

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

----- X
:
In re: : Chapter 11
:
BARRETT'S MINERALS INC., *et al.*,¹ : Case No. 23-90794 (DRJ)
:
Debtors. : **(Joint Administration Requested)**
:
----- X

**DECLARATION OF WILLIAM MURPHY IN SUPPORT
OF DEBTORS' EMERGENCY MOTION FOR ENTRY OF INTERIM
AND FINAL ORDERS (A) AUTHORIZING THE DEBTORS TO
(I) OBTAIN SENIOR SECURED SUPERPRIORITY POSTPETITION FINANCING
AND (II) USE CASH COLLATERAL; (B) GRANTING LIENS
AND PROVIDING CLAIMS WITH SUPERPRIORITY ADMINISTRATIVE
EXPENSE STATUS; (C) MODIFYING THE AUTOMATIC STAY;
(D) SCHEDULING A FINAL HEARING; AND (E) GRANTING RELATED RELIEF**

Under 28 U.S.C. § 1764, I, William Murphy, declare as follows under the penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

1. I am a Senior Director at M3 Advisory Partners, LP ("**M3**"), which has its principal offices at 1700 Broadway, 19th Floor, New York, New York 10019. M3 is the proposed financial advisor to Barretts Minerals Inc. ("**BMI**") and together with its debtor affiliate Barretts Ventures Texas LLC, the "**Debtors**") in the above-captioned chapter 11 case (the "**Chapter 11 Cases**").

2. I submit this declaration (this "**Declaration**") in support of the *Debtors' Emergency Motion for Entry of Interim And Final Orders (A) Authorizing The Debtors to (I) Obtain Senior Secured Superpriority Postpetition Financing and (II) Use Cash Collateral; (B) Granting Liens and Providing Claims with Superpriority Administrative Expense Status; (C) Modifying the*

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Barretts Minerals Inc. (8715) and Barretts Ventures Texas LLC (0787). The Debtors' address is 5605 North MacArthur Boulevard, Suite 1000, PMB 139, Irving, Texas 75038.

Automatic Stay; (D) Scheduling a Final Hearing; and (E) Granting Related Relief (the “**DIP Motion**”)² seeking authority to, among other things, enter into that certain debtor-in-possession term loan facility (the “**DIP Facility**”) pursuant to which BMI will obtain postpetition financing on a superpriority senior secured basis (the “**DIP Financing**” and the loans made, advanced, or deemed advanced thereunder, the “**DIP Loans**”) in the form of a multiple draw term loan facility in an aggregate principal amount of \$30 million.

3. M3 is a leading, independent corporate advisory firm that provides operational, strategic, and financial solutions to a broad range of clients across a wide range of industries. M3 employs more than 50 professionals and its senior professionals have led more than 250 engagements, including some of the most significant restructurings in the market, while working alongside or across from the largest lenders, private equity sponsors, hedge funds, investment bankers, and legal advisors in the industry.

4. M3’s restructuring services and experience generally includes, among other things: (a) developing and implementing business plans and turnaround strategies; (b) planning and implementing financial and operational restructurings and debt reorganizations; (c) financial modeling; (d) managing negotiations with stakeholders; (e) stabilizing business operations; (f) improving and managing liquidity; and (e) assisting in raising capital in distressed situations, including postpetition debtor-in-possession financing.

5. Since its inception, M3 and its wholly-owned subsidiary M3 Partners, LP have provided restructuring or crisis management services in numerous chapter 11 cases. *See, e.g., In re Whittaker, Clark & Daniels, Inc.* No. 23-13575 (MBK) (Bankr. D. N.J.); *In re Sorrento Therapeutics, Inc.*, No. 23-90085 (DRJ) (Bankr. S.D. Tex. Apr. 13, 2023); *In re PWM Property*

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the DIP Motion.

Management LLC, No. 21-11445 (MFW) (Bankr. D. Del. 2021); *In re Secure Home Holdings LLC*, No. 21-10745 (JKS) (Bankr. D. Del. 2021); *In re Sanchez Energy Corp.*, No. 19-34508 (MI) (Bankr. S.D. Tex. 2019); *In re Barneys New York, Inc.*, No. 19-36300 (CMG) (Bankr. S.D.N.Y. 2019); *In re Sears Holdings Corp.*, No. 18-23538 (RDD) (Bankr. S.D.N.Y. 2018); *In re Real Industry, Inc.*, No. 17-12464 (KJC) (Bankr. D. Del. 2018).

6. I have more than 40 years of professional experience in the finance industry, including more than 30 years of experience in corporate restructuring. In my current role at M3, I advise troubled companies, their creditors and other economic stakeholders in both chapter 11 and out-of-court workouts. My expertise includes serving as interim management for financially distressed companies and advising the management or creditors of such companies with respect to strategic, planning, corporate viability, business plan alternatives, financial projections and debt restructuring.

7. M3 was retained on June 14, 2023, to provide financial advisory services to BMI in connection with the assessment of certain strategic alternatives to address BMI's talc liabilities. I, along with my colleagues, have worked closely with BMI's management and other professionals and advisors to analyze and familiarize ourselves with the Debtors' day-to-day operations, business affairs, financial performance, books and records, and liquidity and cash needs. In particular, I am one of the principal advisors working with the Debtors, and have worked closely with the Debtors' management in connection with the proposed DIP Financing.

8. I am not being specifically compensated for this testimony other than through payments received by M3 as a professional retained by the Debtors. I am over the age of 18 years and authorized to submit this Declaration in support of the DIP Motion.

9. Except as otherwise indicated, all statements set forth in this Declaration are based upon (a) my personal knowledge of the Debtors' operations, financial affairs, and restructuring initiatives, (b) my review of relevant documents, (c) information provided to me by M3 employees working under my supervision, (d) information provided to me by, or in discussions with, the Debtors' management team and/or the Debtors' other advisors, and (e) my views based upon my experience and knowledge as a restructuring professional.

The Debtors' Need for DIP Financing

10. The Debtors require the proceeds from the DIP Facility to fund their operations and administer the Chapter 11 Cases. In particular, the Debtors require immediate access to cash to ensure that the Debtors are able to: (a) preserve relationships with customer, suppliers, vendors, and other business partners for a potential buyer; (b) provide working capital for BMI's talc business; (c) fund payments to employees; (d) fund other general corporate expenses; (e) fund the payments authorized by the Court pursuant to the "first-day motions" filed contemporaneously with the DIP Motion; and (f) satisfy the Debtors' administrative costs and expenses incurred in the Chapter 11 Cases. I believe that ensuring continued payment of such obligations will benefit a potential purchaser of BMI's assets as well as the Debtors' existing stakeholders by preserving the value of the estates.

The Debtors' Approved Budget

11. The Debtors and their management, with the assistance of M3 and their other advisors, reviewed and analyzed the Debtors' near-term weekly and long-term cash flows forecasts. These forecasts consider a number of factors, including, but not limited to, (a) the effect of the chapter 11 filing on the operations of the Debtors' businesses, (b) fees and interest associated

with postpetition financing, (c) professional fees, (d) customer and vendor obligations, and (e) the expected operational performance of the Debtors' businesses.

12. Additionally, the Debtors and their advisors developed and ultimately negotiated the Approved Budget (attached hereto as **Exhibit A**). The Approved Budget contains line items for categories of the Debtors' projected cash receipts, and necessary disbursements and expenditures expected to be incurred or made, during the relevant periods in the Approved Budget. I believe the Approved Budget provides an accurate reflection of the Debtors' funding requirements and contains all the reasonable, necessary, and foreseeable expenses to be incurred in connection with the operation of the Debtors' business and the administration of the Chapter 11 Cases for the relevant periods. For these reasons, I believe the Approved Budget is reasonable and appropriate under the circumstances.

13. As reflected in the Approved Budget, I do not believe that the Debtors generate sufficient liquidity from operations to meet their financial obligations (including ongoing operating and capital costs, working capital needs, and the projected costs of the Chapter 11 Cases) as they come due. As the Approved Budget reveals, the Debtors commenced the Chapter 11 Cases with only \$790,000 of cash on hand and expect to generate only \$2,586,000 in cash from operations in the first four (4) weeks of these cases. These amounts are insufficient to satisfy the Debtors' upcoming costs and expenses. Therefore, without the interim relief sought in the DIP Motion, the Debtors would be unable to continue paying their employees, taxes, vendors, and other necessary operating expenses.

14. On the other hand, I believe, and as reflected on the Approved Budget, with access to the proposed DIP Facility and the interim funding thereunder, the Debtors will have sufficient

liquidity to maintain operations, pay their expenses as they come due, while pursuing a sale of their assets.

Conclusion

15. For all the reasons stated above, I believe that the DIP Facility is in the best interests of the Debtors' estates, is appropriately sized to enable the Debtors to meet their obligations, and is a sound exercise of the Debtors' business judgment.

[Remainder of page intentionally left blank]

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 2nd day of October, 2023.

/s/ William Murphy

William Murphy

Senior Director

M3 Advisory Partners, LP

Exhibit A

Approved Budget

Estimated DIP Budget (13-Week)

(\$'000s, unless stated otherwise)

Forecast Period	Wk1	Wk2	Wk3	Wk4	Wk5	Wk6	Wk7	Wk8	Wk9	Wk10	Wk11	Wk12	Wk13	TOTAL
Receipts:														
Receipts	\$ 1,037	\$ 622	\$ 1,059	\$ 880	\$ 1,153	\$ 1,167	\$ 822	\$ 822	\$ 1,321	\$ 954	\$ 780	\$ 746	\$ 1,180	\$ 12,545
Disbursements:														
Compensation	-	(272)	-	(272)	-	(272)	-	(272)	-	(272)	-	(272)	-	(1,632)
Benefits	-	-	-	(198)	-	-	-	(198)	-	-	-	-	(301)	(697)
Operating Expenses	-	-	-	(60)	(10)	(130)	(10)	(70)	(10)	(130)	(10)	(70)	(10)	(510)
Maintenance	-	-	-	-	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(721)
Operating Supplies	-	-	-	-	(49)	(49)	(49)	(49)	(49)	(49)	(49)	(49)	(49)	(443)
Utilities	-	-	-	-	(15)	(245)	(165)	(41)	(15)	(245)	(165)	(41)	-	(932)
Crude/Pack	-	-	-	-	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(698)
Freight Cost	-	(20)	(20)	(20)	(153)	(136)	(93)	(166)	(84)	(211)	(100)	(130)	(134)	(1,268)
Plant Administration Expense	-	(11)	(11)	(11)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(186)
Shared Services	-	-	-	-	(420)	-	-	-	(420)	-	-	-	-	(840)
Ordinary Course Prof. Fees	-	-	-	(117)	-	-	-	(117)	-	-	-	-	(117)	(351)
Capital Expenditure	-	-	-	-	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(900)
Taxes/Fixed Cost	-	-	-	-	(3)	(429)	(0)	(3)	-	(0)	(168)	-	-	(603)
Total Disbursements	\$ -	\$ (303)	\$ (31)	\$ (678)	\$ (924)	\$ (1,536)	\$ (592)	\$ (1,191)	\$ (853)	\$ (1,182)	\$ (767)	\$ (837)	\$ (886)	\$ (9,780)
Net Operating Cash Flow	\$ 1,037	\$ 319	\$ 1,028	\$ 202	\$ 229	\$ (369)	\$ 230	\$ (368)	\$ 468	\$ (227)	\$ 13	\$ (91)	\$ 294	\$ 2,765
Restructuring Items:														
Professional Fees	-	-	-	-	-	-	-	(375)	-	-	(3,594)	-	(25)	(3,994)
Critical Vendor Payments	(250)	-	-	-	-	-	-	-	-	-	-	-	-	(250)
Freight/Hauling/Other (Lienholder Motion)	(150)	(130)	(130)	(730)	-	-	-	-	-	-	-	-	-	(1,140)
Utility Deposit - Adequate Assurance	(300)	-	-	-	-	-	-	-	-	-	-	-	-	(300)
MTI Receivable Reserve	(400)	-	-	-	-	-	-	-	-	-	-	-	-	(400)
Working Capital Impact	(1,000)	-	-	-	-	-	-	-	-	-	-	-	-	(1,000)
US Trustee Fees	-	-	-	-	-	-	-	-	-	-	-	-	(142)	(142)
Interest Payment	-	-	-	(66)	-	-	-	(75)	-	-	-	-	(118)	(259)
Other Financing Fees	(600)	-	-	-	-	-	-	-	-	-	-	-	-	(600)
Contingency	(214)	-	-	-	(214)	-	-	-	-	(214)	-	-	-	(643)
Total	\$ (2,914)	\$ (130)	\$ (130)	\$ (796)	\$ (214)	\$ -	\$ -	\$ (450)	\$ -	\$ (214)	\$ (3,594)	\$ -	\$ (285)	\$ (8,727)
Beginning Cash	500	5,623	5,812	6,710	6,117	6,131	5,763	5,992	5,173	5,641	5,200	5,119	5,028	500
Net Operating Cash flow	1,037	319	1,028	202	229	(369)	230	(368)	468	(227)	13	(91)	294	2,765
Restructuring Items	(2,914)	(130)	(130)	(796)	(214)	-	-	(450)	-	(214)	(3,594)	-	(285)	(8,727)
DIP Financing	7,000	-	-	-	-	-	-	-	-	-	3,500	-	-	10,500
Ending Cash	\$ 5,623	\$ 5,812	\$ 6,710	\$ 6,117	\$ 6,131	\$ 5,763	\$ 5,992	\$ 5,173	\$ 5,641	\$ 5,200	\$ 5,119	\$ 5,028	\$ 5,038	\$ 5,038
<i>Note: Ending cash excludes restricted cash</i>														
Unrestricted Cash	5,623	5,812	6,710	6,117	6,131	5,763	5,992	5,173	5,641	5,200	5,119	5,028	5,038	5,038
MTI Receivable Reserve	400	400	400	400	400	400	400	400	400	400	400	400	400	400
Restricted Cash	300	300	300	300	300	300	300	300	300	300	300	300	300	300
Total Cash	\$ 6,323	\$ 6,512	\$ 7,410	\$ 6,817	\$ 6,831	\$ 6,463	\$ 6,692	\$ 5,873	\$ 6,341	\$ 5,900	\$ 5,819	\$ 5,728	\$ 5,738	\$ 5,738
DIP Schedule:														
Unused Availability (Ending)	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	4,500	4,500	4,500	
DIP Ending Balance	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	10,500	10,500	10,500	

Note: Full \$30.0M availability is assumed after week 14