IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
CLOVER TECHNOLOGIES GROUP, LLC, *et al.*,[1]	)	Case No. 19-12680 (KBO)
Debtors.	)	(Jointly Administered)

DECLARATION OF RICHARD MORGNER IN SUPPORT OF CONFIRMATION OF THE JOINT PREPACKAGED CHAPTER 11 PLAN OF REORGANIZATION OF CLOVER TECHNOLOGIES GROUP, LLC AND ITS DEBTOR AFFILIATES

I, Richard Morgner, hereby declare under penalty of perjury as follows:

Background and Qualifications

1. I am a Managing Director and Joint Global Head of Debt Advisory & Restructuring at Jefferies LLC ("Jefferies"), an investment banking and financial advisory firm with principal offices located at 520 Madison Avenue, New York, New York 10022, as well as other locations worldwide.

2. Jefferies is a registered broker-dealer with the United States Securities and Exchange Commission and is a member of the Boston Stock Exchange, the International Stock Exchange, the Financial Industry Regulatory Authority, the Pacific Stock Exchange, the Philadelphia Stock Exchange, and the Securities Investor Protection Corporation. Jefferies, together with its investment banking advisory affiliates, has approximately 3,900 employees located in more than 30 offices around the world. Jefferies and its senior professionals have

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Clover Technologies Group, LLC (9236); 4L Holdings Corporation (0292); 4L Technologies Inc. (5035); Clover Ithaca Properties, LLC (9236); Refurb Holdings, LLC (1230); Clover Wireless, LLC (0313); and Valu Tech Outsourcing, LLC (3563). The location of the Debtors' service address in these chapter 11 cases is: 5850 Granite Parkway, Suite 720, Plano, Texas 75024.

extensive expertise providing investment banking services to financially distressed companies, creditors, committees, equity holders, asset purchasers, and other constituencies in reorganization proceedings and complex financial restructurings, both in and out of court. Jefferies has extensive experience in reorganization cases and has an excellent reputation for services it has rendered in large and complex chapter 11 cases on behalf of debtors, creditors, and creditors' committees throughout the United States. Jefferies has advised on the following chapter 11 cases, among others: *In re EP Energy Corp.*, Case No. 19-35654 (MI) (Bankr. S.D. Tex. Jan. 8, 2020); *In re Dura Auto. Sys., LLC*, Case No. 19-12378 (KBO) (Bankr. D. Del. Dec. 3, 2019); *In re Synergy Pharm. Inc.*, Case No. 18-14010 (JLG) (Bankr. S.D.N.Y. Mar. 7, 2019); *In re Westmoreland Coal Co.*, Case No. 18-35672 (DRJ) (Bankr. S.D. Tex. Dec. 6, 2018); *In re Mission Coal Co., LLC*, Case No. 18-04177-TOM11 (Bankr. N.D. Ala. Nov. 30, 2018); *In re Claire's Stores, Inc.* Case No. 18-10584 (MFW) (Bankr. D. Del. Aug. 3, 2018); *In re Gibson Brands, Inc.*, Case No. 18-11025 (CSS) (Bankr. D. Del. June 6, 2018); *In re iHeartMedia*, Case No. 18-31274 (MI) (Bankr. S.D. Tex. May 30, 2018); *In re Armstrong Energy, Inc.*, Case No. 17-47541-659 (Bankr. E.D. Mo. Jan. 16, 2018); *In re Real Indus., Inc.*, Case No. 17-12464 (KJC) (Bankr. D. Del. Dec. 19, 2017); *In re Goodman Networks, Inc.*, Case No. 17-31575 (MI) (Bankr. S.D. Tex. Apr. 20, 2017); *In re BCBG Max Azria Glob. Holdings, LLC*, Case No. 17-10466 (SCC) (Bankr. S.D.N.Y. Mar. 29, 2017); *In re Peabody Energy Corp.*, Case No. 16-42529 (BSS) (Bankr. E.D. Mo. June 17, 2016); *In re Aspect Software Parent, Inc.*, Case No. 16-10597 (MFW) (Bankr. D. Del. Apr. 21, 2016); *In re Sundevil Power Holdings, LLC*, Case No. 16-10369 (KJC) (Bankr. D. Del. Apr. 7, 2016); *In re Arch Coal, Inc.*, Case No. 16-40120 (TFE) (Bankr. E.D. Mo. Mar. 21, 2016); *In re Alpha Nat. Res., Inc.*, Case No. 15-33896 (KRH) (Bankr. E.D. Va. Oct. 16, 2015).

3. I am one of the team members leading the Jefferies engagement for the above-captioned debtors and debtors in possession (collectively, the "Debtors") in these chapter 11 cases. I have more than 27 years of investment banking and restructuring experience. During that time, I have executed over 100 advisory transactions, including authoring 75 financial opinions and/or valuation reports. Since joining Jefferies in 2009, I have provided investment banking expertise and distressed mergers and acquisition and financing advice to companies, lenders, and investors in both in and out-of-court restructurings. Prior to joining Jefferies, I was a Managing Director and Co-Head of the mergers and acquisitions group at Miller Buckfire, where my primary responsibilities included advising companies and investors in restructuring, distressed mergers and acquisitions, distressed financing, and special situations. I received an A.B. from Dartmouth College, *cum laude*. I am currently the Chair of the Jefferies Fairness and Valuation Opinion Committee.

4. The Debtors are seeking to retain Jefferies as their investment banker pursuant to the *Debtors' Application for Entry of an Order (I) Authorizing the Retention and Employment of Jefferies LLC as Investment Banker for the Debtors and Debtors in Possession Pursuant to 11 U.S.C. §§ 327(a) and 328(a), Nunc Pro Tunc to the Petition Date and (II) Waiving Certain Time-Keeping Requirements* [Docket No. 82] (the "Jefferies Retention Application"). At the direction of the Debtors and as part of its engagement, Jefferies prepared the valuation analysis (the "Valuation Analysis") attached as **Exhibit E** to the *Disclosure Statement for the Joint Prepackaged Chapter 11 Plan of Reorganization of Clover Technologies Group, LLC and its Debtor Affiliates* [Docket No. 5] (the "Disclosure Statement").

5. I submit this declaration in support of confirmation of the *Joint Prepackaged Chapter 11 Plan of Reorganization of Clover Technologies Group, LLC and its Debtor Affiliates*

[Docket No. 4] (as modified, amended, or supplemented from time to time in accordance with its terms, the "Plan").[2]

6. Neither Jefferies nor I am being specifically compensated for this testimony, other than compensation to Jefferies as a professional services firm retained by the Debtors as set forth in the Jefferies Retention Application.

7. The statements in this declaration are, except where specifically noted, based on my personal knowledge, opinions and expertise, information that I have received from the Debtors' employees or other advisors, and information from or discussions with employees of Jefferies working directly with me or under my supervision, direction, or control. If called to testify, I could and would competently testify as to the facts set forth herein.

[2] Capitalized terms used but not otherwise defined herein have the meanings set forth in the Plan or the Disclosure Statement, as applicable.

Valuation Analysis

8. As described more fully in the Valuation Analysis, as of December 13, 2019, and assuming an Effective Date of December 31, 2019, the estimated range of the total enterprise value of the Reorganized Debtors (the "Enterprise Value") was approximately $226 million to approximately $302 million. In addition, the potential range of total implied equity value of the Reorganized Debtors (the "Equity Value"), which consists of the Enterprise Value less funded indebtedness plus excess balance sheet cash on the Effective Date, was estimated between approximately $146 million and approximately $222 million, subject to dilution from the management incentive plan. Jefferies has assumed that the Reorganized Debtors will have, as of the Effective Date, indebtedness of $80 million and no excess cash.[3]

9. In preparing the Valuation Analysis, Jefferies considered a variety of financial analyses, including (a) discounted cash flow analysis, (b) comparable companies analysis, and (c) precedent transaction analysis.[4]

10. For purposes of the Valuation Analysis, Jefferies assumed that no material changes that would affect estimated value will occur between the date of filing of the Disclosure Statement and the Effective Date. Jefferies' Valuation Analysis does not constitute an opinion as to the fairness, from a financial point of view, of the consideration to be received or paid under the Plan, of the terms and provisions of the Plan, or with respect to any other matters.

11. The underlying financial information the personnel under my direct supervision reviewed in preparing the Valuation Analysis was either publicly available or provided by the

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[3] Excludes pro forma cash balance of $15.9 million, which is assumed to be part of working capital.

[4] Jefferies deemed a precedent transaction analysis to be of limited relevance given the limited number of transactions that were available for review were either (a) not recent, and therefore, of limited relevance as the industry has evolved since those transactions occurred or (b) involved companies that do not compete in the electronics device remanufacturing industry.

Debtors or the Debtors' other retained professionals. As part of this process, we relied on the Financial Projections for the Reorganized Debtors attached as **Exhibit D** to the Disclosure Statement and prepared by the Debtors' management (the "Financial Projections"). My understanding is that such Financial Projections were prepared on a consolidated basis and include the Debtors' operations for fiscal years 2020-2023.

12. In estimating the Enterprise Value of the Reorganized Debtors, my team and I reviewed certain historical financial information of the Debtors for recent years and interim periods, discussed the Debtors' performance, future prospects, and industry observations with certain members of the Debtors' senior management, considered certain economic and industry information relevant to the Debtors' operating businesses, reviewed certain publicly available financial data for public companies that Jefferies deemed generally relevant in analyzing the value of the Reorganized Debtors, reviewed certain publicly available data for, and considered the market values implied therefrom, precedent transactions involving companies comparable in certain respects to the Reorganized Debtors, and considered certain economic and industry information that we deemed generally relevant to the Reorganized Debtors. In preparing the Valuation Analysis, we relied upon the accuracy and completeness of all financial and other information furnished to it by the Debtors' management and other parties as well as publicly available information.

13. In connection with my work providing investment banking and valuation services to companies, I frequently rely on projections and financial data provided and prepared by company management or other parties, and it is common for experts in my field to rely on such projections and data.

Postpetition Financing Facilities

14. The Debtors' Plan contemplates the incurrence of, on or after the Effective Date, (a) an Exit Facility and (b) a Take-Back Term Loan Facility (together, the "Postpetition Financing Facilities"). The Postpetition Financing Facilities will provide the Debtors with additional access to liquidity on the Effective Date.

15. I understand that the Debtors determined, in their business judgment and after consultation with their advisors, that entering into the restructuring support agreement (the "Restructuring Support Agreement") and implementing the restructuring as a "prepackaged" chapter 11 plan would maximize value by limiting business impact and eliminating certain costs that might otherwise be borne by the Debtors' estates in a protracted chapter 11 process. The Restructuring Support Agreement contemplated (a) the Debtors' use of commercially reasonable efforts to obtain the Exit Facility and (b) the incurrence of the Take-Back Term Loan Facility on the Effective Date. Therefore, the contemplated Postpetition Financing Facilities are critical to obtaining the support of the Consenting Stakeholders for the Plan and avoiding delay in the restructuring process.

16. Jefferies assisted the Debtors in obtaining the Exit Facility. As part of their effort to secure sufficient financing to fund these Chapter 11 Cases and the Debtors' emergence therefrom, the Debtors conducted a thorough marketing process and solicited proposals for commitments.

17. Beginning mid-December 2019, the Debtors, with the assistance of Jefferies, reached out to potential lenders to secure exit financing in the form of a secured revolving credit facility. As part of this marketing process, Jefferies contacted 27 existing and new potential lenders. Of those potential lenders, 15 out of 27 executed non-disclosure agreements and were provided access to confidential diligence information in order to evaluate the exit financing

opportunity. Six of the parties that executed non-disclosure agreements subsequently submitted preliminary non-binding term sheets. Each of these six parties had an opportunity to present its respective proposal to Jefferies. The Debtors, with the assistance of Jefferies, analyzed all six proposals and are currently awaiting commitments from these parties. Once received, each of the commitments will be reviewed and analyzed by the Debtors, with the assistance of their advisors, and the Debtors will elect to exclusively engage with one of the potential lenders and continue to negotiate the terms of the Exit Facility and progress toward closing shortly after emergence. In my view, this process should enable the Debtors to obtain the contemplated Exit Facility on the best-available terms.

18. I believe that the terms of the contemplated Exit Facility, based on the process described above, will be the product of arm's length, good faith negotiations, and that the proceeds thereof are designed with the intention to provide the Debtors with sufficient liquidity to meet their obligations under the Plan and to emerge from chapter 11 and meet their go-forward obligations.

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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 and belief.

Dated: January 17, 2020
New York, New York

Respectfully submitted,

/s/ Richard Morgner

Richard Morgner
Managing Director
Jefferies LLC