

NEWS DEAL

REPORT

Hengeler Mueller advises Highstreet real estate joint venture in connection with Karstadt's emergence from insolvency

The "Highstreet" joint venture has agreed on substantial further concessions under their lease for about 90 department stores let to insolvent German retailer Karstadt in connection with the sale of Karstadt to Berggruen. Highstreet also successfully restructured their financial debt obligations.

The transaction involved the participation in the M&A process for the sale of Karstadt conducted by insolvency administrator Klaus-Hubert Görg and subsequently the negotiation of amendments to the existing master lease agreement granting further concessions to Karstadt requested by Berggruen, the bidder selected for the acquisition of Karstadt by the insolvency receiver, and the competing bidder, Borletti.

Further to the debt restructuring conducted by Highstreet in February of this year, the debt facilities of Highstreet had to be once more amended to reflect the changes to the master lease agreement and to provide covenant relief for the Highstreet borrowers. The debt restructuring included the approval by the bondholders of the Highstreet B securitized senior debt ("Fleet Street Two Securitization"), Valovis Bank AG as further senior lender and more than 20 institutions holding various tranches in the Highstreet mezzanine debt.

These agreements were necessary to pave the way for the closing of the sale of Karstadt to Berggruen agreed in early June by insolvency receiver Klaus-Hubert Görg and a prerequisite for the approval of the Karstadt insolvency plan by the local court of Essen.

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Hengeler Mueller has provided comprehensive advice to the Highstreet joint venture, sponsored by Whitehall, RREEF, Generali, Pirelli RE and Borletti, advising in the negotiations with Berggruen, Borletti, Dr. Görg and government officials as well as the various Highstreet creditor groups. The Hengeler Mueller team included partners Daniel Kress (Restructuring/Financing, London), Ulrich Blech (Restructuring/M&A, Berlin), Christian Hoefs (Labour, Frankfurt) and Carsten van de Sande (IP/IT, logistics agreements, Frankfurt) as well as associates Florian Bentele, David Schneider, Lars Voigt (all Frankfurt), Nabil El-Eid (London), Matthias Wittschen, Robert Thamm and Fabian Seip (all Berlin).

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