

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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**In re** :  
 : **Chapter 11**  
**WESTINGHOUSE ELECTRIC** :  
**COMPANY LLC, et al.,** : **Case No. 17-\_\_\_\_\_ (\_\_\_)**  
 :  
**Debtors.**<sup>1</sup> : **(Joint Administration Pending)**  
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**DECLARATION OF MARK BUSCHMANN  
IN SUPPORT OF MOTION OF DEBTORS FOR INTERIM AND FINAL  
ORDERS (I) AUTHORIZING DEBTORS TO OBTAIN SENIOR SECURED,  
SUPERPRIORITY, POSTPETITION FINANCING, (II) GRANTING LIENS  
AND SUPERPRIORITY CLAIMS, AND (III) SCHEDULING A FINAL HEARING**

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

1. I am a Partner in the Restructuring and Special Situations Group at PJT Partners LP (“**PJT**”) and one of the lead restructuring advisors to Westinghouse Electric Company LLC (“**WEC U.S.**”) and certain of its subsidiaries and affiliates. PJT is the proposed investment banker to the debtors and debtors in possession in the above-captioned cases (collectively, the “**Debtors**” and together with its non-Debtor affiliates, the “**Company**” or “**Westinghouse**”).

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, if any, are: Westinghouse Electric Company LLC (0933), CE Nuclear Power International, Inc. (8833), Fauske and Associates LLC (8538), Field Services, LLC (2550), Nuclear Technology Solutions LLC (1921), PaR Nuclear Holding Co., Inc. (7944), PaR Nuclear, Inc. (6586), PCI Energy Services LLC (9100), Shaw Global Services, LLC (0436), Shaw Nuclear Services, Inc. (6250), Stone & Webster Asia Inc. (1348), Stone & Webster Construction Inc. (1673), Stone & Webster International Inc. (1586), Stone & Webster Services LLC (5448), Toshiba Nuclear Energy Holdings (UK) Limited (N/A), TSB Nuclear Energy Services Inc. (2348), WEC Carolina Energy Solutions, Inc. (8735), WEC Carolina Energy Solutions, LLC (2002), WEC Engineering Services Inc. (6759), WEC Equipment & Machining Solutions, LLC (3135), WEC Specialty LLC (N/A), WEC Welding and Machining, LLC (8771), WECTEC Contractors Inc. (4168), WECTEC Global Project Services Inc. (8572), WECTEC LLC (6222), WECTEC Staffing Services LLC (4135), Westinghouse Energy Systems LLC (0328), Westinghouse Industry Products International Company LLC (3909), Westinghouse International Technology LLC (N/A), and Westinghouse Technology Licensing Company LLC (5961). The Debtors’ principal offices are located at 1000 Westinghouse Drive, Cranberry Township, Pennsylvania 16066.



I submit this declaration (this “**Declaration**”) in support of the *Motion of Debtors Pursuant to 11 U.S.C. §§ 362, 363, 364, 507, and 105 and Fed R. Bankr. P. 2002, 4001, 6003, 6004, and 9014 for Interim and Final Orders (I) Authorizing the Debtors to Obtain Senior Secured, Superpriority, Postpetition Financing, (II) Granting Liens and Superpriority Claims, and (III) Scheduling a Final Hearing*, filed concurrently herewith (the “**DIP Motion**”).<sup>2</sup>

2. Unless otherwise indicated, all facts set forth in this Declaration are based on (i) my personal knowledge, (ii) my discussions with the Debtors’ senior management, other members of the PJT team, or other interested parties, (iii) my review of relevant documents, or (iv) my opinion based upon my experience, knowledge, and information concerning the Debtors’ operations and financial affairs. If I were called to testify, I would testify competently to the facts set forth below.

### **Qualifications**

3. As discussed above, I am a Partner in the Restructuring and Special Situations Group at PJT, an investment banking firm listed on the New York Stock Exchange with its principal offices at 280 Park Avenue, New York, New York 10017. PJT was spun 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 over 400 employees located in New York, San Francisco, Boston, Chicago, London, Sydney, Hong Kong, and Madrid. PJT has extensive experience in providing financial advisory and investment banking

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<sup>2</sup> Capitalized terms used but not otherwise defined in this Declaration have the meanings used in the DIP Motion.

services to financially distressed companies and representing both debtors and lenders in the procurement and provision of postpetition financing. PJT is a registered broker-dealer with the United States Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

4. Since joining Blackstone in 2001, and continuing at PJT, I have worked on a broad range of restructuring and reorganization assignments for companies, creditor groups, special committees of corporate boards, corporate parents of troubled companies, governmental entities and acquirers of distressed assets. Over the course of my career, I have advised senior management and boards of directors of companies in a wide variety of industries in connection with restructurings, mergers and acquisitions, and financing transactions. In particular, I have been involved in numerous restructurings, including, among others, Alestra S. de R.L. de C.V.; Angiotech Pharmaceuticals, Inc.; Arch Coal, Inc.; Cable & Wireless America; Central European Distribution Corporation; Delta Air Lines, Inc.; Excite@Home; Homer City Generation, L.P.; IAP Worldwide Services, Inc.; Los Angeles Dodgers LLC; Magnetation LLC; Mattress Discounters Corporation; Noranda Aluminum, Inc.; Nortek, Inc.; Patriot Coal Corporation; Philadelphia Newspapers, LLC; Six Flags; Taro Pharmaceutical Industries Ltd; Tribune Media Company; Ultra Petroleum Corp.; and WilTel Communications Group Inc.

5. I hold a Bachelor of Arts degree from the Dartmouth College and an MBA with a concentration in Finance from The Kellogg School of Management at Northwestern University. Prior to joining Blackstone, I was a Financial Analyst in the Financial Institutions Group at Salomon Smith Barney, where I executed various mergers and acquisitions and financing assignments. Additionally, I have served as an expert witness on numerous occasions.

### **Westinghouse's Prepetition Financing**

6. The details of the Company's prepetition financing is explained in the *Declaration of Lisa J. Donahue Pursuant to Rule 1007-2 of the Local Bankruptcy Rules for the Southern District of New York*, sworn to on the date hereof (the "**Donahue Declaration**"). As such, I will not repeat it here in detail. To summarize, the Debtors are not party to any prepetition secured funded debt arrangements, and the majority of the Debtors' assets are unencumbered by liens. In 2006, Toshiba Corporation ("**Toshiba**") and certain of its affiliates acquired a controlling equity interest in the Company. Since then, the Company has relied on Toshiba as its primary source of capital funding. The only third party financial debt the Debtors have is a bank credit facility, which has no drawn balance and includes the LC Facility. As of the date hereof, the aggregate amount of letters of credit posted pursuant to the LC Facility is approximately \$494 million, which was fully collateralized by way of a \$534 million cash deposit from a special purpose vehicle affiliated with Toshiba on March 28, 2017.

### **Background**

7. In December 2016, the Debtors retained PJT as investment bankers, to assist them in obtaining financing, and more broadly, developing and implementing a comprehensive restructuring plan. With the advice of PJT and the Debtors' other advisors, the Debtors initially undertook a number of steps, including, among other things, seeking emergency funding from Toshiba and engaging with the owners of the U.S. AP1000 Projects (the "**Project Owners**") regarding funding.

8. Despite receiving some funding from Toshiba, the Debtors were ultimately compelled to commence these chapter 11 cases to obtain the financing that will provide them with sufficient liquidity to preserve the value of their core businesses.

**Marketing and Negotiation of DIP Facility**

9. Leading up to the Petition Date, PJT along with the Debtors' other advisors engaged in an exhaustive marketing process to obtain postpetition financing. The Debtors' marketing effort was one the most competitive and robust debtor-in-possession financing processes PJT's professionals have experienced to date.

10. The Debtors' primary strategic considerations when marketing the financing opportunity was the identification of an economical and reliable source of financing that could (i) support the Debtors' need for a sizeable loan to provide for general working capital, (ii) provide a Letter of Credit ("LC") facility to support new LC needs, (iii) be able to accommodate a large on-lending intercompany facility to preserve the businesses of the Company's non-U.S. affiliates (the "**EMEA Entities**"), and (iv) partner with the Debtors for the duration of their chapter 11 cases and afford them adequate time and flexibility to pursue a restructuring strategy around their core businesses.

11. The Debtors initially attempted to obtain continued financing from Toshiba. Toshiba initially conveyed an interest in providing continued financing, either prepetition or postpetition. However, Toshiba ultimately never submitted a binding financing commitment.

12. The Debtors also approached the Project Owners, given such stakeholders' significant interest in the Debtors. However, it became clear that these stakeholders were focused on their projects and less interested in providing sufficient funding to the Debtors. The Project Owners declined to submit a proposal for financing, but have agreed to directly fund the continued construction of their respective U.S. AP1000 Projects on an interim basis postpetition.

13. In early March 2017, with Westinghouse's liquidity waning, PJT and the Debtors' other advisors began a comprehensive marketing process and reached out to numerous potential financing sources to ascertain their interest in providing prepetition and postpetition financing to

Westinghouse. The interest received from the capital markets was tremendous, as the Debtors received proposals from a number of prominent banks, private equity firms, and hedge funds.

14. Given that the Debtors are in the unique and beneficial position of having no prepetition funded secured debt, there was a substantial interest from the financial community in providing secured bridge financing that would “roll” into a postpetition financing facility. Ultimately, the Debtors were able to stretch their existing liquidity to the Petition Date to avoid the need to seek secured bridge financing that would have been limited in size, subject to considerable financing fees, and on more expensive overall economic terms.

15. In seeking third party financing, the Debtors and their advisors contacted 32 select parties and entered into 25 non-disclosure agreements (“**NDAs**”) with parties that expressed interest to allow them to fully evaluate the financing opportunity. The Debtors hosted due diligence calls with 20 parties, and 14 parties submitted non-binding term sheets. None of the prospective lenders the Debtors and their advisors reached out to offered postpetition financing on an unsecured basis or in exchange for solely an administrative expense claim.

16. Following the initial round of discussions and proposals, a number of prospective lenders teamed up to form consortiums in order to offer the Debtors more competitive terms. The Debtors invited eight prospective lender groups to participate in meetings with management, and subsequently received seven final binding term sheets for consideration. In evaluating these proposals, the Debtors considered each prospective lender’s proposed economics, ability to fully commit, financing structure, perceived deal risk, flexibility, ability to work collaboratively with the Debtors, and market reputation.

17. The second round of proposals offered significantly more favorable economic terms, as the average “all-in” yield of the offers received were approximately 500 basis points

lower than the proposals received in the initial round. Following extensive good faith negotiations with the remaining prospective lenders, the Debtors narrowed down the seven final commitments to three, and eventually down to the two most competitive commitments. The Debtors engaged in hard fought and arm's-length parallel-track negotiations with these two bidders to obtain the best financing terms each was willing to offer. The Debtors received "final and best" proposals from each bidder which the Debtors (including management and the independent board members of WEC U.S.), PJT and the Debtors' other advisors scrutinized in detail, diligently analyzing the strengths and weaknesses of each.

18. Ultimately, the Debtors determined that the commitment submitted by Apollo and Citibank met each of their requirements and was the best financing proposal available. Based on the Debtors' judgment, Apollo's proposal was not only in line with the most favorable economic terms received by the Debtors, but also offered the least restrictive covenants and the most promising prospects for a successful restructuring in these chapter 11 cases.

19. The DIP Facility is unique for a postpetition financing facility of its size in that it provides the Debtors with maximum flexibility to pursue their reorganization efforts. Unlike most debtor-in-possession financing facilities, the DIP Facility does not subject the Debtors to any milestones related to a sale or plan process, leaving the Debtors with adequate time and flexibility to develop and implement a restructuring that is in the best interests of their estates. Further, the DIP Term Sheet contains significantly less restrictive financial covenants than the other competing proposals did. Under the terms of the DIP Facility, there is a minimum liquidity covenant, as well as a variance covenant test based on a business plan to be developed that does not go into effect until September 30, 2017. Accordingly, due to the DIP Facility's competitive economic terms and flexible structure, it is the best financing available to the Debtors.

20. Furthermore, the DIP Facility allows the Debtors to work collaboratively with a single term lender, which can reduce the administrative burden and expense normally associated with obtaining consensus amongst a consortium of lenders. The DIP Facility provides a vehicle for the Debtors to achieve a successful reorganization of their businesses.

21. Following the competitive marketing process, the Debtors engaged with Apollo and Citibank to negotiate the terms and conditions of the DIP Term Sheet. The terms and conditions of the DIP Term Sheet were negotiated extensively and at arm's-length by well-represented, independent parties in good faith, and are consistent with, if not superior to, the terms generally provided to Debtors in other similar chapter 11 cases.

22. Through PJT's highly-competitive process, the Debtors were able to obtain the necessary financing on the best terms available in the market. The DIP Facility gives the Debtors the funding and flexibility needed to reorganize around their core businesses and successfully emerge from these chapter 11 cases. The favorable terms of the DIP Facility demonstrate the success of the marketing and negotiation process, and are a testament to the confidence that the capital markets, and in particular Apollo, have in the Debtors' reorganizing efforts.

#### **DIP Facility**

23. The DIP Facility provides for senior secured superpriority terms loans (the "**DIP Loans**") in an aggregate principal amount of \$800 million to be made available to the Debtors, including \$350 million to be made available on an interim basis and an additional \$450 million, subject to the entry of a Final Order. The DIP Facility includes a \$225 million LC sublimit that may be used to provide cash for a cash collateralized LC facility (the "**DIP LC Facility**"), \$100 million of which will be made available on an interim basis, and an additional \$125 million made available upon entry of a final order. The Debtors may use the DIP Loans for working capital

and general corporate purposes, and to pay fees, costs and expenses incurred in connection with the administration of the chapter 11 cases.

24. The orderly continuation of the Debtors' operations and the preservation of their going concern value are largely dependent upon their ability to access the DIP Loans and use them to support the Debtors' business operations globally. For example, the DIP Facility will be used to fund the Debtors' payments to vendors and employees, to satisfy the other ordinary costs of operation, including payroll, taxes, and rent, and to provide assurance to the Company's customers and regulatory agencies that their business is stabilized and strengthened. Absent authority to access the DIP Facility, even for a limited period of time, the continued operation of the Debtors' business would suffer, causing immediate and irreparable harm to the Debtors, their respective estates, and their creditors.

25. The DIP Facility also permits the Debtors to distribute up to \$375 million in funds to EMEA Intercompany Borrowers for the benefit of the EMEA Entities by way of intercompany revolving loans, including in the form of letters of credit, available in the amounts of \$300 million initially and \$75 million upon the satisfaction of certain conditions. These amounts include letters of credit of up to \$50 million and \$25 million, respectively.

26. Without access to the liquidity provided by the DIP Facility, I understand that certain EMEA Entities could be forced to commence local insolvency proceedings, which would result in irreparable harm to the Debtors' estates, as the value of the Debtors and the EMEA Entities are interdependent. Accordingly, I believe the Debtors have an immediate need to enter into the DIP Facility and obtain the DIP Loans.

**DIP Facility Should Be Approved**

27. Given the immediate need for financing and the flexible and favorable economic terms of the DIP Facility, PJT recommended that the Debtors enter into the DIP Facility. Based

on my professional experience and my specific involvement in this matter, I believe the marketing and negotiation process was fair, comprehensive, and produced the best available financing option for the Debtors. The negotiations with the prospective lenders (as well as Apollo) were conducted in good faith and at arm's-length, and were productive and rewarding for the Debtors, as they were able to materially improve upon the initial proposals received.

28. The DIP Facility is favorably priced, superior to the proposals provided by all other potential lenders, and represents the best financing available to the Debtors. By entering into the DIP Facility, the Debtors will be able to, among other things, permit the orderly continuation of their businesses, and preserve the going concern value of the Company. Accordingly, entering into the DIP Facility is in the best interest of the Debtors' estates.

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

Executed on: March 29, 2017

/s/ Mark Buschmann  
Mark Buschmann  
Partner  
PJT Partners, LP