

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re: : Chapter 11
:
STARRY GROUP HOLDINGS, INC., et al.,¹ : Case No. 23-10219 (KBO)
:
Debtors. : (Jointly Administered)
:
----- x Docket Ref. No. 21

DECLARATION OF MICHAEL SCHLAPPIG IN SUPPORT OF MOTION
OF DEBTORS FOR ENTRY OF ORDER (I)(A) ESTABLISHING
BIDDING PROCEDURES FOR SALE OF SUBSTANTIALLY
ALL ASSETS, (B) SCHEDULING AUCTION AND SALE HEARING,
AND (C) APPROVING FORM AND MANNER OF NOTICE
THEREOF, (II) APPROVING SALE OF SUBSTANTIALLY ALL
ASSETS FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES,
AND OTHER INTERESTS, AND (III) GRANTING RELATED RELIEF

I, Michael Schlappig, hereby declare as follows under penalty of perjury:

1. I am a Managing Director in the Restructuring and Special Situations Group at PJT Partners LP (“PJT”), a global investment banking firm listed on the New York Stock Exchange with its principal offices at 280 Park Avenue, New York, New York 10017. PJT is the proposed investment banker to the above-captioned debtors and debtors-in-possession (the “Debtors”).

2. I submit this declaration on behalf of the Debtors in support of the Motion of Debtors for Entry of Order (I)(A) Establishing Bidding Procedures for Sale of Substantially All Assets, (B) Scheduling Auction and Sale Hearing, and (C) Approving Form and Manner of Notice Thereof, (II) Approving Sale of Substantially All Assets Free and Clear of Liens, Claims,

¹ The debtors in these cases, along with the last four digits of each debtor’s federal tax identification number, are: Starry Group Holdings, Inc. (9355); Starry, Inc. (9616); Connect Everyone LLC (5896); Starry Installation Corp. (7000); Starry (MA), Inc. (2010); Starry Spectrum LLC (N/A); Testco LLC (5226); Starry Spectrum Holdings LLC (9444); Widmo Holdings LLC (9208); Vibrant Composites Inc. (8431); Starry Foreign Holdings Inc. (3025); and Starry PR Inc. (1214). The debtors’ address is 38 Chauncy Street, Suite 200, Boston, Massachusetts 02111.



Encumbrances, and Other Interests, and (III) Granting Related Relief, filed on the Petition Date [Docket No. 21] (the “**Motion**”).²

3. Except as otherwise indicated, all statements set forth in this Declaration are based upon (a) my personal knowledge of the Debtors’ current operations and financial performance, (b) my personal knowledge of the sale process run by PJT; (c) information learned from my review of relevant documents; (d) information I have received from members of the Debtors’ management and advisors, including members of PJT working directly with me and under my supervision, direction or control; and/or (e) my opinions based upon my experience and knowledge.

4. I am over the age of 18 and authorized to submit this Declaration on behalf of the Debtors. I am not being specifically compensated for this testimony other than through payments received by PJT, as a proposed professional to be retained by the Debtors. If called upon to testify, I could and would testify as to the facts set forth herein.

QUALIFICATIONS

5. PJT was spun off (the “**Spin-Off**”) from The Blackstone Group L.P. (“**Blackstone**”) effective October 1, 2015. Upon the consummation of the Spin-Off, Blackstone’s Restructuring and Reorganization advisory group became a part of PJT, and Blackstone’s restructuring professionals became employees of PJT. PJT and its senior professionals have extensive experience in the reorganization and restructuring of distressed companies, both out-of-court and in chapter 11 proceedings. PJT has more than 900 employees located in New York, Houston, San Francisco, Los Angeles, Boston, Chicago, London, Hong Kong, Frankfurt, Paris, and Madrid. PJT is a registered broker-dealer with the United States Securities and Exchange

² Capitalized terms used in this Declaration but not otherwise defined shall have the meanings given to such terms in the Motion or the Bidding Procedures.

Commission, is a member of the Securities Investor Protection Corporation and is regulated by the Financial Industry Regulatory Authority.

6. I received a Bachelor of Arts in Economics and a Minor in French Area Studies from Cornell University, and an MBA from Columbia Business School. I have approximately 17 years of investment banking and restructuring experience. Prior to the Spin-Off in 2015, I was a Vice President in Blackstone's Restructuring & Reorganization Group. Prior to joining Blackstone in 2010, I worked as an investment banker at Lazard and at Banc of America Securities (now known as Bank of America Merrill Lynch).

7. I have extensive experience advising companies and their stakeholders in chapter 11 restructurings, out-of-court workouts and other distressed transactions, including the following representative publicly disclosed transactions, among others: BW Homecare Holdings, LLC; Cineworld Group plc; Clearwire Corporation; Digicel Group Limited; Essar Steel Algoma Inc. (2014); Frontier Communications Corporation; GFG Alliance; GT Advanced Technologies Inc.; Ligado Networks LLC (2020); LightSquared Inc. (2015); Magnum Hunter Resources Corporation; NII Holdings, Inc.; Northpole Newco S.a.r.l.; Pacific Drilling S.A.; syncreon Group B.V.; TerreStar Corporation/TerreStar Networks Inc.; Theia Group, Inc.; and Windstream Holdings, Inc.

PJT'S ENGAGEMENT

8. PJT has been acting as the Debtors' investment banker since October 2022 in connection with developing, and advising the Debtors with respect to, various strategic alternatives. In this role, PJT has, among other things, (a) negotiated and evaluated potential transactions with the Prepetition Lenders, (b) assisted the Debtors in developing their prepetition business plan, (c) negotiated and evaluated restructuring proposals, (d) discussed potential restructuring solutions (including numerous interactions with the Debtors' existing secured lenders

and their advisors), (e) solicited third party strategic and financial sponsor interest in an investment or purchase of the Debtors, (f) assisted the Debtors with negotiating and documenting the DIP Facility, (g) assisted the Debtors in developing the proposed Bidding Procedures for their postpetition marketing process, and (h) assisted the Debtors and their counsel in the preparation for the commencement of these Chapter 11 Cases. Throughout this process, PJT has worked closely with the Debtors' management and their other advisors and has become well-acquainted with the Debtors' capital structure, liquidity needs, and business operations.

9. The Debtors are seeking to retain PJT on a postpetition basis to serve as an investment banker and continue to run, among other things, an extensive marketing process for the sale of all or substantially all of the Assets and/or Reorganized Equity as contemplated under the proposed Bidding Procedures.

THE PREPETITION MARKETING AND SALE PROCESS

10. As set forth in greater detail in the First Day Declaration, the Debtors' strategic transaction and marketing efforts long precede these Chapter 11 Cases. My understanding is that before going public, the Debtors raised multiple rounds of venture and growth financing. I understand that the Debtors then evaluated the possibility of becoming publicly-owned through a "de-SPAC" merger transaction, engaged in discussions with multiple potential SPAC partners, and ultimately merged with the special purpose acquisition company FirstMark Horizon Acquisition Corp. in March 2022, thereby becoming publicly-traded. I also understand that just a few months after the de-SPAC merger was completed, the Debtors commenced discussions with several potential strategic acquirers.

11. I further understand that when it became clear that none of the parties with which the Debtors had discussed a potential transaction or merger was prepared to transact and that the

Debtors would need funding in the near term, the Debtors engaged and directed PJT to commence a process to identify potential strategic transaction partners for the Debtors. Accordingly, over a multiple month period starting in October 2022, PJT engaged in a marketing process aimed at identifying a buyer for the Debtors or their assets, which involved broad outreach to both strategic and sponsor candidates. In total, PJT contacted 79 parties, 32 of which signed non-disclosure agreements. Unfortunately, this process did not yield any actionable bids.

**ANTICIPATED POSTPETITION MARKETING EFFORTS
AND THE BIDDING PROCEDURES**

12. Following the Petition Date, the Debtors and PJT continued marketing the Debtors' assets and business as contemplated under the proposed Bidding Procedures. To the extent the marketing process is unsuccessful, the Debtors intend to pursue the recapitalization transaction described in the Restructuring Support Agreement pursuant to which the Debtors' secured prepetition lenders will acquire all of the Debtors' Reorganized Equity in full satisfaction of their claims under a chapter 11 plan of reorganization. Against that backdrop, the proposed Bidding Procedures are intended, among other things, to foster an open and competitive process to identify any higher or otherwise better bid(s) for the Debtors' Assets and/or Reorganized Equity.

13. To that end, and to ensure transparency for any interested bidders, the Debtors agreed with their secured prepetition and postpetition lenders on a Minimum Qualified Bid that must be cleared by any bidder intending to purchase substantially all of the Assets or all of the Reorganized Equity under a plan. If at least one Minimum Qualified Bid is received, an Auction will be conducted as necessary.

14. The Bidding Procedures are designed to maximize the value of the Debtors' estates while advancing these cases as expeditiously and efficiently as possible. Among other things, the Bidding Procedures set forth procedures for interested parties to access due diligence, the manner

in which Bidders and Bids become “qualified,” the receipt and negotiation of Bids, the conduct of any Auction, the selection and approval of any Successful Bidder, and the deadlines with respect to the foregoing. The Bidding Procedures also permit, consistent with the DIP Order, any Qualified Bidder (including the DIP Agent and the Prepetition Agent) to credit bid all or a portion of the face value of such secured party’s claims against the Debtors.

15. The Debtors believe, and I agree based on my experience advising on and/or participating in restructuring matters and M&A processes, that the timeline and deadlines set forth in the Bidding Procedures are reasonable and should provide parties with sufficient time and information to submit a bid. A substantial amount of information regarding the Debtors’ business and assets is publicly available because the Debtors are publicly-owned, and further information was made available to a number of interested parties during the Debtors’ prepetition marketing processes.

16. Further, in formulating the Bidding Procedures and the timeline and deadlines set forth therein, the Debtors balanced the need to provide adequate time for potential Bidders to submit a Bid with the need to navigate the sale process as efficiently as possible in order to avoid damage to the business from a prolonged stay in chapter 11 and associated administrative cash burn, which would be detrimental to all of the Debtors’ stakeholders. I believe, particularly in light of the Debtors’ prepetition marketing process and arm’s-length negotiations with the Prepetition Lenders, that the timeline and deadlines of the Debtors’ proposed sale process set forth in the Bidding Procedures are fair and reasonable.

17. To be considered a Qualified Bidder, each Potential Bidder is required to submit to the Debtors’ Advisors information demonstrating the party’s financial capability to consummate a Sale. I believe that these requirements to be a Qualified Bidder are modest, and are intended to

ensure that participating Bidders are credible parties that have the financial wherewithal to pursue a transaction that would be at or in excess of the Minimum Qualified Bid. Additionally, I believe that the Bid Deadline is not likely to exclude credible Bidders. In my experience, credible Bidders would readily be able to meet the requirements to submit a Qualified Bid.

18. Given the exigencies of the Debtors' business operations and financial condition, it is vital that the Debtors exit chapter 11 quickly and in an efficient manner. I believe that approval of the Bidding Procedures will allow for an open and fair sale process designed to maximize the likelihood that the Debtors receive the highest or otherwise best bid for the Assets and/or Reorganized Equity. In light of the foregoing, based on my substantial experience as an investment banker and restructuring professional as detailed above, I believe that the proposed Bidding Procedures provide a sufficient opportunity for all parties to determine whether a market exists for a sale of the Debtors' Assets and/or Reorganized Equity and provide potentially interested parties with sufficient opportunity to participate in a sale process. Furthermore, the procedures for conducting an Auction or Auctions, if any, are designed to encourage active participation by potential purchasers and will facilitate the Debtors' efforts to receive the highest or otherwise best offer for the Assets and/or Reorganized Equity.

CONCLUSION

19. As described above, I believe that the proposed sale process has been structured to maximize prospective Bidder interest in the Assets and/or Reorganized Equity, and that the dual-track restructuring process contemplated by the Bidding Procedures and the Debtors' plan of reorganization is the best path forward for the Debtors' estates and their stakeholders.

Pursuant to 28 U.S.C. § 1746, I declare under the penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: March 2, 2023
Wilmington, Delaware

/s/ Michael Schlappig
Michael Schlappig