

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re	x	Chapter 11
	:	
	:	Case No. ____ ( )
GARRETT MOTION INC., et al., <sup>1</sup>	:	
	:	Joint Administration Pending
Debtors.	:	
	x	

**DECLARATION OF SCOTT M. TANDBERG, DIRECTOR AT  
ALIXPARTNERS, LLP, IN SUPPORT OF DEBTORS’  
CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

I, Scott M. Tandberg, hereby declare under penalty of perjury:

1. I am a Director at AlixPartners, LLP (“AlixPartners”). AlixPartners was engaged in March 2020 to be a restructuring advisor for Garrett Motion Inc. and certain of its affiliated debtors and debtors-in-possession (collectively, the “Debtors”).

2. I have over 16 years of experience in financial advisory roles, specializing in restructuring situations. I have served in advisory and officer roles in chapter 11 engagements across multiple industries, including industrial and manufacturing. My experience includes, among other things, business improvement, restructurings and chapter 11 reorganizations. I have a Master of Science in Accounting degree from Brigham Young University. I am a CFA (Chartered Financial Analyst) charterholder, a Certified Public Accountant, and a Certified Insolvency and Restructuring Advisor.

<sup>1</sup> The last four digits of Garrett Motion Inc.’s tax identification number are 3189. Due to the large number of debtor entities in these Chapter 11 Cases, for which the Debtors have requested joint administration, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ proposed claims and noticing agent at <http://www.kccllc.net/garrettmotion>. The Debtors’ corporate headquarters is located at La Pièce 16, Rolle, Switzerland.



3. AlixPartners is an internationally recognized restructuring and turnaround firm with a wealth of experience in providing financial advisory services. Since its inception in 1981, AlixPartners has enjoyed an excellent reputation for financial advisory, crisis management and restructuring-related services. AlixPartners has provided similar services to debtors and other key constituents in numerous recent chapter 11 cases, including the cases of: *In re Jason Industries, Inc.*, Case No. 20-22766 (RDD) (Bankr. S.D.N.Y. 2020); *In re LSC Communications, Inc.*, Case No. 20-10950 (Bankr. S.D.N.Y. 2020); *In re Ditech Holding Corporation*, Case No. 19-10412 (Bankr. S.D.N.Y. 2019); *In re Aegean Marine Petroleum Network Inc.*, Case No. 18-13374 (MEW) (Bankr. S.D.N.Y. 2018), *In re Pacific Drilling S.A.*, Case No. 17-13193 (MEW) (Bankr. S.D.N.Y. 2017); *In re Westinghouse Electric Company LLC*, Case No. 17-10751 (MEW) (Bankr. S.D.N.Y. 2017); *In re Runway Liquidation Holdings, LLC (f/k/a BCBG Max Azria Global Holdings)*, Case No. 17-10466 (SCC) (Bankr. S.D.N.Y. 2017); *In re SquareTwo Financial Services Corporation*, Case No. 17-10659 (Bankr. S.D.N.Y. 2017); *In re Residential Capital LLC*, Case No. 12-12020 (MG) (Bankr. S.D.N.Y. 2012); *In re Motors Liquidation Company (f/k/a General Motors Corporation)*, Case No. 09-50026 (MG) (Bankr. S.D.N.Y. 2009); and *In re Dana Corporation*, Case No. 06-10354 (Bankr. S.D.N.Y. 2006).

4. In addition, I have personally been involved in the chapter 11 cases of: *In re McDermott International, Inc.*, Case No. 20-30336 (DRJ) (Bankr. S.D. Tex. 2020); *In re FTD Companies, Inc.*, Case No. 19-11240 (LSS) (Bankr. D. Del. 2019); *In re SquareTwo Financial Services Corporation*, Case No. 17-10659 (Bankr. S.D.N.Y. 2017); *In re Memorial Production Partners LP*, Case No. 17-30248 (MI) (Bankr. S.D. Tex. 2017); *In re Triangle USA Petroleum Corporation*, Case No. 16-11566 (MFW) (Bankr. D. Del. 2016); *In re Caesars Entertainment Operating Company, Inc.*, Case No. 15-01145 (ABG) (Bankr. N.D. Ill. 2015); *In re Residential*

*Capital LLC*, Case No. 12-12020 (MG) (Bankr. S.D.N.Y. 2012); *In re Trico Marine Group*, Case No. 10-12653 (BLS) (Bankr. D. Del. 2010); and *In re Xerium Technologies, Inc.*, Case No. 10-11031 (KJC) (Bankr. D. Del. 2010), in bankruptcy courts across the country.

5. I am generally familiar with the Debtors' day-to-day operations, business and financial affairs, and books and records. I submit this declaration (the "Declaration") in support of: (a) the Debtors' petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code") filed on September 20, 2020 (the "Petition Date") and (b) the various types of relief in that the Debtors have requested from the Court pursuant to the motions and applications described herein (collectively, the "First Day Motions"). The First Day Motions seek relief aimed at, among other goals: (a) preserving customer and vendor relationships; (b) maintaining the Debtors' workforce; (c) continuing the Debtors' cash management systems and other business operations; (d) using cash collateral and securing fully committed new money financing of up to \$250 million under a debtor-in-possession credit facility; and (e) establishing certain administrative procedures to facilitate a smooth transition into chapter 11. I believe that the relief sought in the First Day Motions (a) is necessary to preserve the value and productivity of the Debtors' operations, (b) is integral to the successful restructuring of the Debtors and (c) serves the best interest of the Debtors' estates, their creditors and other parties-in-interest.

6. In March 2020, the Debtors retained AlixPartners to assist in reviewing and preparing for various court-supervised restructuring processes that could be available to the Company given its global footprint and capital structure. Since AlixPartners' retention, I have worked with and overseen a team of AlixPartners professionals that has been helping the Debtors complete cash forecasting and related analyses, compile the diligence necessary to draft the First

Day Motions and otherwise prepare for the Debtors' chapter 11 cases (the "Chapter 11 Cases"). A description of the relief requested in and the facts supporting each of the First Day Motions is set forth below.

7. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, information obtained from the Debtors' management team and advisors, including the AlixPartners team working with me or under my supervision, my review of relevant documents and information concerning the Debtors' operations, financial affairs, and restructuring initiatives or my opinions based upon my experience and knowledge. If called as a witness, I would testify competently to the statements set forth in this Declaration. Capitalized terms, to the extent not defined herein, have the meanings provided in the respective First Day Motions.

### **Relief Sought in the Debtors' First Day Motions**

#### A. Administrative Motions

- i. Debtors' Motion for Entry of an Order (I) Directing Joint Administration of the Chapter 11 Cases and (II) Waiving Requirements of Section 342(c)(1) of the Bankruptcy Code and Bankruptcy Rule 1005 and 2002(a) (the "Joint Administration Motion").

8. Pursuant to the Joint Administration Motion, the Debtors request entry of an order directing the joint administration of these Chapter 11 Cases and the consolidation thereof for procedural purposes only. Given the integrated nature of the Debtors' operations, I believe joint administration of these Chapter 11 Cases will provide significant administrative convenience without harming the substantive rights of any party in interest.

9. I believe joint administration of these Chapter 11 Cases will promote efficiency and will ease the administrative burden on the Court and all parties-in-interest. Because the Debtors' financial affairs and business operations are closely related, many of the

motions, hearings and orders in these Chapter 11 Cases will affect all of the Debtors. Accordingly, I understand that joint administration will significantly reduce the volume of paper that otherwise would be filed with the Clerk of the Court, because it will avoid the preparation, replication, service and filing, as applicable, of duplicative notices, applications and orders. Joint administration will therefore render the completion of various administrative tasks less costly and will minimize the number of unnecessary delays. The relief requested by the Joint Administration Motion will also simplify supervision of the administrative aspects of these Chapter 11 Cases by the Office of the United States Trustee for the Southern District of New York (the “U.S. Trustee”).

- ii. Debtors’ Motion for Entry of an Order (I) Extending Time to File Schedules of Assets and Liabilities, Schedules of Current Income and Expenses, Schedules of Executory Contracts and Unexpired Leases and Statements of Financial Affairs, (II) Extending Time to File Rule 2015.3 Financial Reports, (III) Waiving Requirements to File the List of Equity Holders and Serve Notice of Commencement on All Equity Holders and (IV) Granting Related Relief (“Schedules and SOFAs Motion”).

10. Pursuant to the Schedules and SOFAs Motion, the Debtors seek entry of an order (a) extending the time to file schedules of assets and liabilities, schedules of current income and expenses, schedules of executory contracts and unexpired leases and statements of financial affairs (collectively, the “Schedules and Statements”) by 30 days, for a total of 44 days from the Petition Date, without prejudice to the Debtors’ ability to request additional extensions, (b) extending the deadline by which the Debtors must file their initial reports of financial information with respect to entities in which the Debtors hold a controlling or substantial interest as set forth in Bankruptcy Rule 2015.3(d) (the “2015.3 Reports”) to 30 days after the initial date set for the meeting of creditors to be held pursuant to section 341 of the Bankruptcy Code (the “341 Meeting”), without prejudice to the Debtors’ ability to request additional extensions, and

(c) waiving the requirements to (i) file a list of equity security holders and (ii) serve the notice of commencement on all equity security holders.

11. To prepare their Schedules and Statements, the Debtors, with the assistance of AlixPartners and their other advisors, have been working as expeditiously as possible to compile information from books, records and other documents pertaining to, among other things, accounts payable and receivable, real estate and capital leases, employee wages and benefits, intercompany transactions and vendor and supplier agreements which, in the aggregate, consist of thousands of claims, assets and contracts from the Debtor entities. Collecting the required information requires a substantial amount of time, energy and resources from the Debtors' personnel and professional advisors. Due to the competing demands on the Debtors and their advisors to stabilize business operations leading up to the filing of these Chapter 11 Cases and the initial post-petition period, I believe it is highly unlikely that the Debtors will be able to complete the Schedules and Statements within the initial 14-day time period. Additionally, because numerous invoices related to prepetition goods and services have not yet been received and entered into the Debtors' accounting system, it will take some time before the Debtors have access to all the information required to prepare the Schedules and Statements.

12. I am advised that several of the Debtors hold interests in certain non-Debtor subsidiaries that fall under the requirements of Bankruptcy Rule 2015.3, and thus are required to file 2015.3 Reports. I believe that because of the size, complexity and geographic scope of the Debtors' businesses the Debtors are not in a position to complete their initial 2015.3 Reports within the time required under Bankruptcy Rule 2015.3.

13. Additionally, I am advised that the Debtors must file a list of their equity security holders pursuant to Bankruptcy Rule 1007(a)(3). I believe that this requirement should

be waived as to Debtor GMI. GMI is a public company, and as of July 27, 2020 had 75,635,938 shares of common stock outstanding. I believe that preparing and filing the list of GMI's equity security holders with last known addresses is unnecessary at this time and would create an additional expense without a concomitant benefit to the Debtors' estates. Sending notices to all such parties will be expensive and time consuming and will serve little or no beneficial purpose. Equity security holders likely will know of these Chapter 11 Cases through the financial press as well as the Debtors' reporting with the United States Securities and Exchange Commission.

14. Moreover, I understand that GMI filed with its petition a list of significant holders of its outstanding common stock and that the Debtors intend to cause the notices required under Bankruptcy Rule 2002(d) to be served on registered holders of GMI's common stock. I further understand that the notices also will be posted on the case website maintained by the Debtors' proposed claims and noticing agent.

- iii. Debtors' Motion for Entry of an Order (I) Authorizing the Debtors to (A) Maintain a List of Creditors in Lieu of Submitting a Formatted Mailing Matrix (B) File a Consolidated List of the Debtors' Top 30 Creditors and (C) File under Seal Certain Personal Information for Individual Creditors and (II) Establishing Procedures for Notifying Parties of the Commencement of These Chapter 11 Cases (the "Creditor Matrix Motion").

15. Pursuant to the Creditor Matrix Motion, the Debtors seek entry of an order (i) authorizing, but not directing, the Debtors, in their sole discretion, to (a) maintain a consolidated list of creditors (the "Creditor Matrix") in lieu of submitting a separate matrix for each Debtor, (b) file a consolidated list of the Debtors' top 30 unsecured creditors (the "Top 30 Creditor List"), (c) file the portions of the Creditor Matrix containing the addresses of the Debtors' former and current employees and individual independent contractors under seal, (d) file a redacted version of the Creditor Matrix with the Debtors' corporate mailing address in place of each former and current employee's and individual independent contractor's address,

(e) provide the Debtors' claims and noticing agent, Kurtzman Carson Consultants LLC ("KCC" or the "Claims Agent") with the addresses and instruct the Claims Agent to serve the employees and individual independent contractors at their addresses, and (f) provide the sealed Creditor Matrix to the U.S. Trustee, any official committee appointed in these Chapter 11 Cases, and any other party upon Court order and (ii) establishing procedures for notifying parties of the commencement of these Chapter 11 Cases.

16. I am advised that debtors are usually required to file a list containing the name and complete address of each creditor and a list containing the name, address and claim of the creditors that hold the 20 largest unsecured claims, excluding insiders. Although these lists of creditors are often filed on a debtor-by-debtor basis, in a chapter 11 bankruptcy case involving more than one debtor, I understand that the debtors may maintain, in lieu of filing, a consolidated list of creditors and file a consolidated list of the debtors' top creditors. Here, the Debtors have over 8,700 potential creditors and other parties in interest, and the preparation of a separate list of creditors for each Debtor would be expensive, time consuming, administratively burdensome and of little incremental benefit. Additionally, converting the Debtors' computerized information to a format compatible with the matrix requirements would be a burdensome task and would greatly increase the risk of error with respect to information on computer systems maintained by the Debtors or their agents. Further, because a large number of creditors may be shared among the Debtors, the Debtors request authority to file a single, consolidated list of the 30 largest creditors. This will help alleviate administrative burdens, costs and the possibility of duplicative service.

17. The Debtors also seek authorization to file under seal portions of the Creditor Matrix containing the addresses of the Debtors' former and current employees and



independent contractors, and then file a redacted version of the Creditor Matrix that includes the Debtors' corporate mailing address in place of each former and current employee and individual contractor's address. I understand that the Debtors intend to provide the Court, its noticing agent, the U.S. Trustee, any committee appointed in these Chapter 11 Cases and any other party directed by the Court with the sealed version of the Creditor Matrix, and to instruct the Claims Agent to serve the current and former employees and independent contractors at their addresses. The Debtors believe, and I agree, that this will minimize the risk of identity theft or injury to individual employees.

- iv. Debtors' Motion for Entry of Interim and Final Orders (I) Establishing Notice and Objection Procedures for Transfers of Equity Securities and Claims of Worthless Stock Deductions and (II) Granting Related Relief (the "Tax Attributes Motion").

18. Pursuant to the Tax Attributes Motion, the Debtors seek entry of an order (a) establishing noticing and objection procedures (the "Equity Procedures") related to certain transfers of and declarations of worthlessness for federal or state tax purposes with respect to GMI's existing common stock or any beneficial ownership thereof (such record or beneficial ownership of existing common stock, the "Common Stock"), and (b) directing that any purchase, sale, or other transfer of Common Stock in violation of the Equity Procedures shall be null and void *ab initio*.

19. The Debtors believe, and I agree, that as of December 31, 2019, they have significant built-in losses that are expected to contribute to "net unrealized built-in loss" (such net unrealized built-in loss in respect of the value of assets, together with business interest expense, NOLs and certain other tax attributes, the "Tax Attributes"). Additional Tax Attributes may have been generated since December 31, 2019, the amount of which will only be determinable after the close of the Debtors' respective taxable years. I understand that the Tax

Attributes provide the potential for material future tax savings or other tax structuring possibilities in these Chapter 11 Cases because the Debtors can generally carry forward their Tax Attributes to offset future taxable income, thereby reducing their future aggregate tax obligations. Additionally, such Tax Attributes may generally be utilized by the Debtors to offset any taxable income generated by transactions consummated during these Chapter 11 Cases. Thus, the value of the Tax Attributes will inure to the benefit of all of the Debtors' stakeholders.

20. I am advised that the Internal Revenue Code limits the amount of taxable income that can be offset by the Tax Attributes in taxable years following an "ownership change." I am also advised that this limitation could severely restrict the use of the Tax Attributes, causing substantial damage to the Debtors' estates. The Equity Procedures, therefore, are the mechanism by which the Debtors propose to monitor and, if necessary, object to, certain transfers of Common Stock and declarations of worthlessness with respect to Common Stock to ensure preservation of the Tax Attributes.

21. I believe that the implementation of the Equity Procedures is necessary and appropriate to enforce the automatic stay and, critically, to preserve the value of the Tax Attributes for the benefit of the Debtors' estates. The Equity Procedures will assist the Debtors to preserve their flexibility in operating their businesses during the pendency of these Chapter 11 Cases and to implement a chapter 11 plan that makes full and efficient use of the Tax Attributes and maximizes the value of these estates.

- v. Application for an Order Appointing Kurtzman Carson Consultants LLC as Claims and Noticing Agent for the Debtors Pursuant to 28 U.S.C. § 156(c), 11 U.S.C. § 105(a), and S.D.N.Y. LBR 5075-1 Nunc Pro Tunc to the Petition Date (the "Claims Agent Application").

22. Pursuant to the Claims Agent Application, the Debtors seek entry of an order appointing KCC as the claims and noticing agent for the Debtors in connection with these

Chapter 11 Cases, including assuming full responsibility for the distribution of notices and the maintenance, processing and docketing of proofs of claim filed in the Debtors' Chapter 11 Cases.

23. I have reviewed KCC's engagement agreement, which is attached as Exhibit C to the Claims Agent Application, and the description of services that KCC has agreed to provide and the compensation and other terms of the engagement as provided in its Engagement Agreement. Based on that review, I believe that the Debtors' estates, creditors, parties-in-interest and the Court will benefit from KCC's experience and cost-effective methods. Prior to retaining KCC, the Debtors also solicited and reviewed engagement proposals from three other potential claims and noticing agents. The Debtors believe, and I agree, that KCC's rates are competitive and reasonable given KCC's quality of services and expertise, and that the appointment of KCC as claims and noticing agent is the most effective and efficient manner by which to provide noticing and claims processing services in these Chapter 11 Cases.

vi. Debtors' Motion for an Order Enforcing Sections 362, 365(e)(1) and 525 of the Bankruptcy Code ("Automatic Stay Motion").

24. Pursuant to the Automatic Stay Motion, the Debtors seek entry of an order enforcing and restating the automatic stay, *ipso facto* and antidiscrimination provisions under the Bankruptcy Code.

25. The Debtors are a leading provider of vehicle technologies for original equipment manufacturers and the aftermarket, serving customers worldwide. I understand that, as a result, the Debtors have many foreign creditors, contract counterparties and other parties-in-interest in various countries who may not be well versed in the protections and restrictions of the Bankruptcy Code. I also understand that some of these creditors do not transact business on a regular basis with companies that have filed for chapter 11, or may be unfamiliar with the scope of a debtor-in-possession's authority to conduct its business. These creditors may be unfamiliar

with the operation of the automatic stay and other provisions of the Bankruptcy Code. Accordingly, the Debtors submit, and I agree, that such circumstances warrant an order apprising parties—especially non-U.S. customers, creditors and vendors—of sections 362, 365(e)(1) and 525 of the Bankruptcy Code and the protections provided thereby.

B. Business Operation Motions

- i. Debtors’ Motion for Entry of Interim and Final Orders, Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, 503, 506, 507 and 552, (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (II) Granting Liens and Providing Claims with Superpriority Administrative Expense Status, (III) Granting Adequate Protection to the Prepetition Secured Parties, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing and (VI) Granting Related Relief (the “DIP Motion”)

26. Pursuant to the DIP Motion, the Debtors seek entry of interim and final orders (a) authorizing the Debtors to obtain senior secured superpriority postpetition financing, (b) granting liens and superpriority administrative expense claims, (c) authorizing the use of cash collateral, (d) granting adequate protection, (e) modifying the automatic stay and (f) scheduling a final hearing.

27. The Debtors’ need to obtain credit pursuant to postpetition financing is immediate and critical in order to enable the Debtors to continue operations and to administer and preserve the value of their estates during the pendency of these Chapter 11 Cases. There are several key drivers for the Debtors’ near-term liquidity issues. First and foremost, the ongoing COVID-19 pandemic has severely disrupted the Debtors’ supply chain and demand for their products. While demand for the Debtors’ products has begun to recover and the Debtors have maintained adequate liquidity to date, the demand and supply chain disruptions caused by COVID-19 have weighed on the Debtors’ liquidity and increased cash needs at Debtors and non-Debtors across the organization. Second, the Debtors have a highly leveraged capital structure

resulting from the spin off from Honeywell International Inc. (“Honeywell”), creating a significant burden on liquidity to service the debt and indemnity obligations in addition to limiting access to additional sources of liquidity. The cumulative effect of the foregoing has been to leave the Debtors with limited access to liquidity.

28. Prior to the petition date, AlixPartners worked with the Debtors and the Debtors’ other advisors to analyze the Debtors’ projected sources and uses of cash and resulting cash needs. Based on this assessment, the Debtors developed a budget (the “DIP Budget”) to assess their need for additional liquidity. The DIP Budget contains forecast line items for, among other things, customer collections, supplier payments, payroll, and other costs necessary to execute the case and support operations. I believe the DIP Budget contains the necessary and reasonably foreseeable expenses to be incurred over the forecast period in connection with the Debtors’ operations. Based on these projections, I believe the use of cash collateral alone would be insufficient to adequately cover the Debtors’ cash needs and provide confidence to the Debtors’ customers, suppliers and other partners that the Debtors will meet their obligations.

29. Maintaining an adequate reserve of liquidity is particularly important now given the inherent unpredictability and variability in demand forecasts due to the COVID-19 outbreak. Given the Debtors’ integrated supply base and the heavy reliance of the Debtors’ customers on the Debtors’ ability to seamlessly fulfill orders, any disruption due to liquidity concerns could cause severe harm to the Debtors’ customer and supplier relationships and future operations. I believe without access to the DIP Facility, the Debtors’ operations will be put at risk, consequently impacting value to stakeholders. Furthermore, based on my review of the DIP Budget and assessment of the Debtors’ cash needs, I believe the DIP facility will provide

the necessary liquidity to support Debtors' operations, which is not available through cash collateral alone.

- ii. Debtors' Motion for Entry of an Interim and Final Orders (I) Authorizing, but Not Directing, the Debtors to (A) Continue to Use Their Existing Cash Management System, Including Existing Bank Accounts, (B) Honor Certain Prepetition Obligations Related thereto and (C) Maintain Existing Bank Accounts and Utilize Existing Business Forms, (II) Waiving the Requirements of Section 345(b) and (III) Granting Related Relief (the "Cash Management Motion").

30. In the Cash Management Motion, the Debtors are seeking interim and final orders: (a) authorizing, but not directing, the Debtors, in their sole discretion, to (i) continue to use their existing cash management system (the "Cash Management System") as described in the Cash Management Motion, including existing bank accounts, (ii) honor certain prepetition obligations related thereto and (iii) continue using existing business letterhead, purchase orders, invoices, envelopes, promotional materials and other business forms and correspondence; (b) (i) authorizing the Debtors to continue to perform intercompany transactions with each other and with their non-Debtor affiliates on a postpetition basis in the ordinary course of business and consistent with historical practice and (ii) according administrative expense priority status to postpetition intercompany transactions; and (c) waiving the requirements of section 345(b) of the Bankruptcy Code to the extent such requirements are inconsistent with the Debtors' current practices.

31. As more fully described in the Cash Management Motion, the Debtors, together with their non-Debtor affiliates (collectively, the "Company"), operate globally and maintain bank accounts in over 29 countries, including the United States. I understand that, in furtherance of their integrated global business operations, the Company utilizes the Cash Management System to facilitate and monitor the collection and disbursement of funds, enable

efficient cash forecasting and reporting, maintain control over the administration of its bank accounts and transfer cash as needed to respond to these requirements.

32. The Cash Management System is similar to the systems commonly employed by complex international businesses comparable to that of the Debtors. The scope and breadth of the Debtors' operations mandates the use of the Cash Management System for a successful reorganization of the Debtors' businesses, as well as the preservation and enhancement of their going concern value.

33. I understand that the Cash Management System is largely centralized in Switzerland through Debtor Garrett Motion S  rl ("GMS"), and has several main functions: (a) cash collection, including the collection of payments made to the Debtors from revenue generated in the ordinary course of business; (b) cash disbursements to fund the Debtors' primary debt obligations and business operations, which primarily consist of payroll, capital expenditures, research and developments costs, maintenance costs and payments to vendors and service providers; and (c) cash transfers and pooling within the Company.

34. The Cash Management System consists of 169 bank accounts, which include 89 bank accounts and 80 non-Debtor bank accounts. Disbursements from the Debtor bank accounts that are made by wire transfer are manually initiated by the Debtors, while ACH transfer disbursements may be initiated either by the Debtors or by certain vendors.

35. I am advised that most of the Debtors' cash is held at banks that are on the U.S. Trustee's List of Authorized Depositories; however, 48 of the Debtor bank accounts are held at a total of 12 banks that are not on such list.

36. In the ordinary course of business, the Debtors and their non-Debtor affiliates pay, honor or allow to be deducted from the appropriate bank accounts, certain service

charges and other fees, costs and expenses charged by the banking institutions that operate their bank accounts (the “Bank Fees”). I understand that the Bank Fees currently average approximately \$75,000 per month in the aggregate (including approximately \$25,000 related to letters of credit), which are predominantly paid by Debtors. The Debtors estimate that approximately \$50,000 of accrued but unpaid Bank Fees are outstanding as of the Petition Date, in addition to approximately \$25,000 of fees relating to letters of credit.

37. The main components of the Cash Management System are (a) several cash pools with Debtor GMS as the pool leader, (b) a U.S. cash pool with Debtor Garrett Transportation I Inc. (“GTI”) as the pool leader and (c) non-cash pool accounts. Each of these components is described below. The cash-pooling system employed by the Debtors facilitates the flow of funds between and among Debtors, non-Debtors and third-parties, and enables seamless global operations by the Debtors.

38. The Company’s cash management system is largely centralized through Debtor GMS, which is the pool leader with respect to four separate cash pools at different Banks. The primary cash pool maintained by GMS is a cash pool maintained at JPMorgan Chase Bank, N.A. (the “JPM Cash Pool”). The three other cash pools maintained by GMS are: (a) a cash pool maintained at Deutsche Bank AG (the “DB Cash Pool”), (b) a cash pool maintained at BNP Paribas S.A. (the “BNP Cash Pool”) and (c) a cash pool maintained at Citibank N.A. (the “Citi Cash Pool”).

39. The JPM Cash Pool at GMS serves as a central repository for the Debtors’ funds into which the Debtors manually sweep funds from the DB Cash Pool, BNP Cash Pool, Citi Cash Pool and U.S. Cash Pool. Funds are then transferred from accounts in the JPM Cash Pool to other accounts in the system to cover expenses of Debtors and Non-Debtors as needed



in the ordinary course. Each transfer of funds through the Cash Management System is recorded as an intercompany loan between the relevant Company entities. The Debtors utilize the Citi Cash Pool to facilitate their operations in Ireland and Slovakia. The BNP Cash Pool is mostly used in connection with the Debtors' businesses in Romania, Italy and Czech Republic. The DB Cash Pool functions as the primary recipient of customer receipts paid to GMS. In addition, certain non-Debtor subsidiaries incorporated in China transfer excess cash generated through customer receipts to accounts in the JPM Cash Pool through a series of intercompany loans with GMS, resulting in a net payable from GMS.

40. As customer revenue is received in the DB Cash Pool accounts, it is manually transferred to other accounts held by GMS, either in the JPM Cash Pool or to accounts at UniCredit Bank AG Luxembourg Branch ("UniCredit") related to supply chain financing, which is further described below. Funds in the JPM Cash Pool are then used as needed by the Debtors to pay debt service costs and other costs and to fund other cash pool and standalone accounts in the name of Debtors and non-Debtors, to enable disbursements in respect of payroll and benefits obligations, vendor payments for products and services, insurance premiums, capital expenditures, lease payments and taxes. The Debtors typically minimize the amount of cash in non-Debtor bank accounts in the JPM Cash Pool, with excess cash transferred back to Debtor bank accounts.

41. The Debtors maintain a cash pool in the U.S. at JPMorgan Chase Bank, N.A., with GTI as the pool leader (the "U.S. Cash Pool"). The Debtors utilize the U.S. Cash Pool in connection with their operations in the U.S. and South America. Customer receipts in the U.S. and intercompany receivables in respect of licensing royalties are deposited into the pool leader account in the name of GTI. Funds in this account are used to make direct payments

on account of intercompany liabilities (including for the purchase of inventory from GMS) as well as to third-party vendors. This account is also used to fund other accounts in the U.S. Cash Pool for the payment of payroll and benefits obligations, vendor payments for products and services, insurance premiums, capital expenditures, lease payments and taxes. Payments of professional fees on behalf of the Debtors and indemnity payments to Honeywell are also made out of the U.S. Cash Pool, from accounts in the name of Debtors Garrett Motion and Garratt ASASCO Inc., respectively.

42. In addition to the cash pools discussed above, the Debtors also maintain local, non-cash pool Debtor Bank Accounts in the United Kingdom, Japan, Mexico and Australia (the “Local Bank Accounts”). The Local Bank Accounts collect customer receipts and make disbursements in respect of payroll and certain other costs in each local jurisdiction. While most of the Local Bank Accounts link to the JPM Cash Pool and are manually swept, certain Local Bank Accounts in the United Kingdom are used for value added tax obligations and do not link to the JPM Cash Pool.

43. I understand that, from time to time, GMS buys goods and services from various suppliers (the “Suppliers”) which gives rise to accounts receivable on the books of the Suppliers that are payable to the Suppliers by the Debtors (“Supplier Accounts Receivables”). For administrative purposes and to help manage supply chain costs, GMS entered into a buyer agreement (the “Buyer Agreement”) with UniCredit Bank AG Luxembourg Branch (“UniCredit”) whereby UniCredit may purchase, in its sole discretion, Supplier Accounts Receivables from the participating Suppliers at approximately a 1.5% discount and GMS pays UniCredit for the full amount of Supplier Accounts Receivables on applicable trade terms (the “UniCredit Obligations”) using a designated website portal (the “Supply Chain Financing”).

Arrangement”). Payments of the UniCredit Obligations are made through the manual transfer of funds from the DB Cash Pool. The Supply Chain Financing Arrangement with UniCredit is designed to improve the stability and resilience of GMS’s commercial relationships with the Suppliers and support of strategically important Suppliers by providing such Suppliers an opportunity to receive payment for goods and services prior to the applicable due dates.

44. I understand that, in the ordinary course of business, the Debtors engage in certain practices designed to accelerate realization on their customer receivables. Specifically, GMS has entered into a certain Factoring Agreement No. 01092543 (the “Factoring Agreement”) with BNP Paribas Factor S.A. (“BNPP Factor”) whereby GMS may sell certain eligible customer receivables (“Eligible Receivables”) to BNPP Factor pursuant to the terms and conditions set forth in the Factoring Agreement (the “BNPP Factoring Arrangement”). BNPP Factor maintains a factoring account in the name of GMS (the “Factoring Account”) to record all transactions related to the BNPP Factoring Arrangement. Proceeds of Eligible Receivables sold to BNPP Factor are paid by customers directly to a separate collection account maintained at and owned by BNPP Factor (the “Collection Account”).

45. The amount of Eligible Receivables that GMS is permitted to sell to BNPP Factor under the BNPP Factoring Arrangement was subject to an initial €85 million cap outstanding at any one time. Prior to the Petition Date, GMS and BNPP Factor mutually agreed to terminate a €20 million sub-facility with respect to certain German customer receivables (the “German Sub-Facility”). Following the termination of the German Sub-Facility, the maximum cap under the BNPP Factoring Arrangement will be €65 million.

46. The Factoring Agreement includes a repurchase right pursuant to which GMS has the right to request the repurchase of sold Eligible Receivables that are either (a) 60

days past due or (b) subject to an unsolved dispute for more than 30 days (the “Repurchase Right”). In addition, GMS provides an indemnity to BNPP Factor triggered upon certain events listed in the BNPP Factoring Arrangement (the “Indemnification Obligation”). GMS is also required to maintain cash in a Factoring Account sub-account maintained at and owned by BNPP Factor in an amount equal to 8% of the outstanding purchased Eligible Receivables under the BNPP Factoring Arrangement as a guarantee in respect of the Indemnification Obligation and dilution of the purchased Eligible Receivables (the “Guarantee Fund”).

47. The Debtors provide certain employees with purchase and credit cards issued by Citibank N.A. under a corporate credit card program (the “Card Program”). As of August 31, 2020, 24 purchase cards and 2,568 credit cards were issued (collectively, the “Credit Cards”). I understand that the employees use the Credit Cards for business supplies and travel and other expenses incurred on behalf of the Debtors in the ordinary course of business. Payment of costs incurred through use of the Credit Cards (the “Card Obligations”) is made once monthly to Citibank N.A. On average, approximately \$1.3 million per month is spent using the Credit Cards. As of the Petition Date, the Debtors estimate they owe approximately \$2 million with respect to the Credit Cards.

48. I understand that in China, Japan and South Korea, the Company has entered into certain supply chain financing arrangements whereby Banks will issue promissory notes (“P-Notes”) in favor of Suppliers (the “P-Notes Program”). The P-Notes Program is designed to extend the payment terms with Suppliers in these jurisdictions and enhance liquidity, by having the Banks issue P-Notes to the Suppliers on the applicable due date for an invoice, with a further promise to pay at the end of a set period. At the end of such period, the Company pays the Bank the full amount of the P-Notes (the “P-Notes Obligation”) and the Bank pays the

Supplier on account of the P-Notes. During this Extended Term, the P-Notes are freely tradable and assignable and trade at a modest discount. On average, the Company has approximately \$80 million of P-Note Obligations outstanding at any given moment, but this figure is subject to fluctuation.

49. In the ordinary course of business, the Debtors engage in routine transactions with certain of their Debtor and non-Debtor affiliates (the “Intercompany Transactions”). Certain entities, including certain Debtors, do not have their own bank accounts. For such entities, Intercompany Transactions are necessary to support the entity’s operations.

50. As business is transacted between the Debtors or between Debtors and their non-Debtor affiliates, there may arise claims owed by one entity to another as a result of Intercompany Transactions. Such claims may be settled in cash or reflected in the Debtors’ intercompany accounting system (the “Intercompany Claims”). Intercompany Claims regularly arise in the ordinary course of the Debtors’ businesses. Although the vast majority of Intercompany Claims are between Debtors, I understand that certain Intercompany Claims arise between Debtors and non-Debtors.

51. I understand that included in the scope of Intercompany Transactions are intercompany loans which result from the movement of cash through the Cash Management System in the ordinary course. The number and face amount of intercompany loans fluctuates from month to month based on the cash needs of the various Company entities. As of August 31, 2020, there were two outstanding intercompany loans made from Debtors to Non-Debtor affiliates totaling approximately \$153 million. In addition, as of August 31, 2020 there were five outstanding intercompany loans made to Debtors by Non-Debtor affiliates, totaling approximately \$110 million. Cash transferred pursuant to such loans is recorded as an

adjustment to an existing loan balance. I understand that, through the intercompany accounting system, the Debtors are able to track and record all Intercompany Claims arising as a result of Intercompany Transactions such as the intercompany loans, and that the Debtors intend to continue to track postpetition Intercompany Claims in the same manner.

52. I believe that Intercompany Transactions, such as the foregoing, are crucial to the Debtors' overall business operations. Discontinuing Intercompany Transactions would unnecessarily disrupt the Cash Management System and the Debtors' operations to the detriment of the Debtors, their creditors and other stakeholders.

53. The Debtors' inability to continue using the Cash Management System would severely, and perhaps irreparably, disrupt their operations. The Debtors' corporate and financial structure make it difficult, if not impossible, and in any event, unduly burdensome, for the Debtors to establish an entirely new system of accounts and a new cash management system for the Debtors. Thus, under the circumstances, it is my belief that maintenance of the Cash Management System is in the best interests of the Debtors' estates and creditors. Furthermore, preserving "business as usual" conditions and avoiding the enormous difficulties inevitably triggered by any substantial disruption of the Cash Management System will facilitate the Debtors' stabilization of their postpetition business operations and assist the Debtors in their reorganization efforts. I understand the Debtors will continue to maintain records with respect to all transactions so that all transactions can be readily ascertained, traced and properly recorded.

- iii. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing, but Not Directing, the Debtors to Enter Into, Continue Performing and Provide Credit Support Under Hedging and Derivative Contracts and (II) Granting Related Relief (the "Hedging Motion")

54. In the Hedging Motion, the Debtors are seeking interim and final orders providing authority, but not direction, to (a) enter into, guarantee and continue performing under

Derivative Contracts (as defined below), including rolling over, adjusting, modifying, settling, terminating, settling, guaranteeing and otherwise engaging in transactions thereunder, postpetition, so that the Debtors may continue to hedge the risk of fluctuations in interest rates and foreign currency exchange rates, and (b) provide credit support under the Derivative Contracts, including, but not limited to, posting letters of credit, entering into escrow agreements, opening and funding escrow accounts and posting collateral or margin prepayment (collectively, "Credit Support").

55. Given the impact that changes in interest rates and foreign currency exchange rates and other similar costs have on the Debtors' businesses, the Debtors mitigate the risks associated with these costs through various derivative financial contracts (collectively, and together with all similar transactions, the "Derivative Contracts"). The Debtors do not enter into Derivative Contracts for trading purposes.

56. In certain circumstances, in connection with a Derivative Contract, a party may be obligated to secure its obligations by providing Credit Support, typically in the form of cash, to the counterparty. Throughout the duration of a Derivative Contract, the Credit Support requirement is reevaluated, often resulting in one party providing additional Credit Support or the other party returning some of it. I understand that requiring Credit Support is generally consistent with market practice and that the Debtors cannot enter into Derivative Contracts without providing Credit Support.

57. I have been advised that Derivative Contracts are granted special treatment under the Bankruptcy Code and, most notably, a qualified counterparty to a Derivative Contract may terminate, liquidate and apply collateral held under a Derivative Contract upon the commencement of a bankruptcy case, notwithstanding section 365(e)(1) of the Bankruptcy

Code. In addition, I am advised that to the extent a Derivative Contract provides for such action, a non-debtor party is entitled to set off mutual debts and claims against a debtor under such Derivative Contract without needing to seek relief from the automatic stay.

58. The Derivative Contracts are immensely beneficial for the Debtors' business operations and in order to continue their business operations successfully, I believe the Debtors should be allowed to continue hedging risk through the use of Derivative Contracts. Credit Support is an integral part of these agreements and without it, I fear the Debtors will not be able to continue to benefit from the Derivative Contracts because the Debtors' counterparties may terminate them.

- iv. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing, But Not Directing, the Debtors to (A) Pay Prepetition Wages, Salaries, Employee Benefits, Prepetition Payroll Taxes and Other Compensation and (B) Maintain Employee Compensation and Benefits Programs and Pay Related Administrative Obligations, (II) Authorizing Applicable Banks and Other Financial Institutions to Honor and Process Related Checks and Transfers and (III) Granting Related Relief (the "Wages Motion").

59. The Wages Motion requests authority to pay certain prepetition amounts related to the Debtors' Employee Compensation Obligations (as defined below) and Employee Benefits Programs (as defined below) (together, the "Employee Compensation and Benefits") and to continue to pay and provide the Employee Compensation and Benefits on a postpetition basis in the ordinary course of business. In addition, the Wages Motion requests that the Debtors be authorized to pay compensation to their non-employee directors (the "Non-Employee Directors") and Temporary Employees (as defined below), in each case, in the ordinary course along with any related administrative obligations. A description of the Employee Compensation Obligations, Employee Benefits Program and Director Compensation is set forth below, and further detail is contained in the Wages Motion.



60. As of the Petition Date, the Debtors have approximately 3,510 employees in both full- and part-time positions, including salaried employees, administrative support staff and other personnel paid directly by the Debtors. Of these employees, approximately 3,280 are located outside of the United States (the “Non-U.S. Employees”), including all of the employees that are represented by collective bargaining agreements, and approximately 230 are located in the United States (the “U.S. Employees” and, together with the Non-U.S. Employees, the “Employees”). In addition to their direct Employees, the Debtors routinely engage the services of temporary employees through third-party staffing agencies (the “Temporary Employees”). As of the Petition Date the Debtors estimate that their U.S. entities currently employ approximately 4 Temporary Employees and their non-U.S. entities currently employ approximately 661 Temporary Employees. The Debtors incur a number of obligations in compensating the Employees for their services which are described in further detail in the Wages Motion, including wages, salaries, deductions and payroll taxes, severance, expense reimbursement obligations, referral and other recognition payments, sales and long-term incentive programs, non-insider continuity awards and non-insider retention awards (including any related obligations and administrative expenses, the “Employee Compensation Obligations”). The Debtors’ workforce provides a variety of manufacturing, engineering, research and development, sales, management, legal, finance, human resources, administrative and other services which I believe are essential to the ongoing operations of the Debtors’ businesses.

61. Faced with the disruption caused by the COVID-19 crisis, the Debtors have implemented partial furloughs, pay reductions and other cost-saving measures in order to avoid significant permanent layoffs and to position the Debtors and their Employees for long-

term success. For example, approximately 85% of the U.S. Employees are furloughed without pay for approximately eight, one-half-days per month through October 2, 2020. Outside of the United States, the Debtors have applied for state-funded leave where it is available, and if not available, have endeavored to provide a form of leave funded by the Debtors or permitted Employees to use any accrued vacation to cover unpaid furlough periods. In Switzerland, all Employees are subject to a 10% pay cut for the month of September. The Debtors evaluate the furlough measures implemented in all jurisdictions where they operate on an ongoing basis and expect to terminate any periods of unpaid leave or temporary pay reductions as soon as the Debtors determine it is possible to resume ordinary course operations.

62. The Debtors make payroll payments by direct deposit bank transfer to Employees' accounts<sup>2</sup>. As of the Petition Date, the Debtors estimate that they owe Employees approximately \$7.5 million in accrued and unpaid prepetition wages and salaries inclusive of employee payroll taxes and deductions related to benefit plans (the "Prepetition Unpaid Compensation"), all of which was earned within 180 days before the Petition Date. Moreover, the Debtors estimate that they owe, as of the Petition Date, approximately \$6.8 million to staffing agencies, inclusive of the compensation due to the Temporary Employees retained through such staffing agencies. In the Wages Motion, the Debtors request authority to pay the Unpaid Prepetition Compensation and prepetition amounts owed to staffing agencies with respect to Temporary Employees, as well as to continue payments of such compensation in the ordinary course of business postpetition. The Debtors also request authority in the Wages Motion to

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<sup>2</sup> Non-U.S. Employees in certain jurisdictions also receive holiday pay as provided for by local law or labor contract and/or is customary in the applicable jurisdiction, which is also paid through ordinary payroll processes as described in further detail in the Wages Motion.

continue to pay their Non-Employee Directors for their service to the Debtors in the ordinary course of business consistent with the Debtors' prepetition practices.

63. I am advised that the Debtors are also required by law to withhold from Employees' and Non-Employee Directors' wages, salaries and other compensation certain amounts related to federal, state and local income taxes and Social Security, Medicare and imputed taxes, as well as similar non-U.S. taxes, for remittance to the appropriate taxing authorities. Further, the Debtors must match from their own funds certain U.S. taxes (such as Social Security and Medicare taxes) and pay, based on a percentage of gross payroll, additional amounts for federal and state taxes, such as unemployment and disability insurance, as well as any similar obligations under the laws of the various non-U.S. jurisdictions where the Debtors operate (the "Employer Payroll Taxes" and, together with the withholdings, the "Payroll Taxes"). Additionally, the Debtors routinely deduct certain amounts from Employees' paychecks for garnishments and benefits. The Debtors estimate that there is approximately \$1.1 million of accrued Employer Payroll Taxes outstanding as of the Petition Date, which the Debtors request authority in the Wages Motion to pay or process, along with authority to continue to pay or process Payroll Taxes and deductions or garnishments on a postpetition basis, in the ordinary course of business, in accordance with their prepetition practices.

64. The Debtors also have outstanding obligations to certain Employees for reimbursable and customary out-of-pocket business expenses (the "Reimbursable Expenses"). It is my view that the Debtors' Reimbursable Expenses program serves the necessary function of ensuring the Employees do not bear costs incurred on behalf of the Debtors in connection with their employment. As of the Petition Date, the Debtors believe that they owe approximately \$35,000 in Reimbursable Expenses, and request authority in the Wages Motion to pay such unpaid

prepetition Reimbursable Expenses and to continue to pay Reimbursable Expenses in the ordinary course of business on a postpetition basis.

65. I understand that, in order to reduce turnover, incentivize non-insider Employees to recruit new qualified hires and reward non-insider Employees for meaningfully contributing to the Debtors, the Debtors award special payments under the Employee Referral, Bravo and Anniversary Gifts programs, as well as under the Sales Incentives Plans. I believe that these special payments enable the Debtors to attract new talent, reward stellar Employees and incentivize Employees to continue their employment with the Debtors. As of the Petition Date, the Debtors estimate that they owe less than \$5,000 under these programs and that \$70,000 is due to the third-party vendor administering the Anniversary Gifts program and request authority in the Wages Motion to pay such prepetition amounts as well as to continue the programs postpetition in the ordinary course of business.

66. In the ordinary course, the Debtors provide retention awards to certain non-insider Employees as well as long-term incentive awards. The value of Non-Insider Retention Awards that are outstanding as of the Petition Date and are expected to become payable during 2020 is approximately \$670,000, solely in the form of cash. Moreover, in connection with a comprehensive review and revision of the Debtors' 2020 incentive compensation programs, on June 15, 2020, the Debtors approved the grant of individual continuity awards to key Employees that provide cash payments subject to continued employment through the specified retention dates in January and July 2021. In the Wages Motion, the Debtors request authority, solely pursuant to the Final Order, to pay outstanding retention and continuity awards in accordance with their terms, as well as to continue to grant ordinary course retention awards to non-insider employees consistent with the Debtors' past

practices. The Debtors also request authority, solely pursuant to the Final Order, to settle outstanding long-term incentive awards in stock and to pay or process any related taxes.

67. The Debtors provide eligible U.S. Employees and officers of Garrett Motion Inc. with certain benefits in the event of a qualifying termination of their employment, with the level of benefits depending on the Employee's position, and, in certain cases, length of service. Severance outside of a "change in control" generally ranges from one week of continued base salary per year of service to 24 months of continued base salary and may also include a prorated annual incentive award and continued receipt of employee benefits for the same period. In the event of a qualifying termination following a "change in control," certain U.S. Employees are entitled to receive between 12 and 36 months of continued base salary along with a prorated annual incentive award and continued receipt of employee benefits for the same period (collectively with the benefits described in the preceding sentence, the "U.S. Severance Plans"). Non-U.S. Employees are eligible for varying levels of severance payments and benefits based on existing individual contracts, the policy or practice in place for the applicable jurisdiction or local applicable law (together with the U.S. Severance Plans, the "Severance Obligations"), as described in more detail in the Wages Motion.

68. I believe that the Severance Obligations are especially critical to maintaining Employee morale during these Chapter 11 Cases. In particular, the Severance Obligations play a necessary role in incentivizing Employees to continue employment with the Debtors until their services are no longer needed. The Severance Obligations provide former Employees with a crucial safety net as they search for additional employment opportunities during and immediately after their services with the Debtors are complete. In addition, local labor laws and legal requirements where the Debtors operate outside of the United States often require the

payment of severance. Moreover, former Employees based in the United States and Switzerland are required to execute a release of claims against the Debtors, and in Switzerland, a non-compete covenant, in order to obtain severance benefits, protecting the Debtors from exposure to claims from such former Employees. Continuing to honor the Severance Obligations will deter key Employees from searching elsewhere for employment, or searching prematurely, due to the perceived uncertainties raised by the Debtors' filing for Chapter 11. As of the Petition Date, the Debtors do not believe that they owe severance pay to any employee in respect of prepetition terminations of employment.

69. In addition to the Employee Compensation Obligations, the Debtors offer eligible U.S. Employees a number of employee benefits program, including medical, dental and vision plans, life insurance, disability coverage, workers' compensation, an employee assistance program, vacation and paid and unpaid leave time, retirement and savings plans (a 401(k) plan, a defined benefit pension plan and the Supplemental Savings Plan), and other employee benefits. For Non-U.S. Employees, the Debtors generally contribute, on behalf of their respective Employees, to the statutory health and social insurance systems in the Non-U.S. jurisdictions where they operate, as applicable, as well as provide certain other health and welfare benefits, including vacation and paid and unpaid leave time, as is customary in the applicable jurisdiction, provided for in a collective bargaining agreement or other labor agreement or required by local law. Certain of the Debtors' Non-U.S. Employees also participate in retirement and savings plans, including defined benefit pension plans, defined contribution pension plans and supplementary savings or retirement schemes (collectively with the employee benefits and retirement programs described in this paragraph, the "Employee Benefits Programs"). In connection with administering the Employee Benefits Programs, the Debtors utilize the services of several third-party vendors.

As of the Petition Date, the Debtors owe approximately \$4.2 million in respect of the Employee Benefits Programs, as discussed in further detail in the Wages Motion.

70. Payment of the Employee Compensation Obligations and continuation of the Employee Benefits Programs described in the Wages Motion is critical to the Debtors' ability to continue to operate their businesses. If the Debtors do not continue to timely pay and provide compensation and benefits, members of the workforce may seek alternative employment, and it would be extremely burdensome for the Debtors to replace the workforce during these Chapter 11 Cases. As a result, it is my belief that payment of the workforce obligations described in the Wages Motion is necessary for the preservation of the Debtors' estates, and the Debtors' ability to reorganize would be severely impaired if they were not honored.

71. The Debtors believe, and I agree, that the Debtors do not owe any Employee prepetition amounts in excess of the \$13,650 cap under section 507(a)(4) of the Bankruptcy Code.

- v. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing, but Not Directing, the Debtors to (A) Continue Their Insurance Policies and Pay all Obligations in Respect Thereof, and (B) Renew, Supplement, Modify or Purchase New Insurance Coverage (II) Authorizing Applicable Banks and other Financial Institutions to Honor and Process Related Checks and Transfers and (III) Granting Related Relief (the "Insurance Motion").

72. Pursuant to the Insurance Motion, the Debtors seek entry of interim and final orders (a) authorizing, but not directing, the Debtors, in their sole discretion, to (i) continue their Insurance Policies (as defined below) and pay all obligations in respect thereof, and (ii) renew, supplement, modify or purchase new Insurance Policies or obtain new insurance coverage as needed in the ordinary course of business without further Court approval and (b) authorizing applicable banks and other financial institutions to honor and process related checks and transfers.

73. Prior to the Petition Date, the Debtors maintained various liability, property and other insurance policies (whether current or expired, and together with any agreements related thereto, the “Insurance Policies”) through several different insurance carriers (together with any third-party administrators, the “Insurance Carriers”) including, but not limited to, the Insurance Policies that are currently in force with the Insurance Carriers, each of which are identified in Exhibit C to the Insurance Motion. The Insurance Policies provide the Debtors with insurance coverage for liabilities relating to, among other things, property damage and business interruption, terrorism, general liability (including excess liability), product recalls, directors’ and officers’ liability, ocean cargo, cybersecurity and technology errors, crime (fidelity) liability, business travel and personal accidents, pension trustee’s liability, workers’ compensation, automobile and trucking liability, engineering liability, environmental liability, and various other property-related and general liabilities. The Insurance Policies also include any new or similar policies entered into by the Debtors after the date hereof due to expiration or otherwise. It is my view that all of the Insurance Policies are essential to the ongoing operation of the Debtors’ businesses.

74. The aggregate amount of annual premiums on account of all of the current Insurance Policies, including amounts for any additional premium payments made in order to extend the current term of certain policies, is approximately \$48.1 million. As of the Petition Date, I understand there is approximately \$1.6 million outstanding on account of premiums, and the Debtors anticipate approximately \$1.6 million will be due within the first 30 days after the Petition Date. Failure to pay insurance premiums owed under the insurance program may harm the Debtors’ estates. I am advised that the insurance carriers may refuse to renew the Debtors’ insurance policies or attempt to terminate the Debtors’ existing insurance policies. Any



disruption to the Debtors' insurance program and any material change in the terms thereof would place additional risk on the Debtors and other parties who benefit from the Debtors' insurance program.

75. Pursuant to certain of the Insurance Policies, the Debtors may also be required to pay various other amounts including deductibles, retentions, administrative fees, and claims asserted under such policies. I am advised that the failure to pay these amounts may result in a loss of coverage under the Insurance Policies or other disputes with the Insurance Carriers over the parties' respective rights and obligations if such amounts remain unpaid. As of the Petition Date, there is approximately \$60,000 outstanding on account of such various fees and claims, which the Debtors seek to pay in full in the ordinary course. The Debtors anticipate, including amounts that will become due after the Petition Date, approximately \$60,000 will be due in respect of such various fees and claims within the first 30 days after the Petition Date.

76. The Debtors obtain their Insurance Policies through their insurance broker, Marsh Ltd. (the "Insurance Broker"). The Insurance Broker assists the Debtors in obtaining comprehensive insurance coverage for their operations in the most cost-effective manner, negotiating policy terms, provisions and premiums and providing ongoing support throughout the applicable policy periods.

77. The Debtors pay brokerage fees (the "Brokerage Fees") to the Insurance Broker for its services in the form of annual fees and/or commissions which are paid directly by the Debtors. The aggregate amount of Brokerage Fees is approximately \$150,000 annually. As of the Petition Date, the Debtors do not believe that they owe any prepetition obligations to the Insurance Broker.

78. Additionally, the Debtors rely on the services of Sedgwick International UK (the “Claims Administrator” and, collectively with the Insurance Broker, the “Insurance Service Providers”) for assistance with identifying and reviewing claims that arise under the Insurance Policies for sub-deductible property damage and business interruption losses. The Claims Administrator’s fees are assessed per claim and could vary depending on the type of claim asserted under the provided policies (such fees, the “Claims Administrator Fees” and, collectively with the Brokerage Fees, the “Insurance Service Provider Fees”). As of the Petition Date, the Debtors do not believe that they owe any Claims Administrator Fees, and have not paid any amounts for Claims Administrator Fees within the past two years.

79. I believe that continuation of the current Insurance Policies and entry into new Insurance Policies is essential to the operation of the Debtors’ businesses and is necessary to protect the Debtors from potentially catastrophic liability. I understand that the nonpayment of any premiums, deductibles, Insurance Service Provider Fees or related fees and expenses under one of the Insurance Policies could result in one or more of the Insurance Carriers terminating the existing policies, declining to renew the Insurance Policies, or refusing to enter into new insurance agreements with the Debtors in the future. If the Insurance Policies are allowed to lapse or terminate, the Debtors could be exposed to substantial liability for damages resulting to persons and property of the Debtors and others, which exposure could have an extremely negative impact on the value of the Debtors’ businesses. The Debtors would then be required to obtain replacement policies on an expedited basis at what would likely be a significantly higher cost to their estates. Furthermore, I understand that in many instances, insurance coverage is required by the regulations, laws, and contracts that govern the Debtors’

commercial activities, including the requirement of the U.S. Trustee that a debtor maintain adequate coverage given the circumstances of its chapter 11 case.

- vi. Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing but Not Directing Debtors to Pay Prepetition Taxes and Fees (II) Authorizing Applicable Banks and Other Financial Institutions to Honor and Process Related Checks and (III) Granting Related Relief (the “Taxes and Fees Motion”).

80. Pursuant to the Taxes and Fees Motion, the Debtors seek entry of an order (a) authorizing, but not directing, the Debtors, in their sole discretion, to pay (or use tax credits to offset) the Taxes and Fees (as defined below), and (b) authorizing applicable banks and other financial institutions to honor and process related checks and transfers. In the ordinary course of business, the Debtors collect, withhold and incur various sales, use, income, franchise, property, intellectual property, foreign, heavy vehicle use, fuel, commercial activity, import and customs and other taxes, duties, fees and other expenses, including tax administration obligations (collectively, the “Taxes and Fees”). The Debtors remit the Taxes and Fees to various foreign and domestic, federal, state and local government entities, service providers or tax administrators (collectively, the “Taxing Authorities”). The Debtors estimate that as of the Petition Date, they owe the following amounts for each category of Taxes and Fees:

<b>Category</b>	<b>Approximate Amount Accrued and Unpaid as of the Petition Date</b>	<b>Approximate Amount Which Will Become Due and Payable Within 30 Days of Petition date</b>
Sales and Use Taxes	\$4.6 million	\$4.6 million
Income Taxes	\$15.5 million domestic \$12.8 million foreign	\$6.1 million domestic \$500,000 foreign
Franchise Taxes	\$50,000	No amounts due within first 30 days.
Real and Personal Property Taxes	\$120,000	\$70,000
Intellectual Property Fees	\$400,000	\$280,000

<b>Category</b>	<b>Approximate Amount Accrued and Unpaid as of the Petition Date</b>	<b>Approximate Amount Which Will Become Due and Payable Within 30 Days of Petition date</b>
Import and Customs Duties	\$600,000	\$600,000
Other Taxes	\$400,000	\$360,000
Tax Administration Obligations	\$420,000	\$420,000

81. The amounts of the Taxes and Fees listed above are good faith estimates based on the Debtors' books and records and remain subject to potential audits and other adjustments. Based upon these estimates and the projected timing of when the Taxes and Fees are likely to come due, the Debtors are requesting authority to pay the above prepetition Taxes and Fees, which includes (a) Taxes and Fees accrued or incurred prepetition but not paid prepetition, or paid in an amount less than actually owed; (b) payments made prepetition by the Debtors that were lost or otherwise not received in full by any of the Taxing Authorities and (c) Taxes and Fees incurred for prepetition periods that become due after the commencement of these Chapter 11 Cases.

82. I believe that any failure by the Debtors to pay the taxes and fees could materially disrupt the Debtors' business operations. I am advised that certain taxing authorities may attempt to revoke the Debtors' licenses and permits, subject the Debtors to audits, seek to lift the automatic stay or impose liens on the Debtors' real or personal property, and that the Debtors' directors and officers could also be held personally liable for unpaid taxes and fees. Moreover, I have also been informed that taxes and fees not paid on the due date as required by law may result in fines and penalties, the accrual of interest or both, and that the Debtors collect certain taxes from third parties on behalf of Taxing Authorities, which must be held in trust for the benefit of the Taxing Authorities. I believe the relief requested in the Taxes and Fees 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.

- vii. Debtors Motion for Entry of Interim and Final Orders (I) Authorizing, but not Directing, Debtors to Pay Prepetition Claims of (A) Critical Vendors and (B) Potential Lien Claimants, (II) Confirming Administrative Expense Priority of Outstanding Orders, (III) Authorizing Applicable Banks and Other Financial Institutions to Honor and Process Related Checks and Transfers and (IV) Granting Related Relief (the "Critical Vendors Motion").

83. Pursuant to the Critical Vendor Motion, the Debtors seek entry of interim and final orders (a) authorizing, but not directing, the Debtors, in their sole discretion, to pay prepetition claims of (i) Critical Vendors (as defined below) in an amount not to exceed \$52 million on an interim basis and \$103 million on a final basis and (ii) Potential Lien Claimants (as defined below and, together with the Critical Vendors, the "Vendor Claimants"), (b) confirming administrative expense priority of outstanding orders and authorizing payment, in the ordinary course of business, of all such amounts when they come due and owing, and (c) authorizing applicable banks and other financial institutions to honor and process related checks and transfers.

84. I understand that the lifeline of the Debtors' businesses is their access to, and relationship with, their network of vendors and suppliers (the "Trade Creditors") that manufacture, sell or deliver goods, services and supplies (the "Raw Materials") that the Debtors use to operate their production facilities and ultimately, to generate revenue through production of customers' finished products (the "Finished Products").

85. Most of the Raw Materials are high-turnover production inputs of which the Debtors have limited inventories on hand. I understand that, if the Trade Creditors reduce the volume or timeliness of deliveries, the Debtors will be unable to fulfill customer orders with

the quality and efficiency that customers demand in the automotive industry, which would damage the Debtors' reputation and estates.

86. It is my belief that even minor disruptions in the Debtors' supply chain could have far-reaching economic and operational impacts on the Debtors' businesses and irreparably harm the goodwill the Debtors have earned with their customers through consistent and quality performance. Nearly all of the Debtors' facilities—as is the case throughout the Debtors' industry—maintain an integrated manufacturing system designed so that the Debtors receive goods on a “just in time” basis to optimize production and costs, while meeting rigorous customer standards. A delay in the Debtors' ability to timely deliver Finished Products could affect a customer's ability not only to debut new lines of automobiles in a safe manner, but also to continue to supply Finished Products for automobiles already on the market; in my view, this would be disastrous for the Debtors' ongoing businesses and reputation.

87. As of the Petition Date, the Debtors estimate that they owe approximately \$520 million on account of the purchase of goods and services from the Debtors' Trade Creditors. The Debtors are only seeking authority to pay an amount necessary to preserve the value of their estates, which (i) shall not exceed \$52 million on an interim basis and \$103 million on a final basis on account of prepetition claims held by Critical Vendors (defined below) and accrued in the ordinary course of business (collectively, the “Critical Vendor Claims”) and (ii) the Debtors estimate to be no greater than \$33 million on account of Potential Lien Claims (as defined below, and together with Critical Vendor Claims, the “Vendor Obligations”) accrued in the ordinary course of business.

88. I understand that Debtors are not seeking to pay all Vendor Obligations immediately; rather, if authorized by the Court to pay such claims, the Debtors will process such

payments they have deemed in their business judgment to be critical in accordance with their normal accounts payable procedures, as they become due and payable in the ordinary course of the Debtors' businesses and consistent with past practice. I believe that cash maintained by the Debtors, combined with the cash generated in the ordinary course of business and incurred under postpetition debtor-in-possession financing, will provide ample liquidity for the payment of the Vendor Obligations, as well as for the Debtors to conduct operations during these Chapter 11 Cases. I understand that the Debtors are not seeking to pay Vendor Obligations owed to any party with which the Debtors do not expect to have a continuing contractual or business relationship following such payment.

89. I understand the Debtors' supply chain consists of certain indispensable Trade Creditors (collectively, the "Critical Vendors") that supply Raw Materials that are essential to the Debtors' operations (collectively, the "Critical Products and Services"). The Critical Products and Services fall into the following categories (a) Raw Materials from suppliers that are incorporated into the Finished Products the Debtors manufacture for individual customers to their unique specifications, including castings and machined parts, precision wheels and hardware, and electronic and actuation materials, among others, and (b) goods and services critical to providing goods to customers that the Debtors are unable to procure from internal resources, including highly-specialized equipment and tools needed to produce parts, calibration, inspection, and testing services, and other services used in the operation of the Debtors' production facilities.

90. I understand that many of the Critical Vendors provide Critical Products and Services that are required under customer contracts or approved by customers in advance and which would require significant cost and lead time to replace, including approval from one

or more customers. Without these Critical Products and Services, it is my view that the Debtors would be unable to meet the needs of their customers, which would result in significant damage to the Debtors' estates.

91. The Debtors believe, and I agree, that following the commencement of these Chapter 11 Cases, their trade relationships with the Critical Vendors may materially deteriorate if the Debtors are unable to pay the Critical Vendor Claims. As such, I believe it is essential that the Debtors retain the ability to pay the portion of Critical Vendor Claims that is necessary to maintain the stability of the Debtors' supply chain. The Debtors and their advisors, including myself, have spent significant time identifying potential Critical Vendors and estimating the total amount of Critical Vendor Claims that the Debtors need to pay in order to maintain stable business operations.

92. I understand that the Debtors themselves, and particularly the Debtors' customers, have highly sensitive sequenced supply chains that could be easily disrupted by a recalcitrant Critical Vendor. I understand that many of the goods and services that the Debtors rely on are tailored to a specific customer's design or specification and undergo extensive testing to ensure compliance with customer requirements. I further understand the Debtors manufacture Finished Products for original equipment customers based on customer release schedules, which are normally provided on a weekly basis and can vary due to cyclical automobile production or inventory levels throughout the supply chain. Original equipment customers expect suppliers (including the Debtors) to respond to customized and changing orders regularly, and often on an accelerated time frame.

93. I understand that original equipment customers also maintain low inventories and therefore require product be delivered by suppliers "just in time" to meet



complex production schedules and to keep their own production running smoothly. Because of the minimal inventory levels retained by the Debtors and their original equipment customers, combined with the short lead time to fulfill orders, the Debtors believe, and I agree, that even a minor breakdown in the supply chain, no matter how small, can have a rippling effect, halting the Debtors' manufacturing, and, as a consequence, the customer's finished product assembly.

94. The Debtors' production process is complex and interconnected, with disruption in timely supply of one part affecting multiple products for multiple customers. I understand that any one of the Debtors' Finished Products specific to one given customer can contain up to 30 to 40 different components from as many different Critical Vendors. I further understand that even a sole customer's single, customized Finished Product may vary slightly in response to demand or many various technical factors (such as, engine temperature, engine torque, duty cycle and under-hood equipment adjacency). I understand that such single, customized Finished Product offered to a specific customer can have up to eight different permutations, all of which require slightly different Raw Materials.

95. The Debtors obtain the Critical Products and Services from highly specialized vendors frequently selected in coordination with the customer and through a rigorous design, testing and qualification process that is tailored to a range of regulatory requirements. I understand that this whole process, even for relatively "simple" parts, must be completed prior to beginning production and fulfilling orders and must meet the customer's own production schedule that itself is dependent on the harmonious integration of manufacturing and delivery schedules of other car parts.

96. Thousands of hours are spent on designing, developing and testing new products before they are introduced into vehicles available to the public. I understand that

changing Critical Vendors that participate in this process could cause months of delay for customers and disrupt design, development and testing programs across multiple stages of the engineering process. I understand that many of Critical Vendors that provide engineering services are partners in the customer's engine testing process and cannot be changed during such process, which can range from six months to a year. I believe that doing so would stifle the Debtors' ability to continue to fulfill their commitments to customers on new programs.

97. I understand that original equipment customers also maintain low inventories and therefore require product be delivered by suppliers "just in time" to meet complex production schedules and to keep their own production running smoothly. Because of the minimal inventory levels retained by the Debtors and their original equipment customers, combined with the short lead time to fulfill orders, the Debtors believe, and I agree, that even a minor breakdown in the supply chain, no matter how small, can have a rippling effect, halting the Debtors' manufacturing, and, as a consequence, the customer's finished product assembly.

98. If the Critical Vendors ceased doing business with the Debtors, it is my view that the Debtors may not be able to locate alternative sources for the Critical Products and Services on reasonable commercial terms, or at all. I understand that even if another source were identified, the customers' requirement of the rigorous and lengthy testing process prior to integration into the production process would paralyze the Debtors' operations for an extended period of time. I understand that a temporary halt of the provisions of Critical Products and Services would reduce the efficiency of the Debtors' operations and, in certain instances, could require the suspension of operations altogether. Accordingly, I believe that maintaining the ability to pay Critical Vendor Claims under the relief requested herein will help maintain stakeholder value.

99. In addition, I understand certain of the Critical Vendors may have Critical Vendor Claims for goods that were delivered in the ordinary course of business within the 20-day period prior to the Petition Date, and which therefore may be afforded administrative priority under section 503(b)(9) of the Bankruptcy Code (collectively, the “Critical Vendor 503(b)(9) Claims” and such claimants, the “503(b)(9) Claimants”). As a result, I am advised that for this subset of the Critical Vendor Claims, the relief sought in the Critical Vendor and Lienholder Motion will only affect the timing, but not the amount, of payment. Of the total estimated \$103 million in Critical Vendor Claims, approximately \$31.2 million would be Critical Vendor 503(b)(9) Claims, of which, approximately \$16 million will be due and payable within the first 30 days of these Chapter 11 Cases.

100. I understand that the Debtors’ ability to provide product to their customers reliably and on time relies on an interconnected network of shippers, freight carriers and warehousemen who store or transport Raw Materials and Finished Product for the Debtors. The Debtors also rely on certain technical experts, such as equipment and tool manufacturers and mechanics to keep their property in good working order and able to perform reliably.

101. To accomplish this, the Debtors have business relationships (often with favorable pricing terms) with various shippers, common carriers, movers, consolidators, distributors, brokers and freight forwarders (collectively, the “Shippers,” and their claims, the “Shipper Claims”) to ensure the timely delivery of Raw Materials that are used as production inputs across and between the Debtors’ production facilities. I am advised that the Shippers 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. At any given time the Debtors may owe the Shippers fees related to a

number of different shipments and the Shippers may, in turn, have multiple vehicles in transit carrying Raw Materials or other goods on behalf of the Debtors. Accordingly, I believe that the refusal of any Shipper to release the Debtors' property could impact multiple different product lines and thus severely impact the Debtors' manufacturing capabilities.

102. Some of the Raw Materials and Finished Products also are routed through third-party warehousemen, bailees, consignees, storage and consolidation facilities, distributors, loading and unloading services and other storage providers for short- or long-term storage (collectively, the "Warehousemen," and their claims, the "Warehousemen Claims"). In the event that the Debtors fail to remit payment owed to the Warehousemen before the Petition Date, I believe that the Warehousemen may refuse to release the goods they are holding pending satisfaction of all or a portion of their claims, thereby disrupting the Debtors' operations. As part of the Warehousemen Claims, the Debtors are also seeking to pay third-party data or cloud storage providers that may assert potential liens and block the Debtors' access to data.

103. The Debtors also do business with mechanics, repairmen and technicians that perform maintenance and repair on the Debtors' machinery, equipment, facilities, Raw Materials or Finished Products (collectively, the "Mechanics," and their claims, the "Mechanics Claims"). Although the Debtors' employees can perform a limited amount of routine maintenance or repairs in-house, the Debtors' employees often lack the requisite skill, specialized tooling or experience to repair or perform needed maintenance on, or modify, the Debtors' specialized machinery or equipment. I understand that certain of this machinery and equipment is proprietary and, thus, only the original manufacturer is qualified to repair it.

104. I am advised that if the Debtors fail to pay for the goods or services rendered by these Mechanics, under applicable laws, the Mechanics could assert mechanic's

liens or materialmen's liens against the Debtors' property or retain the Debtors' property. Moreover, if the Debtors fail to satisfy prepetition obligations, certain Mechanics, many of whom provide specialty services or parts unique to the Debtors' machinery that cannot be easily replaced, could refuse to return goods or fulfill ongoing obligations to the Debtors—including critical maintenance, repair, and installation services. I believe that any disruption in the maintenance and servicing of the Debtors' parts and machinery would result in immediate harm to the Debtors.

105. Accordingly, breakdowns in machinery and equipment must be corrected as quickly as possible to minimize manufacturing disruptions. I understand that if the Mechanics assert their lien rights and refuse to return or repair machinery, equipment, and tools as quickly as possible, the Debtors would have no replacement machinery and equipment and, I believe, would run the risk of future breakdowns bringing the Debtors' manufacturing processes to a halt.

106. In the ordinary course of their businesses, the Debtors are required to contract with third-party equipment or tool manufacturers (the "Manufacturers," and their Claims, the "Manufacturers Claims," together with Shippers, Warehousemen and Mechanics the "Potential Lien Claimants," and their prepetition claims, collectively, the "Potential Lien Claims") to make specialized equipment, tools and parts needed to support production of the Debtors' various Finished Products.

107. I understand that typically the Manufacturers are paid at intervals with initial deposits, and only sometimes do the Debtors take possession of equipment, tools or parts prior to paying the Manufacturers in full for such equipment, tools or parts so that all necessary quality and performance-related tests can be performed. I believe that the Manufacturers assertion of potential liens against the partially or fully constructed equipment, tools or parts in their

possession could severely hinder the Debtors' ability to fulfill production obligations to their Customers on both existing and new Finished Products.

108. In the event that the Debtors fail to reimburse the Potential Lien Claimants for charges incurred in connection with the Potential Lien Claims, I am advised that applicable laws may permit the Potential Lien Claimants to assert liens against the Raw Materials, Finished Products, equipment, tools, or other necessary goods for production in their possession that are subject to any delinquent charges, securing such charges and potentially blocking the Debtors' and their customers' access to such Raw Materials, Finished Products, equipment, tools or other necessary goods for production and thereby paralyzing the production process. Many of these Potential Lien Claimants currently have Raw Materials or Finished Products in their possession and if they refuse to deliver these Raw Materials or Finished Products, I believe that the outcome could be catastrophic to the Debtors' estates, as well as the Debtors' customers.

109. Moreover, I understand that the value of the Raw Materials, Finished Products, equipment, tools, or other necessary goods for production in the possession of the Potential Lien Claimants generally exceeds the value of the Potential Lien Claimants' respective prepetition claims. In other cases, I am advised the Potential Lien Claimants may be entitled to adequate protection of any valid possessory lien, which would further drain the Debtors' estates. In either event, I believe that the cost of such disruptions to the Debtors' estates caused by non-payment would likely be greater than the applicable claim.

110. Accordingly, the Debtors have determined, in the exercise of their business judgment, that payment of the Potential Lien Claims is essential to avoid costly disruptions to their operations. The Debtors estimate Potential Lien Claims to be approximately \$33 million.

111. Additionally, the Debtors may have ordered goods that will not be delivered until after the Petition Date (the “Outstanding Orders”). If such suppliers refused to respect such Outstanding Orders, the Debtors would risk substantial disruption in their business operations.

112. I understand that the Debtors intend to pay only those Vendor Obligations necessary to avoid disruption of the Debtors’ supply chain and preserve their operations on a go-forward basis.

viii. Debtors Motion for Entry of Interim and Final Orders (I) Authorizing, but not Directing, Debtors to Satisfy Prepetition Claims Owed to Foreign Vendors, (II) Confirming Administrative Expense Priority of Outstanding Orders, (III) Authorizing Applicable Banks and Other Financial Institutions to Honor and Process Related Checks and Transfers and (IV) Granting Related Relief (the “Foreign Vendors Motion”).

113. Pursuant to the Foreign Vendors Motion, the Debtors seek entry of interim and final orders (a) authorizing, but not directing, the Debtors, in their sole discretion, to satisfy prepetition obligations owed to foreign vendors, (b) confirming administrative expense priority of outstanding orders and authorizing payment, in the ordinary course of business, of all such amounts when they come due and owing, and (c) authorizing applicable banks and other financial institutions to honor and process related checks and transfers.

114. In the ordinary course of business, the Debtors incur various obligations to numerous foreign vendors that provide essential goods and services related to the operation of the Debtors’ businesses (collectively, the “Foreign Vendors”). These Foreign Vendors include vendors located in diverse foreign jurisdictions, including in Europe, Asia, North America and South America. I understand that all or substantially all of the Foreign Vendors lack a material presence in the United States. Historically, the Debtors have paid the Foreign Vendors approximately \$120 million per month. The Debtors estimate that, as of the Petition

Date, the aggregate amount of prepetition obligations owed to Foreign Vendors (collectively, the “Foreign Vendor Claims”) is approximately \$305 million. I understand that the Debtors are seeking authority, but not direction, to pay an amount that shall not exceed \$153 million on an interim basis and \$305 million on a final basis on account of prepetition obligations owed to Foreign Vendors.

115. The Debtors and their non-debtor affiliates manufacture more than 86% of their products in low-cost countries, including in seven manufacturing facilities in China, India, Mexico, Romania and Slovakia. The Debtors and their non-debtor affiliates also own and operate approximately 13 production facilities outside of the United States, the largest of which are in Mexico, Romania and Slovakia. While the Debtors have significant customer relationships and sales in the United States, the Debtors do not manufacture any of their products domestically. The Foreign Vendors provide crucial goods and materials to the Debtors that are consumed as part of their manufacturing operations around the world.

116. The Debtors are highly reliant on the Foreign Vendors to provide such goods and materials reliably and on time, including for example casting and machining materials, precision wheels and related hardware, electronic and actuation materials, parts and tools, equipment, information technology hardware and software, among others. The goods and materials provided by the Foreign Vendors are necessary for the operation of the Debtors’ businesses. I understand that the Debtors are not seeking to pay Foreign Vendor Claims owed to any Foreign Vendor with which the Debtors do not expect to have a continuing contractual or business relationship following such payment.

117. In addition, given the Debtors’ global footprint, there are many foreign service providers located in jurisdictions outside the United States that perform services that are



also vital to the Debtors' businesses. I understand that the Debtors rely on these foreign service providers to ensure their businesses operate efficiently and in accordance with applicable laws and regulations. Services provided by Foreign Vendors include inspecting and calibrating equipment, testing and engineering services, maintenance and repair of equipment, tools and facilities, dealing with customs and immigration matters, services to maintain the health and safety of workers and the public, environmental and waste management services, storage and warehousing services, freight forwarding, information technology maintenance and support services, utilities, and security services, among others.

118. I understand that the goods and services provided by Foreign Vendors are required for the Debtors' continued production of turbocharger, electric-boosting and connected vehicle technologies for their original equipment manufacturer and aftermarket customers. I am advised that, in many cases, the Foreign Vendors are the only source or the most preferred source from which the Debtors can procure certain goods and services within a time frame and at a price that permit the Debtors to operate in the ordinary course. Many of the goods and services that the Debtors rely on are tailored to a specific customer's design or specification and undergo extensive testing to ensure compliance with customer requirements. The Debtors manufacture turbos for original equipment customers based on customer release schedules, which are normally provided on a weekly basis and can vary due to cyclical automobile production or inventory levels throughout the supply chain.

119. As a result, I understand that original equipment customers expect suppliers (including the Debtors) to respond to customized and changing orders regularly, and often on an accelerated time frame. I also understand that original equipment customers maintain low inventories and therefore require product be delivered by suppliers "just in time" to meet

complex production schedules and to keep their own production running smoothly. Because of the minimal inventory levels retained by the Debtors and their original equipment customers, combined with the short lead time to fulfill orders, I believe that even a minor breakdown in the supply chain, no matter how small, can have a rippling effect, halting the Debtors' manufacturing, and as consequence, the customer's finished product assembly. Moreover, in light of the global nature of the Debtors' Foreign Vendors, I believe that world events, including the ongoing COVID-19 pandemic, further narrow the margin for error in the Debtors' supply chain and increase the Debtors' reliance on the proximity of the Foreign Vendors to their production facilities.

120. On average, I understand that for any given customer-specific part, the Debtors typically spend 24 months working with many of their Foreign Vendors and their original equipment customers to conduct a rigorous, collaborative process of product design, extensive testing by the Debtors prior to integration of a supplier's products into goods manufactured by the Debtors and back-end customer qualification (or stress testing) of the Debtors' product. I understand that for even for relatively "simple" parts, the entire process must be completed prior to beginning production and fulfilling shipments, and must also meet the customer's production schedule that itself is dependent on the harmonious integration of manufacturing and delivery schedules of other suppliers delivering their own parts. I further understand that this process must be repeated before the Debtors can substitute product from a new supplier into a customer's part, making such substitutions, if unplanned, impractical at best. I understand that nearly all of the Debtors' facilities—as is standard throughout the Debtors' industry—maintain integrated manufacturing systems designed so that the Debtors receive goods on a "just in time" basis, and I understand that the failure to deliver goods on time for a

specific original equipment customer could result in the assertion of monetary damages equivalent to the loss of production resulting from the failure to deliver the goods on time, which is measured as the cost of the vehicle. The coordination of Foreign Vendor goods and services is meticulously planned and essential for the proper operation of the Debtors' businesses.

121. Additionally, I understand that certain of the Foreign Vendors have precarious financial situations, heightened by the ongoing COVID-19 pandemic, some of which are highly dependent upon the Debtors for their continued viability and can ill afford any loss of operating revenue. Even certain Foreign Vendors with healthy and stable financial situations prior to the ongoing COVID-19 pandemic are now in precarious financial situations. I believe that the nonpayment of amounts owed to Foreign Vendors could result in a Foreign Vendor suffering work stoppages or other business disruption and might ultimately result in a Foreign Vendor ceasing operations altogether or filing local insolvency proceedings. If that were to occur, I believe that the Debtors may suffer damaging interruptions in their supply of essential goods and services while they seek to replace such Foreign Vendor, which can be burdensome and expensive, if it can be achieved in the near term at all.

122. If the provision of goods and services from Foreign Vendors was interrupted, it is my view that the Debtors may not be able to locate alternative sources for such goods and services on reasonable commercial terms, or at all, which would reduce the efficiency of the Debtors' operations and, in certain instances, could require the suspension of operations altogether. Even if another source were identified, the same rigorous and lengthy testing process required by the Debtors' original equipment customers would need to be completed prior to the integration of a new Foreign Vendor's product into goods manufactured by the Debtors, which would paralyze the Debtors' operations for an extended period of time and result in a failure to

fulfill commitments to such customers. I understand that this would result in significant loss of value for the Debtors and may result in penalties assessed against the Debtors for the cost of any cessation of production at the original equipment customer. Accordingly, I believe that maintaining the ability to pay Foreign Vendor Claims under the relief requested herein will help maintain stakeholder value.

123. I believe that the Foreign Vendors are likely to be skeptical of the United States bankruptcy process and unfamiliar with vendor requirements under chapter 11. Indeed, the Foreign Vendors may argue that they are not subject to the jurisdiction of the Bankruptcy Court or the provisions of the Bankruptcy Code that would otherwise protect the Debtors' assets and business operations. As a result, there is a heightened risk that a Foreign Vendor could sue or otherwise initiate legal actions against the Debtors in foreign courts to recover prepetition amounts owed to it if such Foreign Vendor's prepetition claim remains unpaid. If such Foreign Vendor was successful in obtaining judgments against the Debtors, such Foreign Vendor could seek to exercise post-judgment remedies, including withholding vital supplies or services from the Debtors. Accordingly, nonpayment of prepetition claims may cause the Foreign Vendors to delay shipment or to stop filling the Debtors' orders. The Debtors would have no practical ability to remedy this situation absent payment of prepetition claims, and no way to otherwise mitigate any monetary penalties or reputational harm a failure to meet customer orders would give cause. I believe that the Debtors' global and interconnected business operations would be irreparably harmed to the detriment of their estates and their creditors.

124. In addition, the Debtors have a number of non-Debtor affiliates located in multiple foreign countries. If the Foreign Vendor Claims are not paid, I am advised that the Foreign Vendors may take action against those non-debtor affiliates. Therefore, I believe that

even if the worldwide automatic stay could be enforced, the automatic stay by itself would not serve to protect the assets of the Debtors' non-debtor affiliates, which could remain at risk of adverse action.

125. Further, I am advised that there is a risk that foreign governmental authorities might either (a) seize the Debtors' assets in such countries, including, without limitation, parts and other goods destined for the Debtors' manufacturing plants or customers in the United States and abroad; or (b) seek civil penalties against the Debtors. Finally, I am advised that the Debtors' directors and officers may be subject to lawsuits in certain foreign jurisdictions during the pendency of these Chapter 11 Cases on account of nonpayment.

126. I believe that the cumulative effect of such actions could have a severe adverse effect on the Debtors' businesses and be a significant distraction for the Debtors at a time when they should be focused on efforts to stabilize their post-petition business operations to successfully achieve their goals in these Chapter 11 Cases.

127. If such Foreign Vendors refused to respect such Outstanding Orders, the Debtors would risk substantial disruption to their business operation. Additionally, I understand that prior to the Petition Date, and in the ordinary course of business, the Debtors may have ordered goods that will not be delivered until after the Petition Date (the "Outstanding Orders"). I believe that to avoid becoming general unsecured creditors of the Debtors' estates with respect to such goods, certain suppliers may refuse to ship or transport such goods (or may recall such shipments) with respect to such Outstanding Orders unless the Debtors issue substitute purchase orders postpetition. If such Foreign Vendors refused to respect such Outstanding Orders, the Debtors would risk substantial disruption to their business operation.

128. I understand that the Debtors propose to condition the payment of Foreign Vendor Claims on the agreement of the individual Foreign Vendor to continue supplying goods to the Debtors on terms that are consistent with the historical trade terms between the parties or on trade terms otherwise acceptable to the Debtors as set forth in the Foreign Vendor Motion. For this reason, and the reasons described above, I believe that the relief requested in the Foreign Vendors Motion is appropriate under the circumstances.

- ix. Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing, but Not Directing, the Debtors to Maintain their Customer Programs and Honor Related Prepetition Obligations, (II) Authorizing Banks and other Financial Institutions to Honor and Process Related Checks and Transfers and (III) Granting Related Relief (the "Customer Programs Motion").

129. In the Customer Programs Motion, the Debtors are seeking interim and final orders (a) authorizing, but not directing, the Debtors, in their sole discretion, to (i) maintain and administer the Customer Programs (as defined below) and honor all Prepetition Customer Obligations (as defined below) and (ii) maintain, continue, renew, replace, implement, modify, terminate or create new Customer Programs as the Debtors deem appropriate in their business judgment and in the ordinary course of business and consistent with past practice, without further application to the Court and (b) authorizing applicable banks and other financial institutions to honor and process related checks and transfers.

130. The Debtors offer their original equipment manufacturer ("OEM") and automotive aftermarket customers certain discounts, price reductions, rebates, credits, warranties and other accommodations and programs designed to increase the Debtors' sales, reduce working capital and attract and retain customers (the "Customer Programs" and the obligations to customers arising under the Customer Programs, the "Customer Obligations"), which are described in greater detail below. The Customer Programs are standard across the Debtors'

industries and, as a result, are critical to the Debtors' ability to compete effectively in the marketplace and maintain customer goodwill and satisfaction.

131. In the ordinary course of business, the Debtors offer certain volume-based and other signing discounts and rebates to customers to incentivize customers to purchase additional goods from the Debtors, engender customer loyalty and compete effectively in an industry where such practices are standard. Although such programs can be structured in a variety of ways, one common structure for the Debtors is a program pursuant to which their customers receive discounts on the per-piece price for a product after certain production time periods or volume thresholds for such product are met. For certain customers, these discounts may also take the form of a rebate payment. The Debtors also provide certain customers with an up-front discount upon entry into a new contract. Such signing discounts apply to reduce prices on existing contracts with customers and may take the form of reduced per-piece prices on additional production volumes or the form of credits against existing invoices. I believe these and similar programs build brand loyalty and encourage customers to purchase additional goods and services from the Debtors and are an important customer acquisition tool for the Debtors.

132. The Debtors provide customers credits against, among other things, future purchases and outstanding invoices for shortages, overbilling, freight allowances, defective or damaged products, use of products in quality control testing and customer returns. The Debtors may also provide a customer with credits if the Debtors are unable to fill the customer's order in full. In such a situation, the customer will receive credits from the Debtors for the difference between the amount the customer ordered and the amount the Debtors ultimately fulfilled. The Debtors operate similar programs for damaged goods, pursuant to which customers receive credits for any goods that are damaged. For certain customers in certain lines of business, the

Debtors allow customers to return goods physically in lieu of payment or for credit, allowing the Debtors to avoid shipping and processing costs. The Debtors may also provide some customers with credits for use of products in quality control testing. I believe all of these crediting arrangements are standard in the industries in which the Debtors compete and are necessary in order to acquire and retain key customers.

133. The Debtors participate in joint promotional programs with certain customers to promote sales of the customers' and Debtors' products, and share the cost of advertising for such programs. The Debtors contribute to those programs by providing credits to the applicable customer on existing invoices or through direct payments for their share of the program costs. I believe the joint promotional programs encourage customer loyalty, generate goodwill and help increase revenue and profitability for the Debtors.

134. The Debtors also offer certain pass-through price reductions to customers where the marginal costs of production are reduced due to improved production techniques, or fluctuations in raw materials or foreign currency. Where the Debtors are able to modify production to reduce marginal cost, they will often pass through to their customers a percentage of the price reduction in connection with receipt of any necessary approvals for related contractual changes. In addition, in some customer contracts, the Debtors have agreed to pass-through savings in the expected costs of raw materials or other intermediate products used in production, as well as any savings due to fluctuations in the exchange rates of currencies in which prices are denominated. The specific terms of such pass-through price reductions and the commodities or currencies to which they apply vary between customers, and may function to increase as well as decrease prices from contractual baselines.



135. The Debtors maintain a wide variety of prepetition warranty programs in support of their products (collectively, the “Warranty Programs”). For example, the Debtors provide warranties to their OEM customers on account of the components sold to the OEMs for the production of consumer products (including motor vehicles) (collectively, the “OEM Warranties”). The Debtors also issue warranties in connection with their sale of certain products in the automotive aftermarket (collectively, “Aftermarket Warranties” and, together with the OEM Warranties and all other warranties under the Warranty Programs, the “Warranties”). In satisfaction of such Warranties, the Debtors may, in some cases, provide replacement components to allow their customers to replace a defective component when a person’s vehicle undergoes maintenance. In other cases, the debtors may provide credits or direct payments to customers in circumstances where they have claims brought against them under their own warranties, to the extent such claims are attributable to defective components provided by the Debtors. The Debtors also may negotiate, settle and make payments in respect of claims under the Warranties as the Debtors deem appropriate in their business judgment, including in connection with service or recall actions undertaken by the Debtors’ customers. The Debtors believe, and I agree that the Warranties solidify existing customer relationships and assist in the development of new customers and the sale of new products. Although the Debtors have rigorous internal quality controls, any doubts regarding the Debtors’ ability to manufacture high quality products — or their willingness to make assurances of quality through a warranty — could result in OEM customers sourcing their supply needs elsewhere and other customers turning to competing products. I believe any such loss of customer loyalty and support would negatively affect the Debtors’ revenues and long-term prospects, to the detriment of their estates and creditors.

136. The Debtors also purchase tooling equipment on behalf of many of their customers. Such specialized tooling equipment enables the Debtors to produce the specific component parts ordered by their customers. The Debtors have requested authority to pay certain third-party tool makers for the costs of such tooling equipment in the Critical Vendors Motion. If the tooling is to be owned by the customers, the Debtors seek reimbursement from customers for amounts paid to third-party tool makers. In some cases, the Debtors also contract with customers for the ability to use the tooling equipment to manufacture products for the independent automotive aftermarket. In exchange, the Debtors either seek a reduced amount as reimbursement from the applicable customer for the tooling equipment or pay a royalty to the applicable customer on any independent aftermarket revenue from sales of such products in the form of a credit to the customer against an existing invoice.

137. In addition to the programs above, the Debtors routinely provide credits, rebates or payments to their customers for other expenses and obligations which are part of supply chains and distribution networks with customers. The Debtors may provide credits or payments to customers for the costs of component parts which they purchase from customers for use in finished products that they later sell back to those customers. The Debtors may also provide credits to customers for the cost to repurchase used turbochargers, known as “cores”, which the Debtors later remanufacture and sell. In addition, the Debtors may make payments to customers for electronic data interchange fees associated with the distribution of the Debtors products, and for purchases of third-party turbocharger products or leases of customer equipment for the Debtors’ own research and development of new products.

138. I believe the Customer Programs are standard across the automotive parts manufacturing industry and, as a result, are critical to the Debtors’ ability to compete effectively

in the marketplace and maintain customer goodwill and satisfaction. The Debtors believe, and I agree, that the revenue generated by the Customer Programs far exceeds the costs of implementing such programs. The Debtors believe, and I agree, that the Customer Programs are, in effect, the cost of doing business in the competitive industries in which they operate and that the suspension or failure to fully honor the Customer Programs would result in substantial harm to the Debtors' businesses and would result in the destruction of value for all stakeholders. Moreover I believe that the administration of the Customer Programs does not require a direct cash disbursement by the Debtors in the significant majority of cases.

139. Additionally, many of the Prepetition Customer Obligations are contingent obligations. The Debtors estimate that the value of Prepetition Customer Obligations is approximately \$97 million based on current accruals, expected production volumes, expected warranty claims, and historical payment amounts. The Debtors do not anticipate that the value of Prepetition Customer Obligations exceeds this estimate, and seek authority, but not direction, to honor such Prepetition Customer Obligations as they may come due in the ordinary course. On an interim basis, the Debtors estimate the value of the Prepetition Customer Obligations to be approximately \$17.7 million during the first 30 days of these Chapter 11 Cases, during which time the Debtors anticipate making direct cash disbursements in connection with the Customer Programs of approximately \$1.5 million. On a final basis, the Debtors expect to honor the entirety of the Prepetition Customer Obligations.

140. The Debtors believe and I agree the relief requested in this Motion represents a sound exercise of the Debtors' business judgment and is necessary for the preservation of the resources and going-concern values of their estates. Continuing the Customer Programs without interruption and honoring the Prepetition Customer Obligations are critical to

the Debtors' reorganization efforts. Allowing the Debtors to do so will facilitate a smooth transition into chapter 11 and advance the restructuring of the Debtors' businesses, both in terms of profitability and the engendering of goodwill with essential customers, especially at this critical time early in these Chapter 11 Cases.

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: September 20, 2020  
New York, NY

*/s/ Scott M. Tandberg*

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Scott M. Tandberg  
AlixPartners, LLP  
Director