

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

	)	
In re:	)	Chapter 11
	)	
AVAYA INC., <i>et al.</i> , <sup>1</sup>	)	Case No. 23-90088 (DRJ)
	)	
Debtors.	)	(Jointly Administered)

**DECLARATION OF ERIC KOZA,  
CHIEF RESTRUCTURING OFFICER OF  
AVAYA HOLDINGS CORP. AND CERTAIN OF ITS  
AFFILIATES AND SUBSIDIARIES, IN SUPPORT OF  
THE DEBTORS’ EMERGENCY MOTION FOR ENTRY  
OF INTERIM AND FINAL ORDERS (I) AUTHORIZING  
THE DEBTORS TO (A) OBTAIN POSTPETITION FINANCING  
AND (B) UTILIZE CASH COLLATERAL, (II) GRANTING LIENS AND  
SUPERPRIORITY ADMINISTRATIVE EXPENSE CLAIMS, (III) GRANTING  
ADEQUATE PROTECTION TO THE PREPETITION SECURED PARTIES,  
(IV) MODIFYING THE AUTOMATIC STAY, AND (V) GRANTING RELATED  
RELIEF**

I, Eric Koza, hereby declare under penalty of perjury to the best of my knowledge, information, and belief:

1. I am the Chief Restructuring Officer (“CRO”) of Avaya Holdings Corp. (“HoldCo”) and its affiliated debtors and debtors in possession (collectively, the “Debtors” and, together with their non-Debtor affiliates, “Avaya” or the “Company”). I have served as the Debtors’ CRO since January 4, 2023,<sup>2</sup> and previously served as chief restructuring officer in connection with the Debtors’ first chapter 11 cases in 2017 (described in greater detail below).

---

<sup>1</sup> A complete list of each of the Debtors in these Chapter 11 Cases may be obtained on the website of the Debtors’ proposed claims and noticing agent at <http://www.kccllc.net/avaya>. The location of Debtor Avaya Inc.’s principal place of business and the Debtors’ service address in these Chapter 11 Cases is 350 Mount Kemble Avenue, Morristown, New Jersey 07960.

<sup>2</sup> AlixPartners has advised Debtors in connection with a potential restructuring since September 2022.



AlixPartners has assisted, advised, and provided strategic advice to debtors, creditors, bondholders, investors, and other entities in numerous chapter 11 cases of similar size and complexity to the Debtors' Chapter 11 Cases. I have personally been involved in recent comparable chapter 11 reorganizations such as *In re Riverbed Technology, Inc et al.*, Case No, 21-11503 (Bankr. Del. Nov. 16, 2021), in which I served as financial advisor to Riverbed Technologies Inc and certain of its affiliates; *In re NPC international Inc.*, Case No. 20-33353 (Bankr. S.D.TX. July 1, 2020), in which I served as CRO of NPC International Inc.; *In re Chino Holdings, Inc.*, Case No. 20-32181 (Bankr. E.D. Va. May 4, 2020), in which I served as financial advisor to J. Crew Group Inc. and certain of its affiliates; *In re Avaya, Inc.*, Case No. 17-10089 (Bankr. S.D.N.Y. Jan. 19, 2017), in which I served as CRO of Avaya Inc.; *In re Deluxe Entm't Servs. Grp. Inc.*, Case No. 19-23774 (Bankr. S.D.N.Y. Oct. 3, 2019), in which I served as financial advisor to Deluxe Entertainment Services Group Inc.; *In re Sungard Availability Servs. Capital, Inc.*, Case No. 19-22915 (Bankr. S.D.N.Y. May 1, 2019), in which I served as CRO to Sungard Availability Services Capital, Inc.; *In re Fullbeauty Brands Holdings Corp.*, Case No. 19-22185 (Bankr. S.D.N.Y. Feb. 3, 2019), in which I served as financial advisor to Fullbeauty Brands Holdings Corp.; and *In re Cenveo Inc.*, Case No. 18-22178 (Bankr. S.D.N.Y. Feb. 2, 2018), in which I served as financial advisor to Cenveo Inc. I specialize in advising senior executives, boards of directors, and creditors in distressed situations. I was named one of the industry's top "People to Watch" by Turnarounds & Workouts 2018. My combination of restructuring, operating, and transaction experience spans multiple countries and a variety of industries. I am above 18 years of age, and I am competent to testify.

2. I submit this declaration (this "Declaration") in support of the relief requested in the *Debtors' Emergency Motion Seeking Entry of Interim and Final Orders (I) Authorizing the*

*Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Granting Adequate Protection to Prepetition Secured Parties, (IV) Modifying the Automatic Stay, and (V) Granting Related Relief* (the “Motion”),<sup>3</sup> which seeks approval of debtor in possession financing (“DIP Financing”) in the form of a \$500 million super priority secured debtor in possession facility in the form of term loans (the “DIP Term Loan Facility”), and the consensual use of Cash Collateral.<sup>4</sup>

3. On an interim basis, the Debtors are seeking authority to use the proceeds from the DIP Term Loan Facility as follows:

- use \$50 million to fund the Initial Intercompany Transaction, facilitating ongoing liquidity needs of the Debtors’ non-Debtor foreign affiliates (collectively, the “NFAs”) and avoiding value-destructive business interruptions;
- use \$40 million to fund the Foreign Reserve Account, providing a liquidity backstop for the NFAs through intercompany borrowings on an as-needed basis and avoiding business disruptions;
- cash collateralize approximately \$40 million of letters of credit;
- repay the obligations under the Prepetition ABL Facility; and
- satisfy other general corporate needs.

4. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my discussions with other members of the Debtors’ management team and the Debtors’ advisors, my review of relevant documents and information concerning the Debtors’ operations, financial affairs, and restructuring initiatives, or my opinions based upon my experience and knowledge. If called as a witness, I could and would testify competently to the

---

<sup>3</sup> Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

<sup>4</sup> The material terms of the DIP Term Loan Facility are set forth in detail in the Motion. For the avoidance of doubt, any description of the DIP Term Loan Facility herein or in the Motion is qualified in its entirety by reference to the DIP Documents.

facts set forth in this Declaration on that basis. I am authorized to submit this Declaration on behalf of the Debtors.

**Professional Background and Qualifications**

5. I have more than 20 years of experience serving in a variety of roles, including in senior management positions, as a financial advisor, a principal investor, and director of public and private companies. I have served as a Partner & Managing Director of AlixPartners since 2018, when AlixPartners acquired my previous financial advisory firm, Zolfo Cooper. I held several roles at Zolfo Cooper from 2009 to 2011 and from 2013 until its acquisition in 2018, including Managing Director from 2015 to 2018. Prior to that, I held a variety of roles, including Senior Vice President, Corporate Development and Financial Strategy at Comverse Technology, Inc. from 2011 to 2013; Founding Partner of private equity firm Verax Capital LLC from 2006 to 2009; and Partner in various investment funds at investment manager W.R. Huff Asset Management Co. LLC from 1999 to 2006. I received a B.S. from Boston College in 1996, and an M.B.A. from Boston University in 1999. I have been a CFA® charterholder since 2003.

**The Debtors' Capital Structure and Proposed DIP Term Loan Facility**

6. As of the Petition Date, the Debtors have approximately \$3.4 billion in total funded debt obligations. This consists of approximately \$56 million in aggregate principal amount outstanding under the Prepetition ABL Facility, approximately \$1.9 billion in aggregate principal amount outstanding under the three tranches of the Prepetition Term Loans, approximately \$1.0 billion in aggregate principal amount outstanding under the Legacy Notes Indenture, approximately \$250 million in aggregate principal amount outstanding under the Secured Exchangeable Notes Indenture, and \$221 million in aggregate principal amount outstanding under the HoldCo Convertible Notes Indenture. The Debtors also have approximately \$226 million in

legacy liabilities<sup>5</sup> consisting of approximately \$111 million in underfunded liability under the Company's Qualified Pension Plan and approximately \$115 million in underfunded OPEB liability. A detailed capitalization table is set forth in the First Day Declaration.

7. The Debtors' proposed DIP Term Loan Facility will provide a total commitment of \$500 million to the Debtors primarily for the purposes set forth above. The remaining material terms of the DIP Term Loan Facility are described in greater detail in the Motion.

### **The Debtors' Immediate Liquidity Needs**

8. As described in the First Day Declaration, the Company has experienced a revenue decline, in particular as a result of the continued decline in the Company's hardware business and the delayed revenue generation from the Company's cloud-based investments. These challenges, coupled with adverse operating conditions brought on by industry concerns for the Company's financial health, have had a detrimental effect on the Company's revenue and a resultant material cash balance reduction due to significant operating losses and working capital requirements. In the face of these headwinds, the Company's management commenced an extensive restructuring of their operations to reduce costs and improve the cash generation of the business. Additionally, with their advisors, the Company also assessed the need for contingency planning, and engaged in efforts to prepare the Debtors for a value-maximizing deleveraging transaction contemplated in these Chapter 11 Cases, pursuant to the negotiated restructuring support agreement (the "RSA") and prepackaged plan of reorganization (the "Plan"). A key part of these efforts was to evaluate the Debtors' liquidity position and the need for post-petition financing, to enable the Debtors to effectuate the Company's operational restructuring and to fund this transaction through these

---

<sup>5</sup> Based on actuarial analysis for period ending October 1, 2022.

Chapter 11 Cases.

9. In connection therewith, I had a substantial number of discussions and meetings with the Debtors' management team and other advisors regarding the quantum of capital needed and the potential forms that a financing and/or restructuring could take. After those extensive discussions and meetings, and based upon my experience in restructuring, analyses prepared by myself and my team, and my familiarity with the Debtors and their operations, I do not believe it would be possible to administer these Chapter 11 Cases and pursue the transaction pursuant to the RSA and the Plan, operate the Debtors' business in the ordinary course, complete the contemplated operational restructuring, and to pay administrative costs during these cases solely through the use of cash collateral. I believe the Debtors require immediate access to the DIP Term Loan Facility to meet their near-term working capital needs, stabilize their operations, fund the costs of administering these cases, and continue to effectuate a value-maximizing operational restructuring.

10. The Debtors have an urgent need for significant and immediate liquidity. The Debtors enter these Chapter 11 Cases with approximately \$45 million in cash on hand, which is gravely insufficient to meet the Debtors' liquidity needs both in the near-term and throughout these Chapter 11 Cases. The NFAs have pension and payroll obligations which cannot be met without the Initial Funding Amount. Without immediate financing, the Debtors will be unable to pay essential costs required to continue operating as a going concern, resulting in immediate and irreparable harm to the Debtors' business on a global scale. The Debtors require cash to, among other things, satisfy payroll obligations, honor obligations under their customer contracts, pay vendors which provide goods and services, maintain insurance coverage, pay taxes, bolster the liquidity position of the NFAs, make other payments integral to the continued management, operation, and preservation of the Debtors' business, and eventually facilitate an expeditious exit

from these Chapter 11 Cases by enabling the Debtors to roll the DIP Term Loan Facility into exit financing.

11. I understand that the Debtors' liquidity needs are particularly pressing in relation to ensuring the NFAs maintain sufficient and necessary liquidity to avoid value-destructive business interruptions. The Debtors operate a global business, and many of their customer contracts and supply chain agreements are intertwined between the Debtors and the NFAs. Cessation of operations in the NFAs could result in a material impact to the Debtors' revenue. The NFAs operate more than 150 bank accounts across the globe and must maintain a certain level of global liquidity to sustain their international operations. Additionally, a number of the international entities are part of an existing international notional cash pooling system ("Notional Pool"), which contains accounts in Euros, Pounds and US dollars, and is used to provide liquidity across multiple jurisdictions. The Notional Pool allows for participants in the pool to make disbursements to fund their operations, even if such disbursements exceed their cash balance in the Notional Pool, so long as the overall balance in the Notional Pool is positive. This allows for the efficient use of funds on an intercompany basis between the Notional Pool participants, without having to create intercompany notes or otherwise pay receivables. However, on January 23, 2023, the Debtors received a Termination Notice that would terminate the Debtors' existing cash pooling arrangements on March 31, 2023, and Citibank has reserved their rights and remedies under the cash pool arrangement, including terminating the agreement at an earlier date if there is a breach of the agreement. As a result of this development, certain entities in the cash pool system with negative balances in excess of \$25 million would need to satisfy those claims and demonstrate positive cash balances, or Citibank could exercise setoff rights against other entities, potentially creating a cascade effect where Notional pool participants have insufficient cash to operate their

business. The Initial Intercompany Transaction is an essential element in providing the NFAs with the liquidity to avoid this issue, and the potential disruption of their businesses and operations.

12. The NFAs also have immediate liquidity needs which need to be addressed. Prior to February 28, more than \$15 million in payroll obligations and \$7 million in pension obligations will need to be paid out of the Notional Cash Pool for the European entities. This would leave the cash pool with insufficient cash to support ongoing operational needs, outside of funding coming from the Debtors to supplement their liquidity. The Initial Intercompany Transaction will provide additional liquidity for the NFAs to fund their operations.

13. As described in greater detail in the Motion, the Debtors intend to use \$50 million of the DIP Term Loan Facility proceeds to fund the Initial Intercompany Transaction. These funds will be used to convert the existing international cash pooling system from a notional to physical pool by eliminating certain negative balances, to satisfy certain payroll obligations, including severance payments associated with the Company's operational restructuring initiatives, to fund certain pension and retirement obligations, and to otherwise fund the working capital needs of the NFAs.

14. I believe that there is an immediate and exigent need for the Debtors to use the proceeds of the DIP Term Loan Facility to ensure the viability of the Company's international business by funding the Initial Intercompany Transaction. Funding the NFAs immediately is both practical and beneficial to the administration of the Debtors' estates and the preservation of value. The NFAs have an immediate need, both to cover the payment obligations related to the business as well as to resolve the negative balances of certain entities in the Notional Cash Pool, to prevent Citibank from taking actions to resolve the issue. Further, the Initial Intercompany Transaction will allow the Company's international operations to run smoothly and bolster confidence in the



market, providing assurance that pension obligations can be met, benefiting the Debtors' estate by minimizing vendor contraction and ensuring that the Company continues business in the ordinary course.

15. As described above, the international cash pool will be transitioned from a notional to a physical cash pool. Under the physical cash pool structure, each NFA bank account must maintain a positive balance at all times, unlike the current notional cash pool system where only a positive balance must be maintained in aggregate among all accounts. Further, the NFAs are required to maintain a certain minimum liquidity to comply with applicable jurisdictional requirements and to provide comfort to the management of the NFAs. This creates the potential for sudden and uncertain shifts in liquidity need as the cash pool structure conversion commences. Based on my experience in restructurings involving entities operating in foreign jurisdictions and my understanding of certain NFAs' financial positions, I believe that rebalancing these accounts at the outset of these Chapter 11 Cases to ensure each account is properly funded and in compliance with foreign requirements is in the best interests of the Debtors and their estates insofar as minimizing the risk of any NFA entering into a foreign insolvency proceeding that would harm the enterprise as a whole and destroy value that would otherwise inure to the Debtors' estates.

16. I also understand that there is an immediate need to cover certain NFAs' payroll and related benefit costs as well as other obligations arising from the enterprise-wide cost-saving initiative aimed at optimizing the Company's operational and cost structure. I believe that ensuring that sufficient cash is available to make such payments, including severance, when they come due would minimize possible angst in the workforce, including the reduced portion thereof. Timely payment will also avoid any penalties or other issues arising from commitments to local work councils, that could result in a disruption in the Company's cost initiatives. This cash infusion will

mitigate the potential disruption to the Company's global operations while optimizing the overall allocation of foreign liquidity and ensuring continued ordinary-course operations.

17. In light of these circumstances, I believe that the funding of the NFAs through the Initial Intercompany Transaction is justified and essential for the Debtors to seamlessly transition into chapter 11, continue ordinary course operations uninterrupted, and preserve their market share, the reputation of their businesses, and the loyalty and goodwill of their employees.

18. The Foreign Reserve Account is also an integral component of stabilizing the Company's global operations. To provide further assurance that the NFAs will have sufficient liquidity during the Debtors' Chapter 11 Cases, the Debtors intend to fund a segregated bank account with \$40 million that would remain with the Debtors during the Chapter 11 Cases and only be accessed upon consent of the Required DIP Lenders, if necessary, to provide additional liquidity to stabilize the operations of the NFAs. While the Debtors do not anticipate needing to draw from the Foreign Reserve Account, its existence allows the Company to operate its global business in an uninterrupted fashion and provide comfort to the foreign directors that ongoing liquidity needs can be addressed, maximizing the Debtors' value for the benefit of their stakeholders.

19. The size of the DIP Term Loan Facility and the amount requested on an interim basis has been determined based on a thorough analysis conducted by myself and others at AlixPartners, together with the Debtors' management team and other advisors. The amount was derived from a cash-flow projection that AlixPartners developed based on an analysis of the Debtors' projected receipts and disbursements during these Chapter 11 Cases (the "Budget"), and from discussions with the Debtors' management team. Based on my experience in numerous large-scale corporate bankruptcy cases, my familiarity with the Debtors' operations, and extensive

discussions with the Debtors' management team and advisors, including a team from AlixPartners acting under my supervision, I believe the Budget presents a reasonable estimate of the Debtors' cash sources and needs during these Chapter 11 Cases. Given these estimates, I believe that the DIP Term Loan Facility will provide the Debtors sufficient liquidity to stabilize their operations and fund the administration of these Chapter 11 Cases.

20. Specifically, the DIP Term Loan Facility will allow the Debtors to: (a) continue satisfying obligations to the Debtors' contract counterparties; (b) provide the liquidity necessary to honor certain commitments owed to ordinary course claimants and to continue favorable trade terms with such claimants; (c) fund the Initial Intercompany Transaction and the Foreign Reserve Account to bolster the liquidity of the NFAs and ensure continued stability of the Debtors' global business; (d) reassure other stakeholders, including channel partners, landlords, customers, and employees, that the Debtors have sufficient funds to continue operating in the ordinary course; (e) fund the Debtors' payroll obligations; and (f) fund the administrative costs of these Chapter 11 Cases.

21. As a condition to obtaining the DIP Term Loan Facility, the Debtors have committed use \$56 million of the DIP Term Loan Facility to pay down the Debtors' outstanding Prepetition ABL Facility and approximately \$40 million to cash collateralize letters of credit under the facility issued by Goldman Sachs and Citibank, ultimately to be reissued pursuant to a new asset-backed loan facility for which the Debtors have secured commitments. Repaying the Prepetition ABL Facility is an important component of the overall package deal, as it will provide continuity with counterparties holding the letters of credit and will allow the Company to secure new letters of credit, if required. Additionally, letters of credit can be issued at lower cost than if they were cash collateralized under a new facility, using the DIP Term Loan Facility. Moreover,

the ABL Lenders' collateral includes entities which are not part of these Chapter 11 Cases, and by paying down the Prepetition ABL Facility, the Debtors will avoid any remedies exercised against those entities. Having a new asset-backed loan facility in place will allow the Debtors to emerge from chapter 11 with greater liquidity.

22. The Prepetition Secured Parties have also agreed to provide the Debtors with immediate access to the use of Cash Collateral on a consensual basis, subject to the terms and conditions of the DIP Documents and the DIP Orders. Immediate access to Cash Collateral will: (a) ensure that the Debtors have sufficient working capital to, among other things, pay their employees, vendors, landlords, and service providers; (b) enable the Debtors to honor their prepetition obligations under and in accordance with the proposed "first-day" relief if approved by the Bankruptcy Court; and (c) satisfy the administrative expenses of these Chapter 11 Cases. The ability to immediately use Cash Collateral also ensures that the Debtors avoid unnecessary operational disruptions that would otherwise be costly and potentially damaging to the business. I believe that utilizing Cash Collateral is fundamental to the preservation and maintenance of the Debtors' going-concern value during these Chapter 11 Cases, is critical for the Debtors' successful reorganization, and is in the best interests of the Debtors and the estates.

23. Absent funds available from the DIP Term Loan Facility and access to Cash Collateral, I believe the Debtors could face a value-destructive interruption to their business and lose support from important stakeholders on which the Debtors' business depends, including channel partners, employees, customers, vendors, and other contract counterparties. I believe that this, in turn, would hinder the Debtors' ability to maximize the value of their estates, and the Debtors would be forced to curtail their operations significantly, if not entirely, to the detriment of all stakeholders.

24. Further, without access to the DIP Term Loan Facility, the Debtors will have extremely limited cash on hand, and based on the Debtors' liquidity forecast, would not be able to generate sufficient levels of operating cash to cover their working capital needs and the costs of these Chapter 11 Cases. As a result, I believe that the DIP Term Loan Facility is critical to the Debtors' ability to administer these Chapter 11 Cases and provide the Debtors with sufficient liquidity to continue operations in the ordinary course and pursue the restructuring contemplated by the Plan and the RSA.

### **Conclusion**

25. In light of the Debtors' immediate liquidity needs, I believe that the Debtors will materially benefit from the availability of the DIP Term Loan Facility. In my view, this financing, together with the RSA, the Plan Plan, and the settlement of claims with an ad hoc group of holders of the Debtors' 2.25% Convertible Senior Notes, will provide the necessary liquidity for a successful reorganization of the Debtors' estates, which in turn will maximize value for the benefit of their creditors, employees, vendors, and other stakeholders. In addition, the DIP Term Loan Facility, and the assurance it provides to the Debtors' workforce and operations, will help stabilize the Debtors' operations at the outset of these Chapter 11 Cases and will provide the clearest path to an expeditious exit from chapter 11. Accordingly, I believe the relief requested in the Motion is necessary and appropriate to avoid immediate and irreparable harm to the Debtors' estates.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Dated: February 14, 2023

/s/

---

Name: Eric Koza  
Chief Restructuring Officer