

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

)	
In re:)	Chapter 11
)	
CONVERGEONE HOLDINGS, INC., <i>et al.</i> , ¹)	Case No. 24-90194 (CML)
)	
Debtors.)	(Joint Administration Requested)
)	

**DECLARATION OF EVAN LEVINE
IN SUPPORT OF DEBTORS’ EMERGENCY
MOTION FOR ENTRY OF INTERIM AND FINAL
ORDERS (I) AUTHORIZING THE DEBTORS TO
OBTAIN POSTPETITION FINANCING, (II) AUTHORIZING
THE DEBTORS TO USE CASH COLLATERAL, (III) GRANTING LIENS
AND PROVIDING SUPERPRIORITY ADMINISTRATIVE EXPENSE CLAIMS, (IV)
GRANTING ADEQUATE PROTECTION, (V) MODIFYING THE AUTOMATIC STAY,
(VI) SCHEDULING A FINAL HEARING, AND (VII) GRANTING RELATED RELIEF**

I, Evan Levine, pursuant to section 1746 of title 28 of the United States Code, hereby declare as follows:²

1. I am a Managing Director at Evercore Group L.L.C. (“**Evercore**”), an investment banking firm which has its principal office at 55 East 52nd Street, New York, NY 10055. Evercore has expertise in domestic and cross-border restructurings, mergers and acquisitions, raising debt and equity capital, and other financial advisory services. Evercore has served as a financial advisor

¹ The Debtors in these chapter 11 cases, together with the last four digits of each Debtor’s federal tax identification number, are as follows: AAA Network Solutions, Inc. (7602); ConvergeOne Dedicated Services, LLC (3323); ConvergeOne Government Solutions, LLC (7538); ConvergeOne Holdings, Inc. (9427); ConvergeOne Managed Services, LLC (6277); ConvergeOne Systems Integration, Inc. (9098); ConvergeOne Technology Utilities, Inc. (6466); ConvergeOne Texas, LLC (5063); ConvergeOne Unified Technology Solutions, Inc. (2412); ConvergeOne, Inc. (3228); Integration Partners Corporation (7289); NetSource Communications Inc. (6228); NuAge Experts LLC (8150); Providea Conferencing, LLC (7448); PVKG Intermediate Holdings Inc. (4875); Silent IT, LLC (7730); and WrightCore, Inc. (3654). The Debtors’ mailing address is 10900 Nesbitt Avenue South, Bloomington, Minnesota 55437.

² Capitalized terms used but not defined in this Declaration have the meanings ascribed to them in the *Declaration of Salvatore Lombardi in Support of the Debtors’ Chapter 11 Petitions and First Day Relief* (the “**First Day Declaration**”) or the DIP Motion, as applicable.

to debtors and creditors in a variety of industries. Evercore and its senior professionals have extensive experience with the reorganization and restructuring of distressed companies, both out of court and in chapter 11 proceedings. Evercore is the proposed investment banker for the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”).

2. I submit this declaration (the “**Declaration**”) in support of the relief requested in the Debtors’ *Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Claims, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief* (the “**DIP Motion**”).

3. Except as otherwise indicated, all statements in this Declaration are based on (a) my personal knowledge of the Debtors’ operations and finances, (b) my review of relevant documents, (c) information provided to me by Evercore employees working under my supervision, (d) information provided to me by, or discussions with, the Debtors’ employees, management team, or their other advisors, and (e) my opinion based upon my experience as a restructuring professional. If called to testify, I could and would testify to each of the facts set forth in this Declaration on those bases.

4. I am over the age of 18 and am authorized to submit this Declaration on behalf of the Debtors. I am not being specifically compensated for this testimony other than through compensation to Evercore as a professional retained by the Debtors, including through the proposed retention in these Chapter 11 Cases.

Professional Background and Qualifications

5. I am a Managing Director in Evercore’s Restructuring and Debt Advisory Group. Since joining Evercore in 2016, I have provided investment banking services to debtors and

creditors through in-court and out-of-court restructurings across a number of industries. These matters have included balance sheet restructurings, raising capital for troubled companies, distressed sales and other restructuring advisory mandates. I have worked on transactions for clients that include, among others, Avaya, Caliber Midstream, Clipper Group, Enduro Resource Partners, Frontier Communications, GoTo Group, iFIT Health & Fitness, LSC Communications, Lumen Technologies, Noble Corporation, Offshore Drilling Holding, Sheridan Production Partners I, Sheridan Production Partners II, Southcross Energy Partners, and Talen Energy. I received a B.B.A. from the Goizueta Business School at Emory University, a J.D. from the University of Pennsylvania Law School and an M.B.A. from The Wharton School at the University of Pennsylvania.

Advisor Retention

6. In March 2023, Evercore began working with the Debtors to provide investment banking advice and assist with their evaluation of financial and capital structure alternatives, which ultimately resulted in the Debtors issuing the Prepetition PVKG Notes in July 2023, as described in more detail in the First Day Declaration. Following the issuance of the Prepetition PVKG Notes, the Debtors re-engaged Evercore to evaluate capital structure alternatives with an ultimate focus on potential in-court restructuring transactions, including raising debtor-in-possession financing adequate to fund a chapter 11 process, which work began in or around October 2023.

7. Since then, Evercore has worked closely with the Debtors' management, directors, employees, and other advisors to analyze the Debtors' business affairs, assets and liabilities, capital structure, financial position, and contractual arrangements, and to explore various proposed restructuring transactions and otherwise assist in the Debtors' restructuring efforts. As a result of our extensive experience with the Debtors, the Evercore team and I have become familiar with the Debtors' capital structure, liquidity needs, and business operations.

8. Evercore and the Debtors' other advisors met regularly and evaluated a number of transaction alternatives in connection with potential restructuring options. Evercore, along with the Debtors' other advisors, played an active role in (a) performing various financial analyses of the Debtors, (b) soliciting and analyzing multiple transaction proposals from parties inside and outside of the Debtors' capital structure, (c) meeting with the Debtors' existing creditor groups and their respective advisors in order to negotiate potential restructuring solutions, (d) preparing for the commencement of these Chapter 11 Cases, and (e) assisting the Debtors with soliciting, negotiating, and documenting postpetition financing (the "**DIP Financing**"). Accordingly, Evercore has become well-acquainted with the Debtors' business, forecasted liquidity profile, and resulting need for DIP Financing.

The Debtors' Immediate Liquidity Needs

9. The Debtors have an immediate and critical need to obtain DIP Financing and authority to use Cash Collateral throughout these Chapter 11 Cases to, among other things, support the orderly continuation and the operation of their businesses, access sufficient liquidity, maintain working relationships with customers, vendors, and suppliers, make payroll, satisfy other working capital and operational needs, and fund the administration of these Chapter 11 Cases. As of the Petition Date, the Debtors have approximately \$21.4 million of available cash and \$155 million in accounts payable.

10. As described in greater detail in the First Day Declaration, the Debtors have recently faced liquidity challenges driven by a number of factors, including a highly leveraged capital structure that has become unsustainable in the current interest rate environment. In light of these liquidity constraints, Evercore has worked closely with the Debtors, their management, and their other advisors to evaluate the Debtors' funding requirements necessary to continue operating their business as a going concern and administer these Chapter 11 Cases to a successful conclusion.

Specifically, Evercore reviewed the Debtors' liquidity needs, including the 13-week cash flow forecast prepared by AlixPartners LLP that will serve as the DIP Budget for the proposed DIP Financing.³ The DIP Budget projects the Debtors' weekly cash receipts, cash disbursements, and liquidity and considers a number of factors, including required costs to maintain operations, fees and interest expense associated with the Debtors' proposed DIP Financing, professional fees, payments necessary to implement the relief sought in the Debtors' first day motions (if approved by the Court), and anticipated funding under the proposed DIP Financing. The Debtors and their advisors continued to update the DIP Budget leading up to the Petition Date to account for changes in the Debtors' funding needs resulting from, among other things, the estimated timing of the commencement of these Chapter 11 Cases and ongoing discussions with the Debtors' largest vendors regarding their open accounts payable balances.

11. Based upon the DIP Budget, discussions with the Debtors' management and other advisors, and my experience, I do not believe the Debtors would have sufficient liquidity to manage their estates solely by using Cash Collateral. I also believe, based upon the DIP Budget, these discussions, and my experience, that the funding provided by the proposed DIP Financing is sufficient, necessary, and appropriate for the Debtors to successfully administer these Chapter 11 Cases. Access to the Debtors' proposed DIP Financing is critical to the Debtors' ability to reorganize and continue operating in the ordinary course.

The Debtors' Efforts to Secure DIP Financing

12. Following Evercore's re-engagement, the Debtors, with the assistance of Evercore and their other advisors, began discussing potential comprehensive restructuring proposals with various stakeholders across the Debtors' capital structure. These efforts included engaging with

³ The initial 13-week DIP Budget prepared by the Debtors' advisors is attached as **Exhibit C** to the Interim Order.

(i) an ad hoc group of lenders holding the Debtors' first lien debt (the "**First Lien Ad Hoc Group**"); (ii) an ad hoc group of lenders holding the Debtors' second lien debt (the "**Second Lien Ad Hoc Group**"); and (iii) PVKG Investment Holdings Inc. ("**PVKG Lender**"), which holds the Prepetition PVKG Notes and is indirectly owned by the Debtors' private equity sponsor, CVC Capital Partners. The Debtors and their advisors, including Evercore, ultimately determined to pursue an in-court restructuring following extensive discussions with the Debtors' lenders and once it became clear that an out-of-court solution lacked requisite lender support and could not achieve the holistic deleveraging necessary to best effectuate the Debtors' long-term business plan.

13. Having shifted the focus to an in-court, holistic restructuring process, Evercore began seeking debtor in possession financing proposals on the best available terms. As part of that process, the Debtors assessed whether they had any material unencumbered property to secure any new financing. However, I understand substantially all of the Debtors' assets are collateral for the obligations owed to the Debtors' existing lenders, which include Wells Fargo Commercial Distribution Finance, LLC, in its capacity as the Prepetition ABL Agent, and members of the First Lien Ad Hoc Group, which I understand holds approximately 77% of the Debtors' first lien debt as of the Petition Date.

14. The Debtors, with the assistance of Evercore and their other advisors, engaged in a comprehensive marketing process to obtain the DIP financing. Specifically, the Debtors and their advisors engaged both (i) their existing secured lenders and (ii) selected third parties with respect to their interest in providing DIP financing.

15. With respect to the Debtors' existing secured lenders, after weeks of good faith and hard-fought negotiations, the Debtors secured a commitment from the Prepetition ABL Agent to allow continued access to the Debtors' \$250 million Prepetition ABL Facility, subject to certain

modifications that are set forth in the DIP Orders (as so modified, the “**ABL DIP Facility**”). To further bolster their liquidity, the Debtors also agreed with the First Lien Ad Hoc Group and PVKG Lender on the terms of a fully committed \$215 million debtor-in-possession superpriority multi-draw term loan facility (the “**Term DIP Facility**”). The Debtors further agreed to the terms of value-maximizing restructuring transactions as set forth in a restructuring support agreement (the “**RSA**”) between the Debtors and holders of the Debtors’ first and second lien debt, including the First Lien Ad Hoc Group, the Second Lien Ad Hoc Group, and PVKG Lender, as more fully described in the First Day Declaration.

16. While negotiating the ABL DIP Facility and Term DIP Facility with the Debtors’ existing secured lenders, the Debtors, with the assistance of Evercore, also engaged in a comprehensive marketing process with potential third-party DIP Financing providers. Starting in January 2024, Evercore solicited interest from twenty-one third-party sources of financing outside of the Debtors’ capital structure to determine the extent to which any of those parties would be willing to provide postpetition financing to the Debtors in the form of asset-based revolving loans or term loans. The potential third-party lenders contacted included various institutions that routinely provide DIP financing, including well-known commercial banks and specialty lenders. Of these potential third-party lenders, eleven lenders expressed an interest in potentially participating in either an asset-based revolving loan facility or term loan facility, and subsequently executed confidentiality agreements with the Debtors and received access to non-public information. The Debtors ultimately received three alternative asset-based revolving loan proposals. Despite the outreach described above, the Debtors did not receive any alternative term loan financing proposals.

17. The terms of these proposals, taken as a whole, were inferior to the terms of the ABL DIP Facility, as further described below. In any event, I understand that pursuing any third-party DIP Financing proposal would be challenging under the circumstances. I understand that, under the prepetition intercreditor agreements, the Prepetition ABL Agent can consent to priming liens on what is referred to as the “ABL Priority Collateral,” which includes accounts receivable and inventory. Similarly, I understand that the members of the First Lien Ad Hoc Group holding a majority of the Debtors’ first lien term loan debt can consent to priming liens on what is referred to as the “Term Loan Priority Collateral,” which is substantially all assets of the Debtors other than the ABL Priority Collateral and which is also the collateral securing the Prepetition PVKG Notes. Each of the Prepetition ABL Agent, First Lien Ad Hoc Group, and PVKG Lender informed the Debtors that they would not consent to any priming liens over their collateral to secure third-party DIP financing. I understand that pursuing DIP Financing provided by a third-party would therefore require the Debtors to seek a Court order approving non-consensual priming of the Debtors’ existing lenders. In my opinion, seeking non-consensual priming liens on the ABL Priority Collateral or the Term Loan Priority Collateral would likely require a costly, lengthy, and complex process, without any assurance that the Debtors would succeed in that priming fight. And if they did not succeed in obtaining non-consensual priming, the Debtors could lack access to any DIP Facilities, likely destabilizing the Debtors’ entire operations at the outset of these Chapter 11 Cases.

18. In light of these circumstances, and upon evaluating the submitted proposals based on, among other things, access to liquidity, cost of capital, covenants, conditions to funding, certainty of execution, and risk of challenge, the Debtors determined that the ABL DIP Facility and Term DIP Facility together provided the most favorable economic terms to the Debtors’ estates

and provided the most certainty in consummating the restructuring transactions contemplated by the RSA.

The DIP Facilities Were Negotiated in Good Faith and at Arm's Length

19. Negotiations over the Debtors' proposed DIP Facilities were conducted in good faith and at arm's length. During these negotiations, the Debtors, Prepetition ABL Agent, First Lien Ad Hoc Group, and PVKG Lender were all represented by their own experienced advisors and the parties exchanged multiple proposals and counterproposals. Through the Debtors' negotiations with the Prepetition ABL Agent, First Lien Ad Hoc Group, and PVKG Lender, the terms of the DIP Facilities improved to the benefit of the Debtors, including, but not limited to, a greater quantum of committed funding, lower interest rates, greater flexibility in the use of proceeds, and less restrictive covenants and conditions to funding. In addition, the proceeds of the DIP Facilities will be used only for purposes that are permissible under the Bankruptcy Code and no consideration is being provided to any party other than as described in this Declaration and the DIP Documents.

The Terms of the DIP Facilities

20. As further described in the DIP Motion, the Debtors have obtained commitments for two DIP Facilities. *First*, the ABL DIP Facility provides continued access to the Debtors' prepetition asset-based revolving credit facility with a maximum availability of \$250 million, subject to certain modifications set forth in the DIP Orders. The ABL DIP Facility contains a feature that is critical to the Debtors' continued operations in the ordinary course during these Chapter 11 Cases: the ABL floorplan facility, which allows the Debtors to rapidly finance the purchase of products, software, and services from certain of the Debtors' leading global technology partners and vendors. Under the floorplan facility, the Debtors are authorized to submit purchase orders to the Prepetition ABL Agent, who is then obligated to advance amounts due to the

applicable vendor under those purchase orders promptly upon shipment. As a result, the floorplan facility expedites payments to vendors and, in turn, expedites shipments of products, software, and services to the Debtors and their customers. Any floorplan obligations then become revolving obligations under the Prepetition ABL Facility, allowing the Debtors to immediately purchase products, software, and services from vendors and delay payment until the Debtors determine to pay down their outstanding obligations under the Prepetition ABL Facility.

21. I understand that the Prepetition ABL Agent is requiring that all amounts outstanding under the floorplan facility be converted into postpetition obligations of the Debtors as a condition to entering into the ABL DIP Facility, which permits continued access to the floorplan postpetition. I further understand that losing access to the ABL floorplan facility would have an immediate, severe, and negative impact on the Debtors' continued operations by, among other things, causing the cancellation of all pending floorplan orders, delaying future shipments, and impairing the Debtors' ability to service their customers. Finally, I understand that the Debtors presently lack availability under the Prepetition ABL Facility to incur new floorplan obligations, absent paying down amounts owed under the Prepetition ABL Facility. It is my understanding that the ABL DIP Lenders would not allow borrowing under the ABL DIP Facility or the use of Cash Collateral except on the terms set forth in the ABL DIP Documents.

22. *Second*, the Term DIP Facility is a super-senior multi-draw term loan facility of \$215 million, with an initial draw of \$145 million and a second draw of \$70 million. Proceeds from the first draw will be used to pay down the Prepetition ABL Facility (increasing availability for postpetition floorplan obligations), to fund critical vendor payments and other relief requested in the Debtors' first day motions (if approved by the Court), and for general corporate purposes. Both draws will be funded upon entry of the Interim DIP Order. While the second draw will be

immediately funded, it will be held in escrow pending entry of the Final DIP Order. Under the restructuring transactions contemplated by the RSA, obligations under the Term DIP Facility will be repaid in full at emergence from the proceeds of an equity rights offering for the reorganized Debtors. It is my understanding that the Term DIP Lenders would not allow borrowing under the Term DIP Facility or the use of Cash Collateral except on the terms set forth in the Term DIP Documents.

23. In connection with the DIP Facilities, the Debtors have agreed, subject to Court approval, to grant liens on certain unencumbered property, pay interest and certain fees, and adhere to certain milestones. These interest and fees under the DIP Facilities include:

- ***ABL DIP Interest Rate.*** Obligations under the ABL DIP Facility shall accrue interest annually, and shall be payable monthly in cash, equal to (i) SOFR (subject to a floor of 0.00%) plus 3.75%, or (ii) ABR (subject to a floor of 0.00%) plus 2.75%. During any event of default, the ABL DIP obligations will accrue interest at an additional 2.00% per year, payable in cash.
- ***ABL DIP Non-Use Fee.*** A fee of 0.5% on the undrawn portion of the ABL DIP Facility shall accrue annually and be payable monthly in arrears in cash.
- ***Term DIP Interest Rate.*** Interest on the outstanding principal amount of the Term DIP loans shall accrue at a rate equal to SOFR + 8.00% per year (subject to a SOFR floor of 4.00%) and shall be payable in cash at the end of each month in arrears. During any event of default, the Term DIP loans will accrue interest at an additional 2.00% per year, payable in cash.
- ***Term DIP Commitment Premium.*** Upon entry of the Interim Order, the Term DIP lenders shall earn a premium totaling 7.00% of the Term DIP loans, payable in-kind in the form of additional Term DIP loans.
- ***Term DIP Exit Premium.*** Upon entry of the Interim Order, the Term DIP lenders shall earn a premium totaling 3.00% of the Term DIP loans (inclusive of the capitalized Term DIP Commitment Premium), payable in-kind in the form of additional Term DIP Loans, and payable upon, but immediately prior to the occurrence of, the effective date of the plan contemplated by the RSA.

24. The interest and fees under each of the DIP Facilities were the subject of arm's-length and good-faith negotiation between the Debtors and the Prepetition ABL Agent, First Lien

Ad Hoc Group, and PVKG Lender, are integral components of the overall terms of the proposed DIP Facilities, and were required by the Prepetition ABL Agent, First Lien Ad Hoc Group, and PVKG Lender as consideration for the extension of DIP Financing.

25. The DIP Facilities also contain milestones that the Debtors must meet throughout these Chapter 11 Cases. The milestones under the DIP Facilities were the subject of arm's-length and good-faith negotiation between the Debtors and the Prepetition ABL Agent, First Lien Ad Hoc Group, and PVKG Lender, are integral components of the overall terms of the proposed DIP Facilities, and were required by the Prepetition ABL Agent, First Lien Ad Hoc Group, and PVKG Lender as consideration for the extension of DIP Financing. The milestones are consistent with milestones agreed to by debtors in similar complex chapter 11 cases, reflect the need to move quickly through these Chapter 11 Cases, and permit sufficient time to effectuate the restructuring transactions contemplated by the terms of the RSA.

26. Under the current circumstances, I believe that the terms of the DIP Facilities, including the interest, fees, and milestones, are appropriate in light of the Debtors' significant and urgent liquidity needs, the terms of comparable DIP facilities, the volatility of the credit markets, and the fact that the Debtors were unable to obtain other DIP financing on similar or better terms.

Need for Interim Relief

27. Based on discussions with the Debtors and their other advisors, I believe that the Debtors' access to the DIP Financing is necessary to continue the operation of the Debtors' business, address the Debtors' liquidity needs, help the Debtors preserve the value of their estates, and successfully consummate the restructuring transactions contemplated by the RSA. Based on this and my experience, I believe that, absent the Bankruptcy Court's entry of the DIP Orders, the Debtors' business will be at risk of liquidation and immediately and irreparably harmed.

Conclusion

28. Given the circumstances, the process to obtain DIP Financing produced the best financing available for the Debtors in these Chapter 11 Cases and the terms of the DIP Facilities are reasonable and appropriate. Based on the Debtors' projections, the proposed DIP Facilities will provide the Debtors with the necessary liquidity to effectively manage their Chapter 11 Cases. The proposed DIP Facilities, as contemplated by and together with the RSA, provide the clearest path to an expeditious and adequately funded exit from chapter 11, which would best preserve the value of the Debtors' business and operations.

29. Based on the foregoing, it is my belief that the DIP Facilities represent the best option available to address the Debtors' liquidity needs, and that the fees, terms, and conditions of the DIP Facilities are reasonable, consistent with the market for similar postpetition financing facilities, and appropriate under the circumstances.

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

Dated: April 4, 2024
New York, New York

/s/ *Evan Levine*
Evan Levine
Managing Director
Evercore Group L.L.C.