

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
SOUTHEASTERN DIVISION

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|------------------------------|---|------------------------|
| In re: | § | Chapter 11 |
| | § | |
| BRIGGS & STRATTON | § | Case No. 20-43597-399 |
| CORPORATION, <i>et al.</i> , | § | |
| | § | (Jointly Administered) |
| Debtors. | § | |
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**SECOND SUPPLEMENTAL DECLARATION OF WILLIAM G. PELUCHIWSKI
IN SUPPORT OF MOTION OF DEBTORS FOR ENTRY OF AN ORDER
AUTHORIZING (A) SALE OF DEBTORS' ASSETS AND EQUITY INTERESTS FREE
AND CLEAR OF LIENS, CLAIMS, INTERESTS, AND ENCUMBRANCES AND (B)
ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND
UNEXPIRED LEASES; AND GRANTING RELATED RELIEF**

I, William G. Peluchiwski, pursuant to section 1746 of title 28 of the United States Code, hereby declare, under penalty of perjury, that the following is true to the best of my knowledge, information, and belief:

1. I am a Senior Managing Director and shareholder at Houlihan Lokey Capital, Inc. (“**Houlihan**”), a global investment bank with expertise in financial restructuring, capital markets, valuation, and mergers and acquisitions. Additional information regarding my background, experience, and expertise can be found in my Supplemental Declaration submitted in support of the Debtors’ Motion for Entry of an Order (I) Approving (A) Bidding Procedures, (B) Designation of Stalking Horse Bidder and Stalking Horse Bid Protection, (C) Scheduling Auction and Sale Hearing, (D) Form and Manner of Notice of Sale, Auction, and Hearing, and (E) Assumption and Assignment Procedures and (II) Granting Related Relief [Dkt. No. 459] (the “**Prior Declaration**”).



2. I submit this submit this declaration (the “**Declaration**”) in support of the *Debtors’ Motion for Entry of an Order Authorizing (A) Sale of Debtors’ Assets and Equity Interests Free and Clear of Liens, Claims, Interests, and Encumbrances and (B) Assumption and Assignment of Executory Contracts and Unexpired Leases; and Granting Related Relief*. (Dkt. No. 53) (the “**Motion**”).¹

3. Houlihan has been retained by the Debtors as their investment banker and Houlihan assisted the Debtors in marketing their assets and equity interests both pre- and post-petition. I am intimately familiar with the facts and processes set forth herein as a senior member of the team tasked with both the Capital Raise Process and the M&A Process as well as overseeing the recently concluded in-court sale process that is the subject of the Motion.

4. I am authorized by the Debtors to submit this Declaration and, unless otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my experience, my review of relevant documents, information provided to me by Houlihan employees working on this engagement, or information provided to me by members of the Debtors’ management or their advisors. If called upon to testify, I could and would testify to the facts and opinions set forth herein.

I. The Debtors Engaged in a Robust Postpetition Marketing Process and Did Not Receive Any Qualified Bids

5. Since the Petition Date and the Bidding Procedures hearing on August 18, 2020, Houlihan and the Debtors have continued soliciting interest from potential buyers and providing information/diligence to those interested parties. The Debtors have maintained the data room that they set up in the course of the Capital Raise Process and Prepetition M&A Process and

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

have since added additional information as requested. For the most part (i.e., subject to specific antitrust or competitive concerns), potential bidders/interested parties had access to the same documents/information that the Stalking Horse Bidder had in formulating its offer.

6. Specifically, we have solicited over 190 parties as part of the post-petition marketing process—including those 125 potential investors that were contacted pre-petition—for a total of over 225 parties contacted as part of the pre- and post-petition processes. We have populated over 7,000 documents to the data room.

7. In the course of the marketing and sale process following approval of the Bidding Procedures (the “**Overbid Process**”), the Debtors did not receive any Qualified Bids for substantially all assets and equity interests of the Company. As such, the Stalking Horse Bid from a newly formed affiliate of KPS Capital Partners, LP (“**KPS**”) remains the highest and best bid for the Debtors’ assets.

8. The Debtors recognized that there could be a “sum of the parts” scenario in which two or more partial bids for individual brands/businesses could be combined to provide value in excess of the Stalking Horse Bid. Therefore, as I testified at the Bidding Procedures Hearing, and as the Debtors made clear in amendments to the Bidding Procedures Order, the Debtors welcomed partial bids for their assets and facilitated parties’ diligence of individual brands/businesses.

9. The Debtors also analyzed a scenario in which select assets are sold to one or more bidders and there is a new capital infusion to reorganize around any left-behind, remaining assets (“**RemainCo**”). The Debtors estimated the amount of new equity capital required (i.e., net of potential debt that could be issued by RemainCo) that would provide RemainCo with adequate liquidity to support its business plan and allow the Debtors to exit chapter 11 with a feasible chapter

11 plan. As described below, the Debtors conducted numerous iterations of this analysis based on different permutations of brands/businesses comprising RemainCo as well as changing other assumptions.

10. The Debtors received four partial bids from three buyers during the Overbid Process. The bids were for the Allmand, Billy Goat and Standby Power products/divisions, which collectively represent approximately 11% of the Company's FY20 net sales. The bids were submitted by two strategic buyers that were contacted during the pre-petition marketing process and a financial buyer that contacted the Debtors' counsel post-petition. The bids were received after the buyers had access to the data room, the clean team data room (in the case of the strategic buyers), calls with management, and a site visit by one of the buyers. Two of the partial bids did not contain an executed purchase agreement or deposit as required by the Bidding Procedures. The sum of the value of these bids was substantially less than the value of the Stalking Horse Bid.

11. As set forth in my Prior Declaration, the Ad Hoc Group would be the most natural constituency to provide new money and a solve for the Debtors' capital and liquidity issues outside the context of a section 363 sale. Post-petition, the Ad Hoc Group (whose constituency was slightly modified) retained Ankura Consulting to serve as its financial advisor. Houlihan gave Ankura access to the data room and the Debtors' advisors (including Houlihan) worked with Ankura through calls and data room direction to assist its diligence on behalf of the Ad Hoc Group. During the week of August 17th, the Company's advisors indicated to the Ad Hoc Group's advisors that they did not anticipate getting partial bids for all of the Company's assets. As such, the Company's advisors told the Ad Hoc Group that it should consider sponsoring a plan of reorganization around the unsold assets of the Company (RemainCo). Houlihan also encouraged the Committee (and the Ad Hoc Group indirectly), with its advisors Berkeley Research Group

(“**BRG**”), to focus its diligence efforts on the Engines segment given the Engines segment was likely to comprise the bulk of any RemainCo based on the partial bids that the Debtors expected to receive based on preliminary feedback from potential buyers. To streamline BRG’s and the Ad Hoc Group’s diligence of that segment, Houlihan provided a list of key items related to the Engines segment in the data room. Houlihan also provided several iterations of an illustrative analysis to BRG (to be shared with the Ad Hoc Group) showing the financial profile and estimated funding requirement for RemainCo. The Company also agreed to extend the Bid Deadline for the Ad Hoc Group until August 31, 2020; however, the Ad Hoc Group did not submit a bid by the revised August 31, 2020 deadline.

12. None of the bidders described above, nor Generac (as discussed in my Prior Declaration), indicated that additional time or diligence was likely to improve their bid (or lack thereof).

13. Given the Prepetition M&A Process, the robust and well-organized data room that remained open to potential bidders, and the Debtors’ willingness to entertain any and all transactions that provide a comprehensive solution for the Debtors’ capital and liquidity issues, I believe the Stalking Horse Bid is the value-maximizing transaction that benefits the Debtors’ estates and their creditors and that additional time would not yield any additional value.

II. Prompt Closing of the Sale Transaction Is Expected to Yield a Meaningful Recovery to General Unsecured Creditors

14. As set forth in the Motion and the Prior Declaration, the Company faced significant prepetition capital and liquidity issues; issues that are substantially remedied by the sale to KPS. In addition to solving for the Company’s significant capital and liquidity requirements, it is important that the KPS sale close quickly in order to preserve the value of the estate for the

benefit of the Debtors' creditors. Remaining in chapter 11 creates significant drags on value—and thereby harms creditor recoveries—for the following reasons, among others:

- The Debtors need to exit chapter 11 in order to preserve relationships with key customers:
 - Mass retailers, which account for approximately 70% of North America residential turf sales, generally conclude their product line-ups for the upcoming season in the late summer timeframe. The retailers would be less likely to maintain (as much as possible) floor placement for Briggs' engines were there uncertainty regarding the Company's future.
 - Many dealers of the Company's Turf and Consumer products business (e.g., Ferris, Snapper, Simplicity) are currently signing up for next season's orders and closing on a transaction will provide them with confidence that the Company will support those brands going-forward at this critical juncture.
- Because the Company has a number of raw materials and components for its products that are sole sourced, an expedient sale will help alleviate supply issues that resulted from the COVID-19 pandemic and the chapter 11 filing, and resulted in value-deteriorative plant shut downs, line shut downs, and reduced production at several facilities.
- Company management believes that certainty around the continuance of the Company as a going concern—particularly the clarity the Stalking Horse Bid provided to employees—is critical to retaining the Company's employees as other employers in the market that are actively hiring may have poached them but for the Stalking Horse Agreement.
- The Company's competitors, including certain strategic buyers who participated in the sale process, have been actively highlighting the Company's financial distress and these chapter 11 cases to customers. The Company believes that the near-term sale to KPS significantly helped counteract this negative publicity.

15. Based on a recent waterfall analysis (attached as Ex. 1) analyzing the latest DIP budget and assuming a September 25, 2020 closing of the transaction with the Stalking Horse Bidder, and based on current assumptions, unsecured creditors would receive a recovery of approximately \$40 million. This recovery could be even higher if administrative expenses are lower than forecasted as a result of a chapter 11 plan that can be proposed and consummated quickly without litigation. If closing with the Stalking Horse Bidder is delayed into just the first

week of October, this approximate \$40 million recovery is projected to decrease by approximately \$15 million primarily due to the Company's continued working capital build as well as administrative expenses. Expected recovery for unsecured creditors would approach \$0 if closing is delayed until the first week of November.

16. For these reasons, an expedient close of the Stalking Horse Bid transaction is critical to the Debtors, their creditors, and their constituents.

III.The Global Settlement Should be Approved

17. I believe the Global Settlement embodied in the Sale Order is the product of extensive negotiations, provides increased recoveries to general unsecured creditors, and is in the best interests of the Debtors' estates.

IV.Adequate Assurance of Future Performance Has Been Provided

18. I understand that the Stalking Horse Bidder is a newly formed affiliate of KPS and that KPS is large, well-capitalized private equity firm with substantial financial resources. I understand that at the Closing, the Purchaser will have access to approximately \$800 million dollars of committed financing from KPS and a syndicate of banks including Wells Fargo, Bank of America, BMO Harris Bank and PNC Business Credit. In addition, KPS is currently investing out of its latest fund, KPS Special Situations Fund V, which has \$6.0 billion of committed capital.

19. I understand that counsel to the Stalking Horse Bidder emailed the below information to Counterparties asserting informal and formal Adequate Assurance Objections:

As referenced in Briggs & Stratton Corporation's public press release of July 19, 2020, Briggs & Stratton Corporation, Billy Goat Industries, Inc., Allmand Bros., Inc., Briggs & Stratton International, Inc., and Briggs & Stratton Tech, LLC (collectively, "Sellers") entered into a stock and asset purchase agreement effective July 19, 2020, (the "SAPA") with Bucephalus Buyer, LLC ("Buyer"), a newly formed affiliate of KPS Capital Partners, LP ("KPS"). Pursuant to the terms of the SAPA, Sellers agreed to sell to Buyer (i) all or substantially all of Sellers' assets and (ii) Sellers' equity interests in certain of Sellers' subsidiaries and Sellers' equity interests in

certain joint ventures, and Buyer agreed to assume certain of Sellers' liabilities for a cash purchase price of \$550,000,000, subject to certain customary purchase price adjustments. In connection with the execution of the SAPA, Buyer deposited \$55,000,000 to be held in escrow. Upon the closing of the sale, that deposit will be credited against the purchase price.

KPS is a private equity firm that makes controlling equity investments in manufacturing and industrial companies across a diverse array of industries, including basic materials, branded consumer, healthcare and luxury products, automotive parts, capital equipment, and general manufacturing. KPS views itself as manufacturers and industrialists, and has over \$11.4 billion of capital under management (as of March 31, 2020). KPS leverages over two decades of experience as owners to catalyze the creation of world-class, industry-leading companies. KPS has also been described as "focused on constructive investing in restructurings, turnarounds, and other special situations."

KPS is a creative and trustworthy counterpart, capable of moving quickly, efficiently and confidentially. KPS' extensive track record demonstrates its ability to execute highly complex acquisitions on a global scale, and successfully operate large manufacturing and industrial companies. KPS takes pride in its constructive approach with all stakeholders, including management teams, employees, customers, vendors, lessors, and the communities in which its companies do business.

KPS is committed to the expeditious acquisition of Sellers by Buyer to provide certainty of outcome and confidence in the new company's future for all of its stakeholders, including customers, employees, lessors, and suppliers. KPS has a demonstrated history of supporting manufacturing excellence and continuous improvement, and has access to a global network of capital and significant financial resources. Following consummation of the SAPA, Buyer will not be encumbered by Sellers and their predecessors' significant liabilities, and will be well-capitalized for future success, including continued performance under Sellers' existing leases.

20. For these reasons, as well as information that has been provided to me regarding the capitalization of the Stalking Horse Bidder, I believe the Counterparties to the Purchased Contracts have adequate assurance of future performance under the Purchased Contracts. I understand that most of the counterparties to the Assigned Contracts have not objected to their assignment, indicating that they have determined that future performance has been adequately assured.

Executed this 14th day of September, 2020

/s/ William G. Peluchowski

Name: William G. Peluchowski

Title: Senior Managing Director, Houlihan Lokey
Capital, Inc.

Exhibit 1

Project Badger
Estimated Net Proceeds and Closing Date Sensitivity

Draft as of September 7, 2020
Subject to Change

(\$ millions)

Net Proceeds

| | Est. as of Sep. 7th | Notes |
|---|------------------------|---|
| Cash Purchase Price | \$ 550 | |
| (-) Specified Letters of Credit | (19) | |
| (+ / -) Sellers Net Working Capital Adj. ⁽¹⁾ | (2) | Based on the projected AR, Inventory and AP as of September 25th per the Company's DIP Budget as of September 2nd. Subject to change based on actual balances at Closing. |
| (+ / -) Acquired Entities Net Working Capital Adj. | (4) | Based on the actual working capital balances per the Company's August 31st balance sheet. Subject to change based on actual balances at Closing. |
| (+ / -) Indebtedness Target (Acquired Entities) | 0 | Subject to change based on actual liability balances at Closing |
| Net Cash Consideration (Excl. DIP FILO Credit Bid) | 525 | |
| (+) Excluded Assets | 15 | Subject to change based on actual asset balances at Closing and / or actual net proceeds received from monetizing assets post-Closing |
| (+) Assumed Specified Letters of Credit | 18 | |
| (-) Excluded Liabilities | (10) | Subject to change based on actual liability balances at Closing |
| Cash Proceeds Available for Distribution | 548 | |
| DIP ABL ⁽²⁾ | 189 | Reflects the projected DIP ABL Balance as of September 25th based on Company's DIP Budget as of September 2nd |
| DIP Swiss ABL | 14 | Reflects the projected DIP Swiss ABL Balance as of September 25th based on Company's DIP Budget as of September 2nd |
| DIP FILO | 265 | |
| Other Admin and Secured Claims | 39 | Includes estimates for: (i) costs to wind-down the Debtors' estates, (ii) accrued payroll and deferred taxes and (iii) other administrative and secured claims |
| Total Estimated Administrative and Secured Claims | 508 | |
| Net Proceeds Available for Junior Stakeholders | \$ 40 | |

Closing Date and Net Working Capital Adjustment Sensitivity

| | Illustrative Sale Close Date | | | | | | | | | | | | | | |
|--|------------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| | 9/18/20 | 9/25/20 | 10/2/20 | 10/9/20 | 10/16/20 | 10/23/20 | 10/30/20 | 11/6/20 | 11/13/20 | 11/20/20 | 11/27/20 | 12/4/20 | 12/11/20 | 12/18/20 | 12/25/20 |
| Cash Proceeds (Excl. DIP FILO Credit Bid) | \$ 554 | \$ 554 | \$ 554 | \$ 554 | \$ 554 | \$ 554 | \$ 554 | \$ 554 | \$ 554 | \$ 554 | \$ 554 | \$ 554 | \$ 554 | \$ 554 | \$ 554 |
| (-) DIP Financing ⁽²⁾ | (454) | (469) | (486) | (499) | (513) | (521) | (531) | (540) | (555) | (561) | (568) | (555) | (552) | (555) | (549) |
| (-) Other Admin and Secured Claims | (39) | (39) | (39) | (39) | (39) | (39) | (39) | (39) | (39) | (39) | (39) | (39) | (39) | (39) | (39) |
| Net Proceeds Before Net Working Capital Adjustment | 60 | 46 | 28 | 15 | 1 | (7) | (17) | (26) | (41) | (47) | (54) | (40) | (37) | (41) | (35) |
| Projected Sellers Net Working Capital ⁽¹⁾ | 425 | 437 | 438 | 446 | 457 | 465 | 467 | 471 | 482 | 487 | 490 | 452 | 449 | 451 | 447 |
| (-) Seller Net Working Capital Peg | (439) | (439) | (439) | (439) | (439) | (439) | (439) | (439) | (439) | (439) | (439) | (439) | (439) | (439) | (439) |
| Sellers Net Working Capital Adjustment | (14) | (2) | (1) | 7 | 18 | 26 | 28 | 32 | 43 | 48 | 51 | 13 | 10 | 12 | 8 |
| Projected Acquired Entity Net Working Capital ⁽³⁾ | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 |
| (-) Acquired Entity Net Working Capital Peg | (92) | (92) | (92) | (92) | (92) | (92) | (92) | (92) | (92) | (92) | (92) | (92) | (92) | (92) | (92) |
| Acquired Entity Net Working Capital Adjustment | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) |
| Net Proceeds Remaining | \$ 42 | \$ 40 | \$ 23 | \$ 19 | \$ 16 | \$ 15 | \$ 8 | \$ 2 | \$ (1) | \$ (2) | \$ (6) | \$ (31) | \$ (31) | \$ (33) | \$ (31) |
| Memo: Impact to Net Proceeds | | | | | | | | | | | | | | | |
| Change in DIP Financing | \$ - | \$ - | \$ (18) | \$ (13) | \$ (14) | \$ (8) | \$ (10) | \$ (10) | \$ (14) | \$ (6) | \$ (7) | \$ 13 | \$ 3 | \$ (4) | \$ 6 |
| Change Net Working Capital Adjustments | - | - | 0 | 9 | 11 | 7 | 2 | 4 | 11 | 5 | 3 | (38) | (4) | 2 | (4) |
| Total Impact to Net Proceeds | \$ - | \$ - | \$ (17) | \$ (4) | \$ (3) | \$ (1) | \$ (7) | \$ (6) | \$ (3) | \$ (1) | \$ (4) | \$ (25) | \$ (1) | \$ (1) | \$ 2 |
| Cumulative Impact (Cost of Delayed Closing after September 25th) | | | \$ (17) | \$ (21) | \$ (24) | \$ (25) | \$ (33) | \$ (38) | \$ (42) | \$ (43) | \$ (47) | \$ (71) | \$ (72) | \$ (73) | \$ (71) |

(1) Accounts receivable, inventory and accounts payable are based on the projected balances at Closing per the Company's DIP Budget as of September 2nd; all other balances (e.g., prepaid expenses, warranties, rebates) and reserves included in the calculation of Seller Net Working Capital are based on the August 31st balance sheet.

(2) Balance includes ~\$54mm of letters of credit (including 3% premium on cash collateralized letters of credit at closing). DIP Financing balance in all weeks includes transaction fees.

(3) The Company does not project the asset and liability balances that comprise the Acquired Entity Net Working Capital; balances are based on the August 31st balance sheet