Docket #0016 Date Filed: 4/5/2018

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
VER TECHNOLOGIES HOLDCO LLC, *et al.*,[1]	)	Case No. 18-10834 (KG)
Debtors.	)	(Joint Administration Requested)
	)	**Related to Docket Nos. 10, 14**

DECLARATION OF
LAWRENCE YOUNG IN SUPPORT OF THE DEBTORS' CRITICAL VENDOR MOTION AND FOREIGN AND PRIORITY VENDOR MOTION

I, Lawrence Young, declare as follows:

1. I am a Managing Director at AlixPartners LLP ("AlixPartners") and have served as the Chief Restructuring Officer of VER Technologies HoldCo LLC, one of the above-captioned debtors and debtors in possession (collectively, the "Debtors") since February 5, 2018. I have over 25 years of experience providing restructuring and reorganization services for companies, their creditors, and other stakeholders.

2. The Debtors engaged AlixPartners to provide restructuring advisory and consulting services to the Debtors. I have assisted the Debtors in a variety of tasks, including the assessment of vendors that are critical to the Debtors' reorganization. I provide this declaration in support of the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Claims of Critical Vendors and (II) Granting Related Relief*

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: VER Technologies HoldCo LLC (7239); VER Technologies MidCo LLC (7482); VER Technologies LLC (7501); Full Throttle Films, LLC (0487); FAAST Leasing California, LLC (7857); Revolution Display, LLC (6711); VER Finco, LLC (5625); CPV Europe Investments LLC (2533); and Maxwell Bay Holdings LLC (3433). The location of the Debtors' service address is: 757 West California Avenue, Building 4, Glendale, California 91203.

(the "Critical Vendor Motion") and the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Prepetition Claims of Certain Foreign Vendors, Shippers, Lien Claimants, and 503(b)(9) Claimants; and (II) Granting Related Relief* (the "Foreign and Priority Vendor Motion").[2]

3. Except as otherwise indicated, all facts set forth in this declaration are based upon my personal knowledge, my discussions with the Debtors' management team and advisors, including the AlixPartners team working under my supervision, my review of relevant documents and information concerning the Debtors' operations, financial affairs, and restructuring initiatives, or my opinions based upon my experience and knowledge. I am over the age of 18 and authorized to submit this declaration on behalf of the Debtors. If called upon to testify, I could and would testify competently to the facts set forth in this declaration.

I. The Critical Vendor and Foreign Vendors.

4. In the ordinary course of their businesses, the Debtors engage a limited number of providers for certain critical services, equipment inventory, replacement parts, and other materials the Debtors depend upon to provide top-quality products and services to their clients. The Debtors obtain such services, equipment, or parts from a limited number of highly specialized vendors, service providers, and other businesses (collectively, the "Critical Vendors")—often on an order-by-order basis and without long-term contracts—replacement of which likely would be impossible or would result in substantially higher costs for the Debtors. Further, certain Critical Vendors are the sole source providers of replacement parts necessary to maintain the Debtors' equipment, and the inability to acquire these parts would result in the deterioration of the Debtors' equipment.

[2] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Critical Vendor Motion or the Foreign and Priority Vendor Motion, as applicable.

5. The Debtors rely on timely and frequent delivery of these equipment, parts, and services and any interruption in this supply—however brief—would disrupt the Debtors' operations, impact their revenue, and their ability to service clients, likely causing irreparable harm to their businesses, reputation, goodwill, employees, customer base, and market share. I believe such harm would likely far outweigh the cost of payment of certain of the prepetition claims held by certain Critical Vendors and accrued in the ordinary course of business.

6. The Debtors believe some of their vendors may be unfamiliar with the chapter 11 process and unwilling to do business on existing terms—assuming such parties will continue to supply the Debtors at all. Indeed, prior to the Petition Date, certain of the Debtors' vendors cancelled existing favorable trade terms due to rumors of a bankruptcy filing. As a result, certain vendors that previously allowed payments on a net 30 or net 60 day basis instead began requiring the Debtors to pay cash on delivery. I believe that any further loss of trade terms (whether on account of demands for cash in advance, cash on delivery, or otherwise), will negatively impact the Debtors' liquidity and jeopardize their ability to maintain and service their equipment and to purchase any additional equipment required to service their clients.

7. Although primarily based in the United States, the Debtors and their affiliates have multiple locations outside of the United States, and routinely enter into transactions across the globe and on six continents. The Debtors' global footprint therefore requires regular transactions with the Foreign Vendors, which includes vendors who supply equipment, parts, repair services, transportation services, component part manufacturing, and a variety of other products and services integral to the Debtors' global operations (collectively, the "Foreign Vendors"). Specifically, the Debtors regularly transact business with Foreign Vendors in Canada, Asia, Australia, and throughout the European Union.

8. The Debtors' Equipment rental business is complex and often operates on a compressed timeline. The Debtors' operations depend upon close coordination and integration between the Debtors, their clients, and their suppliers. Given the unique and highly technical nature of the equipment and services provided by the Debtors' vendors, an adequate supply of equipment and timely services from the vendors to the Debtors, and from the Debtors to their clients, are vital to continue and maintain operations, and to avoid significant costs associated with missing contractual deadlines. As a result, the Debtors have taken carefully-formulated measures to avoid any supply chain interruptions due to the filing of these chapter 11 cases.

9. The Debtors' requested amount of relief on account of the Critical Vendor Claims and the Foreign Vendor Claims pales in comparison to the potential damage to the Debtors' businesses if the Debtors' operations were to experience any delays in the shipment of Equipment. Therefore, I believe that the Debtors, their estates, and their stakeholders would benefit from the Debtors' payments to the Critical Vendors and the Foreign Vendors.

A. Process for Identifying Critical Vendors

10. With the assistance of their advisors, the Debtors have spent significant time reviewing and analyzing their books and records, consulting operations management and purchasing personnel, reviewing contracts and supply agreements and the purchase orders incorporated thereunder, and analyzing applicable laws, regulations, and historical practice to identify the limited number of vendors that are critical to the continued and uninterrupted operation of the Debtors' businesses• the loss of which could materially harm their businesses, reduce their enterprise value, or impair going-concern viability. Specifically, in identifying the Critical Vendors, the Debtors examined each of their vendor relationships with the following criteria in mind:

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- whether a vendor is a sole- or limited-source or high-volume supplier for goods or services critical to the Debtors' business operations;
- whether alternative vendors are available that can provide requisite volumes of similar goods or services on equal (or better) terms and, if so, whether the Debtors would be able to continue operating while transitioning business thereto;
- whether an agreement exists by which the Debtors could compel a vendor to continue performing on prepetition terms and whether failure to pay under an agreement would result in the vendor refusing to ship goods or provide critical services under other non-contractual arrangements;
- whether failure to pay all or part of a particular vendor's claim could cause the vendor to refuse to ship goods or to provide critical services on a postpetition basis; and
- whether failure to pay a particular vendor could result in contraction of trade terms as a matter of applicable non-bankruptcy law or regulation.

11. In addition to these factors, the Debtors and their advisors examined the health of each vendor relationship, their familiarity with the chapter 11 process, and the extent to which each vendor's prepetition claim could be satisfied elsewhere in the chapter 11 process. This process resulted in the Debtors identifying their critical vendors, which account for approximately 11 percent of their prepetition vendors that have amounts outstanding as of the Petition Date.

12. I believe that the Debtors' selection process balanced the need to ensure that these chapter 11 cases do not disrupt their operations, adversely affect their market share, or injure their customer relationships, with the need to limit the expenditure of estate resources. To that end, the Debtors undertook a lengthy process to ensure that the Critical Vendors truly represent those vendors that are vital to the Debtors' ongoing operations. Paying targeted Critical Vendor Claims renders a benefit to the Debtors' estates both monetarily and operationally by preserving liquidity and enabling the Debtors to operate smoothly during the chapter 11 cases. Therefore, I believe that the requested relief will allow the Debtors to preserve stakeholder value by paying

certain prepetition claims of certain counterparties where critical to unlock incremental liquidity for the Debtors' business enterprise.

II. Priority Vendors.

A. Shippers and Lien Claimants.

13. To effectively and efficiently service their clients, the Debtors must be able to receive and distribute their rental Equipment in a timely fashion, often on a compressed timeline, throughout the world. To that end, in the ordinary course of business, the Debtors utilize common carriers, truckers, rail carriers, barge owners, and other transportation service providers (collectively, the "Shippers") to deliver goods to the Debtors' facilities and distribute Equipment to the Debtors' clients. In the ordinary course of business, the Debtors also rely on services from a number third parties (collectively, the "Lien Claimants") who may hold or claim a variety of statutory, common law, or possessory liens that, if asserted, could materially impair the Debtors' operations.

1. Shippers.

14. The Debtors employ an extensive distribution network of domestic third-party servicers or carriers who are in current possession of, or otherwise regularly possess, the Debtors' property, and who have or may assert a lien pursuant to applicable law. The services provided by the Shippers are essential to the Debtors' daily operations and the timing of delivery is critical to meeting the needs of the Debtors' clients. At any given time, there are numerous shipments of Equipment or goods heading either to the Debtors' facilities or to the Debtors' clients that are in the Shippers' possession. I believe that, as of the Petition Date, certain Shippers may have outstanding invoices for goods delivered to the Debtors before the Petition Date or for goods currently in transit.

15. If the Debtors do not pay the Shipping Claims on a timely basis, I am advised that the Shippers may assert possessory liens on the goods or Equipment currently in their possession and refuse to deliver or release such good until their invoices are paid. The Shippers may be unwilling to unilaterally part with goods in their possession that are subject to liens without cash payments as doing so may release any alleged security for such Shippers' prepetition claims. If the Shippers simply refuse to deliver the Debtors' goods or Equipment as a result of not being paid, I believe it would severely disrupt the Debtors' operations and potentially cost the Debtors a substantial amount of revenue and future business. The timely delivery of goods and Equipment is vital to maintaining the Debtors' operations during their transition into, success in, and ultimately their emergence from, chapter 11.

2. Lien Claimants.

16. The Debtors routinely transact business with a number of third-party contractors and vendors who I am advised can assert liens against the Debtors and their property if the Debtors fail to pay for the goods delivered or services rendered. These potential Lien Claimants generally fall into the following general categories, each as defined and described in the Foreign and Priority Vendor Motion: (a) the Warehousemen, (b) the Maintenance Workers, and (c) Tenant Improvement Workers.

17. As of the Petition Date, certain vendors, including the Lien Claimants, may not have been paid for certain goods or services provided prepetition. Unless the Lien Claimants are paid for these outstanding prepetition amounts, I believe that the Lien Claimants may refuse to perform their ongoing obligations with the Debtor, may assert Miscellaneous Liens, or may refuse to release finished goods in their possession unless paid cash on delivery. Indeed, prior to the Petition Date, certain Lien Claimants have asserted liens against the Debtors' property on account of unpaid obligations. Moreover, the value of the Equipment in the possession of the

Lien Claimants generally exceeds the value of their respective prepetition claims, which I believe further supports the Debtors' belief that payment to the Lien Claimants for amounts outstanding is in the best interests of the estates.

B. 503(B)(9) Claimants.

18. The Debtors may have received certain goods or materials from various vendors within the 20 days before the Petition Date (collectively, the "503(b)(9) Claimants"). Many of the Debtors' relationships with the 503(b)(9) Claimants are not governed by long-term contracts. Rather, the Debtors often obtain Equipment and parts on an order-by-order basis. As a result, I believe that the 503(b)(9) Claimants may refuse to supply new orders without payment of their prepetition claims. Further, certain 503(b)(9) Claimants could reduce the Debtors' existing trade credit—or demand payment in cash on delivery—further exacerbating the Debtors' limited liquidity. As a result, I believe payment to the 503(b)(9) Claimants on account of goods or materials delivered within the 20 days before the Petition Date is necessary and in the best interests of the Debtors' estates.

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

Dated: April 5, 2018
Glendale, California

By: ______________________
Lawrence Young
Chief Restructuring Officer
VER Technologies HoldCo LLC