

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

In re:

PARTS iD, Inc., *et al.*,¹

Debtors.

Chapter 11

Case No. 23-12098 (LSS)

(Joint Administration Requested)

**DECLARATION OF LEV PEKER IN SUPPORT OF
CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

I, Lev Peker, declare under penalty of perjury that the following is true to the best of my knowledge, information and belief:

1. I am the Chief Executive Officer (“CEO”) of PARTS iD, Inc., (the “Company,” and together, with PARTS iD, LLC, the “Debtors”). I joined the Company as a Director in June 2022 and became CEO on April 26, 2023. In my capacity as CEO, I am familiar with all aspects of the Debtors’ business, financial affairs, day-to-day operations and restructuring initiatives.

2. Immediately prior to joining the Company, I served as the Chief Executive Officer of CarLotz, Inc. until its merger with Shift Technologies Inc. (NASDAQ:SFT), which operated a consignment-to-retail used vehicle marketplace and provided its corporate vehicle sourcing partners and retail sellers of used vehicles with the ability to easily access the retail sales channel. Prior to that, I served as the Chief Executive Officer of CarParts.com (NASDAQ:PRTS) from January 2019 to April 2022, and as the Chief Marketing Officer of Adorama from July 2015 to January 2019. From August 2014 to July 2015, I served as General Manager, Home Appliances and Tools at Sears Holding Corporation and as Vice President,

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: PARTS iD, Inc. (4868), and PARTS iD, LLC (5607). The corporate headquarters and the mailing address for the Debtors is 1 Corporate Drive, Suite C, Cranbury, NJ 08512.

Online Marketplaces and Manager, Financial Planning and Analysis at U.S. Auto Parts from March 2009 to August 2014 and from March 2008 to March 2009, respectively. I hold a Bachelor of Science degree in accounting from the University of Southern California, Marshall School of Business and an M.B.A. from the University of California Los Angeles, Anderson School of Management. I am a Certified Public Accountant in the State of California.

3. On the date hereof (the "Petition Date"), each of the Debtors filed with this Court a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, commencing these chapter 11 cases (the "Chapter 11 Cases").

4. I submit this Declaration to provide an overview of the Debtors' business and these Chapter 11 Cases and to support the Debtors' applications and motions for "first day" relief (collectively, the "First Day Pleadings").

5. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, discussions with other members of the Debtors' management team, other employees and the Debtors' advisors, as well as my review of relevant documents and information concerning the Debtors' operations, financial affairs and restructuring initiatives, or are my opinions based upon my knowledge and experience. I am authorized to submit this Declaration on behalf of the Debtors and, if called upon to testify, I could and would testify competently to the facts set forth in this Declaration.

6. To familiarize the Court with the Debtors and the relief sought early in these Chapter 11 Cases, this Declaration comprises five parts. **Part I** is an introduction to the Debtors. **Part II** provides detailed information on the Debtors' corporate history and business operations. **Part III** describes the Debtors' prepetition organizational and capital structures. **Part IV** describes the events that led to these Chapter 11 Cases and the Debtors' prepetition restructuring

efforts, including the formulation of the Plan and Disclosure Statement filed contemporaneously herewith. **Part V** briefly addresses the First Day Pleadings and incorporates the facts set forth in those pleadings, as if fully set forth in this Declaration.

I.
INTRODUCTION

7. The Debtors are a technology-driven digital commerce company specializing in the U.S. automotive aftermarket and adjacent complex parts markets. The Debtors operate a purpose-built technology platform with more than fourteen billion product and fitment data points powered with machine learning and a product catalog spanning up to eighteen million parts and accessories, offering an unparalleled shopping experience for the automotive parts consumer.

8. Customers using the Debtors' platform are able to source parts for vehicles that fit their specific Year-Make-Model, including variations on sub-model, engine size, transmission type and drivetrain type, as well as recommend complementary products, such as tools required to install purchased parts and accessories. To provide a tailored experience for each customer, the Debtors aggregate data from multiple sources, cross-pollinate this data to address any gaps in data sets, enrich the catalog using proprietary internal data and apply artificial intelligence to make further improvements. Through this process, the Debtors' data catalog can: (i) determine the exact parts fitment for a product by its parameters, even if certain fitment details are originally missing from manufacturers; and (ii) rapidly incorporate new stock keeping units as they become available. Because the data catalog is continually expanding with each customer interaction, the Debtors also can offer better purchase recommendations, increase up-sell opportunities, improve the efficiency of fulfillment operations, and lower errors and mistakes in orders.

9. The Debtors also provide product vendors (the “Vendors”) with access to their platform, large customer base, and e-commerce market. Over 1,000 Vendors have leveraged the Debtors’ technology to position and sell their product catalog to customers. The Debtors’ platform, which incorporates live or frequently updated inventory feeds from Vendors, provides stock-on-hand for up to 18 million products across over 4,500 active brands. The Debtors’ fulfillment model decides which Vendor to source from while the sale is made based on a proprietary algorithm, which incorporates factors such as availability of inventory, customer proximity, shipping cost and profitability. This system allows the Debtors to service customers nationwide while carrying minimal inventory. As a result, the Debtors’ business model relies on its relationship with Vendors.

10. Like others in the automotive parts industry, the Debtors were negatively impacted by the global supply chain challenges that arose during the COVID-19 pandemic, which have not fully subsided. More recent economic conditions have caused fluctuations in business and consumer confidence, resulting in decreased spending on automotive parts and accessories. These conditions have led to significant declines in the Debtors’ revenue, margins, and liquidity, and resulted in the Debtors’ inability to make timely payments to Vendors. As of the Petition Date, Vendors are collectively owed more than \$34 million for past due invoices.

11. These Chapter 11 Cases are fundamentally about resetting the Debtors’ relationship with Vendors. Quite simply, without Vendor support, the Debtors’ business model would fail. Accordingly, throughout the past year, the Debtors have engaged in extensive negotiations with Vendors to maintain their support while actively pursuing financing to stabilize their balance sheet and assure Vendors of the Debtors’ ability to meet future obligations.

12. In October 2023, following months of negotiations, the Debtors and a committee comprised of eight of its Vendors (the “Vendor Group”) entered into a restructuring support agreement (the “Vendor RSA”). The Vendor RSA provided that the Debtors would raise at least \$10 million in new capital and pay acceding Vendors 55% of outstanding invoiced amounts, in a structured payment plan. As of the Petition Date, Vendors owed more than 80% of the total amount of all outstanding Vendor payments had acceded to the Vendor RSA.

13. Ultimately, the Debtors’ pursuit of new financing resulted in an agreement with Fifth Star, Inc. (“Fifth Star” or “Plan Sponsor”) to honor the Debtors’ agreement with Vendors under the Vendor RSA pursuant to the plan of reorganization filed contemporaneously herewith (the “Plan”). While the terms of the Vendor RSA were, and remain, independent from the Plan and these Chapter 11 Cases, the Vendors that vote in favor of the Plan will receive substantially the same treatment under the Plan as they would have under the Vendor RSA and will be entitled to vote on the Plan as an impaired class. In addition to providing a meaningful recovery to the Vendors, the Plan permits the Debtors to emerge from bankruptcy a well-capitalized and liquid counterpart to continue doing business with the Vendors. Under the Plan, Fifth Star will provide the Debtors with a total amount of up to \$32 million to administer these Chapter 11 Cases, make distributions to Vendors and other creditors, and adequately capitalize the Debtors upon emergence from bankruptcy (the “Plan Restructuring”).

14. Additionally, the Plan Restructuring has the support of the Debtors’ prepetition secured lenders. As described below, each of the Debtors’ secured lenders entered into an agreement with the Debtors to vote to accept the Plan. Given the Debtors’ anticipated level of support for the Plan, these Chapter 11 Cases mark a critical turning point for the Debtors. After years of financial challenges due to the global impact of COVID-19 and an uncertain economy,

the Plan Restructuring will position the recapitalized Debtors to execute on its strategic initiatives and deliver on the promise of its proprietary digital commerce platform while prioritizing the Debtors' commitment to Vendors.

II. **CORPORATE HISTORY AND BUSINESS OPERATIONS**

A. Overview

15. The Debtors' digital commerce platform was developed in-house from inception by its predecessor, Onyx Enterprises International, Inc. ("Onyx"). Onyx was founded in 2008 as an online retailer in the automotive parts and accessories space, with its principal place of business in Cranbury, New Jersey. Onyx's business grew to more than \$250 million in net revenue by 2019. In addition to its New Jersey based employees, Onyx relied upon independent contractors in Ukraine, Costa Rica, and the Philippines to provide development, programming, back office, sales and customer service support.

16. In November 2020, Onyx completed a business combination transaction (the "De-Spac Transaction"), pursuant to which the surviving company changed its name to PARTS iD, Inc. and became a public company.

17. The Debtors continued to develop Onyx's digital commerce platform as a solution for industries with data limitations and parts fitment complexities. The Debtors primarily sell automotive parts, including a wide range of goods from automobile accessories, wheels and tires, performance parts, lighting, and repair parts. In addition, the Debtors launched seven new verticals between 2018 and 2022 which offer parts and accessories for semi-trucks, motorcycles, powersports (including ATVs, snowmobiles, and personal watercraft), RVs/campers, boats, recreation (including outdoor sports and camping gear) and tools using the same proprietary

platform. In 2022, the value of the orders received from these verticals was approximately 9.0% of the Debtors' total order value.

18. The Debtors primarily source products from industry leading brands and product vendors located in the United States, except for some private label products that are largely sourced from foreign vendors. The Debtors' private label business uses proprietary data to identify, import and sell higher margin products that are in demand on its platform. By selecting and pairing superior import products with the Debtors' proprietary data catalog, consumers have access to high-quality products at a reasonable and competitive price. Private label revenue was less than 10% of the Debtors' total revenue for the year ended December 31, 2022.

19. Most of the Debtors' revenue comes from sales of branded products. The Debtors have developed and implemented application-programming interfaces with the majority of its drop-ship product vendors that allow the Debtors to electronically transmit orders, check inventory availability, receive shipment tracking information and share it with customers. These processes allow the Debtors to offer over 5,000 brands on an inventory-free basis, thereby reducing carrying costs and improving profit margins.

B. Ownership Structure

20. Following the De-Spac Transaction, PARTS iD, Inc. listed shares of its Class A common stock on the NYSE American, LLC, under the symbol "ID." As of the Petition Date, PARTS iD, Inc. had outstanding 42,932,553 shares of Class A common stock, par value \$0.0001 per share. PARTS iD, LLC is the wholly owned subsidiary of PARTS iD, Inc. and serves as the operating company for the Debtors' business.

C. Employees and Supplemental Workforce

21. As of the Petition Date, the Company employs approximately 11 full time, hourly employees and 26 full time, salaried employees. The employees operate primarily from the

Debtors' headquarters in Cranbury, New Jersey. PARTS iD, LLC employs and compensates all of the employees. In addition to the employees, the Debtors supplement their workforce with approximately 300 independent contractors from Ukraine, Costa Rica and the Philippines to perform various roles related to sales, marketing, developing information technology systems, accounting and finance function, and other back-office operations.

III. THE DEBTORS' CAPITAL STRUCTURE

22. As of the Petition Date, the Debtors' funded debt obligations include approximately (i) \$4.2 million outstanding under the Senior Secured Note (as defined below), (ii) \$3.0 million outstanding under the Prepetition Plan Sponsor Facility (as defined below), (iii) \$10.3 million outstanding under subordinated secured promissory notes, (iv) \$2.6 million outstanding under merchant cash advance financing, (v) \$1.5 million under a litigation funding agreement, and (vi) \$1.2 million outstanding under unsecured promissory notes. Additionally, PARTS Id, Inc. has outstanding 42,932,553 shares of Class A common stock, par value \$0.0001 per share.

Funded Debt	
Funded Debt	Outstanding Principal Amount as of Petition Date
Senior Secured Note	\$4.2 million
Prepetition Plan Sponsor Facility	\$3.0 million
Subordinated Secured Notes	\$10.6 million
Merchant Cash Advance Financing	\$2.6 million
Litigation Funding Agreement	\$1.5 million
Unsecured Notes	\$1.2 million
Total Funded Debt	\$23.1 million
Outstanding Shares	
Common Shares	Shares Outstanding
Common Shares	42,932,553

23. The majority of the Debtors' funded debt obligations relate to secured and unsecured debt obligations to Lind Global Fund II LP ("Lind"), the Plan Sponsor, and parties that have periodically provided emergency funding. Amidst the Debtors' extensive efforts to obtain new financing and restructure their trade debt, the Debtors relied on merchant cash advance financing and other emergency loans to meet operating shortfalls. One week prior to the Petition Date, the Debtors entered into a credit agreement dated as of December 19, 2023 (the "Credit Agreement") with Fifth Star, Inc., in its capacities as New Bridge Lender, New Money DIP Lender and Administrative Agent, and the other lenders party thereto, pursuant to which Fifth Star provided a \$3.0 million prepetition facility (the "Prepetition Plan Sponsor Facility").

D. Prepetition Secured Debt Obligations

1. Senior Secured Note

24. On July 14, 2023, the Company entered into a Securities Purchase Agreement with Lind, pursuant to which the Company borrowed a principal amount of \$4,750,000 in exchange for a senior secured promissory note in the principal amount of \$5,367,500 (the "Senior Secured Note") and 12,837,838 warrants to purchase the Class A common stock of Debtor PARTS iD, Inc. at an exercise price of \$0.50 per share. As of the Petition Date, Lind has converted an aggregate principal amount of \$1,143,000 of the Senior Secured Note into 7,691,023 shares of Class A common stock. The Senior Secured Note is secured by a senior security interest in all of Debtor PARTS iD, Inc.'s right, title, and interest in, to and under all property, subject to certain exceptions, and is guaranteed by PARTS iD, LLC. The proceeds of the Senior Secured Note were applied to refinance the outstanding principal balance of \$4.3 million due to the Company's prior lender, JGB Collateral, LLC.

2. Prepetition Plan Sponsor Facility

25. As of the Petition Date, the Company had outstanding borrowings of \$3.0 million under the Prepetition Plan Sponsor Facility. The Debtors' obligations under the Prepetition Plan Sponsor Facility are secured by a security interest in all of Debtors' right, title, and interest in, to and under all of Debtors' property, subject to the security interest of Lind.

3. Subordinated Secured Notes

26. Throughout 2023, as the Debtors pursued long-term financing they relied on incremental emergency funding (the "Emergency Funding") to meet operating shortfalls. The Emergency Funding was critical to maintaining the Debtors' operations and permitted the Debtors to survive during the negotiations with the Vendors and Plan Sponsor that led to the Plan Restructuring. Absent the support provided by the Emergency Funding, the Debtors would have been forced into liquidation.

27. The majority of the Emergency Funding was made pursuant to secured note purchase agreements, summarized in the table set forth below.

<u>Noteholder</u>	<u>Date</u>	<u>Maturity</u>	<u>Principal Amount</u>
2642186 Ontario Inc.	March 6, 2023	2 years	\$2,000,000
Limestone Development Corporation	March 6, 2023	2 years	\$250,000
Lev Peker	March 6, 2023	2 years	\$250,000
Edwin J. Rigaud	March 6, 2023	2 years	\$400,000
2642186 Ontario Inc.	July 13, 2023	1 year	\$1,000,000
Lev Peker	July 13, 2023	1 year	\$2,000,000
Edwin J. Rigaud	July 13, 2023	1 year	\$250,000
Lev Peker	October 9, 2023	1 year	\$1,100,000
2642186 Ontario Inc.	November 2, 2023	1 year	\$1,000,000

<u>Noteholder</u>	<u>Date</u>	<u>Maturity</u>	<u>Principal Amount</u>
Lev Peker	December 11, 2023	1 year	\$1,300,000
Sanjiv Gomes	December 11, 2023	1 year	\$1,000,000
Total			\$10,550,000

28. Each of the security interests granted pursuant to the secured Emergency Funding are junior to Lind and were subordinated, by agreement, to the obligations arising under the Prepetition Plan Sponsor Facility.

29. With each loan provided pursuant to the Emergency Funding, the Debtors hoped that entry into a definitive restructuring transaction was near. Unfortunately, the Debtors' pursuit of financing and subsequent negotiations extended significantly longer than anticipated, and the Debtors continued to require incremental funding for payroll and other operating expenses. Accordingly, the Emergency Funding provided on and after October 20, 2023, was conditioned on being "rolled-up" into a debtor-in-possession financing facility, to the extent that the Debtors were able to successfully negotiate a restructuring transaction with a postpetition lender.

4. Merchant Cash Advance Agreements

30. Despite the incremental loans provided pursuant to the Emergency Funding, the Debtors required additional funds to maintain day-to-day operations as negotiations continued with the Plan Sponsor. Thus, on November 30, 2023, the Company entered into (i) the Merchant Cash Advance Agreement by and between WAVE ADVANCE INC. ("Wave") and Parts iD, Inc. (the "Wave MCA Agreement"), and (ii) the Future Receivables Agreement by and between Riverside Capital NY ("RCNY" and together with Wave, the "MCA Lenders") and PARTS iD, Inc. (the "RCNY MCA Agreement") Under the RCNY MCA Agreement, the Debtors agreed to

sell \$1,469,700 of future receivables for a purchase price of \$1,065,000. Additionally, the Debtors agreed to pay RCNY \$15,400 each day until RCNY has been repaid. Similarly, pursuant to the terms of the Wave MCA Agreement, the Debtors agreed to sell \$1,518,000 of future receivables for a purchase price of \$1,100,000 and agreed to pay Wave \$15,400 each day until Wave has been repaid. As of the Petition Date, the combined outstanding balance due under the Wave MCA Agreement and the RCNY MCA Agreement is \$2,618,000.

5. Intellectual Property Litigation and Litigation Funding Agreement

(a) ID Parts Litigation

31. In June, 2020, the Company's predecessor Onyx initiated a trademark infringement action against IDParts, LLC ("IDParts") for the unlawful use of "ID" to sell automotive products through its e-commerce platform found at www.idparts.com. The Company first used "iD" to sell automotive products in 2009 on its e-commerce platform www.carid.com. The Civil Action is captioned as *Onyx Enterprises Int'l, Corp. v. IDParts, LLC*, Civil Action Number 1:20-cv-11253-RMZ and is currently pending before the United States District Court for the District of Massachusetts (the "IDParts Litigation"). The Company sought monetary damages for use of its trademark as well as an order precluding IDParts from continuing to use "ID" as part of its branding. On November 21, 2023, the jury returned a verdict denying both PARTSiD Inc and ID Parts' claims of infringement of their respective ID marks but did find that PARTSiD Inc had infringed on ID Parts name by using the name PARTSiD Inc. PARTSiD Inc. is evaluating an appeal of this decision given the trial court's evidentiary rulings precluding the jury from learning key evidence in support of the Company's claims.

(b) Volkswagen Litigation

32. Onyx initiated a trademark infringement action in August, 2020 against Volkswagen Group of America, Inc. ("Volkswagen") for the unlawful use of "ID" to brand its

line of electric vehicles imported into the United States in 2021 and manufactured in Tennessee in 2022. Despite the United States Patent and Trademark Office's rejection of Volkswagen's application to register "ID" due to the Company's priority over the mark in the automotive space, Volkswagen proceeded with the launch using this branding and the Company filed suit. The Civil Action is captioned as *Onyx Enterprises Int'l, Corp v. Volkswagen Group of America, Inc.*, Civil Action Number 3:20-cv-09976-BRM-ZNQ and is pending in the United States District Court for the District of New Jersey (the "Volkswagen Litigation"). The Volkswagen Litigation is currently stayed pending resolution of the IDParts Litigation.

33. The Company is seeking monetary damages for use of its trademark as well as an order precluding Volkswagen from continuing to use ID as part of its branding. Discovery has not commenced and the case value and exposure are undetermined at this time. The parties have engaged in settlement discussions but remain far apart in their evaluation of the merits of the case.

(c) Litigation Funding Agreement

34. The Company believes it has meritorious claims in both the IDParts Litigation and the Volkswagen Litigation (together, the "Litigation"). Given the Debtors' limited liquidity and the expense of prosecuting the cases, in September 2023 the Company entered into a Litigation Funding Agreement (the "Litigation Funding Agreement") with Pravati Investment Fund IV LP ("Pravati") to provide \$1,500,000 to fund legal fees, costs and other expenses incurred in connection to the Litigation. In exchange, Pravati received a right to the Litigation proceeds in an amount equal to its funding amount plus the greater of either a multiple of fees and costs related to such funding or a percentage-based amount based on the outstanding daily balance of such funding, compounded monthly, to the extent accrued and unpaid. Additionally, the Company agreed to pay Pravati (i) an underwriting fee of \$50,000, (ii) a funding origination

fee equal to 3% of each funded amount and (iii) a service fee of \$1,500 on the first day of each calendar quarter beginning on October 15, 2023. As collateral for the funding, the Company granted to the Funder a first-priority security interest in and to all proceeds recovered from the Litigation.

35. Subject to the terms and conditions of the Litigation Funding Agreement, the Company will not owe Pravati any repayment if there is no recovery by the Company in the Litigation and the Company is not in default under the Litigation Funding Agreement.

(d) **Unsecured Notes**

36. The Emergency Funding also includes certain unsecured notes provided on an urgent basis to meet the Debtors' immediate capital needs, as set forth below.

<u>Noteholder</u>	<u>Date</u>	<u>Maturity</u>	<u>Principal Amount</u>
2642186 Ontario Inc.	May 19, 2023	2 years	\$250,000
Lev Peker	May 19, 2023	2 years	\$750,000
2642186 Ontario Inc.	June 14, 2023	2 years	\$250,000

IV.
EVENTS LEADING TO THE COMMENCEMENT OF
THESE CHAPTER 11 CASES

E. Market Conditions and Prepetition Liquidity Constraints

37. As described above, the Debtors are a digital commerce company focusing primarily on the U.S. automotive aftermarket. Recent economic conditions have caused fluctuations in business and consumer confidence, which has impacted spending on automotive parts and accessories. These economic conditions include supply chain challenges, an inflationary environment, overall economic uncertainty and the potential for economic slowdown or recession, which have impacted consumer confidence and spending. The economic factors

have had corresponding effects on the Debtors' business performance, prospects, solvency, and relationships with the Vendors, on whose support the Debtors' business relies.

38. As a result of the operational challenges described above, the Debtors engaged with the Vendors to maintain their support while seeking new financing arrangements that would allow the Debtors to provide the Vendors with a recovery on past due invoices as well as assurance of future performance. As the Debtors' search for suitable financing in a high interest rate environment continued, the patience of the Vendor community receded, resulting in constricting credit terms that forced the Debtors to expend its limited liquidity. Faced with the prospect of impending liquidation, the Debtors were forced to rely on the incremental Emergency Funding to keep operations afloat but was insufficient to sustain operations on a long-term basis.

F. Prepetition Restructuring Efforts

1. Exploration of Restructuring Transactions

39. Following the consummation of the De-Spac Transaction, the board of directors of PARTS iD Inc. (the "Board"), together with management, continued to search for opportunities for capital raises or change of control transactions that would maximize shareholder value.

40. Throughout 2022, the Debtors interviewed a number of investment banks and financial advisors to assist in evaluating potential strategic restructuring transactions. On November 18, 2022, the Debtors entered into an Equity Offering Sales Agreement (the "Sales Agreement") with investment bank D.A. Davidson & Co. ("D.A. Davidson") with respect to an "at the market" offering program, under which PARTS iD, Inc. would issue and sell through D.A. Davidson, acting as sales agent, shares of the Company's Class A common stock, par value \$0.0001 per share, having an aggregate gross sales price of up to \$15,970,800. However, by the

time the Sales Agreement was fully registered with the SEC, the Debtors' ability to issue new shares pursuant to the Sales Agreement was severely constricted by the Debtors' limited liquidity and ultimately no shares were issued.

41. The Debtors also entered into an engagement agreement with Canaccord Genuity Group, Inc. ("Canaccord") for the purpose of exploring change in control transactions. Canaccord pursued more than forty (40) potential sale and acquisition transactions on behalf of the Debtors and made periodic reports of their progress to the Board. Although the Debtors entered into extensive negotiations with and provided diligence to multiple interested parties, ultimately no actionable offers were made.

42. Between February 2023 and August 2023, the Debtors' management additionally pursued capital raises or strategic transactions with more than twenty (20) additional potentially interested parties. These efforts also resulted in no actionable offers.

2. Vendor RSA

43. The Debtors retained DLA Piper LLP (US) as its restructuring counsel in February 2023 to explore restructuring options when the Debtors' sales had plummeted in large part due to lack of liquidity and the reduced number of Vendors who were selling their products on the Debtors' platform. In an effort to restructure the Debtors' outstanding Vendor debt, in April 2023, the Debtors began negotiations with the Vendor Group, represented by Cole Schotz P.C., in connection with the potential out of court restructuring of the Debtors' Vendor liabilities. Over the course of several months, the Debtors negotiated with the Vendor Group and on October 6, 2023, entered into the Vendor RSA. Pursuant to the terms and conditions of the Vendor RSA, the Debtors agreed to pay to each vendor holding one or more claims in excess of \$10,000 (a "Vendor Claim") an amount equal to 55% of such total Vendor Claim, consisting of (i) 12.5% of such Vendor Claim on the earlier to occur of (x) two business days following the

Debtors' receipt of not less than \$10 million in capital, including debt, equity or other capital raised by the Debtors, and (y) December 15, 2023, and (ii) the remaining 42.5% of such Vendor Claim paid monthly over 36 months. The Debtors further agreed to pay to each Vendor holding a claim equal to or less than \$10,000 (a "Convenience Claim") an amount equal to 65% of such Convenience Claim.

44. The effective date under the Vendor RSA was conditioned upon the accession of Vendors holding at least 80% of aggregate amount of all claims owed to Vendors for past due invoices (the "Total Claims Amount") within 30 days of the Debtors' execution of the Vendor RSA. Despite the Debtors' efforts, they did not achieve the requisite support prior to November 6, 2023 and the Vendor RSA did not become effective in accordance with its terms. However, as of the Petition Date, Vendors holding more than 80% of the Total Claims Amount had acceded to the Vendor RSA.

45. In November 2023, the Debtors began working with SRV Partners, LLC, a restructuring and turnaround firm, to pursue and evaluate options to address the Debtors' debt and explore strategic alternatives that would allow the Debtors to honor its commitment to the Vendors under the Vendor RSA. The Debtors' efforts to secure funding to affect those transactions led the Debtors to negotiate with the Plan Sponsor the material terms and conditions of restructuring transactions (the "Restructuring Transactions") to be implemented through a postpetition debtor-in possession financing facility in the aggregate amount of up to \$12 million and either the Plan (the "Plan Restructuring") or alternatively, a sale of substantially all of the Debtors' assets pursuant to section 363 of the Bankruptcy Code (a "Sale Transaction"). The Restructuring Transactions thus provide the Debtors with multiple paths towards a successful restructuring on terms that are better for the Debtors and their stakeholders than any offers for

refinancing or sale and acquisition transactions the Debtors' received in the year prior to the Petition Date.

G. Salient Terms of the Restructuring Transactions

1. Plan Restructuring

46. The Plan Restructuring will provide, among other things, that the Debtors' outstanding prepetition secured debt obligations will be repaid, restructured, or satisfied, and that the Vendors will receive the benefit of the transactions negotiated with the Debtors in the Vendor RSA. Upon the effective date of the Plan, each holder of a Vendor Claim will be entitled to receive payment of 55% of such Vendor Claim, consisting of (i) an initial payment equal to 25% of their Vendor Claim, and (ii) the remaining 30% of such Vendor Claim paid monthly over 36 months. Consistent with the Vendor RSA, holders of Convenience Claims will receive a single payment equal to 65% of such Convenience Claim upon the effective date of the Plan.

47. Critically, the Plan Restructuring also provides that the Plan Sponsor will provide the Debtors with up to \$26 million in new capital upon the effective date of the Plan through a commitment to purchase new preferred equity to be issued by the reorganized Debtors on customary terms (the "Equity Commitment"). The proceeds of the Equity Commitment will be used to fund distributions under the Plan and the working capital needs of the Reorganized Debtors.

48. Under the Plan Restructuring, the capital structure of the reorganized Debtors will be substantially de-leveraged. Upon the effective date of the Plan, all of the Debtors' prepetition secured debt obligations will be satisfied, with the exception the Debtors' obligations under the Litigation Funding Agreement, which will be reinstated and, subject to there being no event of default under the Litigation Funding Agreement, payable solely from the proceeds of recovery from the Litigation.

49. The Plan Restructuring is contingent on, among other things, the Debtors' ability to meet the following milestones (the "Milestones"):

Milestones	
Entry of Interim DIP Order	Petition Date + 3 Days
Voting Deadline	Petition Date + 21 Days
Plan Acceptance by Vendor Class	Petition Date + 23 Days
Entry of Final DIP Order	Petition Date + 28 Days
Entry of Confirmation Order	Petition Date + 40 Days
Plan Effective Date	Petition Date + 54 Days

50. In the event that the Debtors fail to meet any of the Milestones, an event of default occurs under the Credit Agreement or the Debtors fail to satisfy certain conditions (each, a "Toggle Event"), Fifth Star may elect to pursue the Sale Transaction and the Debtors have agreed to propose a bidding and sale procedure process.

2. Sale Transaction

51. The Sale Transaction contemplates a stalking horse bid by Fifth Star to purchase substantially all of the assets of the Debtors, which may include as part of its purchase price a credit bid (the "Stalking Horse Bid").

52. The Stalking Horse Bid proposes to pay holders of Vendor Claims that vote to accept the Plan a total amount equal to 55% of such Vendor Claims, consisting of payment of (i) 25% of such Vendor Claims upon the closing of a sale pursuant to the Stalking Horse Bid (the "Closing Date"), and (ii) 30% of such Vendor Claims in monthly installments over 36 months. Vendors that do not vote to accept the Plan will not be entitled to receive any payment in connection with the Stalking Horse Bid.

53. The Debtors submit that the Plan Restructuring, which provides the greatest recovery to the Vendors, is in the best interests of their stakeholders and the Debtors' estates and will allow for a swift emergence from chapter 11. The proposed treatment of Vendor Claims under the Plan Restructuring, which is consistent with the treatment of Vendor Claims under the Vendor RSA that received the support of more than 80% of the Total Claims Amount, indicates that the Plan Restructuring will have the support of the Debtors' largest stakeholders in these Chapter 11 Cases. In light of the expected creditor support for the Plan Restructuring, the Debtors seek to efficiently administer these Chapter 11 Cases with the goal of confirming the Plan as expeditiously as possible, which will reduce the associated in-court costs and maximize value and recoveries for the Debtors' stakeholders.

H. Prepetition Solicitation of the Plan and Proposed Chapter 11 Timeline

54. On December 20, 2023, Kroll Restructuring Administration LLC ("Kroll"), the Debtors' proposed claims, noticing and solicitation agent, served on all holders of claims against and interests in the Debtors that were bound by a non-disclosure agreement and that are entitled to vote on the Plan the *Disclosure Statement Relating to the Joint Prepackaged Chapter 11 Plan of Reorganization of PARTS iD, Inc. and PARTS iD, LLC* (the "Disclosure Statement"), as well as ballots and other solicitation materials. Just prior to the commencement of these cases, the Debtors, through Kroll, served the Disclosure Statement and corresponding ballots on the remaining holders of claims against the Debtors in classes entitled to vote to accept or reject the Plan.

55. Under the Plan, Classes 3, 4, 5, 7, and 8 are impaired class entitled to vote to accept or reject the Plan. As a condition precedent to the Credit Agreement, all holders of claims in Classes 3, 4, and 5 have consented to the treatment provided under the Plan and agreed to vote to accept the Plan. Considering that more than 80% of holders of the Vendor Claims and

Convenience Claims signed onto the Vendor RSA, the Debtors anticipate each impaired, voting class will vote to accept the Plan.

56. As a result, the Debtors expect to emerge from these Chapter 11 Cases as soon as possible with a substantially deleveraged balance sheet and a financially strong and viable business for the future. Indeed, the Milestones obligate the Debtors to consummate the Plan within 54 days of the Petition Date. Accordingly, the Debtors and the Plan Sponsor have proposed the following timeline for the Chapter 11 Cases, all of which will be subject to the Court's availability:

Proposed Timetable	
Voting Record Date	December 8, 2023
Commencement of Solicitation	December 20, 2023
Voting Deadline	January 8, 2024
Plan Supplement Deadline	January 19, 2024
Plan and Disclosure Statement Objection Deadline	January 26, 2024, at 4:00 p.m. (Eastern Standard Time)
Plan and Disclosure Statement Reply Deadline	January 30, 2024, at 4:00 p.m. (Eastern Standard Time)
Combined Hearing	February 2, 2024

V.
THE FIRST DAY PLEADINGS

57. Contemporaneously herewith, the Debtors have filed several First Day Pleadings seeking orders granting various forms of relief intended to facilitate the efficient administration of these Chapter 11 Cases. A description of certain key motions follows:

A. Motion of the Debtors for Entry of An Order (I) Granting Joint Administration of Their Chapter 11 Cases, and (II) Granting Related Relief (the “Joint Administration Motion”)

58. Through the Joint Administration Motion, the Debtors seek entry of an order directing the joint administration of these Chapter 11 Cases for procedural purposes only. I anticipate that many of the notices, motions, other pleadings, and orders in these Chapter 11 Cases will affect more than one Debtor. In addition, the Debtors share many of the same creditors. Therefore, I believe that joint administration will (i) save time and expenses for the Court and for the Debtors’ estates, and (ii) avoid duplicative and potentially confusing filings by permitting counsel for all parties in interest to file all notices and pleadings on a single case docket, under a single caption. I understand that joint administration will also protect all parties in interest by ensuring that creditors in each of the Debtors’ respective bankruptcy cases will be informed of the various matters before the Court in these Chapter 11 Cases.

59. I understand the rights of the Debtors’ respective creditors and stakeholders will not be adversely affected by the joint administration of these Chapter 11 Cases inasmuch as the relief sought is purely procedural and in no way intended to affect substantive rights or permit substantive consolidation of the separate Debtors’ estates.

60. I believe that the relief requested in the Joint Administration Motion is in the best interest of the Debtors’ estate, creditors, and all other parties in interest. Accordingly, on behalf of the Debtors, I respectfully submit that the Joint Administration Motion should be granted.

B. Motion of the Debtors for Entry of an Order (I) Authorizing the Debtors to (A) File and Maintain a Consolidated Creditors List and (B) Redact or Withhold Publication of Certain Personally Identifiable Information, and (II) Limiting Certain Equity Security Holdings Disclosures, and (III) Granting Related Relief (the “PII Motion”)

61. Through the PII Motion, the Debtors seek authority to (i) file and maintain a consolidated creditor list of the Debtors’ largest thirty unsecured creditors and creditor matrix,

(ii) redact certain personally identifiable information of current and former employees and equity holders of the Debtors, and (iii) limit disclosure to parties holding 5% or more of the Debtors' equity.

62. Specifically, the Debtors seek authority to redact the personal information, including home addresses, of the Debtors' current and former employees, as well as individual equity holders, to avoid exposing these individuals to potential identity theft or jeopardizing their safety by publishing their home addresses.

63. Redaction of personally identifiable information is appropriate under section 107(c)(1) of the Bankruptcy Code because such information can be used to perpetrate identity theft or locate survivors of domestic violence, harassment, stalking, or phishing scams. Additionally, I believe that redacting the Debtors' current and former employees' and equity holders' home addresses from the Debtors' Creditor Matrix is prudent under the circumstances and will protect the Debtors' current and former employees and equity holders from unnecessary disclosure of personally identifiable information.

64. Additionally, the Debtors seek to limit certain equity holdings disclosures to only those individuals and entities that hold more than 5% equity in the Debtors. Debtor PARTS iD, Inc. is a publicly traded company that, as of the Petition Date, had 42,932,553 outstanding shares of common stock. The holders of such stock change on a regular basis through active trading, and asking the Debtors to identify each and every shareholder would be an extraordinarily burdensome and expensive undertaking.

65. Accordingly, on behalf of the Debtors, I respectfully submit that the PII Motion should be granted for the foregoing reasons.

C. Debtors' Application for Appointment of Kroll Restructuring Administration LLC as Claims and Noticing Agent (the "Kroll Application")

66. Through the Kroll Application, the Debtors seek the appointment of Kroll Restructuring Administration LLC ("Kroll") as claims, noticing, balloting, and solicitation agent for these Chapter 11 Cases in accordance with the Engagement Agreement, effective as of the Petition Date. In that role, Kroll would assume full responsibility for, among other tasks, the distribution of statutory notices to creditors and other parties in interest and the maintenance, processing, and docketing of proofs of claim filed in these Chapter 11 Cases. Given the complexity of these Chapter 11 Cases and the number of creditors and other parties in interest involved, I believe that the appointment of Kroll will maximize the value of the Debtors' estates for all of their stakeholders and will help facilitate the efficient administration of these Chapter 11 Cases while alleviating these burdens for the Clerk of the Court. Accordingly, on behalf of the Debtors, I respectfully submit that the Application should be approved.

D. Motion of the Debtors for Entry of Interim and Final Orders (I) Authorizing the (A) Continued Use of the Debtors' Cash Management System and (B) Payment of Related Prepetition Obligations; (II) Suspending the Requirements of 11 U.S.C. § 345(b); and (III) Granting Related Relief (the "Cash Management Motion")

67. Through the Cash Management Motion, the Debtors seek entry of an order (i) authorizing the Debtors to maintain their current cash management system (the "Cash Management System"), existing bank accounts and business forms, including authorizing the Debtors to open and close bank accounts in the ordinary course of business, (ii) authorizing all banks participating in the Case Management System to honor certain transfers and charge bank fees and certain other amounts, (iii) suspending the requirements of section 345(b) of the Bankruptcy Code to the extent applicable to the Cash Management System and (iv) scheduling a final hearing.

68. The Debtors currently maintain seven bank accounts, which are held at Wells Fargo Bank, N.A. and JP Morgan Chase Bank (collectively, the “Banks”). In the ordinary course of business, the Debtors employ the Cash Management System to collect, transfer, and disburse funds generated by their operations through the Banks. In the ordinary course of business, the Debtors’ main operating account makes the majority of disbursements on behalf of Debtors on account of invoices due and payable for various operating expenses and obligations arising from vendor contracts.

69. Additionally, the Debtors rely on the services of various payment processors to collect payments from customers on the Debtors’ various e-commerce sites. The Debtors remit approximately \$100,000 per month in discount, processing, interchange, and other related fees. The Debtors seek to continue payment of the payment processors in the ordinary course because without their services, the Debtors will be unable to collect the revenue earned from their business.

70. I believe that the continuation of the Debtors’ Cash Management System is essential to the Debtors’ businesses, and the Debtors’ operations would be hampered significantly if they were forced to discontinue using their existing Cash Management System, causing confusion to the Debtors’ vendors, customers, and employees, among others. I believe that the relief requested in the Cash Management 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 operate their businesses in chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the Cash Management Motion should be granted.

E. Motion of the Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors' Proposed Form of Adequate Assurance of Payment to Utility Companies, (II) Establishing Procedures for Resolving Objections by Utility Companies, (III) Prohibiting Utility Companies from Altering, Refusing or Discontinuing Service, and (IV) Granting Related Relief (the "Utilities Motion")

71. Through the Utilities Motion, the Debtors seek entry of interim and final orders (i) approving the Debtors' proposed form of adequate assurance of payment to the utility companies, as that term is used in section 366 of the Bankruptcy Code (each, a "Utility Company" and, collectively, the "Utility Companies"), (ii) establishing procedures for resolving objections by the Utility Companies, and (iii) prohibiting the Utility Companies from altering, refusing, or discontinuing service to, or discriminating against, the Debtors solely on the basis of the commencement of these Chapter 11 Cases, that a debt is owed by the Debtors for prepetition Utility Services, or on account of any perceived inadequacy of the Debtors' proposed adequate assurance.

72. In the ordinary course of the operation of their businesses, the Debtors use various utility services, including electricity, natural gas, internet access, and telecommunications (the "Utility Services"). Prior to the Petition Date, the Debtors spent an average of approximately \$6,073 each month on account of Utility Services. The Debtors propose to establish a segregated account into which the Debtors will deposit a sum equal to approximately two weeks of the Debtors' estimated aggregate utility expenses (or \$3,036) and, additionally, have proposed standard procedures to address any request made by the Utility Companies for additional adequate assurance.

73. Preserving Utility Services on an uninterrupted basis is essential to the Debtors' ongoing operations and, therefore, to the success of these Chapter 11 Cases. Any interruption in Utility Services, even for a brief period of time, would disrupt the Debtors' ability to operate their businesses in the ordinary course and could jeopardize the Debtors' restructuring. It is

critical, therefore, that Utility Services continue uninterrupted during these Chapter 11 Cases. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Utilities Motion should be granted.

F. Motion of the Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to Maintain and Continue Employee Benefit Programs and (II) Authorizing and Directing Banks to Honor and Process Checks and Transfers Related to Such Employee Obligations, and (III) Granting Related Relief (the “Employee Wage Motion”)

74. Through the Employee Wage Motion, the Debtors seek authorization (i) to pay prepetition wages and other compensation, taxes and withholdings, and reimbursable employee expenses, (ii) to honor and continue benefit programs for employees, and (iii) for the Debtors’ cash management banks and financial institutions at which the Debtors maintain disbursement and other accounts to receive, process, honor and pay all checks issued and electronic payment requests made related to such employee obligations.

75. The Debtors’ workforce is composed of approximately 26 full time, salaried Employees (the “Salaried Employees”) and 11 full time, hourly employees (the “Hourly Employees,” and collectively with the Salaried Employees, the “Employees”). In addition to the Employees, the Debtors supplement their workforce with various contractors from Ukraine, South America, and the Philippines (collectively, the “Independent Contractors”), each of whom is necessary for the ongoing operation of the Debtors’ business. The Debtors retain approximately 300 Independent Contractors, all of whom play a critical role in the Debtors’ day-to-day operations and, thus, to the preservation of value of the Debtors’ estates.

76. On average, the Debtors’ aggregate gross biweekly payroll for both Salaried Employees and Hourly Employees is approximately \$220,000. The Debtors pay the Independent Contractors an average of approximately \$443,000 per month. As of the Petition Date, the

Debtors estimate that approximately \$800,000 remains due and owing to the Independent Contractors, of which \$700,000 is due and payable in the first 21 days after the Petition Date.

77. The vast majority of Employees rely exclusively on their compensation and benefits to pay their daily living expenses and support their families and would be exposed to significant financial hardships were the Debtors unable or unauthorized to continue paying compensation, provide employee benefits, and maintain existing programs. The Debtors seek to minimize the personal hardship that their workforce would suffer if the Debtors' obligations are not honored when due or as expected.

78. Additionally, a significant portion of the value of the Debtors' businesses is tied to their workforce, which cannot be replaced without significant efforts—which efforts may not be successful given the overhang of these Chapter 11 Cases. If the Debtors are not authorized to pay the prepetition employee obligations, the Debtors' workforce could lose morale and Debtors' operations could be jeopardized. As a result, I believe that payment of the prepetition employee obligations is a necessary and critical element of the Debtors' efforts to preserve value and will afford the Debtors the greatest likelihood of retention of their Employees as the Debtors seek to operate their businesses in these Chapter 11 Cases. Accordingly, on behalf of the Debtors, I respectfully submit that the Wages Motion should be granted.

G. Motion of the Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Maintain Their Insurance Coverage Entered into Prepetition and Pay Related Prepetition Obligations, and (B) Renew, Supplement, Modify or Purchase Insurance Coverage, and (II) Granting Related Relief (the “Insurance Motion”)

79. Through the Insurance Motion, the Debtors seek authority (i) to continue their existing insurance program and honor their related prepetition and postpetition obligations, and (ii) to renew, supplement, modify, extend, terminate, or purchase new insurance coverage in the ordinary course of business.

80. The Debtors' insurance program is composed of insurance policies maintained by the Debtors that are administered through various insurers, and which provide coverage for, among other things, property, umbrella, workers' compensation, cybersecurity, and management liability including directors' and officers' liability. Maintenance of insurance coverage under the insurance program is essential to the continued operation of the Debtors' business and is required under the U.S. Trustee's Operating Guidelines, the laws of the various states in which the Debtors operate, applicable federal law, and certain of the Debtors' customer contracts and leases.

81. The Debtors will owe approximately \$228,325 in premiums that will be due and payable in the first 21 days of the case on account prepetition obligations, other than certain monthly amounts owed under a premium financing arrangement. Accordingly, the Debtors request authority to continue to pay their insurance obligations in the ordinary course of business.

82. I believe that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates, their creditors and all parties in interest, and is essential to achieving a smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the Insurance Motion should be approved.

H. Motion of the Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Taxes and Fees and (II) Granting Related Relief (the "Tax Motion")

83. Through the Tax Motion, the Debtors seek authority to pay certain prepetition taxes and related obligations, including payment of fees owed to the Debtors' third-party tax processing company.

84. In the ordinary course of business, the Debtors are subject to various taxes, regulatory fees and assessments, and related obligations that are payable directly to numerous

taxing authorities. The Debtors seek entry of an order authorizing the Debtors to remit and pay certain taxes and fees in the ordinary course business that are payable or will become payable in the ordinary course of business, or that are payable or will become payable during these chapter 11 cases, including any obligation subsequently determined upon audit or otherwise to be owed for periods prior to including or following the Petition Date. The Debtors rely on Avalara, Inc. to process and remit certain of their taxes and fees to the relevant taxing authorities, and request authority to continue paying those fees. Without Avalara, Inc.'s services, the Debtors may fail to timely pay their taxes and fees, which could materially disrupt the Debtors' operations and otherwise prejudice their restructuring process.

85. The Debtors' failure to pay taxes could result in unnecessary penalties and fees, as well as potential personal liability to the Debtors' directors and officers. In light of the foregoing, on behalf of the Debtors, I respectfully submit that the relief requested in the Tax Motion should be granted.

I. Motion of the Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Claims of (A) Shippers and Warehousemen , (B) Certain Shippers Entitled to Administrative Expense Priority Under Section 503(b)(9) of the Bankruptcy Code, and (C) Foreign Vendors, and (II) Granting Related Relief (the "Shippers and Warehousemen Motion")

86. Through the Shipper and Warehousemen Motion, the Debtors seek authority to pay the prepetition claims of certain shippers and vendors. The operations and business of the Debtors and, in turn, the success of the chapter 11 cases, depends on the Debtors' ability to retain the uninterrupted services of the shippers, who ship, store, and deliver goods sold by the Debtors to customers. Without authorization to pay certain claims, many of the shippers and vendors may cease delivering goods and providing services to the Debtors. As of the Petition Date, the Debtors estimate that approximately \$1.5 million is due and owing to the shippers, of which \$1.1 million will need to be paid within the first twenty-one days of these Chapter 11 Cases.

87. Certain shippers and warehousemen, under applicable non-bankruptcy law, may have the potential to assert liens against certain of the Debtors' assets if the Debtors were to fail to pay for goods or services rendered prior to the Petition Date. The Debtors depend on the services of the shipper and warehousemen to ensure timely shipping and delivery of their products to their customers in the ordinary course of the Debtors' business. The Debtors estimate that, as of the Petition Date, the aggregate amount of accrued and unpaid obligations to the shippers and warehousemen is approximately \$600,000, approximately \$300,000 of which is due and owing in the first 21 days of these chapter 11 cases. I believe that if the Company is unable to pay the shippers and warehousemen, they risk losing access to critical property, which could immediately and irreparably harm the Debtors to the detriment of all stakeholders.

88. The Debtors rely heavily on the continued cooperation of the merchandise vendors who continue to ship products sold on the Debtors' platforms despite being owed significant prepetition balances. Certain of these vendors have claims entitled to administrative priority under 503(b)(9) of the Bankruptcy Code ("503(b)(9) Claims"), because these vendors have shipped products to the Debtors' customers in the week prior to the Petition Date. The Debtors estimate that as of the Petition Date, the aggregate amount of accrued and unpaid 503(b)(9) Claims is approximately \$750,000, all of which is due and owing in the first 21 days of these chapter 11 cases. I believe that by altering the timing of payments of certain 503(b)(9) Claims that these vendors are entitled to receive as a matter of statute, such payments will prevent the vendors from refusing to ship the Debtors' products to its customers, which would prevent a disruption in the Debtors' operations and prevent a loss of revenues.

89. The Debtors' failure to pay the claims set forth in the Shipper and Warehousemen Motion could harm the Debtors' ability to obtain necessary inventory or services and, therefore,

increase the likelihood of significant disruptions to the Debtors' operations. This failure could jeopardize numerous customer relationships and significantly impair the value of the Debtors' businesses. Therefore, the Debtors' continued receipt of certain goods and services is necessary to ensure that there are no unexpected or inopportune interruptions in the Debtors' business operations, and to preserve and maximize the value of the Debtors' estates. Accordingly, for the reasons set forth above and in the Shipper and Warehousemen Motion, on behalf of the Debtors, I respectfully submit that the Debtors' Shipper and Warehousemen Motion should be granted.

J. Motion of the Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to Continue Customer Programs and to Honor Certain Prepetition Obligations to Customers, and (II) Granting Related Relief (the "Customer Programs Motions")

90. Through the Customer Programs Motion, the Debtors seek an order authorizing the Debtors (a) to continue, maintain, pay, honor, administer, renew, replace, implement, or terminate their customer programs (the "Customer Programs") in the ordinary course of their business; and (b) to fulfill and honor (through payment, credit, setoff, or otherwise) payments on account of any prepetition obligations related to such programs.

91. The Debtors' Customer Programs promote and preserve the Debtors' critical customer relationships, maximize customer loyalty, improve goodwill, and generate revenue for the Debtors. For example, the Debtors provide store credit to its customers as a form of refund (the "Store Credit") to customers who are dissatisfied with the products they have purchased and have either returned products or canceled delivery of products. Store Credit are stored with the customers online profile and can be subsequently used to purchase different products from the Debtors. There is no time limit on when customers can use Store Credit. In 2023, the Debtors estimate that they have offered approximately \$300,000 in Store Credit to customers that has not been applied or used, which the Debtors assert are owed to these customers as prepetition

obligations. The Debtors intend to honor Store Credit issued in 2023 and respectfully request authorization to honor their obligations in connection with the Store Credit issued.

92. The Debtors also maintain a gift card program (the “Gift Card Program”) wherein they distribute gift cards (the “Gift Cards”) for use on the Debtors’ web site. Customers may purchase the Gift Cards on the Debtors’ web site and the Gift Cards may be used like cash for purchases at the Debtors’ stores. The Gift Cards do not have an expiration date. The Debtors maintain transaction data regarding the sale of Gift Cards; however, the Debtors do not track and have no information about the identity of the holders of the Gift Cards. The Debtors estimate that the total liability, as of the Petition Date, for all outstanding Gift Cards is approximately \$200,000.

93. Lastly, the Debtors also issue credits, refunds, price adjustments, discounts, and other similar obligations to their customers, the vast majority of which do not entail the expenditure of cash, and for which the Debtors do not have formal policies in place, and the Debtors’ sales team also has authority to provide incentives and price-matching to entice potential customers in contract negotiations.

94. The relief requested in the Customer Programs Motion will help facilitate the Debtors’ orderly transition into chapter 11 and minimize the disruption on their businesses by giving existing customers peace of mind that the incentives previously promised are continued, and allowing the Debtors’ sales team to continue to procure new customers through incentives offered in negotiations. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Customer Programs Motion should be granted.

K. Motion of the Debtors for Interim and Final Orders (I) Establishing Notice and Hearing Procedures for Trading in Equity Securities in PARTS iD, Inc. and (II) Granting Related Relief (the “NOL Motion”)

95. Through the NOL Motion, the Debtors seek entry of interim and final orders approving certain notification and hearing procedures related to certain transfers with respect to the Debtors’ common stock or any beneficial ownership therein, and directing that any purchase, sale, other transfer of common stock in violation of the procedures shall be null and void ab initio.

96. The Debtors have generated, and are currently generating, a significant amount of tax attributes for U.S. federal and state income tax purposes, such as net operating losses (“NOLs”), capital losses, unrealized built-in losses, and certain other tax and business credits and attributes (the “Tax Attributes”).

97. As of the Petition Date, the Debtors believe they have approximately \$15.3 million of NOLs, as well as other valuable Tax Attributes. While the value of the NOLs may be limited under various scenarios, the Debtors wish to preserve any value that may be available for the benefit of their estates.

98. Although the value of the Debtors’ Tax Attributes are contingent upon the amount of the Debtors’ taxable income that may be offset by the Tax Attributes before they expire (certain tax attributes such as NOLS do not expire under current law), the Tax Attributes could translate into potential future tax savings for the Debtors in either the short term or the long term, depending on statutory limitations on the utilization of tax attributes due to recent changes of control. Thus, there is significant value in these Tax Attributes.

99. However, unrestricted trading of PARTS iD, Inc. equity securities with no advance warning jeopardizes the Tax Attributes and could impair the value of the Debtors’ estates. If no restrictions on trading are imposed by the Court, such trading could severely limit

or even eliminate the Debtors' ability to utilize their Tax Attributes, which could lead to significant negative consequences for the Debtors, their estates, creditors and other stakeholders. Thus, the Debtors believe that the relief sought in the NOL Motion will play an integral role in the Debtors' success both during and after these chapter 11 cases, and there is an immediate need to establish the notice and hearing provisions regarding trading in equity securities in PARTS iD, Inc.

L. Motion of the Debtors for (I) Authority to (A) Obtain Postpetition Financing, (B) Use Cash Collateral, (C) Grant Liens and Provide Superpriority Administrative Expense Status, (D) Grant Adequate Protection, (E) Modify the Automatic Stay, and (F) Schedule a Final Hearing and (II) Related Relief (the "DIP Motion")

100. As noted in detail above, the Debtors are seeking to fund their ongoing operations and administration of these Chapter 11 Cases by utilizing the Cash Collateral (as such term is defined in section 363(a) of the Bankruptcy Code) and borrowing up to \$12 million in debtor-in-possession financing (the "DIP Facility"). Thus, through the DIP Motion, the Debtors seek authorization to enter into a secured debtor-in-possession financing facility in the aggregate principal amount of up to \$12 million and to use Cash Collateral in order to fund their operations and administer their Chapter 11 Cases. Absent entry into the DIP Facility and the ability to use Cash Collateral, the Debtors would be unable to fund their operations.

101. The Debtors are faced with approximately \$21.9 million of prepetition secured debt obligations, of which approximately \$5.3 million will be equitized as part of these chapter 11 proceedings and the remainder repaid or reinstated, significantly de-leveraging the Debtors' balance sheet and repositioning the business for sustained success and growth. The DIP Facility and use of Cash Collateral provide the Debtors with necessary liquidity on terms that are reasonable and appropriate under the circumstances. The relief sought in this Motion is

critical for the Debtors to pay their ordinary-course operating expenses and fund the administrative costs of these chapter 11 cases.

102. Accordingly, I believe that the DIP Facility and the use of Cash Collateral are essential for the Debtors to be able to effectuate their goals in these Chapter 11 Cases. Without the additional liquidity afforded by the DIP Facility and access to Cash Collateral, the Debtors would be unable to continue their business or consummate their restructuring transactions. For these reasons, I respectfully submit that the relief requested in the DIP Motion should be granted. I believe that the relief requested in the First Day Pleadings is necessary to avoid immediate and irreparable harm and to allow the Debtors to operate with minimal disruption during these Chapter 11 Cases.

103. Accordingly, for the reasons stated herein and in each of the First Day Pleadings, I respectfully request that each of the First Day Pleadings be granted in its entirety.

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I hereby certify that the foregoing statements are true and correct to the best of my knowledge, information and belief, and respectfully request that all of the relief requested in the First Day Pleadings be granted, together with such other and further relief to the Debtors as is just and proper.

Dated: December 26, 2023

/s/ Lev Peker
Lev Peker
Chief Executive Officer of PARTS iD, Inc.