

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

In re:	§	
	§	Chapter 11
	§	
SPEEDCAST INTERNATIONAL	§	
LIMITED, <i>et al.</i> ,	§	Case No. 20-32243 (MI)
	§	
Debtors. <sup>1</sup>	§	(Jointly Administered)
	§	

**DECLARATION OF MICHAEL HEALY IN SUPPORT OF EMERGENCY MOTION  
OF DEBTORS FOR ENTRY OF INTERIM AND FINAL ORDERS (I) AUTHORIZING  
DEBTORS TO (A) REFINANCE THEIR POSTPETITION FINANCING OBLIGATIONS  
AND (B) USE CASH COLLATERAL, (II) AMENDING THE  
INTERIM AND FINAL ORDERS, AND (III) GRANTING RELATED RELIEF**

I, Michael Healy, pursuant to section 1746 of title 28 of the United States Code, hereby declare that the following is true and correct to the best of my knowledge, information, and belief:

1. I am the Chief Restructuring Officer (“CRO”) of the Debtors and also serve as Senior Managing Director at FTI Consulting, Inc. (“FTI”), a global business advisory firm that has 103 offices worldwide employing over 5,500 professionals.<sup>2</sup>

2. 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) Refinance their Postpetition Financing Obligations and (B) Use Cash Collateral, (II) Amending the Interim and Final Orders, and (III) Granting Related Relief* [ECF No. 686] (the

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<sup>1</sup> A complete list of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ claims and noticing agent at <http://www.kccllc.net/speedcast>. The Debtors’ service address for the purposes of these chapter 11 cases is 4400 S. Sam Houston Parkway East, Houston, Texas 77048.

<sup>2</sup> Additional information regarding my background and experience is included in the *Declaration of Michael Healy in Support of Debtors’ Chapter 11 Petitions and First Day Relief* [ECF No. 16] (the “**Prior Declaration**”), which is fully incorporated herein by reference.



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**“Refinancing DIP Motion”**) filed by SpeedCast International Limited and its affiliated debtors in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the **“Debtors”** and, together with their non-debtor affiliates, **“Speedcast”** or the **“Company”**).<sup>3</sup> The Refinancing DIP Motion seeks authority to refinance the Original DIP Facility (as defined below) with a new \$285 million superpriority senior secured debtor-in-possession term loan credit facility provided by Centerbridge Partners, L.P. (**“Centerbridge”**), of which \$185 million will be used to repay in full the obligations outstanding under the Original DIP Credit Agreement and \$100 million will be available as incremental funding for working capital and chapter 11 related expenses (the **“Refinancing DIP Facility”**).

3. Unless otherwise indicated, the facts in this Declaration are based upon my personal knowledge, my review of relevant documents, information provided to me by employees of the Debtors, my opinion based upon my experience and information relayed to me concerning the Debtors’ operations and financial condition, and my discussions with other employees of FTI and with Speedcast’s restructuring advisors—Weil, Gotshal & Manges LLP (**“Weil”**), Moelis Australia Advisory Pty Ltd and Moelis & Company LLC (collectively, **“Moelis”**), and Herbert Smith Freehills LLP (**“HSF”** and, together with Weil, FTI, and Moelis, the **“Advisors”**). I am not being compensated specifically for this testimony, other than through payments received as a professional whom the Debtors have retained in connection with these chapter 11 cases. If called upon to testify, I could and would competently testify to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtors.

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<sup>3</sup> Capitalized terms used but not otherwise defined in this Declaration shall have the meanings ascribed to them in the Refinancing DIP Motion or the Prior Declaration, as applicable.

**The Debtors' Ongoing Need for DIP Financing and Access to Cash Collateral**

4. As explained in my Prior Declaration, the Debtors' business is dependent on having access to adequate cash to fund its operations through the chapter 11 cases and ensure its viability. The Company must be able to provide uninterrupted service to its customers and any interruption, even one that is short in nature and isolated, could result in reputational harm, cause customers to switch to other service providers, or disrupt the Company's relationship with its employees. The ability to access postpetition financing, together with Cash Collateral, is important to the Debtors' ability to continue business operations throughout the chapter 11 process to the benefit of all stakeholders.

5. At the start of these chapter 11 cases, the Court granted the Debtors' request for authority to enter into the Original DIP Credit Agreement, which provided the Debtors with access to a multiple-draw superpriority, senior secured new-money term loan DIP Facility (the "**Original DIP Facility**"), pursuant to which the Debtors borrowed \$90 million of new money to fund ongoing operations and these chapter 11 cases, "rolled up" \$90 million of prepetition secured claims, and granted superpriority claims and priming liens on property of the Debtors. Part of the need for incremental funding is due to multiple delays in the chapter 11 process. The Debtors have entered late September with no plan being submitted, due, in part, to the lenders' inability to reach agreement on an Approved Restructuring (as defined therein). In addition, on September 8, 2020, the DIP Agent delivered to the Debtors a notice asserting certain events of default under the Original DIP Facility.

6. The Debtors require the incremental liquidity previously discussed in order to operate their business, pay administrative costs, and fund the balance of these chapter 11 cases. Without access to incremental funding, even for a limited period of time, there is a substantial risk

of significant deterioration in the value of the Debtors' businesses to the detriment of all stakeholders.

7. The Debtors require incremental funding of \$100 million, which has been offered by Centerbridge in the form of the Refinancing DIP Facility, on terms more favorable to the Debtors than under the Original DIP Facility. As such, in order to ensure the Debtors have sufficient liquidity to fund ongoing business operations and these chapter 11 cases, the Debtors filed the Refinancing DIP Motion.

#### **Sizing of the Refinanced DIP Facility**

8. Throughout this chapter 11 process, the Debtors' Advisors, including myself and other members of my team at FTI, have worked with the Debtors' management team to review and analyze the Company's projected cash flows and liquidity needs. As with the Original DIP Facility, the Refinancing DIP Facility, including the size of the same, was determined with the assumption that the Debtors also would have access to existing Cash Collateral and receipts generated postpetition. As explained above, postpetition financing and access to Cash Collateral remain important to stabilizing the Debtors' business, maintaining continuous operations, and funding the chapter 11 process and the Debtors' exit from chapter 11.

9. Based on that analysis, the Debtors and their Advisors have proposed a budget, as amended from time to time, outlining the Debtors' needs to continue to operate the Debtors' businesses and pay administrative costs and chapter 11 expenses through a plan process. The current budget (the "**Approved Budget**")—which also governs the Debtors' use of DIP loans subject to permitted variances—was formulated in full view of the Company's performance in chapter 11 to date and includes reasonable and foreseeable expenses to be incurred, including the costs of administering the chapter 11 cases during the applicable period. The Approved Budget demonstrates that the Debtors require at least \$100 million in incremental funding, in addition to

the continued use of Cash Collateral, to finance their operations and maintain sufficient minimum liquidity while they pursue confirmation of a chapter 11 plan.

10. The increase in duration of these chapter 11 cases is the primary driver of the need for increased funding. While the original budget forecast was intended to take the Debtors through October 2020, the Debtors now require incremental funding to sustain them through an extended exit process that carries over into early next year.

11. Other adjustments made to the initial budget include, among other things, changes to incorporate: (i) the terms of the new material contract the Company negotiated with Intelsat US LLC; (ii) certain KEIP/KERP payments to be made by the Debtors over the next six months; and (iii) removal of certain previously-forecasted payments of DIP Lender professional fees.

12. As reflected in the Approved Budget, without access to the incremental financing and continued use of Cash Collateral, the Debtors will be unable to fund these chapter 11 cases through the necessary next steps. This would result in significant destruction of value to the detriment of all stakeholders in these chapter 11 cases.

13. Based on my review of the Approved Budget and the Debtors' forecasts in consultation with the Debtors' Advisors, including the financial advisory team at FTI and Company management, I believe that the Refinancing DIP Facility, including the \$100 million incremental increase in funding, will enable the Debtors to maintain sufficient liquidity through March 15, 2021.

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

14. In my role as CRO, myself and my team, along with the Company's other Advisors, reviewed and analyzed multiple proposals for incremental financing, and extensively negotiated the Refinancing DIP Facility's terms and conditions with Centerbridge and its advisors. The Company communicated with Centerbridge and its counsel regularly regarding the Debtors'

business plan and forecasts. The Debtors also made themselves available to answer any questions. As a result of these robust negotiations with Centerbridge, the Debtors were able to secure more favorable terms and conditions than were originally offered.

15. Additionally, the Debtors engaged in good faith and arm's length negotiations with the Prepetition Agent and Required Prepetition Lenders to resolve informal objections to the Refinancing DIP Facility and secure their consent.

16. As a result of these various negotiations, the Refinancing DIP Facility proposal contains terms and conditions that benefit the Debtors' estates on favorable terms. The Refinancing DIP Facility provides sufficient additional funding to fund both regular operations and the costs of these chapter 11 cases, as well as a clear path forward that will provide the Debtors with the flexibility needed to maximize value for all stakeholders.

### **Conclusion**

17. Approval of the Refinancing DIP Facility will not only provide essential funding, but will also assist the Debtors to maintain confidence in their customer base, employees, counterparties, and business partners to help assure critical stakeholders that the Debtors will continue to operate "business as usual" and otherwise pay their obligations as they come due. Based on my professional experience and observation of, and participation in, the process, I believe that the terms of the Refinancing DIP Facility are fair and reasonable under the circumstances. The Refinancing DIP Facility presents the best financing option reasonably available at this time to ensure the Debtors have sufficient liquidity to navigate the remainder of the chapter 11 process, and allow the Debtors to ultimately exit these chapter 11 cases and emerge as a going concern.

18. For all of the foregoing reasons discussed herein, I believe the Refinancing DIP Facility is in the best interest of the Debtors and their estates and will maximize value for all of the Debtors' stakeholders.

Dated: September 18, 2020  
New York, New York

/s/ *Michael Healy*

Name: Michael Healy

Title: Chief Restructuring Officer