

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

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| <b>In re</b>                           | : | <b>Chapter 11</b>                       |
| <b>THE NORDAM GROUP, INC., et al.,</b> | : | <b>Case No. 18-_____ (___)</b>          |
| <b>Debtors.<sup>1</sup></b>            | : | <b>(Joint Administration Requested)</b> |

**DECLARATION OF JOHN C. DIDONATO IN SUPPORT  
OF DEBTORS’ CHAPTER 11 PETITIONS AND FIRST DAY RELIEF**

I, John C. DiDonato, pursuant to section 1746 of title 28 of the United States Code, hereby declare that the following is true to the best of my knowledge, information, and belief:

1. I am the Chief Restructuring Officer (“**CRO**”) of The NORDAM Group, Inc. (“**NORDAM**”) and its debtor affiliates in the above-captioned chapter 11 cases (together with NORDAM, the “**Debtors**”, and, together with non-Debtor affiliates, the “**Company**”). I am a Managing Director of Huron Consulting Services LLC (“**Huron**”), a financial consulting firm that specializes in, among other things, bankruptcy and restructuring consulting, interim management, and financial and operational consulting to financially troubled companies. I have more than 25 years of experience counseling companies through operational turnarounds, capital raising, buy- and sell-side advisories, merger integrations, and other financial consulting and bankruptcy assignments in both out-of-court and court-supervised situations. I have served over 100 debtors, functioning for many as a chief restructuring strategist. My expertise encompasses

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are The NORDAM Group, Inc. (7803); Nacelle Manufacturing 1 LLC (3107); Nacelle Manufacturing 23 LLC (5528); PartPilot LLC (5261); and TNG DISC, Inc. (9726). The Debtors’ corporate headquarters and service address is 6910 North Whirlpool Drive, Tulsa, Oklahoma 74117.

a wide range of industries, including automotive original equipment and aftermarket suppliers, aerospace suppliers, engineering and construction, metals, equipment leasing, logistics, distribution, transportation, and retail.

2. I have been working closely with the Company for the past several months in my capacity as a Managing Director at Huron, and I was appointed as the CRO in connection with the commencement of these chapter 11 cases. On the date hereof (the “**Petition Date**”), the Debtors each commenced with the Court a voluntary case under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”). I am knowledgeable and familiar with the Debtors’ day-to-day operations, businesses and financial affairs, books and records, and the circumstances leading to the commencement of these chapter 11 cases. Except as otherwise indicated herein, the facts set forth in this declaration (this “**Declaration**”) are based upon my personal knowledge, my review of relevant documents, information provided to me by employees of or advisors to the Debtors, or my opinion based upon my experience, knowledge, and information concerning the Debtors’ operations. If called upon to testify, I would testify competently to the facts set forth in this Declaration on that basis.

3. The Debtors have requested a variety of relief in their “first day” motions (collectively, the “**First Day Motions**”) filed concurrently herewith to minimize the adverse effects of the commencement of these chapter 11 cases on their operations and their various constituents. I am familiar with the contents of each First Day Motion, and I believe that the relief sought therein is necessary to permit the Debtors the most seamless transition into chapter 11. This, I believe, will serve to preserve and maximize the value of the Debtors’ estates.

### **I. Preliminary Statement**

4. For the past 50 years, the Debtors have been pioneers in the aviation and aerospace repair and manufacturing field. More recently, however, the Debtors have incurred

substantial costs under a long-term development and manufacturing agreement with Pratt & Whitney Canada Corporation (“**P&WC**”; such agreement, the “**LTPA**”), under which NORDAM has contracted to develop, manufacture, and support an FAA-approved nacelle system for the Gulfstream G500 aircraft. The nacelle system is what many call the “pod” that houses the engine of an airplane like the Gulfstream G500 aircraft in the figure below. The red arrow shows the exterior of the nacelle system, and inside is the engine which is integrated with the nacelle system to form the integrated power plant system that enables the aircraft to fly.



5. The Debtors currently estimate that their expenses incurred under the LTPA exceed \$200 million. These expenses have, in turn, challenged overall financial performance, with EBITDA declining from approximately \$88 million in fiscal year 2008 to approximately \$50 million in fiscal year 2017. These financial challenges have further impacted the Debtors’ balance sheet and available liquidity, including with respect to the Debtors’ revolving credit facility, which matured on June 18, 2018 with approximately \$266.5 million outstanding.

6. Prior to the Petition Date, the Debtors sought to achieve a consensual resolution to their liquidity issues through negotiations with their bank group, on the one hand, and P&WC, on the other hand. Ultimately, however, the parties were unable to reach an out-of-court resolution. At the same time, the Debtors’ liquidity position has continued to deteriorate

due to funds expended by the Debtors under LTPA. Consequently, the Debtors have commenced these chapter 11 cases to preserve value and create a platform through which their restructuring may proceed—on a consensual basis if at all reasonably possible.

## **II. The Debtors' Business**

### **A. History and Formation**

7. The Company's history dates to 1969 when Ray Siegfried Sr. acquired Northeastern Oklahoma Research, Development, and Manufacturing Company (NORDAM) in Tulsa, Oklahoma, which was then a local struggling company. Ray Siegfried Sr. appointed his son, Ray H. Siegfried II, as vice president and general manager, and together with eight employees began building a company focused on aircraft component manufacturing and repair.<sup>2</sup> Under Ray H. Siegfried II's leadership, the Company transformed itself from a local Oklahoma operation into a global leader in aerospace manufacturing and repair with operations spanning North America, Europe, and Asia.

### **B. Debtors' Business Operations**

8. The Company operates in two primary business segments: (a) aircraft manufacturing (the "**Manufacturing Business**") and (b) aircraft maintenance, repairs, and overhaul services (the "**MRO Business**"). Additionally, the Company provides a marketplace platform for third parties to buy and sell aviation parts with each other (the "**Ancillary Business**"), although these activities are relatively minor in comparison with the Debtors' overall operations. In fiscal year 2017, the Company generated \$49.9 million of EBITDA on a consolidated basis. The Company currently employs just over 2,000 individuals worldwide, of which approximately 1,800 are employed by the Debtors in the United States, primarily based in

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<sup>2</sup> As detailed below, members of the Siegfried family beneficially own or control all of the equity of NORDAM, the lead Debtor in these chapter 11 cases.

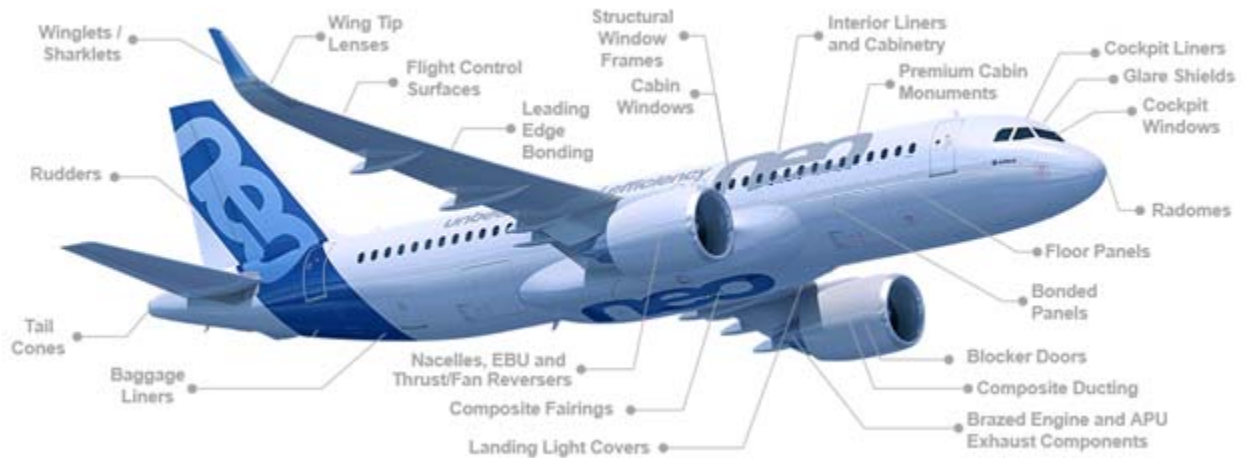
Tulsa, Oklahoma. The vast majority of employees are employed on a full-time basis, with approximately 1,150 paid on an hourly-basis, and 650 paid on salary. None of the Debtors' employees are covered by a collective bargaining unit.

9. The Company's primary customers include companies in the business jet, commercial jet, and military sectors. "Business jet" customers refer to manufacturers focused on designing aircrafts for small groups of people (such as private planes), whereas "commercial jet" customers are manufacturers focused on designing aircrafts for larger groups of people or cargo in commercial service. The military sector includes private and governmental entities manufacturing and repairing aircraft for military applications.

**1. Manufacturing Business**

10. The Company's Manufacturing Business produces aerospace components such as transparencies, nacelles, thrust reversers, cabinetry, and radomes for customers in the business jet, commercial jet, and military sectors. The Manufacturing Business employs approximately 1,250 people in five facilities across three countries: three facilities in Tulsa, Oklahoma; one facility in Chihuahua, Mexico; and one facility in Altrincham, England, United Kingdom.

11. The Manufacturing Business is capable of manufacturing parts for almost any part of an airplane (*i.e.*, from "nose to tail"), including interiors and structures, nacelles and thrust reverser systems, transparencies, radomes, and custom cabinetry, among other things.



12. Historically, the Company has focused on “blue chip” customers for its Manufacturing Business, with key customers such as P&WC, Gulfstream, and other major manufacturers of aircraft and aircraft components. The Manufacturing Business generated revenue of approximately \$269 million in 2015, \$256 million in 2016, and \$246 million in 2017, and corresponding EBITDA of approximately \$35 million in each of 2015 and 2016, and \$31 million in 2017. Approximately 94% of Manufacturing Business revenue is generated from business jet and commercial jet customers, with the remaining revenue from military and other customers.

## 2. MRO Business

13. The Company is a major third-party maintenance, repair, and overhaul services provider for aircraft in the business, commercial, and military markets. Through its MRO Business, the Company employs approximately 750 people that provide routine and out-of-manual repairs and overhauls relating primarily to thrust reversers, nacelles, flight controls, and radomes.

14. The MRO Business focuses on the commercial markets, with key customers including certain major commercial passenger airlines, aircraft manufacturers, and

courier service providers. The MRO Business generated revenue of approximately \$180 million in 2015, \$174 million in 2016, and \$188 million in 2017, with corresponding EBITDA of approximately \$12 million in 2015, \$20 million in 2016, and \$18.5 million in 2017. Approximately 97% of MRO Business revenue is attributable to commercial and military customers, with the remaining revenue from other customers.

### **3. Ancillary Business**

15. The Company recently launched the “PartPilot” business, which provides an online platform designed to match third-party buyers with third-party sellers in the aviation component marketplace. The PartPilot business is still in a “start-up” phase and has not yet generated material revenue for the Company.

## **III. Debtors’ Corporate and Capital Structures**

### **A. Corporate Structure**

16. An organizational chart showing the Debtors and non-Debtor affiliates is attached hereto as **Exhibit A**. As set forth on the organizational chart, NORDAM is the Company’s ultimate parent through its 100% ownership in each of the other Debtor entities. Additionally, NORDAM has four direct foreign subsidiaries and five indirect foreign subsidiaries or branches incorporated in Europe, Asia, and Australia, each of which are non-Debtor entities (collectively, the “**Non-Debtor Affiliates**”).

17. The Debtors comprise the Company’s U.S.-based operations, and the Non-Debtor Affiliates undertake operations in non-U.S. jurisdictions including Taiwan, France, Australia, Singapore, and England and Wales. The Company is a global enterprise, however, and the operations of the Debtors and Non-Debtor Affiliates are interdependent in many ways. For instance, the Company’s customer and technical support team is primarily based outside of

the U.S. but works to attract and support U.S.-based customers as well as customers outside of the U.S. In turn, NORDAM, a Debtor, provides financial support to the foreign Non-Debtor Affiliates by funding portions of the customer and technical support team's payroll and paying for certain foreign corporate services.

## **B. Prepetition Capital Structure**

### **1. Prepetition Indebtedness**

18. As of the Petition Date, the Debtors' prepetition capital structure consisted of approximately \$285.9 million in total funded debt, made up of: (a) a fully-drawn revolving credit facility in an outstanding principal amount of approximately \$266.5 million and (b) an unsecured promissory note issued by three VIE Lenders (as defined below) in an outstanding principal amount of approximately \$19.2 million plus interest.<sup>3</sup> These two elements of the Debtors' prepetition indebtedness are discussed in more detail below.

#### **i. Prepetition Revolving Credit Facility**

19. On December 18, 2012, the Debtors entered into the Fourth Amended and Restated Credit Agreement (as amended, modified, or restated from time to time, the "**Prepetition Credit Agreement**"), between NORDAM as borrower, and the Prepetition Agent and other lenders party thereto (collectively, the "**Lenders**"), pursuant to which the Lenders agreed to provide NORDAM with revolving credit loans and letters of credit, subject to a borrowing base availability (the "**Prepetition Credit Facility**"). The obligations under the Prepetition Credit Agreement are secured by a first priority lien on substantially all of the Debtors' property and assets, subject to certain exceptions and exclusions (collectively, the "**Prepetition Collateral**").

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<sup>3</sup> The VIE Lenders are beneficially owned by members of the Siegfried family.



20. On September 22, 2017, NORDAM, the other Debtor entities (such entities, the “**Debtor Guarantors**”), and the Lenders entered into a fifth amendment to the Prepetition Credit Agreement (the “**Fifth Amendment**”). Pursuant to the Fifth Amendment, the Lenders agreed to increase the borrowing base of the Prepetition Credit Facility to approximately \$266.5 million and to extend the maturity date of the Prepetition Credit Facility to June 18, 2018. In exchange, the Debtor Guarantors agreed to guarantee NORDAM’s obligations under the Prepetition Credit Agreement.

21. The Prepetition Credit Facility matured on June 18, 2018 and approximately \$266.5 million in principal amount remains outstanding under the Prepetition Credit Facility.

**ii. Unsecured VIE Note**

22. NORDAM is party to that certain Credit Agreement dated April 4, 2018 (as amended, modified, or restated from time to time, the “**VIE Credit Agreement**”) with Cherokee Partners L.L.C., East Plant Investment L.L.C., and Eight Partners LLC (collectively, the “**VIE Lenders**”). Pursuant to the VIE Credit Agreement and certain related transaction documents, the VIE Lenders agreed (a) to advance up to \$20 million to NORDAM pursuant to a promissory note (the “**VIE Note**”) bearing annual payment in kind (“**PIK**”) interest at the prime rate as published by *The Wall Street Journal* and that matured on June 18, 2018, and (b) that any obligations to the VIE Lenders are unsecured and subordinated to any obligations to the Lenders under the Prepetition Credit Agreement. No Debtor other than NORDAM is an obligor with respect to the VIE Note. As noted above, the VIE Lenders are beneficially owned by members of the Siegfried family. The VIE Lenders also own three buildings in or around Tulsa, Oklahoma that are leased by the VIE Lenders to the Debtors.

23. As of the Petition Date, approximately \$19.2 million of principal and \$264,000 in accrued PIK interest is due under the VIE Note.

**iii. Trade Debt**

24. In addition to its funded debt, the Company incurs trade debt in the ordinary course of business.

**2. Equity**

25. As set forth on **Exhibit A**, NORDAM owns 100% of all equity interests in the remaining Debtor entities. All of NORDAM's Series A (voting shares) and Series B (non-voting shares) equity interests are held by various family trusts that are, in turn, beneficially owned or controlled by members of the Siegfried family.

**IV. Events Leading to Commencement of Chapter 11**

26. The Company historically has been a profitable enterprise. However, in recent years the Company had to absorb such substantial non-recurring expenses in connection with a long-term contract with P&WC that has materially jeopardized this profitable position. As discussed below, the Company's total costs, under this contract, including substantial non-recurring expenses have exceeded \$200 million. Despite the Company's efforts over several years, the Company has been unable to restructure its arrangements with P&WC in a commercially acceptable manner. P&WC has additionally asserted substantial going-forward damage claims against the Debtors under the LTPA, which the Company disputes.

**A. LTPA**

27. In October 2010, NORDAM entered into the LTPA to establish a program for designing, manufacturing, and integrating nacelle components for P&WC's "PW800" aircraft engines (the "**PW800 Program**") that would be installed in the new "state of the art" G500 and G600 aircraft that Gulfstream had been developing. Under this arrangement, NORDAM agreed

to invest upfront engineering and design costs and other preproduction expenses on the understanding it would recoup that investment, plus significant profit, through the delivery and sale of nacelle systems in the PW800 Program. However, unanticipated design changes occurred in the years since signing the LTPA, which led to materially higher costs being incurred by the Debtors. To date, the Debtors estimate they have invested more than \$200 million with respect to the PW800 Program. These expenditures had a corresponding impact on the Debtors' liquidity. For reference, the Debtors generated EBITDA of approximately \$50 million in fiscal year 2017; by comparison, the Debtors generated EBITDA of approximately \$88 million in fiscal year 2008.

**B. Prepetition Negotiations and Chapter 11 Filing**

28. The Company and P&WC have attempted negotiating consensual resolutions of the obligations under the PW800 Program and the LTPA since 2013 through both consensual negotiation and alternative dispute resolution mechanisms, including arbitration proceedings. In 2017, for example, NORDAM and P&WC entered into a settlement agreement that, among other things, provided a limited cash payment and price adjustments in connection with the PW800 Program and a mutual release of the parties' claims as of the settlement date. However, challenges under the LTPA continued and in December 2017, P&WC commenced an arbitration proceeding in the International Court of Arbitration for the International Chamber of Commerce (the "**Arbitration**"), asserting a repudiation and breach of the LTPA by NORDAM, which was resolved in a stipulation among the parties in early May 2018. During this time the Debtors' liquidity position continued to deteriorate, despite the VIE Lenders having financed approximately \$20 million on a junior basis in early April 2018.

29. Negotiations continued among the Debtors, P&WC, as well as representatives of the Debtors' bank group to seek a consensual resolution. These considerations

included transitioning the PW800 Program to P&WC in conjunction with a potential modification or extension of the Prepetition Credit Facility which, as noted above, was scheduled to mature on June 18, 2018. These negotiations continued past that maturity date but were ultimately unsuccessful. At the same time, the Debtors' liquidity position has continued to erode further, and the Debtors enter chapter 11 with limited cash on hand.

30. To facilitate its consideration of restructuring alternatives, NORDAM engaged restructuring advisors at Huron Consulting, LLC and Weil, Gotshal & Manges LLP. Additionally, the NORDAM board of directors (the "**NORDAM Board**") appointed two independent directors with substantial restructuring experience: Mr. Thomas Allison and Mr. David Eaton and formed a Restructuring Committee chaired by Mr. Paul Kenneth Lackey, Jr., the NORDAM Board's current chairman,<sup>4</sup> and consisting of Mr. Lackey, Mr. Eaton, and Mr. Allison (the "**Restructuring Committee**"). The Restructuring Committee has been delegated authority to, among other things, consider, evaluate, and approve any restructuring transaction or any action, agreement, or undertaking related to or in furtherance thereof on behalf of NORDAM. The Debtors additionally engaged Guggenheim Securities, LLC to serve as their investment banker and facilitate the Debtors' evaluation of restructuring alternatives.

31. In light of their present liquidity position, the Debtors ultimately determined to commence chapter 11 cases to preserve the value of these estates and to benefit from the breathing spell contemplated by the Bankruptcy Code. Significantly, the Debtors enter chapter 11 with strong support in the form of a \$45 million debtor-in-possession financing facility provided by their existing lender group. The Debtors believe this financing will both provide a substantial liquidity infusion into these estates and, no less importantly, send a strong

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<sup>4</sup> Mr. Lackey served as the CEO of NORDAM from 2002 to 2009. He was appointed Chairman of the NORDAM Board in 2005 and continues to serve in that position.

message to vendors, customers, and the market that these chapter 11 cases are well-capitalized and positioned for success. Additionally, the Debtors, under the auspices of their independent Restructuring Committee and with the assistance of their advisors, will seek to utilize chapter 11 as a platform to engage with their key stakeholders, including P&WC, to achieve a consensual resolution if at all reasonably possible and complete their restructuring in the near term.

## V. First Day Motions<sup>5</sup>

32. Contemporaneously herewith, the Debtors have filed First Day Motions seeking orders granting various forms of relief intended to stabilize the Debtors' business operations, facilitate the efficient administration of these chapter 11 cases, and expedite a swift and smooth reorganization. The First Day Motions include the following:

- *Motion of Debtors for Entry of Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief (“**Joint Admin Motion**”);*
- *Motion of Debtors for Entry of Orders (I) Authorizing Debtors to (A) Obtain Postpetition Senior Secured Superpriority Financing and (B) Use Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Parties, (III) Granting Liens and Superpriority Claims, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing, and (VI) Granting Related Relief;*
- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to Continue (A) Using Existing Cash Management System, Bank Accounts, and Business Forms and (B) Funding Intercompany Transactions, (II) Providing Administrative Expense Priority for Postpetition Intercompany Claims, and (III) Granting Related Relief (the “**Cash Management Motion**”)*
- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Pay Prepetition Wages, Salaries, Reimbursable Expenses, and Other Obligations on Account of Compensation and Benefits Programs and (B) Continue Compensation and Benefits Programs and (II) Granting Related Relief (the “**Wages Motion**”);*

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<sup>5</sup> Capitalized terms used in this Part of this Declaration and not defined herein shall have the meanings ascribed to them in the relevant First-Day Motion.

- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Prepetition Claims of (A) Critical Vendors, (B) Foreign Vendors, (C) Lien Claimants, and (D) 503(b)(9) Claimants, (II) Confirming Administrative Expense Priority Status for Outstanding Prepetition Purchase Orders, and (III) Granting Related Relief (the “**Vendors Motion**”);*
- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Certain Prepetition Taxes and Fees, and (II) Granting Related Relief (the “**Taxes Motion**”);*
- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Maintain Their Insurance Policies and Programs and (B) Honor All Insurance Obligations, (II) Modifying Automatic Stay With Respect to Workers’ Compensation Programs, and (III) Granting Related Relief (the “**Insurance Motion**”);*
- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to Continue Rebate and Warranty Programs in the Ordinary Course of Business and Pay Prepetition Obligations Related Thereto and (II) Granting Related Relief (the “**Rebate and Warranty Programs Motion**”); and*
- *Motion of Debtors for Entry of Interim and Final Orders (I) Approving Proposed Form of Adequate Assurance of Payment to Utility Providers, (Ii) Establishing Procedures for Determining Adequate Assurance of Payment for Future Utility Services, (Iii) Prohibiting Utility Providers from Altering, Refusing, or Discontinuing Utility Service, and (Iv) Granting Related Relief (the “**Utilities Motion**”).*

33. As described in detail below, the First Day Motions seek authority to, among other things, obtain postpetition financing, honor employee-related wages and benefits obligations, pay claims of certain vendors and suppliers critical to the Debtors’ business operations, and ensure the continuation of the Debtors’ cash management system and other operations in the ordinary course of business with as minimal interruption as possible on account of the commencement of these chapter 11 cases. Several of the First Day Motions request authority to pay certain prepetition claims against the Debtors. The following table summarizes the aggregate amount of prepetition claims that the Debtors are seeking to pay pursuant to the First Day Motions:

| <b>Motion</b>                              | <b>Interim Relief</b><br>(Amounts due and payable pending final hearing on Motion) | <b>Final Relief</b> |
|--|--|---------------------|
| <b>Wages Motion</b>                        | <b>\$14,000,000</b>  | <b>\$24,000,000</b> |
| <b>Vendors Motion</b>                      | <b>\$10,100,000</b>  | <b>\$15,000,000</b> |
| <b>Taxes Motion</b>                        | <b>\$30,000</b>  | <b>\$1,300,000</b>  |
| <b>Insurance Motion</b>                    | <b>\$65,000</b>  | <b>\$280,000</b>    |
| <b>Rebate and Warranty Programs Motion</b> | <b>\$332,500</b>   | <b>\$6,825,000</b>  |

34. I understand that Rule 6003 of the Federal Rules of Bankruptcy Procedure provides, in relevant part, that the Court shall not consider motions to pay prepetition claims during the first 21 days following the filing of a chapter 11 petition, “except to the extent relief is necessary to avoid immediate and irreparable harm.” In light of this requirement, 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. The Debtors will defer seeking other relief to subsequent hearings before the Court.

35. I am familiar with the content and substance of each of the First Day Motions. As described below, I believe approval of the relief sought in each of the First Day Motions is critical to the Debtors’ ability to utilize chapter 11 successfully to implement a value-maximizing reorganization, with minimal disruption to their business operations.

**A. Joint Administration Motion**

36. By the Joint Administration Motion, the Debtors are requesting entry of an order directing joint administration of their chapter 11 cases for procedural purposes. The Debtors are all under common ownership under NORDAM. I believe joint administration of the Debtors’ chapter 11 cases will save the Debtors and their estates substantial time and expense by

removing the need to prepare, replicate, file, and serve duplicative notices, applications, and orders.

37. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Joint Administration Motion is in the best interests of the Debtors' estates, and should be granted.

**B. Cash Management Motion**

38. By the Cash Management Motion, the Debtors are requesting authority to continue their existing cash management system, implement changes to the cash management system in the ordinary course of business, continue entering into intercompany transactions in the ordinary course of business, grant administrative expense priority for postpetition intercompany claims, honor and pay all prepetition and postpetition bank fees payable by the Debtors, and continue the Debtors' "Purchase Card Program" in the ordinary course of business, including by paying amounts due and owing thereunder, and cash collateralizing exposure under the cards.

39. The Debtors and their non-Debtor affiliates located outside the U.S. (the "**Foreign Affiliates**") use an integrated cash management system to collect, transfer, and disburse funds generated by its operations. A diagram of the cash management system is attached to the Cash Management Motion as **Exhibit C**. I understand that the cash management system facilitates cash monitoring, forecasting, and reporting and enables the Company to maintain control over the administration of 17 bank accounts, six of which are held by the Debtors and the remaining 11 of which are held by certain Foreign Affiliates. The bank accounts held by the Debtors are all maintained by JPMorgan Chase Bank, N.A., whereas the bank accounts held by Foreign Affiliates are maintained by a combination of JPMorgan Chase Bank, N.A., HSBC Bank PLC, Crédit Lyonnais S.A., and First Commercial Bank. I understand that



the Debtors' treasury and accounting departments, both located at the Company's headquarters in Tulsa, Oklahoma, maintain daily oversight over the cash management system and implement cash management controls for entering, processing, and releasing funds.

40. The Debtors' cash management system is similar to those commonly employed by businesses comparable in size and scale to the Debtors to help control funds, ensure cash availability for each entity, and reduce administrative expenses by facilitating the movement of funds among multiple entities. I believe that any disruption of the Debtors' cash management system would be materially detrimental to the Debtors' operations because their businesses requires prompt access to cash and accurate cash tracking.

41. I understand that the Debtors' cash management system is tailored to meet the Debtors' operating needs, thereby enabling the Debtors to control and monitor corporate funds, ensure cash availability and liquidity, comply with the requirements of their financing agreements, and reduce administrative expenses by facilitating the movement of funds and the development of accurate account balances.

42. The Cash Management Motion sets forth tables indicating the purpose of each bank account (held by Debtors and Foreign Affiliates), the bank at which the account is held, and the last four digits of the bank account number, which such tables are incorporated herein by reference.

43. Broadly, I understand that cash moves through the Debtors' cash management system as follows:

- **Receipts:** All receipts relating to the Debtors' manufacturing and repair service businesses, including trade and other miscellaneous receipts, are deposited first into a collection account held by NORDAM, and then transferred to a separate master account also held by NORDAM (the "**Debtor Master Account**"). Receipts from foreign customers to Foreign Affiliates are deposited into certain accounts held by Foreign Affiliates.

- **Disbursements:** The Debtor Master Account funds a payroll account held by NORDAM, a disbursement account also held by NORDAM, and a separate operating account held by PartPilot LLC to fund certain payment obligations as needed. On a monthly basis, the Debtors will also fund the Foreign Affiliates to pay foreign employees commissions relating to their sales to U.S. customers, as well as to pay for certain taxes and expenses.

44. The Debtors incur periodic service charges and other fees in connection with the maintenance of the cash management system (the “**Bank Fees**”). The Bank Fees are paid monthly and are automatically deducted from the Debtors’ bank accounts as they are assessed by their respective banks. As of the Petition Date, the Debtors believe that approximately \$10,000.00 of such prepetition bank fees are outstanding, and \$10,000.00 are due and payable during the interim period.

45. As part of their cash management system, the Debtors also provide certain employees with access to certain Purchase Cards issued by Bank of America, N.A (“**Bank of America**”). I understand that the Purchase Cards are utilized by the Debtors’ workforce to pay for travel, expenses, or supplies incurred on behalf of the Debtors in the ordinary course of business, and the Debtors in turn pay all costs incurred from the use of Purchase Cards directly. I understand that the Debtors’ obligations under the Purchase Card Program are currently cash collateralized, and Bank of America has indicated that it is unwilling to continue the Purchase Card Program unless such obligations do not remain cash collateralized postpetition.

46. The Debtors also use a variety of preprinted business forms, including checks, letterhead, correspondence forms, invoices, and other business forms in the ordinary course of business (collectively, and as they may be modified from time to time, the “**Business Forms**”). The Debtors also maintain books and records to document their financial results and a wide array of necessary operating information (collectively, the “**Books and Records**”). I believe that a significant disruption to the Debtors’ business operations would occur if they were

unable to continue using all Business Forms and Books and Records in use immediately before the Petition Date, and were instead required to order or print new Business Forms and creating new Books and Records referencing their status as chapter 11 debtors in possession. Without such relief, the Debtors would be forced to reconstruct their cash management system in its entirety, which would prove unnecessarily cumbersome during a critical time for the Company. I believe the Debtors' treasury department, including accounting and bookkeeping employees, would need to focus their efforts on immediately opening new bank accounts and working to establish controls for cash to flow properly, thereby diverting their attention from stabilizing their operations and their daily responsibilities, all of which would have a negative impact on the Debtors' ability to operate their business.

47. I understand that, although certain Debtors and Foreign Affiliates generate revenue from sales and operations, many of the Debtors and Foreign Affiliates rely in part on intercompany financial transactions to pay employees or expenses. Accordingly, the Debtors engage in certain intercompany financial transactions with each other and with the Foreign Affiliates in the ordinary course of business.

48. As a result of the intercompany transactions, I understand that there may be claims owing between two Debtors or between a Debtor and a Foreign Affiliate at any given time. The Debtors have historically transferred an average of approximately \$800,000 each month to Foreign Affiliates. Each intercompany transaction results in an accompanying bookkeeping entry reflecting a claim for the amounts owed to or by each Debtor or Foreign Affiliate (each such claim, an "**Intercompany Claim**"), and is an essential component of the Debtors' cash management system. I understand that the Debtors maintain, and will continue to maintain, records of these transfers of cash and bookkeeping entries on a postpetition basis, and

can ascertain, trace, and account for the intercompany transactions on demand. In certain instances, Intercompany Claims are “netted” or set off at the Debtors’ discretion. I believe that the Debtors would lose access to a major source of revenue generation and customer support if they lacked authority to continue entering into Intercompany Transactions postpetition.

49. I believe the Debtors’ cash management system constitutes an ordinary-course and essential business practice providing significant benefits to the Debtors. The Debtors’ cash management system has historically reduced the Debtors’ expenses by enabling them to use funds in an optimal and efficient manner. Accordingly, I believe the Debtors’ continued use of their cash management system without interruption is vital to the Debtors’ business operations and the success of these chapter 11 cases.

50. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Cash Management Motion is in the best interests of the Debtors’ estates, and should be granted.

### **C. Wages Motion**

51. By the Wages Motion, the Debtors are requesting authority to (i) pay prepetition wages, salaries, reimbursable expenses, and other obligations on account of the Compensation and Benefits Programs in the ordinary course of business as provided in the Wages Motion and (ii) continue the Compensation and Benefits Programs.

52. As discussed above, the Debtors employ approximately 1,800 employees, located primarily in Tulsa, Oklahoma, the vast majority of whom are employed on a full-time basis.

53. The Debtors also utilize the services of approximately 535 independent contractors, consultants, and temporary workers generally sourced from various staffing agencies to staff their production floors and facilities, provide critical engineering and design support, and

to perform various administrative services (together with the Debtors' employees, the "**Workforce**").

54. The Debtors' Workforce performs a wide variety of functions that I believe are critical to the Debtors' operations. Several of these individuals are highly-trained and have an essential working knowledge of the Debtors' businesses that cannot be replaced easily. I believe that failure to maintain the continued, uninterrupted services of their Workforce could upend the Debtors' reorganization efforts and jeopardize the value of their businesses as a going concern.

55. The Debtors also maintain various programs for compensation and benefits (the "**Compensation and Benefits Programs**") and pay various administrative fees and premiums in connection therewith. I believe that the vast majority of their employees rely primarily on the Compensation and Benefits Programs to pay their daily living expenses and support their families. I believe that the Debtors' employees would face significant financial consequences if the Debtors are not permitted to continue administering the Compensation and Benefits Programs in the ordinary course of business. Furthermore, the Debtors' failure to honor their obligations in connection with the Compensation and Benefits Programs could result in attrition of key employees that render critical services and would be difficult, if not impossible, to replace in a timely fashion. The various components of the Compensation and Benefits Programs are described in further detail in the Wages Motion and are incorporated herein by reference.

56. I understand that payment of administrative fees, including payroll processing fees, in connection with the Compensation and Benefits Programs also is necessary.

Without the continued services of these third-party service providers, the Debtors will be unable continue honoring their obligations to Employees in an efficient and cost-effective manner.

57. The Debtors also request authority by the Wages Motion on an interim basis to cash out unpaid paid time off only when required by applicable non-bankruptcy law and on a final basis even when not required by applicable non-bankruptcy law. I believe that continuing the paid leave policies in accordance with prior practice is essential to maintaining positive employee morale during these chapter 11 cases. I understand that the policies are generally broad-based programs upon which all employees have come to depend. I understand that the Debtors anticipate that their employees will continue to utilize their accrued paid leave in the ordinary course of business, which will not create any material cash payment requirements beyond the Debtors' regular payroll obligations.

58. The Debtors also seek authority to remit certain Withholding Obligations to the appropriate third parties, as described in greater detail in the Wages Motion and incorporated herein by reference. I understand that these amounts principally represent employee earnings that governments, judicial authorities, and Employees themselves have designated for deduction from their paychecks.

59. Finally, the Debtors seek authority to pay certain prepetition severance payments to non-insider employees and continue to provide postpetition severance to non-insider employees, in each case in the ordinary course and in accordance with past practice. The Debtors are only seeking to make these severance payments to non-insiders, and I understand that such payments are not retentive in nature, are generally available to all full-time employees, and are pursuant to programs commenced before the Petition Date in the ordinary course of business. I believe that the Debtors have substantial business justification for providing

severance to certain non-insider employees in the ordinary course of business, including the need to maintain employee morale and reassure employees that the Debtors intend to honor their obligations to employees—both during and after their tenure with the Debtors.

60. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Wages Motion is in the best interests of the Debtors' estates, and should be granted.

**D. Vendors Motion**

61. By the Vendors Motion, the Debtors are requesting authority to pay the prepetition claims of certain vendors, suppliers, service providers, and other similar parties and entities that are essential to maintaining the going concern value of the Debtors' business (the "**Vendors**").

62. I understand that the Debtors, as a leading global developer, manufacturer, and servicer of aerospace components and aviation equipment, rely heavily on the Vendors to provide them with the specialized and unique parts, materials, and services necessary to manufacture aerospace components and equipment. The Vendors generally fall into four main categories: (i) Critical Vendors, (ii) Foreign Vendors, (iii) Lien Claimants, and (iv) 503(b)(9) Claimants.

63. The Critical Vendors are vendors who provide goods or services essential to the Debtors' manufacturing and servicing operations. I believe that any disruption in the supply of the Critical Vendors' goods or services would jeopardize the Debtors' ability to generate revenue, and that due to the highly specialized and regulated goods and services the Debtors require to meet the particular demands of their customers, many of the Critical Vendors cannot be replaced.

64. In identifying Critical Vendors, the Debtors and their advisors spent significant time and effort reviewing and analyzing the Debtors' books and records, consulting operations management and purchasing personnel, reviewing contracts and supply agreements, and analyzing applicable laws, regulations, and historical practices to identify business relationships which, if lost, could materially harm the Debtors' businesses or impair their restructuring process. In this process, the Debtors, with the assistance of their professional advisors, assessed a variety of factors, including:

- the goods or services provided by a vendor or supplier;
- whether goods or services are provided pursuant to an executory contract or on a purchase-order basis;
- whether failure to pay all or part of a particular vendor's claim could cause the vendor to refuse to ship inventory or provide critical services on a postpetition basis;
- whether the Debtors could maintain postpetition relationships with a vendor through non-bankruptcy alternatives, including prepayment or cash-on-delivery terms;
- whether failure to pay a particular vendor would be likely to result in contraction of trade terms as a matter of applicable bankruptcy or nonbankruptcy law;
- whether the vendor is a sole- or limited-source or high-volume supplier for branded and "in-demand" inventory due to particular local, regional, or national customer preferences;
- whether alternative vendors are available that could provide requisite volumes of similar goods or services on equal or better terms and, if so, whether the Debtors would be able to continue operating while transitioning business thereto;
- whether the Debtors' inability to pay all or part of the vendor's prepetition claim would be likely to trigger financial distress for such vendor; and
- whether failure to pay the particular vendor would be likely to jeopardize the Debtors' valuable proprietary interest in goods.

65. I understand that certain of the Critical Vendors may be party to a contract with the Debtors, but who may threaten to repudiate the contact unless the Debtors first pay such



vendor's claim. I believe that the disruption attendant to resolving a dispute with such repudiating Critical Vendor would likely exceed the payment to such vendor on account of its prepetition claim.

66. The Lien Claimants are third-party suppliers or service providers that may be able to assert and perfect liens against the Debtors' property if the Debtors fail to pay their prepetition claims. The Lien Claimants include manufacturers, materialmen, warehousemen, and service technicians that may be able to assert liens on the Debtors' property under state law. If the Debtors are unable to pay the Lien Claimants, I believe they risk being unable to fully operate their business.

67. The 503(b)(9) Claimants are vendors that shipped goods to the Debtors within the 20-day period before the Petition Date. I understand that failure to pay these claims may cause the 503(b)(9) Claimants to cease shipping goods to the Debtors.

68. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Vendors Motion is in the best interests of the Debtors' estates, and should be granted.

#### **E. Taxes Motion**

69. By the Taxes Motion, the Debtors are requesting authority to pay certain prepetition taxes and fees (the "**Taxes and Fees**"). The descriptions of the Taxes and Fees are described in further detail in the Insurance Motion and are incorporated herein by reference.

70. I understand that the Debtors must continue to pay the Taxes and Fees to continue operating in certain jurisdictions and to avoid costly distractions during these chapter 11 cases. Specifically, it is my understanding that the Debtors' failure to pay the Taxes and Fees could adversely affect the Debtors' business operations because certain governmental authorities may assert liens on the Debtors' property, assert penalties, or significant interest on past-due

taxes, or possibly bring personal liability actions against directors, officers, and other employees in connection with non-payment of the Taxes and Fees, thus distracting the Debtors' management and employees from their important reorganization efforts, and potentially causing immediate and irreparable harm to the Debtors.

71. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Taxes Motion is in the best interests of the Debtors' estates, and should be granted.

#### **F. Insurance Motion**

72. By the Insurance Motion, the Debtors are requesting (i) authority to maintain their insurance policies and workers' compensation programs (the "**Insurance Policies and Programs**") and honor related obligations (the "**Insurance Obligations**") in the ordinary course of business and (ii) a modification of the automatic stay if necessary to permit the Debtors' employees to proceed with any claims they may have under the workers' compensation programs. In furtherance of the foregoing, the Debtors are also seeking authority to increase, renew, or extend their insurance coverage if they determine, in their business judgment, that such action is necessary or appropriate.

73. I understand that in connection with the operation of the Debtors' businesses and the management of their properties, the Debtors maintain various insurance policies and workers' compensation programs, including the Insurance Policies and Programs listed on **Exhibit C** annexed to the Insurance Motion, through several different insurers.

74. The Debtors maintain various liability, property, and other insurance policies that provide the Debtors with coverage related to, among other things, general liability, aviation liability, products liability, excess liability, umbrella, directors' and officers' liability, fiduciary liability, cyber liability, foreign liability, property damage, foreign property damage,

and automobile liability. The Debtors maintain their insurance policies to help manage and limit the various risks associated with operating their businesses, which I believe is essential to the preservation of the value of the Debtors' estates. Furthermore, I understand that some of the insurance policies are required by regulations, laws, and contracts that govern the Debtors' commercial activities. Pursuant to the insurance policies, the Debtors pay insurance premiums based upon fixed rates established and invoiced directly or indirectly by each insurer.

75. The Debtors maintain required workers' compensation programs in each of the states in which they operate. The workers' compensation programs have a deductible of \$250,000 per loss event. Additionally, the Debtors prefund certain of their workers' compensation claims with amounts provided to the applicable insurer.

76. In connection with maintaining the Insurance Policies and Programs, as well as certain beneficial medical, prescription, drug, or vision care for their employees, the Debtors employ insurance service providers to help them procure, negotiate, and evaluate such policies and programs and process claims related thereto. I understand that, as compensation for these services, the insurance service providers typically assess in advance annual fees, which in most cases are payable in monthly installments.

77. I believe that the Insurance Obligations are necessary costs of preserving the Debtors' estates. The Debtors comprise a global enterprise operating in a highly-regulated environment, which exposes them to various potential liabilities related to their business operations. Accordingly, I believe the Insurance Policies and Programs are essential to minimizing risks and disruptions, which otherwise could have a materially adverse impact on the Debtors' chapter 11 strategy and their ability to maximize value for their stakeholders.

78. In addition, I understand that without the relief requested in the Insurance Motion, eligible workers' compensation claimants would not receive timely payments for prepetition employment-related injuries, which would very likely negatively impact the financial well-being and morale of such claimants as well as the Debtors' active employees.

79. Furthermore, the Debtors' insurance service providers are intimately familiar with the Debtors' Insurance Policies and Programs and Insurance Obligations. Without the services provided by the Debtors' insurance service providers, I believe there could be a costly disruption to the Debtors' businesses and a negative impact on the efficient administration of these chapter 11 cases.

80. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates, and should be granted.

**G. Rebate and Warranty Programs Motion**

81. By the Rebate and Warranty Programs Motion, the Debtors are requesting authority to continue to perform and honor their prepetition obligations related to the various rebates, product warranties, and related programs the Debtors offer to their customers (the "**Rebate and Warranty Programs**").

82. The Debtors operate in a highly regulated industry and must comply with strict governmental certification standards to address safety and security concerns. I understand that the Debtors' reputation and ability to generate revenue relies on their ability to timely and consistently provide high-quality products and services to customers, or remedy defects in the Debtors' products and services.

83. The Debtors assure customers by offering various rebates programs to provide discounts to customers based on volume purchased or once orders reach a certain

volume threshold. I understand that the Debtors also provide customers with contractual warranty clauses that encompass the workmanship of the Debtors' products, pursuant to which the Debtors may be held liable to remedy any workmanship defects identified by customers.

84. I believe that the Rebate and Warranty Programs are essential to the Debtors' continued operations because without them the Debtors will lose their reputation as a high-quality producer and servicer of aerospace components and equipment.

85. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Rebate and Warranty Programs Motion is in the best interests of the Debtors' estates, and should be granted.

## **H. Utilities Motion**

86. By the Utilities Motion, the Debtors are requesting approval of their proposed form of adequate assurance of payment to utility providers, approval of certain procedures for determining adequate assurance of payment for future utility services (the “**Adequate Assurance Procedures**”), and a prohibition on utility providers from altering, refusing, or discontinuing utility service on account of the commencement of these chapter 11 cases or outstanding prepetition invoices.

87. In the ordinary course of business, the Debtors incur expenses, for among other things, electricity, natural gas, water, sewage, telecommunications, waste services, and other utilities. I believe that preserving utility services on an uninterrupted basis is essential to the Debtors’ ongoing operations. The Debtors operate a number of production facilities and corporate offices, primarily located in Tulsa, Oklahoma, and any interruption in utility services—even for a brief period of time—would seriously disrupt the Debtors’ ability to continue operations and jeopardize the Debtors’ restructuring efforts and, ultimately, creditor recoveries.

88. Furthermore, I believe the Adequate Assurance Procedures are necessary for the Debtors to effectuate their chapter 11 strategy without unnecessary and costly disruptions on account of discontinued utility services. If the Adequate Assurance Procedures are not approved, the Debtors likely will be confronted with and forced to address numerous requests by their utility providers at a critical time for their businesses. I understand that the Debtors’ utility providers could unilaterally decide that they are not adequately protected and, therefore, may make exorbitant demands for payment to continue providing service or discontinue providing service to the Debtors altogether. Such an outcome could seriously jeopardize the Debtors’ operations and their ability to maximize the value of their estates.

89. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Utilities Motion is in the best interests of the Debtors' estates, and should be granted.

*[Remainder of page intentionally left blank]*

I declare under penalty of perjury that, after reasonable inquiry, the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed this 22<sup>nd</sup> day of July, 2018.

/s/ John C. DiDonato

John C. DiDonato  
Chief Restructuring Officer  
The NORDAM Group and its Debtor affiliates



**Exhibit A**

**Organizational Chart**

## The NORDAM Group, Inc. Organizational Chart

