

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

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In re : Chapter 11
:
HI-CRUSH INC., et al., : Case No. 20-33495 (DRJ)
:
Debtors.1 : (Joint Administration Requested)
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DECLARATION OF RYAN OMOHUNDRO IN SUPPORT OF DEBTORS'
EMERGENCY MOTION FOR ENTRY OF ORDERS (I) AUTHORIZING THE
DEBTORS TO OBTAIN POSTPETITION FINANCING, (II) AUTHORIZING THE
DEBTORS TO USE CASH COLLATERAL, (III) GRANTING LIENS AND PROVIDING
SUPERPRIORITY ADMINISTRATIVE EXPENSE CLAIMS, (IV) GRANTING
ADEQUATE PROTECTION TO PREPETITION ABL SECURED PARTIES,
(V) MODIFYING AUTOMATIC STAY, (VI) SCHEDULING
A FINAL HEARING, AND (VII) GRANTING RELATED RELIEF

I, Ryan Omohundro, hereby declare as follows under penalty of perjury:

1. I am a Managing Director at Alvarez & Marsal North America, LLC ("A&M"), a
limited liability corporation, the proposed restructuring advisor to the debtors and debtors-in-
possession (collectively, the "Debtors") in the above-captioned chapter 11 cases (the "Chapter
11 Cases"). I submit this declaration in support of the Debtors' Emergency Motion for Entry of
Orders (I) Authorizing the Debtors to obtain Postpetition Financing, (II) Authorizing the Debtors

1 The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number
(where available), are: Hi-Crush Inc. (0530), OnCore Processing LLC (9403), Hi-Crush Augusta LLC (0668),
Hi-Crush Whitehall LLC (5562), PDQ Properties LLC (9169), Hi-Crush Wyeville Operating LLC (5797), D
& I Silica, LLC (9957), Hi-Crush Blair LLC (7094), Hi-Crush LMS LLC, Hi-Crush Investments Inc. (6547),
Hi-Crush Permian Sand LLC, Hi-Crush Proppants LLC (0770), Hi-Crush PODS LLC, Hi-Crush Canada Inc.
(9195), Hi-Crush Holdings LLC , Hi-Crush Services LLC (6206), Bulk Tracer Holdings LLC (4085),
Pronghorn Logistics Holdings, LLC (5223), FB Industries USA Inc. (8208), PropDispatch LLC, Pronghorn
Logistics, LLC (4547), and FB Logistics, LLC (8641). The Debtors' address is 1330 Post Oak Blvd, Suite 600,
Houston, Texas 77056.



to use Cash Collateral (III) Granting Liens and Providing Superpriority Administrative Expense Claims, (IV) Granting Adequate Protection to Prepetition ABL Secured Parties, (V) Modifying Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief (the “**DIP Motion**”),² which seeks approval for the Debtors to obtain \$65 million in debtor-in-possession (“**DIP**”) financing through (1) a \$25 million senior secured superpriority DIP revolving, asset-based facility (the “**DIP ABL Facility**”) provided by certain Prepetition ABL Lenders and (2) a \$40 million senior secured superpriority DIP term loan facility (the “**DIP Term Loan Facility**,” and together with the DIP ABL Facility, the “**DIP Facilities**”) provided by certain Prepetition Term Lenders, of which approximately \$43.6 million is being requested on an interim basis and an additional \$21.4 million on a final basis.

2. Except as otherwise stated in this declaration, the statements set forth herein are based on (1) my personal knowledge or opinion based on my experience; (2) information that I have received from the Debtors, my colleagues at A&M working directly with me or under my supervision, direction, or control, or other advisors of the Debtors; and/or (3) my review of relevant documents. Additionally, the opinions asserted herein are based upon my experience and knowledge of the Debtors’ operations, financial condition, and liquidity. I am not being specifically compensated for this testimony other than through the proposed compensation to A&M as a professional retained by the Debtors.

3. I am authorized to submit this declaration on behalf of the Debtors. If I were called upon to testify, I would testify competently to the facts and opinions set forth herein.

² Capitalized terms used but not defined herein have the meanings ascribed to them in the DIP Motion or the *Declaration of Phil McCormick in Support of Chapter 11 Petitions and First Day Pleadings* (the “**First-Day Declaration**”), as applicable.

Professional Background and Qualifications

4. I am a Managing Director in the North American Commercial Restructuring group at A&M and I am based in A&M's office at 700 Louisiana Street, Suite 3300, Houston, Texas 77002.

5. A&M is a leading restructuring consulting firm with extensive experience and an excellent reputation for providing high quality, specialized management and restructuring advisory services to debtors and distressed companies. Specifically, A&M's core services include turnaround advisory services, interim and crisis management, revenue enhancement, claims management, and creditor and risk management advisory services. A&M provides a wide range of debtor advisory services targeted at stabilizing and improving a company's financial position, including: developing or validating forecasts, business plans and related assessments of strategic position; monitoring and managing cash, cash flow and supplier relationships; assessing and recommending cost reduction strategies; and designing and renegotiating financial restructuring packages. Additionally, A&M provides advice on specific aspects of the turnaround process and helps manage complex constituency relations and communications. A&M is known for its ability to work alongside company management and key constituents during chapter 11 restructurings to develop a feasible and executable plan of reorganization. I have been a full-time restructuring advisor for over 14 years. I have a broad range of experience in liquidity and working capital management, cash forecasting, liquidation analyses and valuation, business plan development, cost-cutting and asset rationalization, lender negotiations, bankruptcy planning, and accounting. In addition to the Debtors, I have advised several distressed energy companies, including Weatherford International, Parker Drilling Company, QMax, Northeast Gas Generation, Jones Energy, Castex Energy, New Mach Gen, Forbes Energy Services, US Well Services, and Quintana Energy Services. I have been involved

in preparing cash flow forecasts for determining the amount of post-petition financing needed over 15 times, the majority for companies in the oil and gas sector.

6. I received a master's degree in professional accounting and a bachelor's degree in business administrative from the University of Texas at Austin. I am a Certified Public Accountant (CPA), a Chartered Financial Analyst (CFA), a Certified Insolvency & Restructuring Advisor (CIRA), and a Certified Fraud Examiner (CFE). I have been employed at A&M since June 2006.

Advisor Retention

7. A&M was engaged as a restructuring advisor to the Debtors in March 2020 to, among other things, assist in potential restructuring planning, develop and manage a cash-flow forecast, evaluate the Debtors' business plan, assist with financing issues, and liaise with creditors. Since A&M's engagement in this matter, A&M has been working closely with the Debtors' management and other professionals to assist the Debtors in considering and planning for various restructuring scenarios. As a result of that work, I am familiar with the Debtors' capital structure, business operations, books and records, and restructuring efforts to date, and I have developed a firm understanding of the Debtors' liquidity position and needs.

The Debtors' Urgent and Immediate Liquidity Needs

8. The Debtors authorized A&M to initiate the process of evaluating the Debtors' projected financing needs to fund a potential chapter 11 restructuring. A&M worked closely with the Debtors' management and other advisors to assess the Debtors' cash needs for their businesses and potential chapter 11 cases. As part of that evaluation, A&M, with the assistance of the Debtors' management, prepared a cash-flow forecast detailing the Debtors' postpetition cash needs in the initial 13 weeks of these Chapter 11 Cases, which is attached as Exhibit A to this declaration (the "**Initial Budget**"). The Initial Budget takes into account projected cash receipts and

disbursements during the projected period and considers a number of factors, including the effect of the chapter 11 filing on the operating of the business, fees and interest expenses associated with the DIP Facilities, and professional fees.

9. As demonstrated by the Initial Budget, the Debtors have an urgent and immediate need for liquidity. Substantially all of the Debtors' cash on hand is Cash Collateral, and the Debtors will not generate enough unsecured cash post-petition to operate with a sufficient cash cushion throughout the pendency of these Chapter 11 Cases.

10. Access to Cash Collateral alone also would not be sufficient, as I do not believe it would be possible to administer the Debtors' chapter 11 estates on a "cash collateral" basis. The Debtors' available and projected Cash Collateral is insufficient to fund their operations in the absence of additional liquidity made available from postpetition financing. Without adequate DIP financing and authorization to use Cash Collateral of the Prepetition ABL Secured Parties, the Debtors will not have sufficient available sources of working capital and financing to carry on the operation of their businesses in the normal course and will suffer immediate and irreparable harm. Specifically, the Debtors' ability to maintain their business operations, including paying employees and satisfying other working capital and operational needs, all of which are essential to maintain customer and vendor relationships, are critical to the Debtors' continued viability and would be imperiled if the Debtors are unable to secure adequate DIP financing in these Chapter 11 Cases.

11. Further, as of the Petition Date, the Debtors had approximately \$22.3 million in outstanding letter of credit commitments under the ABL Facility. Without the backing of the non-defaulted DIP ABL Facility, these would likely be drawn in part or in whole by the beneficiaries, crystalizing Prepetition ABL secured claims accruing at the default rate thereunder. Beneficiaries

would likely also request replacement letters of credit, requiring the Debtors to have access to additional postpetition cash to cover such requests. Furthermore, the Prepetition ABL Secured Parties likely would not consent to use of Cash Collateral unless such cash was used to collateralize the prepetition letter of credit obligations. If entered, the DIP ABL Facility will replace the Prepetition ABL Facility, allowing these letters of credit to remain in effect and avoiding the aforementioned material difficulties.

12. In short, the ability of the Debtors to sustain their business during, and successfully emerge from, these Chapter 11 Cases is dependent on immediately obtaining adequate postpetition financing in the form of both access to Cash Collateral and a sufficiently sized DIP financing. I believe that the degree of financial harm that the Debtors will incur if they do not obtain adequate postpetition financing greatly exceeds the amount of requested postpetition financing.

**The Proposed DIP Facilities Are Necessary and Sufficient
To Meet the Debtors' Liquidity Needs**

13. Based on the extensive work of A&M to assess the Debtors' immediate and projected liquidity needs, I believe that the DIP Facilities will provide necessary and sufficient liquidity for the Debtors to fund their operations during the pendency of these Chapter 11 Cases and to fund the administration of these Chapter 11 Cases.

14. The abrupt and acute downturn in the Debtors' industries in recent months has severely depleted the Debtors' liquidity. As of the Petition Date, the Debtors' unrestricted cash on hand is approximately \$8.1 million, substantially all of which is Cash Collateral. The Debtors are further projected to have negative operating cash flow over the first six weeks of these Chapter 11 Cases, including negative \$2.0 million and \$4.4 million not including professionals' fees and other restructuring expenses in the first and second weeks of the budgeted period, respectively.

Without immediate access to sufficient DIP financing, the Debtors would be unable to continue their operations throughout the pendency of these Chapter 11 Cases.

15. The size of the DIP Facilities, combined with uninterrupted access to receipts (subject to Approved Budgets under the DIP Documents), is calculated to permit the Debtors to maintain the minimum amount of liquidity sufficient to sustain operations during these Chapter 11 Cases. The funds that would be made available to the Debtors under the DIP Facilities are necessary to preserve the value of the Debtors' estates for the benefit of all stakeholders. Specifically, the proposed interim borrowing of \$20 million under the DIP Term Loan Facility is necessary to ensure that the Debtors will be able to fund operational expenses and satisfy working capital needs in the normal course pending the Final Hearing, as well as maintain a minimum cash balance (unrestricted cash-on-hand plus DIP ABL Availability) of \$12.5 million at all times, as required by the terms of the DIP ABL Credit Agreement. Because the Initial Budget projects that the Debtors' Operating Cash Flow will be negative in the majority of weeks in the Initial Budget, further borrowings are projected after the Final Hearing, which enable the Company to continue to maintain the minimum cash balance (unrestricted cash-on-hand plus DIP ABL Availability) of \$12.5 million and provide sufficient liquidity to fund the remainder of these Chapter 11 Cases. Based on the Debtors' projected Operating Cash Flow, a DIP Term Loan Facility of \$40 million is necessary in order to maintain that minimum liquidity requirement. Further, a DIP ABL Facility of \$25 million is necessary to support existing and projected additional letters of credit obligations.

16. Furthermore, the DIP Facilities demonstrate the ongoing support of the Prepetition Secured Parties for the Debtors' financial and operational restructuring. The proceeds of the DIP Facilities provide the Debtors with needed stability and sufficient liquidity to continue to operate their business in the normal course, provide comfort to their employee, customer, and vendor

constituencies, and fund the administration of these Chapter 11 Cases. The ability of the Debtors to obtain sufficient working capital and liquidity through the DIP Facilities and the use of Cash Collateral as set forth in the DIP Documents is vital to the preservation and maintenance of the going concern value of the Debtors.

17. I believe that the Debtors and their Board of Directors, in consultation with A&M and the Debtors' other professionals, and after careful consideration, reasonably determined that postpetition financing is appropriate and necessary and that the DIP Facilities provide the necessary liquidity to successfully operate their businesses during the pendency of these Chapter 11 Cases.

Conclusion

18. Based on the foregoing, it is my belief that the proposed DIP Facilities provide the Debtors with necessary and sufficient liquidity to continue their operations and implement a value-maximizing restructuring, are in the best interests of the Debtors' estates, and should be approved pursuant to the terms and conditions in the DIP Documents.

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Pursuant to 28 U.S.C. § 1764, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: July 12, 2020
Houston, Texas

/s/ Ryan Omohundro
Ryan Omohundro
Managing Director
Alvarez & Marsal, LLC

*Proposed Restructuring Advisor to the
Debtors and Debtors-in-Possession*

Exhibit A

Initial Budget

Debtors' DIP Budget
13-Week Cash Flow Forecast

<i>(\$ in thousands)</i>	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<i>Week Ending (Friday) --></i>	7-17	7-24	7-31	8-7	8-14	8-21	8-28	9-4	9-11	9-18	9-25	10-2	10-9
Beginning Unrestricted Cash	\$ 8,093	\$ 23,343	\$ 17,037	\$ 15,600	\$ 14,078	\$ 12,501	\$ 15,314	\$ 13,168	\$ 12,925	\$ 17,415	\$ 14,915	\$ 12,380	\$ 10,117
Total Receipts	2,719	2,733	2,314	2,223	2,372	2,442	2,625	6,569	2,487	2,632	2,998	2,990	3,415
Operating Disbursements													
Payroll & Benefits	\$ (339)	\$ (1,292)	\$ -	\$ (1,270)	\$ (19)	\$ (1,564)	\$ (22)	\$ (1,270)	\$ -	\$ (1,583)	\$ (22)	\$ (1,270)	\$ -
Corporate Insurance	(47)	(1,639)	-	-	(52)	-	-	(239)	-	(52)	-	(239)	-
Taxing Authorities	(250)	(125)	(249)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)
Operating Expenses	(3,870)	(3,886)	(3,030)	(2,159)	(2,120)	(2,901)	(2,417)	(3,952)	(2,826)	(3,287)	(2,262)	(3,079)	(2,680)
CAPEX	(196)	(212)	(104)	(142)	(299)	(39)	(22)	(50)	-	(250)	(272)	(250)	(250)
Total Operating Disbursements	(4,703)	(7,154)	(3,383)	(3,696)	(2,615)	(4,629)	(2,586)	(5,636)	(2,951)	(5,297)	(2,681)	(4,963)	(3,055)
Operating Cash Flow	\$ (1,984)	\$ (4,421)	\$ (1,070)	\$ (1,472)	\$ (243)	\$ (2,187)	\$ 39	\$ 932	\$ (464)	\$ (2,665)	\$ 316	\$ (1,972)	\$ 361
Restructuring Disbursements													
Debtor Professionals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,185)	\$ -	\$ -	\$ -	\$ (3,050)	\$ -	\$ -
Other Professionals	-	-	-	-	(1,300)	-	-	(1,175)	-	-	(275)	(625)	-
UST Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Adequate Assurance	(463)	-	-	-	-	-	-	-	-	-	-	-	-
Interest & Bank Fees	(1,400)	-	-	-	(33)	-	-	-	(46)	-	-	-	-
TOTAL DISBURSEMENTS	\$ (6,566)	\$ (7,154)	\$ (3,383)	\$ (3,696)	\$ (3,949)	\$ (4,629)	\$ (4,771)	\$ (6,811)	\$ (2,997)	\$ (5,297)	\$ (6,006)	\$ (5,588)	\$ (3,055)
DIP Term Loan Draw/ (Paydown)	20,000	-	-	-	-	5,000	-	-	5,000	-	-	-	-
Reserve Account Release / (Contribution)	(903)	(1,885)	(367)	(50)	-	-	-	-	-	165	474	335	896
Net Cash Flow	\$ 15,250	\$ (6,306)	\$ (1,436)	\$ (1,522)	\$ (1,577)	\$ 2,813	\$ (2,146)	\$ (243)	\$ 4,490	\$ (2,500)	\$ (2,535)	\$ (2,263)	\$ 1,256
Ending Unrestricted Cash	\$ 23,343	\$ 17,037	\$ 15,600	\$ 14,078	\$ 12,501	\$ 15,314	\$ 13,168	\$ 12,925	\$ 17,415	\$ 14,915	\$ 12,380	\$ 10,117	\$ 11,373
DIP ABL Availability	-	-	-	-	638	1,165	1,638	1,973	2,869	3,154	3,020	2,749	1,976
Ending Unrestricted Cash + DIP ABL Availability	\$ 23,343	\$ 17,037	\$ 15,600	\$ 14,078	\$ 13,140	\$ 16,478	\$ 14,806	\$ 14,898	\$ 20,284	\$ 18,068	\$ 15,400	\$ 12,866	\$ 13,349
DIP Term Loan Availability	20,000	20,000	20,000	20,000	20,000	15,000	15,000	15,000	10,000	10,000	10,000	10,000	10,000
TOTAL LIQUIDITY	\$ 43,343	\$ 37,037	\$ 35,600	\$ 34,078	\$ 33,140	\$ 31,478	\$ 29,806	\$ 29,898	\$ 30,284	\$ 28,068	\$ 25,400	\$ 22,866	\$ 23,349
Restricted Cash in ABL Reserve Account	\$ 14,454	\$ 16,339	\$ 16,706	\$ 16,756	\$ 16,756	\$ 16,756	\$ 16,756	\$ 16,756	\$ 16,756	\$ 16,592	\$ 16,118	\$ 15,783	\$ 14,887