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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	)	Chapter 11
ZIPS CAR WASH, LLC, *et al.*,[1]	)	Case No. 25-80069 (MVL)
Debtors.	)	(Joint Administration Requested)

DECLARATION OF KEVIN NYSTROM, CHIEF TRANSFORMATION OFFICER OF ZIPS CAR WASH, LLC, IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS

[1] The Debtors in these chapter 11 cases, along with the last four digits of the Debtors' federal tax identification numbers, are Zips Car Wash, LLC (3045); Express Car Wash Holdings, LLC (6223); Zips 2900 Wade Hampton, LLC (N/A); Zips 3107 N. Pleasantburg, LLC (N/A); Zips 6050 Wade Hampton, LLC (N/A); Zips Operating Holdings, LLC (2161); Zips Portfolio I, LLC (9999); Zips Portfolio II, LLC (1864); Zips Portfolio III, LLC (N/A) and Zips Portfolio IV, LLC (N/A). The location of Debtors' principal place of business and the Debtors' service address in these chapter 11 cases is 8400 Belleview Drive, Suite 210, Plano, Texas 75024.

I, Kevin Nystrom, hereby declare under penalty of perjury:

Introduction[2]

1. Zips is one of the largest privately owned express car wash operators in the United States, having grown to more than 260 locations across 23 states since its founding in 2004. The Company's core mission is to provide unparalleled service and wash quality to millions of customers throughout the United States.

2. Operating through its Zips, Jet Brite, and Rocket Express brands, Zips serves its customers through two core revenue channels: (a) Retail Washes, which rely on a pay-per-wash model that is available to all consumers; and (b) the Unlimited Wash Club ("UWC"), a monthly subscription membership with exclusive offerings for its members. Over the past two decades, Zips has successfully developed into a trusted national brand through both organic growth and a series of strategic acquisitions. Its core strength is not just the approximately 1,800 full and part-time employees that service approximately 24 million cars each year, but also its 625,000 loyal UWC members who—time and again—look to Zips' premium offerings to serve their demands.

3. Zips maintains a strong market share in nearly all its existing markets, which drives the utilization of its UWC memberships, promoting membership retention, and deterring market

[2] Capitalized terms used but not defined in this Introduction have the meanings ascribed to them in this Declaration.

competition from other car wash consolidators. Its member subscription system coupled with strategically located wash sites contributed to Zips' $303 million in revenue in the last twelve months.

4. Despite its strong brand presence and historical successes, a confluence of financial and operational headwinds has constrained Zips' financial condition and ability to grow:

- ***Substantial Funded-Debt Obligations and Maturities.*** Zips has approximately $653.9 million in funded debt obligations, including senior secured term loans that matured on December 31, 2024,[3] and approximately $500,000 of issued and outstanding letters of credit. Debt-service obligations have impaired the Company's liquidity and limited its ability to execute on its turnaround initiatives.
- ***Macroeconomic Headwinds.*** Federal interest rate hikes led to a significant increase in Zips' annual cash interest expense, which limited cash flow and impacted the Company's ability to effect strategic M&A. Inflationary pressures not seen in 40 years precipitated labor shortages, increased wages, and softened consumer discretionary spending. This led to an industry-wide decline in retail traffic and increased UWC membership "churn."
- ***Competitive Pressures.*** Zips operates in a highly fragmented and competitive car wash industry. A recent rise in new players and an influx of new capital led to a significant increase in competition, particularly as the industry migrated from a "do-it-yourself" model to a "do-it-for-me" model. Over the past five years, upwards of 900 new car wash sites have opened annually across the United States.
- ***Burdensome Lease Obligations.*** The Company's real estate portfolio is burdened by unprofitable sites and off-market lease obligations that the Company cannot effectively exit or renegotiate absent the tools available in chapter 11. Those sites challenge the Company's earnings profile, turnaround initiatives, and free cash flow.

5. Recognizing these headwinds, Zips has diligently pursued a wide range of measures over the past two years to proactively address and mitigate the impact of these challenges. The Company successfully negotiated savings with its vendor partners and optimized on-site labor and consumable spend. Through implementation of the "ZipsMe 2.0" program in 2023,

[3] As described in more detail below, pursuant to the Forbearance Agreement, the Required Lenders (as defined in the Credit Agreement) agreed to forbear from exercising remedies on account of certain specified events of default, including the maturity of the debt.

the Company enhanced and standardized the quality of car washes and service across all sites—establishing a national pricing model, investing in service location aesthetics, and leveraging improved and consistent cleaning chemicals. In 2024, Zips introduced (a) Project Refresh, an initiative focused on refurbishing certain existing sites to drive higher customer traffic, and (b) the Zips App, a mobile app designed to drive customer engagement and e-commerce capabilities and develop actionable insights into customer behavior. Targeted initiatives helped to reduce costs, improve customer retention, and drive increased conversion of Retail Wash customers to the UWC membership.

6. These operational initiatives did not, however, adequately address the Company's larger balance sheet issues—namely, insufficient liquidity and a looming maturity. The Company engaged with its secured lenders and financial sponsor, Atlantic Street Capital (together with certain of its affiliates, the "Sponsor" or "ASC") on various potential solutions. In March 2024, the Company reached agreement with its secured lenders on an amendment to the Credit Agreement ("Amendment No. 24") to extend the maturity date from March 1, 2024 to December 31, 2024. Amendment No. 24 also established milestones related to a refinancing. As part of the lenders' commitment to extend, the Sponsor contributed (approximately) $30 million in equity financing; this was in addition to multiple liquidity infusions beginning in July 2023 totaling $38 million. The Sponsor and certain co-investors also agreed to guarantee $30 million of the credit agreement debt (the "Sponsor Guaranty"), which could be triggered by the Required Lenders upon certain triggering events (including failure to meet the refinancing milestones). Needing to develop a gameplan to meet the refinancing milestones, the Company retained the private capital solutions group at Evercore L.L.C. ("Evercore").

7. With refinancing prospects not materializing, the Company engaged Kirkland & Ellis LLP ("Kirkland"), AlixPartners, LLP ("AlixPartners"), and Evercore's restructuring advisory group (in August and September 2024) to assist Zips in analyzing other capital structure alternatives and potential restructuring options. At the same time, the board of managers of Zips Car Wash, LLC (the "Board") appointed Mr. Scott Vogel and Mr. Robert Warshauer to serve as independent and disinterested managers. As seasoned disinterested managers with substantial restructuring experience, Mr. Vogel and Mr. Warshauer were appointed to a special committee of the Board (the "Special Committee") to assist with evaluation of any restructuring transactions and take necessary action with respect to any conflicts matters.

8. On top of operational turnaround efforts, Zips has worked to right-size its operating portfolio and develop a new business plan. In November 2024, the Company engaged Hilco Real Estate, LLC ("Hilco") to conduct a footprint assessment and site-level evaluation to identify (a) a series of sites for immediate closure and (b) certain sites with off-market lease terms. The Company recently initiated discussions with certain key landlords to renegotiate lease terms. In addition, a robust process resulted in the execution of two separate asset purchase agreements to divest operations in the St. Louis, Missouri and Orlando, Florida markets. The Florida divestiture closed on February 4; the Debtors intend to close the St. Louis Sale as part of these chapter 11 cases.

9. In parallel with the development of a revised business plan, Zips engaged with an ad hoc group of term loan lenders (the "Ad Hoc Term Lender Group"), represented by Paul Hastings LLP, regarding options to strengthen its balance sheet and right-size its capital structure; the Company's revolver lender on the paydown of the Revolving Credit Facility and cash collateralization of outstanding letters of credit; a group of senior preferred equity holders,

represented by Sidley Austin LLP, on a potential new money capital solution; and the Sponsor on continued management of the Company and additional potential liquidity solutions. After careful review, the Board and Special Committee ultimately determined that there were no financing or other out-of-court alternatives that provided a value-maximizing path forward. And in the past few days, the Company has faced a severe liquidity crunch that would only be bridged through in-court financing.

10. Following extensive, arm's-length negotiations, Zips enters chapter 11 to implement a pre-negotiated restructuring transaction and related chapter 11 plan that has support of 100% of its lenders and the Company's major shareholders. The restructuring will reduce the Company's outstanding funded debt obligations by approximately $279 million, shed millions of dollars in go-forward lease liabilities, issue $375 million in take-back debt (including a $150 million HoldCo facility and a $225 million OpCo term loan facility), and provide the reorganized Company with access to a new $15 million revolving credit facility to fund operations. An expedited and orderly process—***with the support and buy-in from the Company's landlord constituency***—will allow Zips to continue as a healthy going-concern and preserve nearly 1,800 jobs.

11. To finance the chapter 11 cases, the Company has negotiated a $82.5 million debtor-in-possession financing facility (the "DIP Facility") with their existing secured lenders that will provide the Debtors with $30 million in new money. The Company marketed the facility, and it provides the best terms available under the circumstances.[4] With only $1 million of cash on

[4] *See Declaration of Daniel Aronson in Support of Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing, (B) Grant Senior Secured Priming Liens and Superpriority Administrative Expense Claims, and (C) Utilize Cash Collateral; (II) Granting Adequate Protection to the Prepetition Term Loan Secured Parties; (III) Modifying the Automatic Stay; (IV) Scheduling a Final Hearing; and (V) Granting Related Relief*, filed contemporaneously herewith.

hand as of the Petition Date, the new money financing provided by the DIP Facility is critical to ensuring the Company continues to satisfy its vendor obligations in the ordinary course and achieves its restructuring objectives.[5] The DIP Facility also sends a strong message to the Company's loyal membership base that the Company will continue providing premium services during the restructuring process.

12. Zips seeks final approval of its disclosure statement and confirmation of its chapter 11 plan on an expedited 65-day timeline, as mandated by the heavily negotiated milestones set forth in the DIP Credit Agreement. Customer and supplier relationships depend on confidence in Zips' viability and creditworthiness, which is necessarily impaired by the publicity surrounding the Company's leverage and financial distress. To mitigate the expected membership attrition associated with the Company's restructuring process, it is of paramount importance that these cases move with all due haste. The Plan process, together with the DIP Facility, presents the best option for Zips to continue serving communities for the years to come. Zips will emerge from chapter 11 stronger than ever, with a leaner balance sheet and a right-sized portfolio.

* * * * *

13. I am the Chief Transformation Officer ("CTO") of Zips Car Wash, LLC and certain of its affiliated debtors and debtors in possession (collectively, the "Debtors" and, together with the other above-captioned debtors and debtors in possession, "Zips" or the "Company"). I have served as CTO to the Debtors since September 4, 2024. I am also a Partner and Managing Director of AlixPartners, which the Company retained in connection with my appointment as CTO.

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[5] *See Declaration of Kevin Nystrom in Support of Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing, (B) Grant Senior Secured Priming Liens and Superpriority Administrative Expense Claims, and (C) Utilize Cash Collateral; (II) Granting Adequate Protection to the Prepetition Term Loan Secured Parties; (III) Modifying the Automatic Stay; (IV) Scheduling a Final Hearing; and (V) Granting Related Relief*, filed contemporaneously herewith.

14. I have over 25 years of diversified business experience in restructuring and financial management. I have extensive experience in the development of reorganization plans, creditor negotiations, business plan preparation and long-term forecasting, developing, and implementing cost reduction programs, and financial management of public and private companies. I have held management roles and advised companies, boards of directors, investor groups and lenders in a wide range of turnaround and reorganization situations across numerous industries including mining, manufacturing, distribution, financial services, professional services, transportation, telecommunication, and real estate, among others. My interim management, restructuring, and reorganization assignments for chapter 11 debtors include serving as the Chief Restructuring Officer of Blackhawk Mining LLC, Mission Coal Company, The Dolan Company, Barnes Bay Development, and American Home Mortgage; the Chief Operating Officer of Hawaiian Telcom; and the Chief Executive Officer of Boomerang Tube, iAero Group, and Methode Electronics. I am a graduate of the University of South Dakota with a degree in business administration.

15. I am generally familiar with the Debtors' day-to-day operations, business and financials, and books and records. I submit this declaration (this "Declaration") to help the Court and interested parties understand the circumstances that led to these chapter 11 cases and to provide support for the Debtors' chapter 11 petitions and First Day Motions. Except as otherwise indicated, the statements set forth in this Declaration are based upon my personal knowledge; information obtained from other members of the Debtors' management team and advisors; my review of relevant documents and information concerning the Debtors' operations, financial affairs, and restructuring initiatives; and/or my opinions based upon my restructuring experience

and knowledge concerning the Debtors. I am over the age of 18 and authorized to testify on behalf of the Debtors. If called to testify, I would testify as follows.

16. On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code") with the United States Bankruptcy Court for the Northern District of Texas (the "Court"). To minimize the adverse effects on their business, the Debtors filed certain motions and pleadings seeking various types of "first day" relief (the "First Day Motions"), which will allow the Debtors to meet necessary obligations and fulfill their duties as debtors in possession.

17. To familiarize the Court with the Debtors, their business, the circumstances leading to these chapter 11 cases, the path forward, and the relief the Debtors are seeking in the First Day Motions, I have organized this Declaration as follows:

- **Part I** provides an overview of the Debtors' corporate history and operations;
- **Part II** provides an overview of the Debtors' organizational structure and prepetition capital structure;
- **Part III** discusses the circumstances leading to the filing of these chapter 11 cases and the Company's prepetition turnaround efforts;
- **Part IV** describes the need for and the benefits of the DIP Facility and the chapter 11 plan; and
- **Part V** and **Exhibit A** describe the relief requested in, and facts supporting, each First Day Motion.

I. Company History and Business Operations.

A. Company History.

18. Zips was founded in 2004 with just two locations in rural Arkansas. It began expanding in 2009—first purchasing locations in Wichita, Kansas, followed by expansions into Oklahoma and Florida. After establishing itself as a strong regional player, Zips rolled out an

innovative monthly subscription model and continued to scale services throughout the southeastern United States. Building on this momentum, the Company executed over 40 strategic portfolio acquisitions from 2015 through 2019, amassing a total portfolio of 130 service locations. Zips quickly became a recognized and trusted brand, particularly in its focused markets. By early 2020, Zips managed 185 locations across 17 states in the South, Southeast, and Mid-Atlantic, producing over $150 million in annualized revenue (up from just $13 million in 2015).

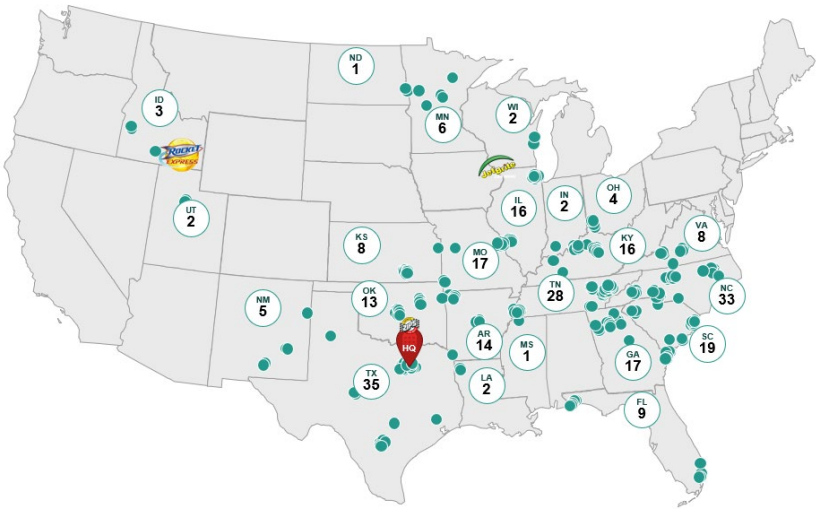
19. Following this transformative period, the Company's founders looked to outside capital to continue to fund its growth plan. In May 2020, ASC acquired a majority ownership stake in Zips to leverage Zips' strong brand and membership programs by expanding into new markets. The Company then partnered with certain alternative investment firms to raise approximately $31.5 million in senior preferred equity in December 2020. Additional acquisition financing was raised through senior preferred equity in May 2022 ($30.5 million), August 2022 ($22.4 million), and October 2022 ($68.1 million).

20. With the senior preferred holders' support and additional liquidity enhancements from the Sponsor, the Company implemented a consistent M&A approach to strategically evaluate new opportunities, engage with multi-site sellers, and enter attractive new markets. These efforts resulted in Zips' acquisition of over 95 additional locations. In two years, the Company amassed a portfolio of over 260 locations, which almost doubled its annual revenue from $184 million to $345 million and drove a more than six-fold increase in the Company's annual earnings.

21. To sustain Zips' evolution, the Sponsor made an additional investment in 2022 to acquire the balance of the common equity from its founding shareholders. In connection with this investment, the Sponsor installed a proven management team with a record of driving growth, brand development, and customer loyalty.

22. Zips is now one of the largest privately owned car wash operators in the United States. Zips has transformed a collection of fragmented owner-operator car washes into an industry-leading enterprise benefitting from the cost synergies of a national brand. Zips' national scale has facilitated relationships with major suppliers and advertisers, enhanced brand recognition, and allowed Zips to develop geographically tailored strategies to account for weather and other regional market influences.

Zips' Geographic Footprint in the U.S.



B. Zips' Operations Today.

1. Business Overview.

(i). Brands.

23. The Company operates through its Zips, Jet Brite, and Rocket Express brands. The Zips brand provides "standard" wash sites with traditional tunnel lengths, while both Jet Brite

and Rocket Express operate "mega" wash sites that provide longer tunnels and higher throughput than standard wash sites. The Jet Brite brand consists of 12 sites across northern Illinois. The Rocket Express brand consists of five sites across Idaho and Utah.

(ii). Business Lines.

24. ***Retail Washes***. The retail segment is the traditional pay-per-wash format. Retail customers, who typically wash their cars four to six times a year, are provided with exterior-only tunnel washes and pay $12 to $30 per wash depending on the preferred level of service. The Retail Wash business, while open to all consumers, is subject to the whims of key external factors, like natural disasters and general seasonality.[6] The Retail Wash business generates just under one-third of the Company's annual revenue.

25. ***Unlimited Wash Club***. The UWC, which the Company launched in 2013, is Zips' flagship monthly subscription program with approximately 625,000 members. Through the UWC, Zips moved away from the traditional pay-per-wash structure by providing customers with an unlimited number of car washes (up to two per day) for a flat monthly rate. The membership fee ranges from $20 to $45 per month, depending on the preferred level of service. The UWC strategy has proven tremendously successful: it has increased revenue and cash flow significantly, is insulated from external factors that impact single-use Retail Wash traffic, and has built brand loyalty and formed a recurring customer base that provided the framework for Zips to expand in an otherwise fragmented industry. UWC contributes over two thirds of the Company's total

[6] Hurricane Helene in September 2024 served as a recent drastic example of the role natural disasters can have on the Company's revenue. Over 120 of the Company's approximately 260 sites were impacted by the hurricane, particularly in Florida and North Carolina. Some sites, such as those in Asheville, North Carolina, remained closed for months. The impact on the Orlando sites ultimately reduced the sale proceeds from the Orlando Sale.

revenue. From May 2020 to June 2024, UWC memberships have increased from approximately 1,080 members per site to approximately 2,250 members per site.

(iii). Express Wash Model.

26. The Company's car washes use the express car wash model. The express model uses a conveyor or belt to automatically move the vehicle through a car washing tunnel to clean the car's exterior. This model increases car volume and minimizes downtime between washes while keeping incremental fixed costs such as labor, water, and energy low. The express model is almost entirely automated, requiring only one to two onsite operators and therefore generating higher margins compared to other wash formats.

27. The express car wash model is the most efficient in the industry and reflects the industry-wide shift from a "do it yourself" to a "do it for me" structure:

- ***Convenience***: each customer will spend approximately 3–5 minutes at the car wash site, and washes do not require customers to leave their vehicles;
- ***Speed***: the superior technology of the express car wash allows operators to wash up to 140 cars per hour;
- ***Affordability***: the low price point of the express model allows customers to customize their experience by paying extra for additional amenities; and
- ***Consistency***: the automated nature of the express model provides for a consistent and quality clean wash every time.

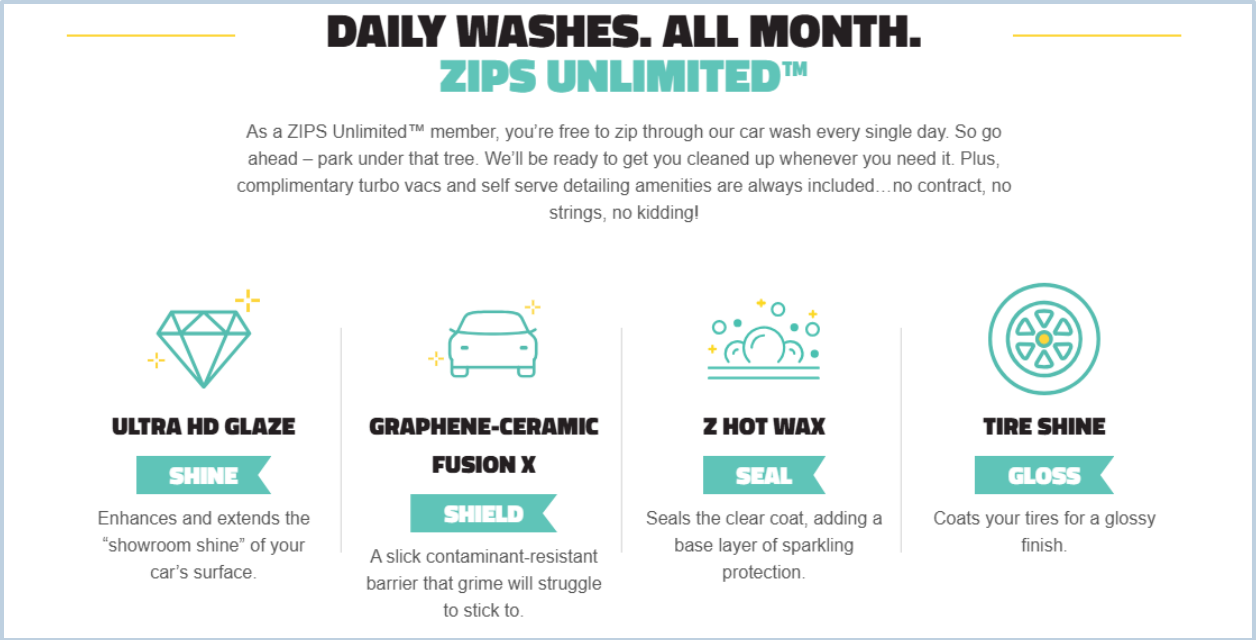
28. Zips provides an array of wash offerings, from premier washes (which use premium chemical products to produce shine and shield) to "basic" washes that provide exterior wash and rinse services.

SHINE & SHIELD	PREVENT & PROTECT	SEAL	CLEAN
PREMIER	PRO	BASIC PLUS	BASIC
Get it all with our ultimate car wash package featuring Ultra HD Glaze and Graphene-Ceramic Fusion X to Shine, Shield & Protect!	An advanced car wash to seal and protect featuring your vehicle from surface dirt and grime, which also includes tire shine!	Our standard wash package to clean your vehicle and then seal the clear coat with a car wax foam application.	Our exterior wash and rinse with an initial Prewash Prep treatment and extra drying boost chemicals.
You GET IT ALL! Ultra-HD Glaze Graphene-Ceramic Fusion X Tire Shine Z-Hot Wax	BASIC PLUS Wash + Z5X Ceramics Tire Shine Rain Repel	BASIC Wash + Z-Hot Wax Triple Foam Conditioner Wheel Cleaner	Prewash Prep Wash & Rinse Turbo Dry

2. Zips' Suppliers.

29. Zips leverages its national scale and large purchase orders to secure competitive pricing for chemicals, equipment, and wash-part supplies. Strong relationships with vendors allow Zips to maintain minimal inventory levels as equipment and chemicals are generally shipped directly to sites on an as-needed basis.

30. Zips' primary supplier is Sonny's Enterprises LLC ("Sonny's"), which provides Zips with chemicals, equipment, maintenance services, and training programs through college program partnerships. Sonny's supplies chemicals pursuant to a long-term chemical supply agreement that generated incremental cost savings while extending Zips' long-term relationship with a major supplier. This provides Zips access to a variety of cleaning chemicals including graphene-infused ceramic product, ultra-HD glaze finish, bug prep, and scent fragrance.



3. Marketing Initiatives and Customer Programs.

31. To deepen customer engagement in the communities it serves, Zips developed a series of marketing, promotional, and consumer outreach programs. These partnerships and initiatives, which have increased traffic from retail customers and UWC memberships, include UWC member events and the Zips App.

32. ***UWC Member Events***. Zips has developed UWC member-exclusive events to show appreciation to its customer base while creating incentives for retail customers to join the UWC and ultimately increase membership. These events include: (a) rotating quarterly programs, deals, and discounts to customers; (b) member sweepstakes that allow UWC members to win prizes such as free trips; (c) member appreciation events hosted in partnership with local businesses; and (d) member "Day of the Week" giveaways to incentivize more frequent visits.

33. ***Zips App***. In early 2024, Zips launched the Zips mobile app (the "Zips App") to increase engagement through a user-friendly interface that allows customers to purchase UWC memberships, retail washes, and gift cards. The Zips App has over 100,000 users and is available to both retail customers and UWC members. The app tracks customer insights such as responses to certain promotions, personalizes customer offers based on purchase behavior, and is available on both iOS and Android. The Company's customer-engagement strategy, as part of the broader ZipsMe 2.0 program, has relied heavily on the Zips App to provide opportunities for direct customer engagement.

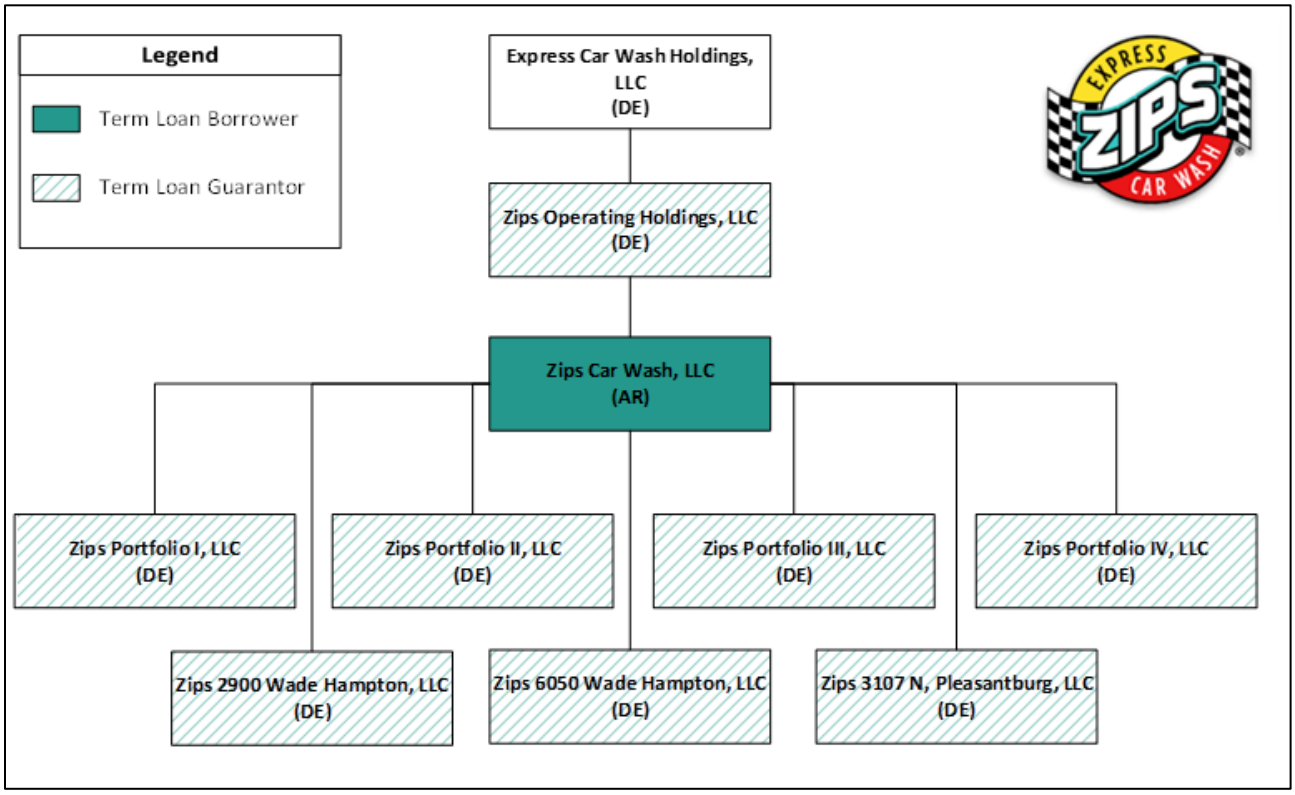
4. Zips' Employee Base.

34. Zips employs approximately 1,800 individuals nationwide, including permanent employees and periodically retained independent contractors. These individuals include personnel who are intimately familiar with the Debtors' business, processes, and systems, and possess unique skills and experience to perform a wide variety of functions critical to the operations at the Debtors' car wash locations and offices.

II. Zips' Prepetition Corporate and Capital Structure.

A. The Debtors' Organizational Structure.

35. Express Car Wash Holdings, LLC ("ECWH") is the ultimate parent of each Debtor. Zips' business is conducted through ECWH's subsidiaries, all of which are Debtors. A simplified corporate structure chart is reflected below. The Company maintains its corporate headquarters in Plano, Texas.



B. The Debtors' Prepetition Capital Structure.

36. As of the Petition Date, the Debtors long-term funded-debt obligations totaled approximately $653.9 million, comprised wholly of one tranche of senior secured term loans. The Debtors also have approximately $299.8 million of preferred equity outstanding (with senior and junior tranches). The Debtors also have approximately 166,792 shares of common stock issued and outstanding as of the Petition Date.

37. The relative amounts of each debt obligation and equity tranche are set forth below:

Funded Debt	***Maturity***	***Amount Outstanding (in millions)***
Term Loan Facility	December 31, 2024	$653.9[7]
Total Debt Obligations		***$653.9***
Preferred Equity	***Liquidation Preference Priority (on proceeds)***	***Amount of Series (in millions)***
Senior Preferred Equity	First Priority	$229
Junior Preferred Equity	Second Priority	$70.8
Total Preferred Equity Outstanding		***$299.8***
Total Debt and Preferred Equity Outstanding		***$953.7***

(i). Term Loan Facility.

38. Zips Car Wash, LLC and certain of its affiliates entered into that certain Credit Agreement dated as of August 30, 2016 (as amended most recently as of September 4, 2024, and as it may further be amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "Credit Agreement"), by and among Zips Car Wash, LLC as borrower ("Borrower"), Zips Operating Holdings, LLC as holdings ("Holdings"), Holdings and Borrower's direct subsidiaries as guarantors, Brightwood Loan Services LLC as administrative agent for the lenders ("Administrative Agent"), and the lender parties thereto (collectively, the "Term Loan Lenders").

39. The Credit Agreement provides for a term loan facility (the "Term Loan Facility") that matured on December 31, 2024. As of the Petition Date $653.9 million in borrowings are outstanding under the Term Loan Facility. The Term Loan Facility is secured by first-priority liens on substantially all assets and property of the Borrower, Holdings, and their guarantor subsidiaries other than certain "Excluded Assets" under the Credit Agreement.

[7] This amount outstanding excludes default interest, if any, with respect to which the Term Loan Lenders and Administrative Agent have reserved their rights.

40. The Credit Agreement also provided for the approximately $14 million revolving credit facility (the "Revolving Credit Facility") with Centennial Bank. As of December 1, 2024, the Company had fully satisfied its obligations under the Revolving Credit Facility, including cash collateralizing $509,699.30 in letters of credit outstanding under the Revolving Credit Facility.

(ii). Preferred Equity Interests.

41. *Senior Preferred Equity Interests*. Approximately $229 million of senior preferred equity in ECWH is outstanding as of the Petition Date. The Company raised the senior preferred equity from certain alternative investment firms (collectively, the "Senior Preferred Equity Holders") to facilitate strategic acquisitions from 2020 to 2022. The Senior Preferred Equity Interests have accrued interest in-kind at a 13.5% rate.

42. In connection with the issuance of the Senior Preferred Equity Interests, I understand that the Senior Preferred Equity Holders negotiated certain rights in the Limited Liability Company Agreement of ECWH ("ECWH LLCA"). I understand that, pursuant to ECWH LLCA, any action to affect a Mandatory Redemption Event (as defined therein), which, includes "a Bankruptcy of the Company," that does not result in the redemption of the Senior Preferred Equity Interests in full, requires the approval of a representative of each of the Senior Preferred Equity Holders. I understand that the Senior Preferred Equity Holders consent to ECWH's chapter 11 filing.

43. *Junior Preferred Equity Interests*. Approximately $70.8 million of junior preferred equity in ECWH is outstanding as of the Petition Date. ASC-Zips Holdings, Inc., a non-debtor equity holder managed through ASC, holds the substantial majority of shares while the Senior Preferred Equity Holders hold the nominal remainder.

III. Events Leading to These Chapter 11 Cases and Restructuring Initiatives.

44. A confluence of operational and financial headwinds stressed the Company's performance. Part III summarizes those headwinds and how—over two years—the Company responded to those headwinds.

A. Macroeconomic Headwinds and Challenging Operating Environment.

45. Macroeconomic developments in the past few years have adversely affected the Company's business and financial condition by increasing costs and reducing demand. Rising interest rates contributed to an increase in Zips' annual cash interest expense, given the Company's term loans accrue interest on a floating rate basis. From fiscal year 2022 to fiscal year 2023, the Debtors' annual cash interest outlay on the principal amount of their secured debt rose from $59 million to $93 million, resulting not just from an increase in the principal balance but also from a precipitous rise in the three-month SOFR from 0.68% to 5.33%.

46. In conjunction with rising rates, inflationary pressures not seen in over 40 years triggered higher operating costs for the business, including the price of chemicals, other supplies, and labor costs. These inflationary pressures also softened consumer discretionary spending. Retail traffic decreased across the entire industry, and Zips was hit particularly hard. UWC membership churn, or the rate at which customers cancel their UWC memberships, increased above the industry average, hovering around 8%-12% of Zips' UWC member base over the past two years. These challenges limited the Company's cash flow, its ability to adequately invest in operational turnaround initiatives, and its desire to continue strategic M&A opportunities.

1. Operational Turnaround Initiatives.

(i). ZipsMe 2.0 Program.

47. To stem the tide of macroeconomic pressures, the Zips' management team devised the ZipsMe 2.0 program in June 2023 across car wash locations nationwide to standardize and

enhance the quality of wash services and increase customer loyalty. These initiatives included: (a) uniformly adopting new, more powerful cleaning chemicals to provide customers with cleaner and more consistent washes; (b) establishing a national price model for both retail customers and UWC members; and (c) making aesthetic improvements by uniformly enhancing exterior signage, lighting, and fixtures, and sanitizing its car wash sites. The ZipsMe 2.0 program was also designed to improve customer engagement through refreshing Zips' website and social media accounts, training sales personnel to promote the new features of ZipsMe 2.0, and developing consistent channels of communication to customers regarding the Company's latest product offerings. The Zips App, launched in the beginning of 2024, allowed the Company to track critical customer insights (e.g., frequency and behavior) and aggregate customer data, and it served as a point-of-sale extension for e-commerce capabilities.

(ii). Project Refresh.

48. In early 2024, Zips implemented a program to improve targeted car wash sites and increase their performance ("Project Refresh"). Project Refresh started with a pilot program of 11 sites where Zips invested approximately $300,000 into each site to improve aesthetics, wash quality, operations, and the customer experience. Based on site conditions, the competitive landscape, upside potential, and payback period, the Company has identified approximately 33 additional sites that would benefit from Project Refresh in 2025. The process of improving a site through Project Refresh takes approximately twelve weeks, and sites remain open during the renovations. Zips maintains a dedicated refresh team to ensure that renovations across sites are consistent and compliant with applicable regulations and standards.

49. Project Refresh provided, and will continue to provide, tangible benefits to several sites, including improvements to the Company's real estate portfolio and increased retail traffic.

At the moment, though, the Company has been unable to continue the program across the rest of the portfolio given the large capital expenditure required.

B. Refinancing Efforts and the Retention of Advisors.

50. The Company's operational initiatives worked, driving increased ticket performance and notably better customer feedback. But they did not address the looming debt maturity in early 2024 or alleviate significant liquidity issues. The Company worked diligently to address these matters by (a) obtaining nearly $70 million in equity infusions from the Sponsor over the course of 2023 and into mid-2024 and (b) executing Amendment No. 24 to the Credit Agreement. Amendment No. 24 established an October 15, 2024 deadline to obtain an executed commitment for an acceptable refinancing of the Credit Agreement debt (the "Refinancing Deadline"). Continued operational initiatives and potential strategic sales would help maximize the marketability of the Company during the refinancing process.

51. In August, Evercore began reaching out to third parties to solicit proposals to refinance the Company's debt obligations. Evercore contacted 43 interested parties; 33 parties executed non-disclosure agreements and received access to a confidential information memorandum. The Company received seven initial transaction proposals. Only two proposals contemplated a full refinancing. The Board and the Special Committee determined that those two proposals were inactionable because they lacked material terms to comply with the requirements of the Refinancing Deadline and/or contemplated significant impairment of the Term Loan Lenders.

52. As the refinancing efforts seemed unlikely to be successful, the Company engaged restructuring advisors. In August and September 2024, the Company retained Kirkland and AlixPartners to assist with the evaluation of other strategic and restructuring alternatives.

C. Corporate Governance Efforts.

53. Given its evaluation of strategic alternatives, including the looming potential of a comprehensive restructuring, the Company proactively evaluated its corporate governance infrastructure. The Board determined it was in the best interests of the Company and its stakeholders to appoint an experienced independent and disinterested manager to the Board and to form an independent special committee with certain delegated authority. In August 2024, the Board appointed Scott Vogel as a disinterested manager and established the Special Committee of the Board, comprised solely of Mr. Vogel. In October, the Board added Robert Warshauer as a second disinterested and independent manager and member of the Special Committee.

54. The Board delegated authority to the Special Committee to address and take any action with respect to any conflict matter. This broad delegation of authority extends to the investigation and settlement of any claims held by Zips against any of Zips' related parties. The Special Committee is currently investigating any potential claims or causes of action belonging to the estates.

D. Increased Competition and Strategic Divestitures.

55. While the demand side clearly impacted the Company in the past two years, so did the supply side of the equation. The car wash industry has experienced a spike in new players and invested capital, with approximately 900 new car wash sites being constructed annually for each of the past five years. The increase in industry competition during a period of slow retail traffic further diluted Zips' revenue potential and cash flow. The increased competition has been especially challenging for Zips legacy sites in existence prior to the ASC acquisition, as retail traffic veered to newer refurbished sites owned by competitors. While new unit openings slowed in 2024 due to ongoing macroeconomic pressures, car wash operators with high density in their markets, like Zips, are well-positioned to maintain a competitive advantage against new entrants.

56. In response to increasing competition and a challenging operating environment, Zips began to evaluate the potential divestiture of certain non-core regional operations to better position the Company for sustainable growth in its core markets. Zips was clear, however, that any such divestiture would only make sense at highly attractive valuations and as part of a broader portfolio alignment. As part of this process, the Company continued its ordinary course review of underperforming markets and high-performing outliers to discern potential sale candidates. The Company also considered the current and expected competitive landscape in regional markets. With additional market-level information from trusted industry brokers, the Company determined that a strategic divestiture of sites located in St. Louis, Missouri and subsequently in Orlando, Florida could maximize the value of those assets for the benefit of the Zips' enterprise.

57. After receiving and gauging interest in the purchase of those regional operations, the Company executed a non-binding letter of intent for the St. Louis operations and sites on June 19, 2024, and a non-binding letter of intent for the Orlando operations and sites on August 2, 2024. Following extensive, arm's-length negotiations with the buyers, the Company negotiated two separate asset purchase agreements to sell assets in St. Louis (the "St. Louis Sale") and Orlando (the "Orlando Sale"). In light of the Credit Agreement's covenants regarding asset sales and the sale of term loan collateral, the Company sought and obtained the Term Loan Lenders' support to proceed with both sales and agreed that the net proceeds of each sale will be used in accordance with the Credit Agreement (*i.e.*, to pay down the term loan debt).[8] And on August 29, 2024, and December 5, 2024, with support from the Special Committee and the Board, the Company executed purchase agreements to sell the St. Louis and Orlando sites, respectively.

[8] It is my understanding that while the Term Loan Lenders do not have liens on the Company's leasehold interests, they generally have liens over all of the assets sold in the Orlando and St. Louis sales.

58. The Orlando Sale closed on February 4, 2024. The Company sold the operations and going concern value relating to six sites in Orlando to National Express Wash II, LLC (doing business as El Car Wash) for approximately $58.5 million, reflecting a multiple of over 10 times earnings. The sale represented the highest and best offer available, far exceeding any competing proposal. The Company determined to proceed with the Orlando Sale given the highly attractive multiple, ever-increasing competition in the Orlando market (which created limited upside growth in the area), and the fact that the locations did not require significant repairs or improvements before being sold.

59. In October 2024, when the Company failed to meet the refinancing milestones, it entered into a forbearance with 70 percent of its secured lenders and the Administrative Agent (together with any amendments and extensions thereto, the "Forbearance Agreement"). As part of the Forbearance Agreement, the Company agreed to direct the net cash proceeds from Orlando Sale into an escrow account (the "Escrow Account") maintained at Citi Bank, N.A. (the "Escrow Agent") for the benefit of the Term Loan Lenders. On February 5, 2025, the Administrative Agent directed the Escrow Agent to release the full $54.3 million in funds from the Escrow Account to be used to satisfy obligations under the Term Loan Facility.

60. Pursuant to the St. Louis Sale, which has not yet closed, the Company will sell certain operations and sites in St. Louis, generating net proceeds of approximately $20 million. This represents a multiple of approximately 15 times earnings. Critically, the sale will also eliminate millions of dollars of go-forward lease liabilities at legacy sites, which carried a higher occupancy burden compared to sites acquired since 2020 under ASC ownership. The Company will use the chapter 11 process to effectuate the St. Louis Sale by filing a motion with the Court in the immediate near-term to assume the St. Louis purchase agreement and all related obligations.

E. Development of Revised Go-Forward Business Plan and Lease Savings Initiatives.

61. The effects of macroeconomic pressures and increased competition accelerated the need for Zips to reassess its go-forward business model. In particular, the Company's real estate portfolio remained burdened by sites with off-market lease terms or faltering financial performance, requiring the Company to either restructure the leases or exit sites entirely.

62. In the months preceding the filing of these cases, the Company, with the assistance of its advisors, developed a revised business plan strategy focused on: (a) right-sizing the site portfolio to ensure unprofitable locations close and/or benefit from restructured lease obligations; (b) improving performance in markets with high density to maintain competitive advantage over other operators; and (c) enhancing the operating model to drive cost efficiencies and customer engagement. The revised strategy accounted for execution of the Orlando Sale and the St. Louis Sales.

63. As part of this strategy, the Company and AlixPartners completed a lease rationalization analysis and business plan that projected the performance of each car wash site and identified burdensome leases as candidates for restructuring. In accordance with the Forbearance Agreement, on November 1, 2024, the Company, with support from the Board and Special Committee, delivered this analysis and business plan to the Ad Hoc Term Lender Group and Senior Preferred Equity Holders. These analyses provided the foundation for restructuring discussions with the Company's stakeholders.

64. Additionally, on November 16, 2024, the Company retained Hilco as real estate advisor to analyze potential lease savings, including on an in-court versus out-of-court basis. On November 25, 2024, Hilco delivered its initial lease savings analysis to the Ad Hoc Term Lender Group and the Senior Preferred Equity Holders. In the two months leading up to the

Petition Date, Hilco commenced outreach to the Company's landlords to initiate discussions around a renegotiation of leases. Those discussions remain ongoing.

IV. Stakeholder Engagement, the Plan, and the DIP Facility.[9]

A. Credit Agreement Amendment, Forbearance, and Transaction Negotiations.

65. ***Amendment No. 25***. In September 2024, the Company approached the Term Loan Lenders to obtain their consent (as I understand was required under the Credit Agreement) to effectuate the St. Louis Sale. Given that it seemed likely that the refinancing efforts would be unsuccessful, the Ad Hoc Term Lender Group required the Sponsor to agree to fund the Sponsor Guaranty into an escrow account controlled by the lenders. Through Amendment No. 25 to the Credit Agreement, the Ad Hoc Term Lender Group consented to the St. Louis Sale, and the Sponsor funded $30 million into an escrow. In the event of a default under the Credit Agreement, the funds could be used to pay down the Term Loan Lenders, reinvested into the business or used in connection with any restructuring transaction at the discretion of the Required Lenders.

66. ***Forbearance and Transaction Negotiations***. Starting in the fall of 2024, the Company, the Ad Hoc Term Lender Group, and the Senior Preferred Equity Holders engaged in discussions over the terms of a potential deleveraging transaction. In response to various diligence requests, the Company provided the Ad Hoc Term Lender Group and the Senior Preferred Equity Holders access to a data room that contained the Company's site leases and approximately one hundred additional documents regarding the Company's financials, operations, M&A activity, and key contracts. The Company maintained a consistent dialogue with both the Ad Hoc Term Lender Group and the Senior Preferred Equity Holders, holding weekly calls with

[9] Capitalized terms used but not defined in this section shall have the meanings set forth in the Plan.

each group to discuss, among other things, the Company's lease analysis, liquidity updates, diligence requests, and general business updates.

67. In early November, the Company and the Ad Hoc Term Lender Group exchanged non-binding term sheets regarding a comprehensive deleveraging transaction that could be implemented, subject to certain conditions, on either an out-of-court or in-court basis. Discussions with the Senior Preferred Equity Holders continued in parallel, specifically around the holders' willingness to provide a new money investment in connection with any transaction. Ultimately, the Senior Preferred Equity Holders were unwilling to provide new capital.

68. While the Company and the Ad Hoc Term Lender Group continued negotiations, the Ad Hoc Term Lender Group agreed to continue to forbear from exercising any default related remedies, including on account of the looming end-of-year maturity date. In connection with the Forbearance Agreement, the Ad Hoc Term Lender Group agreed to convert cash pay interest on their debt to payment-in-kind interest, allowing the Company to preserve liquidity during restructuring discussions.

69. The Company used the runway provided by the forbearance to continue their business plan and lease savings analyses; negotiate and execute the St. Louis and Orlando Sales; commence discussions with the Company's key landlords; and continue implementing revenue generating initiatives. During this time, liquidity continued to be tremendously tight. The Ad Hoc Term Lender Group agreed to release the Sponsor Guaranty funds from the escrow account to fund the business operations and to pay down the revolving facility ahead of the maturity date.[10]

[10] Specifically, from November 26 through to January 9, the Required Lenders directed the release of approximately $15.5 million from the escrow account back into the Company to fund the Debtors' liquidity shortfalls and ongoing operations. The balance of the escrowed funds was used to pay down the Company's Revolving Credit Facility and professional fees of the Ad Hoc Term Lender Group.

70. The funds from the Sponsor Guaranty were ultimately exhausted in early January, after the lenders advanced the remaining $1.74 million in the escrow to the Company on January 9. The Company's filing timeline was accelerated as the Ad Hoc Term Lender Group was unwilling to provide separate and additional funding on an out-of-court basis during the forbearance period.

71. Several months of discussions and negotiations ultimately resulted in the *Joint Plan of Reorganization of Zips Car Wash, LLC and Its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code*, filed contemporaneously herewith (the "Plan"). The negotiations of the Plan were arms-length and in good faith, resulting in the value-maximizing transactions contemplated thereunder. The decision to file the Plan and commence these prearranged chapter 11 cases is the culmination of months of strategic review, including regular meetings of the Special Committee, the Board, management, and advisors.

B. The Plan and the DIP Facility.

72. The Plan contemplates a comprehensive reorganization that will result in a substantial deleveraging of the Debtors' balance sheet and an infusion of new financing to fund Zips' emergence from these chapter 11 cases. The Plan will reduce the Company's outstanding funded debt obligations by approximately $279 million and issue $375 million of take back paper in the form of new senior secured term loans (*i.e.*, the New OpCo Term Loan Facility and New HoldCo Facility). Upon emergence from chapter 11, Reorganized Zips will, subject to definitive documentation, have access to a new $15 million revolving credit facility to fund operations.

73. To effectuate this comprehensive restructuring, and ensure the Debtors' emergence from chapter 11, it is imperative that the Debtors meet the following milestones contained in the DIP Credit Agreement:

- no later than 30 days from the Petition Date, the Court shall have entered a final order approving the DIP Facility and an order approving the Disclosure Statement on a conditional basis;
- no later than 65 days from the Petition Date, the Court shall have approved the Disclosure Statement on a final basis and confirmed the Plan; and
- no later than 70 days after the Petition Date, the effective date of the Plan shall have occurred.

74. The DIP Facility consists of new-money term loans in an aggregate principal amount of $30 million, $20 million of which will be available on an interim basis. As described in the declarations filed in support of the DIP Facility, the interim new money financing will provide the Company with the necessary liquidity to maintain uninterrupted operations, effectively and efficiently administer these chapter 11 cases, and avoid immediate and irreparable harm to their estates. The DIP Facility represents the best possible postpetition financing facility that the Debtors could obtain under the circumstances.

75. Implementation of the transactions contemplated by the Plan will position Zips for long-term success, save jobs, and ensure that the Company's key landlords and vendors continue to have a viable go-forward business partner. For these reasons and the other reasons described in this Declaration, I believe that the Plan represents the value-maximizing path forward.

V. Evidentiary Basis for Relief Requested in the First Day Motions.

76. Contemporaneously with the filing of this Declaration, the Debtors have filed various First Day Motions seeking relief to orchestrate a soft landing into these chapter 11 cases and to ensure that the transactions contemplated by the Plan can be implemented with limited disruptions to operations. Approval of the relief requested in the First Day Motions is critical to

the Debtors' ability to continue operating their business with minimal disruption and thereby preserve value for the Debtors' estates and their various stakeholders. I have reviewed each of the First Day Motions and I believe that the relief sought therein is necessary to permit an effective transition into chapter 11. I believe that the Debtors' estates would suffer immediate and irreparable harm absent the ability to make certain essential payments, and otherwise continue their business operations as sought in the First Day Motions. The evidentiary support for the First Day Motions is attached hereto as **Exhibit A**. Accordingly, for the reasons set forth herein and in the First Day Motions, the Court should grant the relief requested in each of the First Day Motions.

* * * * * *

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

Dated: February 5, 2025

By: /s/ Kevin Nystrom
Name: Kevin Nystrom
Title: Chief Transformation Officer

Exhibit A

Evidentiary Support for First Day Motions[1]

[1] Capitalized terms used but not defined herein have the meanings ascribed to them in the applicable First Day Motion.

EVIDENTIARY SUPPORT FOR FIRST DAY MOTIONS [2]

1. Contemporaneously herewith, the Debtors filed a number of First Day Motions seeking orders granting various forms of relief intended to stabilize the Debtors' business operations and facilitate the efficient administration of these chapter 11 cases. I am familiar with the contents of each First Day Motion and believe that the relief sought therein is necessary to enable the Debtors to operate during these chapter 11 cases with minimal disruption and best serves the Debtors' estates and the interests of key stakeholders. The First Day Motions include the following:

(i). *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Continue to (A) Operate Their Cash Management System, (B) Honor Certain Prepetition Obligations Related Thereto, and (C) Maintain Existing Business Forms and (II) Granting Related Relief* (the "Cash Management Motion");

(ii). *Debtors' Emergency Motion for Entry an Order (I) Authorizing the Debtors to (A) File a Consolidated List of Creditors in Lieu of Submitting a Separate Mailing Matrix for Each Debtor, (B) File a Consolidated List of the 30 Largest Unsecured Creditors, (C) Serve Certain Parties in Interest by Email, (D) Redact or Withhold Certain Confidential Information of Customers, and (E) Redact Certain Personally Identifiable Information of Individuals (II) Approving the Form and Manner of Notifying Creditors of the Commencement of the Debtors' Chapter 11 Cases, and (III) Granting Related Relief* (the "Creditor Matrix Motion");

(iii). *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Claims of (A) Critical Vendors, (B) 503(b)(9) Claimants, (C) Lien Claimants, and (D) HSE Suppliers, and (II) Granting Related Relief* (the "Critical Vendors Motion");

(iv). *Debtors Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Maintain and Administer Their Existing Customer Programs and (B) Honor Certain Prepetition Obligations Related Thereto, and (II) Granting Related Relief* (the "Customer Programs Motion");

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[2] To the extent there is any conflict or inconsistency between the relief described herein and the relief requested in the applicable First Day Motion, the relief requested in the applicable First Day Motion shall govern.

(v). *Debtors' Emergency Application for Appointment of Kroll Restructuring Administration LLC as Claims, Noticing, and Solicitation Agent* (the "Kroll 156(c) Retention Application");

(vi). *Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Maintain Insurance Coverage and Pay Related Prepetition Obligations and (B) Renew, Supplement, Modify, or Purchase Insurance, and (II) Granting Related Relief* (the "Insurance Motion");

(vii). *Debtors' Emergency Motion for Entry of an Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief* (the "Joint Administration Motion");

(viii). *Debtors' Emergency Motion for Entry of an Order (I) Extending Time to File Schedules of Assets and Liabilities and Statements of Financial Affairs and (II) Granting Related Relief* (the "Schedules and Statements Motion");

(ix). *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Payment of Certain Prepetition and Postpetition Taxes and Fees and (II) Granting Related Relief* (the "Taxes Motion");

(x). *Debtors' Emergency Motion for Entry of an Order (I) Approving the Debtors' Proposed Adequate Assurance of Payment for Future Utility Services, (II) Prohibiting Utility Providers from Altering, Refusing, or Discontinuing Services, (III) Approving the Debtors' Proposed Procedures for Resolving Adequate Assurance Requests, and (IV) Granting Related Relief* (the "Utilities Motion");

(xi). *Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs; and (II) Granting Related Relief* (the "Wages Motion");

(xii). *Debtors' Motion for Entry of an Order (I) Authorizing and Approving Procedures to Reject or Assume Executory Contracts and Unexpired Leases and (II) Granting Related Relief* (the "Assumption and Rejection Procedures Motion"); and

(xiii). *Debtors' Omnibus Motion for Entry of an Order (I) Authorizing the Rejection of Certain Unexpired Leases and Executory Contracts, (II) Authorizing Abandonment of Certain Personal Property, Each Effective as of the Rejection Date, and (III) Granting Related Relief* (the "Omnibus Rejection Motion").

2. I have consulted with the Company and its advisors regarding the relief requested in each of the First Day Motions and I understand each of the First Day Motions and the relief requested therein. To the best of my knowledge and belief, the factual statements contained in

each of the First Day Motions are true and accurate. To the extent any contain additional facts, those facts are incorporated herein by reference.

3. The First Day Motions seek authority to, among other things: pay employee wages and honor employee benefit obligations; maintain the Debtors' cash management system; pay certain critical vendors; pay taxes and related fees, and maintain other crucial operations in the ordinary course of business. I understand that 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 and their estates. Accordingly, I believe and am advised that emergency consideration of the First Day Motions is warranted.

4. I further believe that the relief requested in the First Day Motions is necessary, in the best interests of the Debtors' estates and parties-in-interest, and will allow the Debtors to operate in the ordinary course with minimal disruption during these chapter 11 cases. Additionally, I believe that (a) the relief requested in each of the First Day Motions is critical, (b) unless the relief is granted, the Debtors risk the probability of harm, or, alternatively, loss of economic advantage to the estates that is disproportionate to the amount of the prepetition claim sought to be satisfied, and (c) there is no practical or legal alternative by which the Debtors can deal with the claimants sought to be paid other than by payment of the claim.

5. Accordingly, for the reasons set forth herein and in each respective First Day Motion, I believe that the Court should grant the relief requested in the First Day Motions.

I. The Cash Management Motion.

6. The Debtors' Cash Management System is composed of thirty Bank Accounts all of which are owned and controlled by the Debtors. The Debtor Bank Accounts include: (a) twenty-seven Bank Accounts maintained at Centennial Bank; (b) one Bank Account

maintained at Wells Fargo; (c) one Bank Account maintained at J.P. Morgan Chase; and (d) one Bank Account maintained at U.S. Bank.

7. The Concentration/Disbursement Account is the Debtors' primary bank account. All incoming receipts are transferred from the Collection Accounts to the Concentration/Disbursement Account on a daily basis. Additionally, all outgoing disbursements are funded by the Concentration/Disbursement Account, either directly from the Concentration/Disbursement Account or through the Disbursement Account. Outgoing transfers from the Concentration/Disbursement Account are used to pay the Debtors' vendor and suppliers, provide refunds to customers, and fund insurance premiums and related claims. Funds are processed via ACH, wire transfers, or electronic payment processes. The Debtors' Concentration/Disbursement Account is subject to a deposit account control agreement in favor of Brightwood Loan Services LLC, in its capacity as Administrative Agent under the Credit Agreement.

8. The Debtors maintain twenty-four Collection Accounts between four Cash Management Banks which receive funds from the Debtors' incoming credit card payments, sales, membership fees due under the UWC, and other external receipts. With the exception of the Bank Account ending in x4595, all Centennial Bank Collection Accounts only receive credit card payments, with each account exclusively receiving funds from either one or two of the states where the Debtors operate. The Centennial Bank Collection Account ending in x4595 receives all inflows from the UWC. All Collection Accounts held at Centennial Bank are zero balance accounts where funds are automatically swept overnight to the Concentration/Disbursement Account.

9. Additionally, the Wells Fargo Collection Account ending in x7868, the J.P. Morgan Chase Collection Account ending in x3598, and the U.S. Bank Collection Account ending in x3185 receive the Debtors' sales inflows, Jet Brite cash inflows, and Jet Brite vendor inflows, respectively. Each of these Bank Accounts are reviewed daily, and funds are manually transferred overnight to the Concentration/Disbursement Account to ensure that each account maintains a $5,000 balance.

10. The Debtors maintain one Disbursement Account ending in x9503 at Centennial Bank. The Disbursement Account is funded manually from the Concentration/Disbursement Account on an as needed basis and is used to fulfill the Debtors' payroll obligations.

11. The Debtors have opened two Bank Accounts at Centennial Bank in connection with the DIP Facility. I understand that prior to the Petition Date, the Debtors began establishing accounts with J.P. Morgan Chase, an authorized depository, to replace the DIP Accounts at Centennial Bank. As of the Petition Date, these accounts are not yet open. Subject to entry of the Interim Order, the Debtors will close the DIP Accounts at Centennial Bank and use new accounts at J.P. Morgan Chase as DIP Accounts. The DIP Account ending in x5106 shall be maintained by the Administrative Agent and shall be funded with proceeds of the New Money Term Loans, which proceeds shall be withdrawn by the Debtors from time to time in accordance with the Approved Budget pursuant to the terms of the DIP Order. The DIP Account ending in x5033 will be used to hold certain funds in escrow in connection with the Carve Out (as defined in the DIP Order).

12. Lastly, the Debtors maintain two Bank Accounts at Centennial Bank in connection with providing collateral to their utility providers. The Collateral Account ending in x3997 holds the cash collateral for letters of credit in favor of certain utilities. The funds held in this Collateral Account are not accessible by the Debtors, and instead can only be used by Centennial Bank to

pay down draws on the letters of credit. As a result, this Collateral Account does not interact with the other Bank Accounts in the ordinary course of business. The Centennial Bank Collateral Account ending in x5082 will be used as the Debtors' adequate assurance deposit account in these chapter 11 cases (as further described in the Utilities Motion). I understand that prior to the Petition Date, the Debtors began establishing an account with J.P. Morgan Chase, an authorized depository, to be used as the Debtors' adequate assurance deposit account. Subject to the entry of the Interim Order, the Debtors will transfer the Adequate Assurance Deposit (as defined in the Utilities Motion) to the J.P. Morgan Chase account following its opening.

13. ***Compliance with U.S. Trustee Guidelines and Section 345 of the Bankruptcy Code***. I understand that the Bank Accounts held at Wells Fargo, J.P. Morgan Chase, and U.S. Bank substantially comply with the requirements of section 345 of the Bankruptcy Code, and that the U.S. Trustee has agreed to a 45-day extension to comply with section 345 for Bank Accounts held at Centennial Bank. Twenty-seven of the Debtors' thirty Bank Accounts are with Centennial Bank, which is not an authorized depository, including the Debtors' primary Bank Account. As of the Petition Date, Centennial Bank holds approximately $1 million in cash on hand. To alter this system by moving the Debtors' accounts and funds to one of the other Cash Management Banks would require spending significant time and resources while providing no benefit to the estates. Centennial Bank is well positioned to continue performing depository and cash management functions during these chapter 11 cases. Additionally, the Debtors have engaged with Centennial Bank to discuss entering into a Uniform Depository Agreement with the U.S. Trustee. To avoid the additional and unnecessary disruption to the Debtors' operations that I believe would ensue if the Debtors were required to close these accounts, the Debtors submit that

cause exists to allow the Debtors to continue utilizing the existing Bank Accounts consistent with historical practices.

14. ***Business Forms.*** As explained more fully in the Cash Management Motion, the Debtors seek authorization to continue using all Business Forms in existence immediately before the Petition Date, without reference to the Debtors' status as debtors in possession. I understand once the Debtors exhaust their existing supply of checks during these chapter 11 cases, the Debtors will, when reordering, require or print the "Debtor in Possession" legend and corresponding bankruptcy case number on all such items.

15. ***Corporate Credit Card Program.*** As part of the Cash Management System, the Debtors provide certain employees with corporate purchasing cards. The Corporate Credit Card Program enables the Debtors' employees to use the Corporate Credit Cards to cover certain general business and operational expenses, as well as certain travel expenses. I understand that the Debtors owe approximately $150,000 on account of the Corporate Credit Cards as of the Petition Date. Given that the Debtors' $200,000 credit card limit requires the Debtors to make credit card payments every 10-12 days, I understand that the Debtors will likely be required to make a credit card payment before entry of the Final Order. I believe that the Corporate Purchase Card Program is an integral part of the Debtors' Cash Management System. Employees continued use of the Corporate Purchase Card Program, and the Debtors' ability to pay expenses incurred through the Corporate Purchase Card Program, is essential to the continued operation of the Debtors' business.

16. ***Bank Fees.*** In the ordinary course of business, the Debtors incur periodic service charges and other fees in connection with maintaining the Cash Management System. In the twelve-month period prior to the Petition Date, the Debtors incurred an average of approximately $14,000 in monthly Bank Fees, in the aggregate. As of the Petition Date, the Debtors estimate that

they owe approximately $14,000 total in prepetition Bank Fees. I understand that payment of the Bank Fees is necessary for the Debtors to continue to operate their Cash Management System in the ordinary course.

17. For the foregoing reasons, I believe that the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest, and will enable the Debtors to continue to effectively operate their businesses during these chapter 11 cases.

II. The Creditor Matrix Motion.

18. ***Consolidated Creditor Matrix.*** I believe allowing the Debtors to prepare and maintain a consolidated Creditor Matrix in lieu of filing a separate creditor matrix for each Debtor is warranted under the circumstances of these chapter 11 cases. Requiring the Debtors to segregate and convert their computerized records to a Debtor-specific creditor matrix format would be an unnecessarily burdensome task and result in duplicative mailings. Accordingly, I believe that filing a Consolidated Creditor Matrix is in the best interests of the Debtors' estates.

19. ***Consolidated List of the Thirty Largest Unsecured Creditors.*** I believe that allowing the Debtors to file a single, consolidated list of their thirty largest general unsecured creditors will help alleviate administrative burdens, costs, and the possibility of duplicative service, and will prevent the Debtors' estates from incurring unnecessary costs associated with serving multiple notices to the parties listed on the Debtors' voluminous creditor matrix. This will be a more efficient use of the Debtors' and their advisors' limited time and resources and will be most efficient for the U.S. Trustee in its efforts to communicate with these creditors. Accordingly, I believe that filing a single consolidated list of the Debtors' thirty largest general unsecured creditors is in the best interests of the Debtors' estates.

20. ***Serve Certain Parties in Interest by Email or a One Page Notice***. I believe that it is appropriate to authorize the Debtors to provide service to certain creditors via email. As of the Petition Date, the Debtors have approximately 1800 current employees, and, over the last two years, over five thousand former employees, and numerous vendors. Given these circumstances, service by email will help alleviate administrative burdens. Email service is likely the most efficient and cost-effective manner by which service of all interested parties can be completed and is also the most likely to facilitate creditor responses. Accordingly, I believe that allowing the Debtors to serve their creditors by email, where an email address is available to the Debtors, is in the best interests of the Debtors' estates.

21. ***Approving the Form and Manner of Service of the Notice of Commencement***. I believe that it is appropriate to authorize the Claims and Noticing Agent to undertake all mailings and email service, as applicable, directed by the Court or the U.S. Trustee or as required by the Bankruptcy Code or Bankruptcy Rules, including serving the Notice of Commencement on all parties listed on the Creditor Matrix to advise them of the meeting of creditors under section 341 of the Bankruptcy Code. This will help avoid confusion among creditors and prevent the Debtors' estates from incurring unnecessary costs associated with serving multiple notice parties listed on the Debtors' voluminous Creditor Matrix. Using the Claims and Noticing Agent to promptly provide notices to all applicable parties will maximize efficiency in administering these chapter 11 cases and ease administrative burdens that would otherwise fall upon the Court and the U.S. Trustee. Accordingly, on behalf of the Debtors, I believe allowing the Claims and Noticing Agent to undertake all mailings and email service, including the Notice of Commencement, is in the best interests of the Debtors' estates.

22. ***Redact Certain Confidential Information of Customers***. The Debtors' customer list, and related customer data, is one of the Debtors' most important and valuable assets, and it is vital that the Debtors maintain their customer list in strict confidence. I understand that if the Debtors were required to disclose the customer list, the Debtors' business operations may be harmed by loss of customers to competitors, which could in turn negatively impact the Debtors' estates. Accordingly, I believe that cause exists to authorize the Debtors to redact from any paper filed or to be filed the names, home addresses, and email addresses of the Debtors' customers.

23. ***Redacting Certain Confidential Information of Individuals.*** I believe that it is appropriate to authorize the Debtors to redact the home and email addresses of natural persons from any paper filed or to be filed with the Court in these chapter 11 cases because such information can be used to perpetrate identity theft, phishing scams, or to locate survivors of domestic violence, harassment, or stalking. Disclosure also risks violating data and privacy laws and regulations, thereby exposing the Debtors to potential civil liability and significant financial penalties. Because the Debtors will provide an unredacted version of the Creditor Matrix, the Schedules and Statements, affidavits of service, and any other applicable filings redacted pursuant to a Court order to the Court, to the U.S. Trustee, counsel to the official committee of unsecured creditors appointed in these chapter 11 cases (if any), the Claims and Noticing Agent, and any party in interest upon a request to the Debtors or to the Court that is reasonably related to these chapter 11 cases—with each such request subject to a review of whether such disclosure, on a case-by-case basis, would violate any privacy or data protection law or regulation— I submit that the Debtors' proposed redactions are appropriate under the circumstances.

24. I believe that the relief requested in the Creditor Matrix Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the

Debtors to continue to facilitate a timely and efficient process to maximize the value of the Debtors' estates for the benefit of all stakeholders.

III. Critical Vendors Motion.

25. In the Critical Vendors Motion, the Debtors seek entry of interim and final orders (a) authorizing the Debtors to pay prepetition amounts in the ordinary course of business owing on account of (i) Critical Vendor Claims in an aggregate amount of up to $3.5 million on an interim basis and $7 million on a final basis, (ii) 503(b)(9) Claims in an aggregate amount of up to $300,000 on an interim basis and $1 million on a final basis, (iii) Lien Claims in an aggregate amount of up to $1.4 million on an interim basis and $2 million on a final basis, and (iv) HSE Supplier Claims in an aggregate amount of up to $220,000 on an interim basis and $400,000 on a final basis, and (b) granting related relief.

26. I understand that to effectuate their business model and ensure the uninterrupted provision of goods and services to their customers, the Debtors rely on strong vendor relationships. Any disruption in the provision of the critical supplies and materials the Debtors source from their vendors would have far-reaching and adverse economic and operational consequences on the Debtors' business.

27. ***Critical Vendors.*** The Critical Vendors include, among others, suppliers who provide the Debtors with goods—such as chemicals, soaps, cleaning agents, and equipment—and services, such as car wash chemical system maintenance services and account for less than 1% of the Debtors' total vendor population. I understand that these goods and services are essential for maintaining Debtors' ability to continue operating their car wash locations. I understand that if the Debtors are unable to keep serving their customers in the ordinary course, the Debtors face the likely risk that their customers will turn to competitors. To that end, failure to pay Critical Vendor Claims could cause such Critical Vendors to refuse to provide the goods and services necessary

for the Debtors' postpetition operations and bring harm to the Debtors' business operations and estates.

28. I have reviewed the identified potential Critical Vendors and I believe that each of the vendors identified on the list is critical to the Debtors' business operations, and that satisfying their prepetition claims will allow the Debtors to continue operating their car wash locations, creating value for the Debtors' estates. I believe that if the Critical Vendors are not paid, there is a material risk that such vendor may cease doing business with the Debtors, which I believe would harm the Debtors' businesses and significantly impair their going-concern viability. I therefore believe that the Debtors must pay these Critical Vendors to avoid bringing harm to the Debtors' estates. I believe there is no practical alternative to replacing these Critical Vendors on short notice.

29. I understand that the Debtors are not proposing to pay any insiders, as that term is defined by section 101(31) of the Bankruptcy Code, by the Critical Vendors Motion.

30. Subject to the Court's approval, the Debtors intend to pay Critical Vendor Claims solely to the extent that the Debtors believe a Critical Vendor's failure to do business with the Debtors would materially harm the Debtors' business and significantly impair their going-concern viability. Such harm would likely far outweigh the cost of payment of the Critical Vendor Claims. I believe that the Debtors' relationships with these Critical Vendors may materially deteriorate without such payments, thereby causing disruption to the Debtors' business operations if the Debtors are unable to pay Critical Vendor Claims.

31. ***503(b)(9) Claimants.*** The Debtors may have received certain goods from the 503(b)(9) Claimants within the 20-day period immediately preceding the Petition Date, thereby giving rise to 503(b)(9) Claims. Many of the Debtors' relationships with the 503(b)(9) Claimants

are not governed by long-term contracts. Rather, the Debtors often obtain supplies on an order-by-order basis. As a result, a 503(b)(9) Claimant may refuse to supply new orders without payment of its prepetition claims.

32. It is my understanding that all of the 503(b)(9) Claims could be Critical Vendor Claims, HSE Supplier Claims, or Lien Claims and may have been characterized as such for purposes of the Critical Vendors motion. However, out of an abundance of caution, to the extent a 503(b)(9) Claim is not otherwise classified as a Critical Vendor Claim, HSE Supplier Claim, or Lien Claim, the Debtors seek authority to pay any undisputed 503(b)(9) Claims. The Debtors do not seek to accelerate or modify existing payment terms with respect to 503(b)(9) Claims (if any). Rather, the Debtors will pay the applicable503(b)(9) Claims (if any) as they come due and in the ordinary course of business.

33. ***Lien Claimants.*** The Debtors also rely on services from the Lien Claimants, who may hold, or claim to hold, a variety of statutory, common law, or possessory liens that, if asserted, could materially impair the Debtors' postpetition operations. The Debtors receive services from a variety of service providers that may hold statutory, common law, or possessory liens on the Debtors' property. The Lien Claimants provide a variety of services which enable the Debtors to continue operating their car wash sites. For example, the Debtors use the services of plumbers to maintain the integrity of the water systems at their car wash locations, as well as electrical repair providers who maintain the integrity of the electrical systems at the Debtors' locations. The Debtors also receive heating, ventilation, and air conditioning maintenance services. These vendors are crucial to the Debtors' operations—without them, crucial systems the Debtors rely on to deliver car washes to customers could deteriorate, causing harm to the Debtors' businesses and estates.

34. Unless the Lien Claimants are paid for outstanding prepetition amounts, the Debtors believe the Lien Claimants may refuse to continue performing obligations to the Debtors and may assert liens against property of the Debtors, causing immediate harm to the Debtors, their creditors, and their estates. Moreover, the value of the property which the Lien Claimants may assert liens on generally exceeds the value of their respective prepetition claims.

35. ***HSE Suppliers.*** Certain of the Debtors' vendors provide the Debtors with services which ensure the health, safety, environmental, and regulatory compliance of the Debtors' operations. The HSE Suppliers provide services such as health and safety inspections of the Debtors' facilities, safety equipment, safety training for the Debtors' employees, and processes to ensure compliance with government safety regulations and industry standards. Examples of such goods and services include, among others, delivery of safety trainings for the Debtors' employees, fire safety inspection services, and water quality inspection services. Many of these suppliers would be difficult to replace due to technical expertise specific to the Debtors' operations, systems, safety protocols, and facilities. Any delay or interruption in the services provided by the HSE Suppliers would put the Debtors' business operations at risk, and potentially risk the health and safety of the Debtors' employees and customers. Thus, the Debtors cannot afford any delays or interruptions of this kind.

36. ***Outstanding Orders.*** Before the Petition Date and in the ordinary course of business, the Debtors may have ordered goods that will not be delivered until after the Petition Date. To avoid the risk of becoming general unsecured creditors of the Debtors' estates with respect to such goods, certain suppliers might refuse to ship or transport such goods (or might recall such shipments) with respect to such Outstanding Orders unless the Debtors issue substitute purchase orders postpetition. To prevent any disruption to the Debtors' business operations, and

given that goods delivered after the Petition Date are afforded administrative expense priority under section 503(b) of the Bankruptcy Code, the Debtors seek an order (a) granting administrative expense priority under section 503(b) of the Bankruptcy Code to all undisputed obligations of the Debtors arising from the acceptance of goods subject to Outstanding Orders, and (b) authorizing the Debtors to satisfy such obligations in accordance with their historic practices.

37. For the foregoing reasons, I believe that the relief requested in the Critical Vendors Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest, and will enable the Debtors to continue to effectively operate their businesses during these chapter 11 cases.

IV. The Customer Programs Motion.

38. Pursuant to the Customer Programs Motion, the Debtors seek entry of interim and final orders (a) authorizing the Debtors to (i) maintain and administer their Customer Programs, (ii) honor certain prepetition obligations related thereto; and (b) grant related relief.

39. In the ordinary course of business, the Debtors utilize certain promotional, marketing, and sales practices to engage with new customers and foster goodwill among their existing customer base. The Debtors have three car wash brands—Zips, Jet Brite, and Rocket Express—which offer customers a variety of incentives and benefits, the majority of which ***do not*** independently entail the expenditure of cash. These Customer Programs include: (a) the unlimited wash club membership program; (b) certain discount, promotional, incentive, and rewards programs; (c) Gift Cards; (d) Wash Books; (d) charitable donation programs; (e) refunds; and (f) customer relations.

40. On a monthly basis, the Debtors expend an average of approximately $845,000 on the Customer Programs. As of the Petition Date, the Debtors estimate that there are approximately $6.5 million of prepetition obligations outstanding related to the Customer Programs. These

obligations include approximately $980,000 of prepetition obligations outstanding related to the Unlimited Wash Club, $40,000 of prepetition obligations outstanding related to the Discounts, Incentives, and Rewards Programs, $5.2 million of prepetition obligations outstanding related to the Gift Cards, $250,000 of prepetition obligations outstanding related to the Wash Books, and $28,000 of prepetition obligations outstanding related to the Refunds.

41. I believe the Debtors' ability to continue the Customer Programs and to honor the obligations thereunder in the ordinary course of business is necessary to maintain the Debtors' reputation for reliability, comply with their legal obligations, meet competitive market pressures, ensure customer satisfaction, and develop and maintain relationships with customers. Without the ability to continue offering Customer Programs, the Debtors expect that customers may be unwilling to transact with the Debtors and potential new customers may be discouraged from transacting with the Debtors, which could lead to a decline in revenues, the ultimate cost of which would be borne by the Debtors' estates. Maintaining the Customer Programs is therefore critical to the Debtors' ongoing operations during the pendency of the chapter 11 cases.

42. Relatedly, the Debtors accept a variety of payment methods from customers and, in turn, incur certain obligations pertaining to credit card and payment processor agreements. Specifically, pursuant to the Payment Processing Agreements, the Debtors generally receive the net customer sales less any chargebacks, returns, and processing and interchange fees charged. The Payment Processors charge certain processing fees between 0.5 to 1.5 percent and interchange fees between 2 to 3 percent, both of which are set off from the funds that are remitted to the Debtors on a daily or monthly basis. I believe the Debtors' continued acceptance of these various payment methods is essential to the administration of the Debtors' estates. Avoiding disruption of the same would prevent a negative impact on the Debtors' ongoing operations.

43. Therefore, I believe that the relief requested in the Customer Programs Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest, and will enable the Debtors to continue to effectively operate their businesses during these chapter 11 cases.

V. The Kroll 156(c) Retention Application.

44. Based on my discussions with the Debtors' advisors, I believe that the Debtors' selection of Kroll to act as the Claims and Noticing Agent is appropriate under the circumstances and is in the best interest of the estates. Moreover, it is my understanding, based on all engagement proposals obtained and reviewed, that Kroll's rates are competitive and reasonable given Kroll's quality of services and expertise.

VI. The Insurance Motion.

45. In the ordinary course of business, the Debtors maintain approximately 22 Insurance Policies that are administered by multiple third-party Insurance Carriers. The Insurance Policies provide coverage for, among other things, the Debtors' property, general liability, automobile liability, workers' compensation employer's liability, excess liability, umbrella coverage, employment practices liability, cyber liability, executive risk, and directors' and officers' liability. The Insurance Policies are generally renewed on an annual basis. The aggregate annual premium for the Insurance Policies is approximately $4.2 million. The Debtors estimate that, as of the Petition Date, there are approximately $1.8 million in outstanding premiums due to insurance carriers on account of the insurance policies. The Debtors request the authority to maintain the Insurance Policies, to pay related prepetition obligations, to renew, supplement, or modify the Insurance Policies as needed, and to enter into new insurance policies in the ordinary course of business to ensure uninterrupted coverage under the Insurance Policies.

46. I believe that continuation and renewal of the Insurance Policies, and entry into new Insurance Policies, as needed, is essential to the preservation of the value of the Debtors' business

and operations, and that failure to receive the requested relief in the Insurance Motion at the outset of these chapter 11 cases would expose the Debtors to direct liability for payment of claims otherwise covered by the Insurance Policies. Moreover, in many instances, insurance coverage is required by the regulations, laws, and contracts that govern the Debtors' commercial activities. Accordingly, the Debtors request authority to maintain their existing Insurance Policies, pay prepetition obligations related thereto, and enter into new Insurance Policies in the ordinary course of business.

47. ***Deductibles and Self-Insured Retentions.*** Pursuant to certain of the Insurance Policies, the Debtors are required to pay various Deductibles or Self-Insured Retentions, depending upon the type of claim and Insurance Policy involved. Generally, if a claim is made under an Insurance Policy that is subject to a Deductible, the applicable Insurance Carrier administers the claim and makes payments in connection therewith, then invoices the Debtors for the Deductible. As a result, the Insurance Carriers may have prepetition claims against the Debtors due to the prepetition payment of the claims with a corresponding Deductible that has been invoiced postpetition, though the Debtors are not aware of any such outstanding claims as of the Petition Date. Additionally, if a claim is made under an Insurance Policy that uses Self-Insured Retentions, the Debtors must make payments in the first instance up to the limit of the applicable Self-Insured Retention and if the amount of the claim exceeds the limit of the Self-Insured Retention, the applicable Insurance Carrier is obligated to cover the excess costs. Over the last twelve months, the Debtors have paid an average of approximately $9,000 per month in Self-Insured Retentions.

48. ***Insurance Broker.*** The Debtors employ KORE Insurance Holdings, LLC as a Broker to assist them with the procurement and negotiation of the Insurance Policies, the

processing of claims, and, in certain circumstances, to remit payment to the Insurance Carriers on behalf of the Debtors. In addition to brokering the renewal of the Debtors' various Insurance Policies on favorable terms, the Broker fulfills a necessary gateway function between the Debtors and their various insurance providers, providing information and assistance related to the Insurance Policies. In exchange for the Broker's services, the Debtors and the Debtors' Insurance Carriers pay fees to the Broker. As of the Petition Date, the Debtors do not believe that they owe any amounts on account of the Brokerage Fees.[3] Nevertheless, out of an abundance of caution, The Debtors seek authority, but not direction, to pay any prepetition obligations related to the Broker's Fees and postpetition Broker's Fees in the ordinary course.

49. I believe the preservation of the agreements and arrangements in place with the Broker is essential to the maintenance of the Insurance Policies and necessary for the efficient operation of the Debtors' business. Absent such services, the Debtors would spend significant time negotiating with the Insurance Carriers and such time would have a detrimental impact on these chapter 11 cases.

50. ***Premium Financing Agreement***. In the ordinary course, the Debtors finance the premium payments for certain Insurance Policies pursuant to a Premium Financing Agreement with a third-party premium finance company. Specifically, the Debtors currently finance 7 of their 20 policies pursuant to the Premium Financing Agreement with US Premium Finance. As of the Petition Date, the Debtors owe approximately $1.5 million in outstanding obligations under the Premium Financing Agreement. The Debtors expect that approximately $1.5million owed in

[3] In addition, the Debtors anticipate that they will be obligated to pay Broker's Fees associated with potential future renewals as part of the premiums associated with such renewals.

connection with the Premium Financing Agreement will come due postpetition in the ordinary course.

51. I believe the continuation of the Debtors' Premium Financing Agreement with US Premium Finance is essential to the Debtors' ability to maintain insurance coverage as required by statutes, rules, regulations, and contracts that govern the Debtors' commercial activities, including the requirement of the United States Trustee for the Northern District of Texas that a debtor maintain adequate coverage given the circumstances of its chapter 11 case. Failure to maintain their Insurance Policies could have a detrimental impact on these chapter 11 cases.

52. For the foregoing reasons, I believe that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest, and will enable the Debtors to continue to effectively operate their businesses during these chapter 11 cases.

VII. The Joint Administration Motion.

53. Given the integrated nature of the Debtors' operations, joint administration of these chapter 11 cases will provide significant administrative convenience without harming the substantive rights of any party in interest. Many of the motions, hearings, and orders in these chapter 11 cases will affect each Debtor entity. Accordingly, I understand that the entry of an order directing joint administration of these chapter 11 cases will reduce fees and costs by avoiding duplicative filings and objections, and also allow the Office of the United States Trustee for the Northern District of Texas and all parties in interest to monitor these chapter 11 cases with greater ease and efficiency.

VIII. The Schedules and Statements Motion.

54. Pursuant to the Schedules and Statements Motion, the Debtors seek entry of an order extending the deadline by which the Debtors must file their Schedules and Statements by an additional nineteen days, for a total of thirty-three days from the Petition Date through and

including March 10, 2025, without prejudice to the Debtors' ability to request additional extensions for cause shown.

55. I believe that good and sufficient cause exists for granting an extension of time to file the Schedules and Statements. The ordinary operation of the Debtors' businesses requires the Debtors to maintain voluminous books, records, and complex accounting systems. To prepare the Schedules and Statements, the Debtors must compile information from those books and records, and from documents relating to the claims of their creditors, as well as the Debtors' assets, contracts, and leases. This information is extensive and located in numerous places throughout the Debtors' organization. Collecting the necessary information requires an enormous expenditure of time and effort on the part of the Debtors, their employees, and their professional advisors in the near term—when these resources would be best used to stabilize the Debtors' business operations.

56. For the foregoing reasons, I believe that the relief requested in the Schedules and Statements Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest. Accordingly, the Debtors request that the Court grant the Debtors' SOFAs and Schedules Motion.

IX. The Taxes Motion.

57. I understand that in the ordinary course of business, the Debtors collect, withhold, and incur: (a) income taxes; (b) franchise taxes; (c) property taxes; (d) sales and use taxes; and (e) licensing and permitting fees, as well as other governmental taxes, fees, assessments, interest, penalties, and additions to tax. The Debtors pay or remit, as applicable, Taxes and Fees to various governmental Authorities monthly, quarterly, tri-annually, semi-annually, or annually, depending on the nature, jurisdiction, and incurrence of the particular category of Taxes and Fees and as required by applicable laws and regulations.

58. The Debtors' estimates of outstanding Taxes and Fees as of the Petition Date are summarized below:[4]

Category	Description	Approximate Amount Accrued and Unpaid as of Petition Date
Income Taxes	State and local taxes imposed on the Debtors' income and state taxes imposed upon the Debtors to operate their businesses pursuant to state laws.	$0
Franchise Taxes	Taxes on goods and services sold or used, assessed based on the value of such goods and services, which are generally payable on a monthly basis.	$280,000
Property Taxes	Taxes related to real and personal property holdings, which are generally payable on an annual basis.	$7,600,000
Sales and Use Taxes	Customs duties, import and export-related taxes, and other incidental import and export expenses.	$430,000
License and Permit Fees	The Debtors pay Taxes and Fees related to compliance with regulatory requirements, including periodic licensing, permitting, reporting and similar requirements, generally payable on an annual basis, depending on the specific Tax or Fee. License and Permit Fees are typically paid in advance.	$1,500
	Total	**$8,311,500**

59. Additionally, the Debtors may become subject to routine Audit on account of tax returns and/or tax obligations during these chapter 11 cases. Audits may result in additional prepetition Taxes and Fees being assessed against the Debtors. Critically, in certain of the

[4] The Debtors cannot predict the amounts of any potential Assessments that may result from Audits. Accordingly, the Debtors' estimate of outstanding Taxes and Fees as of the Petition Date does not include any amounts relating to potential Assessments.

jurisdictions where the Debtors operate, the Debtors must be able to accept a proposed resolution of an Audit and make a payment with respect to such resolution in a timely manner.

60. Any failure by the Debtors to pay the Taxes and Fees, including Assessments, could materially disrupt the Debtors' business operations in several ways, including (but not limited to): (a) the Authorities may initiate Audits of the Debtors, which would unnecessarily divert the Debtors' attention from these chapter 11 cases; (b) the Authorities may attempt to suspend the Debtors' operations, file liens, seek to lift the automatic stay, and/or pursue other remedies that will harm the Debtors' estates; and (c) in certain instances, certain of the Debtors' directors and officers could be subject to claims of personal liability, which would likely distract those key individuals from their duties related to the Debtors' chapter 11 cases. Taxes and Fees not paid on the due date as required by law may result in fines and penalties, the accrual of interest, or both. In addition, I have been informed that nonpayment of the Taxes and Fees may give rise to priority claims under section 507(a)(8) of the Bankruptcy Code. Additionally, I understand that the Debtors also collect and hold certain outstanding tax liabilities in trust for the benefit of the applicable Authorities, and these funds may not constitute property of the Debtors' estates. I also understand that the Taxes and Fees must be paid in order to continue operations.

61. In addition, I understand that the ability to undertake the Tax Planning Activities pursuant to the relief requested in the Final Order will provide the Debtors with the flexibility to take steps (if any are identified and necessary) to minimize overall tax costs and therefore enhance the value of the estate for all creditors, which tax costs could include, among other things, state and local taxes associated with the implementation of any proposed plan of reorganization. Tax Planning Activities are often technical in nature, and often do not lend themselves to the receipt of independent relief from the Court because their implementation is time-sensitive and public

disclosure of the nature of the steps being undertaken is problematic for a variety of reasons. Additionally, I understand that the relief requested in the Final Order ensures that the Tax Planning Activities will not be permitted if those activities would prejudice the rights of any creditor, and the Debtors will consult with parties in interest prior to undertaking any Tax Planning Activities.

62. For the foregoing reasons, I believe that the relief requested in the Taxes Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to effectively operate their business during these chapter 11 cases. Accordingly, on behalf of the Debtors, I respectfully submit that the Taxes Motion should be approved.

X. The Utilities Motion.

63. In the ordinary course of their business and management of their properties, the Debtors obtain electricity, natural gas, telecommunications, water, waste management (including recycling, disposal, sewer, and trash), internet, and other similar services from approximately 356 distinct Utility Providers.

64. To the best of the my knowledge, there are no defaults or arrearages with respect to their obligations for prepetition Utility Services. The Debtors pay approximately $2.7 million in the aggregate each month for Utility Services, calculated as the historical average payment for the twelve-month period ending December 31, 2024. This amount includes services paid directly by the Debtors but excludes Utility Services billed directly to the Debtors' landlords.

65. In addition, the Debtors have provided certain Utility Providers with cash deposits, letters of credit, or other forms of credit support. I estimate the amount currently held as Prepetition Deposits with respect to the Utility Providers to be approximately $1.35 million.

66. The Debtors intend to pay postpetition obligations owed to the Utility Providers in the ordinary course of business, in accordance with their prepetition practice, and in a timely

manner with cash on hand anticipated debtor-in-possession financing. To provide additional assurance of payment, the Debtors propose to deposit approximately $1.1 million into a segregated account. The Adequate Assurance Deposit represents an amount equal to approximately one half of the Debtors' average monthly cost of Utility Services, less the Prepetition Deposits, calculated as the historical average payment for the 12-month period December 31, 2024.

67. I submit that the Debtors' proposed Adequate Assurance Procedures will provide a streamlined process for Utility Providers to address potential concerns with respect to the Proposed Adequate Assurance, while allowing the Debtors to continue their operations uninterrupted. Specifically, the Debtors seek approval of the procedures for requesting different or additional adequate assurance of future payment set forth in the proposed Order. Any Utility Provider that is not satisfied with the Proposed Adequate Assurance may make an Adequate Assurance Request pursuant to the Adequate Assurance Procedures.

68. I believe that uninterrupted Utility Services are essential to the Debtors' ongoing business operations and, hence, the overall success of these chapter 11 cases. The Utility Services are essential for the Debtors to maintain their businesses and to operate their distribution, assembly, and warehouse facilities and corporate offices, which provide functions essential for daily operations. Should any Utility Provider refuse or discontinue service, even for a brief period, the Debtors' business operations would be severely disrupted, and such disruption would jeopardize the Debtors' ability to successfully operate and manage their reorganization efforts. Accordingly, it is essential that the Utility Services continue uninterrupted during these chapter 11 cases.

69. For the foregoing reasons, I believe that the relief requested in the Utilities Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest, and will enable the Debtors to continue to effectively operate their businesses during these chapter 11 cases.

XI. Wages Motion.

70. As of the Petition Date, the Debtors employ approximately 1,800 Employees on a full- and part-time basis throughout the United States. The Employees include personnel who are intimately familiar with the Debtors' business, processes, and systems, and possess unique skills and experience with respect to the Debtors' core business segments. Many of these Employees perform a wide variety of functions critical to the operations at the Debtors' car wash locations and offices. The Employees rely on the Compensation and Benefits (as defined below) to pay for their basic needs and daily living expenses. These workers will be materially harmed if the Debtors are not permitted to continue paying compensation and providing health and other benefits during these chapter 11 cases. Furthermore, the Debtors and their estates may be harmed by business disruption if they are unable to provide the Compensation and Benefits consistent with past practice. Consequently, I believe the relief requested in the Wages Motion is necessary and appropriate under the facts and circumstances of these chapter 11 cases.

71. In addition to the Employees, the Debtors engage four individuals as Independent Contractors. Two of the independent contractors perform marketing services, one performs information technology services, and one performs various services across the Debtors car wash districts. The Independent Contractors are an important supplement to the Debtors' workforce. Without the continued, uninterrupted services of their Employees and Independent Contractors, the Debtors' business operations may be disrupted, and the administration of the Debtors' estates will be materially impaired.

72. In the ordinary course of business, the Debtors have accumulated prepetition claims relating to, among other things, unpaid compensation, withholding obligations, reimbursable expenses, payroll processing, health and welfare coverage and benefits, the workers' compensation program, the 401(k) plan, paid leave and unpaid leave, and other benefits that the Debtors have provided in the ordinary course.

73. The Debtors seek authority, but not direction, to make the following payments related to prepetition amounts owed and certain postpetition amounts that will come due on account of the Compensation and Benefits, in each case, subject to the terms of the DIP Orders:

Employee Compensation & Benefits	Approximate Amount
Unpaid Compensation	$915,000
Unpaid Employee Compensation	$480,000
Unpaid Commissions	$120,000
Unpaid Independent Contractor Compensation	$25,000
Unpaid Non Insider Employee Incentive Programs	$290,000
Unpaid Non-Insider Severance Program Compensation & Non Insider Severance Benefits	-
Payroll Processing Fees	$80,000
Withholding Obligations	$140,000
Payroll Deductions	$20,000
Payroll Taxes	$120,000
Reimbursable Expenses	$200,000
Employee Benefits Programs	$734,500
Health and Welfare Coverage and Benefits	$158,000
COBRA	-
Life and Disability Insurance Coverage	$1,500
Employee Assistance Program Coverage	-
Auxiliary Benefits	-
Workers' Compensation Program Obligations	$560,000
Car/Cell Phone Allowances	$7,500
Tuition Assistance Program	$5,000
Unremitted 401(k) Obligations (Excluding $401(k) Payroll Deductions)	$2,500
Paid Leave and Unpaid Leave	-
Total	$2,069,500

74. As of the Petition Date, the Debtors estimate that approximately $1.9 million on account of the Compensation and Benefits. For the avoidance of doubt, the Debtors do not seek to pay outstanding prepetition amounts on account of the Employee Compensation and Benefits

programs in excess of the priority claim amount of $15,150 provided by sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code.

75. ***Employee Compensation.*** The Debtors incur obligations to their Employees for wages, overtime, and other compensation. Employees are typically paid bi-weekly. Because Employees are generally paid in arrears, certain Employees may be owed Employee Compensation accrued but unpaid as of the Petition Date. Employee Compensation may also be due and owing as of the Petition Date because of, among other things, potential discrepancies between the amounts paid and the amounts that Employees believe they should have been paid, which, upon resolution, may reveal that additional amounts are owed to such Employees. As of the Petition Date, the Debtors estimate that they owe approximately $480,000 on account of accrued but Unpaid Employee Compensation.

76. ***Commissions.*** In the ordinary course of business, the Debtors offer sales-based commissions to approximately 1,600 Employees who are employed as sales associates. These Employees market the Debtors' tiered car wash memberships and receive Commissions based on the number of memberships sold through their efforts that are renewed for at least two months. On average, the Debtors spend approximately $200,000 per month on account of the Commissions. As of the Petition Date, the Debtors believe they owe approximately $120,000 on account of the Commissions earned before the Petition Date.

77. ***Independent Contractor Compensation.*** The Debtors make payments directly to the Independent Contractors. Payments are made on bi-weekly or monthly bases. The Independent Contractors perform certain services critical to the Debtors' operations, including marketing, administrative technology, operational, and managerial functions related to the Debtors' businesses. In fiscal year 2024, the Debtors paid an average of approximately $45,000

per month on account of the Independent Contractor Compensation. As of the Petition Date, the Debtors estimate that Independent Contractors are owed an aggregate of approximately $25,000 on account of accrued services rendered prior to the Petition Date.

78. ***Additional Non-Insider Bonus/Incentive Programs.*** The Debtors maintain a number of incentive programs to drive performance among their Employees.[5] Each of the Non-Insider Employee Incentive Programs are an integral part of the Compensation and Benefits. The Debtors incur monthly obligations to Employees in various management roles at their car wash locations and in the field under various bonus programs based on performance metrics that the Debtors set each year, including actual sales as a percentage of a sales budget, customer conversion rate, customer attentiveness rate, and total net car wash members. A handful of field managers retained from a prior acquisition receive alternative bonuses, paid semiannually.[6] The Non-Insider Employee Incentive Programs enable eligible Employees to earn additional cash incentive compensation depending on their positions and job responsibilities. Approximately 350 non-Insider Employees are eligible to participate in the Non-Insider Employee Incentive Programs. On average, the Debtors spend approximately $150,000 per month on account of the Non-Insider Employee Incentive Programs. As of the Petition Date, the Debtors believe approximately $290,000 is outstanding under the Non-Insider Employee Incentive Programs.

79. ***Non-Insider Severance Program & Non-Insider Severance Benefits.*** In the ordinary course of business, the Debtors maintain a severance program for the benefit of certain

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[5] The relief sought under Wages Motion with respect to the Non-Insider Employee Incentive Programs does not include the payment of any obligation to an "insider" (as that term is defined in section 101(31) of the Bankruptcy Code). The Debtors will seek separate authority with respect to such parties and reserve all rights with respect to the "insider" status of such parties.

[6] Additionally, the Company has entered into certain retention and bonus agreements with select Employees outside of the Non-Insider Severance Program. To the extent the Company desires to pay any amounts therein, the Debtors will file a separate motion with the Court seeking such approval.

non-Insider Employees. Under the Non-Insider Severance Program, certain Employees may be eligible for payment of severance if their employment is terminated due to a workforce adjustment or not-for-cause employer-initiated termination. Such severance payments are calculated by reference to a terminated Employee's annual base salary level in accordance with standard Debtor-instituted guidelines. These guidelines provide that select non-executive level Employees are eligible to receive Non-Insider Severance Benefits in cash equal to 2–4 week(s) of the terminated Employee's base salary, plus 1–2 week(s) per year of service beyond 2 years, subject to a maximum accrual period of 12–26 weeks, depending on the Employee's role. The Non-Insider Severance Benefits are paid in equal installments for eligible Employees in accordance with regular payroll practices. As of the Petition Date, no former Employees are entitled to Non-Insider Severance Benefits, and nothing is owed on account of the Non-Insider Severance Program.

80. ***Payroll Processing.*** The Debtors retain Paycom Software, Inc. to support payroll processing, payroll tax calculations and filings, and provide the Debtors with valuable timekeeping and attendance management solutions for the Debtors' operations. As a result, the Debtors seek authority to remit fees to Paycom for the payroll-related services it provides to the Debtors and related administrative costs, and to continue administering payroll in the ordinary course of business. Failure to pay the Payroll Processing Fees in the future could lead to a delay in payroll processing and delayed disbursement of payroll taxes to the appropriate third parties to the detriment of the Employees and the Debtors' operations. In fiscal year 2024, the Debtors paid approximately $1.0 million on account of the Payroll Processing Fees. As of the Petition Date, the Debtors estimate that they owe approximately $80,000 in the aggregate for Payroll Processing Fees.

81. ***Withholding Obligations.*** In the ordinary course of business, the Debtors incur obligations on account of Payroll Deductions and Payroll Taxes. During each applicable payroll period, the Debtors routinely deduct certain amounts from Employees' paychecks, including garnishments, child support, and similar deductions as required by law. The Debtors also deduct other pre-tax and after-tax deductions payable pursuant to certain benefit plans discussed herein, such as an Employee's share of health-care benefits and insurance premiums, 401(k) contributions, legally ordered deductions, and miscellaneous deductions, which deductions are not property of the Debtors' estates, and forward the Payroll Deductions to various third-party recipients.

82. In addition to the Payroll Deductions, certain federal and state laws require that the Debtors withhold amounts from Employees' gross pay related to federal, state, and local income taxes, as well as Social Security and Medicare taxes for remittance to the appropriate federal, state, or local taxing authorities, which withholdings are not property of the Debtors' estates. The Debtors must then match the Employee Payroll Taxes from their own funds and pay, based on a percentage of gross payroll, additional amounts for federal and state unemployment insurance and Social Security and Medicare taxes. The Payroll Taxes are generally processed and forwarded to the appropriate federal, state, and local taxing authorities in accordance with remittance intervals and deadlines established by those taxing authorities. As of the Petition Date, the Debtors estimate that they owe approximately $140,000 on account of Withholding Obligations, $20,000 on account of the Payroll Deductions and $120,000 on account of the Payroll Taxes, all of which is currently payable or will become payable during the first 21 days of these chapter 11 cases.

83. ***Reimbursable Expenses.*** In the ordinary course of business, the Debtors pay credit invoices on behalf of certain Employees for approved business expenses incurred within the scope of their employment. The majority of the Reimbursable Expenses are incurred through the use of

Corporate Credit Cards serviced by American Express Company, which are held by approximately 125 Employees. The Corporate Credit Cards are primarily utilized to pay for certain work-related expenses, such as work-related travel, and small, non-recurring purchases made on behalf of the Debtors. These purchases are subject to spending restrictions and are periodically reviewed by the Debtors' management. The Corporate Credit Cards have an aggregate limit of $200,000. The combined average monthly spend on the Corporate Credit Cards is approximately $400,000. The Debtors remit payments to the Credit Card Servicer on account of obligations incurred through the Corporate Credit Cards on a bi-weekly basis, and more frequently as their credit needs dictate. As of the Petition Date, the Debtors estimate that they owe approximately $150,000 on account of the Corporate Credit Cards. Given the importance of Employees' ability to use the Corporate Credit Cards for the Debtors' expenses, the Debtors request authority to pay outstanding Reimbursable Expenses incurred through the Corporate Credit Cards and continue utilizing and making payments on account of the Corporate Credit Cards in the ordinary course of business. As of the Petition Date, the Debtors estimate that they owe approximately $200,000 in aggregate Reimbursable Expenses.

84. ***Health and Welfare Coverage and Benefits.*** The Debtors offer their Employees the ability to participate in a number of health insurance and benefits programs, including, among other programs, medical, dental, and vision coverage plans, and other employee benefit plans. The Health and Welfare Coverage and Benefits are, in each case, available to Employees depending on various factors, including their position within the Company and their length of service. To be eligible for any of the benefits under the Health and Welfare Coverage and Benefits plan, an employee must be classified as either a full-time employee, an ACA-eligible associate of the

Company, or an affiliated participating Employee. To be considered ACA-eligible, Employees must work over thirty hours per week.

85. The Debtors offer Eligible Employees medical and prescription drug coverage plans provided by Cigna. The Medical Coverage differs depending on the level of coverage Employees elect to receive. Monthly health care premiums differ depending on the Medical Coverage in which the Employee is enrolled and whether the Employee has dependents covered by the applicable plan. Approximately 40 percent of Full-Time Employees are currently enrolled in the Medical Coverage. The Debtors cover approximately 65 percent of premium costs for Medical Coverage for Eligible Employees and eligible dependents, including legal spouses, domestic partners, and children, and Employees cover the remaining premium costs through payroll deductions. Other than the premiums paid in advance at the beginning of each month, the Debtors bear no additional cost for any claims asserted under the Medical Coverage. The annual cost of the Medical Coverage to the Debtors is approximately $1.7 million, and the average monthly cost is approximately $140,000.

86. The Debtors offer Eligible Employees dental insurance plans administered by Cigna. Approximately 50 percent of Employees enroll in Dental Insurance Coverage. The Debtors cover 50 percent of premium costs for Dental Insurance Coverage for Eligible Employees and eligible dependents, including legal spouses, domestic partners, and children, and Employees cover the remaining premium costs through payroll deductions. Other than the premiums paid in advance at the beginning of each month, the Debtors bear no additional cost for any claims asserted under the Dental Insurance Coverage. The annual cost of the Dental Insurance Coverage to the Debtors is approximately $90,000 and the average monthly cost is approximately $7,500.

87. The Debtors also offer a vision insurance plan administered by Cigna. Participating Employees pay the entire cost of premiums for the Vision Insurance Coverage through payroll deductions each pay period. Approximately 40 percent of Employees are currently enrolled in the Vision Insurance Coverage. The Debtors do not incur any annual costs on account of the Vision Insurance Coverage.

88. The Debtors also provide certain additional health insurance and benefits programs. For instance, the Debtors offer certain Employees access to a flexible spending account, administered by Consolidated Admin Services, which can be used to cover incidental medical expenses and dependent childcare. Currently, approximately 125 Employees use the FSA for medical costs, and approximately 200 Employees use the FSA for dependent childcare. The Debtors pay CAS approximately $1,000 per month for the administration of the FSA. The Debtors do not make any contributions to any Employee's FSA. Other voluntary, Debtor-provided, and Employee-paid benefits include access to various health and wellness programs provided by third-party vendors.

89. As described above, failing to continue the Health and Welfare Coverage and Benefits could cause Employees to experience severe hardship and make it difficult to retain the Debtors' workforce. As of the Petition Date, the Debtors estimate they owe approximately $158,000 on account of unpaid Health and Welfare Coverage and Benefits.

90. ***COBRA.*** The Debtors' Medical Coverage also provides one former Employee with certain health benefits in the wake of the Former Employee's departure from the Debtors. Employees that are enrolled in a medical, prescription drug, dental, or vision program, and/or the FSA, may have the option to temporarily continue coverage in certain instances when coverage would otherwise end. More specifically, pursuant to COBRA, former Employees of the Debtors

may continue to receive Medical Coverage, Dental Insurance Coverage, and Vision Insurance Coverage. COBRA Employees are entitled by law to continue to receive COBRA Benefits for up to eighteen months, and in some instances up to thirty-six months, following termination of employment. COBRA continuation coverage is a continuation of health plan coverage when such coverage would otherwise end because of a life event known as a "qualifying event." Qualifying events that result in continued coverage include a reduction in the hours of employment or the termination of employment for reasons other than gross misconduct. Employees' dependents may become qualified beneficiaries for continued coverage as a result of certain qualifying events as well. Employees are responsible for paying all costs associated with the COBRA Benefits. The Debtors provide the COBRA Benefits as part of their usual expenditure on account of the Medical Coverage, and the Debtors pay Paycom fees to administer the COBRA Benefits as an indivisible component of the Payroll Processing Fees. As of the Petition Date, the Debtors estimate they do not owe anything on account of the COBRA Benefits.

91. ***Life and Disability Insurance.*** The Debtors provide Employees with basic life and AD&D insurance, voluntary life and AD&D insurance, short-term disability insurance, and long-term disability insurance. The Debtors' Life and Disability Insurance Coverage is administered by Lincoln. The Debtors pay Lincoln approximately $1,500 in monthly premiums to administer the basic life and AD&D plans. The Debtors offer Employees $15,000 of life insurance and $15,000 of additional AD&D insurance under the basic plan. The Debtors also offer additional voluntary life and AD&D insurance, as well as short-term and long-term disability insurance at each Employee's sole expense. The Debtors do not pay Lincoln anything to administer the voluntary life and AD&D and disability insurance plans. As of the Petition Date,

the Debtors estimate they owe approximately $1,500 on account of unpaid Life and Disability Insurance Coverage.

92. ***Employee Assistance Program.*** The Debtors provide Employees with access to the Employee Assistance Program, managed by Lincoln. The EAP provides Employees with on-demand emotional and mental health, legal, and financial resources to help address and solve everyday issues through in-person and remote consultations and counseling, as well as online resources. The Debtors do not pay Lincoln anything administer the EAP, and as of the Petition Date, the Debtors do not owe anything account of the EAP.

93. ***Auxiliary Benefits.*** The Debtors also offer Employees certain Auxiliary Benefits through Lincoln, including voluntary critical illness insurance, voluntary accidental injury insurance, and voluntary hospital indemnity insurance. The Auxiliary Benefits are solely Employee-funded. As of the Petition Date, the Debtors do not believe any prepetition amounts are due and owing on account of the Auxiliary Benefits.

94. ***Workers' Compensation.*** The Debtors provide comprehensive workers' compensation coverage at the levels required by laws in the states in which the Debtors operate through their workers' compensation program. All Employees participate in the Debtors' Workers' Compensation Program, which is fully insured. The Debtors maintain coverage for the Workers' Compensation Program through Clear Spring Property & Casualty Company, the Ohio Bureau of Workers' Compensation, and North Dakota Workforce Safety & Insurance. The Debtors pay the Insurance Providers approximately $920,000 in annual premiums and fees to maintain the Workers' Compensation Program. There are currently 36 open claims under the Workers' Compensation Program. As of the Petition Date, the Debtors estimate that the amount

of accrued and unpaid claims on account of the Workers' Compensation Program is approximately $560,000.

95. ***Car/Cell Phone Allowances.*** The Debtors provide allowances for vehicle and cell phone expenditures to certain Employees in management roles at car wash locations and in the field. Each month, the Debtors provide eligible Employees $200-$525 allowances on account of vehicle expenditures and $20-$40 allowances on account of cell phone expenditures, depending on each Employee's role. Approximately 90 Employees receive Car Allowances and 350 receive Cell Phone Allowances. As of the Petition Date, the Debtors estimate that they owe approximately $7,500 on account of the Car/Cell Phone Allowances.

96. ***Tuition Assistance Program.*** Employees who are in good standing and have completed at least six months of service are eligible to participate in the Debtors' Tuition Assistance Program. Under the Tuition Assistance Program, Employees are eligible to be reimbursed for tuition expenses up to $2,000 per calendar year to work toward a GED, an ESL certification, a college or graduate degree, or a professional certification that is relevant to each Employee's applicable job duties or the Company's business generally. Currently, 20 Employees are enrolled in the Tuition Assistance Program. As of the Petition Date, the Debtors estimate that they owe approximately $5,000 on account of the Tuition Reimbursements.

97. ***The 401(k) Plan.*** The Debtors maintain a retirement savings plan for the benefit of their Employees that satisfies the requirements of section 401(k) of the Internal Revenue Code. The 401(k) Plan is administered by Voya and Creative Planning, and allows for automatic pre-tax salary deductions of eligible compensation up to the limits set forth by the Internal Revenue Code. Each pay period, the Debtors deduct their Employees' 401(k) Plan contributions from the applicable Employees' paychecks and hold such amounts in trust until they are forwarded to Voya.

The Debtors also match 100 percent of Employees' 401(k) contributions up to the first 3% percent of each Employee's base rate of pay, and 50% of Employees' contributions up to the next 2% of each Employee's base rate of pay. As of the Petition Date, the Debtors estimate that they owe approximately $7,000 on account of the 401(k) Obligations.

98. ***Paid and Unpaid Leave.*** The Debtors provide leave to Employees in the form of Paid Leave and Unpaid Leave. In the ordinary course of business, the Debtors provide vacation leave to all Full-Time Employees who have completed at least one year of service. In addition, the Debtors provide flexible personal leave and a holiday leave policy. Finally, the Debtors provide certain other forms of paid leave, including leaves of absence for personal reasons, many of which are required by law, including time missed for bereavement, jury or court attendance, and time spent voting. Employees do not accrue earned but unused Paid Leave as a cash balance, and as such, the Debtors do not have any unpaid cash obligations associated with such leave. The Debtors provide unpaid leaves of absence for additional sick leave, military leave, leave under the Family and Medical Leave Act, and other similar purposes.

99. I understand that no member of the Workforce is owed a prepetition amount in excess of the $15,150 priority amount provided in sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code, and by the Wages Motion, the Debtors do not seek relief to pay any employee above such priority amount. Additionally, I understand that the Debtors are not requesting to pay any Insider (as defined in section 101(31) of the Bankruptcy Code) on account of the Non-Inside Employee Incentive Program or otherwise make any payment that violate or implicate section 503(c) of the Bankruptcy Code.

100. For the foregoing reasons, I believe it is necessary to continue paying the Workforce and any associated costs and to continue the Compensation and Benefits programs on

a postpetition basis because the Workforce relies on the Compensation and benefits to pay their basic needs, and the Workforce is critical to the success of the Debtors' business. I do not believe there is a practical or legal alternative by which the Debtor can deal with their Workforce Compensation and Benefit obligations. Therefore, I believe that the relief requested in the Wages Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest, and will enable the Debtors to continue to effectively operate their businesses during these chapter 11 cases.

XII. The Assumption and Rejection Procedures Motion.

101. Pursuant to the Assumption and Rejection Procedures Motion, the Debtors seek entry of an order authorizing and approving the Assumption and Rejection Procedures.

102. I understand that the Debtors are party to hundreds of Agreements, which include, among other agreements, contracts with vendors for the supply of goods and services, contracts related to the operation of the Debtors' businesses, and leases with respect to real and personal property. During these chapter 11 cases, the Debtors may, on a consensual or non-consensual basis, seek to assume, assume and assign, or reject the Agreements.

103. The Debtors, with the assistance of their advisors, are in the process of evaluating all of their Agreements to determine whether such Agreements should be (a) rejected, as they are unfavorable to the Debtors or no longer beneficial for business operations, or (b) assumed or assumed and assigned, as they are favorable or otherwise valuable to the Debtors' estates (including those Agreements that the Debtors may assume as amended following consensual negotiations with the applicable counterparties).

104. Absent the relief requested in this motion, the Debtors would be required to file separate motions to reject or assume Agreements, resulting in substantial costs to, and administrative burdens on, the Debtors' estates—not to mention the attendant burden on the

Court's docket. Additionally, I believe the Assumption and Rejection Procedures are reasonable and fair to Agreement counterparties because they afford parties in interest the opportunity to be heard with respect to the rejection, assumption, or assumption and assignment of the Agreements (and any amendments to Agreements or abandonment of property related thereto).

105. For the foregoing reasons, I believe that the relief requested in the Assumption and Rejection Procedures Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest, and will enable the Debtors to continue to effectively operate their businesses during these chapter 11 cases.

XIII. The Omnibus Rejection Motion.

105. Pursuant to the Omnibus Rejection Motion, the Debtors seek entry of an order authorizing the rejection of certain Leases and Contracts and the abandonment of certain equipment, fixtures, furniture, or other personal property that may be located at the Premises of the Leases.

106. In connection with their restructuring efforts, I understand that the Debtors, with the assistance of their advisors, undertook a comprehensive review of their unexpired leases and contracts to identify leases and contracts that are no longer necessary for the Debtors' operational needs, are otherwise financially burdensome, or have unfavorable terms with associated costs. As a result of this analysis and careful examination of their lease portfolio, I understand that the Debtors determined that their restructuring efforts would be best served by the rejection of the Leases and Contracts listed on Exhibit 1 to the proposed order approving the Omnibus Rejection Motion.[7] I understand that the Debtors have accordingly vacated or are in the process of shutting

[7] The Debtors reserve the right to remove any Agreement from Exhibit 1 to the proposed order approving the Omnibus Rejection Motion at any time prior to the hearing at which the Omnibus Rejection Motion is heard.

down operations at the Premises. To preserve value for their estates by avoiding cost associated with Contracts that they are no longer utilizing and unnecessary rent costs, the Debtors seek to reject the Leases and Contracts as of the applicable Rejection Date.

107. I understand that the Lease with a Rejection Date as of the Petition Date relates to a location at which the Debtors are no longer conducting business as of the Petition Date. At such location, the Debtors have vacated such Premises and delivered possession of the Premises to the landlord. Additionally, it is my understanding that the remaining Leases with Rejection Dates after the Petition Date relate to financially burdensome locations where the Debtors are in the process of shutting down operations and vacating the corresponding Premises but continue to occupy the Premises as of the Petition Date. No later than the applicable proposed Rejection Date, the Debtors will have vacated and delivered possession of the corresponding Premises to the respective landlords.

108. I believe that the Leases and Contracts to be rejected provide no benefit to the Debtors' estates or these chapter 11 cases and the Debtors have determined in their business judgment that the costs associated with the Leases and Contracts constitute a wasteful drain of estate assets. Additionally, it is my understanding that the carrying costs of the Leases and Contracts exceed any marginal benefits that could potentially be achieved from assignments or subleases thereof.

109. Additionally, the Debtors evaluated the Personal Property located at the Premises and determined that (a) the Personal Property is of inconsequential value or (b) the cost of removing and storing the Personal Property for future use, marketing, or sale exceeds its value to the Debtors' estates. Further, I understand that the Debtors' use of much of the Personal Property was for location-specific purposes and since the Debtors have ceased or plan to cease operations

at the Premises, the Personal Property is no longer necessary for the administration of the Debtors' estates.

110. For these reasons, I believe that the relief requested in the Omnibus Rejection Motion reflects the Debtors' sound business judgment and the relief sought therein is in the best interests of the Debtors, their estates, and their creditors.