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# *Renovate Gets $5M Interim Loan Hike As Sale Fight Looms*

*By Jeff Montgomery*

Bankrupt home improvement lender Renovate America Inc. pushed off a looming fight with unsecured creditors over its Chapter 11 sale terms Friday after its bankruptcy lender and stalking horse bidder agreed to add one week and $5 million to its original $18 million interim loan deadline.

U.S. Bankruptcy Judge Laurie Selber Silverstein approved the changes after talks among the debtor, lender and prospective buyer Finance of America Mortgage LLC and Renovate's official committee of unsecured creditors stretched more than two hours past a scheduled hearing start.

"Generally speaking, in the broadest sense, what we need is to make sure we have no default under the milestones" in the debtor in possession agreement before a rescheduled hearing on the final DIP order Thursday, said Sharon Z. Weiss of Bryan Cave Leighton Paisner LLP, counsel to Renovate.

The extra cash and postponement were hammered out in the shadow of unsecured creditor arguments that bidding for the business would be chilled by unprecedented loan terms and deal protections that lender and stalking horse bidder FAM had demanded as part of its offer for the company.

Under FAM's bid, any other buyer would have to repay in full the entire outstanding balance of the DIP within five days of outbidding the stalking horse at auction. The committee estimated the likely DIP balance at the time of bid decision at $38.75 million, or 90 percent of the minimum bid needed to beat FAM's current $42.65 million offer. Repayment would be required without certainty that the alternative sale would ever get to closing.

"A financially unsophisticated home purchaser would not offer to purchase a house if he or she were required to commit to paying off the existing mortgage even if the house purchase did not close," the committee said in an objection filed this week. "Yet the debtors and FAM claim that highly sophisticated financial and strategic buyers will risk tens of millions of dollars on a transaction that may never close."

Renovate hit Chapter 11 on Dec. 21 with $115 million in liabilities and $102 million in assets with plans for a sale. Among its troubles, the debtors cited tightened requirements for financing of home energy efficiency improvements and, more recently, the market blunting effects of the COVID-19 pandemic. The business also has to face government and consumer class litigation over its origination and administration of home energy efficiency loans under a government program for middle- and low-income property owners.

FAM won the bidder-to-beat stalking horse role with an estimated $42.65 million offer that included a $5 million payment for the Renovate's loan origination platform and an estimated $37.65 million for the debtor's unsold inventory and loans, while also reimbursing the estate for prepaid contract expenses.

The committee also objected to potential agreements that would give the DIP lender liens on unencumbered assets, commercial tort claims, director and officer claims and clawbacks of prepetition payments, among other assets.

In a reply filed Thursday, Renovate said the debtors bargained for the DIP agreement in good faith, describing it as "as a comprehensive bundle of interdependent rights and obligations" that represent a sound exercise of Renovate's business judgment.

"More importantly, if the DIP Facility is not approved on the terms to which FAM has already agreed, FAM may decline to continue lending," the debtors said in their response, "leaving the debtors with no source of financing and turning these cases into an immediate liquidation with no opportunity to complete the robust going-concern sale process that is already well underway."

Although unsecured creditors objected to the sale terms, Steven S. Newburgh of McLaughlin & Stern PLLC, counsel to a class of homeowners suing Renovate over home energy efficiency related loans, said his clients supported the DIP measure.

"Based on the fact that we've got 75,000 class members, I don't see how they're going to benefit without the funding that's going to keep this going," Newburgh said.

Renovate America Inc. is represented by Mette H. Kurth of Culhane Meadows PLLC and Sharon Z. Weiss and Timothy R. Bow of Bryan Cave Leighton Paisner LLP.

The official committee of unsecured creditors is represented by Jeremy W. Ryan, R. Stephen McNeill and Joseph D. Farris of Potter Anderson & Corroon LLP.

The case is In Re: Renovate America Inc., case number 20-13172, in the U.S. Bankruptcy Court for the District of Delaware.

--Additional reporting by Elise Hansen, Y. Peter Kang and Sierra Jackson. Editing by Andrew Cohen.

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**Mette H. Kurth** is a partner at Culhane Meadows PLLC in the firm's Delaware office. Mette represents clients facing complex, financially distressed situations involving bankruptcy and bankruptcy alternatives, M&A transactions, and bankruptcy-related litigation. She is also available to serve as mediator in bankruptcy disputes and related litigation..

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