

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

In re: ENGLOBAL CORPORATION, <i>et al.</i>, Debtors.¹	§ § § § § §	Case No. 25-90083 Chapter 11 (Jointly Administered)
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**DECLARATION OF DARREN W. SPRIGGS IN SUPPORT OF
THE DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

Pursuant to 28 U.S.C. § 1746, I, Darren W. Spriggs, hereby submit this declaration (this "Declaration") under penalty of perjury:

1. I am the Chief Financial Officer ("CFO") of ENGlobal Corporation ("ENGlobal"), a publicly traded corporation organized under the laws of the State of Nevada and I serve in the same capacity with ENGlobal's wholly-owned subsidiaries, ENGlobal U.S., Inc., ENGlobal Government Services, Inc., and ENGlobal Technologies LLC, the above-captioned debtors and debtors in possession (collectively, the "Debtors").

2. I am generally familiar with the Debtors' day-to-day operations, assets, financial affairs, contracts, and books and records. Except as otherwise indicated herein, all facts set forth in this Declaration are based upon my personal knowledge of the Debtors' operations, assets, and finances; information learned from my review of relevant documents; information supplied to me by other members of the Debtors' management and its advisors; or my opinion based on my experience, knowledge, and information concerning the Debtors' operations, financial condition, and the industry generally. I am over the age of 18 and authorized to submit this Declaration on

¹ The debtors and debtors in possession in these chapter 11 cases, along with the last four digits of their respective Employer Identification Numbers, are as follows: ENGlobal Corporation (2261); ENGlobal U.S., Inc. (0616); ENGlobal Government Services, Inc. (0196); and ENGlobal Technologies LLC (1664). The Debtors' service address is: 11740 Katy Fwy., Ste. 350, Houston, Texas 77079.

behalf of the Debtors. If called upon to testify, I could and would competently testify to the facts set forth herein.

3. On March 5, 2025 (the “Petition Date”), the Debtors filed voluntary petitions for relief (the “Chapter 11 Cases”) under Chapter 11, title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (as amended and modified, the “Bankruptcy Code”), in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “Court”). To minimize the adverse effects on their businesses, the Debtors have filed motions seeking various types of “first day” relief (the “First Day Motions”) to allow the Debtors to meet their obligations and fulfill their duties as debtors in possession. I am familiar with the contents of each First Day Motion and believe that the relief sought in each is necessary to enable the Debtors to operate in Chapter 11 with minimal disruption or loss of productivity and value. I further believe that the relief sought in each First Day Motion constitutes a critical element in moving towards a successful restructuring of the Debtors’ financial affairs, and best serves the Debtors’ estates and creditors’ interests. The facts set forth in each First Day Motion are incorporated herein by reference.

I. COMPANY OVERVIEW

A. General Background

4. The Debtors, comprised of ENGglobal Corporation (publicly traded parent company), and its three wholly-owned subsidiaries ENGglobal U.S., Inc., ENGglobal Government Services, Inc., and ENGglobal Technologies LLC are a provider of innovative, delivered project solutions primarily to the energy industry, delivering these solutions to clients by combining vertically-integrated engineering and professional project execution services with automation and systems integration expertise. We believe our vertically-integrated strategy allows us to differentiate our company from most of our competitors as a full-service provider, thereby

reducing our clients' dependency on and coordination of multiple vendors and improving control over their project cost and schedules. Our strategy and positioning has also allowed the Debtors to pursue larger scopes of work centered around many different types of modularized engineered systems. We have a long history of delivering project solutions and can provide complete project execution and have focused our business development teams on communicating these offerings to our clients which include: (i) Engineering, (ii) Automation, and (iii) Government Services.

5. The Debtors' engineering group focuses on providing engineering, procurement and construction management services as well as fabricated products to downstream refineries, petrochemical, and renewable energy facilities as well as midstream pipeline, storage and other transportation related companies. These services are often applied to small capital improvement and maintenance projects within refineries and petrochemical facilities. For transportation clients, the Debtors work on facilities that include pumping, compression, gas processing, metering, storage terminals, product loading and blending systems.

6. The Debtors' automation group designs, integrates and commissions modular systems that include electronic distributed control, on-line process analytical data, continuous emission monitoring, and electric power distribution. Often these packaged systems are housed in a fabricated metal enclosure, modular building or freestanding metal rack, which are commonly included in the scope of work. The Debtors provide automation engineering, procurement, fabrication, systems integration, programing and on-site commissioning services to their clients for both new and existing facilities.

7. The Debtors' government services group provides services related to the design, integration and implementation of process distributed control, advanced automated data gathering systems, automated fuel handling systems, information technology and the maintenance of these

systems primarily to the U.S. Government globally. The government services group operates through ENGglobal Government Services, Inc. Other clients of this group include state and local government agencies and small commercial accounts. EGS also provides electrical and instrument installation, technical services, and ongoing maintenance, calibration and repair services.

B. Prepetition Debt

8. The Debtors have incurred a marginal amount of debt in recent years to fund their activities and sustain operations. A detailed description of the Debtors' various credit and security agreements is set forth below.

Secured Debt

9. Prior to the Petition Date, ENGglobal Corporation (the "Borrower") executed that certain Amended and Restated Credit Agreement, dated April 24, 2024, and amended by that First Amendment to Amended and Restated Credit Agreement, dated November 11, 2024 (the "Prepetition Loan Agreement") with Alliance 2000, LTD. ("Alliance") incurring certain obligations (the "Prepetition Secured Debt").

10. The Prepetition Secured Debt is guaranteed by Debtors ENGglobal U.S., Inc., ENGglobal Government Services, Inc., and ENGglobal Technologies, LLC (the "Subsidiary Guarantees"). The Prepetition Secured Debt is secured by senior secured liens on all assets of ENGglobal Corporation. As of the Petition Date, the outstanding balance owed to Alliance on account of the Prepetition Loan Agreement was approximately \$2,434,754.00.

Bridge Loan

11. In response to the Debtors ever increasing cash liquidity issues and inability to make payroll, on or about February 19, 2025, the Debtors entered into a Loan and Security Agreement (hereafter, the "Bridge Loan") with Gulf Island Fabrication, Inc. ("GIFI") for a multi-

draw term loan facility in an aggregate principal amount not to exceed \$500,000.00. The Bridge Loan is secured by senior secured priming liens on all assets of the Debtors, with Alliance's Second Lien Debt being subordinated in the process. In total, as of the Petition Date, the Debtors owe approximately \$2.85 million to GIFI and Alliance (the "Prepetition Secured Debt").

Unsecured Debt

12. In addition to the prepetition Bridge Loan and the Prepetition Secured Debt, the Debtors have substantial unsecured debt owed to numerous trade creditors, vendors, equipment lessors, facility lessors, and others. In the ordinary course of business, the Debtors have engaged in numerous strategic relationships with various service providers in relation to their operations which are critical to maintaining the value of the Debtors' estates. Due to the various liquidity issues described herein, the Debtors do not have sufficient cash flow to pay the trade payables. The Debtors estimate that they have incurred approximately \$5,789,211 in unsecured trade debt as of February 21, 2025 and approximately \$1,236,445 in contractual billings in excess of costs as of December 28, 2024.

C. Events Leading to Chapter 11 Cases

13. While the Debtors' business, by nature, maintains significant fixed monthly operating costs (including material costs in the form of employee wages/retention and the litany of regulatory and reporting requirements to maintain its public form), the cash flow and liquidity issues have steadily grown. Debtors' management, recognizing this ominous financial forecast, attempted to engage with other competitors and potentially interested parties in the hopes of entering into either a merger or acquisition of the Debtors' business, however these negotiations have been unfruitful in light of the significant trade debt and other operational hurdles. Thereafter, the Debtors' liquidity issues have only worsened to the point of necessitating the Bridge Loan and

the RSA to fund payroll and professional fees to ensure a smooth transition into these Chapter 11 Cases.

14. In preparation for filing these Chapter 11 Cases, the Debtors worked diligently to maintain the value of their assets, conserve their remaining cash, retain their work force and fund trade payables. Through these Chapter 11 Cases, the Debtors seek the protection of the automatic stay while they endeavor to effectuate the transactions needed to reorganize their financial affairs and maximize the value for all creditors and parties in interest.

II. FIRST DAY MOTIONS

15. Below is an overview of certain First Day Motions filed in conjunction with this Declaration. The First Day Motions seek relief intended to facilitate a smooth transition for the Debtors into the Chapter 11 Cases and minimize disruptions to the Debtors' business operations. Capitalized terms used but not otherwise defined in this section of this Declaration shall have the meanings ascribed to them in the relevant First Day Motion.

A. Debtors' Emergency Motion for Entry of an Order (I) Authorizing Debtors to (A) File a Consolidated Creditor Matrix and a Consolidated List of 30 Largest Unsecured Creditors and (B) Redact Certain Personal Identification Information and (II) Approving Form and Manner of Notifying Creditors of Commencement of Chapter 11 Cases and Other Information (the "Consolidated Creditor Matrix Motion")

16. In the Consolidated Creditor Matrix Motion [ECF # 9], the Debtors seek entry of an order (i) authorizing the Debtors to (a) file a consolidated creditor matrix (the "Consolidated Creditor Matrix") and a consolidated list of the Debtors' thirty (30) largest unsecured creditors (the "Consolidated Top 30 Creditors List") and (b) redact certain personal identification information of the Debtors' individual creditors; and (ii) approving the form and manner of notifying creditors of the commencement of the Chapter 11 Cases and other information.

17. With respect to the creditor matrix required by Bankruptcy Rule 1007(a)(1), the Debtors request authority to file one Consolidated Creditor Matrix for all Debtors. The Debtors believe that the preparation of separate lists of creditors for each Debtor would be expensive, time consuming, and administratively burdensome. Moreover, such relief is expressly permitted by the Complex Case Procedures.

18. With respect to the lists of the Debtors' largest unsecured creditors required by Bankruptcy Rule 1007(d), the Debtors request authority to file the Consolidated Top 30 Creditors List for all Debtors. The Debtors believe that such relief will help alleviate administrative burden, costs, and the possibility of duplicative service. This relief is also permitted by the Complex Case Procedures.

19. The Debtors further submit that cause exists to redact the address information of the Debtors' individual creditors from the Consolidated Creditor Matrix and any other pleading to be filed with the Court. In particular, such information could potentially be used to perpetrate identity theft of the Debtors' individual creditors who may not want their information disclosed in public filings.

20. I have been advised and come to understand that the Bankruptcy Code grants the Court discretion to protect individuals from the disclosure of such information, and I believe that such relief is appropriate under the circumstances and will not prejudice any party in interest. Indeed, the Debtors still propose to provide, upon request, unredacted versions of the Consolidated Creditor Matrix to the Court, the Office of the United States Trustee for the Southern District of Texas (the "U.S. Trustee"), and counsel to any official committee appointed in the Chapter 11 Cases.

21. Finally, the Debtors propose to have their claims and noticing agent, Kroll Restructuring Administration, LLC (“Kroll”) serve the notice of commencement (the “Notice of Commencement”) of the Chapter 11 Cases to all parties entitled to notice. Service of the Notice of Commencement on the Consolidated Creditor Matrix will not only prevent the Debtors’ estates from incurring unnecessary costs associated with serving multiple notices to the parties listed on the Debtors’ Consolidated Creditor Matrix, but also preserve judicial resources and prevent creditor confusion through the efficient service of critical information. Accordingly, I believe that service of a single Notice of Commencement through Kroll is warranted and proper in these Chapter 11 Cases.

B. Debtors’ Emergency Motion For Entry Of An Order Extending The Time To File (I) Schedules of Assets and Liabilities, (II) Schedules of Current Income and Expenditures, (III) Schedules of Executory Contracts and Unexpired Leases, and (IV) Statements of Financial Affairs (“Schedules Motion”)

22. In the Schedules Motion [ECF # 10] the Debtors seek entry of an order: (i) extending the deadline by which the Debtors must file their schedules of assets and liabilities, schedules of current income and expenditures, schedules of executory contracts and unexpired leases, and statements of financial affairs (collectively, the “Schedules and Statements”) by an additional [twenty-one (21) days], for a total of [thirty-five (35)] days from the Petition Date, through and including April 9, 2025.

23. The Debtors have spent, and continue to spend, a substantial amount of time ensuring a smooth transition into Chapter 11, with minimal disruptions to the Debtors’ businesses. To prepare the Schedules and Statements, I understand that the Debtors must compile information from books, records, and documents maintained by each of the Debtors, relating to the claims, assets and contracts from each Debtor entity. Given the scope of the Debtors’ operations, it will

take substantial time to gather and process such information. These tasks also include working with the Debtors' professionals and various other parties in interests to stabilize business operations, a process that the Debtors anticipate will exceed the fourteen (14) days provided by the Bankruptcy Code and Bankruptcy Rules. In light of the significant amount of work required to complete the Schedules and Statements, as well as the competing demands on the Debtors' professionals to assist in critical efforts to stabilize the Debtors' businesses and seek out and obtain post-petition financing, I believe an extension is necessary.

24. Further, I believe the requested extension also will aid the Debtors in efficiently preparing accurate Schedules and Statements, as it will allow the Debtors to account for prepetition invoices not yet received or entered into their accounting systems as of the Petition Date and will minimize the possibility that any subsequent amendments to the Schedules and Statements are necessary. As such, I believe the extension will benefit not only the Debtors, but all creditors and other parties in interest. Although the Debtors, with the assistance of their professional advisors, have begun to compile the information necessary for the Schedules and Statements, the Debtors have been consumed with a multitude of other legal, business, and administrative matters in the time leading up to the Petition Date. Nevertheless, recognizing the importance of the Schedules and Statements in these Chapter 11 Cases, the Debtors intend to complete the Schedules and Statements as quickly as possible under the circumstances. Further, the Schedules and Statements will be filed well in advance of any deadline for filing proofs of claim in the Chapter 11 Cases. Thus, all creditors will be afforded sufficient notice of the claim amounts scheduled by the Debtors.

25. In view of the amount of information that must be assembled and compiled, and the limited time available to do so, I believe that ample cause exists for the requested extension.

C. Debtors' Emergency Motion for Entry of an Order (I) Prohibiting Utility Companies From Altering, Refusing or Discontinuing Service, (II) Deeming Utilities Adequately Assured of Future Performance, (III) Establishing Procedures for Determining Adequate Assurance of Payment, and (IV) Granting Related Relief (the "Utilities Motion")

26. Pursuant to the Utilities Motion [ECF # 14], the Debtors seek entry of an order: (i) approving the Debtors' proposed adequate assurance of payment for future utility services; (ii) prohibiting utility companies from altering, refusing, or discontinuing services; and (iii) establishing procedures for determining adequate assurance of payment and resolving adequate assurance requests.

27. In connection with the operation of their businesses and management of their assets, the Debtors obtain Utility Services from a number of Utility Providers. A nonexclusive list of the Utility Providers that provide Utility Services to the Debtor as of the Petition Date (the "Utilities Service List") is attached as Exhibit A to the Utilities Motion.

28. The Debtors spend an aggregate amount of approximately \$5,990.00 per month on Utility Services from the Utility Providers. Most, if not all, of the Debtors' Utility Providers do not hold any deposits from the Debtors. As of the Petition Date, the Debtors owed approximately \$6,901.48 on account of prepetition Utility Services. To the best of the Debtor's knowledge, there were no other defaults or arrearages with respect to the undisputed invoices for prepetition Utility Services.

29. The uninterrupted continuation of the Utility Services is critical to the Debtors' ongoing business operations throughout the course of the Chapter 11 Cases. Should any of the Utility Providers refuse or discontinue service, even for a brief period, the Debtors' business operation and primary revenue source would be jeopardized. Accordingly, I believe the Utilities Motion should be approved by the Court.

D. Debtors' Emergency Motion for Entry of an Order Authorizing Continued Use of Prepetition Bank Accounts, Cash Management System, Forms, and Books and Records (the "Cash Management Motion")

30. Pursuant to the Cash Management Motion [ECF # 13], the Debtors seek entry of an order authorizing the Debtors to: (a) continue to operate their cash management system and maintain their existing bank accounts, including honoring certain prepetition obligations related thereto; (b) maintain existing business forms; (c) continue the performance their business transactions consistent with the Debtors' historical practices; and (d) waiving the guidelines (the "Guidelines") established by the U.S. Trustee related to cash management systems.

31. In the ordinary course of business, the Debtors use and maintain certain pre-printed correspondence and business forms, including, but not limited to, letterhead, envelopes, promotional materials and other business forms related to their oil and gas operations and assets (collectively, the "Business Forms"). Adopting a new set of Business Forms would create unnecessary administrative burdens and hardship and would cause unnecessary expense, use of resources, and delay. To minimize the administrative interruptions and expenses, the Debtors request authority to continue to use their Business Forms substantially in the form existing immediately prior to the Petition Date, without reference to the Debtors' status as "Debtors in Possession" in these Chapter 11 Cases as required by the U.S. Trustee Guidelines.

32. The Debtors also maintain a cash management system (the "Cash Management System") in the ordinary course of business to gather, allocate, transfer, and disburse funds with respect to their operations and to facilitate cash monitoring and reporting. The Cash Management System is comprised of three (3) active bank accounts (the "Accounts") at Origin Bank and Regions Bank. Regions Bank is an authorized depository pursuant to the U.S. Trustee Guidelines, but Origin bank is not. As currently established, the Debtors' existing Accounts and Cash

Management System function smoothly and permit the efficient collections and disbursements of cash for the benefit of the Debtors and all parties in interest.

33. Given the nature of the Debtors' businesses, the uninterrupted use of the Debtors' Accounts is vital to their operations and overall Cash Management System and will facilitate the Debtors' transition into the Chapter 11 Cases by minimizing delays in paying post-petition debtors and eliminating administrative inefficiencies. Moreover, maintaining the current Cash Management System on an interim basis will allow the Debtors' limited workforce to attend to their daily responsibilities rather than organize and administer a new system. Requiring the Debtors to adopt a new cash management system in these Chapter 11 Cases would be costly, burdensome, and disruptive to operations at this critical juncture, and could have a negative effect on the Debtors' ongoing restructuring efforts.

34. Finally, the Debtors seek a waiver of the Guidelines established by the U.S. Trustee requiring that Chapter 11 debtors in possession, among other things: (i) close all existing bank accounts and open new debtor in possession bank accounts; (ii) establish separate bank accounts for operations, payment of taxes, and cash collateral); and (iii) obtain new checks bearing the designation "Debtors in Possession," along with additional information.

35. I believe that compliance with these requirements would create substantial and unnecessary administrative burdens, including additional expense, confusion among creditors, and diversion of scarce resources to the detriment of the Debtors as they transition into these Chapter 11 Cases. On the other hand, permitting the Debtors to maintain their existing Accounts and Cash Management System will prevent the disruption of operations and will not prejudice any party in interest. Further, because the Debtors presently maintain sophisticated, computerized accounting and record keeping systems related to their accounts and business operations, the Debtors will be

able to ensure that all prepetition and post-petition transactions are properly accounted for and easily distinguished. The Debtors intend to continue to maintain complete and accurate records of all transfers of funds in and out of the Accounts. I therefore believe a waiver of the U.S. Trustee Guidelines is appropriate, as set forth in the Cash Management Motion.

E. Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtor to Pay Prepetition Wages to Employees and (II) Granting Related Relief (the "Employee Wage Motion")

36. The Employee Wage Motion [ECF # 15], the Debtors request entry of an order: (i) authorizing, but not directing, the Debtor to (a) pay, in its sole discretion, all obligations incurred under or related to wages, salaries, other compensation, reimbursable expenses, and payroll service fees (collectively, the "Employee Obligations") and all costs related to the foregoing, and (b) maintain and continue to honor their practices, programs, and policies in place for the Employees, as such may be modified, amended, or supplemented from time to time in the ordinary course of business; and (ii) authorizing and directing the Debtor's Banks to receive, process, honor, and pay checks presented for payment and electronic payment requests relating to the Employee Obligations.

37. As set forth in the Employee Wage Motion, the Debtors have approximately 101 salaried and contract employees in total (collectively, the "Employees"). The roles of Employees include directors and officers, administrative staff, engineers, technicians and other support staff. These Employees are vital to maintaining the value of the Debtors' estates as they transition into the Chapter 11 Cases, and the vast majority of the Employees rely exclusively on their compensation and benefits to pay their daily living expenses and support their families. Thus, Employees would be exposed to significant financial hardship if the Debtors were not permitted to continue paying their compensation, providing benefits, and maintain existing programs.

38. The Debtors utilize the services of a professional employment organization, Paycom, to process payroll, and employee benefit plans are administered separately, as more fully set forth in the Employee Wage Motion. The Debtors submit a net amount of money to Paycom prior to the conclusion of each pay period, who then administers all of the Debtors' obligations incurred or related to wages, salaries, payroll taxes, and payroll service fees. Employees are paid bi-weekly via direct deposit from Paycom. The Debtors' description of the payroll process and the amounts and other Employee Obligations due to the Employees as set forth in the Employee Wage Motion and Exhibit A thereto is accurate.

39. I believe that the relief requested in the Employee Wage Motion is in the best interest of the Debtors' estates and will enable the Debtors to continue to operate their businesses in the Chapter 11 Cases without disruption so as to avoid immediate and irreparable harm to the estates. Accordingly, I believe the Court should grant the relief requested in the Employee Wage Motion and authorize the Debtors to honor the Employee Obligations, including those incurred prior to the Petition Date, and pay the Employees during the Chapter 11 Cases.

Signed on this the 5th day of March, 2025.

By: /s/ Darren W. Spriggs
Darren W. Spriggs
Chief Financial Officer
ENGlobal Corporation, *et al.*