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New York City Bankruptcy Conference 2021

Trends in DIP Financing

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[DRAFT]
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XYZ Company Hypothetical Competing DIP Case Study

- XYZ filed for chapter 11 in the District of Somewhere
 - The purpose of the filing was to be able to access much needed liquidity to preserve the going concern status of the business and fund the chapter 11 cases which contemplate a balance sheet reorganization
 - The business experienced a sharp and unexpected decline in business due to Covid-19 restrictions, resulting in a loss of ~90% of revenue with EBITDA falling to an all-time low
 - Due to vaccinations and staggered re-openings, management is confident that the business is poised to experience a surge in performance due to pent up demand over the next 6-12 months and is already seeing increased revenues as compared to the prior two quarters (assume no cyclicity in the business)
 - Management is in the process of developing a revised business plan to take into account a Covid recovery, and expects performance to consistently improve over the next 6 months+
 - Current projections are outdated
- The filing included proposed DIP financing and RSA with a group of first lien lenders (Group 1)
 - The Group 1 DIP received interim approval at the first day hearing and is subject to final approval
 - The DIP provides meaningful liquidity and is backstopped by a steering committee of 1L lenders who have spearheaded negotiations with the Debtors resulting in an RSA with 60% support
 - Among other things, the DIP provides for a 1:1 roll up of prepetition 1L term loan, terms for the equitization of the capital structure with the roll-up portion of the DIP rolling into an exit facility and a stated 12 month term and a new revolving credit facility but with a 6 month timeline/milestone schedule to achieve confirmation of a plan
 - The majority of the reorganized equity and the exit term loan will be provided to the DIP lenders with a small amount of equity distributed to pre-petition (non-participating 1L term lenders)
 - The RSA contemplates no recoveries for unsecured debt and a TBD cash distribution to GUCs; equity receives no recovery
 - The DIP is to be offered to all non-backstop parties for a period of three days, otherwise, the backstop parties will fully fund the DIP
 - Group 1 primarily consists of secondary purchasers of the 1L term loan during the last 12 months

- Prior to the second day hearing, a second DIP proposal emerged and is the subject of a filing/objection by a second group of first lien lenders (Group 2) holding 35% of the prepetition 1L term loan
 - The Group 2 DIP provides the same economic terms as the Group 1 DIP (including a backstop by the Group 2 lenders) with the following differences
 - The DIP will be offered to all non-backstop parties for a period of two weeks
 - Stated term of 18 months with a 12 month timeline/milestone schedule to achieve confirmation of a plan
 - An RSA and terms for any equitization/conversion of debt will be negotiated following the delivery of a comprehensive business plan within six months
 - Group 2 consists primarily of original par lenders/institutions (ie, CLOs, insurance companies, banks)
- The UCC supports the Group 2 DIP
- The Debtors continue to seek approval of the Group 1 DIP, but admit that the additional time provided under the Group 2 DIP would likely result in improved performance, liquidity and potentially a higher valuation vs a 6 month case
- While the economic terms of the two DIPs are the same, the extended term of Group 2's DIP will result in a higher cash cost to the estate
- No valuation evidence is available given the Covid impact on the business and timing of the filing
- The Debtors believe both DIPs provide sufficient liquidity to operate the business during chapter 11 with sufficient cushion and expect liquidity to improve over time (which would offset the increased cash cost of the Group 2 DIP)
- The Group 1 Lenders vigorously oppose the Group 2 DIP in favor of the certainty of their proposal and RSA

[DRAFT]
5/18/2021

XYZ Company
DIP Financing Hypothetical

May 2021

Introduction

Our Panel will be representing various parties in a hypothetical contested second-day DIP hearing for XYZ Company (“XYZ,” the “Company,” or the “Debtor”)

- **Panel members will discuss the points for and against their “client”**
 - Debtor: Jorian Rose
 - DIP Lender (Group 1): Andrew Tenzer
 - DIP Lender (Group 2): Andrew Tenzer
 - A/R Securitization Facility: Brian Trust
 - UCC/UST: Jorian Rose
 - Financial Advisor: Alex Rohan
- **Judge Dorsey will preside over the hearing and provide guidance as to a final “ruling”**
- **The audience is encouraged to submit questions during or after the presentation**

Situation Overview

- Pre-pandemic, XYZ was a successful company, conducting a retail-oriented business in the United States that relies significantly on revenues from major domestic airports. The Company has dozens of unexpired leases with multiple landlords and had been successful in obtaining payment deferrals as well as government assistance during 2020
- Notwithstanding the cost-cutting measures and financial relief, XYZ was facing an imminent liquidity crisis and was unable to extend previous forbearances with its first lien lenders who would only continue to support the Company through an accelerated chapter 11 process
- In April 2021, XYZ filed for chapter 11 in the District of Somewhere
 - The purpose of the filing was to access much needed liquidity to preserve the going concern status of the business and fund the chapter 11 cases, which contemplate a balance sheet reorganization
 - The Debtor experienced a sharp and unexpected decline in business in 2020 due to COVID-19 restrictions, resulting in a loss of ~90% of revenue with EBITDA falling to an all-time low
 - Due to vaccinations and staggered re-openings, management is confident that the business is poised to experience a surge in performance due to pent up travel demand over the next 6-12 months and is already seeing increased revenues as compared to the prior two quarters and Y-O-Y
 - Management is in the process of developing a revised business plan to take into account a COVID recovery, and expects performance to consistently improve over the next 6 months+
 - Current projections are outdated and any valuation of the business based on current information would render the first lien debt impaired
 - At the time of the filing, the term loan was quoted at 50 cents and unsecured bonds at 5 cents
 - Subsequent to the filing, a UCC was appointed that consists of two trade creditors, two landlords and the trustee for the unsecured bonds

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Prepetition Capitalization Summary (\$MM)

Facility	Maturity	Rate	Book Value		Market Value			
			Amt.	Lev. ⁽¹⁾	Price	Yield	Amt.	Lev. ⁽¹⁾
A/R Securitization Facility	Oct-21	6.50%	\$100		N/A	N/A	\$100	
Revolving Credit Facility	May-22	L + 3.50%	100		N/A	N/A	100	
First Lien Term Loan	May-24	L + 5.50%	500		50.0%	33.1%	250	
Total Secured Debt			\$700	7.0x			\$450	4.5x
Unsecured Notes	Jun-26	8.00%	200		5.0%	162.7%	10	
Total Debt			\$900	9.0x			\$460	4.6x
Less: Cash and Cash Equivalents			(8)				(8)	
Net Debt			\$892	8.9x			\$452	4.5x

(1) Leverage based on LTM EBITDA of \$100.0 million.

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Proposed DIP Financings

▪ **The filing included proposed DIP financing and an RSA with a group of first lien lenders (Group 1)**

- Group 1 primarily consists of secondary purchasers of the 1L term loan during the last 12 months
- The Group 1 DIP received interim approval at the first day hearing and is subject to final approval
- The DIP provides meaningful liquidity and is backstopped by a steering committee of first-lien lenders who have spearheaded negotiations with the Debtors resulting in an RSA with 60% support
- Among other things, the \$500 million DIP provides for repayment of the \$100 million prepetition revolving credit facility balance, \$150 million of cash to fund the bankruptcy, a 1:1 roll up of \$250 million of the prepetition term loan (receiving the same economics as the new money) and terms for the equitization of the capital structure with the new money DIP rolling into an exit facility
- The Group 1 DIP has a stated 12 month term with a 6 month timeline/milestone schedule to achieve confirmation of a plan
- The majority of the reorganized equity and the exit term loan will be provided to the participating DIP lenders with a small amount of equity distributed to prepetition (non-participating) 1L term lenders
- The RSA contemplates no recoveries for unsecured debt and a TBD cash distribution to GUCs; equity receives no recovery
- The DIP is to be offered to all non-backstop parties for a period of three days, otherwise, the backstop parties are prepared to fully fund the DIP
- The Debtor's financial advisor submitted a declaration in support of the Group 1 DIP, noting that the Debtor conducted a robust marketing process but there was no interest in providing an unsecured/junior DIP and that the proposed DIP lenders would not consent to being primed

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Proposed DIP Financings (Cont'd)

▪ **Prior to the second day hearing, a second DIP proposal emerged and is the subject of a filing/objection by a different group of first lien lenders (Group 2) holding 35% of the prepetition 1L term loan**

- Group 2 consists primarily of original par lenders/institutions (ie, CLOs, insurance companies, banks)
- The Group 2 DIP provides the same economic terms as the Group 1 DIP (including a backstop by the Group 2 lenders) with the following differences
 - The DIP will be offered to all non-backstop parties for a period of two weeks
 - Stated term of 18 months with a 12 month timeline/milestone schedule to achieve confirmation of a plan
 - An RSA and terms for any equitization/conversion of debt will be negotiated following the delivery of a comprehensive business plan within six months

▪ **The UCC supports the Group 2 DIP and has objected to the Group 1 DIP**

▪ **The Debtors continue to seek approval of the Group 1 DIP, but have admitted that the additional time provided under the Group 2 DIP would likely result in improved performance, liquidity and (potentially) a higher valuation vs the 6 month case under the Group 1 DIP**

▪ **While the economic terms of the two DIPs are the same, the extended term of Group 2's DIP will result in a higher cash cost to the estate**

▪ **No valuation evidence is available given the COVID impact on the business and timing of the filing**

▪ **The UCC believes both DIPs provide sufficient liquidity to operate the business during chapter 11 with sufficient cushion and expect liquidity to improve over time (which would offset the increased cash cost of the Group 2 DIP)**

▪ **The Group 1 Lenders vigorously oppose the Group 2 DIP in favor of the certainty of their proposal and RSA**

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A/R Securitization Facility Amendment

- The Debtor is also seeking approval to amend its pre-petition A/R Securitization facility so that it can maintain access to low cost capital and avoid a wind-down of the facility during the chapter 11 case

—The A/R facility is being amended to reduce maximum availability from \$300 million to \$200 million and there is currently \$100 million outstanding

—Given seasonal working capital and borrowing base calculations, there is no current availability under the facility, but that will change when XYZ enters the summer months

- The Debtor has represented that maintaining the facility will provide access to efficient low cost capital and reduce the need for a much larger DIP in the event the facility had to be unwound

- Both DIP Groups are agreeable to the amendment and have carved out A/R from their collateral packages

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Summary of Proposed DIP Terms

	Group 1 DIP	Group 2 DIP
Lenders	<ul style="list-style-type: none"> ▪ Backstop Parties and Eligible Prepetition Lenders <ul style="list-style-type: none"> —Represent 60% of the Prepetition First Lien Term Loan —The DIP shall be offered to all Non-Backstop Parties for a period of three days, otherwise the Backstop Parties will fully fund the DIP 	<ul style="list-style-type: none"> ▪ Backstop Parties and Eligible Prepetition Lenders <ul style="list-style-type: none"> —Represent 35% of the Prepetition First Lien Term Loan —The DIP shall be offered to all Non-Backstop Parties for a period of two weeks, otherwise the Backstop Parties will fully fund the DIP
Commitment	<ul style="list-style-type: none"> ▪ \$500MM, consisting of \$250MM in new money and a \$250MM dollar-for-dollar roll-up of the Prepetition First Lien Term Loan obligations, which will receive the same economic treatment as the new money DIP loan 	<ul style="list-style-type: none"> ▪ Same
Exit Treatment	<ul style="list-style-type: none"> ▪ The \$250MM of new money DIP financing will roll over to the Exit Term Loan Facility ▪ The \$250MM DIP Roll-Up will convert to 95% ownership of the reorganized equity 	<ul style="list-style-type: none"> ▪ To be determined in accordance with the negotiation of an RSA
Term	<ul style="list-style-type: none"> ▪ 12 months 	<ul style="list-style-type: none"> ▪ 18 months
Milestones	<ul style="list-style-type: none"> ▪ Final DIP Order Deadline: Petition Date + 40 days ▪ Entry into RSA: Petition Date + 55 days ▪ Plan and DS Filing Deadline: Petition Date + 60 days ▪ Order Approving Disclosure Statement: Petition Date + 115 days ▪ Order Confirming Plan: Petition Date + 180 days 	<ul style="list-style-type: none"> ▪ Final DIP Order Deadline: Petition Date + 40 days ▪ Preparation Business Plan to be Basis of RSA: Petition Date + 180 days ▪ Entry into RSA: Petition Date + 240 days ▪ Plan and DS Filing Deadline: Petition Date + 270 days ▪ Order Approving Disclosure Statement: Petition Date + 330 days ▪ Order Confirming Plan: Petition Date + 360 days
Interest Rate	<ul style="list-style-type: none"> ▪ LIBOR + 10.00%, subject to a LIBOR floor of 1.00% 	<ul style="list-style-type: none"> ▪ Same
Fees	<ul style="list-style-type: none"> ▪ Payable to Backstop Parties: <ul style="list-style-type: none"> —Backstop Commitment Fee: 6.00% PIK —Upfront Equity Investment Right: 4.00%, payable as reorganized common equity ▪ Payable to all DIP Lenders, including the Backstop Parties, on the new money loans: <ul style="list-style-type: none"> —Commitment Fee: 3.00%, payable in cash —Alternative Transaction Payment: 4.00%, payable in cash upon the sale of assets 	<ul style="list-style-type: none"> ▪ Same
Use of Proceeds	<ul style="list-style-type: none"> ▪ Repayment of the \$100MM Prepetition Revolving Credit Facility and funding the case 	<ul style="list-style-type: none"> ▪ Same
Liens	<ul style="list-style-type: none"> ▪ Priming Liens on Prepetition Credit Facility Collateral 	<ul style="list-style-type: none"> ▪ Same
Adequate Protection	<ul style="list-style-type: none"> ▪ Replacement liens on DIP collateral, including avoidance action proceeds ▪ Superpriority claims; subordinate to the carve-out, DIP liens and DIP superpriority claims; no recourse to excluded assets ▪ Does not require cash interest payments on the prepetition First Lien Term Loan 	<ul style="list-style-type: none"> ▪ Same
New Money DIP Total Cost	<ul style="list-style-type: none"> ▪ \$77MM, assuming a 12-month term 	<ul style="list-style-type: none"> ▪ \$105MM, assuming an 18-month term
New Money DIP All-in Yield	<ul style="list-style-type: none"> ▪ Backstop Group: 20.9% ▪ Non-Backstop Group: 18.1% 	<ul style="list-style-type: none"> ▪ Backstop Group: 17.6% ▪ Non-Backstop Group: 15.7%

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Proposed Group 1 DIP Capitalization Summary (\$MM)

Group 1 DIP

Facility	Maturity	Rate	Prepetition			DIP Financing			Postpetition	
			Amt.	Lev. ⁽¹⁾	Adj.	Amt.	Lev. ⁽¹⁾	Adj.	Amt.	Lev. ⁽¹⁾
DIP Term Loan - New Money	May-22	L + 10.00%	-	-	\$250	\$250	-	(\$250)	-	-
DIP Term Loan - Roll-Up	May-22	L + 10.00%	-	-	250	250	-	(250)	-	-
Prepetition Revolving Credit Facility	May-23	L + 3.50%	\$100	-	(100)	-	-	-	-	-
Exit Revolving Credit Facility	May-26	L + 7.00%	-	-	-	-	-	TBD	TBD	-
Prepetition First Lien Term Loan	May-25	L + 3.50%	500	-	(250)	250	-	(250)	-	-
Exit Term Loan Facility	May-26	L + 7.00%	-	-	-	-	-	250	\$250	-
Securitization Facility ⁽²⁾	Oct-23	6.50%	100	-	-	100	-	-	100	-
Total Secured Debt			\$700	7.0x	\$150	\$850	8.5x	(\$500)	\$350	3.5x
Prepetition Unsecured Notes	Jun-22	8.00%	200	-	-	200	-	(200)	-	-
Total Debt			\$900	9.0x	\$150	\$1,050	10.5x	(\$700)	\$350	3.5x
Less: Cash and Cash Equivalents ⁽³⁾			(8)	-	(150)	(158)	-	150	(8)	-
Net Debt			\$892	8.9x	-	\$892	8.9x	(\$550)	\$342	3.4x
Memo: Cash DIP cost for 6-month term			\$49							
Memo: Cash DIP cost for 12-month term			\$77							

Sources		Uses	
DIP Term Loan - New Money	\$250	Repayment of Prepetition RCF	\$100
DIP Term Loan - Roll-Up	250	Roll-Up of Prepetition 1L Term Loan	250
		Funding of the Chapter 11 Case	150
Total Sources	\$500	Total Uses	\$500

(1) Leverage based on LTM EBITDA of \$100.0 million.

(2) Postpetition limit of the A/R Securitization Facility is \$200 million.

(3) Cash balance assumes that the \$150MM of new money under the DIP is used in its entirety to fund the chapter 11 proceedings.

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Proposed Group 2 DIP Capitalization Summary (\$MM)

Group 2 DIP

Facility	Maturity	Rate	Prepetition			DIP Financing			Postpetition	
			Amt.	Lev. ⁽¹⁾	Adj.	Amt.	Lev. ⁽¹⁾	Adj.	Amt.	Lev. ⁽¹⁾
DIP Term Loan - New Money	Nov-22	L + 10.00%	-	-	\$250	\$250	-	(\$250)	-	-
DIP Term Loan - Roll-Up	Nov-22	L + 10.00%	-	-	250	250	-	(250)	-	-
Prepetition Revolving Credit Facility	May-23	L + 3.50%	\$100	-	(100)	-	-	-	-	-
Prepetition First Lien Term Loan	May-25	L + 3.50%	500	-	(250)	250	-	(250)	-	-
Securitization Facility ⁽²⁾	Oct-23	6.50%	100	-	-	100	-	(100)	-	-
Total Secured Debt			\$700	7.0x	\$150	\$850	8.5x	(\$850)	TBD	TBD
Prepetition Unsecured Notes	Jun-22	8.00%	200	-	-	200	-	(200)	-	-
Total Debt			\$900	9.0x	\$150	\$1,050	10.5x	(\$1,050)	TBD	TBD
Less: Cash and Cash Equivalents ⁽³⁾			(8)	-	(150)	(158)	-	150	(8)	-
Net Debt			\$892	8.9x	-	\$892	8.9x	(\$900)	TBD	TBD
Memo: Cash DIP cost for 12-month term			\$77							
Memo: Cash DIP cost for 18-month term			\$105							

Sources		Uses	
DIP Term Loan - New Money	\$250	Repayment of Prepetition RCF	\$100
DIP Term Loan - Roll-Up	250	Roll-Up of Prepetition 1L Term Loan	250
		Funding of the Chapter 11 Case	150
Total Sources	\$500	Total Uses	\$500

(1) Leverage based on LTM EBITDA of \$100.0 million.

(2) Postpetition limit of the A/R Securitization Facility is \$200 million.

(3) Cash balance assumes that the \$150MM of new money under the DIP is used in its entirety to fund the chapter 11 proceedings.

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Key Terms of A/R Securitization Facility Amendment

Seller	▪ Bankruptcy-Remote SPE ("SPE"), a wholly-owned special purpose non-debtor subsidiary
Servicer	▪ XYZ Company
Agent / Purchasers	▪ <u>Agent</u> : Bank 1 ▪ <u>Purchasers</u> : Bank 1, Bank 2 and Bank 3
Commitment	▪ \$200MM
Termination Date	▪ October 29, 2024
Purchase Price	▪ Purchase Price for each Receivable is equal to the Outstanding Balance of such Receivable multiplied by the Fair Market Value Discount ("FMVD") ▪ The FMVD is equal to the quotient (expressed as percentage) of (a) one, divided by (b) the sum of (i) one, plus (ii) the product of (A) the Prime Rate, times (B) a fraction, the numerator of which is the Days' Sales Outstanding and the denominator of which is 365 or 366, as applicable
Drawn Pricing	▪ 6.50% on the daily outstanding Capital
Commitment Fee	▪ 2.00% per annum on the excess of any Purchaser's Commitment over such Purchaser's Capital
Security and Priority	▪ Perfected security interest in all of SPE's property, including all Receivables and Related Rights, the Collection Accounts, the rights of SPE under the Amended Securitization Agreements, and all proceeds of the foregoing ▪ If the transfer of Receivables and Related Rights is recharacterized as a loan or extension of credit, each Originator has granted a first-priority prepetition security interest in the Receivables and the Related Rights
Capital Coverage Amount	▪ Equal to (a) the sum of (i) the Adjusted Net Receivables Pool Balance, (ii) the amount on deposit in the Cash Collateral Account and (iii) the least of the following (such amount, the "Maximum LC Amount"): (x) the Total Reserves at such time and (y) the aggregate face amount of all outstanding Eligible Supporting Letters of Credit at such time, <u>minus</u> (b) the Total Reserves at such time

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Key Points / Issues

Debtor	<ul style="list-style-type: none"> ▪ <u>Adequate Protection</u> – 60% of the First Lien holders support the Group 1 proposal and the RSA. From the perspective of consent to adequate protection, the Debtors believe Group 1 has or will get to the consent threshold. It is unclear whether Group 2 will do so. Given the similarity in DIP terms, the Court may be able to find the First Lien holders are adequately protected for either proposal, but it may have to be resolved by the Court if Group 1 objects and Group 2 only has a 35% threshold ▪ <u>Restructuring Certainty</u> - The primary issue for the Debtors is certainty to a restructuring. The Debtors selected Group 1 to ensure it has a sufficient budget and time period to exit. Group 2 does not provide certainty to exit while Group 1 does. ▪ <u>Valuation</u> - From a valuation perspective, the Debtors' projections currently support Group 1. The Debtors' EBITDA run rate can't support taking out its current debt as evidence by the DIP marketing process. Furthermore, there is a "fiduciary out" should the valuation shift. If valuation slips, we will have the Group 1 RSA proposal. Should it increase dramatically, those who believe they are in the money will have the right to show it at confirmation. Should the Debtors pursue Group 2 proposal valuation a "toss-up" – since we do not know what the future holds in 1 year ▪ <u>Business Judgment</u> - The Debtors have spent a substantial amount of time marketing and soliciting proposals and Group 1 is the highest and best value. The Debtors may not survive a long restructuring process as proposed by Group 2 – they will continue to lose market share and value in a prolonged process. While the Debtors may be well within their fiduciary duty to select either proposal (given the risk in either direction), the Debtors believe their selection of Group 1 the best choice for the Debtors even though the unsecureds get nothing, except for potential claims and causes of action under a Plan
Group 1 DIP Lenders	<p><u>Arguments For</u></p> <ul style="list-style-type: none"> ▪ The Debtor satisfies the legal requirements for approval of DIP financing under section 364, and the Debtor's business judgment is entitled to deference because the terms of the Group 1 DIP financing are fair, reasonable and adequate. Among other things, the economics of the competing proposals are similar and the total cost of the Group 1 DIP is lower ▪ A majority of the Term Lenders prefer the Group 1 DIP financing, and have executed an RSA with nearly 2/3 of the Term Lenders signed on ▪ The Group 1 DIP eliminates the need for exit financing, providing greater certainty of the Debtor's emergence from chapter 11 ▪ Based on the trading price of the Term Loan, there would have to be at least a 40% increase in the enterprise value of the Debtor before unsecured creditors are in the money on an absolute priority basis. Accordingly, a 95% equity recovery to the Term Lenders is fair ▪ 12 months is sufficient time for the Debtor to exit chapter 11 ▪ All Term Lenders can participate. 3 days, plus the notice period prior to the final hearing, is sufficient for other lenders to determine whether to participate ▪ The 1:1 roll-up is within the range of roll-ups that are customarily approved ▪ The higher pricing on the roll-up does not adversely impact the Debtor given the roll-to-exit and equitization features of the DIP ▪ The milestones are within the range that are customarily approved ▪ Adequate protection is customary, including a lien on avoidance action proceeds ▪ The Alternative Transaction Fee is warranted because the Group 1 proposal is underwriting an overall restructuring ▪ Group 2 is late to the party, and is not offering a superior alternative

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Key Points / Issues (Cont'd)

<p>Group 1 DIP Lenders (Cont'd)</p>	<p><u><i>Arguments Against</i></u></p> <ul style="list-style-type: none"> ▪ The Group 1 proposal is a <i>sub rosa</i> plan ▪ Even if the Group 1 proposal is not a <i>sub rosa</i> plan, the benefits of the RSA are limited because there is no accepting impaired class supporting the RSA ▪ Even if unsecured creditors or another class ultimately vote for the plan, the Group 2 Term Lenders have a blocking position and, as secured creditors, cannot be crammed up via equitization. Accordingly, the plan embodied in the RSA is likely to be unconfirmable ▪ The Group 1 proposal hands the company to the Term Lenders at a low post-pandemic value that both recent quarterly results and the views of management suggest don't reflect the Debtor's true value (and the potential for unsecured creditor recoveries) ▪ The roll-up pricing makes it unnecessarily expensive for any alternative plan sponsor to come in and pushes unsecured creditors further from a recovery ▪ There should not be an Alternative Transaction Fee ▪ The milestones and tenor are inferior to the Group 2 proposal ▪ There is no need for a lien on avoidance action proceeds in a deal including equitization and a roll-up, especially where unsecured creditors would be out of the money under the proposed plan ▪ A roll-up is not appropriate given the trading price of the Term Loan
<p>Group 2 DIP Lenders</p>	<p><u><i>Arguments For</i></u></p> <ul style="list-style-type: none"> ▪ The Group 2 proposal has similar economics and allows the Debtor greater flexibility to pursue restructuring alternatives than does the Group 1 proposal. Accordingly, acceptance of the Group 1 proposal is not an appropriate exercise of the Debtors' business judgment ▪ The Group 2 proposal does not fix the Debtor's post-reorganization capital structure ▪ The Group 2 proposal allows the Debtors to develop a business plan that more accurately reflects the post-pandemic business environment, which could yield value to unsecured creditors or attract buyers ▪ Group 2 gives lenders a longer runway to determine whether to participate ▪ The 1:1 roll-up is within the range of roll-ups that are customarily approved ▪ The milestones are within (if not beyond) the range that are customarily approved and are superior to the Group 1 proposal ▪ Adequate protection is customary, including the lien on avoidance action proceeds ▪ No <i>sub rosa</i> plan litigation

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Key Points / Issues (Cont'd)

<p>Group 2 DIP Lenders (Cont'd)</p>	<p><u><i>Arguments Against</i></u></p> <ul style="list-style-type: none"> ▪ While certain aspects of the Group 2 proposal appear superior, the Debtor is still advocating for Group 1 and, ultimately, the Debtor's business judgment should prevail ▪ The Group 2 proposal threatens the Debtor's ability to emerge from chapter 11 given the opposition of Group 1, the potential need for exit financing, and the greater administrative costs ▪ The "flexibility" offered by the Group 2 proposal is beneficial only if the Debtor performs well, which is speculative and comes at a high price (i.e., the administrative costs of chapter 11) ▪ Such flexibility is undermined by the Alternative Transaction Fee ▪ The increased time to allow lenders to sign on is an illusory benefit, given the opposition of the Group 1 lenders to the Group 2 proposal ▪ If all the Group 1 Lenders did participate, as majority DIP lenders they could control (or exercise influence) over, waivers, amendments, etc. This is a recipe for chaos in the Debtor's chapter 11 case ▪ The roll-up pricing makes it unnecessarily expensive for any alternative plan sponsor to come in, and pushes unsecured creditors further from a recovery ▪ There is no need for a lien on avoidance action proceeds in a deal including equitization and a roll-up, especially where unsecured creditors would be out of the money under a plan
<p>A/R Securitization Lenders</p>	<p><u><i>Certain Bankruptcy Court Order Requirements</i></u></p> <ul style="list-style-type: none"> ▪ Approval of continued sales and contributions of Receivables into securitization free and clear of all liens, claims, encumbrances and other interests of the Debtors or their respective creditors ▪ Finding that SPV is a good faith purchaser of Receivables ▪ Finding that SPV is an independent entity from the debtors in the Chapter 11 Cases, is not subject to substantive consolidation (including due to the SPV's performance of the Securitization Program) ▪ Authorization of Debtors to continue servicing the Receivables and reaffirmation and approval of continuation of Debtors' obligations under the Securitization Program's Transaction Documents ▪ Super-priority claim for amounts owed by Debtors for representations, warranties, covenants, indemnities and other obligations, subject to the carve-out (to be acceptable to the Administrative Agent) and the super-priority claims granted in favor of the Eligible DIP Facility (which will rank <i>pari passu</i> with the super-priority claims granted in favor of the Securitization Program) ▪ Appropriate grant of stay relief (exercise rights, setoff and repurchase payments) ▪ The Administrative Agent shall be entitled, derivatively, to assert and enforce all rights accruing to the SPV in court orders, including, without limitation, those arising under Section 363(m)

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Key Points / Issues (Cont'd)

A/R Securitization Lenders (Cont'd)	<p><u>Certain Bankruptcy Court Order Requirements (Cont'd)</u></p> <ul style="list-style-type: none"> Continuation of cash management arrangements; cash management order in form and substance satisfactory to the Administrative Agent (separate court order) Assumption by the Debtors of the RPA (as amended), each PSA, the Performance Guaranty, and the other Transaction Documents and the continued sale and contribution of Receivables to the SPV pursuant to the PSAs and the prompt cure of any defaults under such agreements, except as otherwise set forth in the amendments to the RPA or consented to in writing by the Administrative Agent. <p><u>Requirements of Debtors and SPV (Non-Exclusive)</u></p> <ul style="list-style-type: none"> Debtors' acknowledgement of validity of debts and liens Debtors' release of prepetition claims (subject to customary carve-outs for other parties-in-interest, etc.) Debtors' admission of true sale and validity of prior transfers to the SPV Debtors' admissions and acknowledgements made binding after allowing limited review time by any party in interest – advances made during review period entitled to court ordered priority and the protections of Sections 363(m) and 364(e) To the extent the Debtors shall seek DIP financing, such DIP financing shall be in form and substance reasonably acceptable to the Administrative Agent (the "Eligible DIP Facility") The equity in any SPV shall be pledged to secure the securitization facility. However, if any portion of the equity in any SPV is pledged to support an Eligible DIP Facility (or to any third party), intercreditor arrangements acceptable to the Administrative Agent shall have been obtained (it being understood that such agreement shall be substantially similar to any such arrangements in place as of the date hereof)
UCC	<ul style="list-style-type: none"> <u>Sub Rosa Plan</u> - The DIP Loan requires the RSA to be approved that provides no value to unsecureds under a plan <u>RSA Milestones</u> - Plan and sale milestones are always a UCC issue given the timing and leverage issues. The DIP loan in this case has a 60 day required plan filing – the timing is so short the outcome is inevitable given the environment <u>Plan Timing</u> – the EBITDA uptick demonstrates that the Debtors are better off waiting and Group 2 achieves that result <u>Other Issues</u> - Lien on avoidance actions, valuation during the pandemic (sandbagging), ineffective marketing process during a pandemic when Group 2 will allow for a fulsome process, Backstop fees are more reasonable for Group 2

[DRAFT]
4/27/2021

Centric Brands, Inc. DIP Terms and Capitalization Summary

April 2021

Key Terms of DIP Revolving Credit Facility

Borrower	▪ Centric Brands, Inc.
Agent	▪ ACF FINCO I LP
Lenders	▪ Certain Prepetition First Lien Revolving Loan Lenders
Facility	▪ Aggregate commitment of \$275MM, including a roll-up of all \$163.9MM of outstanding obligations under the Prepetition Revolving Credit Facility
Borrowing Base	▪ The lesser of (A) the product of 70% multiplied by the value of Eligible Inventory and (B) the product of 90% multiplied by the Net Orderly Liquidation Percentage of Eligible Inventory
Security and Priority	▪ First priority senior priming security interest in all property and assets of the Debtors, besides any Excluded Assets, which include Securitization Assets —Priming liens senior to those held by the Prepetition First Lien Parties
Maturity	▪ One year after the Petition Date
Interest Rate	▪ L + 6.50% per annum (subject to a 1.00% LIBOR floor) ▪ Default Interest: +2.00%
Fees	▪ <u>Commitment Fee</u> : 2.00% per annum on the average daily amount of available unused commitment ▪ <u>L/C Participation Fee</u> : Quarterly fee of 6.50% on the daily aggregate undrawn face amount of issued and outstanding letters of credit plus the aggregate amount of all unreimbursed letter of credit disbursements during the preceding quarter ▪ <u>Upfront Fee</u> : 1.69% on the new money commitment of each DIP Revolving Lender ▪ <u>Appraisal Fee</u> : \$25,000 per month for any field exams and inventory appraisals, up to a maximum of two field exams and inventory appraisals in any twelve month period ▪ <u>Exit Fee</u> : 1.69%

Note: Any capitalized terms not defined herein shall have the meaning assigned in the relevant credit document.
Source: DIP Revolving Credit Agreement (Docket #211-1) dated June 17, 2020, DIP Interim Order (Docket #59) dated March 20, 2020, DIP Motion (Docket #20) dated March 18, 2020 and First Day Declaration (Docket #27) dated March 18, 2020.

Key Terms of DIP Revolving Credit Facility (Cont'd)

Milestones	<ul style="list-style-type: none"> ▪ Entry of the Interim Order by May 22, 2020 ▪ Filing of a plan of reorganization and disclosure statement by June 17, 2020 ▪ Entry of the Final Order by June 22, 2020 ▪ Entry of an order approving the disclosure statement by August 16, 2020 ▪ Entry of an order by the Bankruptcy Court approving the plan of reorganization by September 20, 2020 ▪ Consummation of the plan of reorganization by October 25, 2020
Adequate Protection	<ul style="list-style-type: none"> ▪ Security interests and liens in all DIP collateral ▪ An administrative expense claim that is senior to any and all other administrative expense claims, except the Carve Out, the DIP Revolving Super Priority Claims and the super priority claims granted in connection with the Securitization Facility ▪ Payment of reasonable and documented fees and expenses by the Debtors (whether incurred before or after the Petition Date) of the Prepetition First Lien Agents and the Prepetition First Lien Lenders, including, without limitation, the reasonable and documented fees and expenses of (a) Latham and (b) MLB ▪ Monthly adequate protection payments, payable-in-kind, at the non-default rate that would otherwise be owed to the Prepetition First Lien Lenders
Carve-Out	<ul style="list-style-type: none"> ▪ All fees required to be paid to the Clerk of the Court and to the United States Trustee for Region 2 ▪ All reasonable fees and expenses up to \$100,000 incurred by a trustee ▪ Allowed Professional Fees of Professional Persons, in an aggregate amount not to exceed \$2.5MM, incurred after the first business day following delivery of the Carve Out Trigger Notice

*Note: Any capitalized terms not defined herein shall have the meaning assigned in the relevant credit document.
Source: DIP Revolving Credit Agreement (Docket #211-1) dated June 17, 2020, DIP Interim Order (Docket #59) dated March 20, 2020, DIP Motion (Docket #20) dated March 18, 2020 and First Day Declaration (Docket #27) dated March 18, 2020.*

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Key Terms of DIP Term Loan

Borrower	▪ Centric Brands, Inc.
Agent	▪ U.S. Bank
Lenders	▪ Certain Prepetition Second Lien Term Loan Lenders
Facility	<ul style="list-style-type: none"> ▪ Senior secured term loan credit facility in an aggregate principal amount of \$160MM —The entire principal amount of the senior secured term loan credit facility will convert into an exit first lien term loan facility
Security and Priority	<ul style="list-style-type: none"> ▪ First priority security interest in all property and assets of Centric Brands and its subsidiaries, besides any Excluded Assets, which include Securitization Assets —Liens are subordinate to the DIP Revolving Priming Liens, pari passu with the Prepetition First Priority Liens and senior to the Prepetition Second Priority Liens
Maturity	▪ One year after the Petition Date
Interest Rate	<ul style="list-style-type: none"> ▪ L + 8.00% per annum ▪ Default Interest: +2.00%
Fees	▪ The Borrower agrees to pay to the Administrative Agent and the Collateral Agent the fees set forth in the Agency Fee Letter
Milestones	<ul style="list-style-type: none"> ▪ Entry of the Interim Order by May 22, 2020 ▪ Filing of a plan of reorganization and disclosure statement by June 17, 2020 ▪ Entry of the Final Order by June 22, 2020 ▪ Entry of an order approving the disclosure statement by August 16, 2020 ▪ Entry of an order by the Bankruptcy Court approving the plan of reorganization by September 20, 2020 ▪ Consummation of the plan of reorganization by October 25, 2020

*Note: Any capitalized terms not defined herein shall have the meaning assigned in the relevant credit document.
Source: DIP Term Loan Credit Agreement (Docket #211-1) dated June 17, 2020, DIP Interim Order (Docket #59) dated March 20, 2020, DIP Motion (Docket #20) dated March 18, 2020 and First Day Declaration (Docket #27) dated March 18, 2020.*

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Key Terms of DIP Term Loan (Cont'd)

Adequate Protection	▪ Second lien security interest and liens on all DIP collateral
	▪ An administrative expense claim that is senior to any and all other administrative expense claims, except the Carve Out, the DIP Revolving Super Priority Claims and the super priority claims granted in connection with the Securitization Facility
	▪ An administrative expense claim that is senior to any and all other administrative expense claims, except the Carve Out, the DIP Superpriority Claims and the First Lien Adequate Protection Superpriority Claims
	▪ Payment of reasonable and documented fees and expenses by the Debtors (whether incurred before or after the Petition Date) of the Prepetition First Lien Agents and the Prepetition First Lien Lenders, including, without limitation, the reasonable and documented fees and expenses of (a) Latham and (b) MLB
	▪ Payment of reasonable and documented fees and expenses (whether incurred before or after the Petition Date) of the Prepetition Second Lien Agent and counsel to the Prepetition Second Lien Agent, including, the reasonable and documented fees and expenses of (a) Akin Gump and (b) Ducera
Carve-Out	▪ All fees required to be paid to the Clerk of the Court and to the United States Trustee for Region 2
	▪ All reasonable fees and expenses up to \$100,000 incurred by a trustee
	▪ Allowed Professional Fees of Professional Persons, in an aggregate amount not to exceed \$2.5MM, incurred after the first business day following delivery of the Carve Out Trigger Notice

Note: Any capitalized terms not defined herein shall have the meaning assigned in the relevant credit document.
Source: DIP Term Loan Credit Agreement (Docket #211-1) dated June 17, 2020, DIP Interim Order (Docket #59) dated March 20, 2020, DIP Motion (Docket #20) dated March 18, 2020 and First Day Declaration (Docket #27) dated March 18, 2020.

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Centric Brands, Inc. Capitalization Summary

Facility	Maturity	Rate	Prepetition			DIP Financing			Postpetition	
			Amt.	Lev. ⁽¹⁾	Adj.	Amt.	Lev. ⁽¹⁾	Adj.	Amt.	Lev. ⁽¹⁾
DIP Revolving Credit Facility	May-21	L + 6.50%	-	-	275	275	-	(275)	-	-
DIP Term Loan	May-21	L + 8.00%	-	-	160	160	-	(160)	-	-
Prepetition Revolving Credit Facility	Apr-23	L + 6.50%	\$164	-	(\$164)	-	-	-	-	-
Exit Revolving Credit Facility ⁽²⁾	Oct-24	L + 5.50%	-	-	-	-	-	275	275	-
Prepetition First Lien Term Loan ⁽³⁾	Oct-23	L + 8.00%	632	-	-	632	-	(632)	-	-
Exit First Lien Term Loan ⁽⁴⁾	Oct-25	L + 7.00%	-	-	-	-	-	792	792	-
2020 Bridge Term Loans	May-20	L + 6.50%	20	-	(20)	-	-	-	-	-
Prepetition Second Lien Term Loan ⁽⁵⁾	Oct-24	L + 11.75%	720	-	-	720	-	(720)	-	-
Prepetition Securitization Facility	Oct-21	L + 4.00%	200	-	-	200	-	(200)	-	-
Postpetition Securitization Facility	Oct-22	L + 5.50%	-	-	-	-	-	200	200	-
Total Secured Debt			\$1,736	10.9x	\$251	\$1,987	12.5x	(\$720)	\$1,267	8.0x
Convertible Notes ⁽⁶⁾	Oct-24	16.00%	29	-	-	29	-	(29)	-	-
Modified Convertible Notes ⁽⁷⁾	Jul-21	6.50% - 7.00%	19	-	-	19	-	(19)	-	-
Total Debt			\$1,784	11.2x	\$251	\$2,035	12.8x	(\$768)	\$1,267	8.0x

Source: Declaration of Anurup Pruthi (Docket #24) dated May 18, 2020 and Exit Credit Facility Agreement (Docket #571-11) dated September 1, 2020

(1) Leverage based on LTM Q3 2019 adjusted EBITDA. Centric Brands has not reported financials since Q3 2019.

(2) The facility also has a \$50 million overadvance clause, with borrowings bearing interest at an additional 1.50% interest rate margin.

(3) Interest includes 2.00% payable in kind.

(4) The Exit First Lien Term Loan bears interest at (i) L + 7.00% in cash or L + 9.00% PIK in year 1; (ii) L + 7.00% in cash, L + 2.50% in cash / 6.00% PIK, or L + 9.00% PIK in year 2; and (iii) L + 7.00% in cash thereafter.

(5) Interest includes 4.75% payable in kind.

(6) To the extent the Company is unable to pay cash interest on the Convertible Notes due to restrictions under its other debt agreements, interest may be paid in kind.

(7) Interest is payable partially in cash and partially in kind.

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[DRAFT]
4/27/2021

Company XYZ, Inc.
Hypothetical DIP Case Study

April 2021

Key Terms of Group 1 DIP

Borrower	▪ Company XYZ, Inc.
Agent	▪ ABC Bank
Lenders	<ul style="list-style-type: none"> ▪ Backstop Parties and Eligible Prepetition Lenders <ul style="list-style-type: none"> —The Backstop Parties represent 60% of the Prepetition First Lien Term Loan —The DIP shall be offered to all Non-Backstop Parties for a period of three days, otherwise the Backstop Parties will fully fund the DIP
Commitment	▪ \$500MM, consisting of \$250MM in new money and a \$250MM dollar-for-dollar roll-up of obligations under the Prepetition First Lien Term Loan
Exit Treatment	<ul style="list-style-type: none"> ▪ The \$250MM of new money DIP financing will roll over into the Exit Term Loan Facility ▪ The \$250MM DIP Roll-Up will convert to 95% ownership of the reorganized equity
Term	▪ 12 months
Interest Rates	<ul style="list-style-type: none"> ▪ LIBOR + 10.00%, subject to a LIBOR floor of 1.00% ▪ Default Interest: + 2.00%
Fees	<ul style="list-style-type: none"> ▪ Payable to Backstop Parties: <ul style="list-style-type: none"> —Backstop Commitment Fee: 6.00%, payable in kind —Upfront Equity Investment Right⁽¹⁾: 4.00%, payable in the form of reorganized common equity issued through a plan of reorganization ▪ Payable to all DIP Lenders, including the Backstop Parties, on the \$250 million new money loans: <ul style="list-style-type: none"> —Commitment Fee: 3.00%, payable in cash —Alternative Transaction Payment: 4.00%, payable in cash upon the sale of all or substantially all assets or through a plan of liquidation ▪ Administrative Agent Fee: \$65,000 per annum
Use of Proceeds	▪ Repayment of the Prepetition Revolving Credit Facility and funding the chapter 11 case

(1) Upfront Equity Investment Right shall be void and off no force or effect if the Alternative Transaction payment is paid.

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Key Terms of Group 1 DIP (Cont'd)

Liens	<ul style="list-style-type: none"> Priming liens on Prepetition Credit Facility collateral
Adequate Protection	<ul style="list-style-type: none"> Replacement liens on DIP collateral, including avoidance action proceeds; subordinate to the carve-out, DIP liens and unavoidable liens senior to the DIP liens Superpriority claims; subordinate to the carve-out, DIP liens and DIP superpriority claims; no recourse to excluded assets Reasonable and documented fees and expenses of prepetition secured parties' professionals
Milestones	<ul style="list-style-type: none"> Interim DIP Order Deadline: Petition Date + 3 business days Final DIP Order Deadline: Petition Date + 40 days Entry into Restructuring Support Agreement: Petition Date + 55 days Plan and Disclosure Statement Filing Deadline: Petition Date + 60 days Order Approving Disclosure Statement: Petition Date + 115 days Order Confirming Plan: Petition Date + 180 days
Carve-Out	<ul style="list-style-type: none"> As long as the carve-out trigger date has not occurred, the Debtors are permitted to pay professional fees and expenses incurred by the Debtors and the Committee of Unsecured Creditors ("the Committee") After the carve-out trigger notice, professional fees incurred by the Debtors and the Committee are not to exceed \$5 million in the aggregate \$50,000 cap for chapter 11 trustee fees
Covenants	<ul style="list-style-type: none"> DIP budget reporting and variance requirements Other usual and customary covenants
Events of Default	<ul style="list-style-type: none"> Usual and customary
Total Cost	<ul style="list-style-type: none"> \$77MM, assuming a 12-month term

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Key Terms of Group 2 DIP

Borrower	<ul style="list-style-type: none"> Company XYZ, Inc.
Agent	<ul style="list-style-type: none"> ABC Bank
Lenders	<ul style="list-style-type: none"> Backstop Parties and Eligible Prepetition Lenders <ul style="list-style-type: none"> The Backstop Parties represent 35% of the Prepetition First Lien Term Loan The DIP shall be offered to all Non-Backstop Parties for a period of two weeks, otherwise the Backstop Parties will fully fund the DIP
Commitment	<ul style="list-style-type: none"> \$500MM, consisting of \$250MM in new money and a \$250MM dollar-for-dollar roll-up of obligations under the Prepetition First Lien Term Loan
Exit Treatment	<ul style="list-style-type: none"> To be determined in accordance with the negotiation of an RSA⁽¹⁾
Term	<ul style="list-style-type: none"> 18 months
Interest Rates	<ul style="list-style-type: none"> LIBOR + 10.00%, subject to a LIBOR floor of 1.00% Default Interest: + 2.00%
Fees	<ul style="list-style-type: none"> Payable to Backstop Parties: <ul style="list-style-type: none"> Backstop Commitment Fee: 6.00%, payable in kind Upfront Equity Investment Right⁽²⁾: 4.00%, payable in the form of reorganized common equity issued through a plan of reorganization Payable to all DIP Lenders, including the Backstop Parties, on the \$250 million new money loans: <ul style="list-style-type: none"> Commitment Fee: 3.00%, payable in cash Alternative Transaction Payment: 4.00%, payable in cash upon the sale of all or substantially all assets or through a plan of liquidation Administrative Agent Fee: \$65,000 per annum
Use of Proceeds	<ul style="list-style-type: none"> Repayment of the Prepetition Revolving Credit Facility and funding the chapter 11 case

(1) An RSA and terms for any equitization / conversion of debt will be negotiated following the delivery of a comprehensive business plan within six months of the Petition Date.
 (2) Upfront Equity Investment Right shall be void and of no force or effect if the Alternative Transaction payment is paid.

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NEW YORK CITY BANKRUPTCY CONFERENCE 2021

Key Terms of Group 2 DIP (Cont'd)

Liens	<ul style="list-style-type: none"> Priming liens on Prepetition Credit Facility collateral
Adequate Protection	<ul style="list-style-type: none"> Replacement liens on DIP collateral, including avoidance action proceeds; subordinate to the carve-out, DIP liens and unavoidable liens senior to the DIP liens Superpriority claims; subordinate to the carve-out, DIP liens and DIP superpriority claims; no recourse to excluded assets Reasonable and documented fees and expenses of prepetition secured parties' professionals
Milestones	<ul style="list-style-type: none"> Interim DIP Order Deadline: Petition Date + 3 business days Final DIP Order Deadline: Petition Date + 40 days Entry into Restructuring Support Agreement: Petition Date + 55 days Plan and Disclosure Statement Filing Deadline: Petition Date + 60 days Order Approving Disclosure Statement: Petition Date + 115 days Preparation of Long-Term Business Plan to be Basis for an RSA: Petition Date + 180 days Order Confirming Plan: Petition Date + 360 days
Carve-Out	<ul style="list-style-type: none"> As long as the carve-out trigger date has not occurred, the Debtors are permitted to pay professional fees and expenses incurred by the Debtors and the Committee of Unsecured Creditors ("the Committee") After the carve-out trigger notice, professional fees incurred by the Debtors and the Committee are not to exceed \$5 million in the aggregate \$50,000 cap for chapter 11 trustee fees
Covenants	<ul style="list-style-type: none"> DIP budget reporting and variance requirements Other usual and customary covenants
Events of Default	<ul style="list-style-type: none"> Usual and customary
Total Cost	<ul style="list-style-type: none"> \$105MM, assuming an 18-month term

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Company XYZ Capitalization Summary – Group 1 DIP

Facility	Maturity	Rate	Prepetition			DIP Financing			Postpetition	
			Amt.	Lev. ⁽¹⁾	Adj.	Amt.	Lev. ⁽¹⁾	Adj.	Amt.	Lev. ⁽¹⁾
DIP Term Loan - New Money	May-22	L + 10.00%	-	-	\$250	\$250	-	(\$250)	-	-
DIP Term Loan - Roll-Up	May-22	L + 10.00%	-	-	250	250	-	(250)	-	-
Prepetition Revolving Credit Facility	May-23	L + 3.50%	\$100	-	(100)	-	-	-	-	-
Exit Revolving Credit Facility	May-26	L + 7.00%	-	-	-	-	-	TBD	TBD	-
Prepetition First Lien Term Loan	May-25	L + 3.50%	500	-	(250)	250	-	(250)	-	-
Exit Term Loan Facility	May-26	L + 7.00%	-	-	-	-	-	250	\$250	-
Total Secured Debt			\$600	6.0x	\$150	\$750	7.5x	(\$500)	\$250	2.5x
Prepetition Unsecured Notes	Jun-22	8.00%	200	-	-	200	-	(200)	-	-
Total Debt			\$800	8.0x	\$150	\$950	9.5x	(\$700)	\$250	2.5x
Less: Cash and Cash Equivalents			(8)	-	(150)	(158)	-	150	(8)	-
Net Debt			\$792	7.9x	-	\$792	7.9x	(\$550)	\$242	2.4x
Memo: Cash DIP cost for 6-month term			\$49							
Memo: Cash DIP cost for 12-month term			\$77							

Assumptions

- \$250 million of the Prepetition First Lien Term Loan will roll up into the DIP Term Loan
- The \$250 million of new money DIP financing will be used to repay the \$100 million outstanding on the Prepetition Revolving Credit Facility and fund the Chapter 11 case
- Upon exit, the roll-up DIP financing will convert to an Exit Term Loan Facility and the new money DIP will convert to 95% ownership of the reorganized equity

(1) Leverage based on EBITDA of \$100.0 million.

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AMERICAN BANKRUPTCY INSTITUTE

Company XYZ Capitalization Summary – Group 2 DIP

Facility	Maturity	Rate	Prepetition			DIP Financing			Postpetition	
			Amt.	Lev. ⁽¹⁾	Adj.	Amt.	Lev. ⁽¹⁾	Adj.	Amt.	Lev. ⁽¹⁾
DIP Term Loan - New Money	Nov-22	L + 10.00%	-		\$250	\$250		(\$250)	-	
DIP Term Loan - Roll-Up	Nov-22	L + 10.00%	-		250	250		(250)	-	
Prepetition Revolving Credit Facility	May-23	L + 3.50%	\$100		(100)	-		-	-	
Prepetition First Lien Term Loan	May-25	L + 3.50%	500		(250)	250		(250)	-	
Total Secured Debt			\$600	6.0x	\$150	\$750	7.5x	(\$750)	TBD	N/A
Prepetition Unsecured Notes	Jun-22	8.00%	200		-	200		(200)	-	
Total Debt			\$800	8.0x	\$150	\$950	9.5x	(\$950)	TBD	N/A
Less: Cash and Cash Equivalents			(8)		(150)	(158)		150	(8)	
Net Debt			\$792	7.9x	-	\$792	7.9x	(\$800)	TBD	N/A
Memo: Cash DIP cost for 12-month term			\$77							
Memo: Cash DIP cost for 18-month term			\$105							

Assumptions

- \$250 million of the Prepetition First Lien Term Loan will roll up into the DIP Term Loan
- The \$250 million of new money DIP financing will be used to repay the \$100 million outstanding on the Prepetition Revolving Credit Facility and fund the Chapter 11 case
- Post-reorganization treatment of the DIP Term Loan is subject to negotiation of an RSA

⁽¹⁾ Leverage based on EBITDA of \$100.0 million.

Faculty

Kathryn A. Coleman is a partner in Hughes Hubbard & Reed LLP's New York office and has handled a wide range of restructuring and other high-stakes matters in her more than 30 years in practice, including representing U.S. and non-U.S. companies in chapter 11 cases, dealing with "bet-the-company" litigation claims, representing acquirers in chapter 11 sale transactions, representing DIP lenders, and handling cross-border insolvency matters, out-of-court restructurings and distressed investments. Her clients include individuals and companies defending trade secret theft and RICO lawsuits, publicly traded and privately held companies restructuring their financial affairs, traditional and nontraditional secured lenders, unsecured creditors (both official committees and significant creditors for their own account), equityholders, potential acquirers, equity sponsors, and financial and strategic buyers. Ms. Coleman is a trusted advisor to the inner management circles of her clients, with expertise in advising management and boards of directors on corporate governance, fiduciary duty and D&O insurance matters. She has advised clients on, and litigated at the trial and appellate levels, plan confirmations, prepackaged plans, credit bidding, exclusivity, debtor-in-possession financings, valuation, adequate protection of security interests, the ability to collaterally attack orders of the bankruptcy court, and cash-collateral usage. She also has experience litigating venue, remand, removal and stay issues, and has represented recovery trustees dealing with myriad post-confirmation issues and litigation. Ms. Coleman is a Fellow of the American College of Bankruptcy and served two terms on ABI's Board of Directors, for which she co-chairs its annual Complex Financial Restructuring Program. She was recently named a *Law360* Bankruptcy MVP and a Notable Woman in Law by *Crain's New York Business*. Ms. Coleman frequently speaks on bankruptcy law and distressed investing, participating in programs sponsored by the Practising Law Institute, ABI, the Turnaround Management Association, AIRA, the M&A Advisor, the New York City Bar Association and the American Bar Association. She also serves on the Steering Committee of the NYC Bankruptcy Assistance Project. Ms. Coleman graduated *magna cum laude* from Pomona College and received her J.D. from Boalt Hall School of Law (U.C. Berkeley), subsequently clerking for Hon. C. Martin Pence, U.S. District Judge for the District of Hawaii.

Hon. John T. Dorsey is a U.S. Bankruptcy Judge for the District of Delaware in Wilmington, sworn in on June 11, 2019. Previously, he practiced complex commercial litigation in Wilmington for 28 years. For the past 16 years, Judge Dorsey was a partner at Young Conaway Stargatt & Taylor, LLC, where he represented debtors and creditors in chapter 11 litigation matters. He also served as general counsel to Young Conaway for the past five years. Prior to joining Young Conaway, Judge Dorsey practiced with Richards Layton & Finger, PC, and served as the state director for then U.S. Senator Joseph R. Biden Jr. Prior to practicing law, he served in both the U.S. Army as a Military Police Investigator and the U.S. Air Force as an ICBM launch officer. Judge Dorsey was a board member of Delaware Volunteer Legal Services for 25 years and was active as a volunteer for the Delaware Office of Child Advocate representing children in foster care. He received his B.A. from the University of New York at Binghamton and his J.D. *magna cum laude* from Wake Forest University School of Law.

Alexander V. Rohan, CFA, CPA is a managing director of Miller Buckfire & Co., LLC in New York and has more than 25 years of investment banking, legal and financial advisory experience,

most of which has involved all aspects of complex corporate restructurings. He has held senior investment banking positions at B Riley FBR, Guggenheim Securities and Jefferies, where he advised companies, creditors, shareholders, boards, management teams and organized labor. Prior to that, he held various roles at Genworth Financial/GE Asset Management, Paul Weiss and Ernst & Young. Mr. Rohan has advised on approximately 125 transactions representing more than \$150 billion in liabilities as both advisor and principal involving balance-sheet restructurings, M&A, capital-raising, amendments, waivers, consents, tenders, direct investments, business unit dispositions and collective bargaining agreements. During his time at Genworth Financial, he was responsible for approximately \$500 million of hedge fund and private-equity investments. Mr. Rohan is a former restructuring attorney. He serves on the board of directors of the May Ellen and Gerald Ritter Foundation, BuildOn! and Stamford Police Foundation, and is an honorary member of the Association of Professional Flight Attendants (APFA), which represents around 26,000 employees of American Airlines. Mr. Rohan received his a B.B.A. in public accounting from Pace University and his J.D. from NYU School of Law.

Jorian L. Rose is a partner in the New York office of BakerHostetler, where he focuses his practice on complex commercial transactions and restructurings. He regularly represents debtors, creditors, buyers, sellers, committees, boards of directors and others in all stages of transactions, such as in-court and out-of-court reorganizations, debt restructurings & acquisitions and divestitures. Mr. Rose co-leads the firm's New York Bankruptcy team and has played a leading role in a number of significant restructuring transactions and related commercial litigations. He received his B.A. in 1992 from Hobart College and his J.D. in 1997 from St. John's University School of Law, where he served as an associate managing editor of the *ABI Law Review*.

Andrew V. Tenzer is a partner in the Finance and Restructuring practices at Paul Hastings LLP in New York. He represents lenders, troubled companies, and buyers and sellers of distressed assets in chapter 11 reorganizations, and in out-of-court and cross-border restructurings. He also has experience in non-insolvency-related syndicated financings, securitizations and structured finance transactions. Mr. Tenzer was named by *Global Insolvency and Restructuring Review* as one of the top "40 under 40" international restructuring professionals in the world and is the former chairman of the New York City Bar Association's Bankruptcy & Reorganization Division's Committee on Cross-Border Restructurings and Chapter 15. He received his B.A. in 1986 from Harvard University and his J.D. in 1990 from Fordham University School of Law.

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