

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

In re

ADVANTAGE HOLDCO, INC., *et al.*,

Debtors.¹

Chapter 11

Case No. 20-11259 (JTD)

(Joint Administration Requested)

**DECLARATION OF ALFRED C. FARRELL, CHIEF FINANCIAL OFFICER OF
ADVANTAGE HOLDCO, INC., IN SUPPORT OF CHAPTER 11 PETITIONS
AND FIRST DAY PLEADINGS**

Under 28 U.S.C. § 1764, Alfred C. Farrell declares as follows under the penalty of perjury:

1. I am the Chief Financial Officer ("**CFO**") and a member of the board of directors of Advantage Holdco, Inc. ("**Holdco**"), which is incorporated in Delaware and is the parent corporation of the other debtors and debtors in possession (collectively, the "**Debtors**" or the "**Company**") in the above-captioned chapter 11 cases (collectively, the "**Chapter 11 Cases**"). I am authorized to submit this declaration (the "**First Day Declaration**") on behalf of the Debtors.

2. As CFO, I am responsible for overseeing the financial operations of the Debtors, including, but not limited to, monitoring cash flow, business relationships, operations, fleet and workforce issues, and financial planning. As a result of my tenure with the Debtors, my review of public and non-public documents, and my discussions with other members of the Debtors' management team, I am generally familiar with the Debtors' businesses, financial condition, policies and procedures, day-to-day operations, and books and records. Except as otherwise

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Advantage Holdco, Inc. (4832); Advantage Opco, LLC (9101); Advantage Vehicles LLC (6217); E-Z Rent A Car, LLC (2538); Central Florida Paint & Body, LLC (1183); Advantage Vehicle Financing LLC (7263); and RAC Vehicle Financing, LLC (8375). The Debtors' address is 2003 McCoy Road, Orlando, Florida 32809.

noted, I have personal knowledge of the matters set forth herein or have gained knowledge of such matters from the Debtors' employees² or retained advisers that report to me in the ordinary course of my responsibilities. I am authorized by each of the Debtors to submit this First Day Declaration. References to the Bankruptcy Code (as hereafter defined), the chapter 11 process, and related legal matters are based on my understanding of such matters in reliance on the explanation provided by, and the advice of, counsel. If called upon to testify, I would testify competently to the facts set forth in this First Day Declaration.

3. On May 27, 2020, (the "**Petition Date**"), each of the Debtors filed voluntary petitions for relief in the United States Bankruptcy Court for the District of Delaware (the "**Court**"). The Debtors will continue to operate their businesses and manage their properties as debtors in possession. The Debtors have filed these cases in order to effectuate an expedited auction, sale, and assignment of substantially all of their assets (the "**Sale**"). In addition to the Sale, the Debtors intend to reject burdensome contracts and leases.

4. I submit this First Day Declaration on behalf of the Debtors in support of the Debtors' (a) voluntary petitions for relief that were filed under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the "**Bankruptcy Code**"), and (b) "first-day" motions, pleadings, and other papers which are being filed concurrently herewith

² As described in greater detail in the Debtors' Motion for Entry of Order Under 11 U.S.C. §§ 105(a), 363(b), 363(c), 364, 507(a), 541, 1107(a) and 1108 and Fed. R. Bankr. P. 6003(I) Authorizing Payment of Certain Prepetition Workforce Obligations, Including Compensation, Benefits, Expense Reimbursements, and Related Obligations, (II) Confirming Right to Continue Workforce Programs on Postpetition Basis, (III) Authorizing Payment of Withholding and Payroll-Related Taxes, (IV) Authorizing Payment of Prepetition Claims Owed to Administrators of, or Third Party Providers Under, Workforce Programs, and (V) Directing Banks to Honor Prepetition Checks and Fund Transfers for Authorized Payments, the Debtors' employee Workforce Programs are administered on behalf of the Debtors by Insperity PEO Services, L.P., a professional employer organization.

(collectively, the “**First Day Pleadings**”).³ The Debtors seek the relief set forth in the First Day Pleadings to minimize the adverse effects of the commencement of the Chapter 11 Cases on their businesses. I have reviewed the Debtors’ petitions and the First Day Pleadings, or have otherwise had their contents explained to me, and it is my belief that the relief sought therein is essential to ensure the uninterrupted operation of the Debtors’ businesses and to successfully maximize the value of the Debtors’ estates. Absent the relief requested in each of the First Day Pleadings, I believe that the Debtors would suffer immediate and irreparable harm.

5. Part I of this First Day Declaration provides an overview of the Debtors’ businesses, organizational structure, capital structure, and significant prepetition indebtedness, as well as a discussion of the Debtors’ financial performance and the events leading to the Debtors’ chapter 11 filings. Part II affirms and incorporates the facts that support the relief requested in the First Day Pleadings.

PART I: THE COMPANY AND BUSINESS OVERVIEW

A. Company History and Overview of Operations

6. The Company is a provider of rental cars headquartered in Orlando, Florida. The Company serves primarily value conscious leisure and business travelers through its airport locations in the continental U.S. and Hawaii. The Company was formed in 2014 when certain funds affiliated with Catalyst Group, Inc. (collectively, “**Catalyst**”) acquired certain assets of Simply Wheelz, LLC d/b/a Advantage Rent a Car, which had bought the business from Hertz (“**Simply Wheelz**”) during Simply Wheelz’ chapter 11 case, *In re Simply Wheelz LLC d/b/a Advantage Rent-a-Car*, Case No. 13-03332-ee (Bankr. S.D. Miss). Today, that business operates

³ Unless otherwise defined herein, all capitalized terms used herein shall have the meanings ascribed to them elsewhere in this Declaration or in the applicable First Day Pleadings.

as Debtor Advantage Opco, LLC (“**Opco**”). After acquiring these assets, Catalyst acquired E-Z Rent A Car, another discount rental car business, based in Orlando, Florida, and, in 2015, merged that business with the assets acquired from Simply Wheelz to create the business as it is constituted today.

B. Overview of Operations and Revenues

7. The Company rents vehicles to consumers at airports located throughout the United States, as well as several hotels located in Las Vegas, Nevada. The Company operates principally in the leisure-discount segment of the rental car sector, attracting consumers with lower price points than many of its competitors. The main components of the Company’s revenue are: (a) income from vehicle rentals, (b) purchases by customers of items ancillary to such rentals such as insurance products or navigation services, and (c) sales, in the wholesale channel, of automobiles previously used in its rental fleet.

8. As of the Petition Date, the Debtors’ Workforce consisted of approximately 210 Employees. Of the Employees, approximately 106 are salaried Employees and approximately 104 are hourly Employees. Approximately 33 employees are designated as corporate employees, who are primarily located in Orlando, Florida (the “**Headquarters**”) and the remainder of whom work primarily in the field supporting the Debtors’ vehicle rental operations. The Debtors’ Workforce also currently includes approximately 8 Independent Contractors. Advantage Opco, LLC, a Debtor in these Chapter 11 Cases and a wholly owned subsidiary of Advantage Holdco, Inc., employs the Debtors’ entire Workforce, subject to the PEO arrangement under the Insperity Agreement. No Employee is represented by a collective bargaining unit.

9. In 2019, the Debtors generated revenues of approximately \$271.5 million, consisting of \$165.1 million generated from vehicle rentals and \$106.4 million generated from other rental related operating activities.

a. Airport Operations

10. The Debtors operate in 29 cities at 46 locations nationwide. With the exception of five locations that the Debtors operate out of Las Vegas hotels, the Debtors' locations are operated at airports under concession agreements negotiated with airport authorities or other supervising governmental entities (the "**Concession Agreements**"). The Debtors typically acquire Concession Agreements through a competitive bidding process whereby the Debtors propose a minimum annual guaranteed payment ("**MAG**") to the applicable airport authority or supervising governmental entity, which is then paid on a monthly basis if the bid is successful. The Concession Agreements typically have terms of at least 10-15 years and typically cannot be terminated without agreement or court process. In connection with the Concession Agreements the Debtors typically enter into real property leases with the same airport authorities or supervising governmental entities, the lengths of which are generally meant to run concurrently with the terms of the Concession Agreements.

11. Certain of the Concession Agreements and related agreements are valuable to other rental car operators looking to operate alongside other car rental operators in consolidated rental car facilities, or expand their overall geographic profiles or expand the scope of their operations in areas where they already operate. Accordingly, the Debtors have filed the Chapter 11 Cases in order to among other things monetize their station portfolio.

b. Fleet Management

12. The Debtors, historically acquired cars through a process referred to as "in-fleeting" by (a) purchasing vehicles outright, in which case the Debtors either (i) take the price risk related to reselling the vehicles or (ii) purchase the vehicles subject to repurchase programs, with fixed repurchase prices from the original manufacturer of the vehicle, or (b) leasing vehicles

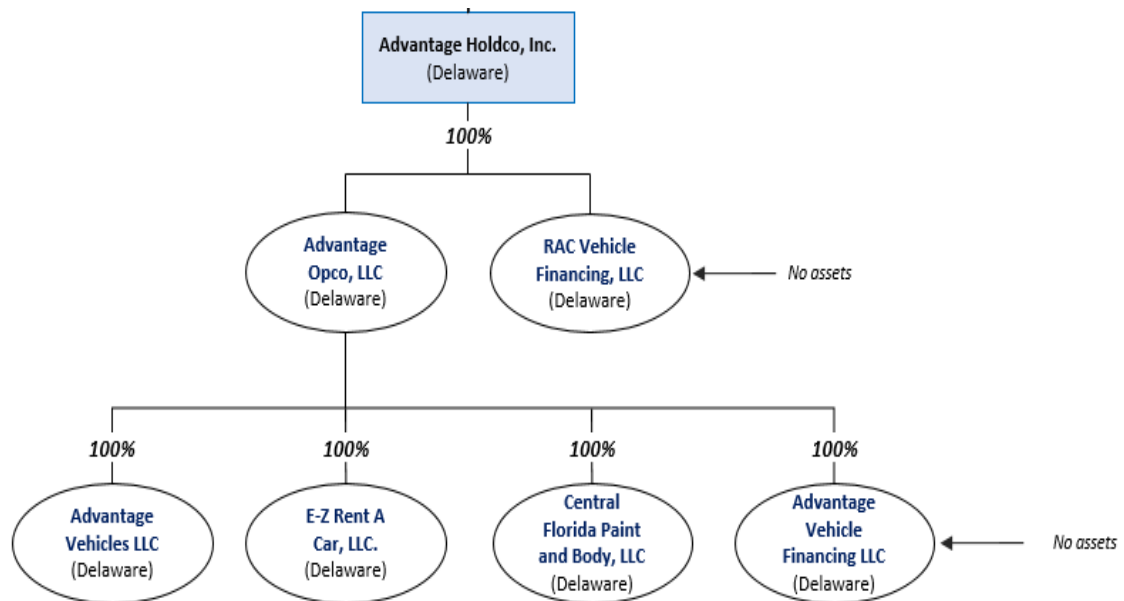
in bulk.⁴ Once in the Debtors' possession, the vehicles are then rented out to consumers, who make reservations either directly or through third-party on-line travel agents and distribution partners. The Debtors typically purchased vehicles when new models were released and kept vehicles in their fleet until they have been in the fleet for approximately 12 to 18 months in most locations, or driven approximately 50,000 miles, after which the vehicles are either returned to the manufacturers under a guaranteed depreciation program ("**Program Cars**") or sold to dealers in wholesale auctions or private sales ("**Sold Cars**").

13. With respect to Program Cars, at the end of the vehicle's period of use by the Debtors, the Debtors for a contractual guaranteed repurchase price, return any such eligible vehicle to the manufacturer and as long as certain pre-agreed criteria are met; the Debtors or their lenders then receive an agreed payment from the manufacturer, which may include an incentive based on the total number of vehicles purchased.

⁴ None of the descriptions contained herein of the Vehicle Facilities (as defined below) is an admission as to the status of any such facility as a true lease or a secured credit facility or to the validity or perfection of any purported liens on the Debtors' assets, and the Debtors reserve all of their rights with respect thereto.

C. Corporate Structure

14. The below graphic provides a summary of the Debtors' corporate structure:



D. Summary of Prepetition Debt and Leases

15. As described in greater detail below, the Debtors' main prepetition obligations consist of three categories of financing and leases (which, in the aggregate, equals \$532.6 million⁵ as of the Petition Date): (1) Vehicle Facilities, (2) Other Loans, and (3) Catalyst Debt.

Instrument	Line Size / Original Amount	Amount Outstanding as of the Petition Date
1. Vehicle Facilities		
a. Vehicle Loans		
Bancorp Facility	Up to \$25 million	\$3.7 million
Element Facility	Up to \$50 million	\$11.9 million
Element RP Facility	\$25 million	\$336,554
NextGear Notes	Up to \$55 million	\$7.6 million

⁵ This amount reflects principal only and does not include accrued PIK interest or fees.

Total Vehicle Loan Amount: \$23.5 million		
b. Vehicle Leases		
HFC Facility	Up to \$225 million	\$78.9 million
Westlake Facility	Up to \$75 million	\$5.4 million
Merchants Facility	Up to \$50 million ⁶	\$17.1 million
United Rental Facility	\$3,326,000.00	\$407,978
Mike Albert Open-Ended Facility	\$1,492,962.00	\$174,179
Mike Albert Closed-Ended Facility	\$1,436,402.40	\$66,197
Creative Facility (Wells Fargo Equipment)	\$456,433.44	\$285,271
Total Vehicle Lease Amount: \$102.3 million		
2. Other Loan Not Related to Vehicle Financing		
Aberdeen Loan ⁷	\$80 million	\$30.2 million
Total Amount: \$30.2 million		
3. Catalyst Debt		
Catalyst Debt	\$374.8 million ⁸	\$374.8 million

c. Vehicle Facilities

16. The Debtors are party to a number of agreements which they use to acquire their vehicle fleet (collectively, the “**Vehicle Facilities**”). The Vehicle Facilities are variously styled as revolving credit lines or leases.⁹ The Vehicle Facilities are typically secured by first priority

⁶ Consisting of an initial \$30 million “First Tranche” and an additional \$20 million “Second Tranche” if subsequently agreed between the Debtors and Merchants.

⁷ The Aberdeen Loan is unsecured.

⁸ The promissory notes evidencing Catalyst Debt have been amended and restated at various points since December 31, 2015 to reflect payments made to Catalyst as well as new advances from Catalyst. Accordingly, the current Catalyst Debt outstanding is identical to the initial principal indicated on the most recent promissory notes.

⁹ None of the descriptions contained herein of the Vehicle Facilities is an admission as to the status of any such facility as a true lease or a secured credit facility or to the validity or perfection of any purported liens on the Debtors’ assets, and the Debtors reserve all of their rights with respect thereto.

liens on the vehicles financed using those facilities. The counterparties to the Vehicle Facilities perfect their security interests in the vehicles by either retaining the vehicle titles themselves, indicating on the title that they hold a first priority lien on the vehicles, and filing financing statements.

17. The Vehicle Facilities ostensibly styled as secured debt include:

- that certain master loan and security agreement dated as of December 19, 2016 by and between Debtors Advantage Opco, LLC and E-Z Rent a Car, LLC and The Bancorp Bank (as amended, restated, amended and restated, and supplemented from time to time, the “**Bancorp Facility**”);¹⁰
- that certain loan and security agreement dated as of March 11, 2013 by and between Debtors E-Z Rent A Car, LLC and Advantage Opco, LLC. and Gelco Corporation d/b/a GE Fleet Services (as amended, restated, amended and restated, and supplemented from time to time, the “**Element Facility**”);¹¹
- that certain third amended and restated promissory note dated as of April 17, 2018 by and between E-Z Rent A Car, Inc. and Element Fleet Corporation f/k/a Gelco Corporation (as amended, restated, amended and restated, and supplemented from time to time, the “**Element RP Facility**”);¹² and
- a series of notes dated as of October 14, 2016 by and between NextGear Capital, Inc. and certain of the Debtors (as amended, restated, amended and restated, and supplemented from time to time, collectively, the “**NextGear Notes**”).¹³

¹⁰ The Bancorp Facility is guaranteed by Debtors Central Florida Paint and Body, LLC and Advantage Holdco, Inc. As additional security for the Bancorp Facility, Debtor E-Z Rent A Car, LLC had deposited \$1,500,000 into a blocked money market account at Bancorp Bank (the “**Bancorp Security Account**”). On February 18, 2020, Bancorp exercised its rights to withdraw the funds held in the Bancorp Security Account and applied them to the balance outstanding under the Bancorp Facility. The Bancorp Security Account is now closed.

¹¹ The original primary obligor under the Element Facility was E-Z Rent A Car, Inc. and the Element Facility is guaranteed by Debtor Advantage Holdco, Inc. On April 30, 2020 Element drew \$8 million in letters of credit. Element drew the full amount of a \$5 million letter of credit collateralizing the vehicle facility and a \$3 million letter of credit in connection with the body shop services agreement and used the amount to offset a payable from Advantage.

¹² The Element RP Facility was issued as an addendum to the Element Facility specifically for the purpose of purchasing cars from General Motors under a repurchase program.

¹³ The NextGear Notes are guaranteed by Debtors Advantage Holdco, Inc., Advantage Opco LLC, and E-Z Rent A Car LLC.

18. The Vehicle Facilities ostensibly styled as leases include:

- that certain master lease agreement originally dated as of December 31, 2013 by and between HFC Acceptance, LLC and Debtors E-Z Rent A Car, LLC and Advantage Opco, LLC (now Debtors E-Z Rent A Car, LLC and Advantage Opco, LLC) (as amended, restated, amended and restated, and supplemented from time to time, the “**HFC Facility**”);¹⁴
- that certain master lease agreement dated as of March 9, 2017 by and between Westlake Flooring Company, LLC and Debtors Advantage Opco, LLC and E-Z Rent A Car LLC (as amended, restated, amended and restated, and supplemented from time to time, the “**Westlake Facility**”);¹⁵
- that certain open-end master lease agreement dated as of June 2, 2017 by and between Merchants Automotive Group, Inc. (“**Merchants**”) and Debtor Advantage Opco, LLC (as amended, restated, amended and restated, and supplemented from time to time, the “**Merchants Facility**”);
- that certain master lease agreement dated as of May 16, 2018 by and between United Rental Group, LLC d/b/a United Rental System (“**United**”) and Debtor Advantage Opco, LLC (as amended, restated, amended and restated, and supplemented from time to time, the “**United Facility**”);¹⁶
- that certain commercial motor vehicle master lease agreement (open-end) dated as of March 25, 2015 by and between Mike Albert, Ltd. (“**Mike Albert**”) and Debtor Advantage Opco, LLC (as amended, restated, amended and restated, and supplemented from time to time, the “**Mike Albert Open-Ended Facility**”);
- that certain commercial motor vehicle master lease agreement (closed-end) dated as of March 25, 2015 by and between Mike Albert and Debtor Advantage Opco, LLC (as amended, restated, amended and restated, and supplemented from time to time, the “**Mike Albert Closed-Ended Facility**”); and
- that certain equipment lease dated as of December 16, 2015 by and between Creative Bus Sales, Inc. and Debtor Advantage Opco, LLC (as amended,

¹⁴ The original primary obligor under the HFC Facility was Simply Wheelz LLC d/b/a Advantage Rent A Car. The HFC Facility is guaranteed by Debtor Advantage Holdco, Inc.

¹⁵ The Westlake Facility is guaranteed by Debtor Advantage Holdco, Inc.

¹⁶ On February 24, 2020, the Debtors received a Notice of Default and Termination from United, purporting to exercise United’s right to terminate the United Facility pursuant to the terms thereof.

restated, amended and restated, and supplemented from time to time, the **“Creative Facility”**).

19. As described above, the obligations arising under certain of the Vehicle Facilities may be secured by first priority liens on the vehicles financed using those facilities, as well as the proceeds arising from the lease, disposition, or sale of those vehicles (collectively, the **“Cash Proceeds”**). As set forth more fully in the Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to Obtain Post-Petition Secured Financing Pursuant to 11 U.S.C. §§ 105, 361, 362 and 364; (II) Granting Liens and Super-Priority Claims; and (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001, while certain lenders may have an interest in the Cash Proceeds, none of the Cash Proceeds are held in segregated accounts or subject to a blocked account agreement. Rather, all such Cash Proceeds are commingled as part of the Debtors’ ordinary course cash management system. Accordingly, the Debtors do not believe that any of the Cash Proceeds are traceable or identifiable cash collateral of any such vehicle lenders or that any such lenders have a perfected lien or interest in the Cash Proceeds.

20. Additionally, the Debtors believe that certain of the lenders under the Vehicle Facilities may be oversecured. This is because when purchasing new vehicles, the Debtors often provide a down payment of approximately 5% of the purchase price of the vehicle and then continue to make monthly payments to the lenders based on an agreed upon vehicle amortization schedule. The monthly amortization rate under these schedules tends to exceed the market rate of depreciation of the vehicles. Accordingly, the Debtors typically have equity in their vehicles when it comes time to dispose of them.

d. Other Loans

21. **Aberdeen Loan**. Debtor Advantage Opco, LLC is party to that certain Loan Agreement dated as of December 29, 2016 by and among Advantage Opco, LLC as borrower

and Aberdeen Standard Investments, Inc. as lender (as amended, restated, amended and restated, and supplemented from time to time, the “**Aberdeen Loan**”).¹⁷ The Aberdeen Loan is unsecured. The Debtors’ original obligation under the Aberdeen Loan was \$80 million and the current amount outstanding under the Aberdeen Loan is \$30.2 million.

22. Since forming the Company, Catalyst has provided the Debtors with substantial liquidity in the form of loans documented at various times through a series of promissory notes as well as by providing guarantees, letters of credit, bonds, undertakings, pledges of cash collateral or other credit support or other similar arrangements on behalf of, or for the benefit of, certain of the Debtors (the obligations thereunder are “**Credit Support Obligations**”), and together with the amounts evidenced by the promissory notes, are the “**Catalyst Debt**”), including, but not limited to:

- Promissory Note of Advantage Holdco, Inc. payable to the order of 2449276 Ontario Inc. dated as of June 29, 2018.
- Second Amended and Restated Promissory Note of Advantage Holdco, Inc. payable to the order of 2449276 Ontario Inc. dated as of June 29, 2018.
- Amended and Restated Promissory Note of Advantage Holdco, Inc. payable to the order of 2449276 Ontario Inc. dated as of November 25, 2018.
- Promissory Note of Advantage Opco, LLC payable to the order of 2449276 Ontario Inc. dated as of December 11, 2019, including Annex A.

e. Catalyst Debt

23. The Catalyst Debt is secured by liens on the assets of Debtors, each of which has guaranteed the obligations of each other Debtor thereunder. As of the Petition Date, the current

¹⁷ The original lenders under the Aberdeen Loan were Enhanced Credit Support Fund, LP, Tree Line Direct Lending, LP and Tree Line Direct Co-Investment, LP.

amount of Catalyst Debt outstanding is approximately \$374.8 million, in addition to any Credit Support Obligations incurred or that are subsequently incurred.

I. EVENTS LEADING TO THE CHAPTER 11 FILINGS

24. The Company has fixed costs (including airport costs), borrowing costs to fund the Company's fleet and high transaction costs for obtaining and processing customer reservations. This, combined with the fact that the Debtors are dependent on air travel, are a leisure/discount car rental brand in an extremely competitive market and its target clientele has embraced ride sharing alternatives to renting cars, has resulted in increased competition, tightened liquidity and declining cash as the Company's revenues came to a halt. Perhaps, most important, the COVID-19 pandemic has negatively impacted the financial performance of the Debtors by reducing revenue to substantially zero, in much the same way as it has impacted its competitors. Four publicly traded rental car companies (Hertz, Sixt SE, Europcar, and Avis) have seen their equity market values decline precipitously in recent months and Hertz and its affiliates have filed for chapter 11 protection, (Europcar has received more than a \$350 million French government led bailout.)

25. Worse yet for the Debtors, the pandemic caused the scuttling of a transaction with a strategic purchaser which would have returned significant value to their stakeholders. In March 2020, after months of negotiation, the Company neared an agreement with a potential strategic buyer (the "Strategic Purchaser") to serve as a stalking horse bidder for 15 of the Debtors' airport locations. The Debtors believed the transaction with the Strategic Purchaser would benefit creditors and allow airports and travelers new service choices. Unfortunately, on the eve of a deal, the government and public's response to the pandemic ravaged the industry (as discussed more fully below), and, on March 12, 2020, the Strategic Purchaser informed the Debtors that it would be unable to proceed with the transaction. The Debtors were also in

discussions with a number of other parties to acquire additional airport concession agreements that were not included in the Strategic Purchaser's bid and were to provide additional value. These parties also broke off their negotiations once the government's travel restrictions were imposed.

26. The pandemic exacerbated the Debtors' liquidity issues and left car rental companies almost overnight with a decline of more than 95% of previous revenues. Government mandated travel restrictions, including the closure of the United States border in March 2020 and stay-in-place orders, together with growing social isolation and travel-related fears, brought domestic and international travel to a near-halt. Our business was particularly hard hit by the decline in air travel since most of our rental locations are located at airports.

27. As travel restricted, car rental demands suddenly and dramatically reduced. Our on-airport car rental locations rely on airplane passengers for most of their customers. Major airports are reporting ninety-five percent decline in passengers. Since late March there has been virtually no revenue at some of our locations even though they have remained as an essential business.

28. The Debtors, like other car rental companies, have experienced devastating declines in their bookings, combined with an increase in cancellations, leaving the business bereft of the cash necessary to continue operating. In addition, to decreased rentals, the Debtors have incurred additional unforeseen expenses. In certain locations, lower car rental demand has resulted in airport parking lots at capacity requiring the Company (and other rental companies) to rent additional off-site parking to store vehicles. In addition, the maintenance for return vehicles has become more costly as safety and cleanliness standards have increased to avoid the spread of COVID-19. While the Debtors have taken steps to preserve liquidity, including reducing its

workforce and auto fleet, the unprecedented challenges presented by COVID-19 have battered the Debtors' financial and operational performance to the point that continuing as a going concern is in question.¹⁸

29. Funds affiliated with Catalyst provided the necessary liquidity to allow the Debtors to operate through the crisis. Catalyst supported the Company's efforts to revive the sale to the Strategic Purchaser which would have provided value to stakeholders. But, as this crisis continued and seems likely to continue for a prolonged period of time, the Debtors' renting only a nominal number of cars and it being impossible to predict when airport traffic might return to pre-pandemic levels, bankruptcy became necessary.

30. Before commencing these chapter 11 cases, the Debtors engaged Matthew Pascucci, a senior managing director, of Mackinac Partners as their Chief Restructuring Officer. In this capacity, Mr. Pascucci assessed the Debtors' operations and their prospects. Once he concluded the business was severely challenged, the Debtors approached Catalyst to provide financing to support a marketing and sales effort. Catalyst expressed a willingness to advance the requested funding but only in the form of debtor-in-possession financing.

31. Consequently, the Debtors, who have little remaining cash on hand to fund their operations, have no choice but to seek relief under the Bankruptcy Code as a means to preserve its valuable Airport Concession Agreements and maximize the value of their estates for the

¹⁸ The Company also applied for, and received, a Paycheck Protection Program ("PPP") loan from the Small Business Administration in the amount of \$9.9 million to fund certain ongoing operations, such as payroll costs, rent and utility costs in the ordinary course of business, during the COVID-19 crisis. Although the Company was eligible for the PPP loan at the time of application, due to the availability of the DIP Financing and issues facing other debtors in utilizing PPP loan proceeds during their chapter 11 cases, at the direction of the Board and Catalyst, the Company never operationally accessed the PPP loan proceeds, preserved the PPP funds in an escrow account at its bank and returned the funds prior to the commencement of these chapter 11 cases.

benefit of all stakeholders. In chapter 11, the Debtors intend to market their assets and conduct an expedited auction and sale process.

PART II: THE FIRST DAY PLEADINGS

32. In furtherance of the objective of a value-maximizing sale of the Debtors, the Debtors have sought approval of the First Day Pleadings and related orders (the “**Proposed Orders**”), and respectfully request that the Court enter the Proposed Orders granting such First Day Pleadings.¹⁹ For the avoidance of doubt, the Debtors seek authority, but not direction, to pay amounts or satisfy obligations with respect to the relief requested in any of the First Day Pleadings. A list of the First Day Pleadings is set forth below:

A. Administrative and Procedural First Day Pleadings

Joint Administration Motion

33. The Debtors are requesting that the Chapter 11 Cases be jointly administered for procedural purposes only. Each of the Debtors is affiliated with the others. Joint administration of these cases will avoid the unnecessary time and expense of duplicative motions, applications, orders and other papers and related notices that otherwise would need to be filed in all of the cases absent joint administration. Moreover, joint administration will relieve this Court of the burden of entering duplicative orders and maintaining duplicative files and will ease the burden on the U.S. Trustee in supervising these cases. Accordingly, joint administration will save considerable time and expense for all parties in interest and this Court.

¹⁹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the application First Day Motion.

Consolidated Creditors Matrix Motion

34. The Debtors seek entry of an order authorizing the Debtors to file a consolidated list of creditors in lieu of submitting separate mailing matrices for each Debtor. 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, is warranted. Requiring the Debtors to segregate and convert their computerized records to a Debtor-specific creditor matrix format would be burdensome and result in duplicate mailings.

Epiq Retention Application

35. The Debtors seek authority to retain Epiq Corporate Restructuring, LLC as claims and noticing agent in the Chapter 11 Cases. I understand that requesting such appointment is required by the rules of this Court given that the Debtors have more than 200 creditors and/or parties in interest listed on their creditor matrix. I believe that Epiq's retention is the most effective and efficient manner of noticing creditors and parties in interest of the filing of the Chapter 11 Cases and other developments in the Chapter 11 Cases. In addition, Epiq will transmit, receive, docket and maintain proofs of claim filed in connection with the Chapter 11 Cases. Accordingly, I believe that retention of Epiq, an independent third party with significant experience in this role, to act as an agent of this Court, is in the best interests of the Debtors and their estates and their creditors.

B. Operational First Day Pleadings

Cash Management Motion

36. In the ordinary course of business, the Debtors utilize a relatively straightforward cash management and disbursement system. The Cash Management System is organized in a way that respects the separate cash funding and operating needs of the Debtors. As of the

Petition Date, the Debtors maintain 18 bank Debtor Bank Accounts and 13 CDs. None of the Debtor Bank Accounts are subject to any blocked account agreements or deposit account control agreements. The proceeds from the use and sale of the Debtors' leased and financed vehicles are commingled with the Debtors' other cash in the Debtor Bank Accounts. By the Cash Management Motion, the Debtors seek entry of interim and final orders (i) authorizing, but not directing, the Debtors to continue to maintain and use their existing cash management system, including maintenance of existing bank accounts, checks, and business forms; (ii) granting the Debtors a waiver of certain bank account and related requirements of the Office of the United States Trustee for the District of Delaware to the extent that such requirements are inconsistent with the Debtors' practices under their existing cash management system or other actions described herein; (iii) authorizing, but not directing, the Debtors to continue to maintain and use their existing deposit practices notwithstanding the provisions of Bankruptcy Code Section 345(b); (iv) authorizing, but not directing, the Debtors to continue certain ordinary course intercompany transactions; (v) authorizing Debtors to open and close bank accounts; and (vi) according administrative status to postpetition intercompany claims arising from certain of such transactions.

37. 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.

Employee Wages Motion

38. By the Wage Motion, the Debtors request entry of an Interim Order and Final Order authorizing the Debtors, in their sole discretion, to pay, continue, or otherwise honor various prepetition workforce-related obligations to or for the benefit of their Workforce for compensation, benefits, and expense reimbursements under all plans, programs, and policies maintained or contributed to, and agreements entered into, by the Debtors prior to the Petition Date. In addition, the Debtors request that the Court confirms their right to continue Workforce Programs in the ordinary course of business during the pendency of these Chapter 11 Cases in the manner and to the extent that such Workforce Programs were in effect immediately prior to the filing of the Chapter 11 Cases and to make payments in connection with expenses incurred in the postpetition administration of any Workforce Program. The Debtors also request authorization to withhold payroll-related or similar taxes relating to the Prepetition Workforce Obligations including, but not limited to, all withholding taxes, social security taxes, Medicare taxes, and Employment Insurance premiums, each of which are administered under the Insperity Program. In addition, the Debtors request authorization to pay to third parties any and all amounts deducted from Employee paychecks under the Insperity Program, for payments on behalf of Employees for savings programs, benefit plans, insurance programs, and other similar programs. The Debtors also request that, with respect to any Workforce Programs that are administered, insured, or paid through a third-party administrator or provider, including Insperity, the Debtors be expressly authorized, in their discretion, to pay any prepetition claims of such administrator and provider in the ordinary course of business to insure the uninterrupted delivery of payments or other benefits to the Employees.

39. I believe that it is critically important that the Debtors continue to honor certain prepetition obligations to their Workforce in order to minimize the personal hardship that the Debtors' Workforce will suffer if those obligations are not honored as well as to prevent any harm that could occur to the Debtors if they do not maintain Workforce morale.

Utilities Motion

40. In connection with the operation of their businesses and the management of their properties, the Debtors receive Utility Services from various Utility Companies. The Utility Motion seeks Court approval of the Debtors' proposed form of adequate assurance of postpetition payment to the Utility Companies, as that term is used in section 366 of the Bankruptcy Code, approving procedures for resolving any objections by the Utility Companies relating to the Proposed Adequate Assurance, and prohibiting the Utility Companies from altering, refusing or discontinuing service to, or discriminating against, the Debtors.

41. In particular, the Debtors have proposed the establishment of a newly created, interest-bearing segregated account in which the Debtors will place a deposit of \$86,004 (which is approximately fifty percent of the estimated monthly cost of the Utility Services based on historical averages over the preceding twelve months).

42. I believe that creation of the Utility Deposit Account and the additional procedures set forth in the motion adequately protect the rights that I have been advised are provided to the Utility Companies under the Bankruptcy Code, while also protecting the Debtors' need to continue to receive, for the benefit of their estates, the Utility Services upon which their businesses depend. I also believe that any interruption in Utility Services, even for a brief period of time, would disrupt the Debtors' ability to continue operations. In my opinion, it is critical that Utility Services continue uninterrupted during the Chapter 11 Cases.

Sales Tax Motion

43. In the ordinary course of business, in connection with their operations, the Debtors are required to remit Sales Taxes to applicable Authorities. The Debtors request entry of an Interim Order and Final Order authorizing the Debtors, in their sole discretion, to remit and pay in the ordinary course of business any prepetition Sales Taxes including, without limitation, and any penalty, interest or similar charges in respect of such taxes.

44. Failure to pay the Sales Taxes to the Taxing Authorities in full and on time, thereby risking the cessation of normal relations between the Taxing Authorities and the Debtors, will make the estates worse off than they would have been having paid the Sales Taxes. It is in the best interest of the Debtors' estates that the Sales Taxes and Fees be paid on time so as to avoid administrative difficulties.

45. I have also been advised that the nonpayment of certain Sales Taxes may constitute so-called "trust fund" taxes, which are required to be collected from third parties and held in trust for payment to the Governmental Units. Such taxes are not considered property of the estates.

46. Additionally, under the laws of many states and provinces, officers and directors may be held directly or personally liable for the nonpayment of certain types of taxes. Accordingly, it is in the best interest of the Debtors' estates to eliminate the possibility that officers and directors will become subject to time-consuming and potentially damaging distractions.

Insurance Motion

47. In the ordinary course of business, the Debtors maintain certain insurance policies that are administered by the Insurance Carriers procured by the Broker, which provide coverage for, among other things, employer's liability, automobile liability, excess automobile

liability, commercial general liability, directors' and officers' and entity liability, excess directors' and officers' liability, employment practices liability, fiduciary liability, crime liability, commercial property liability, cyber security liability, and environmental liability. By the Insurance Motion, the Debtors seek to pay their Prepetition Insurance Obligations (including honoring the terms of Premium Financing Agreements), and their Prepetition Bonding Obligations.

48. The Insurance Policies are essential to the preservation of the value of the Debtors' businesses, property, and assets, and, in some cases, such coverage is required by various federal and state laws and regulations, as well as the terms of the Debtors' various commercial contracts, such as fleet leases and airport concessions. The Insurance Policies provide coverage that is typical in scope and amount for businesses within the Debtors' industry.

49. The Insurance Policies are essential to the preservation of the value of the Debtors' businesses, property and assets. Not only are some of the Insurance Policies required by various regulations, laws and contracts that govern the Debtors' commercial activities, but I am informed by counsel that failure to maintain insurance could result in conversion or dismissal of the Chapter 11 Cases or a failure to comply with applicable U.S. Trustee Guidelines.

50. The Debtors are required by certain applicable statutes, rules, and regulations to maintain the Bonding Program, pursuant to which the Debtors provide surety bonds to certain third parties to secure the Debtors' payment or performance of certain obligations, often to governmental units or other public agencies. In light of the importance of maintaining insurance coverage with respect to their business activities, the Debtors believe it is in the best interest of their estates to receive Court approval to honor their obligations under the Insurance Policies and Bonding Program.

Airport Motion

51. By the Airport Motion, the Debtors seek entry of interim and final order (i) authorizing, but not directing, the Debtors to continue to operate their on-airport locations and pay prepetition amounts owed to the various municipalities and airport authorities that own and operate such airport locations in the ordinary course of business; (ii) authorizing and directing all banks to receive, process, honor, pay and, if necessary, reissue all prepetition and post-petition checks and fund transfers, including prepetition checks and electronic payment and transfer requests that the Debtors reissue or re-request post-petition, on account of any obligations authorized to be paid. Specifically, the Debtors request authority, but not direction, in their business judgment, to pay certain prepetition claims owed to the Airport Authorities consistent with their ordinary course business practices.

52. Authorizing, but not directing, the Debtors to satisfy certain prepetition claims owed to the Airport Authorities in the ordinary course and consistent with the Debtors' past business practices will enable the Debtors to maintain their network of on-airport rental locations, maintain their good standing under their various Concession Agreements, and continue to service the needs of their customers. Accordingly, the Debtors seek authority to satisfy Concession Fees, O&M and CFC as they deem necessary in their business judgment in the ordinary course of business.

53. The Debtors have narrowly tailored the relief requested in the First Day Motions to meet their goals of: continuing their current operations while in Chapter 11 with as little disruption as possible and establishing procedures for the efficient administration of the Chapter 11 Cases.

54. I have reviewed each of the First Day Motions, Proposed Orders, and exhibits thereto (or have otherwise had their contents explained to me), and the facts set forth therein are true and correct to the best of my knowledge, information, and belief. Moreover, I believe that the relief sought in each of the First Day Motions (a) is vital to enabling the Debtors to make the transition to, and operate in, chapter 11 with minimum interruptions and disruptions to their businesses or loss of productivity or value and (b) constitutes a critical element in the Debtors' being able to successfully maximize value for the benefit of their estates; and (c) necessary to avoid irreparable harm to the Debtors' estates and creditors.

55. I hereby certify that the foregoing statements are true and correct to the best of my knowledge, information and belief, and respectfully request that all of the relief requested in the First Day Pleadings be granted, together with such other and further relief as is just.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 27th day of May, 2020.

/s/ Alfred C. Farrell

Alfred C. Farrell
Chief Financial Officer