IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	
REAL INDUSTRY, INC., *et al.*,[1]	Chapter 11
Debtors.	Case No. 17-12464 (___)
	Joint Administration Pending

DECLARATION OF MICHAEL J. HOBEY IN SUPPORT OF
CHAPTER 11 PETITIONS AND REQUESTS FOR FIRST DAY RELIEF

I, Michael J. Hobey, hereby declare under penalty of perjury, pursuant to section 1746 of title 28 of the United States Code, as follows:

1. I am the interim Chief Executive Officer of Real Industry, Inc. ("Real Industry"), one of the debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors," and together with their non-Debtor affiliates, the "Company") and the ultimate parent of each of the other Debtors. Real Industry is a publicly-traded holding company, with its common stock trading on the Nasdaq Stock Market ("NASDAQ") under the symbol "RELY."

2. I have also served as Chief Financial Officer ("CFO") of Real Industry since September 2016, and as CFO of Real Alloy Holding, Inc. ("RA Holding"), an indirect subsidiary of Real Industry and a parent company to Real Industry's third-party aluminum recycling businesses (collectively, "Real Alloy"), from February 2015 to September 2016. In these capacities, I am generally familiar with the Debtors' day-to-day operations, business and

[1] The Debtors in the above-captioned chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are Real Industry, Inc. (3818), Real Alloy Intermediate Holding, LLC (7447), Real Alloy Holding, Inc. (2396), Real Alloy Recycling, Inc. (9798), Real Alloy Bens Run, LLC (3083), Real Alloy Specialty Products, Inc. (9911), Real Alloy Specification, Inc. (9849), ETS Schaefer, LLC (9350), and RA Mexico Holding, LLC (4620). The principal place of business for the Real Alloy Debtors is 3700 Park East Drive, Suite 300, Beachwood, Ohio 44122.

financial affairs, and books and records. I am above 18 years of age, and I am competent to testify.

3. Prior to Real Industry's acquisition of Real Alloy, I served as Chief Financial Officer of Real Alloy's predecessor entity, which was the Global Recycling and Specification Alloys business of Aleris Corporation ("Aleris"), which went through its own chapter 11 reorganization several years ago. I joined Aleris in June 2006, serving as Vice President, Corporate Development through July 2009, when I was named Vice President and Treasurer. Before joining Aleris, I served as a Vice President in the Investment Banking Division at Citigroup Global Markets and held various positions with McDonnell Douglas and Boeing immediately following college. I hold a Bachelor of Science degree from Brown University and an MBA from the MIT Sloan School of Management.

4. I submit this declaration (the "Declaration") to assist the Court and parties in interest in understanding the circumstances that compelled the commencement of these chapter 11 cases, and in support of: (a) the filing of the Debtors' petitions for relief under chapter 11 (the "Chapter 11 Petitions") of title 11 of the United States Code (the "Bankruptcy Code"); and (b) the emergency relief that the Debtors have requested from the Court pursuant to the motions and applications described herein (the "First Day Pleadings"). As used throughout this Declaration, references to "Real Industry" are limited to our ultimate holding company; references to "Real Alloy" are limited to our recycling business generally; and references to the "Real Alloy Debtors" are limited to Debtors other than Real Industry (that is, those chapter 11 debtors that are part of Real Alloy). Attached hereto as Exhibit A is our corporate organizational structure.

Introduction and Background

5. I have organized this Declaration into four parts. Part I describes the Company's business and capital structure, including detailed information about the Company's history, operations, and organizational structure. Parts II and III detail the circumstances surrounding the commencement of these chapter 11 cases for each of the Real Alloy Debtors and Real Industry, respectively. Part IV sets forth the evidentiary basis for the relief requested in the First Day Pleadings.

I. The Company's History and Operations

A. Real Industry and the Real Alloy Acquisition

6. Real Industry is a publicly traded holding company with approximately $2.25 million in unrestricted cash, net operating losses ("NOLs") totaling approximately $913.5 million as of September 30, 2017, equity interests in Real Alloy, and equity interests in certain Discontinued Operations (defined below). Real Industry's business strategy has been to acquire businesses that operate in undervalued industries, are in transition, or are otherwise misunderstood by the marketplace. Real Industry then attempts to improve their value post acquisition and uses its NOLs to improve the free cash flow of the acquired businesses.

7. Real Industry underwent a considerable transformation in 2015. On January 9, 2015, Real Industry completed the sale of its then primary operating subsidiary, North American Breaker Co., LLC and, on February 27, 2015, acquired Real Alloy for $554.5 million (the "Real Alloy Acquisition"). Real Alloy is Real Industry's only operating subsidiary.[2]

[2] On November 1, 2016, Real Alloy acquired select assets of Beck Aluminum Alloys ("Beck Alloys"), a privately held operator of three secondary aluminum recycling facilities in the U.S. for $23.6 million (the "Beck Acquisition"). As part of that same transaction, Real Alloy obtained 49% of the voting interests in Beck Aluminum International, LLC ("Beck Trading"), a non-debtor affiliate serving as a broker/distributor of prime aluminum and primary based alloys.

8. In support of the Real Alloy Acquisition, (i) the Real Alloy Debtors issued $305.0 million aggregate principal of senior secured notes (the "SSNs") and entered into a $110 million senior secured revolving asset-based credit facility (the "Asset-Based Facility"), (ii) Real Alloy's German operations entered into a €50 million nonrecourse factoring facility, and (iii) Real Industry issued $25 million in shares of Series B Non-Participating Preferred Stock (the "Redeemable Preferred Stock") to Aleris, the seller of Real Alloy.

B. The Real Alloy Business

9. We believe Real Alloy is the largest third-party aluminum recycler in both North America and Europe, and it offers a broad range of products and services to wrought alloy processors, automotive original equipment manufacturers, foundries, and casters. Real Alloy delivers recycled metal in liquid or solid form according to customer specifications and serves the automotive, consumer packaging, aerospace, building and construction, steel, and durable goods industries. Real Alloy's facilities are capable of processing industrial (new) scrap, post-consumer (old/obsolete) scrap, and various aluminum by-products, providing it a great degree of flexibility in reclaiming high-quality recycled aluminum.

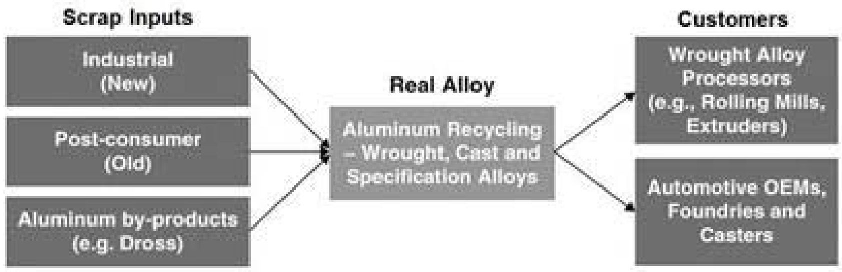
10. Real Alloy operates primarily through two reportable global business segments: (a) Real Alloy North America ("RANA"), an aluminum melting, processing, recycling, and alloying business conducted in twenty-one facilities located in the U.S., Canada and Mexico, and (b) Real Alloy Europe ("RAEU"), which converts aluminum scrap, dross and other alloying agents, as needed, and delivers the recycled metal in solid or molten form to customers from six facilities located in Germany, Norway, and Wales. RAEU supplies the European automobile industry, as well as other aluminum producers and manufacturers serving other European aluminum industries. In 2016, RANA and RAEU collectively invoiced approximately 1.2

million metric tons of aluminum and generated approximately $1.25 billion in revenues. All of the Real Alloy Debtors are incorporated in the United States and are members of its RANA business segment.

11. As of December 31, 2016, Real Alloy had a total of approximately 1,800 employees, including approximately 1,200 in North America (RANA) and 600 in Europe (RAEU). Approximately 22% of Real Alloy's domestic employees and substantially all of the Real Alloy's foreign employees are covered by collective bargaining agreements. I believe that employee relations are satisfactory.

12. In both its RANA and RAEU business segments, Real Alloy conducts business with its customers primarily through tolling arrangements and buy/sell arrangements. Under tolling arrangements, customers deliver their own aluminum scrap and by-products and pay Real Alloy a fee to convert the material into usable recycled metal. Tolling arrangements provide Real Alloy benefits through commodity price risk reduction, earnings stability, and consistent returns on invested capital given the reduced working capital needs associated with tolling arrangements. Tolling arrangements benefit customers by enabling them to maximize utilization of their own metal (which is usually their lowest cost alternative), optimize operational efficiencies, and minimize by-product waste. This business model also allows Real Alloy to be highly integrated into its customers' supply chains, further strengthening customer relationships. Under buy/sell arrangements, scrap units are purchased in the open market, including from scrap dealers, customers, and other producers, and are then processed and sold as wrought or cast alloys to customer specifications. The buy/sell portion of Real Alloy's business has a much more significant impact on reported revenues and cost of sales compared to tolling arrangements, as the cost of metal is included in both revenues and cost of sales.

13. The following chart illustrates Real Alloy's position in the aluminum recycling supply chain:



14. With its extensive footprint and strategically located facilities in North America and Europe, Real Alloy effectively and efficiently serves both its global blue-chip customers and its regional and local customers. Most of its operations are located near customers' facilities, making Real Alloy an integral part of its customers' supply chain. At thirteen facilities, this close proximity allows Real Alloy to deliver "just-in-time" molten metal for direct use in customers' operations, which differentiates Real Alloy from many of its competitors. During the years ended December 31, 2016 and 2015, the amount of Real Alloy's volume that was delivered in molten metal form was 37% and 41%, respectively. This capability is a competitive advantage as it enables maximum production efficiency, reduces costs, and reinforces the integrated nature of its customer relationships. With its multi-location operation, aluminum scrap or by-products can be taken from a customer in one location, with recycled metal delivered back to that same customer in a different location and/or as a different alloy.

15. One of the factors that greatly impacts Real Alloy's business is the cost of aluminum scrap. Buy/sell arrangements and tolling arrangements also impact Real Alloy's margins but in different ways. For example, the margins for buy/sell arrangements are

significantly impacted by scrap spreads[3] and conversion costs, while margins for tolling arrangements are impacted by the processing fees charged to customers and conversion costs. The buy/sell portion of Real Alloy's business also has a much more significant impact on reported revenues and cost of sales compared to tolling arrangements, which only includes processing fees, freight, and conversion costs. By utilizing all grades of aluminum and optimizing metal blends and recovery, Real Alloy strives to maximize scrap spreads.

16. Aluminum scrap prices tend to be determined on a regional basis and are typically impacted by supply and demand dynamics. While prices for aluminum scrap and processed secondary alloy may each trend in a similar direction as prices for primary aluminum, prices are often not highly correlated in the near term. So, the sales price for secondary alloy may lag behind, while prices for scrap increase. As a result of these market fluctuations, Real Alloy is often subject to unpredictable movements in metal spreads.

17. In addition to scrap spreads, two of the most important drivers of the financial performance of Real Alloy are (i) the volume of metal processed and invoiced; and (ii) the mix of its business between tolling and buy/sell arrangements. Increased production volume will normally result in lower per unit costs, while higher invoiced volumes will normally result in additional revenue and associated margins. Increased processing under tolling arrangements results in lower revenues than buy/sell arrangement and generally also results in higher gross profit margins on a percentage basis compared to buy/sell arrangements. Tolling arrangements reduce exposure to the risk of changing metal prices and working capital requirements. Although tolling agreements are beneficial in these ways, the percentage of Real Alloy's

[3] Scrap spreads represent the difference between the cost of the aluminum scrap purchased by Real Alloy for processing and the selling prices of the aluminum alloys Real Alloy produces in buy/sell arrangements.

capacity under these arrangements is limited by the amount of metal their customers own and the extent to which they are willing to enter into such arrangements.

18. In addition to focusing on tolling relationships and carefully managing the size of its commercial inventory position related to its buy/sell business, Real Alloy also utilizes a limited number of derivative financial instruments designed to reduce the impact of changing aluminum prices on these net physical purchases and sales, particularly in its European operations. While aluminum scrap is typically priced in relation to prevailing aluminum index prices, certain scrap types used in Real Alloy's operations are not highly correlated to an underlying index and, therefore, are not hedged. Real Alloy's risk management practices reduce, but do not eliminate exposure to changing aluminum prices. While these practices may limit exposure to unfavorable aluminum price changes, they also limit Real Alloy's ability to benefit from favorable price changes.

19. Real Alloy's operations are also highly dependent on energy (natural gas and electricity), which represent the third largest component of conversion costs after labor, repairs, and maintenance costs. Real Alloy purchases the majority of its natural gas and electricity on a spot-market basis. In an effort to acquire the most favorable energy costs, Real Alloy secures a portion of its natural gas at fixed-price commitments. Real Alloy uses forward contracts, as well as contractual price escalators, and pass-through mechanics in customer contracts, to reduce the risks associated with natural gas price volatility.

20. Real Alloy's operations are subject to U.S. federal, state, local, and foreign environmental laws and regulations that govern, among other things, air emissions, wastewater discharges, the handling, storage, and disposal of hazardous substances and wastes, the investigation or remediation of contaminated sites, and employee health and safety. I understand

that these laws can impose joint and several liability for releases of hazardous substances upon parties such as Real Alloy, regardless of fault or the lawfulness of the original activity or disposal.

21. Given the changing nature of environmental legal requirements, Real Alloy may be required, from time to time, to take environmental control measures at some of our facilities to meet environmental requirements. Real Alloy is a party to notices of violation brought by environmental agencies concerning certain environmental regulations. Real Alloy's reserves for environmental remediation liabilities totaled $15.0 million as of September 30, 2017. Of the total remediation liability, $3.9 million is classified in accrued liabilities as of September 30, 2017, with the remaining portion classified as environmental liabilities.

C. The Debtors' Capital Structure

1. Funded Debt Obligations of the Real Alloy Debtors[4]

22. The funded debt obligations of the Real Alloy Debtors total approximately $400 million, excluding accrued and unpaid interest and capitalized leases. The primary components of the Debtors consolidated funded debt obligations outstanding as of today are:

Debt Instrument	Principal Amount Outstanding
ABL/Revolving Credit Facility	$96 million
SSNs	$305 million
Total	**$401 million**

23. Several of the Real Alloy Debtors are borrowers under a 2017 revolver with Bank of America, which provides for a $110 million senior secured revolving asset-based credit facility (the "ABL/Revolving Credit Facility"). A portion of the proceeds of the ABL/Revolving

[4] Real Industry has no funded debt obligations.

Credit Facility were used to repay a 2015 credit facility with Wells Fargo Bank as successor to General Electric Commercial Credit Corp, which was then terminated. There is approximately $96.0 million outstanding under the ABL/Revolving Credit Facility. The ABL/Revolving Credit Facility matures on the earlier of March 14, 2022, or the date that is ninety (90) days prior to the maturity date for the SSNs, which date would presently be October 17, 2018. The ABL/Revolving Credit Facility is secured by (i) a first priority lien on accounts receivable, inventory, instruments representing receivables, guarantees and other credit enhancements related to receivables, and bank accounts into which receivables are deposited (collectively, the "ABL Collateral") of the Real Alloy Debtors and certain non-debtors in Canada and Mexico, and (ii) a second-priority lien on the Notes Collateral (defined below).

24. RA Holding issued those certain 10.00% senior secured notes due 2019 (the SSNs). The SSNs are guaranteed by each of the Real Alloy Debtors. There is approximately $305 million in principal outstanding under the SSNs. The SSNs are secured by (i) a first priority security interest on substantially all of the fixed assets of the Real Alloy Debtors and 65% of the equity in RAEU (the "Notes Collateral"), and (ii) a second priority security interest in the ABL Collateral.

2. Real Industry Preferred Stock

25. As part of the Real Alloy Acquisition, Real Industry issued 25,000 shares of Redeemable Preferred Stock. As of September 30, 2017, there were currently 28,503 shares issued and outstanding. Real Industry may generally redeem the Redeemable Preferred Stock at any time at the $1,000 per share liquidation preference, plus accrued and unpaid dividends, which is approximately $28.5 million as September 30, 2017, and the holders of Redeemable Preferred Stock may require Real Industry to redeem their shares at the liquidation preference

upon a "change of control" as that term is defined in the indenture governing the SSNs (to the extent that the change of control does not provide for a redemption at the liquidation preference or does not cause a default or prompt an obligation by Real Alloy to repurchase or offer to repurchase the SSNs under the indenture).

3. Real Industry Common Equity

26. As of September 30, 2017, Real Industry had 29.80 million shares of common stock outstanding. As of November 10, 2017, Real Industry's common stock closed at a price of approximately $0.65 per share, with a market capitalization of approximately $19.37 million.

D. Real Industry and the Discontinued Operations

27. As illustrated in the organizational chart attached as Exhibit A, Real Industry is the parent to (i) SGGH, LLC and (ii) Cosmedicine, LLC[5] ("Cosmedicine"), non-debtor legacy entities that consist of a number of discontinued operations. Upon information and belief, SGGH, LLC has, or used to have, an interest in subsidiaries Fremont Compensation Insurance Group, Inc., Fremont Mortgage Securities Corporation, Signature Credit Partners, Inc., and FGC Commercial Mortgage Finance (together with SGGH, LLC and Cosmedicine, the "Discontinued Operations"). The full history of the Discontinued Operations and how they became part of the Company is convoluted and not particularly relevant to the relief sought by the Debtors in these chapter 11 cases. However, a brief explanation is warranted because Real Industry's NOLs are its primary assets.

28. In June 2010, Fremont General Corporation ("Fremont") emerged from its own chapter 11 bankruptcy as Signature Group Holdings, Inc. ("Signature Nevada") with substantial

[5] Cosmedicine was a small specialty cosmetics company that manufactured a line of anti-aging skin care products for women. These products were available in retail stores across the United States. As of December 31, 2013, management was actively marketing the assets of Cosmedicine. In 2015, Real Industry re-launched Cosmedicine and its line of prestige skin-care products. In September 2016, Real Industry decided to wind down Cosmedicine, and begin its liquidation, which remains ongoing.

NOLs.[6] In furtherance of a reincorporation in 2014, Signature Nevada formed a subsidiary named SGH Holdco, Inc. ("SGH Holdco"), which itself formed a subsidiary named SGGH, LLC. Signature Nevada then merged with SGGH, LLC, making SGGH, LLC the surviving entity. SGGH, LLC remained the wholly owned subsidiary of SGH Holdco, which was renamed Signature Group Holdings, Inc. ("Signature Delaware"). As part of the reincorporation, the stock of Signature Nevada was converted into stock of Signature Delaware, and Signature Delaware was later renamed to Real Industry.

29. As the successor entity to Signature Nevada, SGGH, LLC conducted Fremont's limited operations and activities after the reincorporation. Historically, SGGH, LLC's discontinued operations segment held and managed certain assets and liabilities related to the former businesses of the then-emerged Fremont. The assets included cash, among other things, and the liabilities included potential litigation related to Fremont's prior business of originating residential mortgages.

30. As of today, the Discontinued Operations have no operations and no employees. As of October 31, 2017, the primary assets of the Discontinued Operations included cash held in bank accounts, a limited collection of artwork by Ansel Adams (originally acquired by Fremont), and intercompany loans owed by Real Industry to SGGH, LLC and Cosmedicine. Prior to the bankruptcy filing, the intercompany loans were cancelled and substantially all of the cash was concentrated at Real Industry. Real Industry has also begun the process of dissolving the Discontinued Operations outside of bankruptcy and has taken steps to monetize the Ansel Adams artwork for the benefit of Real Industry's stakeholders.

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[6] The NOLs generated from Signature Nevada and Real Alloy are the NOLs that Real Industry has today.

II. Events Leading to the Chapter 11 Cases of the Real Alloy Debtors

31. Real Alloy is a trusted partner in the aluminum recycling industry and has long-standing relationships with diverse customers, including many blue-chip multinational companies. Notwithstanding recent improvements in Real Alloy's business, recent market and other developments have left the Real Alloy Debtors with unsustainable debt service obligations, which require a deleveraging of their balance sheets to provide operational liquidity and a right-sized capital structure going forward.

A. Liquidity Constraints

1. Tightening Aluminum Scrap Spreads

32. Recycled aluminum scrap flow in North America began to tighten in the second quarter of 2016, driven primarily by continued weakness in the steel industry and significantly lower commodity prices, which put downward pressure on the price of steel scrap, a significant driver of post-consumer non-ferrous scrap flow. As a result, demand increased for industrial aluminum scrap, which drove higher prices for these scrap inputs. Simultaneously, the strong U.S. dollar invited secondary aluminum alloy from international markets, particularly from southern Europe, into the domestic market, which effectively put a price ceiling on secondary alloy prices.

33. This situation caused RANA to experience a tightening of scrap spreads beginning late in the second quarter of 2016, continuing through the remainder of the year, and into 2017. In addition, during the second half of 2016, RANA saw volumes continue to remain below the prior year as it was unable to completely replace the lost tolling volumes with other tolling arrangements or additional buy/sell business. Although further productivity gains were achieved, SG&A (sales, general, and administrative) expenses were reduced, and a series of

plant level cost reductions were implemented to offset the difficult operating environment, the lower volumes and tighter scrap spreads resulted in decreased earnings.

2. Non-Recurring Events in RANA

34. This year has also posed unique challenges for RANA. Specifically, the financial performance of Real Alloy has also suffered due to several non-recurring events in RANA, including the following:

- Start-up issues related to the installation of a new automated ingot stacker at our facility in Wabash, Indiana in July 2017, which created inventory management issues, resulting in reduced scrap metal recovery and higher raw material costs;
- Costs associated with restarting used beverage can processing operations at our facility in Morgantown, Kentucky, in September 2017, in order to meet incremental volume demand; and
- The facilities acquired in the Beck Acquisition have not performed to expectation due in large measure to a ten-day shutdown of our facility in Houston, Texas resulting from the impact of Hurricane Harvey, which forced us to purchase primary aluminum to meet customer orders, and disrupted the aluminum supply chain in portions of our Mexico operations causing us to incur increased freight costs.

35. Notwithstanding these non-recurring events, I believe that the underlying performance of Real Alloy will remain strong, and that Real Alloy is well positioned to capitalize on positive aluminum market trends. In fact, Real Alloy had the best performance in October 2017 in any month since October 2015. We believe these matters have been resolved and do not anticipate these non-recurring events to happen again in the future.

3. Reduction in Credit Insurance and Trade Tightening

36. Because the Debtors' suppliers extend credit on customary trade terms (net thirty (30) days), suppliers of scrap metal and other inputs typically purchase trade credit insurance from third parties, such as Euler Hermes North American Insurance Company, Atradius Trade Credit Insurance, Inc, and Coface North America, Inc., to reduce their own credit risk and to

increase their own creditworthiness with their own lenders. We believe that a significant portion of our suppliers carry such insurance. On October 9, 2017, we learned that at least one insurer intended to cancel all coverage, but later decided to reduce its exposure in half. To make matters worse, in late October and earlier this month, we learned that another insurer intended to cut its exposure to the Debtors. The result of these cuts caused significant liquidity constraints and hardship on the Real Alloy's RANA businesses.

4. Reaction to Real Industry's Quarterly Filing on November 9, 2017

37. On November 9, 2017, Real Industry filed its quarterly report for the period ending September 30, 2017 (the "10-Q"). Real Industry's 10-Q contained a going concern opinion, concluding that current circumstances raise substantial doubt that Real Industry will be able to meet its financial obligations as they come due. The market reaction to the 10-Q was immediate and swift, as Real Industry's stock plummeted by approximately 60% on November 10, 2017. Further, trade credit insurers have cancelled coverage of Real Alloy. As reported in at least one trade publication on November 10, 2017, in reaction to the 10-Q, one supplier stated, "[w]e're done selling to them because we live and die by our credit insurance."

B. Real Alloy Efforts to Sell Select Assets and Negotiations with Key Stakeholders

38. Over the course of 2017, the Company engaged in a series of concerted efforts to raise liquidity for Real Alloy. These efforts included selling select assets as well as pursuing investments in Real Alloy. None of these activities resulted in a transaction that would provide sufficient liquidity for Real Alloy.

39. The Company also attempted to refinance the SSNs, embarking on a process that was formulated in July and August 2017. We officially launched the marketing campaign in early September and contacted over 130 parties, including many of the known SSN holders. The

date for receipt for initial proposals was extended on two occasions to allow for interested parties who had signed confidentiality agreements to conduct diligence and to give interested parties the opportunity to assimilate news about cuts by trade insurers and our initial views on third quarter results. Ultimately, the date set for initial proposals was October 12, 2017. We received three proposals each of which was highly contingent and subject to extensive diligence that could only be completed, at the earliest, by the end of 2017.

40. Understanding that cuts by our trade insurers, coupled with predicted third quarter results, would lead to significant liquidity issues, the Company immediately contacted certain known bondholders for the purpose of disclosing preliminary third-quarter results, disclosing the news about trade insurer cuts, and discussing the Company's financial strategic objectives and alternatives. Bondholder negotiations initially ensued on a limited restricted basis, but a steering committee of the largest holders of the SSNs and the Company eventually reached an agreement on the terms of a restructuring path that included critical debtor-in-possession financing and a contemplated sale process for the Real Alloy Debtors.

C. DIP Financing

41. As set forth in more detail in the DIP Motion (defined below), the Real Alloy Debtors have secured up to approximately $365 million in two post-petition secured financing (the "DIP Facilities"), which includes the conversion of $170 million of SSNs into new notes, in order to provide sufficiently liquidity to successfully emerge from these chapter 11 cases. One DIP Facility is structured as a revolving credit facility, and the second DIP Facility, to be provided by certain holders of the SSNs, is structured as a note purchase facility. I believe that the incurrence of indebtedness under the DIP Facilities offer the only available option for the Real Alloy Debtors to successfully reorganize under chapter 11 and right-size their balance

sheets. The failure of the Real Alloy Debtors to obtain financing under the DIP Facilities will likely result in liquidation or conversion of these cases to chapter 7.

III. Events Leading to the Chapter 11 Case of Real Industry

42. Real Industry was to benefit from the success of refinancing the SSNs because certain management fees owing to Real Industry pursuant to a management services agreement would likely have been paid. But because the refinancing did not occur, Real Alloy's liquidity crisis caused Real Industry to face its own liquidity issues. Real Industry also commenced efforts to raise capital to improve its liquidity situation independent of Real Alloy and has been engaged in a lengthy effort over the last year to find a strategic investment partner to take advantage of Real Industry's status as a public company and to use its NOLs to improve free cash flows. While Real Industry has identified a handful of potential investment opportunities and partners, none of those opportunities has materialized to date. As a result of the chapter 11 filing of the Real Alloy Debtors, Real Industry was left with no operating subsidiary with material equity value, a dwindling cash position, limited assets, a preferred shareholder with a large liquidation preference, and the risk of losing its tax attributes. It therefore became necessary to file Real Industry for chapter 11 in an effort to preserve its NOLs and to emerge with a new strategic partner.

IV. First Day Pleadings[7]

43. In addition to the DIP Motion, the Debtors filed the First Day Pleadings seeking relief related to the administration of these chapter 11 cases, the Debtors' employees, their operations, and their cash needs. A list of the First Day Pleadings is set forth below:

[7] Capitalized terms used in this section but not defined have the meanings ascribed to them in the applicable pleadings.

A. <u>Administrative and Operational Motions</u>

- *Debtors' Motion for Entry of Order Directing Joint Administration of Chapter 11 Cases*

- *Debtors' Motion for Entry of an Order (I) Authorizing The Debtors To (A) Maintain And File a Consolidated List of Creditors And (B) File a Consolidated List of The Debtors' Top 30 Creditors; and (III) Granting Related Relief*

- *Debtors' Application for Entry of an Order Appointing Prime Clerk LLC as Claims and Noticing Agent Pursuant to 28 U.S.C. § 156(c), Bankruptcy Rule 2002(f) and Local Rule 2002-1(f)*

- *The Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing, But Not Directing, the Debtors to Pay Certain Prepetition Taxes and Fees and (II) Granting Related Relief*

- *The Debtors' Motion for Entry of Interim and Final Orders, Pursuant to Sections 105(a) and 363 of The Bankruptcy Code, (I) Authorizing the Debtors to (A) Continue Insurance Coverage Entered Into Prepetition and Satisfy Prepetition Obligations Related Thereto, Including Administrative And Broker Fees, (B) Renew, Supplement, or Purchase Insurance Policies, and (C) Honor The Terms Of The Premium Financing Agreements; (II) Authorizing Banks to Honor And Process Check And Electronic Transfer Requests Related Thereto; and (III) Granting Related Relief*

- *Debtors' Motion For Entry of Interim and Final Orders Determining Adequate Assurance of Payment for Future Utility Service*s

- *The Real Alloy Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay or Setoff Certain Prepetition Claims of Critical Vendors; (II) Authorizing the Debtors to Pay Certain Prepetition Claims of Shippers, Warehousemen, and Materialmen; (III) Authorizing Banks to Honor and Process Checks and Electronic Transfer Requests Related Thereto; and (IV) Granting Related Relief*

- *Debtors' Motion For Entry of Interim and Final Orders (I) Authorizing, But Not Directing, Debtors to Pay And Honor Prepetition Employee Obligations; (II) Maintain and Continue Certain Compensation and Benefit Programs Postpetition; and (III) Granting Related Relief*

- *Debtor Real Industry's Motion for Entry of Interim and Final Orders (I) Approving Notification and Hearing Procedures for Certain Transfers and*

Declarations of Worthlessness with Respect to Stock, and (II) Granting Related Relief

- *Debtors' Motion for Entry of Interim and Final Orders Authorizing the Debtors to (A) Continue Performing Under Prepetition Hedging and Trading Arrangements and Honor Obligations Related Thereto, and (B) Enter Into and Perform Under New Postpetition Hedging Arrangements*

B. Financing and Cash Management Motions

- *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Secured Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, 503 and 507 (II) Authorizing Postpetition Use of Cash Collateral, (III) Granting Adequate Protection to Prepetition Secured Parties, (IV) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001(B) and (V) Granting Related Relief*

- *Debtors' Motion for Entry Of Interim and Final Orders (I) Authorizing, But Not Directing, the Debtors to (A) Continue Using Their Cash Management Systems, (B) Maintain Existing Bank Accounts and Business Forms, and (C) Continue Conducting Intercompany Transactions In The Ordinary Course; (II) Granting Administrative Priority Status To Intercompany Claims; and (III) Granting Related Relief*

44. I believe the Debtors have narrowly tailored the First Day Pleadings to meet their goals of: continuing their operations in chapter 11 with as little disruption and loss of productivity as possible until such time as the sale process is complete; maintaining the confidence and support of their key customer and employee constituencies during the sale process; and establishing procedures for the efficient administration of these chapter 11 cases.

45. I have reviewed each of the First Day Pleadings (including the exhibits thereto) and I believe the facts stated therein to be true and correct to the best of my knowledge with appropriate reliance on corporate officers and advisors. I incorporate by reference the factual statements set forth in each of the First Day Pleadings as though set forth herein.

46. It is my belief that the relief sought in each of the First Day Pleadings is necessary to the successful implementation of the Company's efforts to maximize the recovery of its

stakeholders. It is my further belief that, with respect to those First Day Pleadings requesting the authority to pay specific prepetition claims or continue selected prepetition programs, the relief requested is essential to the Debtors' continued operation and necessary to avoid immediate and irreparable harm to the Debtors' estates.

47. The success of these chapter 11 cases depends upon the Debtors' ability to maintain their operations to the extent necessary to effectuate a sale transaction. The relief requested in the First Day Pleadings is a critical component of maintaining the confidence of key constituencies necessary to implement this strategy.

48. Accordingly, I respectfully request that all of the relief requested in the First Day Pleadings, and such other and further relief as may be just and proper, be granted.

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

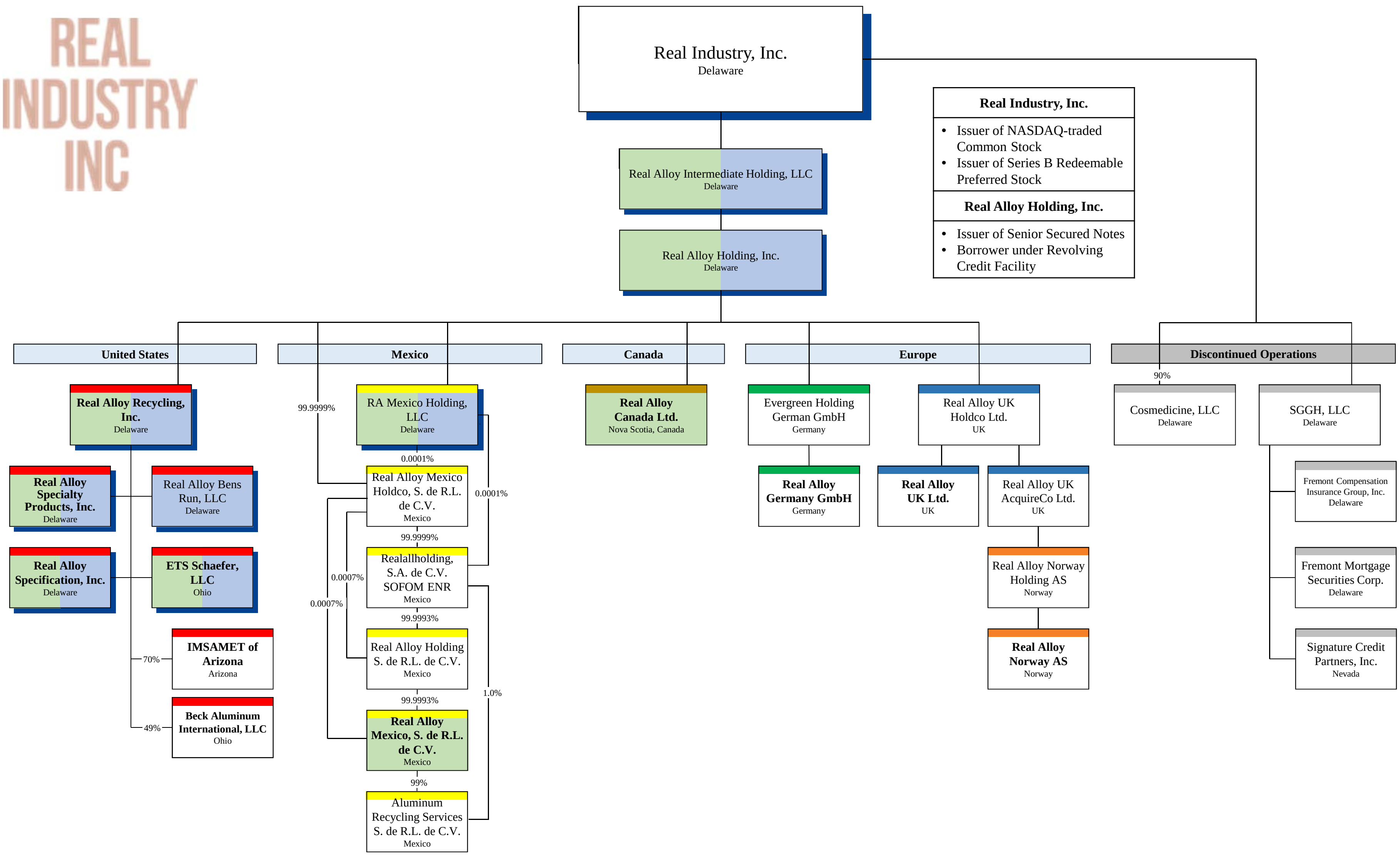
Executed on: November 17, 2017

Respectfully submitted,

/s/ Michael J. Hobey
Michael J. Hobey

<u>Exhibit A</u>

Organizational Structure Chart



LEGEND

Background color indicates the debt documents under which the entity is an issuer, guarantor, borrower, or credit party, as applicable.

Solid lines indicate 100% ownership unless other percentage is shown.

Filing entity.

Operating companies are shown in **bold**.

Revolving Credit Agreement dated 3/14/2017

Borrowers: Real Alloy Holding, Inc.
Real Alloy Canada Ltd.
Real Alloy Recycling, Inc.
Real Alloy Specialty Products, Inc.
Real Alloy Specification, Inc.
ETS Schaefer, LLC

Credit Parties: Real Alloy Intermediate Holdings, LLC
RA Mexico Holding, LLC
Real Alloy Mexico, S. de R.L. de C.V.

10.000% Senior Secured Notes dated as of 1/8/2015

Issuer: Real Alloy Holding, Inc.

Guarantors: Real Alloy Intermediate Holdings, LLC
Real Alloy Recycling, Inc.
Real Alloy Bens Run, LLC
Real Alloy Specialty Products, Inc.
Real Alloy Specification, Inc.
ETS Schaefer, LLC
RA Mexico Holding, LLC