

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re	:	Chapter 11
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SOUTHCROSS ENERGY PARTNERS L.P.,	:	Case No. 19-10702 (MFW)
<i>et al.,</i>	:	
	:	
Debtors.¹	:	(Jointly Administered)
	:	
-----	X	Re: Docket Nos. 764, 766 and 768

**STATEMENT OF AD HOC GROUP OF PRE- AND
POSTPETITION LENDERS IN SUPPORT OF THE DEBTORS' FIRST AMENDED
CHAPTER 11 PLAN, DISCLOSURE STATEMENT SUPPLEMENT, AND
MOTION SEEKING APPROVAL OF DISCLOSURE STATEMENT SUPPLEMENT**

Willkie Farr & Gallagher LLP ("**Willkie**") and Young Conaway Stargatt & Taylor LLP ("**Young Conaway**" and together with Willkie, "**Counsel**") hereby submit this statement (the "**Statement**") in support of the *First Amended Chapter 11 Plan for Southcross Energy Partners, L.P. and its Affiliated Debtors* [Docket No. 764] (the "**Amended Plan**"),² the related *Disclosure Statement Supplement for First Amended Chapter 11 Plan for Southcross Energy Partners, L.P. and its Affiliated Debtors* [Docket No. 766] (the "**Disclosure Statement Supplement**"), and the

¹ The debtors and debtors in possession in these chapter 11 cases, along with the last four digits of their respective Employer Identification Numbers, are as follows: Southcross Energy Partners, L.P. (5230); Southcross Energy Partners GP, LLC (5141); Southcross Energy Finance Corp. (2225); Southcross Energy Operating, LLC (9605); Southcross Energy GP LLC (4246); Southcross Energy LP LLC (4304); Southcross Gathering Ltd. (7233); Southcross CCNG Gathering Ltd. (9553); Southcross CCNG Transmission Ltd. (4531); Southcross Marketing Company Ltd. (3313); Southcross NGL Pipeline Ltd. (3214); Southcross Midstream Services, L.P. (5932); Southcross Mississippi Industrial Gas Sales, L.P. (7519); Southcross Mississippi Pipeline, L.P. (7499); Southcross Gulf Coast Transmission Ltd. (0546); Southcross Mississippi Gathering, L.P. (2994); Southcross Delta Pipeline LLC (6804); Southcross Alabama Pipeline LLC (7180); Southcross Nueces Pipelines LLC (7034); Southcross Processing LLC (0672); FL Rich Gas Services GP, LLC (5172); FL Rich Gas Services, LP (0219); FL Rich Gas Utility GP, LLC (3280); FL Rich Gas Utility, LP (3644); Southcross Transmission, LP (6432); T2 EF Cogeneration Holdings, LLC (0613); and T2 EF Cogeneration LLC (4976). The debtors' mailing address is 1717 Main Street, Suite 5200, Dallas, TX 75201.

² Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Amended Plan.



Motion for Entry of an Order (I) Approving the Debtors' Continued Solicitation of the Amended Chapter 11 Plan, (II) Approving the Adequacy of the Disclosure Statement Supplement in Connection with the Amended Chapter 11 Plan, (III) Establishing Certain Deadlines and Procedures in Connection with Confirmation of the Amended Chapter 11 Plan, and (IV) Granting Related Relief [Docket No. 768] (the “**DS Supplement Motion**”) on behalf of certain lenders under the DIP Credit Agreement, the Prepetition Revolving Credit Facility Agreement, and Prepetition Term Loan Agreement (collectively, the “**Ad Hoc Lender Group**”).

1. On October 28, 2019, the Debtors proposed a chapter 11 plan [Docket No. 633] (as amended, the “**Original Plan**”) providing that holders of Roll-Up DIP Claims would receive their pro rata share of an exit term loan and, potentially, their pro rata share of new preferred units in the post-emergence Debtors (to be issued in the event the exit term loan was less than \$152,542,000). For the reasons set forth more fully in the *Motion for Entry of an Order (I) Authorizing Entry into the Exit Financing Commitment Letter, (II) Approving Alternate Transaction Fee, and (III) Granting Related Relief* [Docket No. 769] (the “**Exit Financing Motion**”), the Debtors have proposed the Amended Plan, pursuant to which each holder of an Allowed Roll-Up DIP Claim will receive its Pro Rata Share of 84.3% of the New Series A Preferred Units instead of the treatment set forth in the Original Plan.

2. To satisfy section 1129(a)(9) of the Bankruptcy Code, all holders of Roll-Up DIP Claims are required to consent to the treatment set forth in the Amended Plan. Accordingly, Willkie and Houlihan contacted all holders of Roll-Up DIP Claims to explain the reasons for the revised treatment, emphasizing the identical treatment of all holders of Roll-Up DIP Claims and the fact that the Amended Plan cannot be confirmed without the consent of 100% of holders of Roll-Up DIP Claims.

3. Following these discussions, each and every holder of Roll-Up DIP Claims signed the Cooperation Agreement attached hereto as Exhibit A, which holders also represent approximately 74% of the Prepetition Revolving Credit Facility Claims and approximately 96% of the Prepetition Term Loan Claims. The Cooperation Agreement evidences each signatory's:

- (a) consent to the treatment of Allowed Roll-Up DIP Claims set forth in the Amended Plan;
- (b) commitment to timely vote any other Claims it holds, including Prepetition Revolving Credit Facility Claims and/or Prepetition Term Loan Claims, in favor of the Amended Plan; and
- (c) commitment not to object to the Amended Plan.

As set forth in the Disclosure Statement Supplement, the Cooperation Agreement is fully binding and effective as of December 12, 2019. As a result, all holders of Roll-Up DIP Claims are supportive of the DS Supplement Motion, the Exit Financing Motion and the Amended Plan.

4. Since the filing of the Amended Plan, Willkie and Houlihan have remained in close contact not only with the Ad Hoc Lender Group, but also with all other holders of Roll-Up DIP Claims and all of the Debtors' prepetition lenders. These parties share the common goals of facilitating the Debtors' quick and orderly emergence from chapter 11, minimizing additional professional fees and expenses, and maximizing the value of the Reorganized Debtors. Accordingly, in furtherance of those goals, the Ad Hoc Lender Group (which holds more than 70% of the aggregate amount of debt held by the Debtors' pre- and postpetition lenders) supports approval of the relief requested by the Debtors through the DS Supplement Motion and Exit Financing Motion.

5. Nothing contained in this Statement should be construed as a limitation upon, or waiver of, any rights of any pre- or postpetition lender to the Debtors that is not a member of the Ad Hoc Lender Group.

Dated: January 3, 2019
Wilmington, Delaware

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Exhibit A

Cooperation Agreement

COOPERATION AGREEMENT

This Cooperation Agreement (as may be amended, restated, supplemented, or otherwise modified from time to time in accordance with the terms hereof, and including the exhibits hereto, this “Agreement”), dated as of December 12, 2019, is entered into by and among the undersigned holders of Roll-Up Loans (as defined in and issued under that certain Senior Secured Superpriority Priming Debtor-in-Possession Credit Agreement, dated as of April 3, 2019, by and among Southcross Energy Partners, L.P., Wilmington Trust, National Association, as administrative agent, the issuing banks party thereto, and the lenders party thereto (as amended, supplemented or otherwise modified from time to time, the “DIP Credit Agreement,” and such undersigned holders, the “Consenting Roll-Up DIP Lenders” or the “Parties”).

RECITALS

WHEREAS, Southcross Energy Partners, L.P. and its debtor affiliates (the “Debtors”) in the jointly administered chapter 11 cases pending in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) under Case No. 19-10702 (MFW) (the “Chapter 11 Cases”) filed the *Chapter 11 Plan for Southcross Energy and its Affiliated Debtors* [Docket No. 675] (the “Plan”) on November 7, 2019;¹

WHEREAS, the Plan provides that, except to the extent that a holder of an Allowed Roll-Up DIP Claim agrees to less favorable treatment, each holder of an Allowed Roll-Up DIP Claim shall receive, in full and final satisfaction, settlement, release and discharge of its Allowed Roll-Up DIP Claim, its Pro Rata Share of (a) the Exit Term Loans allocated to the Roll-Up DIP Claims and (b) the New Preferred Units (if issued) allocated to the Roll-Up DIP Claims;

NOW, THEREFORE, in consideration of the promises, mutual covenants, and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Parties, intending to be legally bound, hereby agrees as follows:

1. **Agreement Effective Date.** The Agreement shall become binding on each Party immediately upon receipt by Willkie Farr & Gallagher LLP (“WF&G”) of such Party’s executed and released signature pages therefor.

2. **Commitments of the Consenting Roll-Up DIP Lenders.** Each Consenting Roll-Up DIP Lender:

- (a) hereby consents to the treatment of Allowed Roll-Up DIP Claims set forth in the Plan, which may be amended in a manner that is reasonably acceptable to the Debtors and the Majority Ad Hoc Group in accordance with Section 14.3 of the Plan; provided, that each holder of an Allowed Roll-Up DIP Claim continues to receive its Pro Rata Share of any such amended treatment;

¹ Capitalized terms used but not defined herein shall have the meanings given to them in the Plan.

- (b) shall, if such Consenting Roll-Up DIP Lender holds any other Claims, including, without limitation, Prepetition Revolving Credit Facility Claims and/or Prepetition Term Loan Claims, timely vote each such claim in favor of the Plan (subject to approval by the Bankruptcy Court of a disclosure statement), and shall not withdraw, amend, or revoke such vote;
- (c) shall not, directly or indirectly, object to, delay, impede, or take any other action to interfere with the acceptance, implementation, confirmation or consummation of the Plan, including by filing any motion or pleading with the Bankruptcy Court that is not materially consistent with this Agreement, whether in its capacity as a holder of Allowed Roll-Up DIP Claims or other Claims.

3. **No Solicitation.** Each Party irrevocably acknowledges and agrees that this Agreement is not and shall not be deemed to be a solicitation for acceptances of the Plan for purposes of sections 1125, 1126, and 1127 of title 11 of the United States Code (as in effect from time to time, the “Bankruptcy Code”) or otherwise. Any such solicitation will be made in compliance with all applicable securities laws and provisions of the Bankruptcy Code only after a disclosure statement related to the Plan is approved by the Bankruptcy Court.

4. **Transfers and Acquisitions of Claims and Interests.** A Consenting Roll-Up DIP Lender shall not sell, assign, grant, transfer, convey, hypothecate, or otherwise dispose of (each, a “Transfer”) any Allowed Roll-Up DIP Claim, Allowed Prepetition Revolving Credit Facility Claim, or Allowed Prepetition Term Loan Claim, unless such Transfer is to another Consenting Roll-Up DIP Lender or any other entity that, as a condition precedent to the effectiveness of any Transfer, executes and delivers to WF&G a signature page to this Agreement. Any Transfer made in violation of this Section 4 shall be deemed null and void *ab initio* and of no force or effect, regardless of any prior notice provided to any Party, and shall not create any obligation or liability of any other Party to the purported transferee. Nothing in this Agreement shall be construed as precluding any Consenting Roll-Up DIP Lender or any of its affiliates from acquiring additional Roll-Up DIP Claims or any other Claims; *provided, however*, that any such additional Roll-Up DIP Claims or any other Claims acquired by any Consenting Roll-Up DIP Lender or by any of its affiliates shall automatically be subject to the terms and conditions of this Agreement. Each Party shall promptly notify WF&G of any such further acquisition.

5. **Termination.** Notwithstanding anything in this Agreement to the contrary, this Agreement shall terminate automatically without further required action upon the occurrence of the Plan Effective Date.

6. **Amendments.** This Agreement shall not be amended except pursuant to an agreement in writing entered into by holders of greater than fifty percent (50%) of the Allowed Roll-Up DIP Claims and delivered to WF&G.

7. **Remedies.** It is understood and agreed by the Parties that money damages may be an insufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to seek specific performance and injunctive or other equitable relief as a remedy of any such breach of this Agreement, including an order of the Bankruptcy Court or other

court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder. The Parties agree that such relief will be their only remedy against the applicable breaching Party or Parties with respect to any such breach, and that in no event will any Party be liable for monetary damages under or in connection with this Agreement.

8. **Notices.** Notices hereunder shall be deemed given if in writing and delivered by electronic mail, facsimile, courier and/or by registered or certified mail (return receipt requested) to Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, NY 10019, Fax: (212) 728-8111; Attn: Joseph G. Minias, Esq. (jminias@willkie.com), Weston T. Eguchi (weguchi@willkie.com), and Debra C. McElligott (dmcelligott@willkie.com).

9. **Governing Law & Jurisdiction.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to such state's choice of law provisions which would require the application of the law of any other jurisdiction, except where preempted by the Bankruptcy Code. By its execution and delivery of this Agreement, each Party irrevocably and unconditionally agrees for itself that the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Agreement. By executing and delivering this Agreement, each of the Parties irrevocably and unconditionally submits to the personal jurisdiction of the Bankruptcy Court solely for purposes of any action, suit, proceeding, or other contested matter arising out of or relating to this Agreement, or for recognition or enforcement of any judgment rendered or order entered in any such action, suit, proceeding, or other contested matter. **Each of the Parties waives any right to have a jury participate in resolving any dispute, whether sounding in contract, tort or otherwise, between any of the Parties arising out of, connected with, relating to, or incidental to the relationship established between any of them in connection with this Agreement. Instead, any disputes resolved in court shall be resolved in a bench trial without a jury.**

10. **Miscellaneous.** This Agreement constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all prior negotiations, agreements, and understandings, whether written or oral, among the Parties with respect to the subject matter of this Agreement. This Agreement may be executed in one or more counterparts, each of which, when so executed, shall constitute the same instrument, and the counterparts may be delivered by facsimile transmission or by electronic mail in portable document format (.pdf). The section headings of this Agreement are for convenience of reference only and shall not, for any purpose, be deemed a part of this Agreement. This Agreement is the product of negotiations among the Parties, and the enforcement or interpretation hereof, is to be interpreted in a neutral manner, and any presumption with regard to interpretation for or against any Party by reason of that Party having drafted or caused to be drafted this Agreement or any portion hereof, shall not be effective in regard to the interpretation hereof.