UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re: Case No. 17-32006

PREMIER MARINE, INC., Chapter 11

Debtor.

UNSWORN DECLARATION OF RICHARD GALLAGHER
IN SUPPORT OF MOTION FOR USE OF CASH COLLATERAL AND GRANTING ADEQUATE PROTECTION;
MOTION FOR ORDER AUTHORIZING POSTPETITION SECURED BORROWING AND GRANTING JUNIOR LIENS PURSUANT TO 11 U.S.C. § 364(c)(3); AND MOTION TO HONOR CERTAIN PREPETITION OBLIGATIONS TO CUSTOMERS

I, Richard Gallagher, declare under penalty of perjury that the following is true and correct:

1. I am the President of GuideSource which has filed an application to serve as the Debtor's financial advisor.

2. I managed the construction of the Budget attached to the Debtor's Motion for Use of Cash Collateral ("Budget") and have personal knowledge of its contents. The Budget assumes the availability of the DIP Loan (as defined in the Debtor's Motion for Order Authorizing Postpetition Secured Borrowing and Granting Junior Liens Pursuant to 11 U.S.C. § 364(c)(3) ("DIP Loan Motion").

3. The amounts set forth in Budget are necessary to avoid immediate and irreparable harm to the Debtor and its ability to operate as a going concern. The Debtor's current working capital, including but not limited to proceeds of the prepetition loan of $500,000.00 from Trusek LLC are not sufficient to meet Debtor's current borrowing needs.

4. The proposed DIP financing is necessary for the Debtor to continue operations. During the 45 day period immediately preceding the petition date the Debtor solicited both equity partners and debt financing. The Debtor was unable to borrow $2.5 million on an unsecured basis or to borrow $2.5 million on a subordinated secured basis on terms more favorable than the proposed DIP financing.

5. The Debtor's business plan is to increase the number of boats produced each week by using the funds received from the DIP Loan. The Debtor intends to produce approximately 75 boats between now and the final hearing scheduled on July 11, 2017 and to increase boat production by week 7 of the case to 45 boats per week.

6. The Debtor was recently forced to cancel orders for several hundred stock boats because the boats will be unable to be produced in the current model year ending August of 2017. The remaining backlog of boat orders is 254 boats which if fulfilled as intended will generate approximately $7,100,000 in revenue.

7. The Debtor has a dealer meeting scheduled in August where dealers typically place their orders for new model-year boats. Typical orders from the dealer meeting in past years result in approximately 600 to 700 boats ordered which should total between $15 million and $18 million in revenue.

8. The Debtor anticipates all vendors to require pre-payment or cash on delivery for all raw materials. The Budget requires the Debtor to fund nearly four weeks of increased raw materials expenditures before Debtor realizes significant increases in cash receipts from the sale of the additional boat production.

9. Because of the four-week cycle between start of disbursements for materials and the receipt of cash from the boats built from those materials, the Debtor is disbursing cash in the

second week after the petition date for boats being built and delivered in week six. The total amount of additional cash required to achieve the business plan illustrated by the Budget is $2,000,000 million, of which $1,250,000 (less origination fee) is needed prior to July 11, 2017.

10. The Debtor has lacked sufficient cash to ramp up production above break-even levels leading up to filing. Without adequate cash, the Debtor will not be able to produce sufficient boats to reach profitability. As reflected in the Budget, the $2,000,000 made available to the Debtor by the DIP Loan will permit the Debtor to operate profitably, build cash reserves and increase in value during the case.

11. The Debtor provides a warranty with the sale of its boats. Generally, it offers a lifetime warranty on decks, furniture frames, Bimini frames, tube welds, rails, and gates. It also offers a 7-year warranty on furniture fabrics and most other components.

12. Warranty work is performed by the same dealer network that purchases boats from the Debtor and resells them to customers. The Debtor provides parts to the dealer for repairs at no cost and the dealer is reimbursed at the published dealer rate which is typically $90 to $125 per hour for labor. The labor reimbursement is typically paid to the dealer in the form of setoff against payment owed from the dealer on future boat purchases.

13. Submitted and approved warranty claims in 2016 averaged $86,763 per month. Approved but unpaid warranty claims as of the Petition Date are approximately $139,000.

14. It is critical to continue to honor warranty claims to preserve the Debtor's brand, the continued relationship with the Debtor's customers, its dealer network, and to avoid competitors taking advantage of the Debtor's bankruptcy case.

Dated: June 20, 2017

R. A. Gallagher

Richard Gallagher