-expected-to-file-for-bankruptcy-11593486101>.

<sup>7</sup> See generally Declaration of Eric Koza in Support of Debtors' Chapter 11 Petitions and First Day Relief at 26–27, *In re NPC Int'l, Inc.*, No. 20-33353 (DRJ) (Bankr. S.D. Tex. July 1, 2020), ECF No. 4.

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*Parent, LLC*, No. 20-10475 (BLS) (Bankr. D. Del. 2019); *In re Murray Energy Holdings Co.*, No. 19-56885 (JEH) (Bankr. S.D. Ohio 2019); *In re Sanchez Energy Corp.*, No. 19-34508 (MI) Bankr. (S.D. Tex. 2019).

<sup>2</sup> 11. U.S.C. § 363(a); see also 3 Collier on Bankruptcy ¶ 363.01 (Richard Levin & Henry J. Sommer eds., 16th ed.) ("Cash collateral" is defined essentially as cash and cash equivalents in which both the estate and another entity have an interest.").

lenders received various protections under the final cash collateral order similar to those typically seen in connection with a DIP facility, including: stipulations as to the validity, perfection, priority, and amount of the lenders' prepetition liens and the collateral secured by those liens; adequate protection for any diminution in value of prepetition collateral; a waiver of "equities of the case" claims under section 552(b) of the Bankruptcy Code and a section 506(c) surcharge waiver; budget controls; liens on chapter 5 causes of action; adequate protection liens and superpriority claims; adequate protection payments, including the payment of the lenders' fees and expenses, post-petition interest, and the collateralization of undrawn letters of credit; reporting requirements; the establishment of tight milestones; releases;<sup>8</sup> and the establishment of a minimum floor for acceptable bids for NPC's assets.<sup>9</sup>

NPC was able to sell substantially all of its assets and confirm a chapter 11 plan without the need to procure DIP financing during its chapter 11 case. Again, the uptick in consumer demand for carryout options during COVID was likely a factor that helped stave off the need to seek such additional financing.

### **B. CEC Entertainment, Inc.**

CEC was the franchisor-operator of Chuck E. Cheese family dine-in and entertainment facilities. CEC and its prepetition lenders entered into an agreement allowing CEC to use cash collateral on a post-petition basis.<sup>10</sup> Under the interim order approving CEC's use of cash collateral, CEC's prepetition lenders received DIP-style protections similar to those that NPC's prepetition lenders received; specifically, they received stipulations as to the validity, perfection, priority, and amount of their prepetition liens and the extent of collateral secured by those liens; adequate protection for any diminution in value of prepetition collateral; replacement liens; superpriority claims; budgetary guardrails and reporting;

milestones; and adequate protection payments. A subset of CEC's lenders also received releases and committed to engage in good faith discussions to provide a DIP facility, if needed.<sup>11</sup>

However, as the pandemic persisted, CEC, whose business model relied upon an indoor dining and recreational experience, felt the brunt of the pandemic more acutely than QSR organizations like NPC; as a result, CEC was forced to pivot to a DIP construct to procure liquidity sufficient to successfully emerge from its chapter 11 cases. CEC and certain of its institutional lenders entered into a plan support agreement, which included an agreement from those lenders to provide a DIP facility. Two iterations of the plan support agreement and an exit facility commitment later, the prepetition lenders were able to improve their lien position through the DIP. Specifically, they cured any defects in their liens, as CEC waived its rights to challenge the validity of the prepetition liens;<sup>12</sup> received priming liens (raising participating prepetition lenders above non-participating lenders in priority); received approval of a 5% consenting creditor fee; and secured strict control over any proposed chapter 11 plan and approval of an extensive list of termination events.<sup>13</sup>

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<sup>8</sup> Final Order (I) Authorizing the Debtors to Use Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Parties, (III) Modifying the Automatic Stay, and (IV) Granting Related Relief, *In re NPC Int'l, Inc.*, No. 20-33353 (DRJ) (Bankr. S.D. Tex. Aug. 5, 2020), ECF No. 373.

<sup>9</sup> Order Establishing Bid Procedures Relating to the Sale of the Debtors' Assets at 9, *In re NPC Int'l, Inc.*, No. 20-33353 (DRJ) (Bankr. S.D. Tex. Aug. 5, 2020), ECF No. 693.

<sup>10</sup> Declaration of James Howell in Support of Debtors' Chapter 11 Petitions and Related Requests for Relief at 12, *In re CEC Entm't, Inc.*, No. 20-33163 (MI) (Bankr. S.D. Tex. June 26, 2020), ECF No. 47.

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<sup>11</sup> Interim Order (I) Authorizing the Debtors to Use Cash Collateral, (II) Granting Adequate Protection to the Prepetition Secured Parties, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, *In re CEC Entm't, Inc.*, No. 20-33163 (MI) (Bankr. S.D. Tex. June 29, 2020), ECF No. 114.

<sup>12</sup> The plan support agreement and proposed DIP arrangement raised the ire of creditors, including the official committee of unsecured creditors and an ad hoc committee of prepetition secured creditors, in part because CEC indicated that "the Collateral Agent's prepetition liens on a substantial portion of the Debtors' cash were perfected within 90 days before the Petition Date and, in the Debtors' view, are potentially subject to avoidance as preferences." Declaration of James Howell in Support of Debtors' Chapter 11 Petitions and Related Requests for Relief at 8, 12, *In re CEC Entm't, Inc.*, No. 20-33163 (MI) (Bankr. S.D. Tex. June 26, 2020), ECF No. 47.

<sup>13</sup> Exhibit A to Order (I) Authorizing the Debtors to (A) Obtain Postpetition Financing, (B) Grant Senior Secured Liens and Superpriority Administrative Expense Claims, and (C) Utilize Cash Collateral; (II) Granting Adequate Protection to the Prepetition Secured Parties; and (III) Granting Related Relief at 102, *In re CEC Entm't, Inc.*, No. 20-33136 (MI) (Bankr. S.D. Tex. Oct. 13, 2020), ECF No. 1118 (listing as an "Event of Default" the "filing by any Loan Party of any chapter 11 plan of reorganization or disclosure statement attendant thereto, or any amendment to such plan or disclosure, that is not an

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## II. PREPETITION SECURED LOANS IN LIEU OF DIP FINANCING — THE “HYBRID” OR NON-DIP FACILITIES

In recent years, the industry has witnessed the birth of a new financing structure — a hybrid financing facility that has the trappings of a traditional DIP facility. Instead of obtaining a bridge loan from a prepetition lender group to create a runway to get to a chapter 11 filing and the negotiation of a DIP facility, some companies have entered into single-draw term loan facilities in the days leading up to their chapter 11 filings. The companies immediately drew down on the facilities in full, thereby ensuring that they would have sufficient cash to achieve their goals (or create a bridge to additional financing to do so) and meet their negotiated milestones in chapter 11. These facilities were often accompanied by restructuring or plan support agreements, commitments to provide additional financing post-petition, and other commitments. This hybrid construct provides several advantages for companies and lenders.

For distressed companies, this hybrid structure provides certainty that they will have sufficient liquidity immediately upon entering chapter 11 to fund operations and their restructuring goals — in other words, under this model, the fear that a lender will pull its consent to use cash collateral or will decline a draw under a multiple-draw DIP facility is greatly diminished. Further, using fully funded prepetition debt in this manner avoids the costs typically attached to DIP facilities, including the time and expense attached to marketing the DIP and the fees and costs incurred in negotiating the facility. This structure can also help avoid a valuation dispute (and priming fights) in the early days of the chapter 11 cases, thereby helping a distressed company make a smooth landing into bankruptcy. Additionally, in certain circumstances, this structure lends itself to creating an impaired, consenting class of creditors.

For existing lenders, the hybrid structure can also provide several advantages. First, instead of the more strident DIP standards, the lenders need only meet the standards attached to approval of the use of cash collateral. Second, this structure provides a level of insulation from challenges to the lenders’ prepetition

liens and puts lenders in a position where an official committee of unsecured creditors has lost a significant piece of leverage.

Third, the lenders may secure additional liens on unencumbered collateral and may have the opportunity to cross-collateralize facilities. Fourth, lenders can obtain control over the direction and outcome of the chapter 11 case through establishing milestones and other lockups, particularly if there is a support agreement in place.

Fifth, lenders continue to have the ability to negotiate and receive the beneficial badges of a court-approved DIP facility. Through the DIP facility, these lenders could secure the preservation of, and cure any deficiencies in, their prepetition liens, and roll up their prepetition debt into the DIP facility for additional protection.

Finally, perhaps the most attractive feature of this construct is that it presents an opportunity to lock in ownership of the company with a delevered balance sheet through a debt-for-equity swap, oftentimes at a deep discount. This is particularly attractive if a primary source of a company’s distress is a result of the pandemic or other macroeconomic forces and the expectation is that the company will bounce back, with a fraction of its debt on the balance sheet, post-COVID. It also circumvents risks associated with defaults under cash collateral orders or DIP facilities.

There are some potential drawbacks to this hybrid model, which is more risky than the traditional post-petition lending models, especially if the prepetition loans are not rolled up into a DIP facility or otherwise fully blessed by an order of a bankruptcy court post-petition. Lenders can still face lien avoidance if their liens are not properly perfected under the extremely tight timelines (loans under the hybrid model have been entered into mere days prior to the filing, and in some instances, only one day, and thus, squarely within the 90-day preference lookback period). There is also a risk that a party in interest will attempt to avoid the liens, especially if the terms of the loan arrangement are not market. Further, this model does not provide the protections afforded by a loan facility approved by an order of the bankruptcy court, and the loan agreement may be considered a financial accommodation not capable of being assumed under section 365(c)(2) of the Bankruptcy Code.

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Acceptable Plan without the prior written consent of the Required Lenders”).

Two examples of this hybrid model can be found in the *Bristow*<sup>14</sup> and *PHI*<sup>15</sup> cases. In both cases, the distressed companies entered into, and drew down upon in full, prepetition loan agreements in the days immediately prior to filing their respective chapter 11 cases.

In *Bristow*, the day before the company filed for chapter 11, it and an ad hoc group of holders of senior secured notes entered into a \$75 million prepetition term loan accompanied by a DIP commitment (to the extent needed) to provide an additional \$75 million of available liquidity. *Bristow* drew down on the entirety of the prepetition loan the same day. The loan was secured by a junior lien on collateral securing the secured notes and a first priority lien on previously unencumbered assets. It also included an option for the company to convert the loan to equity under certain conditions.<sup>16</sup> Through the orders approving the use of cash collateral, the lenders received a host of protections typically seen in a DIP order, including replacement liens; superpriority claims; fees and expenses; reporting requirements; and the establishment of certain adequate protection milestones.<sup>17</sup>

A little over three months into *Bristow*'s chapter 11 case, it received approval of a DIP facility that resulted in a veritable lock up of the prepetition term loan lenders' positions through an amended restructuring support agreement. The ultimate DIP commitment package was improved from the one proposed at the outset of *Bristow*'s case, resulting in a \$150 million (up from \$75 million) DIP facility and a backstop and commitment rights offering for a new money raise of \$385 million to fund the post-emergence companies. Of

the \$150 million DIP facility, \$75 million was earmarked to pay down the senior notes. The DIP loan was to be converted to equity upon emergence, and while the restructuring provided for the elimination of the senior notes, the arrangement provided various additional avenues for the noteholders to retain a financial stake in the reorganized company. For instance, in addition to other fees received by the lenders throughout the process, the DIP lenders received an equitization consent fee that was fully earned upon entry of the order approving the DIP facility and which was structured as follows: (a) in the event *Bristow* consummated the restructuring contemplated under the restructuring support agreement, the DIP lenders would receive a fee equal to 10% of the DIP facility (\$15 million), payable in equity in the post-emergence, reorganized *Bristow* or (b) in the event the restructuring was not consummated per the support agreement, the DIP lenders would receive a "break up" fee of 5% of the DIP facility (\$7.5 million) in cash.<sup>18</sup> Further, under the restructuring support agreement, lender participants in the prepetition term loan and/or DIP facility received stock at emergence at a hefty discount compared to new equity holders — e.g., general unsecured creditors were permitted to participate in the rights offering, but on much different terms and footing.

### III. PROCURING FINANCING FROM PUBLIC MARKETS

In another novel approach to procuring financing during a chapter 11 case, *Hertz*,<sup>19</sup> the airport vehicle rental company, sought to obtain financing from public markets by offering for sale existing but unissued shares of common stock during its chapter 11 cases. There are objective benefits to pursuing this financing option — cash raised is not subject to adequate protection, security interests, or any other trappings of a secured debtor-in-possession facility, including strict lender oversight, expensive fees, and onerous milestones. Instead, the cash acquired through the stock sales becomes additional

<sup>14</sup> *In re Bristow Grp., Inc.*, No. 19-32713 (DRJ) (Bankr. S.D. Tex. 2019) — hereinafter referred to as "*Bristow*." Though *Bristow* was filed pre-COVID, it provides a toolkit for the hybrid model that can be employed in post-COVID financing facilities.

<sup>15</sup> *In re PHI, Inc.*, No. 19-30923 (HDH) (Bankr. N.D. Tex. 2019).

<sup>16</sup> Declaration of Brian J. Allman in Support of Debtors' Chapter 11 Petitions and Related Requests for Relief at 10–11, *In re Bristow Grp., Inc.*, 19-32713 (DRJ) (Bankr. S.D. Tex. May 12, 2019), ECF No. 25.

<sup>17</sup> Final Order (A) Authorizing the Debtors to Use Cash Collateral, (B) Granting Adequate Protection to the Prepetition Consenting Secured Parties, (C) Modifying the Automatic Stay, and (D) Granting Related Relief, *In re Bristow Grp., Inc.*, No. 19-32713 (DRJ) (Bankr. S.D. Tex. June 28, 2019), ECF No. 312; Exhibit A to Joint Chapter 11 Plan of Reorganization of *Bristow Group Inc. and Its Debtor Affiliates*, No. 19-32713 (DRJ) (Bankr. S.D. Tex. Aug. 1, 2019), ECF No. 498-1.

<sup>18</sup> Order (A) Authorizing the Debtors to Obtain Postpetition Financing, (B) Authorizing the Debtors to Continue to Use Cash Collateral, (C) Granting Liens and Providing Superpriority Administrative Expense Status, (D) Modifying the Automatic Stay, and (E) Granting Related Relief, *In re Bristow Grp., Inc.*, No. 19-32713 (DRJ) (Bankr. S.D. Tex. Aug. 21, 2019), ECF No. 582.

<sup>19</sup> *In re The Hertz Corp.*, No. 20-11218 (MFW) (Bankr. D. Del. 2020) — hereinafter referred to as "*Hertz*." As the date of print of this article, the chapter 11 plan in *Hertz* had not yet been confirmed, and as such, the facts in this article related to same could change.

cash, which may or may not be (but likely is) encumbered by prepetition loan facilities. However, this option has thus far proven unreliable as a DIP financing alternative.

In *Hertz*, the company was operating on a post-petition basis using cash collateral, with the acknowledgement that it would likely need to procure post-petition financing. Prior to committing to a DIP facility, however, the company witnessed trading activity that led it to believe that there was a market for the sale of its existing but unissued shares of common stock.<sup>20</sup> Hertz filed a motion to approve the stock sale, arguing that the scheme would avoid entry into a costly DIP facility. In other words, the sale of stock presented an opportunity for liquidity that was significantly cheaper than a secured, post-petition facility. In its proposed offering materials, Hertz made it clear that the common stock shares sold could end up being worthless as a result of the chapter 11 reorganization.

In approving the motion, the bankruptcy court found that Hertz's request to sell its authorized but unissued common stock fell within the Debtors' business judgment and that the funds from the sale of the stock would be significantly cheaper than a DIP facility and would fall at the bottom of the Debtors' capital structure.<sup>21</sup> As the bankruptcy court noted, the capital raised was "not a secured loan, it's not even an unsecured loan. It's not a priming loan. It is at the

bottom of the capital structure and the dollars that come in will go to the value of the enterprise as a whole."<sup>22</sup>

Also, because Hertz included disclaimers in its proposed offering materials that the stock being sold could be rendered worthless through its proposed restructuring, the bankruptcy court determined that parties purchasing stock were put on notice.

Unfortunately, Hertz's equity infusion capital raise dreams were short-lived. Hertz commenced an offering for up to \$1 billion in common stock, but the U.S. Securities and Exchange Commission informed Hertz that it intended to review the offering materials. Shortly thereafter, Hertz terminated the offering after issuing new shares of common stock valued at approximately \$29 million<sup>23</sup> and entered into a traditional DIP facility.<sup>24</sup>

However, in a fascinating turn of events spurred in part by the lifting of certain COVID restrictions, access to vaccinations, and a general sense of cabin fever, the significant decline in consumer and professional travel volume that precipitated Hertz's bankruptcy filing<sup>25</sup> started to reverse. As a result, the confidence in the value of Hertz's stock seen during the pandemic stock spike in 2020 has not wavered. Though equity was slated to be wiped out under early iterations of Hertz's chapter 11 plan,<sup>26</sup> after a weeks-long sponsorship competition between different groups vying for a substantial stake in the reorganized Hertz entity, the court-approved winning bid is anticipated to provide a

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<sup>20</sup> See Debtors' Emergency Motion for Authority to Enter Into a Sale Agreement with Jefferies LLC and to Sell Shares of Common Stock of Debtor Hertz Global Holdings, Inc. Through At-the-Market Transactions, *In re The Hertz Corp.*, No. 20-11218 (MFW) (Bankr. D. Del. June 11, 2020), ECF No. 387 (noting a 900% increase in Hertz's stock price as of June 8, 2020).

<sup>21</sup> The *Hertz* court noted that:

The sale of the additional stock will, in fact, preserve the value of whatever the enterprise value of this entity is, and it will maximize the value of the estate for all constituents. The decision by the debtor to sell or use property of the estate under 363 requires the debtor to exercise its business judgment and I find that the debtor has made a case that it has done so in this case. It is certainly going to maximize the value of this estate for all constituents if the debtor is able to raise capital at no charge, or fees, or repayment obligation with no restrictive covenant or other restrictions on its ability to proceed and make the appropriate decisions it needs to make in this case.

Transcript of Telephonic First Day Hearing at 45, *In re The Hertz Corp.*, No. 20-11218 (MFW) (Bankr. D. Del. June 15, 2020), ECF No. 424.

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<sup>22</sup> *Id.*

<sup>23</sup> See Becky Yerak and Andrew Scurria, *Hedge Funds Back Day Traders' Bet on Hertz. It's 'In the Money'*, WSJ PRO – BANKRUPTCY, April 1, 2021, <https://www.wsj.com/articles/hedge-funds-say-hertz-stock-has-value-as-day-traders-speculated-11617322645?mod=djemBankruptcyPro&tpl=db>.

<sup>24</sup> Order (I) Authorizing the Debtors to Obtain Debtor-in-Possession Financing and Granting Liens and Superpriority Administrative Claims and (II) Granting Related Relief, *In re The Hertz Corp.*, No. 20-11218 (MFW) (Bankr. D. Del. Oct. 29, 2020), ECF No. 1661.

<sup>25</sup> See Declaration of Jamere Jackson in Support of Debtors' Petitions and Requests for First Day Relief, *In re The Hertz Corp.*, No. 20-11218 (MFW) (Bankr. D. Del. May 24, 2020), ECF No. 28.

<sup>26</sup> See, e.g., First Amended Joint Chapter 11 Plan of Reorganization of the Hertz Corporation and Its Debtor Affiliates, *In re The Hertz Corp.*, No. 20-11218 (MFW) (Bankr. D. Del. Mar. 30, 2021), ECF No. 3500.

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distribution of more than \$7 per share to the company's current owners.<sup>27</sup>

#### IV. CONCLUSION

Some of these alternative structures present an excellent opportunity for institutional lenders to protect

their investments and position themselves to own a post-pandemic company with a delevered balance sheet. It will be interesting to see if these trends are here to stay and whether a debtor will be able to successfully implement the strategy attempted in the Hertz case or otherwise take advantage of unexpected market activity. ■

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<sup>27</sup> See Debtor's Motion for Entry of an Order (I) Approving the Plan Sponsors, (II) Approving Form, Content, and Notice of Disclosure Statement Supplement, (III) Authorizing the Debtors to Continue Solicitation, (IV) Approving Related Procedures and Documents, and (V) Granting Related Relief at 14, *In re The Hertz Corp.*, No. 20-11218 (MFW) (Bankr. D. Del. May 12, 2021), ECF No. 4670.