

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

In re: § **Chapter 11**
§
§ **SPEEDCAST INTERNATIONAL** §
LIMITED, et al., § **Case No. 20-32243 (MI)**
§
Debtors.¹ § **(Joint Administration Requested)**
§ **(Emergency Hearing Requested)**
§

**DECLARATION OF ADAM WALDMAN IN SUPPORT
OF DEBTORS’ EMERGENCY MOTION FOR ENTRY OF INTERIM
AND FINAL ORDERS (I) AUTHORIZING DEBTORS TO (A) OBTAIN
POSTPETITION FINANCING AND (B) USE CASH COLLATERAL, (II) GRANTING
LIENS AND PROVIDING SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS,
(III) GRANTING ADEQUATE PROTECTION TO THE PREPETITION SECURED
PARTIES, (IV) MODIFYING THE AUTOMATIC STAY,
(V) SCHEDULING A FINAL HEARING AND (VI) GRANTING RELATED RELIEF**

I, Adam Waldman, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

1. I submit this declaration (the “**Declaration**”) in support of the relief requested in the *Emergency Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (II) Granting Liens and Providing Superpriority Administrative Expense Status, (III) Granting Adequate Protection to the Prepetition Secured Parties, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing and (VI) Granting Related Relief* (the “**DIP Motion**”), filed contemporaneously herewith by Speedcast International Limited (the “**Company**”) and its debtor affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession

¹ A complete list 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.kecllc.net/speedcast>. The Debtors’ service address for the purposes of these chapter 11 cases is 4400 S. Sam Houston Parkway East, Houston, Texas 77048.



(collectively, the “**Debtors**”). The DIP Motion seeks approval of a debtor-in-possession, superpriority, senior secured term loan facility in an aggregate principal amount of \$180 million (the “**DIP Facility**”) and the consensual use of cash collateral (as such term is defined in section 363(a) of the Bankruptcy Code, the “**Cash Collateral**”).²

2. The statements in this Declaration are, except where specifically noted, based on my personal knowledge or opinion, or on information that I have received from the Debtors’ employees or advisors, or employees of Moelis & Company LLC (“**Moelis**”)³ working directly with me or under my supervision, direction, or control, or from the Debtors’ books and records maintained in the ordinary course of their business. I am not being specifically compensated for this testimony other than through payments received by Moelis as a professional retained by the Debtors prepetition and proposed to be retained in these chapter 11 cases postpetition. If I were called upon to testify, I could and would competently testify to the facts set forth herein on that basis. I am authorized to submit this Declaration on behalf of the Debtors.

Professional Background and Qualifications

3. I am an Executive Director at Moelis, which I joined in 2010. Moelis is an independent investment banking firm providing financial advisory services, including with respect to mergers and acquisitions, capital raising and restructuring advice. Moelis and its senior professionals have extensive experience with respect to the reorganization and restructuring of distressed companies, both out-of-court and in chapter 11 proceedings. I personally have over 15 years of experience in both investment banking and asset management. I personally have

² Capitalized terms used but not otherwise defined in this Declaration shall have the meanings ascribed to them in the DIP Motion or the *Declaration of Michael Healy in Support of Debtors’ Chapter 11 Petitions and First Day Relief* (the “**Healy Declaration**”) filed contemporaneously herewith, as applicable. All dollar (\$) references in this Declaration are to the U.S. dollar, unless stated otherwise.

³ Moelis & Company LLC has its principal office at 399 Park Avenue, 5th Floor, New York, NY 10022.

experience advising debtors, creditors, shareholders, and other interested parties on a wide variety of recapitalizations and restructuring transactions including procuring, structuring and negotiating debtor-in-possession financing facilities across a broad range of industries.

4. Over the last 10 years, my transaction experience has ranged from out-of-court restructurings to in-court restructurings in the United States, Europe, and Asia, including involvement in the chapter 11 cases of the following companies, among others: Murray Energy Corporation, The McClatchy Company, Sears Holdings Corporation, Global A&T Electronics Ltd., Midway Gold U.S. Inc., Allied Nevada Gold Corp., and Aegean Marine Petroleum Network Inc.

5. Prior to joining Moelis, I was an analyst with Wexford Capital LLC where my primary responsibilities included investing in high yield bonds, leveraged loans, work-out, and special situations. I began my career in the Leveraged Finance Capital Markets Group at Citigroup. I hold a Bachelor of Science in Applied Economics and Management (Finance concentration) from Cornell University and an M.B.A. with a Finance specialization from NYU.

Advisor Retention

6. On February 24, 2020, the Debtors engaged Moelis and Moelis Australia Advisory Pty Limited (“**Moelis Australia**”) to act as their exclusive financial advisors and investment bankers in connection with the Debtors’ restructuring initiatives. Since their engagement, Moelis and Moelis Australia rendered financial advisory and investment banking services to the Debtors in connection with the evaluation of strategic alternatives for restructuring their debt obligations and improving their liquidity and their overall financial condition. Moelis has worked closely with the Debtors’ management and other professionals retained by the Debtors, including Moelis Australia, FTI Consulting, Inc. (“**FTI**”), Weil, Gotshal & Manges LLP (“**Weil**”),

and Herbert Smith Freehills LLP (“**HSF**” and, together with Weil, FTI, and Moelis, the “**Advisors**”).

7. I, along with other members of the Moelis team and the Debtors’ Advisors, have become knowledgeable about the Debtors’ capital structure, finances, liquidity needs, and business operations. This has allowed my team and I to provide an evaluation of the Debtors’ liquidity and cash needs, including in connection with assisting the Debtors in analyzing their debtor-in-possession (“**DIP**”) financing alternatives.

The Debtors’ Capital Structure and Need for Postpetition Financing⁴

8. The Debtors are international remote communications and information technology (“**IT**”) services providers focused on delivering communications solutions through a multi-access technology, multi-band, and multi-orbit network of more than 80 satellites and an interconnecting global terrestrial network, bolstered by extensive on the ground local support in more than 40 countries. The Debtors design, source, configure, operate, and maintain remote communications networks, and their primary customers are in the cruise and energy industries.

9. I understand that, as of the Petition Date, the Debtors have approximately \$680 million in aggregate principal amount of funded indebtedness and related obligations. I further understand that this indebtedness consists of (i) approximately \$87.7 million of borrowings under the Revolving Credit Facility, and (ii) approximately \$591.4 million in Term Loans. I also understand from the Debtors’ other advisors that, with the exception of certain assets owned by four of the Debtors who were not obligors under the Prepetition Credit Agreement, substantially

⁴ A detailed description of the Debtors’ business and certain facts and circumstances supporting the DIP Motion and the Debtors’ chapter 11 cases are set forth in greater detail in the Healy Declaration.

all of the Debtors' assets, including their Cash Collateral, are subject to prepetition security interests and liens in favor of the Prepetition Lenders (defined below).

10. Over the last several months, I and other Moelis professionals have had a substantial number of discussions with the Debtors' management team and the Debtors' Advisors regarding the Debtors' business and their need for postpetition financing. Specifically, Moelis and Moelis Australia commenced an evaluation of the Debtors' financing needs and strategic alternatives beginning in March 2020. In connection with this evaluation process, Moelis and Moelis Australia worked closely with the Debtors, their management, and their other Advisors, including their proposed legal advisor, Weil, and their proposed restructuring advisor, FTI.

11. As part of their evaluation, Moelis worked with the Debtors' management and other Advisors to review and analyze the Debtors' cash flow and liquidity needs in a chapter 11 proceeding (the "**DIP Budget**"). The proposed DIP Budget takes into account the anticipated cash receipts and disbursements during the projected period and considers a number of factors, including, but not limited to: the effect of the chapter 11 filing on the operations of the business; fees and interest expenses associated with the proposed DIP financing; and administrative costs and professional fees incurred during these chapter 11 cases.

12. To address the Debtors' liquidity needs during these chapter 11 cases, the Debtors have reached an agreement with certain of the Prepetition Lenders⁵ that provides for the

⁵ As used in the DIP Motion and this Declaration, the Prepetition Credit Agreement means that certain *Syndicated Facility Agreement*, dated as of May 15, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "**Prepetition Credit Agreement**" and together with the schedules and exhibits attached thereto and all agreements, documents, instruments and/or amendments executed and delivered in connection therewith, the "**Prepetition Credit Documents**"), by and among, *inter alia*, Speedcast International Limited, Speedcast Limited, Speedcast Communications, Inc., and Speedcast Americas, Inc., as co-borrowers (in such capacity, the "**Prepetition Borrowers**"), the lenders party thereto (the "**Prepetition Lenders**"), and Credit Suisse AG, Cayman Islands Branch, as administrative agent, collateral agent, and security trustee (in such capacity, together with its successors in such capacity, the "**Prepetition Agent**" and, together with the Prepetition Lenders and the other Secured Parties (as defined in the Prepetition Credit Agreement), the "**Prepetition Secured Parties**").

following: (i) the Prepetition Lenders' consent to the Debtors' continued use of Collateral (including Cash Collateral); and (ii) a multiple-draw superpriority, senior secured new-money term loan DIP Facility of \$90 million, which will be used to fund ongoing business operations and the costs associated with these chapter 11 cases, plus a two-stage roll up to a second-out term loan position of \$90 million of the approximate \$680 million owed under the Prepetition Credit Agreement (the "**Roll-Up**").

13. The proposed DIP Facility contemplates an initial draw of \$35 million upon approval of the DIP financing on an interim basis, and the ability to make draws for the remainder of the commitment after approval of the DIP Facility on a final basis, and subject to conditions set forth in the DIP Credit Agreement. The DIP Facility is secured by superpriority administrative expense claims against the Debtors, as well as (i) priming liens on the collateral securing the Prepetition Credit Agreement, (ii) first-priority liens on unencumbered assets, and (iii) junior liens on assets subject to valid liens in existence as of the Petition Date or that are subsequently perfected as permitted by section 546(b) of the Bankruptcy Code.

14. The Roll-Up is proposed to occur in two steps. First, upon the Syndication End Date (as defined in the DIP Credit Agreement) after entry of the Interim Order, loans under the Prepetition Credit Agreement held by the DIP Lenders in a maximum principal amount of \$35 million will be deemed exchanged for DIP Roll-Up Loans on a cashless, dollar-for-dollar basis. Second, after entry of the Final Order, loans under the Prepetition Credit Agreement held by the DIP Lenders in a maximum principal amount of \$55 million will be deemed exchanged for DIP Roll-Up Loans on a cashless, dollar-for-dollar basis. The claims and liens in respect of the DIP Roll-Up Loans are subordinate to the DIP New Money Loans. If, prior to entry of the Final Order,

the DIP New Money Loans are repaid in cash, then the initial Roll-Up is unwound and those DIP Roll-Up Loan amounts revert back to prepetition loans.

15. Together with the Debtors and their other Advisors, I actively negotiated the terms and provisions of the DIP Facility. The DIP Facility and, implicitly, the proposed use of Cash Collateral, are the product of arm's-length and good faith negotiations, are the best postpetition financing alternative reasonably available to the Debtors under the circumstances, and in the best interest of the Debtors, their estates, and stakeholders.

16. Absent the DIP financing, the Debtors would not have sufficient liquidity to operate and would be immediately and irreparably harmed. Indeed, the Debtors are entering these chapter 11 cases with constrained liquidity and require access to the DIP financing immediately in order to operate their business and preserve and enable maximization of stakeholder value.

17. The proposed DIP Facility is essential to sustain the Debtors' businesses. Importantly, having the funding available under the DIP Facility will allow the Debtors to instill confidence in their critical customer base, employees, counterparties, and business partners by assuring them that the Debtors will be able to continue operating business as usual and otherwise pay their obligations as they come due after the Petition Date. I understand that the Debtors will use the DIP Facility funds to stabilize their businesses, including ensuring continued services from the Debtors' key suppliers whose services are essential to the Debtors' ongoing operations. Further, the DIP Facility will provide the Debtors with the necessary liquidity to, among other things, fund payroll for employees and satisfy their other working capital and general corporate requirements. Absent the ability to access the DIP Facility, even for a limited period of time, there is a substantial risk that the Debtors will be unable to continue operating their businesses and will

instead be forced to liquidate, resulting in a significant deterioration in the value to the detriment of all stakeholders.

Debtors' Efforts to Obtain Postpetition Financing

18. The Company's financing solicitation process dates back several months prior to the Company's contemplation of commencing these chapter 11 cases. In February 2020, the Company sought to raise equity in the public market. Moelis understands from the Debtors that the decline and volatility in the equity markets, the rapid decline in oil and gas prices, and the COVID-19 related issues to the cruise industry all contributed to an inability to successfully complete this offering.

19. Soon thereafter, beginning in early March 2020, the Company, assisted by Moelis and Moelis Australia, commenced a solicitation process to obtain bridge financing for a six- to nine-month runway to pursue an out-of-court recapitalization. Moelis and Moelis Australia contacted 32 financial institutions that it believed might be interested in providing the Company bridge financing at terms generally acceptable to the Company. Of the financial institutions contacted, 24 entered into non-disclosure agreements ("NDAs"); 23 were granted access to the data room; four (4) gave indicative terms; and nine (9) parties declined to participate. Simultaneous with this process, Moelis and Moelis Australia engaged in conversations with the Prepetition Lenders to provide bridge financing.

20. The Debtors ultimately received two term sheet proposals in response. One from the ad hoc group of holders (the "**Ad Hoc Group**") of the Debtors' Prepetition Lenders, and one from a third party. The third party proposal was not actionable because it required the Prepetition Lenders to grant the third party super priority status, and the Prepetition Lenders were unwilling to give such approval.

21. After engaging in several rounds of discussions with the Ad Hoc Group regarding its bridge financing proposal, the Ad Hoc Group ceased negotiations, and pivoted to postpetition financing.

22. As such, it became apparent in April 2020 that the Company would not obtain bridge financing and, instead, would file for chapter 11 relief and need to rely on postpetition DIP financing. The Prepetition Lenders at all times indicated an unwillingness to consent to any DIP financing from a third party on a priming or *pari passu* basis. As such, even assuming the Debtors could move forward with a third-party proposal, without the Prepetition Lenders' approval, the Debtors would be forced to face significant risk of costly and protracted litigation with the Prepetition Lenders at the outset of their chapter 11 cases regarding the value of the Debtors' assets, the amount of adequate protection to be provided, and the validity of the prepetition liens. Accordingly, Moelis requested proposals for postpetition financing on a junior basis.

23. Moelis reached out to 11 alternative lenders to gauge their interest in providing postpetition financing to the Debtors. Moelis identified these potential lenders based on a number of factors, including, among other things: such potential lenders' ability to complete diligence quickly; experience or interest in providing DIP financing; knowledge of the Debtors' business operations; and ability to commit to financing on an expedited basis. Out of the 11 potential financing sources, 10 of those parties had previously entered into NDAs with the Company in connection with the abandoned bridge facility financing, and all 10 had previous access to the Company's data room.

24. Because the Debtors have limited unencumbered assets available to serve as security for any new financing facility, none of the parties contacted by Moelis were willing to

submit an offer on an unsecured or junior secured basis. Further, the Debtors' limited available unencumbered assets are predominately located in foreign jurisdictions, making it challenging to raise sufficient capital with such assets serving as security. Many of the institutions contacted also confirmed they were not interested in providing a priming facility that would require engagement in a priming litigation with the Prepetition Lenders. None of the parties expressed an interest in pursuing the process and potentially providing financing.

25. In parallel with the solicitation of proposals from new sources of financing, described above, the Debtors received a proposal from the Ad Hoc Group for the DIP Facility. After careful consideration, the Company, in consultation with Moelis and the Company's other Advisors, determined that the DIP Facility is the best financing alternative available to the Debtors under the circumstances because it (i) avoids the delay and expenses resulting from protracted litigation regarding the terms of any priming lien and adequate protection and (ii) provides the liquidity amount the Debtors' project they will need during the chapter 11 cases.

DIP Facility was Negotiated in Good Faith and at Arm's Length

26. My team and I, along with the Company's other Advisors, actively negotiated the terms and conditions of the DIP Facility on behalf of the Debtors with the Ad Hoc Group and Credit Suisse AG, Cayman Islands Branch as administrative agent, collateral agent, and security trustee (the "**DIP Agent**"), and their respective advisors. The parties spent several days in extensive and detailed negotiations and exchanged multiple drafts of a term sheet followed by drafts of the credit agreement for the DIP (the "**DIP Credit Agreement**"). Throughout this process, the Debtors and their advisors pushed back on material terms—including the economics, covenants, and Roll-Up terms—of the DIP financing.

27. This process culminated in the DIP Facility, which was negotiated in good faith and at arm's-length. I conclude, based on my observation and professional experience, that the terms of the DIP Facility are reasonable under the current circumstances and are generally consistent with market terms for companies facing similar circumstances as the Debtors.

**DIP Facility is Best Postpetition
Financing Arrangement Available to Debtors**

28. Based on my experience with DIP financing transactions, as well as my involvement in the negotiation of the DIP Facility and pursuit of alternative postpetition financing proposals, I believe the DIP Facility is the best financing option reasonably available to the Debtors under the current circumstances. The proposed DIP Facility is the best opportunity to maximize the value of the Debtors' enterprise by (i) providing the Debtors with access to crucial liquidity at the outset of these chapter 11 cases in order to continue operations with minimal disruption and (ii) providing a runway for the Debtors to pursue a value preserving and maximizing restructuring process with the support of the Ad Hoc Group.

29. I understand that the Debtors' provision of both (i) a "priming" lien on all of the assets encumbered by the Prepetition Credit Documents and (ii) a first-priority lien on all of the Debtors' unencumbered assets is a condition to securing the proposed DIP financing. The inclusion of these liens was essential to gaining the consent of the Prepetition Lenders.

30. In my view, and based on my work on this matter, absent such protections, the Ad Hoc Group would not have agreed to provide the DIP Facility. Moreover, the adequate protection provided to the Prepetition Lenders, including the replacement liens, superpriority claims, reporting obligations, and payment of advisor fees, was necessary to allow the Debtors to continue to use the Cash Collateral.

31. Finally, and perhaps most importantly, I believe the DIP Facility provides the Debtors a path toward a successful reorganization or potential sale. Notwithstanding the Debtors' considerable prepetition debt and diminishing liquidity, the proposed DIP Facility provides the Debtors with a runway to conduct a comprehensive restructuring for the benefit of stakeholders.

The Roll-Up of the Prepetition Facility is Reasonable

32. The DIP Facility will "roll up" \$90 million of the total amount outstanding under the Prepetition Facility. Roll-Up of the Prepetition Facility is a material component of the structure of the DIP Facility required by the DIP Lenders as a condition to their commitment to provide postpetition financing and their consent to the Debtors' use of Cash Collateral. Under the terms of the Roll-Up, for every dollar of new money that the DIP Lenders provide, a corresponding portion of the Debtors' obligations arising under, or in connection with, the Prepetition Credit Documents (the "**Prepetition Obligations**") will be deemed exchanged for a second-out tranche position in the DIP Facility. The Debtors and the DIP Lenders engaged in arm's-length negotiations and ultimately agreed to the Roll-Up as consideration for, among other things, the Debtors' continued use of Cash Collateral and the risk associated with the extension of an additional \$90 million throughout these chapter 11 cases.

33. The Roll-Up is a portion of the current outstanding amount under the Prepetition Facility and only part of it is implemented in advance of the Final Order. If the Debtors refinance the new-money DIP Loans before that time, the Roll-Up unwinds. This feature benefits the Debtors if they want to try to refinance the DIP Facility. Without the additional protections and compensation offered by the Roll-Up, the DIP Lenders would be unwilling to finance the DIP Facility. Without this urgent funding, the Debtors would likely face liquidation to the detriment

of all creditors. Based on the foregoing, the DIP Facility represents the best option reasonably available under the current circumstances to address the Debtors' liquidity needs.

The Rates and Fees in Connection with the DIP Facility are Reasonable

34. I understand that the Debtors have agreed, subject to Court approval, to pay certain interest and fees to the DIP Agent and DIP Lenders as a condition to providing financing and that such terms are integral to the financing package. Under the Debtors' current circumstances and based on my knowledge of similar financings, I believe that the interest rates and fees reflected in the DIP Facility were the result of an arm's-length negotiation and are reasonable.

DIP Facility Fee Letter Contains Confidential Information and, therefore, It is Appropriate to File Such Fee Letter under Seal

35. Pursuant to the *Emergency Motion of Debtors for Entry of an Order Authorizing Debtors to File DIP Facility Fee Letter under Seal*, filed contemporaneously with this Declaration, the Debtors seek: (i) authority to file under seal the DIP Facility Fee Letter (as defined therein); and (ii) direction that the DIP Facility Fee Letter remains under seal and not made available to anyone without the prior written consent of the Debtors and the Agent, provided that the Debtors will provide unredacted copies of the DIP Facility Fee Letter to the U.S. Trustee, counsel to any official committee appointed by the Court, and this Court. I have been advised by counsel to the Debtors and believe that the DIP Facility Fee Letter contains sensitive, confidential commercial and proprietary information regarding the structure and amount of certain of the fees relating to the DIP Facility (the "**Confidential Information**"), and it is my professional opinion that the disclosure of the Confidential Information could harm the Debtors and the DIP Agent. Accordingly, I believe it is appropriate under these circumstances to authorize the Debtors to file the DIP Facility Fee Letter under seal.

Conclusion

36. I believe that, given the current circumstances, the process to obtain DIP financing produced the best financing option reasonably available at this time, the terms of the DIP Facility are reasonable, and access to the DIP Facility is necessary for the Debtors to have an opportunity to preserve the highest and best value for their estates. For all of the reasons included in this Declaration, I submit it would be appropriate for the Court to approve the DIP Facility and the use of Cash Collateral as contemplated by the DIP Motion.

Dated: April 23, 2020
New York, New York

/s/ Adam Waldman

Adam Waldman
Executive Director
Moelis & Company LLC