

BANKRUPTCY UPDATE

Expert Analysis

## Restructuring Plans of IT Companies Confirmed

This issue of the Bankruptcy Update focuses on recent successful restructurings of information technology companies Riverbed Technology and GTT Communications.

**Riverbed Technology (Bankr. D. Del. Case No. 21-11503).** On Nov. 16, 2021, Riverbed Technology and certain affiliates filed petitions for relief under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware.

Founded in 2002, Riverbed provides IT optimization products and services to some of the world's largest organizations. The company noted that it has over 1,400

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employees and maintains over 7,500 active customer contracts.

Riverbed began exploring restructuring options to address financial difficulties stemming from the COVID-19 pandemic's disruptions of its operations and supply chains. In October, the debtors reached a restructuring support agreement with their equity sponsors and certain lenders. The agreement provided optionality in allowing the company to either pursue an out-of-court exchange transaction or a Chapter 11 case, with the company selecting the latter option to maximize certain tax efficiencies.

The company entered bankruptcy with a prepackaged Chapter 11 reorganization plan that would eliminate around \$1.1 billion of the debtors' prepetition funded debt, provide \$100 million in new equity capital and transfer majority ownership to second-lien secured creditors including institutional investor Apollo Global Management. The company completed solicitation prior to the commencement of the bankruptcy proceeding and reported that the plan was approved by all voting classes of creditors.

The debtors sought to schedule their confirmation hearing for December 3, a mere 16 days following their filing. The quick case timeline drew an objection from the U.S. Trustee but was ultimately approved by the court.

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On December 3, the court confirmed the debtors' amended plan, which was revised to reflect improved treatment of unsecured noteholder claims that were initially slated to receive no distributions. Under the confirmed plan, bridge notes claims will be paid in full in cash, first-lien secured claims will receive cash payment of accrued and unpaid interest plus a pro rata share of a \$900 million exit financing facility and a pro rata share of first-lien convertible preferred equity initially valued at \$239 million, second-lien secured claims will receive new common equity, unsecured notes claims will receive approximately \$2.88 million in cash and general unsecured claims will be reinstated.

**GTT Communications (Bankr. S.D.N.Y. Case No. 21-11880).** On Oct. 31, 2021, GTT Communications and certain affiliates filed petitions for relief under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York.

Founded in 2005, the company provides cloud and networking services to over 14,000 customers in 140 countries. From 2009 to 2020 the debtors pursued an aggressive acquisition strategy

which increased revenues from \$64 million to \$1.34 billion but was not sufficient to keep up with increasing debt obligations. The company's financial condition deteriorated in 2020 after an audit delayed certain filings with the U.S. Securities and Exchange Commission triggering events of default under certain of the company's debt documents.

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On Oct. 31, 2021, GTT Communications and certain affiliates filed petitions for relief under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York.

On September 1, the company entered into a restructuring support agreement with holders of roughly 85% of secured credit facility claims and 76% of senior notes claims.

The restructuring support agreement contemplated a two-phase restructuring. Phase one involved the September 16 consummation of a \$2.13 billion infrastructure sale to a subsidiary of I Squared Capital Advisors (US) LLC with sale proceeds used to repay approximately \$1.673 billion in long-term debt obligations. The second phase involved filing a pre-packaged

Chapter 11 plan that would seek to deleverage the company's balance sheet by about \$1.08 billion and transfer majority ownership to holders of secured claims and a minority stake to holders of senior notes. The plan further provides for separate warrant packages for existing equity holders and senior noteholders as well as repayment of all unsecured claims in full in cash in the normal course of business.

The debtors commenced plan solicitation prior to filing their Chapter 11 cases and reported unanimous plan acceptance by voting classes. On December 15, the court confirmed the debtors' third modified Chapter 11 plan and the debtors indicated that they are targeting emergence in the first half of 2022, subject to obtaining certain regulatory approvals.