

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

In re:

Supply Source Enterprises, Inc., *et al.*,¹

Debtors.

Chapter 11

Case No. 24- 11054 (____)

(Joint Administration Requested)

**DECLARATION OF THOMAS STUDEBAKER IN SUPPORT
OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

I, Thomas Studebaker, Chief Restructuring Officer of Supply Source Enterprises, Inc. (“SSE”); SSE Acquisition Holdings, Inc. (“SSE Acquisition”); SSE Intermediate, Inc. (“SSE Intermediate”); Impact Products, LLC (“Impact Products”); and The Safety Zone, LLC (“Safety Zone”), hereby declare under penalty of perjury:

1. I am a Managing Director and Co-Head of Turnaround and Restructuring at Triple P RTS, LLC (“Triple P RTS”) which has its principal place of business at 300 North LaSalle Drive, Suite 1420, Chicago, Illinois 60654. Triple P RTS is wholly owned by Portage Point Partners, LLC (collectively, “Portage Point”). Portage Point is the provider of the Chief Restructuring Officer (the “CRO”) and other associated personnel for each of the above-captioned debtors and debtors in possession (the “Debtors” or the “Company”).

2. I specialize in providing leadership to troubled and underperforming companies. I have nearly 20 years of restructuring experience, including in the areas of liquidity management, business plan development, evaluation of strategic alternatives, contingency planning, bankruptcy

¹ The Debtors in these chapter 11 proceedings, together with the last four digits of each Debtor’s federal tax identification number, are: Supply Source Enterprises, Inc. (0842); SSE Intermediate, Inc. (1772); SSE Buyer, Inc. (5901); Impact Products, LLC (7450); and The Safety Zone, LLC (4597). The Debtors’ headquarters are located at 385 Long Hill Road, Guilford, Connecticut 06437.



administration, and the negotiation of plans of reorganization. Previously, I served as the Chief Restructuring Officer, Chief Operating Officer, Chief Financial Officer, and interim Chief Financial Officer, as well as restructuring advisor, in various successful in- and out-of-court restructurings.

3. I have been employed by Portage Point since approximately May 2023. Prior to that, I was a Partner and Managing Director at AlixPartners, LLP. While at AlixPartners, LLP, I served as an interim officer and restructuring advisor to a variety of companies across the technology, energy, business services, and retail sectors. I obtained a Master of Business Administration degree from Northwestern University's J.L. Kellogg School of Management and a Bachelor's degree from the University of Notre Dame. I am also a Certified Insolvency and Restructuring Advisor.

4. Portage Point is a restructuring and turnaround management firm whose professionals have a wealth of experience in providing restructuring advisory services and enjoy an excellent reputation for services they have rendered on behalf of debtors and creditors throughout the United States. Professionals currently employed by Portage Point, including myself, have assisted, advised, and provided strategic advice to debtors, creditors, bondholders, investors, and other entities in numerous cases, including the following: including the following: *Alamo Drafthouse Cinemas Holdings, LLC, et al.*, Case No. 21-10474 (MFW) (Bankr. D. Del. Mar. 3, 2021); *Big Village Holding, LLC*, Case No. 23-10174 (CTG) (Bankr. D. Del. Feb. 8, 2023); *Blackhawk Mining LLC, et al.*, Case No. 19-11595 (LSS) (Bankr. D. Del. July 16, 2019); *Bouchard Transportation Co., Inc., et al.*, Case No. 20-34758 (DRJ) (Bankr. S.D. Tex. Sept. 29, 2020); *China Fishery Group Limited (Cayman), et al.*, Case No. 16-11895 (JLG) (Bankr. S.D.N.Y. June 30, 2016); *Compute North Holdings, Inc., et al.*, Case No. 22-90273 (MI) (Bankr. S.D. Tex. Sept. 22,

2022); *Dura Automotive Systems, LLC*, Case No. 19-06741 (RSM) (Bankr. M.D. Tenn. Oct. 17, 2019); *Global Brokerage Inc.*, Case No. 17-12100 (MEW) (Bankr. S.D.N.Y. Dec. 11, 2017); *Hornbeck Offshore Services, LLC*, Case No. 20-32685 (DRJ) (Bankr. S.D. Tex. May 19, 2020); *Intelsat S.A.*, Case No. 20-32299 (KLP) (Bankr. E.D. Va. May 13, 2020); *Lenox Grp., Inc.*, Case No. 08-14680-ALG (Bankr. S.D.N.Y. Nov. 23, 2008); *Melinta Therapeutics, Inc., et al.*, Case No. 19-12748 (LSS) (Bankr. D. Del. Dec. 27, 2019); *Patriot Coal Corp.*, Case No. 15-32450 (KLP) (Bankr. E.D.V.A. Oct. 26, 2015); *Peabody Energy Corp.*, Case No. 16-42529 (BSS) (Bankr. E.D. Mo. Apr. 13, 2016); *Performance Powersports Group Investor LLC*, Case No. 23-10047 (Bankr. D. Del. Jan. 16, 2023); *Synergy Pharmaceuticals Inc., et al.*, Case No. 18-14010 (LGB) (Bankr. S.D.N.Y. Dec. 12, 2018); and *Teligent, Inc.*, Case No. 21-11332 (BLS) (Bankr. D. Del. Oct. 14, 2021).

5. The Debtors engaged Portage Point on or around January 2024 to provide restructuring advisory services, including providing me as CRO and additional personnel to assist, as necessary. I was appointed CRO of non-Debtor SSE Parent GP, LLC on March 29, 2024 and of the Debtors on May 17, 2024. Since commencing its engagement, Portage Point has worked closely with the Debtors' management team and other key personnel, including the finance, operations, and human resources teams to understand the Debtors' cash flows and operations and prepare for the above-captioned chapter 11 cases (these "Chapter 11 Cases").

6. In my capacity as CRO of the Debtors, and as a result of my discussions with the Debtors' employees, consultants, professionals, and members of their respective boards (the "Boards"), I have become familiar with the Debtors' day-to-day operations, business and financial affairs, and books and records. I am also familiar with the Debtors' relationships with their

vendors, service providers, employees, third party contractors, customers, investors, and other key stakeholders.

7. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the "Court") for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to manage and operate their business as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. To minimize any disruption or other adverse effect resulting from the filing of the Chapter 11 Cases, the Debtors are filing contemporaneously herewith various motions and pleadings seeking certain "first day" relief (collectively, the "First Day Motions"). I submit this declaration (the "Declaration") to assist the Court and parties-in-interest in understanding the Debtors, their business, and the circumstances leading to these Chapter 11 Cases. I also submit this Declaration in support of the Debtors' chapter 11 petitions and the First Day Motions.

8. Except as otherwise indicated herein, the statements in this Declaration are based on (i) my personal knowledge of, and familiarity with, the Debtors' operations, finances, restructuring, and sale efforts; (ii) my review of relevant documents and information provided to me by employees of or advisors to the Debtors or their professionals; (iii) my opinion based on my experience and knowledge of the Debtors' operations and financial and business affairs, including my general knowledge of the industry in which the Debtors operate; (iv) information that I have received from the Debtors' employees or advisors, or (v) the Debtors records maintained in the ordinary course of business. I have obtained this information during my tenure working with the Debtors and their professionals, including the Debtors' corporate and restructuring counsel. In making this Declaration, I have also relied on information and materials that the Debtors'

personnel and advisors have gathered, prepared, verified, and provided to me, in each case under my ultimate supervision, at my direction, and/or for my benefit in preparing this Declaration.

9. I am not being compensated specifically for this testimony other than through payments received by Portage Point as a professional proposed to be retained by the Debtors. If I were called upon to testify, I could and would testify competently to the facts set forth herein. I am over the age of 18 years and authorized to submit this Declaration on behalf of the Debtors.

10. To better familiarize the Court with the Debtors and their business, this Declaration is organized into the following sections:

- **Part I** provides background information regarding the Debtors' business, including their corporate history and operations;
- **Part II** provides an overview of the Debtors' prepetition corporate and capital structure;
- **Part III** describes the circumstances leading to the commencement of these Chapter 11 Cases;
- **Part IV** provides an overview of the prepetition sale process and the commencement of these Chapter 11 Cases; and
- **Part V** discusses the First Day Motions.

I. Corporate History and Business Operations

A. General Background

11. The Debtors are leading distributors of branded and private label personal protective equipment and janitorial, safety, hygiene, and sanitation products. The Debtors' key brands of Safety Zone and Impact Products have been in existence for over 50 years and have been market leaders in the industry. The Debtors' products fall into the primary categories of gloves, core cleaning, safety, and food service. The Debtors supply their customers with over 3,300 stock keeping units, or "SKUs," and are able to provide customers with breadth and depth of product. Working directly with suppliers and vendors in in the United States and Asia, the Debtors source, supply, and ship their products to a diverse customer base, including janitorial and sanitation

providers, supply distributors, safety products resellers and wholesalers, and food service and food processing distributors and retailers.

B. The Debtors' Corporate History

12. In 2014, Impact Products and Safety Zone were standalone businesses, each specializing in providing certain safety and hygiene products and operating in different parts of the United States. Over the course of the next several years, both Impact Products and Safety Zone were acquired and combined with certain other strategic businesses under the "Supply Source Enterprises" name. In the summer of 2020, a private equity fund acquired SSE and its subsidiaries in a carve-out transaction and has operated the Company as a standalone business since then.

C. Business Operations

13. The Company provides comprehensive bundling of cleaning and safety products to its customers, with over 60% of its customers purchasing products across more than one of its primary four product categories. The Debtors' products include personal protective equipment, cleaning and dusting supplies, dispensing equipment, floor care products, gloves, microfiber products, safety products, receptacles and material handling equipment, and washroom supplies. Of the Debtors total sales in fiscal year 2023, glove products made up approximately 47%, core cleaning products made up approximately 32%, safety products made up approximately 18%, and food service products (as well as other miscellaneous products) made up approximately 3%. In addition to their sourcing and shipping services, the Debtors also offer their customers advanced customization capabilities such as hot stamping, pad printing, and silk-screen labeling services for unique design, logo, or package specifications.

i. The Debtors' Vendors and Suppliers

14. Nearly all of the Debtors' inventory is sourced by purchasing directly from manufacturing vendors. The Debtors have created unique integrated sourcing capabilities by

maintaining relationships with over 200 vendors throughout China, Indonesia, Sri Lanka, and the United States. The substantial majority of the Debtors' vendors are based outside of the United States and are mainly based in China. Indeed, in fiscal year 2023, the Debtors purchased over 75% of their inventory from suppliers located outside of the United States. The Debtors have historically had strong relationships with their vendors, some of which rely upon the Debtors for a significant portion of their business and others who advance costs for the Debtors in connection with producing the Debtors' inventory.

15. In China and Indonesia, the Debtors source their inventory through their sourcing partners Shanghai Soro Industrial Supply Co. Ltd. and Safety Zone Resources SDN.BHD (the "Sourcing Partners"), respectively. These Sourcing Partners assist the Debtors in identifying suitable vendors, inspecting the finished inventory, managing timely delivery of inventory to the Debtors, and handling most vendor communications on the Debtors' behalf. The Debtors pay the Sourcing Partners either a fixed fee or a monthly commission based on vendor purchases.

16. Once sourced, the Debtors inspect and arrange shipment to several ports in the United States, including direct container shipments, where the Debtors' distribution centers are strategically coordinated to facilitate easy transportation. The Debtors' distribution centers are located in Buena Park, California; Guilford, Connecticut; Houston, Texas; Richmond, Indiana; and Savannah, Georgia. Two of the distribution centers are maintained by third-party logistics providers who arrange staffing for the distribution facilities. The Debtors also maintain several warehouses throughout the United States to store their inventory.

ii. The Debtors' Customers

17. The Debtors service a diversified customer base across multiple end markets. Customers include distributors, such as retailers, buying groups, and wholesalers. Customers depend on the Debtors for many of their sourcing needs as building international procurement

capabilities in-house can be risky and challenging, making direct sourcing of all required SKUs not feasible in many instances, even for large corporations. Relatedly, importing from Asia can be complex and is often accompanied by large expenses to ensure compliance with import practices and to ensure quality of goods. Even certain large distributors with international capabilities utilize the Debtors' services for these reasons and customers rely on the Debtors for consistent and timely service.

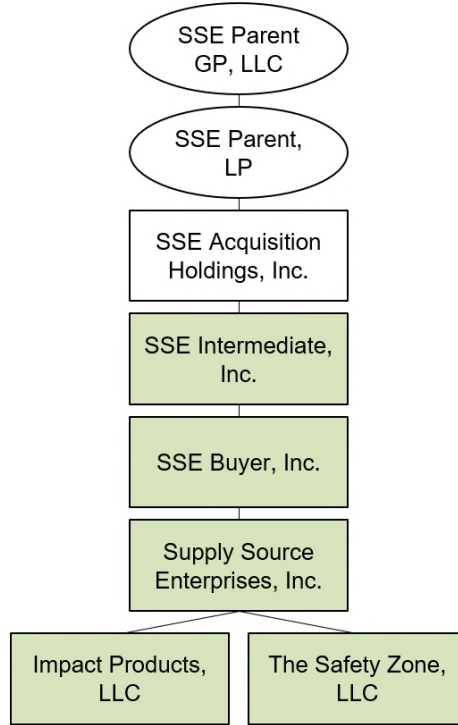
iii. The Debtors' Employees

18. The Debtors employ 275 employees within the United States, comprising of 96 full-time salaried employees and 179 hourly employees. These employees fulfill essential roles across various functions, including management, warehouse operations, sales, finance, IT, human resources, and production. Many are deeply familiar with the Debtors' business and have established crucial relationships with customers, suppliers, and other key stakeholders.

II. The Debtors' Prepetition Corporate and Capital Structure

A. The Debtors' Corporate Structure

19. Non-Debtor SSE Parent GP, LLC, a limited liability company formed in the state of Delaware, currently indirectly owns 100% of each of the other Debtor entities. An organizational chart illustrating the corporate structure of the Debtors is set forth below. Other than as denoted below, each Debtor has their state of formation in Delaware.



Notes:
 1: Supply Source Enterprises, Inc. is incorporated in Georgia
 2: The Safety Zone, LLC is a limited liability company formed in Connecticut

B. The Debtors’ Prepetition Capital Structure

20. As of the Petition Date, the Debtors are obligors with respect to approximately \$140 million in funded debt obligations exclusive of PIK interest, summarized as follows:

Funded Debt	Approximate Amount Outstanding
Prepetition ABL Facility	\$60 million <i>(plus PIK)</i>
Prepetition Term Loan Facility	\$80 million <i>(plus PIK)</i>

i. The ABL Credit Agreement

21. On June 30, 2020, Debtors SSE Intermediate, SSE Buyer, Impact Products, and Safety Zone (collectively, the “ABL Loan Parties”) entered into a \$45 million asset based loan revolving credit facility (the “Prepetition ABL Facility”), pursuant to that certain *Credit Agreement*, among the ABL Loan Parties, ACF Finco I LP, as administrative agent and collateral agent (the “ABL Agent”), and the lenders party thereto from time to time and each solely in their capacity as such (the “Prepetition ABL Lenders” and together with the ABL Agent, the “ABL

Secured Parties”) (as may be amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the “ABL Credit Agreement”).

22. In connection with the ABL Credit Agreement, the ABL Loan Parties and the ABL Secured Parties also entered into that certain *Guarantee and Collateral Agreement* dated as of June 30, 2020 (as may be amended and as may be further amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the “ABL GCA”).

23. Pursuant to the ABL Credit Agreement and the ABL GCA (collectively, the “ABL Documents”) the Debtors granted to the ABL Agent, for the benefit of itself and the other ABL Secured Parties, valid, binding, perfected, enforceable, first-priority liens and security interests in substantially all of the Debtors’ property (as more fully detailed in the ABL Documents) wherever located, then owned or at any time thereafter acquired by or arising in favor of such ABL Loan Party or in which such ABL Loan Party now then had or acquired any right, title or interest (collectively, the “ABL Collateral”).

24. On December 5, 2022, the ABL Loan Documents were amended to include the remaining Debtors as ABL Loan Parties.

25. As of the Petition Date, the Debtors were indebted and liable to the ABL Secured Parties in respect of the obligations under the ABL Documents in the aggregate principal amount of not less than \$60 million plus all accrued but unpaid interest, penalties and fees thereon (including interest paid in kind and interest at the default rate, as applicable), fees, expenses, and all other obligations expressly provided for thereunder, or incurred in connection therewith, including any “Obligations” as defined in the ABL Documents (such obligations under the ABL Documents, the “Prepetition ABL Obligations”).

ii. The Term Loan Credit Agreement

26. On June 30, 2020, Debtor SSE Intermediate and Debtor SSE Buyer, as the borrower, (collectively, the “Term Loan Parties”) entered into a \$110 million term loan credit facility (the “Prepetition Term Loan Facility”) consisting of \$85 million in initial term loans and \$25 million in delayed draw term loan commitments pursuant to that certain *Credit Agreement*, dated as of June 30, 2020, among SSE Intermediate, SSE Buyer, Ares Capital Corporation, as administrative agent and collateral agent (the “Term Loan Agent”), and the lenders party thereto from time to time and each solely in their capacity as such (the “Term Loan Lenders” and together with the Term Loan Agent, the “Term Loan Secured Parties”) (as may be amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the “Term Loan Credit Agreement”).

27. In connection with the Term Loan Credit Agreement, the Term Loan Parties and the Term Loan Secured Parties also entered into that certain *Guarantee and Collateral Agreement* dated as of June 30, 2020 (as may be amended and as may be further amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the “Term Loan GCA”).

28. Pursuant to the Term Loan Credit Agreement and the Term Loan GCA (collectively, the “Term Loan Documents”) the Debtors granted to the Term Loan Agent, for the benefit of itself and the other Term Loan Secured Parties, valid, binding, perfected, enforceable, second-priority liens and security interests in substantially all of the Debtors’ property (as more fully detailed in the Term Loan Documents) wherever located, then owned or at any time thereafter acquired by or arising in favor of such Term Loan party or in which such Term Loan Party now then had or acquired any right, title, or interest (collectively, the “Term Loan Collateral” and together with the ABL Collateral, the “Prepetition Collateral”).

29. On December 5, 2022, the Term Loan Documents were amended to include the remaining Debtors as Term Loan Parties.

30. As of the Petition Date, the Debtors were indebted and liable to the Term Loan Secured Parties in respect of the obligations under the Term Loan Documents in the approximate aggregate principal amount of not less than \$80 million plus all accrued but unpaid interest, penalties and fees thereon (including interest paid in kind, prepayment premiums, and interest at the default rate, as applicable), fees, expenses, and all other obligations expressly provided for thereunder, or incurred in connection therewith, including any “Obligations” as defined in the Term Loan Documents (such obligations under the Term Loan Documents, the “Prepetition Term Loan Obligations” and together with the Prepetition ABL Obligations, the “Prepetition Secured Obligations”).

iii. The Intercreditor Agreement

31. The priority of the security interests of the Term Loan Agent in the Term Loan Collateral and the ABL Agent in the ABL Collateral are governed by that certain *Amended and Restated Intercreditor Agreement* (the “Intercreditor Agreement”), dated as of December 5, 2022, by and among the Term Loan Agent, the ABL Agent, SSE Intermediate, and the SSE Buyer. Pursuant to the Intercreditor Agreement, under the circumstances, the priority of the security interests are as follows:

Priority	Facility
First	Prepetition ABL Facility
Second	Prepetition Term Loan Facility

iv. Unsecured Claims

32. In addition to their funded debt, the Debtors also have significant unsecured debt including amounts owed to trade vendors. The Debtors routinely incur fixed, liquidated, and undisputed payment obligations in the ordinary course of business to various third-party providers of goods and services. The Debtors rely on a broad network of vendors to supply inventory. A majority of these vendors conduct business with the Debtors on a purchase-order-by-purchase-order basis and are paid on prearranged terms. As of the Petition Date, the Debtors' unsecured claims are estimated to be approximately \$40 million.

III. Circumstances Leading to the Commencement of These Chapter 11 Cases

A. Challenges Facing the Debtors Over the Last Several Years

33. Prior to 2020, the Debtors were consistently profitable with stable low single-digit growth prior to the COVID-19 pandemic. In 2020, the Debtors experienced substantial growth due to the high demand for safety, hygiene, and sanitation products, as well as personal protective equipment (“PPE”) – all of which the Debtors supply. The Debtors reported adjusted EBITDA of \$93 million for 2020, nearly a 300% increase over the previous year. However, in 2021 the Debtors' financial performance began to decline for several reasons.

34. Given the unprecedented global environment caused by COVID-19, the Debtors commissioned an industry demand study in early 2021. The study concluded that the COVID-19 pandemic would fundamentally change the industry and market for the Debtors' products. The study also estimated that the Debtors' COVID-related growth would likely be sustained through 2024. In reliance on the study and in contemplation of continued customer demand at elevated prices, the Debtors increased purchases of inventory, even though the cost of such inventory was higher due to prevailing supply chain constraints during the pandemic.

35. At the same time as the Debtors were purchasing large quantities of inventory at elevated prices, they were also lacking certain key process controls that had not been properly implemented following the 2020 acquisition of the Debtors. The lack of process controls resulted in the Debtors' sales teams placing orders for inventory with minimal management oversight and lack of control over inventory count or inventory pricing. This led to significantly increased inventory counts, especially in niche product categories, that the sales teams were ultimately not able to sell to customers at profitable prices.

36. Contrary to the findings of the study commissioned by the Debtors, the effects of the COVID-19 pandemic on the market were short lived. By the end of 2021, the demand for PPE had decreased to normal rates and, to make matters worse, some of the Debtors' regular customers were ordering at lower than normal rates due to, among other things, (i) work from home policies, which depleted the need for office building janitorial services and related products, (ii) a rise in virtual schooling, which decreased the need for food services, janitorial services, and related products therewith, and (iii) changes around daily hotel room cleaning, which reduced the need for related sanitation and cleaning products.

37. Accordingly, the Debtors were left with large amounts of excess inventory that they could no longer sell at the same quantities and for the same prices. Although the Debtors regularly store their inventory at their distribution centers during the normal course of their operations, the Debtors did not have adequate capacity to store the excess inventory they had at this time. Thus, the Debtors were forced to enter into a number of agreements for additional storage space, substantially increasing the Debtors' storage costs relative to their normal course operations.

38. Excess inventory levels also caused significant issues with service quality and efficiency as the Debtors' warehouses were at capacity and warehouse employees struggled with

servicing customers. In the fall of 2023, the Debtors began to analyze and assess their distribution footprint with the aim of optimizing their distribution network. The Debtors commissioned a study to determine the appropriate strategy for the Debtors' distribution network. The study suggested an organizational revamping of the Debtors' network including several distribution center closures and openings; the most significant of which was the transfer of warehousing operations from Toledo, Ohio to Richmond, Indiana.

39. The move from Toledo to Richmond ultimately created considerable challenges that intensified the Debtors' service disruption and inventory issues. A confluence of factors contributed to the issues relating to the Richmond move. First, prior management was unprepared for the move of their operations from Toledo to Richmond. Inventory was moved without proper planning and controls, which resulted in product damage and poor inventory accuracy that led to significant costs to acquire four extra storage facilities, and disruption of services to customers. Second, prior management failed to properly train staff on warehousing moving protocols which created safety and compliance issues. Third, personnel and staffing constraints in the Richmond area created challenges for hiring and retaining suitable warehouse employees.

40. Taken together, these factors have tightened the Debtors' liquidity. 2023 revenue declined over 26% from 2022 resulting in a negative 2023 EBITDA of \$13 million, which further complicated the Debtors' relationship with their vendors and suppliers.

41. Additionally, due to the substantial operational and performance challenges discussed above, the Debtors' Prepetition ABL Lenders, who had provided the Debtors with up to \$130 million of borrowing capacity in 2021, witnessed their asset coverage begin to decline substantially due to decreasing accounts receivable and significant inventory issues. At the time

of the Debt Purchase Transaction (defined below), the Prepetition ABL Facility was overdrawn by approximately \$30 million.

42. In February 2024, the Prepetition ABL Lenders exercised cash dominion and began to sweep the Debtors' bank accounts, thereby requiring the Debtors to submit weekly borrowing requests to continue to operate the business. Such borrowing requests were frequently reduced by the Prepetition ABL Lenders, which further exacerbated the Debtors' significant past due balances with their key trade vendors. As a result of its deteriorating cash position, the Debtors have fallen behind on its accounts payable, resulting in an approximately 3% pricing loss in a commoditized market and putting the Debtors' decades-long relationships with their key vendors at risk.

B. Prepetition Operational Initiatives

43. The Debtors took multiple steps to try to address its capital structure constraints, liquidity needs, and operational challenges before commencing these Chapter 11 Cases. In the spring of 2023, the Debtors' owners hired a new management team with strong operational experience. The new management team began to proactively formulate and implement certain initiatives (the "Initiatives") to improve performance. These Initiatives included the implementation of inventory and purchasing improvements, customer segmentation and pricing policies, SKU rationalization, and simplified customer programs and rebates. The implementation of these Initiatives resulted in year-over-year performance improvements, but ultimately the Debtors continued to face declining revenue and cash flow, as well as significant liquidity constraints exacerbated by its highly levered capital structure. Due to the Debtors' increasingly tight liquidity resulting from the factors discussed above, their key vendors began requiring shortened payment terms, including pay on delivery and prepayment for inventory purchased by the Debtors. This contributed to additional pressure on liquidity and inventory levels that the Debtors could not sustain.

44. Without access to incremental liquidity, the Debtors' outstanding vendor payments continued to increase significantly with vendors beginning to threaten legal recourse and other actions if payments for severely past due accounts payable were not received. Given the Debtors' operational challenges and highly levered capital structure, their existing stakeholders were not willing to invest additional capital into the business. Further, the rapid depletion of the borrowing base under the Prepetition ABL Facility severely limited the Debtors' ability to raise incremental liquidity through any third-party financing source.

45. Despite management's best efforts, the significant impact of growing vendor and supplier issues coupled with the Debtors' constrained liquidity, made it apparent that the Debtors would not be able to sustain its outstanding debt on a long-term basis and maintain the liquidity necessary to operate their business and maximize long-term enterprise value.

IV. Prepetition Marketing Process and Commencement of These Chapter 11 Cases

46. Given the urgent need for incremental liquidity to stabilize the business to protect the jobs of employees and their decades-long customer and vendor relationships, the Debtors began to explore potential strategic alternatives.

47. To assist with the exploration of these alternatives, in January 2024, the Debtors engaged McDermott Will & Emery LLP as legal counsel to assist and advise the Debtors with, among other things, the analysis, evaluation, pursuit, and effectuation of a going concern sale transaction. The pursuit of a sale transaction was supported by the Prepetition ABL Lenders who held a first lien on substantially all of the Debtors' prepetition assets, subject to the First Lien Cap (as defined in the Intercreditor Agreement) and were the only stakeholder willing to provide short-term funding to the Debtors. Subsequently, on April 11, 2024, after it had become clear that the Debtors would likely need to commence these Chapter 11 Cases to complete an in-court sale process, the Debtors engaged Potter Anderson & Corroon LLP as co-restructuring counsel due to

both its substantial Delaware bankruptcy court experience and to reduce the cost of preparing an in-court transaction.

48. On March 5, 2024, the board of non-Debtor SSE Parent GP, LLC (“SSE Parent”) formed a Special Conflicts Committee composed of SSE Parent’s independent director, Laura Marcero (the “Independent Director”) to evaluate strategic alternatives or transactions that may be available to the Debtors that may present conflicts of interest with the Debtors’ debt and equity holders. The Special Committee was vested with sole authority to negotiate and recommend the terms, structure, and means of implementation of any matter in which a conflict may exist between the Debtors and its equityholder. The negotiation of the Stalking Horse APA and DIP Financing (both as defined below) on the Debtors’ behalf was led and conducted by myself and the Debtors’ professionals and outside advisors under the oversight of the Independent Director.

A. Prepetition Sale Process

49. Beginning in early February 2024, Portage Point began marketing the sale of all or substantially all of the Debtors’ business and assets (the “Marketing Process”). Portage Point, on behalf of the Debtors, contacted over 70 potential investors, including strategic and financial investors, to solicit proposals to acquire the Debtors’ business or assets on a cash-free, debt-free basis. In connection with this solicitation, the Debtors and their advisors prepared, among other things, a confidential information memorandum and an electronic data room to provide potential investors and bidders with information upon which to make a proposal. During this process, 25 interested parties executed confidentiality agreements and were granted access to the electronic data room, which contained significant diligence and other confidential information about the Debtors’ business and assets. Interested parties were also given an opportunity to have a virtual meeting with management. Portage Point informed each of these parties that the Marketing Process was expeditiously driven by the Debtors’ limited liquidity and challenged operational

needs. The interested parties were invited to submit a non-binding indication of interest (“IOI”) for the purchase of the Debtors’ business and assets.

50. The Debtors received five (5) IOIs for various portions of the Debtors’ business. The Debtors invited each of the five bidders into the second, more comprehensive round of diligence and the Debtors worked with each bidder to attempt to improve their bids in advance of the letter of intent (“LOI”) deadline. As part of this diligence phase, prospective bidders were invited to meet with the Debtors’ management and visit its facilities. The data room also contained a form purchase agreement for bidders to deliver in connection with the submission of their LOIs. Concurrently, Portage Point also continued to work with all other interested parties to maintain competitive tension and interest.

51. Following several weeks of additional diligence, the Debtors received two (2) non-binding LOIs for the purchase of substantially all of the Debtors’ assets. In evaluating the LOIs, the Debtors analyzed, among other considerations: (i) the structure of the proposed transaction; (ii) the form and amount of consideration offered; (iii) the assets to be acquired and liabilities to be assumed; (iv) certainty of close, and (v) execution risks. The Debtors met regularly with their advisors and consulted with their key stakeholders before and after LOIs were submitted.

52. The Debtors’ prepetition Marketing Process culminated in the negotiation of and entry into an asset purchase agreement (the “Stalking Horse APA”) for substantially all of their assets with TZ SSE Buyer, LLC (the “Stalking Horse”). As further described in the declaration accompanying the Bidding Procedures Motion,² the Stalking Horse submitted a revised LOI

² Debtors’ Motion for Entry of Orders (I)(A) Approving Bidding Procedures for the Sale of Substantially All of the Debtors’ Assets, (B) Designating the Stalking Horse Bidder, (C) Scheduling an Auction and Approving the Form and Manner of Notice Thereof, (D) Approving Assumption and Assignment Procedures, (E) Scheduling a Sale Hearing and Approving the Form and Manner of Notice Thereof and (F) Granting Related Relief; and (II)(A) Approving the Sale of the Debtors’ Assets Free and Clear of Liens, Claims, Interests, and Encumbrances, (B) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (C) Granting Related Relief.

providing for the purchase of the Prepetition ABL Facility and Prepetition Term Loan Facility (the “Debt Purchase Transaction”), at the insistence of the then Prepetition ABL Lenders, to be consummated immediately prior to the filing of these Chapter 11 Cases and the funding of debtor in possession financing (“DIP Financing”) to fund these Chapter 11 Cases, the closing of the sale, and wind-down expenses. Accordingly, pursuant to the Stalking Horse APA, the Stalking Horse is proposing to credit bid a portion of their recently purchased secured debt as part of the purchase price. If they are the successful bidder at auction, the Debtors will be sold to the Stalking Horse pursuant to the Stalking Horse APA.

53. The bid contemplated by the Stalking Horse APA will be subject to a higher and/or otherwise better offer from a strategic or financial purchaser through the sale process run by the Debtors. To that end, and contemporaneously herewith, the Debtors have filed the Bidding Procedures Motion, pursuant to which they are seeking to establish processes and procedures to affect a sale of all or substantially all of the Debtors’ assets, as a going concern, to the highest or otherwise best bidder.

B. DIP Financing³

54. Following a series of arm’s-length negotiations with the Stalking Horse, the Debtors ultimately agreed to the terms of the proposed DIP Facility and the use of Cash Collateral, which provides the Debtors with liquidity to fund operations, working capital needs, and to satisfy other administrative obligations of these Chapter 11 Cases. The proposed DIP Facility consists of senior secured debtor-in-possession financing on a superpriority basis in an aggregate principal

³ Capitalized terms not otherwise defined in this section shall have the meaning ascribed to them in the *Debtor’s Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Senior Secured Financing and (B) Use Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Parties, (III) Granting Liens and Superpriority Claims, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing, and (VI) Granting Related Relief* (the “DIP Motion”).

amount of up to \$60 million of commitments, consisting of (1) a new money multi-draw term loan facility consisting of \$20 million, of which \$10 million will be made available upon entry of the Interim Order and satisfaction of the applicable conditions set forth in the DIP Credit Agreement, and the remaining will be made available thereafter consistent with the DIP Orders and satisfaction of the applicable conditions set forth in the DIP Credit Agreement, and (2) upon entry of the Final Order, a roll-up of the certain of the Prepetition ABL Obligations in the amount of \$40 million plus all accrued interest through the date of entry of the Final Order. The DIP Facility will be secured by liens on all prepetition and postpetition property of the Debtors' estates and all proceeds thereof including, subject to entry of the Final Order, any Avoidance Proceeds.

55. In addition, the DIP Motion seeks, subject to the restrictions set forth in the DIP Documents and the DIP Orders, authorization for the Debtors to use Cash Collateral and all other Prepetition Collateral in which the Prepetition Secured Parties have an interest and the granting of adequate protection to the Prepetition Secured Parties with respect to, *inter alia*, such use of Cash Collateral and the other Prepetition Collateral.

C. Chapter 11 Case Timeline

56. Given the challenges facing the Debtors, time is of the essence in these Chapter 11 Cases. The sale process proposed is designed to minimize unnecessary administrative costs while allowing for a sale process that will promote active bidding by interested parties and confirm the highest or otherwise best offer reasonably available for its assets.

57. Accordingly, the Bidding Procedures (as defined in the Bidding Procedures Motion) set forth the below timeline that the Debtors propose to achieve various sale-related

objectives and comply with the milestones set forth in the DIP Facility (the “Milestones”) and in exchange for the use of cash collateral:

Illustrative Timeline based on Bankruptcy Milestones⁴

<u>Date</u>	<u>Event</u>
May 21, 2024	Petition Date
May 21, 2024	File Bidding Procedures Motion
June 6, 2024	<i>Proposed</i> Bid Procedures Hearing
June 24, 2024, at 4:00 p.m. (ET)	<i>Proposed</i> Bid Deadline
June 26, 2024, at 10:00 a.m. (ET)	<i>Proposed</i> Auction
July 1, 2024, at TBD (ET)	<i>Proposed</i> Sale Hearing

58. The expedited timeline proposed by the Debtors minimizes the adverse impact on the Debtors’ operations, vendors, and employees, and provides adequate opportunity to secure executable bids for the Debtors’ assets for the highest or best value. The amount of work done in the prepetition period by the Debtors and their professionals in connection with the Marketing Process enhances their ability to complete the Marketing Process on the timeframe proposed and does not prejudice parties in interest. The Debtors are confident that parties who are the most likely to be participants in the Debtors’ sale process are either already involved in, or aware of, the prepetition Marketing Process, or will have adequate time to participate under the Debtors’ timeline. The Debtors believe that proceeding with the Marketing Process is preferable to any other alternative and will inure to the benefit of all constituents, including their employees.

⁴ All dates are subject to Court approval and availability.

V. **First Day Motions**

A. **The DIP Motion**

i. The Debtors' Need for DIP Financing and Access to Cash Collateral

59. The Debtors filed the DIP Motion concurrently with the commencement of these Chapter 11 Cases.

60. I am familiar with the DIP Financing, the material terms thereof, which are outlined above, and the Debtors' immediate liquidity needs. Based on my experience in the restructuring industry generally and my experience with the Debtors in particular, I believe that approval of the proposed DIP Financing and use of Cash Collateral is essential for the continued normal course operation of the Debtors' business and a prerequisite to the successful completion of a going-concern sale transaction.

61. As discussed in greater detail above, the Debtors have experienced significant operational challenges that ultimately precipitated the commencement of the sale process and filing of these Chapter 11 Cases. Notably, the Debtors' liquidity challenges have impaired their ability to procure inventory and make payments to trade vendors. While the Debtors' vendors have continued to provide invaluable support to the Debtors, the Debtors have fallen significantly behind on vendor payables. As such, the Debtors are entering these Chapter 11 Cases with approximately \$41 million of vendor payables. Without sufficient funding for vendor payments there is a significant risk that those vendors will cease providing goods, which will cause a precipitous decline in revenue as the goods provided by such vendors are necessary for the operation of the Debtors' business. Accordingly, the Debtors are seeking to obtain DIP Financing and use of cash collateral that will allow the Debtors to maintain business operations in the ordinary course, including making postpetition vendor payments as they become due during the pendency

of these Chapter 11 Cases, which will allow the Debtors to receive vital inventory needed to service their customers.

62. In addition to satisfying vendor payables, it is also my belief that without a prompt grant of authority to obtain financing on the terms proposed under the DIP Facility, the Debtors will be unable to pay other operating expenses, payroll obligations, and the costs of administering these Chapter 11 Cases, which will cause immediate and irreparable harm to the value of the Debtors' estates.

63. As of the Petition Date, I understand the Debtors have only approximately \$3 million of cash on hand. The Debtors anticipate that chapter 11 expenses, primarily the payment of amounts sought pursuant to the first-day relief, and increased demands by vendors will increase the strains on the Debtors' free cash during the initial stages of these Chapter 11 Cases. During the first four weeks following the Petition Date, the Debtors' available cash will be negative without access to the proceeds under the proposed DIP Facility. Therefore, in my professional opinion, without access to interim funding under the DIP Facility, the Debtors' ability to continue their operations during the first weeks of these Chapter 11 Cases would be in severe jeopardy.

64. Accordingly, immediate access to the DIP Financing is necessary and will assist the Debtors in stabilizing and maintaining their operations and will help restore the confidence of the Company's vendors, customers, employees, and other stakeholders at this critical stage of the Debtors' sale process.

65. Based on the Initial DIP Budget (as defined in the DIP Motion) and other information made available to me, the liquidity provided under the proposed DIP Facility will assist the Debtors in executing a going-concern sale transaction. As such, in my opinion, the approval of the DIP Facility is necessary and appropriate under the circumstances.

B. Other First Day Motions

66. In addition to the DIP Motion, the Debtors filed a number of other First Day Motions concurrently with the commencement of these Chapter 11 Cases.

67. A list of the First Day Motions is set forth below:

- i. *Debtors' Motion for an Order Directing Joint Administration of the Debtors' Chapter 11 Cases*
- ii. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue to Operate Their Cash Management System, (B) Honor Certain Prepetition Obligations Related Thereto, (C) Perform Intercompany Transactions, and (D) Maintain Existing Business Forms; (II) Authorizing the Debtors' Banks to Honor All Related Payment Requests; and (III) Granting Related Relief*
- iii. *Debtors' Motion for Entry of Interim and Final Orders (I) Approving Debtors' Proposed Form of Adequate Assurance of Payment; (II) Establishing Procedures for Resolving Objections by Utility Companies; (III) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Services, and (IV) Granting Related Relief*
- iv. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Taxes and Fees, (II) Authorizing the Debtors' Banks to Honor All Related Payment Requests, and (III) Granting Related Relief*
- v. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Them to (A) Maintain Insurance Policies and Surety Bonds and Honor Obligations Thereunder, and (B) Renew, Amend, Supplement, Extend, or Purchase New Insurance Policies and Surety Bonds, and (II) Granting Related Relief*
- vi. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing, but not Directing, the Debtors to (A) Pay Prepetition Wages, Compensation, Employee Benefits, and Other Employee Obligations and (B) Continue Certain Employee Benefit Programs in the Ordinary Course; (II) Authorizing All Banks to Honor Prepetition Checks for Payment of Prepetition Employee Obligations; and (III) Granting Related Relief*
- vii. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Claims of Trade Claimants, Foreign Claims, Lienholder Claims, and 503(b)(9) Claims; (II) Authorizing Banks to Honor and Process Check and Electronic Transfer Requests Related Thereto; and (III) Granting Related Relief*

- viii. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Honor Certain Prepetition Obligations to Customers and (B) Otherwise Continue Certain Customer Programs in the Ordinary Course of Business; (II) Authorizing Banks to Honor Payments on Account of Such Certain Prepetition Obligations Related to Customer Programs; and (III) Granting Related Relief*
- ix. *Debtors' Motion for Entry of an Order (I) Authorizing Redaction of Certain Personal Identifying Information Within the Consolidated List of Creditors and Other Filings, (II) Authorizing Service to International Vendors Via E-Mail, and (III) Granting Related Relief*
- x. *Debtors' Application for Authorization to Employ and Retain Kurtzman Carson Consultants LLC as Claims and Noticing Agent Effective as of the Petition Date*

68. The above First Day Motions seek authority to, among other things, secure debtor in possession financing, honor work-force related compensation and benefit obligations, pay certain prepetition claims, continue using the Debtors' bank accounts, and continue other operations in the ordinary course of business.

69. The Debtors have narrowly tailored these First Day Motions to meet the goals of: (i) continuing their operations in chapter 11 to preserve value for the Debtors' estates and their stakeholders; (ii) providing an adequate runway for the Debtors to effectuate a successful sale process; and (iii) establishing procedures for the efficient administration of the Chapter 11 Cases.

70. I have reviewed each of the First Day Motions (including the exhibits and schedules attached thereto) and, to the best of my knowledge, information and belief, the facts set forth therein are true and correct. I incorporate by reference the factual statements set forth in each of the First Day Motions as though set forth herein. Based on my personal knowledge, information supplied to me by and discussions with other members of the Debtors' management, Debtors' counsel, professionals, and representatives, my review of relevant documents, my opinion based upon my experience and the aforementioned review and discussions, and as set forth in more detail

below, I believe the relief sought in the First Day Motions is: (a) necessary for the Debtors to (i) effectuate a smooth transition into, and operate within, these Chapter 11 Cases, (ii) avoid immediate and irreparable harm, and (iii) avoid interruption or disruption to their business and estate to the greatest extent practicable; (b) in the best interests of the Debtors' creditors, estates, and other stakeholders; and (c) constitutes a critical element in preserving value during the Chapter 11 Cases until a successful sale process can occur.

71. Additionally, several of these pleadings request authority to pay certain prepetition claims. I understand that rule 6003 of the Federal Rules of Bankruptcy Procedure provides, in relevant part, that the Court shall not consider motions to pay prepetition claims during the first 21 days following the filing of a chapter 11 petition, "except to the extent that relief is necessary to avoid immediate and irreparable harm." In light of this requirement, the Debtors have narrowly tailored their requests for immediate authority to pay certain prepetition claims to those circumstances where the failure to pay such claims would cause immediate and irreparable harm to the Debtors' estates. Other relief will be deferred for consideration at a later hearing.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true correct.

Dated: May 21, 2024

By: /s/ Thomas Studebaker
Name: Thomas Studebaker
Title: Chief Restructuring Officer