

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

In re:))	Chapter 11
ZACHRY HOLDINGS, INC., <i>et al.</i> ¹))	Case No. 24-90377 (MI)
Debtors.))	(Joint Administration Requested)
))	(Emergency Hearing Requested)

**DECLARATION OF MOHSIN Y. MEGHJI IN SUPPORT OF
DEBTORS’ PETITIONS AND REQUESTS FOR FIRST DAY RELIEF**

I, Mohsin Y. Meghji, the Chief Restructuring Officer of Zachry Holdings, Inc. (“**ZHI**,” and together with its debtor affiliates “**Zachry Industrial**”), declare pursuant to 28 U.S.C. § 1746 as follows:

I. INTRODUCTION

1. Zachry Industrial is the engineering, construction, maintenance, turnaround and fabrication services offshoot of the storied family-owned business that began as H.B. Zachry Company one hundred years ago. The other offshoot, Zachry Construction, has operated separately from Zachry Industrial since the two businesses branched off from their common roots in 2008. None of the entities affiliated with Zachry Construction are Debtors in these chapter 11 cases.

2. Zachry Industrial provides turnkey engineering, construction, maintenance, turnaround, and fabrication services to customers in the energy, chemicals, power, manufacturing, and industrial sectors across North America. It is headquartered in San Antonio, Texas. Customers

¹ The last four digits of Zachry Holdings, Inc.’s tax identification number are 6814. A complete list of each of the Debtors in these chapter 11 cases and the last four digits of their federal tax identification numbers may be obtained on the website of the Debtors’ proposed claims and noticing agent at www.kccllc.net/zhi. The location of the Debtors’ service address in these chapter 11 cases is: P.O. Box 240130, San Antonio, Texas 78224.



have learned to trust the Zachry Industrial name for reliably delivering on their most high-profile commitments. Zachry Industrial's reputation for excellence and care has made it a go-to choice in the industries it serves. The company's approximately 20,000 employees are central to making Zachry Industrial's ambitious goals a reality.

3. The Debtors enter these chapter 11 cases as a result of financial distress caused by one of their major projects, the liquified natural gas ("**LNG**") project (the "**GPX Project**") awarded to Debtor Zachry Industrial, Inc. ("**ZII**"), along with its joint venture partners, by Golden Pass LNG Terminal LLC *f/k/a* Golden Pass Products LLC ("**Golden Pass**"), an entity 100% owned by affiliates of Exxon Mobil Corporation ("**Exxon**") and Qatar Energy ("**QE**"). ZII is the lead general contractor on the GPX Project. Its joint venture partners are: (i) CB&I LLC ("**CB&I**"), a wholly owned subsidiary of McDermott International Inc., and (ii) Chiyoda International Corporation ("**Chiyoda**"). Pursuant to the Hybrid Joint Venture Agreement (the "**HJVA**") dated January 30, 2019, entered into by ZII, CB&I, and Chiyoda, the joint venture partners formed an unincorporated joint venture (the "**CCZJV**") and agreed to split the direct work on the GPX Project 52% to ZII, 22% to CB&I, and 20% to Chiyoda, with the balance of the work to be performed through a shared pool. The CCZJV, as the "Contractor," entered into an engineering, procurement and construction contract (the "**EPC Contract**") with Golden Pass, effective January 30, 2019, to provide detailed EPC services for construction of the GPX Project that would, upon completion, treat, process, and liquefy domestic natural gas.

4. The GPX Project is currently under construction near Sabine Pass, Texas. ZII's work on the GPX Project, as lead contractor, includes engineering, procurement, construction, and commissioning for the contemplated LNG liquefaction and export facilities, which are slated to have a production capacity of approximately 15.6 million tons of LNG per year. The project

consists of three “trains” (the liquification units that produce LNG), each with approximately 5.2 million tons in capacity per year. The first train was initially set to become operational in 2024. The Golden Pass LNG export facility is expected to generate billions of dollars in revenue every year once complete.

5. ZII’s engineering, construction, and procurement of the GPX Project is a massive undertaking. The total contract price, as amended, is just over \$10 billion. ZII’s share of that contract amount totals approximately \$5.8 billion. That contract price is fixed, but subject to modification via change orders, with ZII and its joint venture partners to receive only set progress payments absent Golden Pass’s approval of change orders. The GPX Project also demands a vast contribution in labor—as many as 6,000 workers have reported to the site at one time on the busiest construction days. The LNG facilities being built are so large that GPX Project updates have a direct impact on the overall U.S. market for natural gas. For example, after Exxon recently announced a delay of the start-up of the Golden Pass facility, there was a 5% drop in the 2024 U.S. natural gas benchmark pricing, which some analysts attributed to the announcement.²

6. ZII’s work on the GPX Project began in mid-2019. ZII soon faced unexpected obstacles, including (i) inaccurate geological studies provided by Golden Pass and relied on (by necessity) by GPX Project engineers to develop an understanding of the soil conditions at the project site, (ii) the COVID-19 pandemic’s dramatic impacts on labor and equipment availability and the global supply chain, and (iii) additional logistical issues and supply chain disruptions stemming from the Russia-Ukraine war. Other challenges arose when construction on additional LNG facilities broke ground, including one just two miles from this site. These problems required

² *Golden Pass LNC Start-Up Delay Already Spooking US Markets*, NATURAL GAS WEEK (December 8, 2023), <https://www.energyintel.com/0000018c-45df-d61c-a7cc-7dff44000000> (reporting that “[s]oon after [Exxon’s comments], futures began sliding and then sharply dropped as participants contrasted the news with previous expectations of the facility’s timeline.”).

a fair change order and billings schedule since the original contract price did not address the cost challenges for the Contractor. In an attempt to right-size the contract while faithfully keeping the project on track, over the last two years ZII and its joint venture partners³ have engaged in negotiations with Golden Pass and its owners to address this need for additional funding for the GPX Project, with little to no success.

7. Over the course of these negotiations, ZII has repeatedly been asked to continue to do what is best for the project with the assurance that it would be compensated fairly for its additional costs. For example, the GPX Project owner assured ZII that payments from the project to ZII would be modified to allow ZII the opportunity to reduce costs, pay vendors, and adjust cash flows and contract value if the shareholder's costs to complete were inaccurate. Although the project owners did concede to a series of amendments or side letters to the EPC Contract that provided limited additional support for ZII, in each instance all parties to the negotiations recognized that these short-term patches were insufficient to right-size the project entirely.

8. Prior to April 2024, ZII was incurring approximately \$30 million to \$40 million in expenses per week to support the project (including payroll, vendor payments, equipment, and support costs), but was only being compensated approximately \$70 million *per month* in progress payments for that work. In March of this year, Golden Pass began direct-paying vendors, and clawed back much of those funds from advance progress payments due to ZII—further constraining ZII's cash flows. In April, Golden Pass stopped the progress payments altogether.

³ The "joint venture" is not a true joint venture. It is a hybrid joint venture between ZII, CB&I, and Chiyoda. Each member of the hybrid joint venture maintains its own scope of work, budgeting, and schedule, and there is also a pooled scope of work with shared responsibility between the members, but even that work is heavily weighted to ZII's responsibility. Originally, Chiyoda was to have 60% of the GPX Project risk, with CB&I and ZII sharing the remaining risk. But at the last minute, Chiyoda withdrew from construction risk, forcing a re-alignment of the risk resulting in ZII taking on approximately 52% of the construction risk.

9. On May 8, 2024, ZII received a notice of default and breach under the EPC Contract from Golden Pass (the “**Golden Pass Default Notice**”), citing, among other things, ZII’s alleged (i) inability to promptly pay subcontractors and vendors for labor, equipment, and/or materials in accordance with the EPC Contract and (ii) failure to resolve liens asserted on the GPX Project in excess of \$23.5 million and progress the rework of a levee in connection with the GPX Project. Golden Pass further reserved the right, absent immediate confirmation that ZII was able to remedy all asserted defaults and resume performance under the EPC Contract, to exercise the protections afforded to it under the parent company guarantees and the letters of credit executed pursuant to the EPC Contract. That same day, ZII received a notice of default and breach under the HJVA from CCZJV (the “**CCZJV Default Notice**”), which stated that ZII’s failure to cure the events of default specified in the Golden Pass Default Notice within ten days in compliance with the HJVA would constitute a default of the HJVA. The CCZJV Default Notice also stated that Chiyoda and CB&I were considering additional actions they may take in respect of the events of default, and Chiyoda and CB&I reserved the right to pursue any and all rights and remedies available to it under the HJVA and applicable law. ZII responded to these default notices denying the allegations set forth therein. ZII received a subsequent notice of default from Golden Pass on May 16, 2024 and responded that same day. Golden Pass agreed to a standstill with respect to the Golden Pass Notice of Default to Tuesday, May 21, 2024. Although ZII made further efforts to bridge the gap and negotiate a feasible resolution with Golden Pass and the project owners, these efforts proved futile.

10. With Golden Pass unwilling to extend the standstill period, all other options exhausted, and unable to continue juggling the liquidity pressures caused by the GPX Project, Zachry Industrial was forced to commence these chapter 11 cases. Also on the Petition Date, ZII

filed the adversary proceeding captioned asserting various claims against Golden Pass (the “**Golden Pass Adversary Proceeding**”). Additional factual background on ZII’s experiences with the GPX Project and the failed negotiations between ZII, its joint venture partners and the project’s owners are detailed at length in the complaint filed in the Golden Pass Adversary Proceeding.

11. The Debtors’ hope the breathing spell afforded by chapter 11 will allow them to reach a resolution with respect to the GPX Project, address their liquidity needs, and emerge in a timely manner to continue doing what they do best: delivering high quality engineering, construction, maintenance, turnaround, and fabrication services to their customers safely and with the degree of quality that makes Zachry Industrial’s business a trusted name in the industries it serves.

II. BACKGROUND OF DECLARANT

12. I am the Chief Restructuring Officer (“**CRO**”) of ZHI. I also am the Managing Partner of M3 Advisory Partners, LP, which is the Debtors’ proposed restructuring advisor in the above-captioned chapter 11 cases (the “**Chapter 11 Cases**”).

13. On May 21, 2024 (the “**Petition Date**”), ZHI and certain of its affiliates (collectively, the “**Debtors**”) each filed with this Court a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”), commencing the Chapter 11 Cases. A chart depicting the Debtors’ organization structure as of the Petition Date is attached to this declaration as **Exhibit A**.

14. To ease their transition into operating as debtors-in-possession, the Debtors filed motions seeking various types of “first day” relief (the “**First Day Motions**”). I submit this declaration to (i) offer the Court and parties in interest a background of the Debtors and the

circumstances leading to the commencement of the Chapter 11 Cases; and (ii) provide an evidentiary basis for the relief requested in the First Day Motions.

15. As CRO, I am generally familiar with the Debtors' business, financial condition, policies and procedures, day-to-day operations, and books and records. Except as otherwise indicated, all facts set forth in this declaration are based upon my personal knowledge; my discussions with members of the Debtors' management team and external advisors; my review of relevant documents and information concerning the Debtors' operations and financial affairs; and my opinion based upon my experience and knowledge of the Debtors' industry, operations, and financial condition.

16. In making this declaration, I have relied in part on information and materials that the Debtors, my colleagues at M3 Advisory Partners, LP, and the Debtors' other external advisors have, as applicable, gathered, prepared, verified, and provided to me, in each case under my ultimate supervision, at my direction, and for my benefit in preparing this declaration. Unless otherwise indicated, any financial information contained in this declaration is unaudited and subject to change but is accurate to the best of my knowledge. Such information is presented on a consolidated basis for the Debtors, except where specifically noted. If called as a witness, I could and would testify competently to the facts set forth in this declaration. I am authorized to submit this declaration on behalf of the Debtors.

III. DISCUSSION

A. Zachry Industrial's History

17. Zachry Industrial traces its history back 100 years, to 1924, when Henry Bartell "Pat" Zachry founded H.B. Zachry Company and the company took on its first construction project: a series of four highway concrete-reinforced bridges in Laredo, Texas. For the

construction, Pat Zachry and his crew used mule-drawn wagons. For the first bridge, Bridge No. 2 on Highway 12A, H.B. Zachry Company's total working capital was \$2,400. Other than the crew's mule-drawn wagons, the only equipment was a 7S concrete mixer powered with a one-cylinder motor.



H.B. Zachry Company's first job—Bridge No. 2 on Highway 12A in Laredo, Texas.

18. Over the next several years, the company continued to perform on a series of small construction contracts and, in 1930, it officially incorporated. The company continued to win contracts throughout the 1930's and 40's, including its first federal contract (a concrete paving job at Randolph Field, now known as Randolph Air Force Base, in San Antonio, Texas) and its first project outside of Texas (the Texas-New Mexico pipeline in Lea County, New Mexico). In 1952, the Company moved its headquarters from Laredo to San Antonio, then a budding metropolitan area with a population of less than 500,000.

19. In the 1950's and 60's, the company continued to expand its reach, including to outside of the United States with projects including the Nike Zeus military complex in the Marshall Islands and a highway to connect the towns of Pucallpa and Aguaytia in Peru.

20. In 1965, Pat Zachry stepped down and his son, Henry "Bartell" Zachry Jr., became the company's new president. The company continued to grow. That same year, the company

began work on Spain's first nuclear power plant, the Jose Cabrera Power Plant, near Zorita. The next year, in 1966, Zachry was one of five contractors awarded the largest single contract in U.S. history, to develop the Yuba River in California in connection with a multipurpose flood control, water and power project. Also in 1966, the company began work on the Lake Brazos Dam in Waco, Texas—another of the company's largest projects at the time. It was completed in 1969.



Construction of the Lake Brazos Dam in Waco, Texas.

21. In 1968, the company constructed San Antonio's Hilton Palacio del Rio. The construction started in advance of the HemisFair 1968 World's Fair so that visitors would have a place to stay. Because traditional construction methods would have been too time-consuming to allow the hotel to be completed on the timeline needed to meet the expected influx of visitors for the World's Fair, the company employed an innovative modular construction method and prefabricated the hotel rooms. With these methods, the company completed the 21 story, 496 room hotel in only 202 days (just over seven months), with employees working around the clock to accomplish the job. The prefabricated rooms were assembled 7 miles off-site. They were each fitted at ground level with furniture, drapes, carpeting, lamps, radios, television sets, pictures on

the walls, towels on the towel rails, and even soap in the soap dishes. Then, the rooms were loaded onto the back of flatbed trucks and driven into the construction site in San Antonio, where a specially-built crane lifted each room to its assigned floor.



Zachry crews lift a prefabricated room to stack it onto the Hilton Palacio del Rio on the River Walk in 1967.

The feat is now remembered as a local legend. The success of the World's Fair, and the hotel that the company constructed for it, is credited as the spark that set San Antonio's now-bustling tourist industry aflame. The American Society of Civil Engineers named Bartell Zachry its Engineer of the Year for the project. Now, every day tourists floating along the San Antonio River on tour barges learn the story of the hotel's construction as they pass by where it stands as a testament to the company's engineering prowess and ingenuity.

22. In 1969, the company was commissioned by the Puerto Rican government to build two oil-fired power plants in the town of Guayanilla.



Zachry constructed powerplants in Guayanilla, Puerto Rico.

23. In 1996, Zachry began construction on the West Dam in Hemet, California, along with its joint venture partners on the project. The West Dam is an approximately 1.7-mile long, 300-foot high dam that required the excavation of 5.5 million cubic yards of earth. It was part of one of the largest civil engineering projects in the United States at the time of its construction. The West Dam was completed in 1998.



Construction of the West Dam in Southern California.

24. In 1998, John Zachry and his brother David Zachry assumed top executive roles at the company, the third generation of Zachry family members to take the helm of the business, after 33 successful years under the leadership of Bartell Zachry.

25. In 1999, the company completed construction of the U.S. Embassy in Moscow in the wake of the Cold War. The company's involvement in the project came after the revelation that the prior construction was laden with sophisticated Soviet-era surveillance devices. That construction had been abandoned, until Congress determined to knock down the top two preexisting floors and build four new floors that would serve as bug-free offices for U.S. diplomats. The project, aptly named "Operation Top Hat," was highly confidential at the time. Members of

the 300-member construction team had to obtain top security clearances and worked behind a carefully-guarded barbed-wire perimeter.

26. In 2008, the company reorganized to split into two independent and separately run businesses bearing the Zachry name. John Zachry became the head of Zachry Industrial, which includes the Debtors in these chapter 11 cases, focusing on industrial projects. David Zachry took over the company's heavy civil and building construction work under the name Zachry Construction. No entities related to Zachry Construction's business are included in these chapter 11 cases.

B. Zachry Industrial's Current Business

27. Today, the Zachry Industrial's business segments include industrial, engineering, nuclear engineering, maintenance, and turnaround services. The Debtors' operating revenue for the twelve-month period that ended 2023 was approximately \$5.4 billion. As of the Petition Date, the Debtors have over \$281 million in aggregate original principal amount of prepetition funded debt obligations. The Debtors have approximately \$163.3 million in cash on hand, which, along with cash generated from operations, the Debtors believe will provide sufficient liquidity to meet ongoing business obligations during these cases. The Debtors' business segments are each described below.

28. Industrial Projects. Debtor ZII manages capital projects of the Debtors' customers, including new facilities, improvements, and expansions. ZII is the Debtor entity that is the counterparty on the Debtors' major industrial EPC project commitments, including the Debtors' five current major projects summarized in more detail in Section III.C, below. The Debtors typically perform all EPC-related services on a turnkey basis but can also provide these services on a stand-alone basis. ZII's industrial services include: (i) project and construction management,

(ii) EPC project delivery, (iii) direct-hire construction, (iv) plant startup and commissioning, and (v) logistics and supply chain management. As of May 18, 2024, ZII had 12,993 employees.

29. Engineering. Zachry Industrial's engineering services are performed by Debtor Zachry Engineering Corporation ("ZEC"). ZEC is a full-service engineering firm, with an integrated high-value engineering center ("HVEC") in Manila, Philippines. With a growing emphasis on HVEC support for its customers, ZEC has integrated teams of engineers across its U.S. and Manila offices. ZEC's customers can choose the engineering services that meet their needs, or conveniently streamline industrial projects with a single provider of engineering, procurement, fabrication, and construction services. As of May 18, 2024, ZEC had 457 employees.

30. Nuclear Engineering. Zachry Industrial's nuclear engineering services are provided by Zachry Nuclear Engineering, Inc. ("ZNE"). ZNE is a full-service engineering firm providing analysis, engineering, design, and project management services to the operating nuclear fleet, as well as analysis and design services for the next generation of advanced reactors including non-light water reactors. ZNE offers skilled mechanical, electrical, controls, civil, structural, and nuclear engineering professionals and designers who are knowledgeable and experienced in power plant systems, engineering analysis, software and design development. ZNE has performed all phases of nuclear power plant projects from conceptual and detailed design to construction and startup testing. As of May 18, 2024, ZNE had 103 employees.

31. Maintenance. Zachry Industrial's maintenance services are provided by Zachry Maintenance Services, LLC ("ZMS"), a direct subsidiary of debtor Zachry Plant Services Holdings, Inc. ("**Zachry Plan Services**"). ZMS has a presence in over 60 customer locations and is one of America's largest "merit shop" employers. Maintenance services include a range of work

on its customer's sites, including nested presence, continuous presence small capital projects and facilities maintenance, and full service or supplemental support to customer's staff. ZMS provides small to large crew sizes, has a large geographic footprint, and has numerous multi-site alliance relationships. As of May 18, 2024, ZMS had 2,965 employees.

32. JVIC Turnaround & Specialty Services. J.V. Industrial Companies Inc. ("**JVIC**") which has been a part of Zachry Industrial since 2012, provides turnaround and specialty services to industrial customers across North America. JVIC offers a comprehensive suite of capabilities required to perform the work to the highest standards of quality, safety, and timeliness. JVIC's services include (i) planning and scheduling (JVIC offers a dedicated team of experts who provide turnkey management of turnaround planning and execution), (ii) piping and specialty welding (JVIC maintains a long-tenured team of specialty craftspeople with state-of-the-art skills across all alloys), (iii) tower services (JVIC has knowledgeable tower superintendents who are experienced in the modification, maintenance and replacement of towers and tower internals, as well as all associated process enhancements and reconfigurations); (iv) mechanical and heat exchanger services (JVIC's expertise in this area includes bolted connections and process equipment assembly covering bundle extraction and repair and heat exchangers), and (v) bolt torquing and machining (JVIC has extensive experience across all types of heavy equipment to deliver the torquing, extraction, beveling, machining and monitoring of critical bolted components). In addition, JVIC provides project turnaround scope development strategy, management, and coordination; turnaround readiness assessments; and heavy rigging and lifting as well as engineered critical lift planning. As of May 18, 2024, JVIC had 2,732 employees.

33. Fabrication. Debtor JVIC Fabrication, LLC ("**JVIC Fabrication**"), a direct subsidiary of Zachry Plant Services, is one of the largest pipe fabricators on the Gulf Coast. JVIC

Fabrication has multiple state-of-the-art facilities in the Gulf Coast capable of supporting all project requirements, including American Society of Mechanical Engineers (or ASME) code pipe, vessel, and modular fabrication. JVIC Fabrication's turnkey industrial pipe and vessel fabrication capabilities span over 200,000 square feet of indoor fabrication and machining space, with over 5,000 pipe spools per month production capacity, and 46 acres of laydown yardage available for material storage. As of May 18, 2024, JVIC Fabrication had 214 employees.

34. Madison Turnaround Services. Debtor Madison Industrial Services Team, LLC ("**Madison**") was established in 2005 to offer union labor to better serve customer needs. Madison is the only Debtor entity with union employees. Today, Madison provides turnaround/outage and specialty services to America's process, pulp and paper, and power industries. Madison is a single source company with industrial, mechanical, and specialty welding services to meet all unique technical and safety challenges that this field of work involves. As of May 18, 2024, Madison had 37 employees.

C. Zachry Industrial's Current Projects

35. Zachry Industrial, through Debtor ZII, is currently engaged in five major industrial engineering, construction, and engineering ("**EPC**") projects, each of which have a contract value of at least \$400 million, with an aggregate contract value of approximately \$25.1 billion. Each is summarized below. In addition to its major projects, Zachry Industrial has over 700 additional ongoing projects, including ones for maintenance, fabrication, and turnaround services.

36. GPX Project. The GPX Project is described in Section I, above, and in more detail in the complaint filed in the Golden Pass Adversary Proceeding.



Construction of the GPX Project near Sabine Pass, Texas.

37. OPPD Project. This is an EPC contract for a project for Omaha Public Power District (“**OPPD**”) related to its Power with Purpose project. Zachry is responsible for the design and construction of both of OPPD’s new natural gas generation facilities, Standing Bear Lake Station, a 150 MW facility in Douglas County, Nebraska, and Turtle Creek Station, a 450 MW facility in Sarpy County, Nebraska, and associated substations. Major construction on the OPPD Project began in the first quarter of 2022 and is scheduled to be completed in the third quarter of 2024. The total contract value of the OPPD Project is approximately \$429 million.

38. GTPP ISBL Project. This is an EPC contract related to an integrated polymers facility in Orange, Texas for Golden Triangle Polymers Company LLC (“**GTPP**”), a joint venture between Chevron Phillips Chemical Company LLC (“**CP Chem**”) and QE. ZII’s inside battery limits (“**ISBL**”) work on the project is performed through ZDJV, a joint venture between Debtor ZII and DL USA, Inc. (the U.S. subsidiary of the South Korean chemical and construction conglomerate DL Group). ZDJV is responsible for the engineering, procurement and construction of the polyethylene units. The total contract value of the GTPP ISBL Project is approximately \$1.25 billion, with ZII’s estimated share totaling approximately \$750 million.

39. GTPP OSBL Project. This is an EPC contract for the integrated polymers facility being constructed for the CP Chem and QE joint venture, GTPP. The outside battery limits (“OSBL”) GTPP project relates to portions of the facility’s “ethane cracker,” a plant that performs the first step in the process of transforming ethane from natural gas into plastics products. The work includes the utilities and infrastructure scope of the GTPP ethane cracker. The GTPP OSBL work is being executed by BMZ Third Coast Partners, a joint venture between ZII and Burns & McDonnell Engineering Company, Inc. The total contract value of the GTPP OSBL Project is approximately \$2.25 billion, with ZII’s estimated share totaling approximately \$1.13 billion.

40. PLNG Project. This is an EPC contract related to an LNG export plant in Plaquemines Parish, Louisiana for Venture Global LNG. The work is being performed in two phases by KZJV, a joint venture between ZII and KBR Inc. The total contract value for both phases of the PLNG Project is approximately \$10.7 billion, with ZII’s share totaling approximately \$5.7 billion.

D. Summary of the Debtors’ Secured Indebtedness

41. The Debtors’ prepetition capital structure consists of (i) a revolving credit facility, which includes a swing line facility (the “**Revolving Credit Facility**”), and (ii) a term loan facility (the “**Term Loan Facility**”), each pursuant to that certain Third Amendment to Second Amended and Restated Credit Agreement, dated as of May 2, 2023 (as amended, restated, supplemented, or otherwise modified from time to time, the “**Credit Agreement**,” and together with all other agreements, documents, instruments and certificates executed or delivered in connection therewith, including, without limitation, the Loan Documents (as defined therein), collectively, the “**Loan Documents**”), by and among ZHI, Zachry EPC Holdings, LLC, and Zachry Plant Services Holdings, Inc. (collectively, the “**Borrowers**”), the guarantors party thereto, Bank of America,

N.A., as administrative agent, swing line lender, and an issuer of letters of credit under the Credit Agreement (in such capacities, the “**Agent**”), the Revolving Lenders (as defined in the Credit Agreement) party thereto (the “**Revolving Lenders**”), and the Term Lenders (as defined in the Prepetition Credit Agreement) party thereto (the “**Term Lenders**,” and together with the Revolving Lenders, collectively, the “**Lenders**”).

42. Pursuant to the Prepetition Loan Documents, the Debtors granted the Secured Parties a first priority security interest in, and lien on, Collateral (as defined in the Prepetition Credit Agreement), consisting of substantially all assets of the Debtors (the “**Collateral**,” and the liens and security interests granted on the Collateral under the Loan Documents, the “**Liens**”), to secure all obligations under the Prepetition Loan Documents (collectively, the “**Secured Obligations**”).

43. Pursuant to that certain Third Amended and Restated Continuing Guaranty, dated as of May 2, 2023 (as amended, restated, supplemented, or otherwise modified from time to time), the Debtors party thereto, as guarantors (the “**Guarantors**,” and together with the Borrowers, collectively, the “**Loan Parties**”) guaranteed, on a joint and several basis, all of the Secured Obligations. The Guarantors are identified in the organizational chart attached as **Exhibit A**.

44. The Credit Agreement provides for borrowings and letters of credit in the aggregate principal amount of \$956.25 million. As of the Petition Date, the aggregate amount of revolving loans outstanding under the Revolving Credit Facility is approximately \$125 million, and the aggregate amount of term loans outstanding under the Term Loan Facility is approximately

\$156.25 million. As of the Petition Date, there is approximately \$618.9 million in outstanding undrawn letters of credit issued under the Credit Agreement.⁴

E. Circumstances Leading to the Chapter 11 Cases

45. The circumstances leading to the commencement of the Chapter 11 Cases include the Debtors' difficulties with respect to the GPX Project, as detailed above and in greater length in ZII's complaint filed in the Golden Pass Adversary Proceeding.

46. The Debtors enter these chapter 11 cases to provide them with time and flexibility to resolve issues related to the GPX Project, strengthen their overall financial position, and better enable Zachry Industrial to serve its customers across the energy, chemicals, power, manufacturing and industrial sectors. The Debtors also seek to pursue their claims against Golden Pass through the Golden Pass Adversary Proceeding.

47. The Debtors aim to continue serving their customers, with the same level of commitment to quality and safety that the Zachry name has carried for the last century, and emerge from chapter 11 in a timely manner, stronger than before.

IV. THE FIRST DAY MOTIONS

48. The Debtors filed the First Day Motions seeking relief related to the administration of the cases; the Debtors' vendors, employees, and customers; their operations; and their cash management. A list of the First Day Motions is set forth below.

A. Administrative Motions

- *Debtors' Emergency Motion for Entry of an Order (I) Directing Joint Administration of Cases and (II) Waiving Requirements of Bankruptcy Code Section 345(c)(1) and Bankruptcy Rules 1005 and 2002(n)*

⁴ In addition, ZHI is the obligor on a \$5 million letter of credit issued by IBC outside of the Credit Agreement in connection with the Debtors' legacy workers compensation program. That letter of credit is fully cash collateralized.

- *Debtors' Emergency Ex Parte Application for Entry of an Order Authorizing the Retention and Employment of Kurtzman Carson Consultants LLC as Claims, Noticing, and Solicitation Agent*
- *Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to Redact Certain Personally Identifiable Information, (II) Approving the Form and Manner of the Notice of Commencement, and (III) Granting Related Relief*
- *Debtors' Emergency Motion for Entry of an Order (I) Extending Time to File (A) Schedules of Assets and Liabilities, (B) Schedules of Current Income and Expenditures, (C) Schedules of Executory Contracts and Unexpired Leases, (D) Statements of Financial Affairs, and (E) Rule 2015.3 Financial Reports, and (II) Granting Related Relief*

B. Operational Motions

- *Debtors' Emergency Motion for Interim and Final Orders (I) Authorizing Postpetition Use of Cash Collateral, (II) Granting Adequate Protection to the Prepetition Secured Parties, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief*
- *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue to Operate Their Existing Cash Management System and Maintain Existing Bank Accounts, (B) Continue to Perform Intercompany Transactions, (C) Maintain Existing Business Forms and Books and Records, and (D) Continue Utilizing Corporate Credit Card Programs, and (II) Granting Related Relief*
- *Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs and (II) Granting Related Relief*
- *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Claims of (A) Critical Vendors, (B) Lien Claimants (C) Foreign Claimants, and (D) 503(b)(9) Claimants, (II) Confirming Administrative Expense Priority of Outstanding Orders and Authorizing the Debtors to Satisfy Such Obligations, and (III) Granting Related Relief*
- *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Continue Insurance Program and Surety Bond Program and (B) Pay All Obligations with Respect Thereto, (II) Granting Relief from Automatic Stay with Respect to Workers' Compensation Claims, and (III) Granting Related Relief*
- *Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Payment of Certain Taxes and Fees and (II) Granting Related Relief*

- *Debtors' Emergency Motion for Entry of an Order (I) Determining Adequate Assurance of Payment for Future Utility Services, (II) Prohibiting Utilities from Discontinuing Service, (III) Establishing Procedures for Determining Adequate Assurance of Payment, and (IV) Granting Related Relief*

49. The Debtors have narrowly tailored the relief requested in the First Day Motions to meet their goals of: (a) continuing their current operations in chapter 11 with as little disruption as possible, (b) maintaining the confidence and support of their vendor, customer, employee, and other key constituencies, (c) providing the framework for, and ability to pursue, a sale process to sell substantially all of their assets, and (d) establishing procedures for the efficient administration and wind-down of these Chapter 11 Cases.

50. I have reviewed each of the First Day Motions (including their exhibits) and the facts stated in them are true and correct to the best of my knowledge. I incorporate by reference the factual statements in each of the First Day Motions as though set forth here.

51. The relief sought in each of the First Day Motions is necessary to the successful implementation of the Debtors' efforts to maximize the value of their estates. With respect to those First Day Motions that request the authority to pay specific prepetition claims or continue selected prepetition programs, the request is essential to the maintenance of the Debtors' operations and necessary to avoid immediate and irreparable harm to the Debtors' estates and creditors.

52. The success of these Chapter 11 Cases depends on the Debtors' ability to preserve their operations while they evaluate their strategic options with respect to the GPX Project and other contracts. The relief requested in the First Day Motions is a critical component of maintaining the confidence of key constituencies necessary to implement this strategy.

53. I respectfully request that all of the relief requested in the First Day Motions, and such other and further relief as may be just and proper, be granted.

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I declare under penalty of perjury that the foregoing is true and correct.

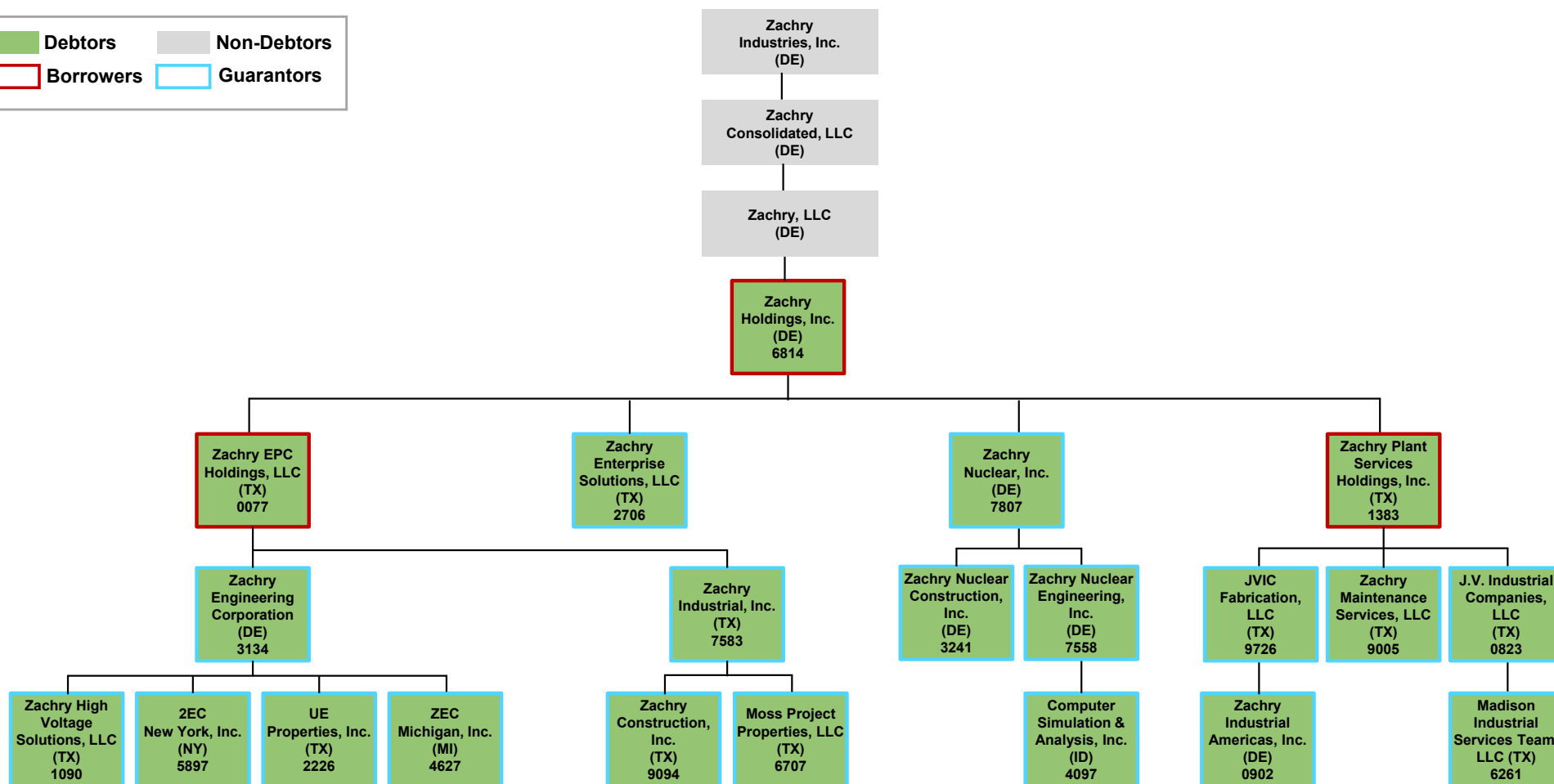
Executed on: May 21, 2024
New York, New York

Mohsin Y. Meghji
Mohsin Y. Meghji
Chief Restructuring Officer of Zachry Holdings, Inc.

EXHIBIT A

Organizational Structure

Zachry Industrial Organizational Chart



* Non-Debtor subsidiaries have been excluded from this organizational chart.