

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

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 In re: : Chapter 11  
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 EMERGE ENERGY SERVICES LP, *et al.*,<sup>1</sup> : Case No. 19-\_\_\_\_\_ (\_\_\_\_\_)  
 :  
 Debtors. : (Joint Administration Requested)  
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**DECLARATION OF BRYAN M. GASTON IN SUPPORT OF MOTION  
 (I) PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 363 AND  
 364 AUTHORIZING THE DEBTORS TO (A) OBTAIN SENIOR SECURED PRIMING  
 SUPERPRIORITY POSTPETITION FINANCING, (B) GRANT LIENS AND  
 SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS, (C) USE  
 CASH COLLATERAL OF PREPETITION SECURED PARTIES AND  
 (D) GRANT ADEQUATE PROTECTION TO PREPETITION SECURED PARTIES; (II)  
 SCHEDULING A FINAL HEARING PURSUANT TO BANKRUPTCY  
RULES 4001(b) AND 4001(c); AND (III) GRANTING RELATED RELIEF**

I, Bryan M. Gaston, pursuant to 28 U.S.C. § 1764, hereby declare and state:

1. I am the Restructuring Officer (“**RO**”) of each of the debtors and debtors-in-possession in the above-captioned cases (collectively, the “**Debtors**” or “**Emerge Energy**”). Together with my colleagues at Ankura Consulting Group, LLC (“**Ankura**”) and the Debtors’ other advisors, I have performed a lead role in managing the restructuring efforts of the Debtors since January 2019. I submit this Declaration in support of the *Debtors’ Motion (I) Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, and 364 Authorizing the Debtors to (A) Obtain Senior Secured Priming Superpriority Postpetition Financing, (B) Grant Liens and Superpriority Administrative*

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<sup>1</sup> The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: Emerge Energy Services LP (2937), Emerge Energy Services GP LLC (4683), Emerge Energy Services Operating LLC (2511), Superior Silica Sands LLC (9889), and Emerge Energy Services Finance Corporation (9875). The Debtors’ address is 5600 Clearfork Main Street, Suite 400, Fort Worth, Texas 76109.



*Expense Status, (C) Use Cash Collateral of Prepetition Secured Parties and (D) Grant Adequate Protection to Prepetition Secured Parties; (II) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c); and (III) Granting Related Relief (the “DIP Motion”).<sup>2</sup>*

2. All facts and opinions set forth in this declaration are based upon: (a) my personal knowledge; (b) information learned from my review of relevant documents; (c) information supplied to me or verified by company personnel, other Ankura professionals or the Debtors’ other advisors; and/or (d) my experience and knowledge concerning turnarounds and restructurings of distressed companies.

### **Background and Qualifications**

3. I am a Senior Managing Director in Ankura’s Turnaround and Restructuring Services Group. Ankura is a global, diversified financial and economic advisory firm.

4. Before joining Ankura, I was most recently a Managing Director at Opportune, LLP for more than three years. Before that, I held senior roles at Conway MacKenzie, Inc., AlixPartners LLP, and XRoads Solutions Group, specializing in restructuring and turnaround services in each of these roles over an 14 year period. For more than 11 years before that, I worked at KPMG, Merrill Lynch, and similar firms providing audit, litigation consulting, forensic accounting, and valuation services.

5. My experience relevant to this engagement includes various interim management and advisory roles in distressed restructuring matters across the energy and related industries. These roles have been across a wide range of sectors including exploration and production, oilfield services and downstream. Although I have advised creditor constituents, my experience has entailed an emphasis on debtor roles.

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<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meaning given them in the DIP Motion.

**The Debtors' Urgent Liquidity Needs**

6. I, and other Ankura professionals working at my direction, have been working closely with the Debtors' management to advance both in-court and out-of-court restructuring alternatives for the Debtors over the past several months. As a result, I am familiar with the Debtors' day-to-day business operations, books and records, and all restructuring efforts to-date, and I have developed a firm understanding of the Debtors' liquidity position and needs.

7. The Debtors have an urgent need to obtain postpetition financing. Like many companies, the Debtors lack sufficient funds on hand and do not generate sufficient funds from operations in the near term to meet the needs of the business and the administration of these chapter 11 cases. Historically the Debtors' main source of liquidity has been through an asset-based revolving credit facility. In the Debtors' judgment, a minimum cash balance of \$2 million plus additional availability under its revolving credit facility is the appropriate amount of liquidity to manage their operations without undue risk. Due to a default and significant over-advance against a borrowing base formula, the Debtors have lost the ability to obtain recurring advances under their revolving credit facility and are now operating on cash collateral and must defer numerous accrued obligations to ensure cash collected from customers is sufficient to meet minimum critical needs. Cash on hand as of the Petition Date was approximately \$1.3 million. Without the liquidity provided from postpetition financing, the Debtors will be unable to—among other things—operate their business in the normal course, fund ordinary course expenditures including employee wages and benefits, or pay the expenses necessary to administer the chapter 11 cases without significant harm to the estate. As set forth in the several motions filed concurrently herewith seeking immediate relief in respect of, among other things, the Debtors' critical vendors, utilities providers, insurance and bonding providers, and lien claimants, the

Debtors have an immediate need to make meaningful cash disbursements to their key business counterparties. Without the money necessary to make such payments, the Debtors' ability to operate competitively in their industry will be lost. The Debtors would also likely be unable to retain employees or recover business from key vendors and customers if lost and later pursued post-restructuring.

8. If not for the deferral of a quarterly debt service payment of principal and interest on the Debtors' Second Lien Credit and Security Agreement of approximately \$10 million that was owed but not paid on July 1, 2019, the Debtors would have no liquidity.

9. In short, the ability of the Debtors to sustain their business during, and successfully emerge from, these chapter 11 cases is dependent upon obtaining adequate postpetition financing immediately. Furthermore, the level of financial harm that the Debtors will incur if they do not obtain such financing greatly exceeds the amount of requested financing.

**The Proposed DIP Facilities are Both Necessary and Sufficient  
in Light of the Debtors' Liquidity Needs**

10. In my opinion based on the extensive work of the Ankura team to assess the Debtors' immediate and projected liquidity needs, the DIP Facility (as defined below) will provide necessary and sufficient liquidity for the Debtors' to fund their operations during the pendency of these chapter 11 cases.

11. Pursuant to the DIP Motion, the Debtors seek authority to obtain senior-secured, superpriority postpetition financing comprising (i) new money delayed-draw loans in an aggregate principal amount not to exceed \$7,500,000 on an interim basis and \$35,000,000 in total; and (ii) authority and agreement to use proceeds of Collateral (including inventory and receivables) to fund the Debtors' operations and chapter 11 expenses including professional fees, provided that all such Cash Collateral shall be deemed to repay Prepetition Revolver Obligations

as and when received, and to become incremental postpetition borrowings in the same amount as all such repayments ((i) and (ii) together, the “**DIP Facility**”).

12. In essence, the DIP Facility will provide \$35 million of incremental liquidity necessary to fund cash deficits over the forecasted DIP period. That amount, combined with uninterrupted access to receipts (subject to approved budgets), is calculated to permit the Debtors’ to maintain minimum liquidity of \$5,000,000 throughout these chapter 11 cases while timely honoring all budgeted disbursements, in contrast to the months leading to the Petition Date. Absent the new funding and access to receipts in the amounts and manner provided in the DIP Facility, the Debtors risk being unable to continue operations or to fund these chapter 11 cases.

13. Accordingly, I believe that the proposed DIP Facility should be approved on the terms and conditions described in the DIP Credit Agreement and the Interim DIP Order, and entry into the DIP Facility reflects a sound exercise of the Debtors’ business judgment.

Dated: July 15, 2019  
Wilmington, DE



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Bryan M. Gaston  
Senior Managing Director  
Ankura Consulting Group, LLC