

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

-----X
:

In re: : **Chapter 11**

:

ONE AVIATION CORPORATION, et al.,¹ : **Case No. 18-12309 (CSS)**

:

Debtors. : **Jointly Administered**

:

:

-----X

**DECLARATION OF JAMES PATRICK CARROLL IN
SUPPORT OF THE DEBTORS’ ADDITIONAL DIP FINANCING
AND SALE MOTIONS AND MOTION TO SHORTEN**

I, James Patrick Carroll, declare, pursuant to 28 U.S.C. § 1746, under penalty of perjury, that:

1. I am over the age of 18 and competent to testify.
2. I am an independent member of the Board of Directors of ONE Aviation Corporation (“ONE Aviation”). As part of my appointment and service, I have become familiar with the history, day-to-day operations, business, and financial affairs of the above-captioned debtors and debtors in possession (collectively, the “Debtors”).
3. I submit this Declaration in support of (a) the *Debtors’ Emergency Motion for Entry of a Final Order (I) Authorizing the Debtors to (A) Obtain Additional Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Granting Adequate Protection to the Prepetition Secured Parties,*

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor’s tax identification number, as applicable, are: ONE Aviation Corporation (9649); ACC Manufacturing, Inc. (1364); Aircraft Design Company (1364); Brigadoon Aircraft Maintenance, LLC (9000); DR Management, LLC (8703); Eclipse Aerospace, Inc. (9000); Innovatus Holding Company (9129); Kestrel Aircraft Company, Inc. (2053); Kestrel Brunswick Corporation (6741); Kestrel Manufacturing, LLC (1810); Kestrel Tooling Company (9439); and OAC Management, Inc. (9986). The debtors’ corporate headquarters is located at 3520 Spirit Drive SE, Albuquerque, NM 87106.

(IV) Modifying Existing Final DIP Financing Order, (V) Modifying Automatic Stay, and (VI) Granting Related Relief (the “DIP Motion”), (b) Debtors’ Motion for Entry of: (A) Order (I) Approving Bid Protections in Connection With Sale of Assets of the Debtors, (II) Approving Form and Manner of Notice, (III) Scheduling Sale Hearing, (IV) Authorizing Procedures Governing Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (V) Granting Related Relief; and (B) Order (I) Approving Purchase Agreement, (II) Authorizing Sale Free and Clear of All Liens, Claims, Encumbrances, and Other Interests, and (III) Granting Related Relief (the “Sale Motion”), and (c) Debtors’ Motion for Entry of an Order Shortening the Time for Notice of the Hearing to Consider the Debtors’ (I) Emergency DIP Motion and (II) Sales Procedures Motion (the “Motion to Shorten” and, together with the DIP Motion and the Sale Motion, the “Motions”).²

4. Except as otherwise indicated, all statements in this Declaration are based on my personal knowledge of the Debtors’ operations and finances gleaned during the course of my engagement with the Debtors, my discussions with the Debtors’ senior management, and the Debtors’ other advisors, and my review of relevant documents and/or my opinion based upon my experience. If called to testify, I could and would testify to each of the facts set forth herein based on such personal knowledge, discussions, review of documents, and/or opinion.

Qualifications

5. Since March 2004, I have served as Managing Member of Carroll Services, LLC, a boutique firm focused on distressed/special situations. I have more than 19 years of professional restructuring experience, across all manner and sizes of industries, providing expertise in business development, strategic advisory, turnaround management, capital raises,

² Capitalized terms used but not defined herein have the meaning given to them in the Motions.

and solution facilitation. I have been involved in numerous public and private engagements, both domestic and internationally. I have served in numerous capacities including but not limited to chief restructuring officer, chief operating officer, chapter 11 trustee, chapter 7 trustee, independent fiduciary, and as a member of numerous boards of financially distressed companies. My prior clients include: SunLink Corporation, Daniel Morgan Graduate School of National Security, The Finance Company, CDS NFL Event, LLC, ACP Insurance, LLC, ReEquip Solutions, Inc, Eichner Norris & Neumann PLLC, Alliance Holdings, Inc., Bostwick Laboratories, Inc., Apple Gold Group, Scout Media Holdings, Inc., RP Energy Services LLC, Dickstein Shapiro LLP, New York State Teamsters Conference Pension and Retirement Fund, Noble Logistics Inc., Cadence Innovation LLC, Velocity Express Corporation, Stant, Inc, Tweeter Home Entertainment, Goody's Family Clothing Stores, Plastech Engineered Products, Radnor Holdings Corporation, SPhinX Investment Funds, Freedom Rings LLC, J.A. Jones, Inc., Consolidated SWINC Estate, The Art Store, SHC Inc. (Top Flite), and numerous other private engagements. I have held the position of Independent Director of ONE Aviation since February 2019.

Background

6. Prior to the commencement of these Chapter 11 Cases, the Debtors formed a special committee of the Board of Directors composed solely of disinterested directors (the "Special Committee"), of which I am a member. Prior to my appointment as an independent director and member of the Special Committee, I did not have any relationship with any of the Debtors, their shareholders, lenders, the other members of the Board of Directors, or the Debtors' executive management team.

7. In my role as a member of the Special Committee, I have become well-acquainted and involved in various and numerous aspects of the Debtors' business, operations, finances, debt structure, creditors, and related matters, including the proposed Senior DIP Facility and Sale and the settlements and restructuring transactions contemplated therein. As a result of my knowledge and understanding of the Debtors' financial history and business operations, as well as my training and experience in the reorganization of troubled companies, I believe I am qualified to testify regarding the statements made herein.

General

8. As discussed in greater detail in the First Day Declaration and in the Motions, the Debtors comprise a private company that combines Eclipse Aerospace, Inc. and Kestrel Aircraft Company, Inc. products and personnel to research and develop, produce, deliver, service, upgrade, and provide technical support to a number of twin-turboprop very light jets and single turboprop-engined aircrafts. The Debtors generate revenue from the following business lines: aircraft sales; aircraft parts sales; training programs; upgrades (including large upgrades and structural maintenance); service (including general service, inspections, and product improvements); and refurbishment. The aircraft refurbishment line of business allows the Debtors to capture value and revenue from their current fleet of jets through updating certain features of older jets and through the resell of aircraft into the secondary market. Additional factual background information about the Debtors, including their business operations, their corporate and capital structure, and the events leading to the Chapter 11 Cases, is set forth in detail in the First Day Declaration.

Prepetition Agreements Between DW and Citiking

9. I understand that, initially, DW held 75% of the Debtors' senior secured term loan and revolving credit facility (the "Prepetition First Lien Credit Agreement"). On November 10, 2017, DW acquired the other 25% (so that it held 100% for a moment in time) and then DW immediately assigned 50% of its interest in the Prepetition First Lien Credit Agreement to Citiking (the "First Debt Assignment"). I understand that on July 10, 2018, DW contingently assigned the remaining 50% of its interest in the Prepetition First Lien Credit Agreement to Citiking (the "Second Debt Assignment"). The parties accomplished the Second Debt Assignment through a series of agreements, including, among others: (a) that certain Purchase and Sale Agreement for Distressed Trades dated July 10, 2018 (the "PSA"), which I understand obligates Citiking to pay DW the purchase price for the Second Debt Assignment in three installments (on July 10, 2018, August 24, 2018, and October 8, 2018, respectively); and (b) that certain Continuing Obligations Agreement dated July 10, 2018 (the "Continuing Obligations Agreement"), which I understand provides that upon an event of default (including for, among other things, Citiking's failure to make the payments required under the PSA), DW had the right to elect to repurchase the debt transferred under the Second Debt Assignment and to subordinate any debt that the Debtors owe to Citiking (including debt owed on account of debtor in possession financing) at least by the face amount of the repurchased debt.³ I understand that Citiking subsequently did default on its purchase obligations with respect to the debt transferred under the Second Debt Assignment on two separate occasions, and DW repurchased that debt on January 18, 2019.

³ Continuing Obligations Agmt. ¶ 6.

10. I understand that on July 25, 2019, DW and Citiking entered into that certain Letter Agreement (the “Letter Agreement”), which reaffirmed DW’s and Citiking’s rights and obligations under the Second Debt Assignment, including as set forth in the PSA and the Continuing Obligations Agreement. It is my understanding that at the time the parties executed the Letter Agreement, Citiking owed DW not less than \$12,150,000 for the Second Debt Assignment (and today owes a minimum of \$9,650,000 of principal amounts (plus interest accruing thereon), having paid \$2,500,000 in October 2019) and, pursuant to the Letter Agreement, DW and Citiking agreed to a series of payments over time with the remaining debt to be rolled into an exit financing facility under the Plan that would be repaid by the reorganized Debtors (which, upon emergence, would have been 100% owned by Citiking pursuant to the confirmed Plan).⁴

11. After entry of the Confirmation Order, Citiking was supposed to provide exit financing for the effective date of the Plan to occur. However, counsel has informed me that Citiking (a) breached its obligations under the Letter Agreement by, among other things, failing to make the required payments to DW or to declare the Plan effective within the time permitted by the Letter Agreement,⁵ (b) as a result of its breach of the Letter Agreement, continued to be in breach of the PSA and the Continuing Obligations Agreement due to its failure to pay the purchase price of the Second Debt Assignment,⁶ and (c) failed to work in good faith to consummate the transactions set forth in the Plan or to fund administrative expense claims and the distributions provided for under the Plan.⁷

⁴ Letter Agmt ¶ 5 (i)-(v).

⁵ *Id.* ¶ 5(ii)-(iv).

⁶ *Id.* ¶ 9; Purchase Agmt. ¶ 8; Continuing Obligations Agmt. ¶ 5.

⁷ Plan §§ 2.2(b), 9.1.2; Letter Agmt. ¶ 5 (i)-(v).

The Debtors' Prior Marketing and Sales Efforts

12. Prepetition, the Debtors engaged Duff & Phelps Securities, LLC (“Duff & Phelps”) as their investment banker on December 27, 2017, to explore multiple restructuring alternatives, including the sale of all or specific portions of the Debtors’ operations, a new debt infusion, and a comprehensive restructuring of the Debtors’ balance sheets. After the Debtors launched the sale process, communications between Duff & Phelps and potential acquirers began immediately and increased during the following weeks. As part of that marketing process (the “Prepetition Marketing Process”), Duff & Phelps contacted a total of 161 strategic and 315 potential investors, distributing a teaser regarding the sale to a total of 476 potential buyers. The extensive marketing process resulted in 41 parties executing non-disclosure agreements (each, an “NDA”) to receive more information and then receiving a confidential information memorandum with detail on the Debtors’ business. Throughout this process Duff & Phelps and the Debtors worked closely to respond to potential investor inquiries and to encourage interest in acquiring or financing the Debtors. As detailed in the *Declaration of Vineet (“Vin”) Batra, Managing Director of Duff & Phelps Securities, LLC in Support of the Proposed Debtor in Possession Financing Facility and the Joint Prepackaged Chapter 11 Plan of Reorganization of ONE Aviation Corporation and Its Debtor Affiliates* [Docket No. 16] (the “Batra Declaration”), despite an extensive outreach process and efforts to engage with interested potential buyers, the Prepetition Marketing Process resulted in no viable bids for the Debtors’ business or assets.

13. Ultimately, the Debtors sought to pursue a chapter 11 bankruptcy with a prepackaged plan supported by Citiking, the Debtors’ prepetition first lien lender (and subsequently the DIP Lender). However, the Debtors continued to conduct a post-petition marketing process (the “Post-Petition Marketing Process”) in conjunction with the plan process. Most importantly, Duff & Phelps continued to focus on identifying strategic and financial buyers

and provided the Debtors and their boards of directors or managers, as applicable, with continuous updates.

14. In addition to contacting all of the parties who had previously signed an NDA during the Prepetition Marketing Process, as part of the Post-Petition Marketing Process the Debtors and their advisors corresponded with some 55 parties who the Debtors believed to have potential interest in a transaction given their experience and knowledge of the Debtors and their businesses. All of these parties received an investment summary based on public information and were invited to enter into an NDA to receive additional information. Three of these parties subsequently executed an NDA with the Debtors, two of which received a confidential information package. Of the three parties who executed an NDA, there were no firms that submitted preliminary indications of interest. Unfortunately, no other offers came forward, and the Debtors decided to pursue instead the debt-for-equity transaction contemplated in the Plan.

The Confirmed Plan

15. On the Petition Date, the Debtors filed their joint plan of reorganization, which the Court ultimately confirmed as amended and modified [Docket No. 707-1] (the “Plan”) by entry of an order on September 18, 2019 [Docket No. 707] (the “Confirmation Order”). The delay in confirmation of the Plan was due to, among other reasons, negotiating a number of settlements with parties in interests in the face of Citiking’s recalcitrance in coming to the negotiating table.⁸ Unfortunately, Citiking’s inability to engage in meaningful discussions, finalize documents and meet its funding obligations, has persisted even after confirmation of the Plan.

⁸ This included having to abandon temporarily the plan process and pivot a sale process in June 2019. See Docket Nos. 561, 633.

16. For the effective date of the Plan to occur, the Plan and Confirmation Order require Citiking to fund various settlements and distributions to parties in interest, including pre-negotiated amounts of \$825,000 to holders of Allowed ONE Aviation General Unsecured Claims, \$50,000 for the Claims Reconciliation Expense Fund, \$225,500 for holders of Allowed Kestrel Secured Claims, \$700,000 for holders of Allowed Senior Subordinated Secured Note Claims, as well as pay accrued and outstanding administrative expense claims.⁹ But, Citiking funded a fraction of these amounts only when necessary to stave off objections or conversion of the Chapter 11 Cases to chapter 7. The Plan also obligates Citiking to provide the reorganized Debtors with exit financing and provides that the New ABL / Term Loan Facility Documents (as defined in the Plan) will be in form and substance acceptable to the Debtors, Citiking, and DW.¹⁰ I understand that none of the exit financing documents have been finalized. As a result, Citiking has not provided any of the required exit financing and has told me and senior management of the Debtors that it is now unable to do so.

17. I believe that the most recent and illustrative example of Citiking's behavior in the Chapter 11 Cases occurred just recently. In May 2020, after Citiking's continued refusal to meet its Plan obligations, the Creditors' Committee filed a motion to convert the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code [Docket No. 831] (the "Conversion Motion"). At the eleventh hour, shortly before the June 4, 2020 hearing on the Conversion Motion, Citiking reassured the Debtors that it would work to finalize the outstanding documents, meet its Plan funding obligations, and actually funded accrued and unpaid United States Trustees fees. Although the Debtors were relieved these acts avoided conversion of the Chapter 11 Cases,

⁹ See, e.g., Plan §§ 1.91, 9.1.6, 9.1.8, 9.1.10; Confirmation Order ¶¶ 131.

¹⁰ Plan § 9.1.2.

beyond the United States Trustee payment and some light comments to draft documents, ultimately Citiking did not do anything further. Nevertheless, at a July 27, 2020 status hearing, the Debtors were still laboring under the sincere belief that the threat of case conversion had finally pushed Citiking to act and that it would work to bring the Plan effective within approximately two weeks. But, as it has done so many times before, Citiking has either been unresponsive or failed to deliver on its repeated promises. I believe this is extremely unfortunate, given the Court's warning at the July 2020 status hearing that it would seriously consider other options, including potentially converting the Chapter 11 Cases, if there was not substantial progress towards the Plan going effective by September 2, 2020.

18. I believe the looming threat of a chapter 7 liquidation highlights the urgency with which the Debtors need the relief provided under the Senior DIP Order. Summarizing the subsequent year since confirmation of the Plan, Citiking has only attempted to recut deals that were already memorialized in the confirmed Plan and merely provided a fraction of the required funding periodically in a transparent attempt to try and gain leverage over parties in interest. After repeated assurances from Citiking over the weeks and months following entry of the Confirmation Order and the persistent efforts of the Debtors and other parties in interest to do everything in their power to finalize the documents and issues within their control for the occurrence of the effective date of the Plan, Citiking has finally admitted on two separate occasions via conference calls with me, members of the Debtors' management, and counsel that it cannot meet its funding obligations under the Plan to go effective. There is also general doubt that Citiking can make any other future payments in the Chapter 11 Cases.

The Junior DIP Facility

19. On the Petition Date, the Debtors sought the Court's approval of the Junior DIP Facility. Counsel has informed me that the Junior DIP Facility provided the Debtors with access to (a) \$8,000,000 in new money term loans and (b) a roll-up loan of an aggregate principal amount equal to approximately \$11,130,000 in Prepetition First Lien Credit Claims. I understand that on November 27, 2018, the Court entered an order approving the Existing Final DIP Order on the terms set forth in the Junior DIP Facility Agreement.

20. I believe that the Junior DIP Facility provided the Debtors with valuable liquidity in the early stages of the Chapter 11 Cases to continue funding the development of projects and to meet operational expenses, including the payment of certain postpetition vendors and certain permitted prepetition claims, but it is my understanding that it was never intended to support the Debtors in chapter 11 for two years. It is my understanding that the original maturity date of the Junior DIP Facility was January 31, 2019. It is also my understanding that the Junior DIP Facility Agreement provided that the Debtors had to achieve certain milestone as conditions precedent for effectuating the Junior DIP Facility.¹¹ These milestones have been extended numerous times either by notices or confirmatory emails¹² to accommodate primarily Citiking's repeated delays in negotiating documents and effectuating settlements necessary to confirm the Plan.

21. Following these numerous extensions, the Debtors are anticipating having to lay off all their 64 employees after September 4, 2020 when they are projected to run out of cash to fund payroll. Due to Citiking's failure to provide the crucial exit financing following the Court's

¹¹ Junior DIP Facility Agreement ¶¶ 6.20(b) & (c).

¹² See Docket Nos. 308, 370, 385, 388, 393.

entry of the Confirmation Order almost 12 months ago, the Debtors now require immediate access to the Senior DIP Facility to preserve their business.

22. I understand from counsel that obtaining a *pari passu* or priming DIP facility most likely constitutes a “Termination Event” under the Existing Final DIP Order and the DIP Facility Documents.¹³ Even worse for the Debtors, filing the DIP Motion may terminate the Debtors’ right to use cash collateral if Citiking brings meritless claims in response to the DIP Motion being filed. Therefore, I believe that the Court’s entry of the Senior DIP Order on an emergency basis is critical to the Debtors continued use of cash collateral to finance its business operations.

23. Counsel has informed me that entry of the Senior DIP Order must explicitly override the Existing Final DIP Order in order to avoid a Termination Event and a paydown of the Junior DIP Facility with proceeds of the Senior DIP Facility under the Existing Final DIP Order,¹⁴ while recognizing that the Junior DIP Facility, and Citiking’s existing DIP liens and obligations thereunder are still valid. As mentioned above, the Debtors are in desperate need of liquidity and any decrease in the amount of their already dwindling resources will all but ensure their liquidation.

The Sale and Financing Process

24. Management and I recognized that Citiking either would not or could not consummate the transactions required under the confirmed Plan and, given the Debtors’ dire projected cash flow shortage, the Debtors were left with no choice but to pursue an alternative transaction that would both preserve recoveries for their stakeholders and provide the required

¹³ See Existing Final DIP Order ¶¶ 22, 25, 26, 43; Junior DIP Facility Agreement ¶¶ 6.12(b), 7.1.

¹⁴ See Existing Final DIP Order ¶¶ 22, 25, 26, 43.

immediate liquidity. Only after diligently exhausting all other viable options, including corresponding with industry experts and the Debtors' various contacts in the aviation field in search for a viable financing option, the Debtors finally decided that the APA and entry into the Senior DIP Facility Agreement was the best available option. The Debtors kept their advisers apprised and actively involved in this process, and later with the help of their advisers, myself included, negotiated the proposed APA and the Senior DIP Facility Documents. I believe that the Senior DIP Facility and the APA are the result of a vigorous arm's length negotiation between the Debtors and their advisors, on the one hand, and the Buyer and the Senior DIP Lender and each of their own advisors, on the other hand.

25. Pursuant to the terms of the APA, the Sale shall occur no later than October 15, 2020, provided that the Debtors and the Buyer may extend the closing deadline by up to 15 days, which conforms with the size and timing of the Senior DIP Facility and Senior DIP Budget. In accordance with the terms of the APA, the Sale Motion also seeks approval of certain customary bid protections for the Buyer.

26. The Sale is supported by DW, the Debtors' most senior lender by virtue of the subordination of Citiking under the PSA. I also believe the Sale, funded by the proceeds of the Senior DIP Facility, benefits the Debtors' junior lenders and unsecured creditors. As part of the Purchase Price, the Buyer will provide cash consideration that includes the accrued and unpaid and the expected Professional Fee Claims as of the date of closing in an amount, not to exceed \$1,500,000. The Purchase Price also includes additional cash components of (a) \$825,000 for the holders of ONE Aviation General Unsecured Claims, (b) \$700,000 for holders of Allowed Senior Subordinated Secured Note Claims, (c) \$225,000 for holders of Allowed Kestrel Secured Claims, (d) \$50,000 for the Claims Reconciliation Fund, and (e) \$75,000 for a general wind

down fund. As a result, the Sale, pursuant to the APA, preserves settlement recoveries provided for under the confirmed Plan.

27. I believe that the Debtors negotiated the additional liquidity and the runway provided by the Senior DIP Facility in good faith to allow them to complete the Sale process, and thereby preserve the value of their estates and the Plan distributions referenced above. The Buyer, DW, and the Debtors all worked closely to negotiate the proposed Senior DIP Budget, and I believe that the Senior DIP Budget is feasible and will enable consummation of the Sale. I believe that the Senior DIP Facility, if approved, will address funding shortfalls leading up until the consummation of the Sale and permit the restructuring process to move forward.

COVID-19

28. I believe that the economic downturn surrounding the novel coronavirus pandemic (“COVID-19”) has created a further urgency to the Debtors’ cash needs that simply could not have been anticipated. While all industries have been impacted by the COVID-19 pandemic, the aviation industry in particular has been devastated. The reduction in air travel as a result of COVID-19, and the federal, state, and local measures undertaken to combat the spread of the virus, including restrictions on air travel and the grounding of flights have reduced demand for the Debtors’ aircraft maintenance services, which has dried up the Debtors’ income relatively quickly. I believe that the Senior DIP Facility provides the only lifeline to support the Debtors’ business through these uncertain times by providing the Debtors with the funding necessary to complete a value maximizing transaction embodied in the Sale.

The Senior DIP Facility Is Necessary to Fund the Sale

29. I believe that the Senior DIP Facility itself provides a compelling form of adequate protection by ensuring the continued operation of the Debtors’ business in the ordinary

course. Simply put, the Debtors do not have a liquidity alternative and the Debtors' operations require liquidity. Working capital is extremely limited and the Debtors' operations will grind to a halt without the liquidity contemplated by the proposed Senior DIP Facility.

30. Moreover, I believe that the Senior DIP Facility contains a number of terms favorable to the Debtors as compared to the Junior DIP Facility. Among other things, the Senior DIP Facility proposes a delayed double-draw term loan to fund the Debtors through the Sale's proposed closing date and second draw to become available if the Buyer extends the closing date to a later date, with a maturity date of November 1, 2020 (the "Maturity Date"). Additionally, the pricing, fees, and payment terms on the Senior DIP Facility are incredibly favorable to the Debtors—specifically, the Senior DIP Facility will bear interest at the rate of 5% per annum and has aggregate fees of 0.5% of the committed amount under the Senior DIP Facility, with such interest and fees to accrue to the balance of the Senior DIP Facility and not be paid until maturity.

31. Without access to the Senior DIP Facility, the Debtors do not believe they would be able to refinance or otherwise have access to sufficient funds to operate their business as they forge a path toward the Sale. Further, going outside of the Debtors' capital structure to bring in replacement DIP financing of the size needed to pay off the Junior DIP Facility in full is not a viable option for reasons discussed above. Thus, given the obvious benefit of the Senior DIP Facility, in contrast to the severe degradation of the Debtors' assets that would undoubtedly occur if the Debtors could not obtain additional financing, I believe that the Court should approve the Senior DIP Facility. It is critical that the Debtors obtain such approval before they run out of liquidity, which is projected to occur on September 4, 2020, while the closing of the Sale will occur no later than October 15, 2020 (or October 30, 2020 if extended by the Debtors

and the Buyer pursuant to the APA). Without the Sale and the Senior DIP Facility, which will provide financing through the Sale, the Debtors' operations will grind to a halt and some 64 employees will be laid off, causing irreparable harm and forcing the Debtors to undergo a value-destructive liquidation process under chapter 7 of the Bankruptcy Code.

The Senior DIP Facility is Reasonable and Adequate under Circumstances

32. I believe that it is in the best interests of the Debtors' estates to enter into the Senior DIP Facility Agreement because the terms of the Senior DIP Facility Agreement and the Approved Senior DIP Budget are fair and reasonable and reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties. The Debtors were unable to obtain adequate unsecured credit allowable as an unsecured claim or superpriority administrative expense because all of the Debtors' assets are subject to liens. At this stage in the Chapter 11 Cases, the Debtors' only realistic option for additional financing was from the Senior DIP Lender. Accordingly, the Debtors submit that entry into the Senior DIP Facility Agreement is in the best interests of the Debtors' estates and their creditors and the relief requested in the DIP Motion should be granted.

The Senior DIP Facility Is the Best Option Currently Available to the Debtors

33. As the Court found with respect to the Junior DIP Facility Documents, I believe that the Debtors exercised their reasonable business judgment in determining that the Senior DIP Facility provides the best financing option available under the present circumstances, and counsel has informed me that the Debtors have satisfied the legal requirements to incur the Senior DIP Facility on the terms and conditions set forth in the Senior DIP Facility Agreement. After thorough analysis by the Debtors, the Debtors believe that the Senior DIP Documents and the Approved Senior DIP Budget contain terms that are fair, reasonable, and in the best interests

of the Debtor and its estate, and were negotiated by the parties in good faith and at arm's length. The Senior DIP Facility provides postpetition financing on more favorable terms than any other reasonably available alternative. The funds provided by the Senior DIP Facility will allow the Debtors to meet ongoing operational and administrative expenses as the Debtors execute their restructuring strategy.

The Terms of the Sale Are Fair and Reasonable and Should Be Approved

34. Prior to the negotiations that culminated in the APA, the Debtors and their advisors had exhausted both the Prepetition Marketing Process and Post-petition Marketing Process, seeking potential buyers for the Debtors' assets. Despite those robust efforts, no viable offer was received except for the prior proposed transaction with Citiking, which was at the time the Debtors' senior-most lender. Now that Citiking has proven unable to fulfill its commitments, the proposed APA and the Sale transaction with the Buyer represent the Debtors' only viable pathway toward a successful resolution of these Chapter 11 Cases. The terms of the APA were negotiated in good faith and at arm's length and provide a transaction that, in the Debtors' business judgment, is the best possible transaction available and will preserve the value of the Debtors' estates for the benefit of their creditors. Nevertheless, the Buyer's offer will remain subject to higher or better offers until the entry of the Sale Order, ensuring that the Debtors can fulfill their fiduciary duties to maximize the value of their estates. Because of this requirement to hold the offer open, the Buyer insisted upon the bid protections set forth in the APA as a necessary inducement for pursuing the Sale transaction with the Debtors. It is my understanding, based upon input from the Debtors' advisors, that the bid protections provided to the Buyer in the APA are reasonable under the circumstances and are in line with protections that are provided in other transactions of a similar size and scope. Based upon the forgoing, I believe

that the Sale of the Debtors' assets to the Buyer pursuant to the APA is in the best interests of the Debtors' estates and should be approved.

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

Dated: August 28, 2020

/s/ James Patrick Carroll

James Patrick Carroll

Independent Director

ONE Aviation Corporation