Nicole L. Greenblatt, P.C.
Mark McKane, P.C. (*pro hac vice* admission pending)
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. (*pro hac vice* admission pending)
**KIRKLAND & ELLIS LLP**
**KIRKLAND & ELLIS INTERNATIONAL LLP**
1301 Pennsylvania Avenue, NW
Washington, DC 20004
Telephone: (202) 389-5000
Facsimile: (202) 389-5200

*Counsel to Honeywell International Inc.*

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

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

## STATEMENT AND RESERVATION OF RIGHTS OF HONEYWELL INTERNATIONAL INC.

Honeywell International Inc. ("Honeywell") respectfully submits this statement and reservation of rights in connection with the commencement of the above-styled chapter 11 cases of Garrett Motion Inc. and certain of its debtor affiliates (collectively "Garrett"):

## PRELIMINARY STATEMENT

1. Honeywell is Garrett's single largest creditor and files this statement and reservation of rights to provide needed context to the Court. Garrett initiated these proceedings to avoid the financial commitments Garrett assumed as part of its spin-off from Honeywell in October 2018. As part of that transaction, Garrett received billions of dollars' worth of profitable

[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.

automotive assets from Honeywell. In exchange for those assets, Garrett agreed to reimburse Honeywell for 90% of Honeywell's automotive-related asbestos liabilities pursuant to the parties' Indemnification and Reimbursement Agreement (the "IRA"). Independent financial advisors confirmed that Garrett was solvent and adequately capitalized at the time of the spin-off, and Garrett itself has consistently stated as much to ratings agencies, investors, and the general public. Indeed, the very capital structure that Garrett now seeks to upend in these proceedings was put in place contemporaneously with the IRA and with the support of existing lenders as part of express negotiations to construct Garrett's initial balance sheet.

2. Now, ostensibly with the sole aim of wishing away its obligations to Honeywell, Garrett has inexplicably initiated these proceedings for an improper purpose that is fundamentally at odds with the statutory and policy goals of Chapter 11. These Chapter 11 cases—and the architecture embedded in Garrett's proposed sale and plan transactions—are part of a continuing, imprudent strategy to evade Garrett's obligations to Honeywell, undertaken by a management team that is uninformed or ill-advised of its fiduciary duties to creditors and shareholders. From its inception as an independent company, Garrett has sought to jettison its obligations to Honeywell at any cost. Though Garrett did initially make its required payments and had more than sufficient liquidity to do so, Garrett paid Honeywell only under a broad reservation of rights. It then sued Honeywell and certain of its officers in New York state court seeking to invalidate the IRA altogether. *See Garrett Motion Inc. v. Honeywell Int'l Inc.*, Index No. 657106/2019 (N.Y. Sup. Ct., filed Dec. 2, 2019). Garrett commenced that litigation more than nine months ago and has since wasted millions of dollars pursuing its alleged claims while making no real progress in moving the litigation forward, possibly because it is so lacking in legal merit.

3. Then, when COVID-19 hit and Garrett saw a short-term downturn in its business, Garrett opportunistically sought to eliminate Honeywell's claims outside of bankruptcy by attempting an amendment to its credit agreement in May of this year that would have effectively deferred payments to Honeywell in perpetuity. Honeywell nevertheless worked with Garrett and its senior lenders to constructively address its claims of financial distress without doing unnecessary harm to Garrett's business and its stakeholders. Just over three months ago, Honeywell agreed to comprehensive amendments of the IRA as well as Garrett's credit agreement, allowing Garrett to pause its payments to Honeywell and its lenders for up to two years and ensuring beyond doubt that Garrett would be able to weather any economic disruptions caused by COVID-19. The amendments provide Garrett with meaningful covenant and payment relief through June 30, 2022, even as the worst of the economic downturn may already be behind the company. Indeed, in its second-quarter earnings release issued on July 30, 2020, Garrett explained that it had "safely resumed operations with plants in China producing at pre-crisis levels." Garrett Motion Inc., Current Report (Form 8-K, Ex. 99.1 Press Release, Second Quarter 2020 Financial Results) ("2Q Press Release") (July 30, 2020) at 1. Garrett also reported "$482 million in available liquidity" as of June 30, 2020. *Id.* at 3.

4. Only weeks after that earnings release, Garrett began executing a plan to drive itself into bankruptcy to achieve what it apparently could not obtain through the New York state court litigation: elimination of its contractual obligations to Honeywell. Even though it had secured covenant relief and long-term liquidity as its business was showing significant improvement, on August 26, 2020, Garrett announced that it had retained financial and legal advisors and was "exploring alternatives" for addressing its "balance sheet concerns." "Garrett Motion Exploring Alternatives for Balance Sheet Restructuring," *Businesswire* (Aug. 26, 2020),

https://www.businesswire.com/news/home/20200826005371/en/Garrett-Motion-Exploring-Alternatives-for-Balance-Sheet-Restructuring. Less than a month later, on Friday, September 18, *The Wall Street Journal* reported that Garrett was "nearing an agreement to file for bankruptcy." Soma Biswas and Alexander Gladstone, "Auto Supplier Garrett Motion Nears Bankruptcy Sale to KPS," *The Wall Street Journal* (Sept. 18, 2020), https://www.wsj.com/articles/auto-supplier-garrett-motion-considers-bankruptcy-over-asbestos-overhang-11600363807. Garrett has now executed on those plans and commenced these Chapter 11 cases, having never engaged in a good-faith effort to work with Honeywell—by far its single largest creditor—to resolve whatever purported financial distress Garrett apparently believes it is experiencing.

5. Garrett's first-day pleadings are voluminous, but they fail to answer one basic question: why Garrett and its debtor affiliates are actually filing for bankruptcy. Garrett presents no evidence of insolvency and, in fact, commenced these proceedings in the face of a long record of its own public statements supporting its ability to satisfy their obligations to creditors while maintaining ample liquidity. Garrett has over $411 million in cash on hand, *see* Decl. of Sean Deason, Dkt. No. 15 ("First Day Declaration") ¶ 35, confirming that the circumstances and timing of the proceedings are plainly tactical. Based on Garrett's first-day declaration, it appears this bankruptcy process is driven by Garrett's aspiration to be an investment-grade company—apparently at any cost, including at the direct expense of Garrett's own public shareholders.

6. What the first-day papers demonstrate is that Garrett has orchestrated a complicated path to achieving its aspiration, which centers on a surgical manipulation of its balance sheet to ensure that all of Garrett's creditors are paid in full except Honeywell. But Garrett's proposed Chapter 11 process is way too much, way too fast, and unnecessarily complex. Garrett dropped on the Court and other stakeholders a proposed sale transaction and accompanying Restructuring

Support Agreement ("RSA") with barely discernible plan architecture that seeks to convolute Garrett's straightforward capital structure (which rests on agreements and intercreditor arrangements put in place by the same parties who remain in the capital structure today) and the very clear payment waterfall contemplated by the Bankruptcy Code.

7. In light of these circumstances, the Court should be very cautious in evaluating what immediate relief is necessary (if any, beyond standard first-day operating relief) to avoid irreparable harm to the estates of these debtors. Garrett has more than $410 million of cash in its possession, no existing defaults under their recently amended credit agreement and IRA, no near-term maturities, and a great deal of flexibility to weather any COVID-19-related business risks through at least June 30, 2022, when their current payment deferral period expires. There is ***no*** reason to set these cases on a timeline that Garrett unilaterally established and that bears no relation to Garrett's actual financial or operational circumstances. That timeline does not allow for the maximization of creditor recoveries, and there are several reasons why it should not be countenanced:

- Neither Garrett's debtor-in-possession ("DIP") lenders nor its existing oversecured creditors subject to the RSA could rationally require the imposition of Garrett's compressed milestones for an expedited sale and plan process. The timeline set forth in Garrett's filings is of its own making and is part of its opportunistic scheme to rush a sale before the automotive sector rebounds from its COVID-19-related decline alongside the broader global economy.

- All creditors should be given the opportunity to review and assess whether Garrett's alleged strategic review of its options for maximizing stakeholder value will pass muster. No milestones should be set before appropriate creditor and equity committees have been formed to pursue this diligence.

- Garrett itself is apparently still investigating its potential claims against Honeywell, including with respect to a dividend that Garrett paid to Honeywell at the time of the spin-off. Although Honeywell certainly disputes the validity of these highly speculative and meritless claims—to the extent that Garrett believes they even exist in the first place—the claims need to be presented, examined, and resolved, ***before*** any sale of the very assets that were the subject of the spin can be approved. There is no "workaround" for resolving Honeywell's claims after-the-fact, notwithstanding Garrett's extensive efforts to find one.

8. Honeywell's objectives in these proceedings are straightforward: to maximize distributable value and recovery for all stakeholders and to maximize the recovery on its own valid and enforceable claims. Garrett may not simply leave Honeywell's claims to be resolved later while the valuable assets it received in the spinoff from Honeywell are sold off. The IRA was central to Garrett's formation, it is the consideration Honeywell received for conveying its profitable turbocharger business to Garrett, and it is an integral part of Garrett's overall capital structure. Simply put, Honeywell is not some insignificant contractual counterparty whose rejection damages claims can be estimated or determined later. Honeywell and its claims are—and must be—central to any resolution of these cases and the mess Garrett has created through these unwarranted filings. Honeywell's claims run with Garrett's assets by design, and those claims exist only because Garrett received valuable assets in the spin-off. Garrett's attempt to jettison obligations core to its creation while it sells off the very assets it received in exchange defies both law and logic.

9. Garrett's decision to pursue bankruptcy is regrettable, as it will likely result in the destruction of significant value that otherwise would have been available to all of Garrett's stakeholders, including its stockholders, its lenders, and Honeywell. Honeywell reserves all rights to assert its claims and defenses in due course, including but not limited to seeking dismissal of this bankruptcy proceeding on the grounds that it was filed in bad faith. At the same time, Honeywell also remains committed to engaging in a dialogue with Garrett, should it be willing to do so, in order mitigate Garrett's self-inflicted damage and preserve value for all stakeholders.

## I. THE GARRETT SPIN-OFF AND GARRETT'S EFFORTS TO INVALIDATE THE INDEMNIFICATION AND REIMBURSEMENT AGREEMENT.

10. Garrett owes its existence as an independent company to a spin-off transaction involving Honeywell's automotive assets and liabilities. In 2017, Honeywell announced that it

would spin off its Transportation Systems business into a newly formed, publicly traded company to streamline its portfolio and maximize shareholder value. During the course of the transaction, Garrett received billions of dollars' worth of profit-generating automotive assets from Honeywell—specifically a turbocharger manufacturing business—and became an independent public company in October 2018. Garrett Motion Inc. was incorporated in Delaware with its principal place of business in Switzerland.

11. In exchange for receiving Honeywell's automotive assets, Garrett agreed to reimburse Honeywell for asbestos-related expenses arising out of Honeywell's legacy automotive business. In 1983, a Honeywell predecessor acquired the Bendix Corporation, a manufacturer of automotive brakes that contained chrysotile asbestos. Honeywell has long since sold the Bendix business, but it is still named as a defendant in various asbestos-related personal injury lawsuits filed each year. As part of the spin-off, certain Garrett entities entered into the IRA, which provides that Garrett will pay 90% of Honeywell's liability and defense costs for Bendix-related personal injury claims for up to 30 years, less 90% of Honeywell's relevant insurance proceeds. To be clear, the Garrett spin-off would not have occurred as structured but for the IRA; Garrett's asset base and the IRA cannot exist one without the other.

12. The IRA caps Garrett's payments at the Euro equivalent of $175 million per year. Whatever Bendix-related costs Garrett does not pay fall on Honeywell. Honeywell thus remains responsible for the remaining 10% of all Bendix-related costs each year, along with all such costs that exceed the $175 million cap in any given year. The IRA contains a set of covenants that mirror those in Garrett's credit agreement and ensure that Garrett does not take inappropriate steps to squander its cash and assets to frustrate Honeywell or Garrett's other creditors. Indeed, the IRA by its own terms also contains a "shut-off valve" that provides protective relief for Garrett by

deferring payments to Honeywell in the event that Garrett cannot maintain compliance with its covenants or fund its senior obligations.

13. The spin-off set up Garrett as a solvent, profitable company with more than sufficient capital to operate its business, including servicing funded debt obligations and making payments to Honeywell under the IRA. Before the spin was completed, outside advisors reviewed Garrett's capital structure and confirmed that the company was solvent and would remain so—even if Garrett's Bendix obligations under the IRA reached the full $175 million cap each year (which has never happened to date) and even in market downturns. Indeed, the IRA was put in place simultaneously with the rest of Garrett's capital structure and was negotiated among the existing senior lenders. Garrett's own leadership later explained to investors that, notwithstanding its obligations, the company was "well positioned" to "create long term value for shareholders" through its "strong position in its core turbo activities and a highly productive and flexible global operating platform." Garrett Motion Inc., Current Report (Form 8-K) (July 30, 2019) at 1. Those statements proved prescient: in 2019 alone, Garrett used the assets it received from Honeywell to generate over $3.2 billion in revenue, over $313 million in net profits, and approximately $242 million in cash flow from operations, even after satisfying its "[o]bligations payable to Honeywell." Garrett Motion Inc., Annual Report (Form 10-K) (Feb. 27, 2020) at 7, 41-42, 65.

14. Almost immediately after the spin-off, however, Garrett sought to evade its payment obligations to Honeywell. Garrett made the required payments under the IRA, but only subject to a broad reservation of rights. And it also suggested in communications with Honeywell that it might not be obligated to perform under the IRA at all. Jan. 22, 2019 J. Maironi Ltr. to A. Madden at 1 n.1 ("Garrett lacks certain information it needs to determine whether it is, in fact, the Payor."). In another letter to Honeywell dated April 16, 2019, Garrett declared that "ongoing

discussions between Garrett and Honeywell regarding the Indemnification Agreement and related matters have reached an impasse" and asserted several purported bases for invalidating that IRA, including that it is unconscionable and the product of a breach of fiduciary duty. Apr. 16, 2019 M. Carlinsky Ltr. to A. Madden. Even though the IRA merely mirrors the covenants of the credit agreement that Garrett negotiated with its senior lenders, Garrett claimed that the IRA's covenants placed too heavy a burden on its ability to take on debt and fund acquisitions, and indicated that it was willing to repudiate the IRA in order to force further concessions from Honeywell. Garrett ultimately sued Honeywell in New York state court in December 2019.

15. Garrett's lawsuit was based on a fundamental misunderstanding of its rights as a spun-off entity under state law. Garrett's claims fell into two broad categories: (i) facial attacks on the validity of the spin-off and the IRA under Delaware law, and (ii) challenges to its specific Bendix reimbursement obligations under New York law, which governs the IRA. As Honeywell explained in its March 2020 motion to dismiss Garrett's New York state court action, both sets of claims were meritless. Of particular relevance here, Garrett's attempts to invalidate the spin-off and the IRA—via theories such as breach of fiduciary duty, unconscionability, lack of consideration, and "corporate waste"—are foreclosed by Delaware law. Delaware courts have long explained that parent companies like Honeywell may structure spin-off transactions as they see fit, and that spinning off a solvent entity cannot give rise to a claim for breach of fiduciary duty, regardless of the terms of the transaction. *See, e.g.*, *Aviall, Inc. v. Ryder Sys. Corp.*, 110 F.3d 892, 896 (2d Cir. 1997); *Anadarko Petroleum Corp. v. Panhandle E. Corp.*, 545 A.2d 1171 (Del. 1988); *Trenwick Am. Litig. Tr. v. Ernst & Young, LLP*, 906 A.2d 168, 191 (Del. Ch. 2006), *aff'd*, 931 A.2d 438 (Del. 2007) ("Under settled principles of Delaware law, a parent corporation does not owe fiduciary duties to its wholly owned subsidiaries."). Garrett's claims for purported

"waste" or "lack of consideration" were even more specious, because Garrett received automotive assets worth billions of dollars in exchange for taking on the Bendix liabilities through the IRA.

16. Garrett's lawsuit ultimately has gone nowhere, despite costing the company millions of dollars in legal fees. Garrett did not file a response to Honeywell's motion to dismiss the complaint and, instead, sought leave to file an amended complaint by September 15, 2020. Honeywell allowed Garrett this additional time to focus its efforts and resources on improving its business operations, rather than on pursuing meritless litigation against Honeywell. On September 8, 2020, as its amended complaint was finally coming due, Garrett sought even more time to file that complaint, representing that it was experiencing delays in drafting. Garrett has still not filed its amended complaint but instead commenced these Chapter 11 proceedings in an even more desperate effort to evade its payment obligations to Honeywell under the IRA. Garrett now takes the inappropriate and misguided position that Honeywell's claim is valueless.

## II. GARRETT'S MARCH TOWARD BANKRUPTCY.

17. Garrett's decision to file for bankruptcy is entirely of its own making. It is neither the result of an inappropriate capital structure nor a consequence of the COVID-19 pandemic. Indeed, as discussed below, Garrett entered 2020 well capitalized and recovered swiftly from any initial disruptions caused by the pandemic. Only after that recovery was underway did Garrett undertake its present course of pursuing a restructuring strategy. It was that conscious decision by Garrett to try to use the bankruptcy process to eliminate its obligations to Honeywell that led to these proceedings, not some external factor or event or any fundamental problem with its business model, financial performance, or capital structure.

18. To the extent COVID-19 placed pressure on Garrett's capital structure, Honeywell took action to alleviate that pressure earlier this year. During the worst of the economic downturn, Honeywell worked cooperatively with Garrett and its creditors to provide Garrett with significant

covenant and payment relief. On June 12, 2020, Garrett announced a comprehensive set of amendments to the IRA as well as Garrett's credit agreement. These amendments allowed Garrett to suspend its payments to Honeywell and its lenders ***for up to two full years***, through June 30, 2022. Clear of those payment obligations in the short-term, Garrett's financial situation improved significantly. Its share price more than tripled earlier this year, climbing from an intraday low of $2.52 on April 3, 2020 to an intraday high of $7.65 on July 23, 2020.

19. Garrett emphasized these positive developments to its shareholders this summer, explaining that it was successfully executing on its strategy to "lead the evolution of cutting-edge technologies" even "amid [the] ongoing COVID-19 crisis." Garrett Motion Inc., Second Quarter 2020 Financial Results Presentation ("Earnings Presentation") at 13 (7/30/2020), https://s2.q4cdn.com/726657224/files/doc_financials/2020/q2/07-30-20-Q2-2020-ER-FINAL.pdf. Garrett stated that, in "the short to medium term," it "believe[d] that turbo penetration will grow … in all regions," supporting a longer-term growth strategy. Garrett Motion Inc. Quarterly Report (Form 10-Q) (July 30, 2020) at 24. By July, Garrett resumed operations with plants in China at "pre-crisis levels," and it reported "$482 million in available liquidity" as of June 30, 2020. 2Q Press Release at 1, 3. Management explained that it had achieved "enhance[ed] financial flexibility to withstand [the] current downturn" by "successfully" amending its credit agreement, postponing its payments to Honeywell, and leveraging its "variable operating structure to align costs with customer demand." Earnings Release at 3. With the worst of COVID-19's impact already behind it, Garrett appeared set to recover from the downturn alongside the automotive sector and the overall global economy.

20. That recovery came to halt, however, when Garrett chose to pursue an in-court restructuring. On August 26, 2020, Garrett announced that it had retained financial and legal

advisors and was "exploring alternatives" for addressing its "balance sheet concerns," including its obligations under the IRA. Less than a month later, the Wall Street Journal reported that Garrett was "nearing an agreement to file for bankruptcy." Biswas and Gladstone, *supra*. In the intervening period, Garrett's share price declined by more than 70% (including a 44% drop on August 26, when Garrett announced its restructuring initiative), and its debt was downgraded by both S&P and Moody's. This pattern of a sharp rise in the price of Garrett's securities followed by a precipitous decline—spurred by Garrett's own public statements about its intentions—is indicative of Garrett's apparent efforts to manipulate the market for its shares to suit its own timeline for a manufactured bankruptcy process.[2]

21. After news of an imminent bankruptcy filing leaked to the press, Garrett commenced these proceedings on September 20, 2020, proposing to sell substantially all of its assets to a third-party bidder at a valuation of $2.1 billion. This figure is a convenient one—underscoring the true purpose of these Chapter 11 cases—as it is sufficient to satisfy all of Garrett's creditors ***except*** Honeywell. Garrett's first day pleadings and petitions also make clear that it is not insolvent and, in fact, is flush with over $411 million in cash. First Day Declaration ¶ 35.

## III. THE CIRCUMSTANCES OF GARRETT'S BANKRUPTCY FILING RAISE CONCERNS THAT THE FILING IS IMPROPER.

22. Honeywell has two related objectives in these Chapter 11 cases: maximize distributable value for all stakeholders and, by extension, maximize recovery on its own claims. Despite being vested with a fiduciary duty to maximize value for all stakeholders, the circumstances surrounding Garrett's bankruptcy filing suggest that Garrett does not share these

[2] Although Garrett characterizes the IRA as a "poison pill" that prevented Garrett from raising additional capital, including equity capital, *see* First Day Declaration ¶ 55, Garrett never sought Honeywell's consent for a potential equity raise. And with respect to modifying its credit agreements, Honeywell ***did*** ultimately provide its consent to an amendment of Garrett's credit agreement when it was asked to do so earlier this year. The notion that Honeywell has used the IRA to exercise a perpetual veto right over Garrett's management of its capital structure is not grounded in fact.

objectives and, in fact, has worked to limit distributable value in a way that is incompatible with the goals of the bankruptcy process, raising serious concerns over whether Garrett filed these Chapter 11 cases in good faith.

23. ***First***, Honeywell intends to ensure that there is a full and fair process for maximizing the value of Garrett's estate, something Garrett has not pursued to date. While Honeywell has largely been left in the dark about the alleged pre-petition marketing process, it has recently come to light that many potential strategic and financial buyers do not appear to have been contacted about a potential sale.

24. Notwithstanding that Honeywell and Garrett disagree about the validity of Honeywell's claims, the two parties' interests should be aligned in developing an effective marketing process that maximizes distributable value by bringing all potential bidders to the table. Garrett does not appear to have pursued such a process, instead settling for a bid that satisfies all of its creditors ***except*** Honeywell. That is not an appropriate pre-petition sale process. And the deficiencies in that pre-petition process are only underscored by the 60-day window that Garrett has now imposed for additional bids and the associated 65-day auction deadline. This artificially compressed timeline is unreasonable given the current circumstances and Garrett's ample liquidity. Garrett's assets are not in jeopardy of melting away in the time it would take to run a proper and fulsome process for the sale of those assets, which will take longer than the two-month period Garrett has proposed. To the contrary, with the automotive sector now beginning its recovery in earnest alongside the broader global economy, a longer timeline for Garrett's sale process will lead to only a ***higher*** price for its assets relative to current bids and those that Garrett solicited earlier this year. Nor should the Court find persuasive the milestones imposed here by a buyer incentivized to close quickly or by a restructuring support agreement that is supported solely

by over-secured creditors entitled to "receive payment in full in cash on the effective date of the chapter 11 plan." First Day Declaration ¶ 91.[3]

25. Moreover, as Garrett's single largest creditor, Honeywell needs to understand how any prospective purchaser intends to treat its claims. An assumption of Garrett's liabilities to Honeywell as part of any sales process could free up significant value to be allocated to junior stakeholders, including public equity holders over whom Garrett has run roughshod in its attempt to strip Honeywell of its valid claims.

26. Honeywell also intends to ensure that Garrett does not unnecessarily dilute existing stakeholder recoveries with priming DIP financing. Honeywell will address this issue more fully in due course but, based on its initial review of Garrett's pleadings, Honeywell has serious questions about whether Garrett in fact has any need for DIP financing. Garrett has over $400 million in cash on hand. *See* First Day Declaration ¶ 35. It appears that Garrett simply may be seeking to put a DIP in place to reinforce the timeline and milestones set forth in the Restructuring Support Agreement[4] and the Bidding Procedures[5] that help Garrett achieve its objectives—namely eliminating its payment obligations to Honeywell—before the automotive market makes a sharp recovery in the coming months.

27. ***Second***, Honeywell intends to maximize its recovery on its own claims. At the outset, it bears emphasis that Honeywell's claims cannot be severed from Garrett's assets and set

[3] Indeed, Garrett itself acknowledges the practical difficulties associated with its own proposed timeline. Garrett seeks to extend the deadline for filing schedules and statements because merely collecting the required information (let alone analyzing it) "requires a substantial amount of time, energy and resources." Decl. of Scott M. Tandberg, Dkt. No. 16, ¶ 11. This request only confirms that the Court and all relevant stakeholders should not rush through these proceedings on Garrett's artificially condensed timetable.

[4] The Debtors' Restructuring Support Agreement is attached to the First Day Declaration as **Exhibit A**. Section 8 of the Restructuring Support Agreement contains case milestones that conform with the proposed DIP milestones.

[5] Section 5.1 of the Share and Asset Purchase Agreement, attached as **Annex 1** to **Exhibit A** to the Secretary's Certificate of Garrett Motion Inc., attached to the chapter 11 petition of Garrett Motion Inc. [Docket No. 1], incorporates sale milestones that conform with the RSA and proposed DIP milestones.

aside to be resolved later, after the sale of Garrett's assets is complete. The IRA was a core and well-known component of Garrett's formation and was put in place simultaneously with the remainder of Garrett's capital structure. Garrett attempts to cast Honeywell as an ordinary contract counterparty whose rejection damages can be estimated or determined later, but that approach is entirely inappropriate given the nature and circumstances of Honeywell's claims. In all events, there are serious questions as to whether the IRA is an executory contract subject to rejection in the first place.

28. Insofar as Garrett attacks the overall spin-off structure itself, that dispute also must be resolved before the Court can confirm any Chapter 11 plan. Any potential "unwinding" of the spin-off would necessarily implicate the ultimate disposition of Garrett's assets, the validity of any liens on those assets by senior lenders, and the associated waterfall recovery under any proposed Chapter 11 plan. In short, if Garrett's "stalking horse" bidder is in the range of value that will be determined in these proceedings, then Honeywell's claim will be the "fulcrum," and its vote will be essential to determining the ultimate disposition of these cases and to confirmation of any plan of reorganization. And because every incremental dollar that can be obtained to benefit the estate through a supplemental bidding process inures to the benefit of Honeywell, Honeywell's role in these cases is critical. Garrett's efforts to artificially impair senior creditors and surgically remove liabilities it does not wish to pay should not be countenanced. To the contrary, Garrett's potentially improper use of Chapter 11 to evade valid and enforceable obligations to Honeywell and other stakeholders must be reviewed with scrutiny.

## CONCLUSION AND RESERVATION OF RIGHTS

29. For all of the foregoing reasons, Honeywell intends to continue to work constructively with all parties-in-interest to secure a fair and expeditious resolution to these proceedings. Nevertheless, to protect its interests in light of Garrett's actions to date, including in

commencing these proceedings, Honeywell expressly reserves the right to raise any and all claims, defenses, and legal arguments in these proceedings, including but not limited to seeking dismissal of these proceedings as filed in bad faith and seeking appointment of a trustee or examiner to review Garrett's pre-petition activities, the adequacy of any marketing process, and the potential manipulation of the markets for Garrett's securities.

New York, New York
Dated: September 21, 2020

*/s/ Nicole L. Greenblatt*

Nicole L. Greenblatt, P.C.
Mark McKane, P.C. (*pro hac vice* admission pending)
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. (*pro hac vice* admission pending)
**KIRKLAND & ELLIS LLP**
**KIRKLAND & ELLIS INTERNATIONAL LLP**
1301 Pennsylvania Avenue, NW
Washington, DC 20004
Telephone: (202) 389-5000
Facsimile: (202) 389-5200

*Counsel to Honeywell International Inc.*