

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

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In re: : Chapter 11  
: :  
HI-CRUSH INC., *et al.*,<sup>1</sup> : Case No. 20- 20-33495 (DRJ)  
: :  
Debtors. : (Jointly Administered)  
: :  
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**DECLARATION OF J. PHILIP MCCORMICK IN SUPPORT OF CONFIRMATION OF  
THE JOINT PLAN OF REORGANIZATION FOR HI-CRUSH INC. AND ITS  
AFFILIATE DEBTORS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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I, J. Philip McCormick, Jr., hereby declare that the following is true to the best of my knowledge, information and belief:

1. I am the Chief Financial Officer (“**CFO**”) of each of the debtors and debtors-in-possession in the above-captioned cases (collectively, the “**Debtors**” or “**Hi-Crush**”).

2. I am competent to make this declaration (the “**Declaration**”) in support of the *Joint Plan of Reorganization for Hi-Crush Inc. and its Affiliate Debtors Under Chapter 11 of the Bankruptcy Code* [Docket No. 289] (the “**Plan**”).<sup>2</sup> Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, information supplied to me by others employed by the Debtors, or information learned from my review of relevant documents. The

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<sup>1</sup> The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number (where available), are: Hi-Crush Inc. (0530), OnCore Processing LLC (9403), Hi-Crush Augusta LLC (0668), Hi-Crush Whitehall LLC (5562), PDQ Properties LLC (9169), Hi-Crush Wyeville Operating LLC (5797), D&I Silica, LLC (9957), Hi-Crush Blair LLC (7094), Hi-Crush LMS LLC, Hi-Crush Investments Inc. (6547), Hi-Crush Permian Sand LLC, Hi-Crush Proppants LLC (0770), Hi-Crush PODS LLC, Hi-Crush Canada Inc. (9195), Hi-Crush Holdings LLC, Hi-Crush Services LLC (6206), Bulk Tracer Holdings LLC (4085), Pronghorn Logistics Holdings, LLC (5223), FB Industries USA Inc. (8208), PropDispatch LLC, Pronghorn Logistics, LLC (4547), and FB Logistics, LLC (8641). The Debtors’ address is 1330 Post Oak Blvd, Suite 600, Houston, Texas 77056.

<sup>2</sup> All capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.



facts set forth in this Declaration are true and correct to the best of my knowledge. I am duly authorized to submit this Declaration.

**The Plan Has Been Proposed in Good Faith**

3. On August 15, 2020, the Debtors filed the solicitation version of the Plan with this Court. I believe that the Debtors have proposed the Plan in good faith and not by any means forbidden by law. The Debtors, the Prepetition Credit Agreement Agent, the Prepetition Credit Agreement Lenders, the Prepetition Notes Indenture Trustee, and the Consenting Noteholders (and each of their respective Related Persons) have negotiated the Plan (and the Plan Supplement) and participated in the Plan (and the Plan Supplement) formulation process at arm's length and in good faith.

4. Further, I believe that the Plan itself and the process leading to its formulation provide independent evidence of the good faith of the Debtors, the Prepetition Credit Agreement Agent, the Prepetition Credit Agreement Lenders, the Prepetition Notes Indenture Trustee, and the Consenting Noteholders (and each of their respective Related Persons) that negotiated the Plan, and assured fair treatment of holders of Claims and Equity Interests. The Chapter 11 Cases were filed, and the Plan was proposed, with the legitimate and honest purpose of reorganizing the Debtors and maximizing the value of the Debtors' assets. For these reasons, I believe the totality of the circumstances surrounding the Chapter 11 Cases, the Plan and Plan Supplement themselves, and the formulation and Confirmation of the Plan show that the Debtors proposed the Plan in good faith.

**The Debtors' Entry into the Debtor Release Was a Proper Exercise of Business Judgment and the Debtor Release is Appropriate, Fair, and Reasonable**

5. I believe that the Debtor Release is: (i) in exchange for good and valuable consideration provided by the Released Parties; (ii) a good faith settlement and compromise of the

Claims released by the Debtor Release; (iii) in the best interest of the Debtors and their Estates; (iv) fair, equitable and reasonable; (v) given and made after due notice and opportunity for hearing; and (vi) a bar to any of the Debtors, the Reorganized Debtors, or the Debtors' Estates asserting any claim or Cause of Action released pursuant to the Debtor Release.

6. On the Petition Date, the Debtors filed the Declaration of J. Philip McCormick, Jr., Chief Financial Officer, of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings [Docket No. 24] (the "**First Day Declaration**"). Attached thereto was a simplified organizational chart showing the affiliates of the Debtors (the "**Organizational Chart**"). See First Day Declaration, ¶ 8. The Debtors believe that the affiliates identified on the Organizational Chart or otherwise discussed in the First Day Declaration represent all affiliates that have material involvement with the Debtors and these Chapter 11 Cases. The Debtors determined it was important for these entities to release each other from claims related to the Debtors.

7. Prior to the Petition Date, the Debtors engaged in arms' length negotiations with the Consenting Noteholders over the terms of the Restructuring Support Agreement. The goal of such negotiations was to reach a global compromise that would allow for a consensual reorganization that would be in the best interests of the Debtors and their estates. This involved the "give and take" of various rights by each of the parties. Throughout such negotiations, I, along with the other parties, engaged in discussions regarding numerous issues, including the Debtor Release.

8. Each of the Released Parties made contributions to the Debtors' reorganization. By its express terms, the Debtor Release only applies to Released Parties that served in their respective capacity at any time on or after the Petition Date, meaning that such parties participated in the consensual chapter 11 and plan confirmation process. The Debtors' managers, officers, employees, affiliates, and other related parties each made material efforts to ensure the success of

the reorganization. For example, in addition to their normal day-to-day duties, the Debtors' officers, managers, employees, and similar parties engaged in continuous negotiations and dialogue with the Debtors' key stakeholders throughout the Chapter 11 Cases and assisted with all endeavors necessary to navigate the Debtors through the Chapter 11 Cases and best position the Reorganized Debtors for success post-Effective Date. Such efforts included not only negotiating and consenting to the Restructuring Support Agreement, but also engaging in negotiations and settlements with various third parties and counterparties during the Chapter 11 Cases.

9. Moreover, in conjunction with the negotiation of the Restructuring Support Agreement, the Debtors evaluated any potential Causes of Action that they believe may exist against the Debtors' managers, officers, employees, affiliates, or other Released Parties and considered, among other things, the potential recoveries, the likelihood of success of any claims, the complexity and cost of pursuing such claims, and the benefits to the Estates and creditors of resolving such claims through the Plan. The Debtors did not believe, and still do not believe, that any valid claims or Causes of Action exist against any of these parties. It is my understanding that the Consenting Noteholders also evaluated any potential Causes of Action that may exist against the Released Parties and reached the same conclusion, especially when considering that the Debtor Release does not release Causes of Action related to willful misconduct, actual fraud, or gross negligence. The Debtors' decision to provide the Debtor Release was further supported by the understanding that the Consenting Noteholders reached the same conclusion.

10. For these reasons, I believe that the Debtors' decision to enter into the Debtor Release was a proper exercise of their business judgment and that the Debtor Release is appropriate, fair, and reasonable under the circumstances of these Chapter 11 Cases.

*[Remainder of page intentionally left blank]*

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

Dated: September 21, 2020

Respectfully submitted,

/s/ J. Philip McCormick, Jr.

J. Philip McCormick, Jr.  
Chief Financial Officer of the Debtors and  
Debtors-in-Possession