

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:)
) Chapter 11
IEH AUTO PARTS HOLDING LLC, et al.,1)
) Case No. 23-90054 (CML)
)
Debtors.) (Joint Administration Requested)
) (Emergency Hearing Requested)

DECLARATION OF BRENDAN J. MURPHY IN SUPPORT OF
THE DEBTORS' EMERGENCY MOTION FOR ENTRY OF INTERIM AND FINAL
ORDERS (I) AUTHORIZING POST-PETITION FINANCING SECURED BY SENIOR
LIENS, (II) THE DEBTORS TO USE CASH COLLATERAL, (III) GRANTING
ADEQUATE PROTECTION, (IV) SCHEDULING A FINAL HEARING, AND (V)
GRANTING RELATED RELIEF

I, Brendan J. Murphy, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of
perjury:

1. I am a Managing Director in the Capital Advisory Group at Lincoln Partners
Advisors LLC, operating under the trade name Lincoln International (together with affiliates,
"Lincoln") which has its principal office at 110 North Wacker Drive, 51st Floor, Chicago, Illinois
60606.

2. I submit this declaration (this "Declaration") in support of the Debtors' Emergency
Motion for Entry of Interim and Final Orders (I) Authorizing Post-Petition Financing Secured by
Senior Liens, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Adequate

1 The Debtor entities in these chapter 11 cases, along with the last four digits of each Debtor entity's federal tax
identification number, are: IEH Auto Parts Holding LLC (6529); AP Acquisition Company Clark LLC (4531);
AP Acquisition Company Gordon LLC (5666); AP Acquisition Company Massachusetts LLC (7581);
AP Acquisition Company Missouri LLC (7840); AP Acquisition Company New York LLC (7361); AP
Acquisition Company North Carolina LLC (N/A); AP Acquisition Company Washington LLC (2773); Auto Plus
Auto Sales LLC (6921); IEH AIM LLC (2233); IEH Auto Parts LLC (2066); IEH Auto Parts Puerto Rico, Inc.
(4539); and IEH BA LLC (1428). The Debtors' service address is: 112 Townpark Drive NW, Suite 300,
Kennesaw, GA 30144.



Protection, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief (the “DIP Motion”),² seeking authority for the debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “Debtors”) to obtain a senior secured, superpriority priming term loan facility (the “DIP Facility”), consisting of (a) a multiple-draw delayed draw term loan facility in the aggregate maximum principal amount of \$75 million (the “DIP Facility Commitment”, and the portion thereof drawn by the Debtors, the “New Money Loans”), and including, without limitation, principal, interest, fees, expenses, and other costs of the DIP Lender in these Chapter 11 Cases, in accordance with the terms and conditions set forth herein and in the DIP Term Sheet, of which an initial maximum aggregate amount of up to \$35 million of new money will be available to the Debtors following entry of the Interim Order (the “Interim Advance”), and the balance of the DIP Facility Commitment will be made available upon entry of the Final Order; and (b) a conversion of all of the Prepetition Loans to loans under the DIP Facility upon entry of the Final Order (the “Roll-Up Loans” and, together with the loans made upon the funding of the DIP Facility Commitment, the “DIP Facility Loans”).

3. I submit this Declaration in support of my belief that the DIP Facility (a) is the product of an arm’s-length, good faith negotiation process, (b) is the best available postpetition financing option for the Debtors as of the Petition Date, and (c) contains reasonable terms and conditions under the circumstances.

4. The statements in this Declaration are, except where specifically noted, based on my personal knowledge or opinion, on information that I have received from the Debtors’

² Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the DIP Motion or the Interim Order, as applicable. The material terms of the proposed DIP Facility are set forth in detail in the DIP Motion. For the avoidance of doubt, any description of the proposed terms of the DIP Facility herein or in the DIP Motion is qualified in its entirety by the terms of DIP Term Sheet, the Final Order, and the other DIP Documents. To the extent anything in this Declaration is inconsistent with such documents, the terms of the applicable documents shall control.

employees or advisors and/or employees of Lincoln working directly with me or under my supervision, direction, or control, or from the Debtors' records maintained in the ordinary course of their business. I am not being compensated specifically for this testimony other than through payments received by Lincoln 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.

Background and Qualifications

5. Lincoln is a multinational investment banking firm with approximately 900 professionals in more than 21 offices around the world. In 2022 alone, Lincoln closed over 360 transactions and completed over 15,000 company valuations. Lincoln and its senior professionals have extensive experience in providing investment banking services to various parties in complex situations, including both-in-and-out-of-court.

6. Prior to joining Lincoln in 2017, I was a Managing Director at Teneo Restructuring, a Director in the global restructuring advisory group of Duff & Phelps Securities, LLC (f/k/a Chanin Capital Partners), and also worked as a Senior Associate in the Corporate Value Consulting practice of Standard & Poor's. I began my career working in the global corporate finance group at Enron Corp. in Houston, Texas. I have a MSc from the London School of Economics and a BS from Vanderbilt University.

7. For over 20 years, I have advised a broad spectrum of clients requiring special situations, specialized capital raising solutions, and distressed-related expertise. I have a multifaceted skillset incorporating mergers and acquisitions, debt and equity capital markets, corporate valuation, accounting, and legal analysis. My clients include companies, creditors (banks, bonds, trade, unions, and other creditors) and other stakeholders (including preferred and common shareholders). In addition, I leverage extensive relationships in the restructuring, sponsor,

and capital-raising communities to deliver client-specific alternatives requiring bespoke solutions. I also serve on Lincoln's Opinion Committee.

8. I have executed over 80 successful transactions to completion. Some of those transactions include Arlington Hospitality, Benevis, BHM Technologies, Chassix, Chem Rx, ClearEdge Power Equipment Group, CRS Reprocessing, Dura Automotive, Fast Radius, Global Power Equipment Group, Hayes Lemmerz, Internet, K'NEX, KV Pharmaceuticals, Motor Coach Industries, NeoplanUSA, Pacific Gas & Electric, Pac-West Telecomm, Patriot Coal, Performance Transportation Services, Philadelphia Newspapers, Phymed Healthcare, Pyxus, Real Mex Restaurants, Residential Capital (ResCap), RMS Titanic (a/k/a Premier Exhibition), Seahawk Drilling, SkyMall, Stelco, Star Tribune, Trico Marine Services, Ultimate Electronics, Valeritas Holdings, Inc., Visteon, WHX Corporation, and Worldspace, among other confidential matters.

Advisor Retention

9. The Debtors engaged Lincoln in January 2023, to serve as their investment banker to evaluate potential strategic transactions relating to the Debtors' capital structure. In that capacity, members of the Lincoln team and I have been directly involved in the matters leading up to the Debtors' chapter 11 filings and in the negotiation of the debtor in possession financing.

10. Since Lincoln's engagement, I, along with a number of other Lincoln professionals, have worked closely with the Debtors' management team, financial staff, and other professionals, to evaluate the need for financing and otherwise assist in the Debtors' restructuring efforts. Lincoln's work has included: (a) reviewing the Debtors' liquidity and projected cash flows (in conjunction with other advisors); (b) understanding the Debtors' businesses, operations, properties, and finances; (c) reviewing and analyzing the Debtors' balance sheet and capital structure alternatives; (d) providing strategic advice to the Debtors' board of directors and management; (e) participating in negotiations with the Debtors' existing lenders and other parties

in interest; (f) negotiating and analyzing debtor-in-possession financing proposals; (g) preparing marketing materials and investor list(s) for a robust sales process; and (h) assisting the Debtors in connection with preparations for commencement of these chapter 11 cases. As a result of this work and engagement with professionals retained by the Debtors with respect to this restructuring, I am generally familiar with the Debtors' capital structure and current liquidity needs.

11. The *Declaration of Michael Neyrey, Chief Executive Officer of IEH Auto Parts Holding LLC, in Support of the Debtors' Chapter 11 Petitions and First Day Motions* (the "First Day Declaration"), provides an overview of the Debtors' businesses and the historical developments leading up to these chapter 11 cases.

The Debtors' Immediate Liquidity Needs

12. Over the past few weeks, I and other Lincoln professionals have engaged in numerous discussions and meetings with the Debtors' management team and advisors regarding potential postpetition financing, including Triple P RTS, LLC ("Portage Point"), the Debtors' restructuring financial advisor. I am generally familiar with the Debtors' current liquidity and liquidity forecast based on forecasts prepared by the Debtors' management team and Portage Point. Lincoln reviewed the 13-week cash flow forecast (the "Forecast") prepared by the Debtors and Portage Point. The Forecast takes into account anticipated sales projections, cash receipts, and disbursements during the period, and considers a number of factors, including the effect of the chapter 11 filing on business operations, professional fees, payroll costs, lease payments, customer and vendor relationships, fees and interest expenses associated with the DIP Facility, and other required operational payments.

13. I understand that the DIP Facility will provide the Debtors with enough liquidity to continue the operation of their businesses; maintain business relationships with vendors, suppliers, and customers; make payroll; make certain capital expenditures; and continue to satisfy other

working capital and operational needs. As of the Petition Date, the Debtors lack sufficient funds to continue paying their debts as they come due. This relief is urgent due to the Debtors' current liquidity constraints and the need to preserve the businesses' going concern value. Based on those discussions and meetings with the Debtors' management team and their advisors, in conjunction with my experience in restructuring and my general familiarity with the Debtors, I believe that the Debtors' estates would benefit from entering into a new postpetition financing arrangement as set forth in the DIP Term Sheet.

Efforts to Obtain Postpetition Financing and Marketing Process

14. Lincoln worked closely with the Debtors, Portage Point, and Jackson Walker LLP, as the Debtors' legal counsel, to size the debtor in possession financing need, identify potential sources of this financing, and develop a marketing process to secure such financing on the most favorable terms available under the circumstances to the Debtors.

15. It is my understanding, following a perfection review by Debtors' counsel, that many of the Debtors' assets are encumbered and subject to validly perfected liens by the Prepetition Lender. Therefore, the Debtors' first step was to approach the Prepetition Lender to solicit its interest in providing debtor in possession financing. This outreach revealed that the Prepetition Lender would be willing to provide postpetition financing to fund a comprehensive sales process and eventual plan of liquidation, but the Debtors remained determined to ensure they were obtaining the best possible terms for their anticipated postpetition financing and instructed Lincoln to test the market for additional interest from potential lenders.

16. Beginning on January 25, 2023, the Debtors, with the assistance of Lincoln, began conducting a marketing process to secure a DIP Facility on a superpriority priming basis or on a junior basis to the Prepetition Lender. During the marketing process for the debtor in possession financing, the Debtors and Lincoln solicited indications of interest from 16 financial institutions

as well as the Prepetition Lender, approaching a total of 17 potential financing counterparties. Lincoln, working with the Debtors, identified these parties based on a number of factors, including among other things, their ability to complete diligence in a timely manner, their experience providing debtor in possession financing, their ability to underwrite the full DIP Facility Commitment, and their familiarity with the automotive aftermarket industry. As part of this process, Lincoln (i) conducted multiple phone calls and zoom meetings with the potential financing counterparties in order to introduce them to the situation and discuss our debtor in possession financing requirements including the loan sizing, potential collateral coverage, and process timing; and (ii) invited them to execute a customary non-disclosure agreement and gain access to a DIP financing information memorandum and a virtual data-room containing a comprehensive set of information customary for such a process.

17. Following the outreach to the 16 financial institutions, 5 institutions immediately declined to participate in the process and cited, among other reasons, they did not think they could provide materially better terms than already received from the Prepetition Lender or otherwise did not desire to pursue the opportunity. Initial feedback received by Lincoln from many of these potential financing counterparties center around (i) an unwillingness to provide postpetition financing on anything other than a superpriority or priming basis with respect to the vast majority, if not all, of the Debtors' assets and (ii) an unwillingness to provide postpetition financing on a junior lien or unsecured basis. Most of the potential third-party lenders also cited an unwillingness to participate in a priming dispute over the priority of the Prepetition Loans with the Debtors' existing Prepetition Lender, which would result in substantial uncertainty in their ability to ultimately participate in the postpetition financing. Finally, the proposed payable-in-kind interest rate of 8.00% and fees of 1.50% from the Prepetition Lender were noted to be very competitive,

and a number of lenders will struggle to get to those levels. As of the filing of this Declaration, two financial institutions submitted preliminary proposals on January 30, 2023 and one financial institution submitted a non-binding proposal on January 31, 2023 to provide DIP financing, which the Debtors and their advisors are reviewing to determine if such proposals provide better terms than the current proposed DIP Facility and are feasible. A few additional lenders have indicated that they each intend to submit a non-binding indication of interest for financing but are unlikely to do so before the first day hearings.

18. In light of the Debtors' serious liquidity constraints and timing considerations, it became clear that the best, and perhaps only (as of the Petition Date), available path to debtor in possession financing was via the proposal received from the Prepetition Lender. In parallel with Lincoln's marketing process, the Debtors and their advisors continued to advance arm's-length negotiations with the Prepetition Lender.

19. Negotiations between the Debtors, the Prepetition Lender, and their respective advisors were extensive. The Debtors and the Prepetition Lender negotiated terms relating to the amount and structure of the New Money Loan portion of the postpetition financing; the timing and amount of the Roll-Up Loans; the maturity date; the timing of the process milestones; the covenants; the interest, fees, costs, and expenses to be paid under the DIP Facility, and the Debtors' ability to continue to search for better financing prior to entry of the Final Order.

20. The negotiations between the Debtors and the Prepetition Lender ultimately resulted in the Debtors obtaining competitive economic terms that are the best available under the circumstances. Through the DIP Term Sheet, the Debtors will obtain a DIP Facility, consisting of: (i) the \$75 million DIP Facility Commitment; and (ii) subject to Court approval through a Final Order, (x) up to \$187.5 million of Prepetition Loans plus the LC Exposure (as defined In the

Prepetition Credit Agreement) rolled up under the DIP Facility. The DIP Facility will provide the Debtors with necessary and immediate access to the liquidity required to preserve their operations and avoid an immediate liquidation. The Debtors' access to the proposed DIP Facility will enable the Debtors to preserve more value as a going concern by having access to necessary liquidity under terms that allow for the prospect of completing a comprehensive sales process that preserves more value for all parties. Most importantly, the DIP Term Sheet allows the Debtors, through Lincoln, to continue a marketing process to find the best available financing prior to entry of the Final Order. I believe that the DIP Facility provides a more attractive postpetition financing proposal than any alternative available to the Debtors at this time (including maintaining the status quo).

**The Terms of the DIP Facility are in the Best Interest
of the Debtors' Estates under the Circumstances**

21. **The DIP Facility.** The DIP Facility provides a \$75 million DIP Facility on materially better terms than the Prepetition Lender had proposed at the outset of the negotiations. The Debtors were able to achieve a DIP Term Sheet that (i) included a payable-in-kind 8.00% interest rate, which is at or lower than what other prospective lenders indicated they would be willing to provide under the current situation; and (ii) allows the Debtors, through Lincoln, to continue a marketing process to find the best available financing prior to entry of the Final Order.

22. **Interest and Fees.** With respect to the DIP Facility Commitment, the DIP Facility includes, among other things, a payable-in-kind interest rate of 8.00%, with a default interest rate of an additional 2.00%, and requires the Debtors to pay certain fees including reasonable and documented legal fees and out-of-pocket expenses incurred in connection with the DIP Facility. Additionally, the DIP Facility provides a payable-in-kind closing fee of 1.5% on the New Money Loans only and no exit fee, ticking fee, or other similar fees regularly charged by DIP lenders.

Further the DIP interest rate and fee structure were proposed by the Debtors and their advisors and, after a review of the market for DIP financing, agreed by the DIP Lender in the amounts proposed by the Debtors.

23. The fees and terms of the DIP Facility were the subject of arm's-length and good-faith negotiations between the Debtors and the Prepetition Lender and are integral components of the overall terms of and were required as consideration for the extension of postpetition financing. Under the current circumstances, I believe that the fees, rates, and costs provided for in the DIP Term Sheet are reasonable and competitive in the current market environment.

24. **The Roll-Up Loans.** The DIP Facility contemplates a "roll-up" of up to \$187.5 million of the Prepetition Loans plus the LC Exposure into the DIP Facility. The inclusion of the Roll-Up Loans is a material component of the structure of the DIP Facility and was the subject of arm's length negotiations between the Debtors and the Prepetition Lender, which required the Roll-Up Loans as a necessary condition to their commitment to provide postpetition financing. I believe the Debtors' eventual agreement to the Roll-Up Loans construct as contemplated by the DIP Term Sheet is required under these circumstances and necessary to obtain critical financing, and, by extension, maintain ordinary course operations for the benefit of all parties in interest. The Debtors' negotiations yielded an agreement under which the Roll-Up Loans will not be effectuated until entry of a Final Order and not at all in the event the Debtors are able to obtain alternative financing prior to entry of the Final Order.

25. **Milestones.** The DIP Term Sheet also contains certain milestones that the Debtors must meet throughout these Chapter 11 Cases. The milestones were negotiated by the Debtors and the DIP Lender as a condition to providing the DIP Facility and are the result of extensive good faith and arm's length negotiations between the Debtors and the DIP Lender, and provide the

Debtors materially more time to market their assets and complete a sale than originally proposed by the DIP Lender. The milestones are an integral component of the DIP Facility. I have reviewed these milestones and I believe they are achievable to implement a value-maximizing sales process.

26. The DIP Facility is critical to the Debtors' ability to pay the administrative costs of the Chapter 11 Cases and should provide the Debtors with sufficient liquidity to operate their business without creating a "priming" or valuation dispute at the outset of the Chapter 11 Cases. The DIP Facility, therefore, should provide a path to a comprehensive value-maximizing sales process that the Debtors believe is important to protect operations and maximize value for all stakeholders.

The DIP Facility was Negotiated in Good Faith and At Arm's Length

27. My team and I, along with the Debtors' other advisors, actively negotiated the terms and provisions of the DIP Facility on behalf of the Debtors in the weeks leading up to the Petition Date. The process was marked by extensive negotiations to achieve the best available terms for the Debtors for what ultimately became the DIP Term Sheet. During that time, the parties exchanged term sheets and mark-ups in an effort to reach the best available material terms under the circumstances, and as described above, such negotiations resulted in a more favorable DIP Facility than the DIP Lender offered at the outset of the negotiations.

28. I believe the fees and rates to be paid under the proposed DIP Facility were the subject of arm's-length and good-faith negotiations between the Debtors and the DIP Lender, are an integral component of the overall terms of the proposed DIP Facility, and were required by the DIP Lender as consideration for extending postpetition financing. I believe that the fees, rates, and other economics provided for in the DIP Facility are reasonable under the circumstances.

29. In connection therewith, I had a substantial number of discussions and meetings with the Debtors' management team and advisors regarding the quantum of capital needed and the

potential forms that a financing and/or restructuring could take. Based on those discussions and meetings, my experience in restructuring, and my familiarity with the Debtors and their operations, I do not believe it would be possible to administer these chapter 11 cases, operate the Debtors' business in the ordinary course, and pay administrative costs during these cases without the DIP Facility. I believe the Debtors require immediate access to the DIP Facility to meet their near-term working capital needs, stabilize their operations, and fund the costs of administering these cases.

Conclusion

30. Based on my experience with DIP financing transactions, as well as my involvement in the negotiation of the DIP Facility and pursuit of alternative post-petition financing proposals, I believe that the terms of the DIP Facility are necessary under the circumstances and were the product of good faith, arm's-length negotiations.

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

February 1, 2023

/s/ Brendan J. Murphy

Brendan J. Murphy