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VER Technologies Ch. 11 Plan Confirmed After Settlement

By **Alex Wolf**

Law360 (July 27, 2018, 9:32 PM EDT) -- VER Technologies HoldCo LLC received Delaware bankruptcy court approval Thursday to execute a plan of reorganization reached after the production equipment rental company entered into a global settlement with several classes of stakeholders, allowing it to fulfill plans to merge with a competitor.

U.S. Bankruptcy Judge Kevin Gross has given VER Technologies the go-ahead to restructure some \$760 million in funded debt and merge with Production Resource Group LLC, which it sees as a strategic partner in the industry of production logistics for live shows and performances.

The company cleared a path to confirm an amended Chapter 11 plan after reaching a global settlement with its lenders, unsecured creditors, equity sponsor and Production Resource. The plan and settlement, which provides general unsecured creditors with an \$11 million reserve, grew out of an investigation into potential claims the estate may have related to a 2014 leveraged buyout of the company by L Catterton Partners.

According to court documents, the plan releases Catterton and prepetition lenders from potential claims. An earlier version of the plan called a litigation trust for creditors to pursue claims against the company's former owners in connection to the 2014 transaction, but that was eliminated in amended proposals.

The company said that the plan is the "product of months of intense arm's-length negotiations," and it "represents the best available alternative to resolve these chapter 11 cases, reorganize the Debtors' businesses, and maximize creditor recoveries."

Ahead of the confirmation hearing, attorneys for the debtors said they were able to resolve all but one plan objection, which was raised by the U.S. Trustee's Office over litigation releases and exculpation provisions. With his order Thursday, the judge overruled all objections, keeping the company on its intended path to merge with Production Resource.

An attorney for the company did not immediately respond to a request for comment Friday evening.

Headquartered in Glendale, California, VER and its subsidiaries rent and provide support services for a variety of audio, video and lighting equipment. The company boasts having the world's largest inventory of rental equipment for customers in the TV, cinema, live events, broadcast and corporate markets.

Beginning as a small operation in the 1980s, VER said in court filings that it expanded its business over three decades and grew to have 35 offices across North America and Europe.

After a leveraged buyout in 2014, VER said it ran into a laundry list of pocketbook-hitting problems, including the loss of relationships with some corporate customers, a \$28 million jump in employee benefits and salary obligations, the purchase of \$238 million in underutilized equipment and other misses as far as matching the demand for company services. Its troubles came to a head last year as employees and clients fled in response to rumors of a company sale and a variety of other forces sapped away business opportunities, VER said.

Prior to completing merger discussions with Production Resource, the company underwent managerial changes and brought on advisers to negotiate deleveraging solutions with its lenders, GSO Capital Partners and Bank of America, it said. The company **filed for Chapter 11** in April to facilitate the transaction.

In addition to negotiating the merger arrangement, the debtors **secured additional prepetition financing** from their term loan lenders and put together a debtor-in-possession facility consisting of a \$300 million senior secured superpriority asset-based loan and a \$64.7 million priming second-lien term loan.

Under the terms of the restructuring support agreement, VER's term loan lenders will swap their debt for the equity of the reorganized company.

The debtors are represented by Domenic E. Pacitti and Morton Branzburg of Klehr Harrison Harvey Branzburg LLP, and Joshua A. Sussberg, Cristine Pirro, James H.M. Sprayregen and Ryan Blaine Bennett of Kirkland & Ellis LLP.

The creditors' committee is represented by Christopher M. Samis, L. Katherine Good, Aaron H. Stulman, Paul Huygens, Carol Cabello and Jorge Gonzalez of Whiteford Taylor & Preston LLC and by Mark Horoupian, Victor Sahn, Alan Tippie, David Kupetz, Daniel Lev and Elissa Miller of SulmeyerKupetz.

The case is In re: VER Technologies HoldCo LLC, case number 18-10834, in the U.S. Bankruptcy Court for the District of Delaware.

--Editing by Joe Phalon.

Correction: An earlier version of the story included outdated details about the company's restructuring plan. The error has been corrected.

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