

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

GST AUTOLEATHER, INC., *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 17-12100 (LSS)
)
) (Joint Administration Requested)
)

**DECLARATION OF JONATHAN HICKMAN, CHIEF
RESTRUCTURING OFFICER OF GST AUTOLEATHER, INC.,
IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

I, Jonathan Hickman, hereby declare under penalty of perjury:

1. I am the Chief Restructuring Officer (“CRO”) of GST AutoLeather, Inc. (“GST”), a corporation organized under the laws of the state of Delaware and a debtor and debtor in possession in the above-captioned cases of GST and certain of its debtor affiliates (collectively, the “Debtors”).

2. I have served as a restructuring advisor to the Debtors since July 9, 2017, and as CRO for GST since September 13, 2017. I am generally familiar with the Debtors’ day-to-day business operations and financial affairs, including the books and records. 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 Debtors’ petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) filed on the date hereof (the “Petition Date”); and (b) the emergency relief that the Debtors have

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: GST AutoLeather, Inc. (5289); GST AutoLeather Cayman I Ltd. (n/a); GST AutoLeather Cayman II Ltd. (n/a); GST AutoLeather HoldCo Corp. (4266); GST Innovations, LLC (5563); and Strategic Financial LLC (n/a). The location of the Debtors’ service address is: 20 Oak Hollow Drive, Suite 300, Southfield, Michigan 48033.

requested from the Court pursuant to the motions and applications described herein (collectively, the “First Day Motions”).

3. In addition to my role as the Chief Restructuring Officer of GST, I am a Managing Director at Alvarez & Marsal North America, LLC (“A&M”) with over 15 years of experience working exclusively in distressed situations and transactions. My expertise includes in- and out-of-court restructurings, operational turnarounds, asset sales, and refinancing transactions.

4. A&M specializes in crisis management, turnaround consulting, operational due diligence, creditor advisory services, financial and operational restructuring, and interim management. A&M’s debtor advisory services include a wide range of activities targeted at stabilizing and improving a company’s financial position, including, among other things: (a) developing or validating business plans and related assessments of a business’s strategic position; (b) monitoring and managing cash, cash flow, and supplier relationships; (c) assessing and recommending cost reduction strategies; (d) creating financial analyses and reporting for companies embarking on, or currently operating under, the protection of chapter 11; and (e) designing and negotiating financial restructuring packages, including customer and supplier accommodations. Since its inception in 1983, A&M has been a global provider of turnaround advisory services to companies in crisis or those in need of performance improvement in specific financial and operational areas.

5. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my discussions with members of the Debtors’ management team and the Debtors’ advisors, my review of relevant documents and information concerning the Debtors’ operations, financial affairs, and restructuring initiatives, and my opinions based upon my experience and knowledge. If called as a witness, I could and would testify competently to the

facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtors.

6. To familiarize the Court with the Debtors and the relief the Debtors seek on the first day of these chapter 11 cases, this Declaration is organized in four sections. The first section provides an overview of the Debtors' organizational structure and capital structure. The second section provides detailed information on the Debtors' corporate history and business operations. The third section describes the circumstances leading to the commencement of these chapter 11 cases. The fourth section sets forth the relevant facts in support of each of the First Day Motions filed in connection with these chapter 11 cases.

Preliminary Statement

7. The Debtors, together with their non-Debtor affiliates (the "Company"), are a leading global designer and manufacturer of automotive leather components. Notwithstanding the Company's global reach and strong customer relationships, the Company's financial performance has been declining in recent years as a result of, among other things, market-related selling price reductions, a decrease in the leather content of certain new vehicle production, and issues associated with certain new customer launches in Europe. Additionally, and as discussed in greater detail herein, the Company has made significant cash outlays in recent months in response to out-of-contract demands, including pricing, from a critical supplier and related working capital investments undertaken to mitigate the risk of potential supply chain disruption to its customers caused by such supplier actions and demands.

8. Prior to the Company's recent liquidity concerns, the Company was actively exploring a sale of the business. In 2015, the Company received an unsolicited, non-binding offer to purchase the Company from a foreign strategic buyer. Ultimately, the Company and the foreign

buyer were unable to agree on terms, including transaction value and structure. Discussions ended in June of 2016. The following month, the Company launched a broader marketing process led by Lazard Middle Market LLC (“Lazard”), the Debtors’ proposed investment banker. As part of this process, Lazard reached out to more than 90 potential strategic and financial buyers. More than 40 of these potentially interested parties signed nondisclosure agreements with the Company and received confidential information regarding the Company, including a confidential information memorandum prepared by the Company and its advisors. Ten of these parties submitted preliminary non-binding indications of interest, of which nine participated in management meetings in October 2016.

9. The Company’s efforts resulted in the receipt of four nonbinding letters of intent, and discussions with another potential strategic buyer that did not previously submit a preliminary non-binding indication of interest. Unfortunately, during this time period, the Company’s financial performance declined, and potential buyers either lowered their valuations, withdrew their bids, or opted to wait to see if the Company’s performance improved. As of late May 2017, the Company was in discussions with three parties, but concerns about the Company’s performance caused two parties to drop out of the process in June and July. The Company was subsequently able to reengage one of those parties when another potential strategic buyer expressed interest in purchasing the Company. Discussions advanced toward executing binding documentation with the two potential buyers throughout late summer 2017, but neither potential buyer provided a binding offer for the purchase of the Company.

10. Without a viable purchaser and in the face of increasingly constrained liquidity, the Debtors engaged with the lenders under the secured credit facility (the “Secured Lenders”) regarding their willingness to fund an in-court marketing process and provide a stalking horse bid

that would establish a baseline value for the Debtors' assets against which the Debtors could solicit higher or better offers from alternative buyers. These discussions and subsequent negotiations resulted in the Debtors and Secured Lenders reaching mutual and agreeable terms for a \$40 million debtor in possession financing facility that will provide sufficient liquidity to fund these chapter 11 cases. Additionally, the Debtors and Secured Lenders are finalizing the terms of an acquisition of the Company by the Senior Lenders, in the event the Debtors' 363 sale process is unable to produce a purchaser acceptable to the Debtors and the Secured Lenders. The Debtors will file a motion for approval of bidding procedures and stalking horse protections in the near term. The Debtors commenced these chapter 11 cases to obtain sufficient capital to continue operating as a going concern and maximize value for all stakeholders pursuant to a sale transaction.

General Background

I. Organizational Structure.

11. GST AutoLeather, Inc. ("GST") is the Company's main U.S. operating entity and is the direct or indirect parent of almost all of the foreign operating entities. A chart depicting the Company's prepetition organizational structure, including the non-Debtor entities, is attached hereto as **Exhibit A**.

II. The Company's History and Business Operations.

A. The Company's Early Years/Pre-Automotive Business.

12. GST, founded in 1933 as Garden State Tanning, and Seton Company ("Seton"), a company founded in 1906 and purchased by GST in 2011, form the core of the Company. GST initially operated as a leather tannery providing leather to the upholstery and garment industries. GST did not enter the automotive industry until 1946. Seton, author of the first automotive leather specification, began servicing the automotive market in 1926. With the rise of automotive leather

upholstery, both GST and Seton exited non-automotive leather markets to focus on developing their business as automotive leather suppliers.

13. In 1980, GST partnered with Toyota Motor Corp. to become the first American supplier to learn and implement the Toyota Production System, including the practice of continuous improvement, thereby setting the stage for future growth and expansion with Japanese and American original equipment manufacturers (“OEMs”).

B. The Company’s Expansion Strategy.

14. GST began expanding internationally throughout the 1990s. Specifically, GST opened a state-of-the-art leather cutting facility in Saltillo, Mexico and a world-class leather finishing operation in Nuevo Laredo, Mexico. To add to its business base and technical skill base, GST acquired Cuinba, an automotive leather supplier in Leon, Mexico. Concurrently, Seton—which, as described below, was later acquired by GST—acquired operations in Germany and South Africa in 1994 and 1998, respectively, which operations were well-established suppliers to German OEMs. In support of its supply to Asian OEM’s, GST opened facilities in Shanghai and Zhongshan, China. Similarly, Seton established distribution in Korea.

1. The Advantage Partners Acquisition.

15. In 2008, Citibank Venture Capital and its affiliate SILLC Holdings, LLC, entered into an agreement with Advantage Partners, LLP, an Asia-based private equity firm (“Advantage Partners”), whereby Advantage Partners acquired 100 percent of GST for \$310 million. This acquisition was intended to bolster the Company’s market expansion strategies, specifically its pursuit of growth opportunities in the Chinese automotive market.

2. Acquisition of Seton Company Assets.

16. In September 2010 and January 2011, the Company entered into a two-part transaction to acquire certain assets and legal entities of Seton Acquisition, Inc., d/b/a Seton

Company, a major supplier of automotive upholstery leather components, thereby cementing its position as one of the largest automotive leather manufacturers in the world. Through the transactions, the Debtors acquired Seton's assets in North America, and legal entities in China, South Korea, Germany, Hungary, and South Africa. In the North American, Chinese, and Japanese markets, the Debtors continued to market their products as the GST brand. GST changed the branding with the Korean OEM's from Seton to GST. In the European and South African markets, products continued to be marketed under the name Seton AutoLeather, a GST AutoLeather Company.

3. The Tata International Limited Joint Venture.

17. In February 2014, the Company entered into a joint venture with Tata International, a manufacturer and exporter of non-automotive leather products based in India. The joint venture, Tata International GST AutoLeather, is headquartered in Mumbai, India with operations in Dewas, India. The joint venture provided the Company with an opportunity to better position itself to supply automotive leather products to the expanding Indian OEM market and other Asian export markets.

18. These acquisitions helped transform the Company from a primarily North American automotive leather operation into a global designer and manufacturer of automotive leather components.

C. The Company's Business Operations.

19. The Company operates across four continents and maintains its headquarters in Southfield, Michigan. As of the Petition Date, the Company employs approximately 5,600 employees worldwide, including the United States, Mexico, Japan, China, Korea, Germany, Hungary, South Africa, and Argentina. The Company supplies leather to virtually every major OEM in the automotive industry, including Audi, BMW/Mini, Daimler, Fiat Chrysler, Ford,

General Motors, Hyundai, Honda, Porsche, PSA, Nissan, Kia, Toyota and Volkswagen. In 2016, the Company had net sales of approximately \$540 million, including approximately \$273 million in North America, approximately \$142 million in Europe, approximately \$70 million in Asia, and approximately \$55 million in South Africa.

1. Description of the Automotive Supply Chain.

20. Vehicle production depends upon close coordination and integration among OEMs and multiple tiers of suppliers. Given the highly-integrated nature of the automotive industry, suppliers must coordinate production of automotive components that ultimately are incorporated into the vehicles manufactured by OEMs. Indeed, the automotive supply industry operates by “just in time” delivery, meaning timely supply from suppliers to the Company and from the Company to its customers is vital to continued operations and to avoiding significant costs associated with idling a customer’s production. More specifically, every part sold by the Company is matched to a seat or interior component that is slated to be installed into a specific vehicle on a specific date, often within a specific time slot. Tier 2 suppliers, like the Company, serve as an essential link between OEMs and downstream suppliers in the vehicle manufacturing process.

21. **Customer Requirements.** The Company’s OEM customers select the Company as their leather component supplier, specifying manufacturing and quality specifications, and pricing. As such, the customers depend on the Company to provide the leather products necessary to complete car interior assembly. These products are manufactured to strict engineering and quality specifications established by the OEM using the Company’s proprietary technology and must adhere to precise testing standards. As a result, new products typically take up to two years to engineer and develop prior to the start of production, and, in most cases, cannot easily be replaced by products from other suppliers without a significant resourcing and qualification period. For the supply chain to be successful, all interior components of the OEM’s products must be time phased

to arrive at exactly the right assembly line at exactly the right time. Any interruptions in the supply chain would seriously impact the OEMs' ability to manufacture completed automobiles for sale, idling assembly lines and causing significant damages.

22. ***Downstream Suppliers.*** To satisfy their OEM customers' requirements, the Company depends on its suppliers to provide certain raw and partially processed materials, bovine hides, and the chemicals necessary to transform them into finished products that are unique parts required by customer assembly lines. Due to extensive design, development, and certification requirements placed on the suppliers by the Company, it can take up to two years to select and certify new suppliers. Moreover, certain of the specialized components supplied to the Company can only be acquired from a limited number of global suppliers. To the extent those suppliers could not, or would not, supply their products to the Company, the Company could not manufacture its products for its OEM customers and their supply chain.

III. The Debtors' Prepetition Capital Structure.

23. As of the Petition Date, the principal amount of the Debtors' consolidated funded debt obligations (the "Prepetition Debt Obligations") totaled approximately \$196 million, comprised of: (a) approximately \$164 million of obligations under the Senior Credit Facility (as defined herein) and (b) approximately \$32 million of obligations under the Mezzanine Loan (as defined herein).

1. The Senior Credit Facility.

24. On July 11, 2014, the Debtors entered into the Credit Agreement by and among GST, as borrower, Royal Bank of Canada, as administrative agent, and the lenders from time to time party thereto (the "Senior Credit Facility"). The Senior Credit Facility provides term B loans in an initial principal amount equal to \$150 million and a revolving credit facility in an initial principal amount up to \$24 million. The Senior Credit Facility is secured by liens in substantially

all of the Debtors' assets, including that certain master intercompany note, dated as of July 11, 2014, by and among GST AutoLeather Cayman II, Ltd. ("Cayman II"), GST AutoLeather Cayman I, Ltd. ("Cayman I"), GST, and certain of GST's subsidiaries. Additionally, the Senior Credit Facility is fully and unconditionally guaranteed by GST, Cayman I, Cayman II, and Strategic Financial LLC, a wholly owned subsidiary of GST ("Strategic Financial"). The revolving credit facility accrues interest at a rate of 5.50/4.50 percent for Eurocurrency and base rate loans, respectively, payable monthly, and matures on July 11, 2019. The term B loans accrue interest at a rate of 5.50/4.50 percent for Eurocurrency and base rate loans, respectively, payable quarterly, and matures on July 11, 2020.

25. As of July 31, 2017, the maximum availability under the Senior Credit Facility had decreased to approximately \$164 million, with approximately \$140 million and \$24 million between the term B loans and revolving credit facility, respectively. As of the Petition Date, the Debtors had fully drawn the revolving credit facility.

26. As discussed in greater detail herein, the Debtors entered into a forbearance agreement with respect to the Senior Credit Facility on September 6, 2017. The forbearance agreement included a 0.5 percent forbearance fee on all of the Debtors' outstanding borrowings under the Senior Credit Facility. The Debtors elected to increase the Senior Credit Facility's principal balance in lieu of a cash payment of the forbearance fee. As of the Petition Date, the Senior Credit Facility has accrued approximately \$0.8 million of paid in kind fees.

2. The Mezzanine Loan.

27. On July 11, 2014, the Debtors entered into that certain Loan Agreement by and among GST, as borrower, and the lenders from time to time party thereto (the "Mezzanine Loan"), pursuant to which the Company incurred approximately \$30 million of initial principal indebtedness. The Mezzanine Loan accrues interest at a rate of 13.0 percent payable annually,

between 11.0 percent cash interest and 2.0 percent paid-in-kind interest and matures on January 11, 2021. The Mezzanine Loan is unsecured and is fully and unconditionally guaranteed by GST, Cayman I, Cayman II, and Strategic Financial. Moreover, pursuant to that certain subordination agreement, dated as of July 11, 2014, the Mezzanine Loan is subordinate to the Senior Credit Facility. The Mezzanine Loan has accrued approximately \$2 million of paid-in-kind interest as of the Petition Date.

3. Factoring Facilities.

28. Certain of the Debtors are party to a factoring facility with Branch Banking and Trust Company (“BB&T”), pursuant to which BB&T purchases certain of the Debtors’ receivables in North America. The Debtors and BB&T entered into the factoring agreement on May 4, 2015 (as amended, the “Factoring Facility”). The Factoring Facility provides the Debtors with advances up to \$10 million in consideration for BB&T’s purchase of certain of the Debtors’ receivables. Pursuant to the Factoring Facility, BB&T earns a factoring commission in the amount of 0.3 percent of the gross amount of each account factored thereunder, which amount is charged on the date such account is purchased by BB&T. Given the Debtors’ position at the beginning of the supply chain and the length of time it takes from when product is sent to customers and when payment for that product is received by the Debtors, the Factoring Facility provides the Debtors with certainty regarding the timing and amount of cash flows and is a vital component of their business operations.

4. SRL Facility

29. GST and three non-Debtor foreign affiliates are parties to that certain Debt Confirmation Agreement dated as of September 20, 2017 by and between Richina Leather Industrial Co., Ltd. (“RLI”), Zhongshan GST Autoleather Co., Ltd. (“GST Zhongshan”), GST (Shenyang) Autoleather Co., Ltd. (“GST Shenyang”), GST (Jiaxing) Autoleather Co., Ltd. (“GST

Jiaxing” and, together with GST Zhongshan and GST Shenyang, the “PRC Entities”), and GST (the “Debt Confirmation Agreement”), pursuant to which RLI, a supplier of leather finishing services for the Company’s Chinese operations, agreed to continue providing goods and services on credit not to exceed \$7,000,000. RLI is the Company’s sole supplier of finishing services in China and integral to the Company’s Chinese operations. The Debt Confirmation Agreement is secured by mortgages on certain equipment of GST Zhongshan and GST Shenyang and pledges of equity in each of the PRC Entities. As of the Petition Date, the Company has utilized approximately \$4.1 million of the total outstanding credit available under the Debt Confirmation Agreement.

5. Equity.

30. The majority of the Company’s outstanding equity is owned by Advantage Partners. A minority portion of the Company’s outstanding equity is owned by the Pacific Alliance Group (PAG) and certain members of management, who made equity investments in the Company.

IV. Circumstances Leading to These Chapter 11 Cases.

A. The Company’s Liquidity Constraints.

31. As discussed, the Company’s global presence and loyal customer base have not been enough to shield the Company from the effects of adverse market conditions, including selling price reductions and a decrease in new vehicle production. The principal factor behind the automobile industry’s latest wane is the sharp decline in new vehicle manufacturing. Automobile output has fallen four percent over the past year. Automobile dealers are placing fewer manufacturing orders as they try to deplete overfull inventories. Also contributing to the decline

in manufacturing are vehicles that survive longer on the road and the climbing popularity of ride-sharing services, such as Uber and Lyft, that diminish consumers' needs for their own cars.

32. Additionally, the Company experienced setbacks from the second quarter of 2016 through the second quarter of 2017 related to the launch of certain new European programs. Specifically, one of the tier suppliers violated the OEM's product validation process, resulting in the rejection by the OEM customer's supply chain of approximately 20 percent of products delivered by the Company to the OEM customer. Further, the Company incurred internal rejections due to the OEM customer changing the standards of product acceptance after the OEM design authority had already granted certain approvals. The Company was forced to redesign the product and ultimately relocate certain manufacturing processes supporting this program to its South Africa location to complete manufacturing in a manner that satisfied the changed customer leather specification. Certain similar program launches also faced obstacles due to quality related issues at the time of launch. Together, these challenges resulted in an approximately \$8 million negative impact on cash flow over the 12-month period.

33. Further, the Company continues to experience significant liquidity constraints as a result of its strained relationship with one of its suppliers in China. In 2004, the Company entered into an agreement for leather retanning and finishing services in China with a Chinese supplier. Since late 2015, the counterparty to the Company's agreement has requested additional, above-contract payments. In response to these demands, and in an effort insulate itself from possible supply disruption and resulting damage to its customer relationships, the Company began to utilize its global operations to build up a finished hide inventory supply outside of its supplier's location. The additional payment requests coupled with the investment in the protective inventory reserve resulted in approximately \$24 million in unprojected cash outlays.

34. At the same time, due to customer requirements to establish its own finishing operation, the Company began building its own finishing facility that would also eliminate its dependence on such supplier. In January 2016, the Company began planning for the new finishing facility, meeting with potential strategic partners and scouting potential locations for the plant. In November 2016, the Company entered into an agreement (the “Investment Agreement”) with Jiaxing Economic Development Authority (the “JEDA”) and a construction and rental agreement (the “Construction Agreement”) with Shanghai Jindu Investment Co., Ltd. (“Jindu”) for the construction of the finishing facility in Jiaxing, China. Pursuant to the Construction Agreement, Jindu is responsible for purchasing the land and for the cost of construction of the facility and the Company is responsible for purchasing the equipment for the facility and for renting the facility from Jindu. The Company has committed to spend approximately \$5 million for the new equipment, of which less than \$1 million has been spent to date. The Company currently projects that the Jiaxing facility will be completed in late 2017 and will be operational in early 2018.

35. The Company took additional near-term measures to reduce its dependence on certain outside suppliers. For example, beginning in late first quarter 2017, the Company began building up hide inventories in Mexico and Germany, with the goal of building sufficient inventory by the end of third quarter 2017 to be independent from outside suppliers while continuing to satisfy demand from Chinese OEMs until the Jiaxing facility is fully operational. The Company also negotiated extended terms with major hide suppliers to support this production. However, the Company began to unwind its commitments to build an inventory surplus in late July 2017, as liquidity became constrained.

B. Retention of Restructuring Advisors.

36. In June 2017, following an 11-month marketing process and in the face of increasing concerns regarding feasibility of a sale transaction, the Debtors sought external strategic

advice and assistance, engaging Lazard as financial advisor and Kirkland & Ellis LLP (“K&E”) as legal advisor. Later, on July 9, 2017, the Debtors retained A&M as restructuring advisor.² The advisors were retained to assist the Debtors with exploring strategic alternatives.

37. Since Lazard, K&E, and A&M’s engagement, the Debtors and their advisors have engaged the major constituents in their capital structure as well as third parties regarding a value maximizing transaction effectuated either in- or out-of-court. Moreover, Lazard also solicited the Company’s stakeholders and third-parties for debtor in possession financing.

C. Restructuring Negotiations.

38. In the months leading up to the Petition Date, the Debtors entered into comprehensive restructuring negotiations with the agent under the Senior Credit Facility (the “First Lien Agent”) and the lenders under the Mezzanine Loan (the “Mezzanine Lenders”). In addition, the Debtors continued to engage potential purchasers regarding the terms of a potential out of court transaction.

39. Starting in July 2017, the Debtors’ management and advisors, including Lazard, initiated discussions with the Secured Lenders regarding potential covenant relief. As these discussions progressed and A&M and the Debtors prepared a 13-week cash flow forecast, it became apparent that the Debtors’ liquidity was severely constrained. The Debtors determined that they were unable to reach an agreement with the Secured Lenders to fund an out-of-court transaction, and the Debtors did not believe that the Secured Lenders (based on discussions with such lenders) would allow a third party, including other parties within the Debtors’ capital

² A&M has relationships with parties in interest in this case including various vendors, existing lenders and potential financing sources. In the coming days, A&M will disclose its connections to the parties in interest in detail in the Debtors’ application for an order authorizing A&M’s retention as restructuring advisor.

structure, to provide funding for an out-of-court transaction on a *pari passu* or senior basis to the Senior Credit Facility.

40. As discussions continued, the Debtors and a majority of the Secured Lenders executed a forbearance agreement (the “Forbearance Agreement”) on September 6, 2017, pursuant to which the Secured Lenders agreed to forbear from exercising remedies as a result of certain specified defaults through September 15, 2017.

41. In consideration for the Secured Lenders’ willingness to forbear, the Debtors agreed to provide the Secured Lenders with certain customary reporting. The Debtors and the Secured Lenders subsequently amended the Forbearance Agreement on September 15, 2017 and September 22, 2017, extending the forbearance period through October 2, 2017. The Debtors used this additional time to negotiate and finalize documentation regarding a \$40 million debtor in possession financing facility as described in greater detail below.

42. In parallel with the Debtors’ discussions with the First Lien Agent and Secured Lenders, the Debtors engaged with the Mezzanine Lenders and their advisors regarding the terms of a potential restructuring. As part of these discussions, the Debtors solicited a proposal for potential debtor in possession financing and discussed potential out of court restructuring options. Unfortunately, these discussions did not result in a viable restructuring alternative.

D. Customer Discussions.

43. In early September 2017, the Debtors approached certain key customers regarding the Company’s current situation and plan for a potential chapter 11 filing. Additionally, at this time, the Company began discussions with customers regarding entering into accommodation agreements during the pendency of these chapter 11 cases to comply with certain covenants under the Debtors’ DIP Facility (as defined below), including commitments not to resource or setoff. In

response to these inquiries, several of the Debtors customers organized into an ad hoc customer committee and retained KPMG to serve as advisor to the group.

E. The DIP Financing Solicitation Process.

44. In July 2017, the Debtors initiated a competitive marketing process designed to secure postpetition financing on the best available terms. As part of this process, Lazard solicited proposals for debtor in possession (“DIP”) financing from six parties in addition to the Secured Lenders and Mezzanine Lenders. With regard to the six alternative lenders contacted, the lenders expressed concern with providing the DIP financing because, among other things, the Debtors’ recent financial performance was negative, the Secured Lenders had a lien on substantially all of the Debtors’ collateral, the amount of the DIP financing needed, and the fact that much of the Company’s collateral was located outside of the U.S. Additionally, these potential lenders were not willing to engage in a priming fight with the Secured Lenders. Further, the Secured Lenders were unwilling to provide unsecured administrative credit, credit secured only by junior liens, or credit secured by foreign unencumbered assets. They were, however, willing to provide debtor in possession financing on a senior-secured basis.

45. Following receipt of the Secured Lenders’ proposal for a debtor in possession financing facility (the “DIP Facility”), the Debtors and the Secured Lenders entered into extensive, arm’s-length negotiation regarding the terms and the amount of the proposed DIP Facility. Following these negotiations, the Debtors and certain of the Secured Lenders reached an agreement on the terms of a \$40 million priming DIP Facility that will provide the Debtors with sufficient capital to administer these chapter 11 cases. The proposed DIP Facility includes a budget (the “Budget”) along with certain milestones and operational covenants, including delivery of schedules, assignments, financial statements, and weekly reports of receipts and budgeted cash usage. The Debtors believe that the DIP Facility will provide the Debtors with sufficient liquidity

to continue uninterrupted operations and bridge to the consummation of a sale transaction, and is in the best interests of all stakeholders.

V. Relief Sought in the Debtors' First Day Motions.³

46. Contemporaneously herewith, the Debtors have filed a number of First Day Motions seeking orders granting various forms of relief intended to stabilize the Debtors' business operations, facilitate the efficient administration of these chapter 11 cases, and expedite a swift and smooth sale of the Debtors. I believe that the relief requested in the First Day Motions is necessary to allow the Debtors to operate with minimal disruption during the pendency of these chapter 11 cases. A description of the relief requested in and the facts supporting each of the First Day Motions is set forth below.

A. Debtors' Motion for Entry of an Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief ("Joint Administration Motion").

47. Pursuant to the Joint Administration Motion, the Debtors request entry of an order (a) directing procedural consolidation and joint administration of these chapter 11 cases and (b) granting related relief. Given the integrated nature of the Debtors' operations, joint administration of these chapter 11 cases will provide significant administrative convenience without harming the substantive rights of any party in interest.

48. Many of the motions, hearings, and orders in these chapter 11 cases will affect each and every Debtor entity. For example, virtually all of the relief sought by the Debtors in the First Day Motions is sought on behalf of all of the Debtors. The entry of an order directing joint administration of these chapter 11 cases will reduce fees and costs by avoiding duplicative filings

³ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the respective First Day Motions.

and objections. Joint administration of these chapter 11 cases, for procedural purposes only, under a single docket, will also ease the administrative burdens on the Court by allowing the Debtors' cases to be administered as a single joint proceeding instead of six independent chapter 11 cases. Accordingly, on behalf of the Debtors, I respectfully submit that the Joint Administration Motion should be approved.

B. Debtors' Motion for Entry of an Order (I) Extending Time to File Schedules of Assets and Liabilities, Schedules of Current Income and Expenditures, Schedules of Executory Contracts and Unexpired Leases, and Statements of Financial Affairs, (II) Limiting Notice Required Under Bankruptcy Rule 2002, and (III) Granting Related Relief (the "Schedules and Statements Motion").

49. The Debtors request entry of an order granting additional time to file their schedules and statements of financial affairs (collectively, the "Schedules and Statements"). The Debtors estimate that they have more than 750 creditors on a consolidated basis. The breadth of the Debtors' business operations requires the Debtors to maintain voluminous books and records and complex accounting systems. Given the size, complexity, and geographic diversity of the Company's business operations, and the number of creditors, I submit that the large amount of information that must be assembled to prepare the Schedules and Statements and the hundreds of employee and advisor hours required to complete the Schedules and Statements would be unnecessarily burdensome to the Debtors during the period of time following the Petition Date.

50. The Debtors also request that the notices required to be provided under Bankruptcy Rule 2002(a) are limited. In the ordinary course of the Debtors' global business, the Debtors receive goods and services from both domestic and foreign vendors. While the Debtors have made a good faith effort to compile a consolidated list of their respective creditors, I submit that the Debtors do not possess the notice information for certain foreign vendors, and dedicating company resources to research such notice information would unnecessarily expend the Debtors' resources and distract the Debtors' management during the chapter 11 cases.

51. I believe that the relief requested in the Schedules and Statements Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their businesses in chapter 11 without disruption. Accordingly, on behalf of the Debtors, I respectfully submit that the Schedules and Statements Motion should be approved.

C. Debtors' Application for Entry of an Order (I) Authorizing and Approving the Appointment of Epiq Bankruptcy Solutions, LLC as Claims and Noticing Agent and (II) Granting Related Relief (the "Claims Agent Application").

52. Pursuant to the Claims Agent Application, the Debtors seek entry of an order appointing Epiq Bankruptcy Solutions, LLC as the Claims and Noticing Agent for the Debtors in their chapter 11 cases, including assuming full responsibility for the distribution of notices and the maintenance, processing, and docketing of proofs of claim filed in these chapter 11 cases.

53. In accordance with the Claims Agent Protocol, prior to the selection of Epiq, the Debtors reviewed and compared engagement proposals from three court-approved claims and noticing agents, including Epiq, to ensure selection through a competitive process. I believe, based on the engagement proposals obtained and reviewed, that Epiq's rates are competitive and reasonable given Epiq's quality of services and expertise. Further, Epiq's global operations and international experience will provide the Debtors with seamless worldwide services that mirror their worldwide operations.

54. Given the complexity of these chapter 11 cases and the number of creditors and other parties in interest involved in these chapter 11 cases, I believe that appointing Epiq Bankruptcy Solutions, LLC as the notice and claims agent in these chapter 11 cases will maximize the value of the Debtors' estates for all its stakeholders.

D. Debtors' Motion for Entry of an Order (I) Authorizing the Debtors to File a Consolidated List of Creditors in Lieu of Submitting a Separate Mailing Matrix for Each Debtor, (II) Authorizing the Debtors to Modify Certain Personal Identification Information for Individual Creditors, (III) Limiting Notice Required under Bankruptcy Rule 2002, and (IV) Granting Related Relief (the "Creditor Matrix Motion").

55. Pursuant to the Creditor Matrix Motion, the Debtors seek entry of an order (a) authorizing the Debtors to file a consolidated list of creditors in lieu of submitting separate mailing matrices for each Debtor, (b) authorizing the Debtors to modify certain personal identification information for individual creditors, and (c) limiting notice required under Bankruptcy Rule 2002. Because requiring the Debtors to segregate and convert their computerized records to a Debtor-specific creditor matrix format would be an unnecessarily burdensome task and result in duplicate mailings, I believe that permitting the Debtors to maintain a single consolidated list of creditors, in lieu of filing a separate creditor matrix for each Debtor, will maximize the value of the Debtors' estates and is in the interests of all of the Debtors' stakeholders. Moreover, I believe that cause exists to authorize the Debtors to modify the address information of individual creditors—many of whom are the Debtors' employees—provided on the Creditor Matrix because such information could be used to perpetrate identity theft. Accordingly, I believe the Creditor Matrix Motion should be approved.

E. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Secured Financing Pursuant to Section 364 of the Bankruptcy Code and (B) Utilize Cash Collateral; (II) Granting Liens and Providing Superpriority Administrative Expense Status; (III) Granting Adequate Protection; (IV) Modifying the Automatic Stay; (V) Scheduling a Final Hearing; and (VI) Granting Related Relief (the "DIP Motion").

56. The DIP Motion requests authority to enter into a \$40 million senior secured DIP Facility and to continue using Cash Collateral in the ordinary course of business. I believe the DIP Facility will provide the Debtors with liquidity to stabilize and fund the Debtors' general and corporate operations during these chapter 11 cases, and attempt to execute a sale process for the benefit of all parties in interest.

57. As of the Petition Date, I believe the Debtors lack sufficient liquidity to operate. Absent entry into the DIP Facility, I believe the Debtors will have no alternative but to immediately cease operating and convert these cases to cases under chapter 7 of the Bankruptcy Code. The liquidity provided by the DIP Facility will ensure the Debtors can continue to operate in the ordinary course of business as they pursue a sale of substantially all the Debtors' assets.

58. I believe the DIP Facility was the product of an extensive, arm's-length negotiation with the DIP Lenders. As discussed in the DIP Motion and the Cohen Declaration, the DIP Facility was preceded by a competitive marketing process designed to secure postpetition financing on the best available terms. As part of this process, Lazard, the Debtors' proposed investment banker, solicited proposals for debtor in possession financing from six parties in addition to the Secured Lenders, Mezzanine Lenders, and the Debtors' sponsor. I understand that with regard to the six alternative lenders contacted, the lenders expressed concern with providing the DIP financing because, among other things, the Debtors' recent financial performance was negative, the Secured Lenders had a lien on substantially all of the Debtors' collateral, the amount of the DIP financing needed, and the fact that much of the Company's collateral was located outside of the

U.S. Additionally, I understand these potential lenders were not willing to engage in a priming fight with the Secured Lenders. Further, I understand that the Secured Lenders were unwilling to provide unsecured administrative credit, credit secured only by junior liens, or credit secured by foreign unencumbered assets. They were, however, willing to provide debtor in possession financing on a senior-secured basis.

59. Following receipt of the Secured Lenders' proposal for a DIP Facility, the Debtors and the Secured Lenders entered into extensive, arm's-length negotiation regarding the terms and the amount of the proposed DIP facility. Following these negotiations, the Debtors and certain of the Secured Lenders reached an agreement on the terms of a \$40 million priming DIP Facility that will provide the Debtors with sufficient capital to administer these chapter 11 cases. The proposed DIP Facility includes a budget (the "Budget") along with certain milestones and operational covenants. I believe that the DIP Facility will provide the Debtors with sufficient liquidity to continue uninterrupted operations and bridge to the consummation of a sale transaction, and is in the best interests of all stakeholders.

60. I believe the requested relief is necessary to avoid the immediate and irreparable harm that would otherwise result if the Debtors are denied the liquidity that would be provided by the DIP Facility pursuant to the Interim Order and the Final Order. Accordingly, I submit that the DIP Motion should be approved.

F. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue to Operate their Cash Management System, (B) Honor Certain Prepetition Obligations Related Thereto, (C) Maintain Existing Business Forms, and (D) Continue to Perform Intercompany Transactions, (II) Granting Superpriority Administrative Expense Status to Postpetition Intercompany Balances, and (III) Granting Related Relief ("Cash Management Motion").

61. Pursuant to the Cash Management Motion, the Debtors seek entry of an order (a) authorizing the Debtors to (i) continue to operate their cash management system; (ii) honor

certain prepetition obligations related thereto; (iii) maintain existing business forms in the ordinary course of business; and (iv) continue to perform intercompany transactions consistent with historical practice; (b) granting superpriority administrative expense status to postpetition intercompany balances; and (c) granting related relief.

62. The Cash Management System is comparable to the cash management systems used by similarly situated, international business enterprises to manage the cash of operating units located across the globe. The Company uses the Cash Management System in the ordinary course of its businesses to collect, transfer, and disburse funds generated from its operations and to facilitate cash monitoring, forecasting, and reporting. The Debtors' senior management maintains daily oversight over the Cash Management System and implements cash management controls for entering, processing, and releasing funds from the Debtors' corporate headquarters in Michigan. Additionally, the Debtors' corporate accounting department reconciles the Debtors' books and records to ensure that all transfers are accounted for properly on a weekly basis.

63. I understand that the Debtors historically have engaged, in the ordinary course of business, in routine business relationships with each other and certain of their non-Debtor affiliates (collectively, the "Intercompany Transactions"), resulting in intercompany receivables and payables (collectively, the "Intercompany Claims"). Certain of the Debtors and non-Debtor affiliates are somewhat vertically integrated, with various manufacturing services provided at the non-Debtor affiliates' facilities, which services are invoiced to certain Debtors, including GST.

64. More specifically, it is my understanding that each Region operates as a mostly-independent silo, and Intercompany Transactions between Regions result in accounts receivable and accounts payable balances among the Debtors and their non-Debtor affiliates. For example, in the ordinary course of business, the Debtors and their non-Debtor affiliates engage in

intercompany trading. Rather than sourcing product from a third party, product is sourced on an intercompany basis among the Debtors and their non-Debtor affiliates. The party issuing product invoices the party receiving product and the receiving party remits payment to the issuing party. In addition, the Debtors and their non-Debtor affiliates historically remitted management fees and other reimbursements to Debtor for shared services each year.

65. In addition, I understand that, from time to time, the Debtors also have purchased materials or other resources from their Debtor and non-Debtor affiliates, which transactions resulted in *de minimis* amounts owed by the receiving Debtor or non-Debtor affiliate. The Cash Management Motion seeks authority to continue such transactions in the ordinary course of business on a postpetition basis, including the ability to satisfy outstanding prepetition amounts (the “Prepetition Payables”) owed to Debtor and non-Debtor affiliates on account of Intercompany Transactions, consistent with past practice. On average over the last six months, the Debtors owed non-Debtor affiliates approximately \$15 million on a net basis on account of Prepetition Payables. The Debtors failure to timely pay the Prepetition Payables when due could severely disrupt the non-Debtor affiliates’ operations and the enterprise as a whole.

66. Lastly, I understand that certain Debtors and non-Debtor affiliates historically have made loans to, or capital contributions in, other Debtor and non-Debtor affiliates as needed. The aggregate amount of intercompany loans extended varies each year. The Debtors providing such loans charge interest at a variable rate. Loans are repaid by wire transactions initiated to or from the Bank Accounts and are based on estimated regional cash needs per management’s discretion and local regulatory considerations.

67. I understand that each of the transfers discussed above is made on an as-needed basis in the Debtors’ sole discretion. In connection with the daily operation of the Cash

Management System, as funds are disbursed throughout the Cash Management System and as business is transacted between the Debtors and/or their non-Debtor affiliates, at any given time there may be intercompany balances owing by one Debtor to another Debtor or to a non-Debtor affiliate. The Intercompany Transactions are traceable, and the Debtors intend to account for all postpetition Intercompany Transactions in accordance with past historical practice.

68. The Debtors historically have reflected Intercompany Claims as journal entry receivables and payables, invoicing, and loan agreements, as applicable, in the respective Debtor or non-Debtor affiliate's accounting system. The Debtors track all fund transfers in their respective accounting system and reconcile cash movement globally on a weekly basis and, therefore, can ascertain, trace, and account for such Intercompany Transactions.

69. I believe that the continuation of the Debtors' Cash Management System is essential to the Debtors' business and any disruption in the Debtors' use of the Cash Management System would severely disrupt the Debtors' business. I believe that the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the Cash Management Motion should be approved.

G. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs, and (II) Granting Related Relief ("Wages Motion").

70. Pursuant to the Wages Motion, the Debtors seek entry of interim and final orders (a) authorizing the Debtors to (i) pay prepetition wages, salaries, other compensation, and reimbursable expenses and (ii) continue employee benefits programs in the ordinary course of

business, including payment of certain prepetition obligations related thereto; and (b) granting related relief.

71. As of the Petition Date, the Debtors employ approximately 67 salaried Employees in the aggregate. In addition, the Debtors also retain two Independent Contractors. The Independent Contractors are a critical supplement to the efforts of the Employees. The vast majority of Employees rely exclusively on their compensation and benefits to pay their daily living expenses and support their families, and will be exposed to significant financial constraints if the Debtors are not permitted to continue paying compensation, provide employee benefits, and maintain existing programs.

72. The Debtors seek to minimize the personal hardship the Employees would suffer if employee obligations are not paid when due or as expected. The Debtors are seeking authority to pay and honor certain prepetition claims relating to, among other things, wages, salaries, expense reimbursements, and other compensation, payroll services, federal and state withholding taxes and other amounts withheld (including garnishments, Employees' share of insurance premiums, taxes, and 401(k) contributions), health insurance, workers' compensation benefits, paid time off, other paid leave, unpaid leave, life and accidental death and dismemberment insurance, short- and long-term disability coverage, and other benefits that the Debtors have historically directly or indirectly provided to the Employees in the ordinary course of business and as further described in the Wages Motion.

73. I believe that the Employees and Independent Contractors provide the Debtors with services necessary to conduct the Debtors' business, and the Debtors believe that absent the payment of the Employee Compensation and Benefits owed to the Employees and Independent Contractors, the Debtors may experience Employee turnover and instability at this critical time in

these chapter 11 cases. Additionally, I understand that a significant portion of the value of the Debtors' business is tied to their workforce, which cannot be replaced without significant efforts—which efforts may not be successful given the overhang of these chapter 11 cases. I therefore believe that payment of certain prepetition obligations with respect to the Employee Compensation and Benefits is a necessary and critical element of the Debtors' efforts to preserve value and will give the Debtors the greatest likelihood of retention of their Employees and Independent Contractors as the Debtors seek to operate their business in these chapter 11 cases.

H. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Certain Prepetition Claims of Critical Vendors, and (II) Granting Related Relief (the "Critical Vendors Motion").

74. The Debtors request the entry of interim and final orders authorizing the Debtors to pay Critical Vendor Claims in an amount not to exceed the applicable critical vendor cap with respect to both interim and final periods. The Company supplies leather products to virtually every major OEM in the automotive industry, including Audi, BMW/Mini, Daimler, Fiat Chrysler, Ford, General Motors, Hyundai, Honda, Porsche, PSA, Nissan, Kia, Toyota, and Volkswagen.

75. The Company's OEM customers nominate the Company as their leather component supplier, specifying manufacturing and quality specifications and pricing. The customers depend on the Company to provide the leather products necessary to complete car interior assembly. These products are manufactured to strict engineering and quality specifications established by the OEM using the Company's proprietary technology, and the Company must adhere to precise testing standards. As a result, new products may take up to two years to engineer and develop prior to the start of production, and cannot easily be replaced by products from other suppliers without a significant resourcing and qualification period. For the supply chain to be successful, all interior components of the OEM's products must be time phased to arrive at exactly the right assembly

line at exactly the right time. Any interruptions in the supply chain would seriously impact the OEMs' ability to manufacture completed automobiles for sale.

76. To satisfy their OEM customers' requirements, the Company depends on its suppliers to provide certain raw and partially processed materials, bovine hides, and the chemicals necessary to transform them into finished products that are unique parts required by customer assembly lines. Due to extensive design, development, and certification requirements placed on the suppliers by the Company, it can take two years to select and certify new suppliers. Specifically, in order to approve a supplier, the Debtors' supply chain team observes the vendor's hide removal process onsite at the supplier's facilities. If the process is deemed satisfactory, the Debtors order a test quantity of the hides. Once the hides are received, they are subjected to a seven-point inspection process, which evaluates criteria such as hide thickness, insects, and smell. Only if the hides are approved, is a contract signed and a purchase order sent to the supplier. In many instances, the criteria is tailored to the specifications of a customer's particular car line. Therefore, the highly-specific sourcing method makes such vendors difficult—if not impossible—to replace on a cost-effective basis.

77. Similarly, the Debtors source chemicals that are integral to the hide treatment process—primarily dyes, re-tanning agents, pre-base, base, and top coat pigments and finishes, as well as technical fabrics commonly referred to as “foam.” These chemicals are used both in the tanning and finishing process in order to treat and improve the appearance and performance of the finished leather parts. The specialty chemical industry has a limited number of suppliers. This, coupled with the fact that chemical formulations are often specially tailored to the automotive leather industry and to the Debtors' technology, makes the Debtors' particular chemical suppliers invaluable to the Debtors. The ability to continue to source such chemicals without interruption

is vital to ensure the Debtors are able to continue their operations in the ordinary course of business postpetition. Because of the limited availability of vendors able to provide the Debtors with the specialized goods necessary to operate the business in an efficient manner, preservation of the Debtors' relationships with their existing suppliers is crucial.

78. I believe that the relief requested in the Critical Vendors Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their businesses in chapter 11 without disruption. Accordingly, on behalf of the Debtors, I respectfully submit that the Critical Vendors Motion should be approved.

I. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Prepetition Claims of Certain Foreign Vendors, Lien Claimants, and 503(b)(9) Claimants, and (II) Granting Related Relief (the "Foreign and Priority Vendors Motion").

79. The Debtors request the entry of interim and final orders authorizing the Debtors to (a) pay the prepetition claims owing to Foreign Vendors and Lien Claimants including claims on account of direct and indirect materials and services provided to the Debtors; and (b) pay the amounts owing to 503(b)(9) Claimants. The Debtors regularly transact business with Foreign Vendors in China, India, Mexico, Central and South America, South Africa, and throughout the European Union. As further described in the Foreign Vendors Motion, the Debtors must have the ability to satisfy prepetition obligations owing to certain Foreign and Priority Vendors against whom the Debtors would have difficulty enforcing the protections of the automatic stay. The Foreign Vendors supply chemicals, hides, processing services, equipment, and a variety of other specified products and services integral to hide production and the Debtors' global operations. While this international network has contributed to the Debtors' cutting-edge innovations and

reduced production costs, it leaves the Debtors particularly vulnerable to disruptions in their supply chain.

80. I believe and I am advised that Foreign Vendors often have confused and guarded reactions to United States bankruptcy laws and processes, and that there is a significant risk that the nonpayment of even a single invoice could cause a Foreign Vendor to sever its business relationship with the Debtors altogether. But even short of that, nonpayment of prepetition claims may cause Foreign Vendors to adopt a wait-and-see attitude in transacting business with the Debtors, resulting in costly delays in the shipment of necessary goods.

81. Further, only two jurisdictions in which the Foreign Vendors are located, Canada and Mexico, have adopted the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Cross-Border Insolvency and may have protective ancillary relief equivalent to a chapter 15 recognition proceeding under U.S. bankruptcy law. Despite this potential relief, the Debtors believe that there would be credible risks to the Company's employees located in or traveling to Mexico if the Debtors did not pay local vendors all prepetition amounts owed as and when due.

82. If any of the Foreign Vendors refused to ship its product to the Debtors, the Debtors' manufacturing processes would be disrupted and they would be unable to timely satisfy their customers' orders. Given the Debtors' highly sensitive supply chain and the potentially disastrous effects such supply interruption could cause to the Debtors' business and customers, I submit that payment of the Foreign Vendor Claims is essential to the continued, uninterrupted operation of the Debtors' businesses.

83. Additionally, the Debtors' business operations rely on their ability to distribute finished goods in a timely fashion. To maintain their operations and efficiently transport products,

the Debtors employ an extensive distribution network that utilizes the services of domestic Lien Claimants. Under the laws of most states, these servicers or carriers will, in certain circumstances, have a lien on the goods in their possession that secures the charges or expenses incurred in connection with the transportation of the goods or the supply of labor that improves the goods. Thus, if the Lien Claims are not satisfied, the Lien Claimants may refuse to release the Debtors' property, thereby disrupting the Debtors' product flow and operations. For these reasons, I believe that payment of the Lien Claims is essential to the continued, uninterrupted operation of the Debtors' businesses.

84. Finally, the Debtors may have received certain goods or materials from domestic vendors or suppliers within the 20-day period immediately preceding the Petition Date, thereby giving rise to the 503(b)(9) Claims. Many of the Debtors' relationships with the 503(b)(9) Claimants are not governed by long-term contracts. Rather, the Debtors obtain goods or other materials from such claimants on an order-by-order basis. As a result, a 503(b)(9) Claimant may refuse to supply new orders without payment of its 503(b)(9) Claims. Such refusal could negatively affect the Debtors' estates as the Debtors' business is dependent on the steady flow of materials for processing hides. As such, I submit that payment of the 503(b)(9) Claims is crucial to the Debtors' operating in the ordinary course during the pendency of these chapter 11 cases. The relief requested in the Foreign and Priority Vendors Motion only impacts timing of payment of the 503(b)(9) Claims, not the amount.

85. I believe that the relief requested in the Foreign and Priority Vendors Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their businesses in chapter 11 without disruption.

Accordingly, on behalf of the Debtors, I respectfully submit that the Foreign and Priority Vendors Motion should be approved.

J. Debtors' Motion for Entry of an Order (I) Authorizing the Debtors to (A) Continue Insurance Coverage Entered Into Prepetition and Satisfy Prepetition Obligations Related Thereto, (B) Renew, Amend, Supplement, Extend, or Purchase Insurance Policies, (C) Honor the Terms of Their Premium Financing Agreement and Pay Premiums Thereunder, and (D) Enter Into New Premium Financing Agreements in the Ordinary Course of Business, and (II) Granting Related Relief ("Insurance Motion").

86. Pursuant to the Insurance Motion, the Debtors seek entry of an order (a) authorizing the Debtors to (i) continue existing insurance coverage entered into prepetition and satisfy payment obligations related thereto, (ii) renew, amend, supplement, extend, or purchase insurance coverage in the ordinary course of business, (iii) honor the terms of the Premium Financing Agreement and pay premiums thereunder, (iv) enter into new premium financing agreements in the ordinary course of business; and (b) granting related relief.

87. In the ordinary course of business, the Debtors maintain 10 Insurance Policies that are administered by multiple third party Insurance Carriers. The Insurance Policies provide coverage for, among other things, the Debtors' property, general liability, automobile liability, workers' compensation, marine cargo, umbrella coverage, excess liability, foreign liability, special contingency risk liability, transportation liability, business interruption coverage, director and officers' liability, and director and officers' runoff coverage. Some, but not all, of the Insurance Policies are financed through the Premium Financing Agreement. With respect to the Insurance Policies not covered by the Premium Financing Agreement, the Debtors prepay the entire yearly premium on or around the start date of each policy period. The Debtors do not believe there are any amounts outstanding as of the Petition Date on account of the Insurance Policies or the Premium Financing Agreement. Out of an abundance of caution, the Debtors request authority to continue honoring any amounts on account of the Insurance Policies or the Premium Financing

Agreement in the ordinary course of business to ensure uninterrupted coverage under their Insurance Policies.

88. The Debtors obtain the majority of their Insurance Policies through their insurance brokers, Willis of Pennsylvania Inc., Willis of New York, Inc., Willis GMBH, Willis Japan Services KK, and Special Contingency Risks. JLT Specialty USA is broker of record with respect to the Debtors' directors' and officers' insurance policies. The Debtors do not believe there are any amounts outstanding as of the Petition Date on account of payments to their insurance brokers. However, out of an abundance of caution, the Debtors seek authority to honor any amounts owed to Willis of Pennsylvania Inc., Willis of New York, Inc., Willis GMBH, Willis Japan Services KK, Special Contingency Risks, and JLT to ensure uninterrupted coverage under their Insurance Policies.

89. Continuation and renewal of the Insurance Policies and Premium Financing Agreement and entry into new insurance policies and premium financing agreements is essential to preserving the value of the Debtors' business, properties, and assets. Moreover, in many cases, coverage provided by the Insurance Policies is required by the regulations, laws, and contracts that govern the Debtors' commercial activities, including the requirements of the U.S. Trustee. I believe that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in chapter 11 without disruption. Accordingly, on behalf of the Debtors, I respectfully submit that the Insurance Motion should be approved.

K. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Payment of Certain Prepetition Taxes and Fees and (II) Granting Related Relief ("Taxes Motion").

90. The Taxes Motion seeks the authority to remit and pay Taxes and Fees that accrued before the Petition Date and will become payable during the pendency of these cases. The Debtors

also request that the Court authorize applicable financial institutions, when the Debtors so request, to receive, process, honor, and pay any and all checks or electronic payment requests in respect of the Taxes and Fees.

91. In the ordinary course of business, the Debtors collect, withhold, and incur sales, use, income, and property taxes, as well as environmental and business fees, as more fully described in the Taxes Motion. The Debtors estimate that approximately \$200 in Taxes and Fees relating to the prepetition period will become due and owing to the Authorities after the Petition Date. Payment of the Taxes and Fees is critical to the Debtors' continued and uninterrupted operations. The Debtors' failure to pay prepetition Taxes and Fees may cause the Authorities to take precipitous action, including, but not limited to, conducting audits, filing liens, preventing the Debtors from doing business in certain jurisdictions, seeking to lift the automatic stay, or pursuing payment of the Taxes and Fees from the Debtors' officers and directors, all of which would greatly disrupt the Debtors' operations and ability to focus on their reorganization efforts.

92. I believe that the relief requested in the Taxes Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in chapter 11 without disruption. Accordingly, on behalf of the Debtors, I respectfully submit that the Taxes Motion should be approved.

L. Debtors' Motion for Entry of Interim and Final Orders (I) Approving the Debtors' Proposed Adequate Assurance of Payment for Future Utility Services, (II) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Services, (III) Approving the Debtors' Proposed Procedures for Resolving Adequate Assurance Requests, and (IV) Granting Related Relief ("Utilities Motion").

93. Pursuant to the Utilities Motion, the Debtors seek entry of interim and final orders (a) approving the Proposed Adequate Assurance of payment for future utility services; (b) prohibiting Utility Companies from altering, refusing, or discontinuing services; (c) approving

the Debtors' proposed procedures for resolving Additional Assurance Requests; and (d) granting related relief.

94. In connection with the operation of their businesses and management of their properties, the Debtors obtain electricity, natural gas, propane, telecommunications, water, waste management (including sewer and trash), internet, cable, and other similar services from a number of utility companies or brokers. On average, the Debtors pay approximately \$75,000 each month for third party Utility Services, calculated as a historical average from the six-month period ended August 31, 2017. To the best of the Debtors' knowledge, the Debtors do not have any existing prepayments with respect to any Utility Companies.

95. Preserving Utility Services on an uninterrupted basis is essential to the Debtors' ongoing operations and, therefore, to the success of their reorganization. Indeed, any interruption in Utility Services, even for a brief period of time, would disrupt the Debtors' ability to continue operations. I believe this disruption would adversely impact customer relationships and result in a decline in the Debtors' revenues and profits. Such a result could seriously jeopardize the Debtors' reorganization efforts and, ultimately, value and creditor recoveries. It is critical, therefore, that Utility Services continue uninterrupted during these chapter 11 cases. Accordingly, I believe that the Utilities Motion should be approved.

M. Debtors' Motion for Entry of Interim and Final Orders (I) Approving Notification and Hearing Procedures for Certain Transfers of and Declarations of Worthlessness With Respect to Common Stock and Preferred Stock and (II) Granting Related Relief ("Equity Trading Motion").

96. Pursuant to the Equity Trading Motion, the Debtors seek entry of orders (a) approving the procedures related to certain transfers of and declarations of worthlessness with respect to Common Stock and any series of Preferred Stock; (b) directing that any purchase, sale,

or other transfer of Common Stock or any series of Preferred Stock in violation of the procedures shall be null and void *ab initio*; and (c) granting related relief.

97. As of the Petition Date, the Debtors do not have any NOLs or general business credit carryforwards (the “Business Credits,” and together with NOLs, the “Tax Attributes”). However, the Debtors do anticipate future Tax Attributes for the taxable year ending December 31, 2017. Although the Debtors do not yet have an estimate of the Tax Attributes as of the end of the taxable year ending December 31, 2017, I understand that these Tax Attributes may be of significant value to the Debtors and their estates because the Debtors can carry forward the Tax Attributes to offset their future taxable income for up to 20 years, thereby reducing their future aggregate tax obligations. In addition, such Tax Attributes may be utilized by the Debtors to offset any taxable income generated by transactions consummated during these chapter 11 cases. The termination or limitation of the Tax Attributes could be materially detrimental to all parties in interest.

98. The Procedures are the mechanism by which the Debtors will monitor and object to certain transfers of Common Stock or any series of Preferred Stock to ensure preservation of the Tax Attributes. I believe that the Procedures and other relief requested in the Equity Trading Motion are critical for maximizing estate value and will inure to the benefit of all stakeholders. If no restrictions on trading are imposed as requested in the Equity Trading Motion, such trading or deductions could severely limit or even eliminate the Debtors’ ability to utilize the Tax Attributes. I believe that the loss of these valuable estate assets could lead to significant negative consequences for the Debtors, their estates, their stakeholders, and the overall chapter 11 process. Accordingly, on behalf of the Debtors, I respectfully submit the Court should grant the relief requested in the Equity Trading Motion.

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: October 3, 2017



Jonathan Hickman
GST AutoLeather, Inc.
Chief Restructuring Officer