

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

In re: Chapter 11
HI-CRUSH INC., et al., Case No. 20-33495 (DRJ)
Debtors. (Jointly Administered)

DECLARATION OF RYAN OMOHUNDRO 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

I, Ryan Omohundro, hereby declare that the following is true to the best of my knowledge,
information and belief:

1. I am a Managing Director at Alvarez & Marsal North America, LLC ("A&M"), a
limited liability corporation, the proposed restructuring advisor to the debtors and debtors in
possession (collectively, the "Debtors") in the above-captioned Chapter 11 cases (the "Chapter
11 Cases"). Together with the Debtors' other advisors, I have performed a lead role in managing
the restructuring efforts of the Debtors since March 2020. A&M has extensive experience and an
excellent reputation for providing high quality, specialized management and restructuring advisory
services to debtors and financially distressed companies, all as described more fully in the Debtors'

1 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.

2 Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in
the Plan or the Confirmation Memorandum (as such terms are defined below), as applicable.



Application to Employ and Retain Alvarez & Marsal North America, LLC, as Financial Advisors to the Debtors and Debtors in Possession Pursuant to Sections 327(a) and 328 of the Bankruptcy Code filed with this Court on July 24, 2020 [Docket No. 168].

2. I have been a full-time restructuring advisor for over 14 years. I have a broad range of experience in liquidity and working capital management, cash forecasting, liquidation analyses and valuation, business plan development, cost-cutting and asset rationalization, lender negotiations, bankruptcy planning, and accounting. In addition to the Debtors, I have advised several distressed energy companies, including Weatherford International, Parker Drilling Company, QMax, Northeast Gas Generation, Jones Energy, Castex Energy, New Mach Gen, Forbes Energy Services, US Well Services, and Quintana Energy Services.

3. Through my role as an advisor to the Debtors, I am familiar with the Debtors' business, including their operations, financial affairs, current capital structure, debt structure, creditors, and related matters. I am also familiar with the terms of the Debtors' *Joint Plan of Reorganization for Hi-Crush Inc. and its Affiliate Debtors under Chapter 11 of the Bankruptcy Code*, dated as of August 15, 2020 [Docket No. 289] (as amended, modified, or supplemented, the "**Plan**") and I am duly authorized to make and submit this declaration (the "**Declaration**") in support of the Plan as well as the *Memorandum of Law in Support of Confirmation of Joint Plan of Reorganization for Hi-Crush Inc. and its Affiliate Debtors under Chapter 11 of the Bankruptcy Code* (the "**Confirmation Memorandum**") to be filed by the Debtors in connection with these chapter 11 cases. Except as otherwise indicated, all matters set forth in this Declaration are based upon: (a) my personal knowledge, including my experience in the reorganization of distressed companies in the energy industry; (b) my review of relevant documents; (c) reasonable inquiry of the Debtors and their advisors; (d) my view, based upon my experience and knowledge of the

Debtors, including their financial history and business operations; and/or (e) information supplied to me by members of the Debtors' management and the other professional advisors retained by the Debtors in connection with these Chapter 11 Cases. If I were called upon to testify, I would testify competently to the facts set forth herein, including whether the Debtors' Plan satisfies the "best interests" of creditors test.

Background

4. A&M was engaged as a restructuring advisor to the Debtors in March 2020 to, among other things, assist in potential restructuring planning, develop and manage a cash-flow forecast, evaluate the Debtors' business plan, assist with financing issues, and liaise with creditors. The Debtors retained A&M after becoming familiar and comfortable with A&M's extensive restructuring background and experience.

5. A&M specializes in interim management, crisis management, turnaround consulting, operational due diligence, creditor advisory services, and financial and operational restructuring. A&M's debtor advisory services have included a wide range of activities targeted at stabilizing and improving a company's financial position, including developing or validating forecasts, business plans, and related assessments of a business's strategic position; monitoring and managing cash, cash flow, and supplier relationships; assessing and recommending cost reduction strategies; and designing and negotiating financial restructuring packages.

6. Since its inception in 1983, A&M has been a global provider of turnaround advisory services to companies in crisis or those in need of performance improvement in specific financial and operational areas, including, among others, in Chapter 11 cases in the Southern District of Texas and elsewhere such as: *In re Diamond Offshore Drilling, Inc.*, No. 20-32307 (DRJ) (Bankr. S.D. Tex. Apr. 26, 2020); *In re Whiting Petroleum Corp.*, No. 20-32021 (DRJ) (Bankr. S.D. Tex.

Apr. 1, 2020); *In re S. Foods Grp., LLC*, No.19-36313 (DRJ) (Bankr. S.D. Tex. Jan. 16, 2020); *In re Weatherford Int'l plc*, No. 19-33694 (DRJ) (Bankr. S.D. Tex. July 1, 2019); *In re Sanchez Energy Corp.*, No. 19-34508 (MI) (Bankr. S.D. Tex. Aug. 11, 2019); *In re Legacy Reserves Inc.*, No. 19-33395 (MI) (Bankr. S.D. Tex. June 18, 2019); *In re Jones Energy, Inc.*, No. 19-32112 (DRJ) (Bankr. S.D. Tex. May 6, 2019); *In re Parker Drilling Company*, No. 18-36958 (MI) (Bankr. S.D. Tex. Jan. 15, 2019); *In re iHeart Media, Inc.*, No. 18-31274 (MI) (Bankr. S.D. Tex. Apr. 12, 2018); *In re EXCO Resources, Inc.*, No. 18-30155 (MI) (Bankr. S.D. Tex. Jan. 15, 2018); *In re Expro Holdings US, Inc.*, No. 17-60179 (DRJ) (Bankr. S.D. Tex. Dec. 18, 2017); *In re Seadrill Ltd.*, No. 17-60079 (DJR) (Bankr. S.D. Tex. Sept. 12, 2017); *In re Ameriforge Grp. Inc.*, No. 17-32660 (DRJ) (Bankr. S.D. Tex. June 9, 2017); *In re SandRidge Energy, Inc.*, No. 16-32488 (DRJ) (Bankr. S.D. Tex. June 23, 2016); *In re Southcross Holdings, LP*, No. 16-20111 (MI) (Bankr. S.D. Tex. May 6, 2016).

7. Since A&M's initial engagement in this matter, the A&M personnel providing services to the Debtors have worked closely with the Debtors' management and other professionals in assisting with the Debtors' restructuring efforts and the myriad requirements of these Chapter 11 Cases. As a result of that work, I am familiar with the Debtors' capital structure, business operations, books and records, and restructuring efforts to date, and I have developed a firm understanding of the Debtors' liquidity position and needs.

The Plan

I. The Plan Satisfies the Bankruptcy Code's Requirements for Confirmation

A. The Plan Satisfies Bankruptcy Code Section 1129(a)(3)

8. The Debtors have proposed the Plan in good faith, with honesty and good intentions, and the Plan has a reasonable hope of success. The Debtors have proposed the Plan in consultation with the Debtors' management, legal, and financial advisors. The Plan is the

culmination and the direct result of the Debtors' extensive negotiations with their key creditor constituencies and estate fiduciaries regarding a plan structure and confirmation timeline that would minimize the Debtors' time in Chapter 11 and correspondingly maximize value and increase their likelihood of emerging with their operations fully intact. The Plan eliminates or repays a substantial portion of prepetition debt, enables the Debtors to maintain relationships with key vendors, provides the Debtors with an appropriate level of operational capital post-emergence, and preserves hundreds of jobs. For these and other reasons, I believe that the Plan has been proposed by the Debtors in good faith and solely for the legitimate and honest purposes of reorganizing the Debtors' ongoing businesses and enhancing their long-term financial viability. I believe the Plan maximizes the value of the estate.

B. The Plan is in the Best Interests of All Creditors and Equity Interest Holders

9. I understand that to satisfy the "best interests" test under section 1129(a)(7) of the Bankruptcy Code, a debtor must demonstrate that each holder of a claim or equity interest in an impaired class has either (i) accepted the plan or (ii) is receiving at least as much value under a proposed plan as they would receive in a hypothetical Chapter 7 liquidation. To the best of my knowledge, information and belief, insofar as I have been able to ascertain after reasonable inquiry, one or both of these are true as to every holder of a claim or equity interest in an impaired class.

10. I oversaw the Debtors' hypothetical, reasonable and good-faith estimate of the proceeds that would be generated if the Debtors were liquidated in accordance with Chapter 7 of the Bankruptcy Code (the "**Liquidation Analysis**"), a true and correct copy of which is attached as hereto as **Exhibit A**. I completed the Liquidation Analysis after extensive due diligence by the Debtors, Lazard Frères and Co. LLP, and A&M. The Liquidation Analysis reflects the views and

input of the Debtors' management based upon their experience with the Debtors' assets, and includes a detailed description of the assumptions, analysis and results of a hypothetical Chapter 7 liquidation of the Debtors. The Liquidation Analysis was set forth in the Disclosure Statement and a complete description of the process and the results of the Liquidation Analysis are set forth in Exhibit C to the Debtors' Disclosure Statement.

11. I understand that the best interests test is not relevant to the Holders of (a) Other Priority Claims in Class 1, (b) Other Secured Claims in Class 2, (c) Secured Tax Claims in Class 3, and (d) Old Affiliate Interests in any Parent Subsidiary in Class 7 because such Classes of Claims and Equity Interests are Unimpaired under the Plan. In addition, because the Holders of Class 6 Intercompany Claims are Affiliates of the Debtors, the Holders of such Claims were conclusively deemed to have accepted the Plan and, thus, the best interests test is not relevant to such Holders either.

12. As stated in the Liquidation Analysis, subject to the assumptions and limitations described therein, the proceeds from a hypothetical Chapter 7 liquidation would yield between \$65.7 million and \$107.7 million in net proceeds (after taking into account liquidation expenses). Thus, as set forth in the Liquidation Analysis, after subtracting liquidation expenses, the proceeds from a hypothetical Chapter 7 liquidation would provide each Impaired Class with the estimated recoveries set forth in the table below. As shown below, none of these estimated Chapter 7 recoveries are more than the estimated recoveries as set forth in the Plan.

<u>Class</u>	<u>Claim</u>	<u>Low Estimated Chapter 7 Recovery</u>	<u>High Estimated Chapter 7 Recovery</u>	<u>Estimated Plan Recovery</u>
4	Prepetition Notes Claims	0.6%	4.7%	26.2-37.4%
5	General Unsecured Claims	0%	0.5%	26.2-37.4%
8	Old Parent Interests	0%	0%	0%

13. I believe that the recoveries under the Plan are equal or exceed those under a hypothetical liquidation, as set forth in the Liquidation Analysis. Furthermore, I believe that the Debtors' going-concern value substantially exceeds the liquidation value set forth in the Liquidation Analysis. As a result, to the best of my knowledge, information and belief, and after reasonable inquiry, I believe that the Plan is in the best interests of the Debtors and their Estates.

C. The Plan Has Been Accepted by Impaired Voting Classes and can be Crammed Down on Impaired Classes Who Have Voted to Reject or Who Are Deemed to Reject the Plan

14. I understand that holders of Old Parent Interests in Class 8 are not receiving or retaining any property on account of their Claims or Equity Interests and, as such, are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. It is my further understanding that, based on the advice of the Debtors' counsel, the Plan is nonetheless confirmable because, as discussed in greater detail below, it satisfies the "cram down" requirements of section 1129(b) of the Bankruptcy Code as to Class 8. Under section 1129(b), the court may "cram down" a plan over the dissenting vote of an impaired class or classes of claims or interests so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to such dissenting class or classes.

1. The Plan Does Not Discriminate Unfairly

15. It is my understanding, based on the advice of the Debtors' counsel, that (a) a plan unfairly discriminates where similarly-situated classes are treated differently without a reasonable

basis for the disparate treatment; and (b) different recoveries between creditor classes of the same priority does not constitute “unfair discrimination” when (i) the difference in plan recoveries is attributable to a “carve-out” of a secured lender’s collateral, (ii) there is a reasonable business justification for the differing treatment under the plan, and (iii) the differing legal characteristics among creditors and classes of claims supports differential treatment.

16. Pursuant to the Plan, Class 8 is deemed to reject, and holders of old equity interests are not receiving recovery. Accordingly, I believe that this Plan does not provide for unfair discrimination, and any objection on the basis of section 1129(b) should be overruled.

2. The Plan is Fair and Equitable

17. I have been advised that the Bankruptcy Code provides that a chapter 11 plan is fair and equitable with respect to a class of impaired unsecured claims or interests if under the plan (i) no holder of any junior claim or interest will receive or retain property under the plan on account of such junior claim or interest and (ii) no holder of any senior claim will receive or retain property under the plan on account of such senior claim more than full value on account of its claim.

18. Pursuant to the Plan, holders of Class 8 claims are not receiving recovery and there are no classes junior to Class 8. Furthermore, no holders of claims in Class 1 through 7 will receive more than full value under their claim. Therefore, the Debtors have satisfied section 1129(b) because the holder of any claim interest that is junior to the interests of Class 8 will not receive or retain any property under the Plan on account of such junior claim or interest, and no holder of a Claim senior to Class 8 will receive more than full value on account of its Claim.

Conclusion

19. In light of the foregoing, I believe that: (a) the Plan and the transactions embodied therein have been structured to accomplish the Debtors’ goal of maximizing returns to stakeholders and effectively reorganizing the Debtors; (b) the Plan has been proposed by the Debtors in good

faith; (c) the Plan is “fair and equitable” and, therefore, consistent with the requirements of section 1129(b) of the Bankruptcy Code with respect to Class 8; and (d) confirmation of the Plan is in the best interests of the Debtors and their Estates.

20. Accordingly, I believe that the Plan satisfies the requirements of the Bankruptcy Code, the Bankruptcy Rules and other applicable non-bankruptcy laws, as they have been explained to me, and should be confirmed.

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/ Ryan Omohundro

Ryan Omohundro

Alvarez & Marsal North America, LLC

EXHIBIT A

Liquidation Analysis

Exhibit C: LIQUIDATION ANALYSIS

INTRODUCTION

Often referred to as the “best interests of creditors” test, section 1129(a)(7) of the Bankruptcy Code¹ requires that a Bankruptcy Court find, as a condition to confirmation of a plan of reorganization, that each holder of a claim or interest in each impaired class either (i) has accepted the plan; or (ii) will receive or retain under the plan property of a value, as of the effective date of the confirmed plan, that is not less than the amount such holder would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code.²

To conduct this Liquidation Analysis, the Debtors and their advisors have taken the following steps:

- i) estimated the cash proceeds that a chapter 7 trustee (a “**Trustee**”) would generate if each Debtor’s chapter 11 case was converted to a chapter 7 case on the Effective Date and the assets of such Debtor’s Estate were liquidated (the “**Liquidation Proceeds**”);
- ii) determined the distribution that each holder of a Claim or Equity Interest would receive from the Liquidation Proceeds under the priority scheme set forth in chapter 7 (the “**Liquidation Distribution**”); and
- iii) compared each holder’s Liquidation Distribution to the distribution such holder would receive under the Debtors’ chapter 11 Plan if the Plan were confirmed and consummated (the “**Plan Distribution**”).

This Liquidation Analysis represents an estimate of cash distributions and recovery percentages based on a hypothetical chapter 7 liquidation of the Debtors’ assets. It is therefore a hypothetical analysis based on certain assumptions discussed herein and in the Disclosure Statement. As such, asset values and claims discussed herein may differ materially from amounts referred to in the Plan and Disclosure Statement. The Liquidation Analysis should be read in conjunction with the assumptions, qualifications, and explanations set forth in the Disclosure Statement and the Plan in their entirety, as well as the notes and assumptions set forth below.

The determination of the costs of, and proceeds from, the hypothetical liquidation of the Debtors’ assets in a chapter 7 case involves the use of estimates and assumptions that, although considered reasonable by the Debtors based on their business judgment and input from their advisors, are subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Debtors, their management and their advisors. The Liquidation Analysis was prepared for the sole purpose of generating a reasonable, good faith estimate of the proceeds that would be generated if the Debtors’ assets were liquidated in accordance with chapter 7 of the

¹ Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Disclosure Statement, to which this Liquidation Analysis is attached **Exhibit C**, or the Plan attached to the Disclosure Statement as **Exhibit A**.

² Additional references to chapter 7 throughout this exhibit assumed to encompass similar insolvency proceedings in non-US jurisdictions. Local / jurisdictional laws and/or rules governing liquidation priorities outside the US are assumed to be generally consistent with those set forth in chapter 7 of the Bankruptcy Code. Any deviations of such laws and/or rules would not materially impact the conclusions of this analysis.

Bankruptcy Code. The Liquidation Analysis is not intended, and should not be used, for any other purpose.

All of the limitations and risk factors set forth in the Disclosure Statement are applicable to this Liquidation Analysis and are incorporated by reference herein. The underlying financial information in the Liquidation Analysis was prepared using policies that are generally consistent with those applied in historical financial statements but was not compiled or examined by independent accountants and was not prepared to comply with GAAP or SEC reporting requirements.

THE DEBTORS AND THEIR ADVISORS MAKE NO REPRESENTATIONS OR WARRANTIES REGARDING THE ACCURACY OF THE ESTIMATES CONTAINED HEREIN OR A CHAPTER 7 TRUSTEE'S ABILITY TO ACHIEVE FORECASTED RESULTS. IN THE EVENT THESE CHAPTER 11 CASES ARE CONVERTED TO A CHAPTER 7 LIQUIDATION, ACTUAL RESULTS COULD VARY FROM THE ESTIMATES SET FORTH IN THIS LIQUIDATION ANALYSIS.

BASIS OF PRESENTATION

The Liquidation Analysis has been prepared assuming that the Debtors' chapter 7 liquidation commences on or about September 30, 2020 (the "**Liquidation Date**"). The pro forma values referenced herein are projected as of the Liquidation Date and utilize the May 31, 2020 balance sheet and projected results of operations and cash flow over the projection period to the assumed Liquidation Date. The Debtors have assumed that the Liquidation Date is a reasonable proxy for the anticipated Effective Date. The Liquidation Analysis was prepared on a legal entity basis for each Debtor (and non-debtor) and, for presentation purposes, summarized into a consolidated report.

In preparing the Liquidation Analysis, the Debtors estimated Allowed Claims based on a review of the Debtors' financial statements and projected results of operations and cash flow over the projection period to account for estimated liabilities, as necessary. The cessation of business in a liquidation is likely to trigger certain claims and funding requirements that would otherwise not exist under the Plan absent a liquidation. Such claims could include chapter 7 administrative expense claims, including, wind down costs, trustee fees, and professional fees, among other claims. Some of these claims and funding obligations could be significant and would be entitled to administrative or priority status in payment from liquidation proceeds. The Debtors' estimates of Allowed Claims set forth in the Liquidation Analysis should not be relied on for the purpose of determining the value of any distribution to be made on account of Allowed Claims or Equity Interests under the Plan.

NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE, OR CONSTITUTES, A CONCESSION, ADMISSION, OR ALLOWANCE OF ANY CLAIM BY THE DEBTORS. THE ACTUAL AMOUNT OR PRIORITY OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH AND USED IN THE LIQUIDATION ANALYSIS. THE DEBTORS RESERVE ALL RIGHTS TO SUPPLEMENT, MODIFY, OR AMEND THE ANALYSIS SET FORTH HEREIN.

Chapter 7 administrative expense claims that arise in a liquidation scenario would be paid in full from the Liquidation Proceeds prior to proceeds being made available for distribution to holders of Allowed Claims. Under the “absolute priority rule,” no junior creditor may receive any distributions until all senior creditors are paid in full, and no equity holder may receive any distribution until all creditors are paid in full. The assumed distributions to creditors as reflected in the Liquidation Analysis are estimated in accordance with the absolute priority rule.

This Liquidation Analysis does not include any recoveries or related litigation costs resulting from any potential preference, fraudulent transfer, or other litigation or avoidance actions that may be available under the Bankruptcy Code because of the cost of such litigation, the uncertainty of the outcome, and potential disputes regarding these matters. In addition, the Liquidation Analysis assumes all customer contracts are terminated on the Liquidation Date. Rejection damages claims have been estimated for purposes of this analysis, however, actual claims could materially differ from estimates. Finally, the Liquidation Analysis does not include estimates for the tax consequences that may be triggered upon the liquidation and sale of assets in the manner described above. Such tax consequences could be material.

LIQUIDATION PROCESS

The Debtors’ liquidation would be conducted pursuant to chapter 7 of the Bankruptcy Code. The Debtors have assumed that their liquidation would occur over approximately six months during which the Trustee would efficiently and effectively monetize substantially all the assets on the consolidated balance sheet and administer and wind-down the Estates.³

As part of the Trustee’s liquidation process, the initial step would be to develop a liquidation plan designed to generate proceeds from the sale of assets that it would then distribute to creditors. This liquidation process would have three major components:

- i) Cash proceeds from asset sales (“**Gross Distribution Proceeds**”);
- ii) Costs to liquidate the business and administer the Estates under chapter 7 (“**Liquidation Adjustments**”);
- iii) Remaining proceeds available for distribution to claimants (“**Net Distribution Proceeds**”).

i) Gross Distribution Proceeds

The Gross Distribution Proceeds reflect the proceeds the Trustee would generate from a hypothetical chapter 7 liquidation. Under section 704 of the Bankruptcy Code, a Trustee must, among other duties, collect and convert property of the Estates as expeditiously as is compatible with the best interests of parties in interest, which could result in potentially distressed recoveries. This Liquidation Analysis assumes the Trustee will market the assets on an accelerated timeline and consummate the sale transactions within six months from the Liquidation Date. Asset values in the liquidation process will likely be materially reduced due to, among other things, (i) the

³ Although the Liquidation Analysis assumes the liquidation process would occur over a six-month period, it is possible the disposition and recovery from certain assets could take shorter or longer to realize.

accelerated time frame in which the assets are marketed and sold; (ii) negative vendor / customer reaction; and (iii) the generally forced nature of the sale.

The Debtors have assumed the Trustee will retain lawyers, financial advisors, and investment bankers to support the sale and transition of assets over the six-month liquidation period.

ii) The Liquidation Adjustments

The Liquidation Adjustments reflect the costs the Trustee would incur to monetize the assets and wind down the Estates in chapter 7 and include the following:

- Expenses necessary to efficiently and effectively monetize the assets (the “**Wind Down Budget**”);
- Chapter 7 professional fees;
- Chapter 7 Trustee fees; and

iii) Net Distribution Proceeds

The Net Distribution Proceeds reflect amounts available to Holders of Claims after the Liquidation Adjustments are netted against the Gross Distribution Proceeds. Under this analysis, the Liquidation Proceeds are distributed to Holders of Claims against, and Equity Interests in, the Debtors in accordance with the Bankruptcy Code’s priority scheme:

- Superpriority Carve-Out Claims – Claims attributed to accrued and unpaid fees for the U.S. Trustee and Clerk of the Bankruptcy Court, and certain Professional Persons (as defined in the Interim DIP Order);
- Superpriority DIP ABL Claims – Claims attributed to the DIP ABL Credit Agreement;
- Superpriority DIP Term Loan Claims – Claims attributed to the DIP Term Loan Credit Agreement, including accrued and unpaid principal and interest as of the Liquidation Date;
- Administrative Expenses – Claims for post-petition accounts payable, post-petition intercompany claims, post-petition accrued expenses, Professional Fee Claims, and other claims granted administrative expense priority status under section 503(b)(9) of the Bankruptcy Code during these Chapter 11 Cases.
- Other Secured Claims – There are no assumed Other Secured Claims for purposes of the Liquidation Analysis;
- Priority Tax Claims – Claims entitled to priority under section 507 of the Bankruptcy Code.
- Other Priority Claims – There are no assumed Other Priority Claims for purposes of the Liquidation Analysis;

- Prepetition Notes Claims – Any and all Claims arising from, under, or in connection with the Prepetition Notes, the Prepetition Notes Indenture (each, as defined in the Plan), or any other related document or agreement. Notably, the Prepetition Notes Claims maintain structural priority over General Unsecured Claims because each Debtor guaranteed the “Obligations” (as defined in the Prepetition Notes Indenture), whereas General Unsecured Claims generally only maintain a Claim against a single Debtor entity.
- General Unsecured Claims – Claims arising from non-priority claims, including certain pre-petition liabilities not subject to first-day relief and various other unsecured liabilities, and excluding the Prepetition Notes Claims.
- Intercompany Claims – Claims arising from amounts the Debtors owe to other Debtors and/or non-Debtor Affiliates;
- Intercompany Interests – Equity Interests arising from the Debtors’ Equity Interests in other Debtors and Non-Debtor Affiliates.
- Old Parent Interests – Claims arising from Equity Interests in Debtor Hi-Crush Inc.

CONCLUSION

The Debtors have determined, as summarized in the table below, on the Effective Date, that the Plan will provide all Holders of Allowed Claims and Equity Interests with a recovery that is not less than what they would otherwise receive pursuant to a liquidation of the Debtors' assets under chapter 7 of the Bankruptcy Code. Accordingly, the Plan satisfies the requirement of 1129(a)(7) of the Bankruptcy Code.

Summary Recovery Table

	Plan Recoveries (1)			Chapter 7 Liquidation Recoveries (2)		
	Low	Midpoint	High	Low	Midpoint	High
Superpriority Carve-Out Claims	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Superpriority DIP ABL Claims	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Superpriority DIP Term Loan Claims	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Administrative Expenses	100.0%	100.0%	100.0%	26.9%	56.8%	70.4%
Priority Tax Claims	100.0%	100.0%	100.0%	64.7%	69.1%	84.0%
Prepetition Notes Claims	26.2%	31.9%	37.4%	0.6%	1.9%	4.7%
General Unsecured Claims	26.2%	31.9%	37.4%	0.0%	0.0%	0.5%
Intercompany Claims	N/A	N/A	N/A	0.0%	0.0%	0.0%
Intercompany Interests	N/A	N/A	N/A	0.0%	0.0%	0.0%
Old Parent Interests	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes

- (1) Plan Recoveries assume full participation in the rights offering by both Prepetition Notes and General Unsecured Claims.
- (2) The Liquidation Analysis was prepared on a legal entity basis for each Debtor and, for presentation purposes, summarized into a consolidated report. This entity-by-entity analysis is the reason, for example, why Priority Tax Claims receive a higher recovery than Administrative Expenses, and also why Prepetition Notes Claims and General Unsecured Claims receive any recovery in chapter 7 when neither Priority Tax Claims nor Administrative Expenses get paid in full.

The Liquidation Analysis should be reviewed with the accompanying “Specific Notes to the Liquidation Analysis” set forth on the following pages. The below tables reflect the consolidation of the standalone liquidation analyses for each Debtor and non-debtor.

USD in millions										
		31-May Net Book Value	Adjustments / Setoffs	30-Sep Pro Forma Value	Recovery Estimate %			Recovery Estimate \$		
					Low	Midpoint	High	Low	Midpoint	High
Gross Liquidation Proceeds										
Current Assets										
Unrestricted Cash	[A]	32.1	(19.1)	12.9	100.0%	100.0%	100.0%	12.9	12.9	12.9
Restricted Cash	[A]	-	13.0	13.0	0.0%	0.0%	0.0%	-	-	-
Accounts Receivable	[B]	24.0	0.2	24.0	72.7%	77.7%	82.7%	17.4	18.6	19.8
Inventory	[C]	30.1	(1.8)	28.3	28.3%	35.9%	43.5%	8.0	10.2	12.3
Other Current Assets	[D]	6.4	1.0	7.4	0.0%	0.0%	0.0%	-	-	-
Total Current Assets		92.5	(6.7)	85.6	44.8%	48.7%	52.6%	38.3	41.7	45.0
Property Plant & Equipment, Net										
Land	[E]	272.1	(4.4)	267.7	1.7%	3.6%	5.5%	4.4	9.6	14.7
Plant & Equipment	[F]	214.4	(3.4)	211.0	6.0%	8.5%	11.1%	12.6	18.0	23.3
Other PP&E, Net	[G]	173.6	(0.2)	173.3	13.4%	16.6%	19.7%	23.2	28.7	34.2
Total PP&E		660.1	(8.0)	652.0	6.2%	8.6%	11.1%	40.2	56.3	72.3
Other Assets										
Intangible Assets	[H]	36.3	(0.0)	36.3	0.0%	0.0%	0.0%	-	-	-
Investment in PropX	[I]	55.1	(16.0)	39.0	0.0%	5.0%	10.0%	-	2.0	3.9
Other Long Term Assets	[J]	48.0	(0.1)	48.0	0.0%	0.0%	0.0%	-	-	-
Total Other Assets		139.4	(16.1)	123.3	0.0%	1.6%	3.2%	-	2.0	3.9
Gross Liquidation Proceeds		892.1	(30.8)	860.9	9.1%	11.6%	14.1%	78.6	99.9	121.2
Less: Liquidation Adjustments										
Wind Down Budget	[K]							(8.1)	(8.1)	(8.1)
Professional Fees	[L]							(2.4)	(2.2)	(1.8)
Trustee Fees	[M]							(2.3)	(3.0)	(3.6)
Net Liquidation Proceeds		892.1	(30.8)	860.9	7.6%	10.1%	12.5%	65.7	86.6	107.7
Value Redistribution:										
Intercompany Receivables - Non-Debtor	[N]	54.7	-	54.7	0.2%	0.2%	0.2%	0.1	0.1	0.1
Investments in Subsidiaries	[O]	nmf	nmf	nmf	nmf	nmf	nmf	-	-	-
Total Value Redistribution		54.7	-	54.7	0.2%	0.2%	0.2%	0.1	0.1	0.1
Net Liquidation Proceeds Available for Distribution		946.7	(30.8)	915.6	7.2%	9.5%	11.8%	65.9	86.7	107.8

USD in millions		Claims			% Recovery			\$ Recovery			
		Low	Midpoint	High	Low	Midpoint	High	Low	Midpoint	High	High
Total Proceeds								65.9	86.7		107.8
Less: Superpriority Carve-Out Claims	[P]	(4.7)	(4.7)	(4.7)	100.0%	100.0%	100.0%	(4.7)	(4.7)	(4.7)	(4.7)
Remaining Amount Available for Distribution								61.2	82.0		103.1
Less: Superpriority DIP ABL Claims	[Q]	(11.0)	(11.0)	(11.0)	100.0%	100.0%	100.0%	(11.0)	(11.0)	(11.0)	(11.0)
Remaining Amount Available for Distribution								50.1	70.9		92.1
Less: Superpriority DIP Term Loan Claims	[Q]	(31.8)	(31.8)	(31.8)	100.0%	100.0%	100.0%	(31.8)	(31.8)	(31.8)	(31.8)
Remaining Amount Available for Distribution								18.3	39.1		60.3
Less: Other Priority Claims	[R]	-	-	-	0.0%	0.0%	0.0%	-	-	-	-
Remaining Amount Available for Distribution								18.3	39.1		60.3
Less: Other Secured Claims	[S]	-	-	-	0.0%	0.0%	0.0%	-	-	-	-
Remaining Amount Available for Distribution								18.3	39.1		60.3
Less: Priority Tax Claims	[T]	(3.8)	(3.8)	(3.8)	64.7%	69.1%	84.0%	(2.5)	(2.6)	(3.2)	(3.2)
Remaining Amount Available for Distribution								15.9	36.5		57.1
Less: Chapter 11 Administrative Expense	[U]	(48.4)	(48.4)	(48.4)	26.9%	56.8%	70.4%	(13.0)	(27.5)	(34.1)	(34.1)
Remaining Amount Available for Distribution								2.8	9.0		23.0
Less: Prepetition Notes Claims	[V]	(477.8)	(477.8)	(477.8)	0.6%	1.9%	4.7%	(2.8)	(9.0)	(22.3)	(22.3)
Remaining Amount Available for Distribution								0.0	0.0		0.7
Less: General Unsecured Claims	[W]	(133.5)	(133.5)	(133.5)	0.0%	0.0%	0.5%	(0.0)	(0.0)	(0.7)	(0.7)
Remaining Amount Available for Distribution								-	-		-
Less: Intercompany Claims	[X]	(54.5)	(54.5)	(54.5)	0.0%	0.0%	0.0%	-	-	-	-
Remaining Amount Available for Distribution								-	-		-
Less: Intercompany Interests	[Y]	nmf	nmf	nmf	nmf	nmf	nmf	-	-	-	-
Remaining Amount Available for Distribution								-	-		-
Less: Old Parent Interests	[Z]	nmf	nmf	nmf	nmf	nmf	nmf	-	-	-	-
Remaining Amount Available for Distribution								-	-		-

SPECIFIC NOTES TO THE LIQUIDATION ANALYSIS

Gross Liquidation Proceeds from External Assets

The below table summarizes asset recoverability percentages for the Debtors' assets. Net Distribution Proceeds on the sale of non-debtor assets are recovered by the Debtors via settlement of intercompany receivables and/or equity distributions factoring the priority of claims that reside at each non-debtor (reference Value Redistribution section below).

Note	Asset Type / Assumptions	Debtors' Recovery
A	Unrestricted cash consist of all cash and liquid investments, if applicable, and restricted cash consist of cash collateralizing letters of credit. The Liquidation Analysis assumes cash collateralized letters of credit are drawn on the Liquidation Date and are not recoverable.	50%
B	Accounts Receivable consist of trade amounts owed for frac sand, transportation and logistics services provided to oilfield services companies and oil & natural gas exploration and production customers. The analysis assumes that customers would terminate contracts at the Liquidation Date and offset the costs associated with switching to a new provider against amounts owed. The interruption of business caused by the liquidation could further impact the ability of the Trustee to collect on these amounts.	78%
C	Inventory consists of wet frac sand, dry frac sand, spare parts, diesel and unleaded fuel, and sand material that is onsite or in transit. The Debtors expect wet frac sand could be sold in a liquidation scenario at values ranging from approximately \$0 per ton to \$3 per ton. Depending on the location of the dry sand product, the Debtors the sand can be sold at values ranging from approximately \$12 to \$18 per ton for Northern White Sand and \$6 to \$8 per ton for Kermit Sand. Associated spare parts are assumed to be liquidated with assumed de minimis recoveries.	36%
D	Other Current Assets consist of prepaid (1) insurance, rent, taxes and other miscellaneous prepaid items; (2) supplier, customer and other miscellaneous deposits; (3) deferred charges; and (4) deferred tax assets. Prepaid expenses are assumed to be recoverable to the extent such amounts can be refunded or used to offset expenses included in the Wind Down Budget.	0%

Note	Asset Type / Assumptions	Debtors' Recovery
E	Land includes owned real estate (mines and terminal properties), land acquisition costs, and mine development.	4%
F	Plant & Equipment ("PP&E") includes mining equipment and associated equipment used in processing facilities (Wet and Dry plants).	9%
G	Other PP&E, Net consists of (1) rail equipment, (2) leasehold improvements, (3) construction in progress, (4) transload facilities and equipment, (5) vehicles, and (6) other miscellaneous equipment.	17%
H	Intangible Assets includes goodwill, patents and other intangible assets.	0%
I	Investment in PropX represents the minority ownership interest in Proppant Express Investments, LLC.	5%
J	Other Long Term Assets consist of (1) right of use assets, (2) capitalized debt issuance costs, and (3) other assets.	0%

Liquidation Adjustments

K. Wind Down Budget

The Wind Down Budget includes the expenses the Trustee will incur to efficiently and effectively monetize the assets over the six-month liquidation period. These expenses relate to labor, building rent, facilities expenses, transportation expense, insurance, health and safety expenses, and taxes. The Liquidation Analysis assumes total wind down costs of approximately \$8.1 million for the Debtors and their non-Debtor Affiliates over the six-month period following the Liquidation Date.

L. Professional Fees

The post-conversion Professional Fees include estimates for certain professionals that will provide assistance and services during the wind down period. The Liquidation Analysis assumes the Trustee will retain lawyers, financial advisors, and investment bankers to assist in the liquidation. These advisors will assist in marketing the Debtors' assets, litigating claims and resolving tax litigation matters, and resolving other matters relating to the wind down of the Debtors' Estates. The Liquidation Analysis estimates Professional Fees at a range of 2% to 3% of Gross Liquidation Proceeds.

M. Trustee Fees

Section 326(a) of the Bankruptcy Code provides that Trustee Fees may not exceed 3% of distributable proceeds *in excess* of \$1 million. The Liquidation Analysis assumes the Trustee Fees would be approximately 3% of Gross Liquidation Proceeds from External Assets.

Value Redistribution

For purposes of determining the recoverability of (i) intercompany receivables owed to the Debtors from non-Debtor Affiliates and (ii) the Debtors' Equity Interests in non-Debtor Affiliated subsidiaries, individual liquidation analyses were performed on each Debtor and non-Debtor Affiliate on a standalone basis. The recoverability of the Debtors' intercompany receivables and investments in subsidiaries was calculated prior to determining the proceeds available for distribution to the Debtors' claimants.

N. Intercompany Receivables – Non-Debtor

Historically, the Debtors and their Affiliated subsidiaries created intercompany receivables and payables as a result of various transactions related to intercompany trade debt, overhead and expense allocations, and other intercompany charges. In addition, there are several entities that act as cash poolers for the organization. The recoverability of Intercompany Receivables owed to the Debtors is assumed to be approximately 0.2%, or \$0.1 million.

O. Investments in Subsidiaries

The Debtors' investments in Affiliated subsidiaries include the Debtors' Equity Interests in Debtor and non-Debtor Affiliates. The Liquidation Analysis assumes no recoveries on the Debtors' Equity Interests in non-Debtor Affiliates.

Net Liquidation Proceeds Available for Distribution

Based on the Liquidation Analysis, the Net Liquidation Proceeds Available for Distribution to the Debtors' claimants range from approximately \$65.9 million to \$107.8 million.

Claims

P. Carve-Out Claims

The Interim Dip Order grants superpriority status to Allowed Professional Fees (as defined in the Interim DIP Order) earned, accrued or incurred by Professionals at any time before or on the first business day following delivery of the Carve-Out Trigger Notice (as defined in the Interim DIP Order). Additionally, the Interim DIP Order provides for payment of Allowed Professional Fees, subject to the professional fee Post-Carve-Out Trigger Notice Cap (as defined in the Interim DIP Order), incurred after the first business day following the date of delivery of the Carve-Out Trigger Notice. The Liquidation Analysis assumes approximately \$4.7 million in Carve-Out Claims (as define in the Interim DIP Order) at the Liquidation Date. The Liquidation Analysis assumes the Liquidation Proceeds would be sufficient to satisfy 100% of the Carve-Out Claims

Q. DIP Facility Claims

The Bankruptcy Code grants superpriority administrative expense claim status to claims made pursuant to the Debtors' DIP Loan Document. The Liquidation Analysis assumes DIP Facility Claims outstanding as of the Liquidation Date include unpaid principal and interest in the amount of approximately \$11.0 million and \$31.8 million for DIP ABL Facility Claims and DIP Term Loan Facility Claims, respectively.

The Liquidation Analysis assumes the Liquidation Proceeds would be sufficient to satisfy 100% of the DIP Facility Claims.

R. Other Priority Claims

The Liquidation Analysis assumes there will be no Other Priority Claims as of the Liquidation Date.

S. Other Secured Claims

The Liquidation Analysis assumes there will be no Other Secured Claims at the Debtors as of the Liquidation Date.

T. Priority Tax Claims

Priority Tax Claims consist of accrued and unpaid income, sales and use, franchise, property, VAT and other taxes owed at the Debtors and non-debtors. The Liquidation Analysis assumes the Liquidation Proceeds would be sufficient to satisfy approximately 69% of the Priority Tax Claims.

U. Chapter 11 Administrative Expense

Chapter 11 Administrative Expense consist of estimated post-petition accrued operating expenditures and other administrative and professional services. The Liquidation Analysis assumes approximately \$48.4 million in Chapter 11 Administrative Expense at the Liquidation Date. The Liquidation Analysis further assumes the Liquidation Proceeds would be sufficient to satisfy approximately 57% of the Chapter 11 Administrative Expense.

V. Prepetition Notes Claims

Prepetition Notes Claims consist of any and all Claims arising from, under, or in connection with the Prepetition Notes, the Prepetition Notes Indenture, or any related document or agreement, including for accrued and unpaid principal, interest and fees through September 30, 2020. The Liquidation Analysis assumes approximately \$477.8 million in Prepetition Note Claims at the Liquidation Date. Senior Notes recovery amounts may vary from General Unsecured recovery due to the liquidation being performed on a legal entity basis and the location of each claim. The Liquidation Analysis further assumes the Liquidation Proceeds would be sufficient to satisfy approximately 2% of the Prepetition Note Claims.

W. General Unsecured Claims

General Unsecured Claims consist certain general unsecured prepetition liabilities not subject to first-day relief, and exclude the Prepetition Notes Claims. The actual amount of General Unsecured Claims could vary materially from these estimates. No order has been entered by the

Bankruptcy Court estimating or otherwise fixing the amount of General Unsecured Claims at the Debtors. The Liquidation Analysis assumes approximately \$133.5 million in General Unsecured Claims at the Liquidation Date. The Liquidation Analysis further assumes the Liquidation Proceeds would be sufficient to satisfy less than 0.1% of the General Unsecured Claims.

X. Intercompany Claims

Intercompany Claims consist of amounts owed by and between the Debtors and/or non-Debtor Affiliates for pre-petition intercompany activity. The Liquidation Analysis further assumes there would be no recovery on these Claims. See Value Redistribution section above for further detail on recoverability of amounts owed by the non-debtors to the Debtors.

Y. Intercompany Interests

Intercompany Interests consist of the Debtors' Equity Interests in other Debtors or non-Debtor Affiliates. The Liquidation Analysis assumes there would be no recovery on these Equity Interests.

Z. Old Parent Interests

Old Parent Interests consist of common Equity Interests in Hi-Crush Inc. The Liquidation Analysis assumes there would be no recovery on these Equity Interests.