

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

In re:

AeroCision Parent, LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 23-11032 (___)

(Joint Administration Requested)

**DECLARATION OF DAVID NOLLETTI IN SUPPORT OF
CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

I, David Nolletti, hereby declare under penalty of perjury:

1. I am the Chief Restructuring Officer (“**CRO**”) of AeroCision Parent, LLC (“**AeroCision Parent**”) and each of the other above-captioned debtors and debtors in possession (collectively, the “**Debtors**”).

2. I am a Senior Managing Director and the Aerospace, Defense & Government Contractors Practice Leader at Riveron Management Services, LLC (“**Riveron**”). I have twenty years of restructuring, corporate renewal, crisis management, and project management experience acquired during my time serving as functional vice president, general manager, chief executive officer, board member, and chairman of applicable boards. As a result, I have developed extensive experience in sales, marketing, market research, business development, and operations, focusing on industries including aerospace, defense, distribution, consumer products, sporting goods, aerospace maintenance repair and overhaul, and general industrial verticals. I specialize in assisting debtors and creditors in aerospace manufacturing and airline bankruptcy proceedings, and have been actively involved, in leadership roles, in the following representative restructuring

¹ The Debtors in these chapter 11 cases, along with the last four digits of their respective federal tax identification numbers, are: AeroCision Parent, LLC (8828); AeroCision, LLC (0509); and Numet Machining Techniques, LLC (3162). The Debtors’ service address is 12-A Inspiration Lane, Chester, CT 06412.

matters: LATAM Airlines Group SA, RavnAir Alaska, Alatus Aerosystems, O’Gara Armoring, and Odyssey Aircraft Engines.

3. Prior to joining Riveron, I was the president, chief executive officer, and cofounder of Cold Mountain Capital LLC (“**Cold Mountain**”), a family front office private equity investment platform focused on acquiring and managing underperforming aerospace, defense, and heavy industrial manufacturing companies. Before Cold Mountain, I was a global marketing and market research manager at Procter & Gamble and served as a commissioned officer in the United States Army on both active duty and in the reserves. I earned my bachelor’s degree in history and international relations from Lehigh University and my MBA from Xavier University. I hold a commercial pilots license with multiple jet type ratings and have more than 3,000 hours total flight time.

4. Riveron RTS, LLC (“**RTS**”) began advising the Debtors on or about October 14, 2022, as their financial advisor. On December 1, 2022, the RTS engagement ended and Riveron entered into a new interim management engagement which provided for, among other things, my appointment as CRO, the appointment of Erik Graber as Chief Financial Officer (“**CFO**”), and the appointment of Hayley Hutchison as Restructuring Manager.² Ms. Hutchison was subsequently appointed as CFO following Mr. Graber’s resignation from Riveron. Riveron entered into a new engagement letter with the Debtors on or about July 26, 2023, to add additional scope and personnel, among other matters. In my capacity as CRO, I am generally familiar with the Debtors’ day-to-day operations, businesses, financial affairs, and books and records.

² Mr. Graber and I were officially appointed to our officer positions through resolutions issued on December 9, 2022. Ms. Hutchison was appointed in her officer position through resolutions issued on June 9, 2023. In connection with Riveron’s modified engagement letter, Riveron ceased acting as financial advisor and currently provides interim management services and personnel, exclusively.

5. Concurrently with the filing of this declaration (this “**Declaration**”), on the date hereof (the “**Petition Date**”), each of the Debtors filed a voluntary petition for relief (collectively, the “**Chapter 11 Cases**”) under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “**Bankruptcy Code**”), in the United States Bankruptcy Court for the District of Delaware.

6. The Debtors also concurrently filed the *Joint Prepackaged Chapter 11 Plan of Reorganization of AeroCision Parent, LLC and Its Affiliated Debtors and Debtors in Possession* (as it may be amended, supplemented, restated, or modified from time to time, the “**Prepackaged Plan**”),³ as well as a disclosure statement for the Prepackaged Plan (as it may be amended, supplemented, restated, or modified from time to time, the “**Disclosure Statement**”). As further discussed below, the Prepackaged Plan provides for the comprehensive restructuring of the Debtors’ secured debt obligations (the “**Restructuring**”) to be implemented through an efficient and expeditious chapter 11 proceeding. The Chapter 11 Cases are being commenced following the solicitation of the Prepackaged Plan, which the Debtors seek to have confirmed by the Court on or about September 6, 2023. As described below, all holders who voted on the Prepackaged Plan have voted unanimously to accept the Prepackaged Plan, and the Prepackaged Plan provides for all third party non-voting classes, including general unsecured creditors, to be paid in full or otherwise rendered unimpaired.

7. To operate effectively and minimize certain of the potential adverse effects of the commencement of the Chapter 11 Cases, the Debtors have requested certain relief in “first day” motions and an application filed with the Court (collectively, the “**First Day Pleadings**”).

³ Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Prepackaged Plan.

As described below, through the First Day Pleadings, the Debtors seek, among other things, to (i) establish certain administrative procedures to promote a seamless transition into and through the Chapter 11 Cases, (ii) ensure the continuation of their business operations and cash management system without interruption, (iii) obtain debtor-in-possession financing and use cash collateral in the operation of their businesses, (iv) preserve valuable relationships with trade vendors and other creditors whose claims are not expected to be impaired by the Chapter 11 Cases, and (v) schedule a combined hearing for the Court to consider the adequacy of the Disclosure Statement, approval of the Debtors' prepetition solicitation procedures, and confirmation of the Prepackaged Plan. As further discussed below, I am familiar with the contents of each of the First Day Pleadings, and I believe that the Debtors would suffer immediate and irreparable harm in the event that the relief sought in the First Day Pleadings is not granted.

8. I submit this Declaration to provide an overview of the Debtors, their businesses, and the Chapter 11 Cases, as well as to support the Debtors' chapter 11 petitions and the First Day Pleadings. Except as otherwise indicated herein, all facts set forth in this Declaration are based on my personal knowledge, my discussions with other members of the Debtors' senior management and advisors, my review of relevant documents, or my opinion based on my experience, knowledge, and information concerning the Debtors' operations and financial condition. In making this Declaration, I have relied in part on information and materials that the Debtors' personnel and advisors have gathered, prepared, verified, and provided to me, in each case under my ultimate supervision, at my direction, and/or for my benefit in preparing this Declaration. I am authorized to submit this Declaration on behalf of the Debtors, and, if called upon to testify, I would testify competently to the facts set forth herein.

9. Parts I through III of this Declaration provide an overview of the Debtors' businesses, organizational structure, and capital structure. Parts IV and V provide an overview of the circumstances leading to the commencement of the Chapter 11 Cases. Part VI provides an overview of the Restructuring Support Agreement and prepetition solicitation of the Prepackaged Plan, and Part VII summarizes the First Day Pleadings and the bases for the relief sought therein.

I. The Debtors' History and Business Operations

10. The Debtors are part of an organization known as Bromford Group ("**Bromford**" or the "**Company**"), a global manufacturing business in the aerospace, defense, and power generation industry that was founded in the United Kingdom in 1973. Bromford supplies turbine engine and related components to all major OEM's (*i.e.*, original equipment manufacturers), including many of the industry's most prominent manufacturers, like General Electric Aviation, Pratt & Whitney, and Rolls Royce, among others. The manufacturers use Bromford's components to manufacture engines for aircraft and other vehicles.

11. Bromford is a key supplier to many commercial, military, and business jet platforms. Bromford also delivers highly critical and sensitive aerospace components directly to the United States Department of Defense and has a breadth of coverage across most military engine programs. Bromford also serves customers in the overhaul and repair market for both military and commercial aviation and ground power applications.

12. In 2016, Bromford was acquired by a newly-formed company formed on behalf of Liberty Hall Capital Partners Fund I, L.P. ("**LHCP Fund I**"), a private equity fund located in Charleston, South Carolina. Over the next few years, Bromford expanded from three sites in the United Kingdom to seven⁴ sites across the United Kingdom, United States, and India

⁴ Upon the consolidation of the Birmingham and Leicester sites, the number of sites declined to six during 2022.

through several acquisitions, including the acquisition of the Debtors. Debtor AeroCision, LLC (“**AeroCision**”) was acquired in 2018 and Debtor Numet Machining Techniques, LLC (“**Numet**”) was acquired in 2019. AeroCision and Numet were each initially founded in 1984 and are both Delaware limited liability companies. The other Debtor, AeroCision Parent, was formed in 2018 in connection with the acquisition of AeroCision and is also a Delaware limited liability company.

13. Together, Debtors AeroCision and Numet comprise the U.S. Machining division of Bromford’s business and support the sectors described above. AeroCision’s and Numet’s sales are expected to total approximately \$63,000,000 for the twelve months ending September 2023, which amounts are primarily derived from their top six customers. Numet and AeroCision’s business operations include engineering, manufacturing, and assembling precision turned and machined components, assemblies, and fabricated structures involving complex geometries and exotic metals. AeroCision Parent is a holding company with no operations.

14. As of the Petition Date, AeroCision and Numet employed approximately 132 employees, who work in the Debtors’ facilities in Chester and Orange, Connecticut, respectively, across many different sectors, including, among others, engineering, production, shipping, human resources, finance, and quality control. As discussed more fully below, the Debtors rely on their employees, in collaboration with their essential vendors, to manufacture their top-quality products. Among other things, the Debtors’ vendors (i) supply raw materials, engineered materials, and parts to be integrated into the Debtors’ products, and (ii) provide the Debtors with critical services, such as welding, painting, coating, heat treatment, anodizing, deburring, carburizing, balancing, brazing, shot peen, stress relief, and other material processing services, as well as specialized testing, maintenance, calibration, quality assurance, packaging, information technology services, and other services.

II. The Debtors' Corporate Structure

15. Debtor AeroCision Parent wholly owns AeroCision and Numet and is wholly-owned by non-Debtor Bromford Intermediate Holdings, Ltd. ("**Bromford Intermediate**"), a Cayman Islands entity.

16. Bromford Intermediate's ultimate parent is Bromford Holdings, L.P., a Cayman Islands entity, that is controlled by Liberty Hall Capital Partners Fund I GP, LLC ("**LHCP GP**") and is approximately 51% owned by LHCP Fund I, with other institutional investors owning the remaining equity interests. An organizational chart is attached hereto as **Exhibit 1**.

17. Each Debtor has historically been managed by its respective managing member, and the overall Bromford enterprise is managed by LHCP GP. However, on July 5, 2023, the limited liability company agreement of AeroCision Parent was amended to provide that AeroCision Parent would be managed by a board of managers consisting of five managers (the "**Board**"). On July 6, 2023, two independent managers, Jill Frizzley and Eric Salzman, were appointed to the Board and tasked with overseeing the restructuring process.

III. Prepetition Indebtedness

18. The Debtors are parties to the following prepetition loan and security agreements:

- i. that certain Master Loan and Security Agreement, dated as of August 2, 2018 (as amended, restated, amended and restated, or otherwise modified from time to time, the "**CIT Loan Agreement**"), by and among AeroCision and Bromford Industries Limited ("**U.K. Borrower**"), as borrowers, and First-Citizens Bank & Trust Company ("**FCB**") as lender;
- ii. that certain Prepetition First Lien Credit Agreement, dated as of November 5, 2019 (as amended, modified and supplemented from time to time, the "**Prepetition First Lien Credit Agreement**" and together with all related documents, guaranties, and agreements, the "**Prepetition First Lien Credit Documents**"), by and among (a) the U.K. Borrower, AeroCision, and Numet (collectively, the "**Prepetition First Lien Borrowers**"); (b) Bromford Intermediate, Bromford Midco Limited (the "**U.K. Parent**"),

AeroCision Parent, Bromford Group Limited (together with Bromford Intermediate, U.K. Parent, AeroCision Parent, and the Subsidiary Guarantors from time to time party thereto, the **“Prepetition First Lien Guarantors”** and, collectively with the Prepetition First Lien Borrowers, the **“Prepetition First Lien Loan Parties”**); (c) Citizens Bank, N.A., as administrative agent and collateral agent (in such capacities therein, the **“Prepetition First Lien Agent”**) for its own benefit and the benefit of the other “Secured Parties” (as defined therein); and (d) the Lenders from time to time party thereto (the **“Prepetition First Lien Lenders”**); the Prepetition First Lien Agent, the Prepetition First Lien Lenders, and the other “Secured Parties” under the Prepetition First Lien Credit Documents are collectively referred to herein as the **“Prepetition First Lien Creditors”**;

- iii. that certain Prepetition Superpriority Lien Credit Agreement, dated as of May 12, 2021 (as amended, modified and supplemented from time to time, the **“Prepetition Superpriority Lien Credit Agreement”**, and, collectively, with all related documents, guaranties and agreements, the **“Prepetition Superpriority Lien Credit Documents”**), by and among (a) AeroCision and Numet, as borrowers; (b) Bromford Intermediate, U.K. Parent, and AeroCision Parent, as guarantors (the **“Prepetition Superpriority Lien Guarantors”**); (c) Citizens Bank, N.A., as administrative agent and collateral agent (in such capacity herein, the **“Prepetition Superpriority Lien Agent”**) for its own benefit and the benefit of the other “Secured Parties” (as defined therein); and (d) the Lenders from time to time party thereto (the **“Prepetition Superpriority Lien Lenders”**); the Prepetition Superpriority Lien Agent, the Prepetition Superpriority Lien Lenders and the other “Secured Parties” under the Prepetition Superpriority Lien Credit Documents are collectively referred to herein as the **“Prepetition Superpriority Lien Creditors”**; and
- iv. that certain Prepetition Second Lien Credit Agreement, dated as of November 5, 2019 (as amended, modified and supplemented from time to time, the **“Prepetition Second Lien Credit Agreement”** and together with all related documents, guaranties, and agreements, the **“Prepetition Second Lien Credit Documents”** and, collectively with the Prepetition First Lien Credit Documents and the Prepetition Superpriority Lien Credit Documents, the **“Prepetition Credit Documents”**), by and among (a) the Prepetition First Lien Loan Parties; (b) the Lenders from time to time party thereto (the **“Prepetition Second Lien Lenders”** and, collectively with the Prepetition Second Lien Agent (defined below) and the other “Secured Parties” under the Prepetition Second Lien Credit Agreement, the **“Prepetition Second Lien Creditors”**); and (c) Stellus Capital Investment Corporation, as administrative agent and sole lender (the **“Prepetition Second Lien Agent”** and, collectively with the Prepetition First Lien Agent and the Prepetition Superpriority Lien Agent, the **“Prepetition Agents”**); the Prepetition Agents together with the Prepetition First Lien Creditors, the

Prepetition Superpriority Lien Creditors, and the Prepetition Second Lien Creditors are collectively referred to herein as the “**Prepetition Secured Creditors**”.

19. The chart below sets forth the Debtors’ funded debt obligations as of the Petition Date, and each loan agreement is described in greater detail below:

Debt Obligation and Order of Priority	Approximate Amount of Obligations Outstanding as of the Petition Date
Prepetition Superpriority Lien Obligations	\$3,740,625, plus interest, fees, costs, and expenses
Prepetition First Lien Obligations and Revolving Credit Facility Obligations	\$97,224,000, plus interest, fees, costs, and expenses
Prepetition Second Lien Obligations	\$26,250,000, plus interest, fees, costs, and expenses
CIT Loan Obligations	\$1,974,280 in principal and interest

20. CIT Loan Agreement. On August 2, 2018, AeroCision and the U.K. Borrower entered into the CIT Loan Agreement with FCB as lender in connection with their lease of various manufacturing equipment used at their various facilities. On February 1, 2023, FCB issued a default notice to AeroCision and the U.K. Borrower, asserting various defaults, including (i) the borrowers’ failure to make required payments under those certain Equipment Notes, dated May 3, 2019, August 2, 2019, and December __, 2019, respectively, and (ii) a default under one or more of the borrowers’ minimum liquidity covenants under other outstanding, owing or committed indebtedness in an aggregate amount greater than \$1,000,000. As a result of the defaults asserted by FCB, FCB demanded immediate payment of the amounts owed under such Equipment Notes and elected to forbear on a “day-by-day” basis from exercising its default-related rights and remedies under the related Security Agreement. As of the Petition Date, approximately \$1,974,280 in principal and interest was outstanding under the CIT Loan Agreement.

21. First Lien Term Loan. On November 5, 2019, the Debtors and certain of their non-Debtor affiliates entered into the Prepetition First Lien Credit Agreement and the Prepetition Second Lien Credit Agreement in connection with the acquisition of Numet. The Prepetition First Lien Credit Agreement provided for two term loans, the U.K. term loans to the U.K. Borrower in an initial aggregate principal amount of \$31,520,000 and the U.S. term loans to the U.S. Borrowers in the aggregate principal amount of \$47,280,000. The Prepetition First Lien Credit Agreement also provided for a revolving credit facility (the “**Revolving Credit Facility**”) in the initial aggregate principal amount of \$20,000,000. The obligations under the Prepetition First Lien Credit Agreement are guaranteed by the Prepetition First Lien Guarantors.

22. Following the occurrence of certain events of default under the Prepetition First Lien Credit Agreement, including (i) the failure to maintain the required minimum liquidity amount and (ii) cross-defaults under the Prepetition Second Lien Credit Agreement and the Prepetition Superpriority Lien Credit Agreement due to the failure to comply with the minimum liquidity covenant, the parties to the Prepetition First Lien Credit Agreement entered into that certain Forbearance and Amendment Agreement, dated May 31, 2022 (combined with the Prepetition Superpriority Lien Lenders’ and the Prepetition Second Lien Lenders’ Forbearance and Amendment Agreements referred to below, collectively, the “**May 2022 Forbearance**”). Pursuant to the Forbearance and Amendment Agreement, the Prepetition First Lien Lenders agreed to forbear from exercising their remedies under the Prepetition First Lien Credit Agreement until the earliest of August 29, 2022 and the occurrence of certain specified events. On August 30, 2022, the Prepetition First Lien Lenders issued a notice of default under the Prepetition First Lien Credit Agreement.

23. As of the Petition Date, approximately \$97,224,000 in principal, plus interest, fees, costs, and expenses was outstanding under the Prepetition First Lien Credit Agreement (including under the Revolving Credit Facility), of which approximately \$54,058,916 is owed by the Debtors. The balance is owed by the Debtors' foreign affiliates, but was guaranteed by the Debtors.

24. Second Lien Term Loan. On November 5, 2019, the Debtors and certain of their non-Debtor affiliates entered into the Prepetition Second Lien Credit Agreement. The Prepetition Second Lien Credit Agreement provided for two terms loans, the U.K. term loans to the U.K. Borrower in an initial aggregate principal amount of \$10,000,000 and the U.S. term loans to U.S. Borrowers in the aggregate principal amount of \$15,000,000. The obligations under the Prepetition Second Lien Credit Agreement are guaranteed by the Prepetition First Lien Guarantors.

25. Following the occurrence of certain events of default under the Prepetition Second Lien Credit Agreement, including the failure to maintain the required minimum liquidity amount, the parties to the Prepetition Second Lien Credit Agreement entered into that certain Forbearance and Amendment Agreement, dated May 31, 2022. Pursuant to the Forbearance and Amendment Agreement, the Prepetition Second Lien Lenders agreed to forbear from exercising their remedies under the Prepetition Second Lien Credit Agreement until the earliest of August 29, 2022 and the occurrence of certain specified events.

26. As of the Petition Date, approximately \$26,250,000 in principal, plus interest, fees, costs, and expenses was outstanding under the Prepetition Second Lien Credit Agreement, of which approximately \$19,307,473 is owed by the Debtors. The balance is owed by the Debtors' foreign affiliates, but was guaranteed by the Debtors.

27. Superpriority Lien Credit Agreement. On May 12, 2021, Debtors AeroCision and Numet entered into the Prepetition Superpriority Lien Credit Agreement, pursuant to which the Prepetition Superpriority Lien Lenders agreed to extend credit in the form of term loans in an initial aggregate principal amount of \$3,750,000. The obligations under the Prepetition Superpriority Lien Credit Agreement were guaranteed by the Prepetition Superpriority Lien Guarantors.

28. Following the occurrence of certain events of default under the Prepetition Superpriority Lien Credit Agreement, including (i) the failure to maintain the required minimum liquidity amount and (ii) cross-defaults under the Prepetition First Lien Credit Agreement and the Prepetition Second Lien Credit Agreement due to the failure to maintain the required minimum liquidity, the parties to the Prepetition Superpriority Lien Credit Agreement entered into that certain Forbearance and Amendment Agreement, dated May 31, 2022. Pursuant to the Forbearance and Amendment Agreement, the Prepetition Superpriority Lien Lenders agreed to forbear from exercising their remedies under the Prepetition Superpriority Lien Credit Agreement until the earliest of August 29, 2022 and the occurrence of certain specified events. On August 30, 2022, the Prepetition Superpriority Lien Lenders issued a notice of default under the Prepetition Superpriority Lien Credit Agreement.

29. As of the Petition Date, approximately \$3,740,625 in principal, plus interest, fees, costs, and expenses fees was outstanding under the Prepetition Superpriority Lien Credit Agreement.

30. Amended and Restated Intercreditor Agreement. As more fully set forth in the Prepetition Credit Documents, prior to the Petition Date, the Debtors granted security interests in and liens on substantially all personal property of the Debtors (collectively, the “**Prepetition**

Collateral”), to the Prepetition Agents to secure repayment of the obligations owing to the Prepetition Secured Creditors. Pursuant to that certain Amended and Restated Intercreditor Agreement dated as of November 5, 2019 (as amended, modified and supplemented from time to time, the “**Intercreditor Agreement**”), by and between each of the Prepetition Agents, the Prepetition Agents have agreed, among other things and as more specifically set forth therein, on the respective rights, interests, obligations, priority, and positions of the Prepetition Secured Creditors with respect to the Prepetition Collateral. Specifically, the Prepetition Agents agreed that the Prepetition Superpriority Lien Lenders held a first priority lien on the Debtors’ assets, the Prepetition First Lien Lenders held a second priority lien on the Debtors’ assets, and the Prepetition Second Lien Lenders held a third priority lien on the Debtors’ assets, among other things. The Prepetition Agents further agreed not to contest, protest, or object to the Debtors obtaining DIP financing, or to the use of cash collateral, if the DIP financing satisfied certain terms, including, but not limited to, the grant of adequate protection liens and claims to the Prepetition Second Lien Lenders to the extent that the Prepetition Superpriority Lien Lenders and Prepetition First Lien Lenders are granted such adequate protection.

31. *Other Unsecured Debt.* As of the Petition Date, the Debtors’ books and records list approximately \$13,500,000 in non-contingent, undisputed, liquidated unsecured debt to vendors, taxing authorities, insurers, employees, and other contract counterparties.

IV. The COVID-19 Pandemic and the UK Administration Proceeding

32. Since early 2020, the COVID-19 pandemic has devastated the aerospace industry, including the Debtors and their non-Debtor affiliates in the United Kingdom. Travel restrictions were implemented early in the pandemic and grounded most of the global commercial airline fleet, causing customer demand for parts and services to decrease rapidly. In 2020, over

two-thirds of the world's passenger fleet was grounded during the year due to closed borders and concerns that flying was unsafe.

33. While facing a dramatic decrease in demand, the Company was also forced to incur dramatically higher costs to manufacture its products due to significant disruptions in the global supply chain and critical labor shortages. Global supply chain disruptions caused by the COVID-19 pandemic resulted in increased lead times to procure raw material, driving longer manufacturing production cycles and inhibiting the Company's ability to make and sell its products. To overcome these challenges, the Company incurred additional costs for expedited freight and increased labor costs to turn products quickly, maintain delivery schedules, and manage customer requirements.

34. Global price inflation for the raw materials required to manufacture aerospace parts also caused the Company's inventory costs to increase substantially and reduced liquidity. Many of the Company's customer contracts were negotiated at a time with low inflation and, accordingly, included long-term, fixed price terms without inflation protection provisions. Thus, despite the Company's increased manufacturing costs, it was not able to pass those costs along to customers.

35. As a result of the foregoing effects of the COVID-19 pandemic, the Debtors' revenue decreased from approximately \$79,000,000 in the fiscal year ending September 30, 2019 to approximately \$55,000,000 in the fiscal year ending September 30, 2022, and the revenue of the Debtors' U.K affiliates decreased from approximately \$55,000,000 in the fiscal year ending September 30, 2019, to approximately \$32,000,000 in the fiscal year ending September 30, 2022.

36. During 2022, the Debtors' operating United Kingdom affiliates, Bromford Industries Limited (*i.e.*, the U.K. Borrower) and Accrofab Limited (together, the "**U.K. Debtors**"), struggled to continue operations due to, *inter alia*, many of the above issues. In December 2022, the U.K. Debtors approached their two key customers and sought financial support to allow them to continue operations. On or about February 24, 2023, those negotiations formally failed and, on February 27, 2023, the U.K. Debtors filed a notice of intention to appoint administrators.⁵

37. On March 9, 2023, Ryan Grant and Chris Pole of Interpath Advisory were appointed as joint administrators (the "**Administrators**") of the U.K. Debtors. The Administrators obtained the requisite financial support to continue the U.K. Debtors' operations. As of the date hereof, the Administrators continue to market the U.K. Debtors' business as a going concern. The Debtors do not anticipate that the U.K. proceedings will affect the Debtors' operations or these Chapter 11 Cases. Nothing in this Declaration, the Prepackaged Plan, the Plan Supplement, or the Confirmation Order is intended to affect or impair the existing obligations of the Debtors' U.K. affiliates (the "**U.K. Entities**") to the Prepetition Superpriority Lenders and the Prepetition First Lien Lenders, which obligations and claims are intended to remain obligations of, and claims against the U.K. Entities.

V. Additional Circumstances Leading to the Commencement of the Debtors' Chapter 11 Cases

38. In 2022 and 2023, the Debtors suffered from the effects of the COVID-19 pandemic, which were compounded by (i) the Debtors' efforts to address the U.K. Debtors' liquidity issues prior to the administration proceeding, including both by assisting with the U.K. Debtors' customer negotiations and by providing over \$20,000,000 in funds to the U.K. Debtors

⁵ The Debtors are affiliated with various other non-operating United Kingdom entities that are not part of the United Kingdom administration proceedings.

since 2020, including cash transfers and the payment of shared corporate expenses, and (ii) changes in inspection protocols imposed by a major customer that prevented Numet from shipping a significant number of its products for approximately a 9 to 12 month period. This reduction in sales resulted in losses of approximately \$5,000,000 to \$7,000,000. As of the Petition Date, the Debtors have resumed manufacturing and shipping products to this customer, which remains a valuable go-forward customer of the Company.

39. As a solution to the Debtors' liquidity and capital structure challenges, the Debtors initially explored the potential acquisition of another aerospace manufacturing business combined with the full refinancing of the Debtors' capital structure. Had the transaction been consummated, it would have reset the Debtors' capital structure through the refinancing, including a material deleveraging and liquidity infusion. The Debtors entered into a letter of intent to acquire this business in November 2021 and retained Jefferies LLC ("**Jefferies**") shortly thereafter as their investment banker to help raise the capital necessary to finance the transaction.

40. As part of its financing process, Jefferies contacted 103 investors, including senior debt and junior capital providers, and received 10 initial indications of interest ("**IOIs**") by January 28, 2022. After receiving the IOIs, the Debtors and Jefferies worked with a number of investors to advance diligence and obtain a binding financing commitment. However, due to a variety of factors, including significant volatility in the capital markets, the Debtors were unable to secure a financing commitment. The Debtors and Jefferies negotiated the May 2022 Forbearance with the Debtors' secured creditors to obtain additional time to secure a financing commitment and continued to engage with investors during the forbearance period. However, by the expiry of the May 2022 Forbearance on August 29, 2022, the Debtors were unsuccessful in obtaining an actionable financing solution.

41. Without an actionable financing proposal, the Debtors began discussing a consensual restructuring transaction with their majority equity holder, the LHCP Fund I, and the Prepetition Secured Creditors that would de-leverage the Debtors' balance sheet. In connection therewith, the Debtors retained Young Conaway Stargatt & Taylor, LLP as their restructuring counsel on or about April 28, 2023. After discussing various options, the parties determined that the best path for addressing the Debtors' liquidity issues was an expeditious plan of reorganization that would minimize any disruption to operations and any impact on the Debtors' essential vendor and customer relationships.

VI. The Restructuring Support Agreement and Prepetition Solicitation of the Prepackaged Plan

42. *The Restructuring Support Agreement.* Over the past few months, the Debtors and their advisors continued to engage extensively with LHCP Fund I (and the other New Equity Sponsors), the Prepetition Superpriority Lien Lenders, the Prepetition First Lien Lenders, and the Prepetition Second Lien Lenders (collectively, the "**Consenting RSA Parties**") in an attempt to consensually restructure the loans under the Prepetition Superpriority Lien Credit Agreement, the Prepetition First Lien Credit Agreement, and the Prepetition Second Lien Credit Agreement. After months of good faith and arm's length negotiations, the Consenting RSA Parties agreed in principle to the following Restructuring:⁶

i. Restructuring of Current Debt

- a. The Debtors will restructure their current debt facilities with three new exit facilities that, in the aggregate, will also provide new funding, in addition to converting the DIP funding described below: (a) the New Super Senior Lien Facility; (b) the New First Lien Facility; and (c) the New Holdco Term Loan Facility to reduce the aggregate debt at the Debtors after confirmation. The New Super Senior Lien Facility, the New First Lien Facility, and the

⁶ Capitalized terms used but not defined in this section have the meanings ascribed to such terms in the Prepackaged Plan.

New Holdco Term Loan Facility are more fully described in the Exit Facilities Term Sheet attached to the Plan.

- b. The Prepetition First Lien Lenders, in their capacity as DIP Lenders (defined below), will provide the Debtors with \$12,500,000 in DIP funding. The balance owing under the DIP and the availability of any undrawn portion of it will be converted to a New Super Senior Loan under the New Super Senior Lien Facility on the effective date of the Plan. Immediately upon conversion, the New Super Senior Loans, and related guaranties, shall be secured by an all-asset, first priority lien and pledge on all assets of the Reorganized Debtors, substantially similar to the liens and pledges that were granted to the Prepetition Superpriority Lien Lenders and the Prepetition First Lien Lenders.
- c. As more fully described in the Exit Facilities Term Sheet, on the Effective Date (a) the Bridge Loan Claim (related to the bridge loan financing provided by LHCP Fund I to the Debtors shortly before the Petition Date) will be converted to a New Super Senior Revolving Loan in the amount of \$2,500,000 under the New Super Senior Lien Facility; (b) LHCP Fund I and the other New Equity Sponsors will provide \$3,750,000 in additional new loans under the New Super Senior Lien Facility (in addition to the new equity capital described below), \$8,750,000 in New Equity Financing Payment, and \$1,250,000 in the LH Incremental Equity; (c) the DIP Lenders will provide \$2,000,000 in new loans under the New Super Senior Lien Facility (in addition to the rollover of the DIP Loans); and (d) the Prepetition Second Lien Lenders will provide \$2,000,000 in new loans under the New Super Senior Lien Facility.
- d. As more fully described in the Exit Facilities Term Sheet, on the Effective Date, the Superpriority Lien Claims will be converted to New First Lien Term Loans. Approximately \$35,583,705.40 in principal, plus pro rata interest, fees, and costs related thereto, of the First Lien Claims will be converted to New First Lien Term Loans and \$2,625,000 in Second Lien Claims will be converted, and shall be deemed converted, to a New First Lien Term Loan under the New First Lien Term Facility to bring the aggregate principal balance of the New First Lien Term Loan to not more than \$42,625,000.
- e. As more fully described in the Exit Facilities Term Sheet, on the Effective Date, the remaining principal balance, plus pro rata interest, fees, and costs related thereto, owing on the First Lien Claims will be converted into the New Holdco Term Loan Facility. The New Holdco Term Loan Facility shall be guaranteed by the Reorganized Debtors as more fully described in the Exit Facilities Term Sheet.
- f. As more fully described in the Exit Facilities Term Sheet, on the Effective Date, 100% of the Second Lien Claims will be extinguished and the Second

Lien Lenders will receive the following treatment: (i) \$2,625,000 will be converted, and be deemed converted, to the New First Lien Facility; provided, however, that such amount shall not accrue interest, fees or expenses; (ii) \$6,875,000 will be converted, and be deemed converted, into the New Holdco Term Loan Facility; (iii) four percent (4%) of the New Common Holdco Equity; and (iv) the right to contribute \$2,000,000 in principal amount of the New Super Senior Lien Facility. This elimination of the Second Lien Obligations and the conversion of a portion of the Prepetition First Lien Obligations will reduce the debt at the Reorganized Debtors by approximately \$27,500,000.

- g. The New Super Senior Loans and guarantees provided thereunder, the New First Lien Loans and the guarantees provided thereunder, and the guaranties provided pursuant to the New Holdco Term Loans shall, on or immediately prior to the Effective Date, be secured by all-asset, first priority Lien, pledges, and encumbrances on all assets of the Reorganized Debtors, whether then owned or thereafter acquired, substantially similar to those Liens, pledges, and encumbrances that were granted to the Prepetition Superpriority Lien Lenders and the Prepetition First Lien Lenders.

ii. Treatment of Other Claims and Interests

- a. Allowed General Administrative Expenses will be paid in the ordinary course of business, unless otherwise agreed to by the Holder of such Claim and the Debtors or the Reorganized Debtors, as applicable;
- b. Priority Non-Tax Claims, Other Secured Claims, and General Unsecured Claims will be unimpaired;
- c. Intercompany Claims, if any, will be reinstated with the consent of the New Super Senior Lien Agent, the New First Lien Agent, and the New Holdco Term Loan Agent; and
- d. All of the current Interests in the Debtors will be cancelled.

iii. Post-Effective Date Corporate Structure

- a. In addition to the reorganized Debtors, four new entities (collectively, the “**New Holding Companies**”) will be formed on or prior to the effective date of the Prepackaged Plan: (i) New Holdco LLC; (ii) New Holdco LLC’s subsidiary, New Topco LLC; (iii) New Topco LLC’s subsidiary, New Midco LLC; and (iv) New Midco LLC’s subsidiary, New Intermediate LLC.
- b. LHCP Fund I and the other New Equity Sponsors will pay the New Equity Financing Payment in the amount of \$8,750,000 and the LH Incremental Equity in the amount of \$1,250,000 to New Holdco LLC, in exchange for eighty-eight percent (88%) of the New Common Holdco Equity.

- c. The holders of claims under the Prepetition First Lien Credit Agreement will receive their pro rata share of eight percent (8%) of the New Common Holdco Equity.
- d. The holders of claims under the Prepetition Second Lien Credit Agreement will receive their pro rata share of four percent (4%) of the New Common Holdco Equity.
- e. New Holdco LLC will contribute the New Equity Financing Payment and the LH Incremental Equity to the Reorganized Parent (*i.e.*, reorganized AeroCision Parent) through the New Holding Companies and, in exchange, New Intermediate LLC will receive the New Parent Equity.

The Restructuring is expected to eliminate a portion of the Prepetition Second Lien Claims, structurally subordinate a portion of the Prepetition First Lien Claims, and provide \$32,750,000 in additional liquidity, inclusive of the bridge loan financing. Each Debtor will, therefore, emerge from the Chapter 11 Cases a stronger company, with a sustainable capital structure that is better aligned with the Debtors' present and future operating prospects.

43. On July 30, 2023, each of the Debtors and the Consenting RSA Parties entered into the Restructuring Support Agreement, pursuant to which the Debtors and the Consenting RSA Parties agreed, subject to the terms and conditions set forth therein, to, *inter alia*, support, vote to accept (to the extent applicable), and to implement the Restructuring through the Chapter 11 Cases and the Prepackaged Plan. Pursuant to the Prepackaged Plan, it is contemplated that all Claims and Interests with respect to the Debtors other than Claims and Interests held by the Consenting RSA Parties will be either paid in full on the effective date of the Prepackaged Plan or otherwise rendered unimpaired.

44. Prepetition Solicitation of the Prepackaged Plan. On July 30, 2023, the Debtors began soliciting votes on the Prepackaged Plan by instructing their voting agent, Epiq Corporate Restructuring, LLC ("**Epiq**"), to distribute a solicitation package containing the Disclosure Statement, including the Prepackaged Plan and other exhibits thereto, and one or more

ballots, as applicable, to each holder of an impaired claim that is entitled to vote – *i.e.* Class 3 (Superpriority Lien Claims), Class 4 (First Lien Claims), Class 5 (Second Lien Claims), and Class 7 (Bridge Loan Claims) (each as defined in the Prepackaged Plan) – determined as of the voting record date of July 21, 2023.

45. Following the occurrence of the voting deadline on July 30, 2023, Epiq informed the Debtors that solicited holders had timely submitted ballots and that each impaired class had voted unanimously to accept the Prepackaged Plan:

Voting Class	Claims	Amount Accepting Plan (% of Amount Voted)	Amount Rejecting Plan (% of Amount Voted)	Number Accepting Plan (% of Number Voted)	Number Rejecting Plan (% of Number Voted)
3	Superpriority Lien Claims	100%	0%	100%	0%
4	First Lien Claims	100%	0%	100%	0%
5	Second Lien Claims	100%	0%	100%	0%
7	Bridge Loan Claim	100%	0%	100%	0%

46. Contemporaneously herewith, the Debtors filed a motion, described in greater detail below, seeking entry of an order (i) scheduling a combined hearing for the Court to consider approval of the Disclosure Statement and the prepetition solicitation procedures, as well as confirmation of the Prepackaged Plan, and (ii) establishing related objection and other deadlines, with the goal of emerging from the Chapter 11 Cases as soon as practicable and within the milestones agreed to by the Consenting RSA Parties.

VII. First Day Pleadings

47. Concurrently with their chapter 11 petitions, the Debtors filed the following First Day Pleadings:

(i) Administrative Pleadings

- a. Debtors' Motion for an Order, Pursuant to Bankruptcy Rule 1015 and Local Rule 1015-1, Authorizing the Joint Administration of the Debtors' Chapter 11 Cases ("**Joint Administration Motion**"); and
- b. Debtors' Application for Entry of an Order Appointing Epiq Corporate Restructuring, LLC as Claims and Noticing Agent Effective as of the Petition Date ("**Epiq Retention Application**").

(ii) Operational and Scheduling Pleadings

- a. Debtors' Motion for Entry of Interim and Final Orders, Pursuant to Sections 105(a), 363(b), 507(a)(4), and 507(a)(5) of the Bankruptcy Code, (A) Authorizing (I) Payment of Accrued Prepetition Employee Wages, Salaries, and Other Compensation; (II) Payment of Prepetition Employee Business Expenses; (III) Contributions to Prepetition Employee Benefit Programs and Continuation of Such Programs in the Ordinary Course; (IV) Payment of Workers' Compensation Obligations; (V) Payments for Which Prepetition Payroll Deductions Were Made; (VI) Payment of All Costs and Expenses Incident to the Foregoing Payments and Contributions; and (VII) Payment to Third Parties of All Amounts Incident to the Foregoing Payments and Contributions; and (B) Authorizing Banks to Honor and Process Check and Electronic Transfer Requests Related Thereto (the "**Wages Motion**");
- b. Debtors' Motion for Entry of Interim and Final Orders, Pursuant to Sections 105(a), 363, 503(b), 1107(a), and 1108 of the Bankruptcy Code, Bankruptcy Rule 2015, and Local Rule 2015-2, (A) Authorizing and Approving Continued Use of Cash Management System, (B) Authorizing Use of Prepetition Bank Accounts and Business Forms, (C) Authorizing Performance of Intercompany Transactions in the Ordinary Course of Business and Granting Administrative Expense Status for Postpetition Intercompany Claims; and (D) Granting Certain Related Relief ("**Cash Management Motion**");
- c. Debtors' Motion for Interim and Final Orders, Pursuant to Sections 105(a), 363, and 364 of the Bankruptcy Code, (A) Authorizing Payment of Prepetition Obligations Incurred in the Ordinary Course of Business in Connection with Insurance Programs, Including Payment of Policy Premiums and Broker Fees, (B) Authorizing Banks to Honor and Process Check and Electronic Transfer Requests Related Thereto, and (C) Scheduling a Final Hearing ("**Insurance Motion**");

- d. *Debtors' Motion for Interim and Final Orders, Pursuant to Sections 105(a) and 366 of the Bankruptcy Code, (A) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Utility Services, (B) Deeming Utility Companies Adequately Assured of Future Payment, (C) Establishing Procedures for Determining Additional Adequate Assurance of Payment, and (D) Setting a Final Hearing Related Thereto (“Utilities Motion”);*
- e. *Debtors' Motion for Interim and Final Orders, Pursuant to Sections 105(a), 363(b), 507(a)(8), 541, 1107(a), and 1108 of the Bankruptcy Code, (A) Authorizing the Debtors to Pay Certain Prepetition Taxes and Fees and Related Obligations, (B) Authorizing Banks to Honor and Process Check and Electronic Transfer Requests Related Thereto, and (C) Scheduling a Final Hearing (“Taxes Motion”);*
- f. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Claims of Critical Vendors, and (II) Granting Related Relief (“Critical Vendors Motion”);*
- g. *Debtors' Motion for Entry of Interim and Final Orders Authorizing the Debtors to Continue Factoring Their Receivables Under the Factoring Agreements Consistent with Their Prepetition Practices (the “Factoring Motion”);*
- h. *Debtors' Motion for Entry of an Order (I) Scheduling Combined Hearing on Adequacy of Disclosure Statement, Confirmation of Prepackaged Plan, and Assumption of Restructuring Support Agreement; (II) Fixing Deadline to Object to Disclosure Statement, Prepackaged Plan, and Assumption of Restructuring Support Agreement; (III) Approving Prepetition Solicitation Procedures and Form and Manner of Notice of Commencement, Combined Hearing, and Objection Deadline; (IV) Approving Notice and Objection Procedures for the Assumption or Rejection of Executory Contracts and Unexpired Leases; (V) Conditionally (A) Suspending the Section 341(a) Meeting of Creditors And (B) Waiving Requirement of Filing Statements of Financial Affairs and Schedules of Assets and Liabilities; and (VI) Granting Related Relief (“Scheduling and Confirmation Motion”); and*
- i. *Debtors' Motion for Entry of Interim and Final Orders Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, 503, 506(c), 507, and 552, (I) Granting Expedited Relief, (II) Approving Postpetition Financing, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Authorizing Use of Cash Collateral, (V) Granting Adequate Protection, (VI) Modifying Automatic Stay, and (VII) Granting Related Relief (“DIP Motion”).*

48. As noted above, the relief sought in the various First Day Pleadings will allow the Debtors to, among other things, (i) establish certain administrative procedures to promote a seamless transition into and through chapter 11, (ii) ensure the continuation of their business

operations and cash management system without interruption, (iii) obtain debtor-in-possession financing and use cash collateral in the operation of the Debtors' businesses during the Debtors' short time in chapter 11, (iv) preserve valuable relationships with trade vendors and other creditors whose claims are not expected to be impaired by these Chapter 11 Cases, and (v) schedule a combined hearing for the Court to consider the adequacy of the Disclosure Statement, approval of the Debtors' prepetition solicitation procedures, and confirmation of the Prepackaged Plan.

49. I have reviewed each First Day Pleading or had their contents explained to me, and I believe that the Debtors would suffer immediate and irreparable harm in the event the relief sought therein is not granted. In my opinion, the relief sought in the First Day Pleadings will be critical to the Debtors' efforts to reorganize through these Chapter 11 Cases efficiently and with minimized disruptions to their business operations, thereby permitting the Debtors to preserve and maximize value for the benefit of all stakeholders and successfully emerge from chapter 11 as a more competitively-positioned going concern.

50. Several First Day Pleadings request authority to pay certain prepetition claims. I am told by the Debtors' advisors that Bankruptcy Rule 6003 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 limited their requests for immediate authority to pay prepetition claims to those circumstances where the failure to pay such claims would cause immediate and irreparable harm to the Debtors and their estates. Consequently, certain aspects of the relief sought in the First Day Pleadings will be deferred for consideration at a later hearing, as indicated in such pleadings.

a. Joint Administration Motion⁷

51. Many of the motions, applications, hearings, and orders in the Chapter 11 Cases will jointly affect each of the Debtors, who I understand are “affiliates” within the meaning of the Bankruptcy Code. Under these circumstances, the interests of the Debtors, their estates, their creditors, and other parties in interest would be best served by the joint administration of the Chapter 11 Cases for procedural purposes only. Joint administration of the Chapter 11 Cases will ease the administrative burden on the Court and all parties in interest.

52. For these reasons, the Debtors submit, and I believe, that the relief requested in the Joint Administration Motion is in the best interest of the Debtors, their estates, and their creditors and, therefore, should be approved.

b. Epiq Application

53. The Debtors request entry of an order authorizing the retention and appointment of Epiq as their claims and noticing agent in the Chapter 11 Cases. The Debtors selected Epiq after soliciting proposals from Epiq and two other potential claims and noticing agents. I believe that the relief requested in Epiq’s retention application will ease the administrative burden on the Clerk of the Court in connection with the Chapter 11 Cases. In addition, I have been advised by counsel that Epiq’s retention is required by the Local Rules in light of the aggregate number of the Debtors’ creditors. Epiq has already gained familiarity with the Debtors and their creditors through its prepetition solicitation of votes to accept or reject the Prepackaged Plan. Accordingly, the Debtors believe that the application should be approved on the terms proposed.

⁷ Any capitalized term used in this Part VII but not defined herein shall have the meaning ascribed to that term in the relevant First Day Pleading.

c. Wages Motion

54. The continued and uninterrupted support of the Debtors' employees is essential to the Debtors' success, and, therefore, the Debtors therefore seek authority to continue paying wages and benefits to their employees in the ordinary course of business. The Debtors' employees' skills and experience, their relationships with key customers and vendors who contribute to the success of the Debtors' business, and their knowledge of the intricacies of the Debtors' business operations are essential to the preservation and maximization of the value of the Debtors' estates. Interruptions in payments of prepetition employee-related obligations will impose hardship on employees and will jeopardize their continued performance during this critical time.

55. To minimize the personal hardship that the Debtors' employees will suffer if prepetition employee-related obligations are not paid when due, and to maintain employee morale during this critical time, it is important that the Debtors be permitted to pay and/or perform, as applicable, their employee-related obligations, on the terms proposed in the Wages Motion and the orders approving such requested relief, including with respect to the following, whether arising pre- or post-petition: (i) wages, salaries, paid time off, and other compensation; (ii) employee business expenses; (iii) contributions to prepetition benefit programs provided to employees; (iv) workers' compensation obligations; (v) payments for which prepetition payroll deductions were made; (vi) processing costs and administrative expenses relating to the foregoing payments and contributions; and (vii) payments to third parties incident to the foregoing payments and contributions.

56. Through the Wages Motion, the Debtors seek authority to pay a total of \$490,000 on account of prepetition workforce compensation and benefits on an interim and final basis.

d. Cash Management Motion

57. In the ordinary course of business, the Debtors maintain a centralized cash management system (the “**Cash Management System**”) involving eight (8) bank accounts. Like other businesses of their size, the Debtors designed their Cash Management System to efficiently collect, transfer, and disburse funds generated through the Debtors’ operations and to accurately record such collections, transfers, and disbursements as they are made. The Debtors’ bank accounts are all maintained at either Citizens Bank, N.A. or Webster Bank, N.A. (together, the “**Banks**”), both of which are party to a Uniform Depository Agreement with the U.S. Trustee and are FDIC-insured.

58. In light of the size and complexity of the Debtors’ operations, significant disruptions to the Debtors’ business is likely if the Debtors are required to quickly alter their cash management procedures and, accordingly, I believe that it is essential that the Debtors be permitted to maintain their Cash Management System in its current format. The Debtors further seek authority to implement ordinary course changes to their Cash Management System and to open and close bank accounts in the manner described in the Cash Management Motion. The Debtors also request authority for the Banks to charge and the Debtors to pay or honor service and other fees, costs, charges and expenses to which the Banks may be entitled under the terms of and in accordance with their respective contractual arrangements with the Debtors.

59. As detailed in the Cash Management Motion, in the ordinary course of their business, the Debtors maintain business relationships between and among themselves and their Non-Debtor Affiliates. As part of these business relationships, the Debtors and Non-Debtor Affiliates participate in a variety of intercompany transactions (the “**Intercompany Transactions**”) that generate intercompany receivables and payables (the “**Intercompany Claims**”). The Debtors maintain strict records of the Intercompany Claims and can ascertain,

trace, and account for all Intercompany Transactions. The Debtors will continue to maintain such records, including records of all current intercompany accounts receivable and payable.

60. The Cash Management System provides the mechanism for cash to flow through the Debtors and Non-Debtor Affiliates so that operations may be maintained. To lessen the disruption caused by the Chapter 11 Cases and to maximize the value of the Debtors' estates, I believe that it is essential that the Debtors be allowed to continue to implement Intercompany Transactions in the ordinary course.

e. Insurance Motion

61. In the ordinary course of business, the Debtors maintain a comprehensive insurance program (the "**Insurance Program**"). This program includes multiple insurance policies (each a "**Policy**" and, collectively, the "**Policies**"). The Policies vary in amounts and types of coverage in accordance with prudent business practices, international, state, and local laws governing the jurisdictions in which the Debtors operate, and various contractual obligations. The Policies include: (i) commercial property; (ii) environmental liability; (iii) commercial general liability; (iv) commercial automobile liability; (v) umbrella liability; (vi) business travel accident; (vii) special contingency risk; (viii) employment practices liability; (ix) directors and officers liability; and (x) aviation. A listing of all known policies currently in effect is attached as an exhibit to the Insurance Motion.

62. In connection with the Insurance Programs, the Debtors obtain brokerage and risk management services from Willis Towers Watson (the "**Broker**"). The Broker assists the Debtors in obtaining comprehensive insurance for the Debtors' operations by, among other things, assisting the Debtors with the design and development of the Insurance Program, and the procurement and negotiation of the Insurance Program, and enabling the Debtors to obtain those policies on advantageous terms at competitive rates. As of the date hereof, I believe that

approximately \$35,000 in accrued and unpaid prepetition amounts is owed with respect to the Broker, and no prepetition amounts are owed with respect to insurance premiums. The Debtors are seeking relief to pay any amounts due under their Insurance Policies and to the Broker in the ordinary course of business.

63. The Insurance Policies are essential to preserve the value of the Debtors' business and assets, and are, in some cases, required by various laws, regulations or contracts that govern the Debtors' business (and I am advised that certain insurance policies are also required by the Guidelines established by the Office of the United States Trustee for chapter 11 bankruptcy cases). It is critical that the Insurance Policies be maintained and renewed on an ongoing and uninterrupted basis. Therefore, the Debtors request that the Court authorize them to pay all prepetition premiums, fees, and expenses arising under, or related to, the Insurance Policies, if any, including with respect to any Broker's fees, in the amounts set forth in the Insurance Motion. For these reasons, I believe that the relief requested is in the best interests of the Debtors, their estates, and creditors and, therefore, should be approved.

f. Utilities Motion

64. The Debtors require various utility services at their facilities and such services are provided by several utility companies (collectively, the "**Utility Companies**"). Because the Utility Companies provide essential services to the Debtors, any significant interruption in utility services would be adversely affect the Debtors' operations. In fact, the temporary or permanent discontinuation of utility services could irreparably disrupt business operations and diminish sales revenue, and, as a result, fundamentally undermine the Debtors' efforts to maximize value. I understand that under section 366 of the Bankruptcy Code, the Debtors' Utility Companies are entitled to a form of "adequate assurance" of future performance. Accordingly, the Debtors have proposed to protect the rights of the Utility Companies by providing

such Utility Companies with a deposit in an amount equal to approximately 50% of the Debtors' estimated monthly cost of utility services subsequent to the Petition Date. The Debtors submit that the deposit, together with the Debtors' ability to pay for future utility services in the ordinary course of business, constitute adequate assurance of future payment to the Utility Companies to satisfy the requirements of section 366 of the Bankruptcy Code. To the extent that the Utility Companies disagree, however, the Utility Companies would be able to utilize the Debtors' proposed procedures to seek additional adequate assurance.

65. I believe the Debtors' proposed treatment of the Utility Companies is appropriate under the circumstances, and I am advised by counsel that the proposed procedures are consistent with procedures routinely approved in this District. Accordingly, I believe that the relief requested is in the best interests of the Debtors, their estates, and creditors and, therefore, should be approved.

g. Taxes Motion

66. In the ordinary course of business, the Debtors incur or collect and remit a variety of taxes, including, without limitation, corporate taxes, franchise taxes, sales and use taxes, real estate, motor vehicle, and personal property taxes, and certain other miscellaneous taxes (collectively, the "**Taxes**"). The Debtors also incur fees for business licenses and permits and various other fees and assessments (collectively, the "**Fees**," and together with the Taxes, the "**Taxes and Fees**"), in connection with the operation of their business, including necessary certifications for the manufacture and sale of engine parts. The Debtors remit the Taxes and Fees to certain authorities in accordance with applicable law.

67. As of the Petition Date, the Debtors estimate that approximately \$5,000 in accrued and unpaid prepetition Taxes and Fees is owed, the entirety of which will come due in the interim period, and seek authority to pay such amounts in the ordinary course of business. For the

avoidance of doubt, the Debtors are not seeking authority to pay any amounts on account of past-due taxes or to prepay any taxes that do not constitute trust fund taxes and non-estate property.

68. The Debtors have ample business justification to pay the Taxes and Fees because it is my understanding that: (i) certain of the Taxes and Fees do not constitute property of the Debtors' chapter 11 estates; (ii) substantially all of the Taxes and Fees constitute priority claims; (iii) the failure to pay certain of the Taxes and Fees may impact the Debtors' ability to conduct business in certain jurisdictions and their ability to perform under their postpetition agreements; and (iv) the Debtors' directors and officers may face personal liability if certain of the Taxes and Fees are not paid. Absent payment of these amounts, the Debtors may face serious disruptions and distractions during the administration of the Chapter 11 Cases, as well as hinder the Debtors' efforts to maximize estate value through these restructuring proceedings. I believe that the Taxes Motion should be approved because it is in the best interests of the Debtors, their estates, and creditors.

h. Critical Vendors Motion

69. As detailed herein, the Debtors are leading suppliers of complex engine components and assemblies to the global aerospace industry. In the ordinary course of the Debtors' business, the Debtors rely on and engage various goods and service providers (collectively, the "**Critical Vendors**") that, among other things, (i) supply raw materials, engineered materials, and parts to be integrated into the Debtors' products, including, without limitation, bar stock, sheet metal, cast and wrought superalloys, machined parts, forged rings and other forged metal products, investment castings, bearings, fasteners and other engineered parts, and other component parts; and (ii) provide the Debtors with critical services, such as welding, painting, coating, heat treatment, anodizing, deburring, carburizing, balancing, brazing, shot peen, stress relief, and other

material processing services as well as specialized testing, maintenance, calibration, quality assurance, packaging, information technology services, and other services.

70. Several of the Critical Vendors delivered goods which were received by the Debtors within the twenty (20) days preceding the Petition Date and, accordingly, may hold claims under section 503(b)(9) of the Bankruptcy Code (“**503(b)(9) Claims**”), and certain critical vendors provide shipping and transportation services and may have the ability to assert liens against the Debtors’ assets under applicable non-bankruptcy law (the “**Lien Claims**”). As of the Petition Date, the Debtors believe that approximately \$500,000 remains outstanding on account of 503(b)(9) Claims and approximately \$100,000 is outstanding on account of Lien Claims. Through the Critical Vendors Motion, the Debtors seek authority to pay \$5,000,000 in the aggregate on an interim basis and approximately \$7,500,000 on a final basis, inclusive of the amounts paid on an interim basis.

71. The Debtors believe it is critical that the Debtors’ network of Critical Vendors operates on a seamless basis to preserve the value of the Debtors’ business and operations. Without the instant relief, the Debtors’ ability to maximize value and drive revenue would be severely undermined and, therefore, the Debtors request approval of such relief because it is in the best interests of the Debtors, their estates, and creditors. Moreover, the Prepackaged Plan provides for the payment of general unsecured claims in full, so payment of the Critical Vendors will only affect the timing of such payment.

i. Factoring Motion

72. In the ordinary course of business, the Debtors utilize certain factoring agreements (as may be amended or modified, the “**Factoring Agreements**”) with MUFG Bank, Ltd. (“**MUFG**”) and Citibank Europe PLC (“**Citibank**” and, together with MUFG, the “**Factoring Banks**”), respectively, to enhance liquidity and the predictability of cash flows and to manage

working capital. Specifically, pursuant to the Factoring Agreements, the Debtors issue invoices to certain customers and subsequently sell those invoices and the related accounts receivable to the applicable Factoring Bank. In exchange, the Factoring Banks transfer cash to the Debtors in the amount of such invoices, net of their fees, and subsequently assume responsibility for collecting on the accounts receivable. The fees charged by the Factoring Banks vary in accordance with the terms of the Factoring Agreements, but are generally no more than one to two percent of the amount of the underlying invoice. On an annual basis, the Debtors typically assign approximately \$50,000,000 of Receivables to the Factoring Banks.

73. As set forth in the Factoring Motion, the Debtors benefit from this arrangement in multiple ways and seek to maintain their relationships with the Factoring Banks on a postpetition basis. The Debtors have filed the Factoring Motion out of an abundance of caution to obtain an order which, the Debtors believe, will help facilitate the go-forward relationship with the Factoring Banks, thereby maintaining the advantageous terms of the Factoring Agreements for the benefit of all interested parties.

74. As detailed in the Factoring Motion, there are no prepetition amounts owing on account of the Factoring Agreements, and the Debtors only seek authority to continue the arrangements in the ordinary course. Absent the maintenance of this program, which allows the Debtors, in certain instances, to shift the credit risk onto the Factoring Banks and reduce collection delay, I believe that the Debtors would suffer immediate and irreparable harm. For these reasons and those set forth in the Factoring Motion, I believe that relief requested should be approved.

j. DIP Motion

75. To implement the contemplated restructuring and preserve asset value during the pendency of the Chapter 11 Cases, the Debtors require an immediate infusion of new liquidity. Accordingly, the Debtors have negotiated and reached agreement on the terms of

debtor-in-possession financing (the “**DIP Financing**”) to be provided by Citizens Bank, N.A., Ally Bank, Channel Funding, LLC, and Siemens Financial Services, Inc. (in such capacity, the “**DIP Lenders**”), consisting of a term loan facility in an aggregate principal amount up to \$12,500,000. The DIP Financing will be secured by a valid, enforceable, fully perfected, and automatic first priority priming lien on all property and assets (or interests therein) of the Debtors’ estates (whether tangible, intangible, real, personal or mixed and wherever located) as of the Petition Date. Subject to Court approval, \$8,500,000 of proceeds from the DIP Financing will be made available to the Debtors on an interim basis.

76. Additionally, in exchange for the Prepetition Secured Creditors’ consent to the Debtors’ use of their cash collateral (the “**Cash Collateral**”), and in accordance with the terms of the Intercreditor Agreement (described above), the Debtors propose to provide an adequate protection package to the Prepetition Secured Creditors, consisting of replacement liens that will secure the obligations owing to the Prepetition Secured Creditors to the extent of any diminution in value, superpriority claims, and reporting obligations. In addition, the Debtors propose to make adequate protection payments to the Prepetition Superpriority Lien Creditors—the only oversecured Prepetition Secured Creditors—in the form of (A) the current payment of costs and expenses in accordance with the Prepetition Superpriority Lien Credit Agreement, including, without limitation, the reasonable and documented out-of-pocket fees and expenses of the lead and local counsel of the Prepetition Superpriority Lien Creditors and (B) the current payment of all accrued and unpaid interest and fees at the “Default Rate” as and when provided for in the Prepetition Superpriority Lien Credit Agreement.

77. The Debtors believe, having consulted with their advisors, that the DIP Facility represents the best option available to address their immediate liquidity needs because, in

part, it is an essential component of a broader restructuring transaction contemplated by the Prepackaged Plan, which has received unanimous support from all of the Debtors' Voting Classes, and represents the only viable financing available. Based on my experience and knowledge of the Debtors' current capital structure, as well as the Debtors' operations, and efforts to obtain financing over the past year, I do not believe that the Debtors could have obtained financing on more favorable terms from sources other than the DIP Lenders, and are similarly unable to obtain adequate unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense.

78. The DIP Facility, together with use of Cash Collateral, will enable the Debtors to operate their business in the ordinary course and seek to obtain confirmation of, and implement, the Prepackaged Plan. I believe that this will preserve and enhance the value of the Debtors' estates for the benefit of all parties in interest. I believe implementation of postpetition financing will be viewed favorably by the Debtors' customers and vendors, thereby promoting a successful reorganization.

79. Without access to the proposed DIP Facility and use of Cash Collateral, I believe that the Debtors will be forced to cease operations and will not be able to consummate the Prepackaged Plan. In contrast, the value of the Prepetition Secured Parties' interest in their Prepetition Collateral will be preserved, if not increased, by the DIP Facility and use of Cash Collateral because it ensures the uninterrupted continuation of the Debtors' operations and its continued upkeep of the Prepetition Collateral.

80. The Debtors, with the assistance of their advisors, including Riveron, have determined that the DIP Facility will be sufficient to support the Debtors' operations through the

pendency of the Chapter 11 Cases and adequate, considering all available assets, to pay administrative expenses due or accruing during the period covered by the Approved Budget.

81. The Debtors believe that the stay modifications set forth in the motion are ordinary and standard features of postpetition debtor financing facilities and reasonable and fair under the present circumstances.

82. Absent authority from the Court to obtain secured credit, as requested, on an interim basis pending the Final Hearing, the Debtors will be immediately and irreparably harmed. Accordingly, I believe that the interim relief requested is critical to preserving and maintaining the going concern value of the Debtors and facilitating their reorganization efforts.

k. Scheduling and Confirmation Motion

83. Pursuant to the Scheduling and Confirmation Motion, the Debtors seek entry of an order (the “**Scheduling Order**”):

- (a) scheduling a combined hearing (the “**Combined Hearing**”) on the adequacy of the Disclosure Statement, confirmation of the Prepackaged Plan, and assumption of the Restructuring Support Agreement;
- (b) establishing the deadline to object (the “**Objection Deadline**”) to the adequacy of the information contained in the Disclosure Statement, confirmation of the Prepackaged Plan, and assumption of the Restructuring Support Agreement;
- (c) approving the prepetition solicitation procedures regarding votes to accept the Prepackaged Plan (the “**Solicitation Procedures**”), including the forms of ballots (the “**Ballots**”) and the form and manner of the notice of the commencement of the Debtors’ chapter 11 cases, the Combined Hearing, and the Objection Deadline (the “**Combined Notice**”);
- (d) approving the notice and objection procedures, including the applicable deadline (the “**Executory Contract Objection Deadline**”) for the assumption or rejection of executory contracts and unexpired leases (the “**Executory Contract Procedures**”); and
- (e) conditionally (i) suspending the requirement to convene a meeting of creditors (the “**Creditors’ Meeting**”) under section 341(a) of the Bankruptcy Code, and (ii) excusing the requirement that the Debtors file

statements of financial affairs (“**SOFAs**”) and schedules of assets and liabilities (“**Schedules**”).

84. Specifically, the Debtors request that the Court schedule certain key dates and deadlines related to the Combined Hearing consistent with the following proposed schedule:

Event	Date/Deadline
Voting Record Date	July 21, 2023
Commencement of Solicitation	July 30, 2023
Voting Deadline	July 30, 2023
Petition Date	July 31, 2023
Combined Hearing Notice Date	August 1, 2023
Deadline to object to assumption of Restructuring Support Agreement	August 15, 2023 at 4:00 p.m. (ET)
Plan Supplement Filing Deadline	August 22, 2023
Prepackaged Plan/Disclosure Statement Objection Deadline	August 29, 2023 at 4:00 p.m. (ET)
Executory Contract Objection Deadline	August 29, 2023 at 4:00 p.m. (ET)
Prepackaged Plan/Disclosure Statement Reply Deadline (including, to the extent applicable, replies to any Executory Contract Procedures objections)	September 1, 2023 at 12:00 noon (ET), or two business days before the Combined Hearing, whichever is later
Deadline to file Proposed Confirmation Order	September 1, 2023 at 12:00 noon (ET) , or two business days before the Combined Hearing, whichever is later
Deadline to file Brief in Support of Confirmation	September 1, 2023 at 12:00 noon (ET) , or two business days before the Combined Hearing, whichever is later
Combined Hearing	September 6, 2023, subject to the Court’s availability

85. The Debtors also request that, after appropriate notice, the Court enter the Confirmation Order, approving the adequacy of the Disclosure Statement, confirming the Prepackaged Plan, and authorizing the assumption of the Restructuring Support Agreement.

86. Based on my discussions with the Debtors' advisors, I believe that a combined hearing is appropriate in these Chapter 11 Cases because the most sensitive and difficult task required to effectuate a successful reorganization—the negotiation of consensual agreements with critical creditor constituencies—was accomplished before the Petition Date. Likewise, the Debtors have already completed another significant and complex task required to effectuate a successful reorganization—the negotiation, formulation, and solicitation of a chapter 11 plan of reorganization—and have already accomplished one of the major related objectives, obtaining votes in favor of the Prepackaged Plan from 100% of the Voting Classes. Accordingly, holding a Combined Hearing in these Chapter 11 Cases will promote judicial economy and will allow the Debtors to expeditiously effectuate their consensual restructuring and preserve go-forward value at this critical juncture.

87. The Proposed Confirmation Schedule will also minimize the adverse effects of the chapter 11 filings upon the Debtors' businesses. As discussed above, the Debtors operate in a niche industry, and a prolonged stay in chapter 11 could adversely affect customer and vendor relationships. Conversely, an expedited schedule will maximize benefits to creditors and other stakeholders because it will enable prompt distributions pursuant to the terms of the Prepackaged Plan. An expeditious restructuring will also minimize the administrative expenses of the Estates.

88. The Debtors seek to move these Chapter 11 Cases forward as expeditiously as possible. I believe setting the Combined Hearing no later than approximately September 6, 2023 will maximize the likelihood that the Confirmation Order will have become final and

non-appealable under Bankruptcy Rule 8002 by the time all other conditions to consummation of the Prepackaged Plan are expected to be satisfied, enabling the Debtors to promptly consummate the terms of the Prepackaged Plan, minimize the disruption to the Debtors' business, and avoid the costs and business risks associated with a more protracted chapter 11 process.

89. The Debtors' significant stakeholders, who voted unanimously to accept the Prepackaged Plan, support scheduling the Combined Hearing as soon as possible. While the Debtors do not expect significant objections given the broad support among the Debtors' stakeholders for the Prepackaged Plan and the fact that many classes are unimpaired, I believe the proposed period of time within which to object to the Disclosure Statement or Prepackaged Plan will provide parties in interest with ample time to file objections, to the extent they wish to do so.

90. I believe that the Solicitation Procedures will provide adequate notice of the time for filing and serving objections to, and the date and time of the hearing on, the adequacy of the Disclosure Statement or confirmation of the Prepackaged Plan, and, accordingly, the Debtors are requesting that the Court approve such Solicitation Procedures as adequate.

91. I believe that the proposed schedule for the Combined Hearing, including the establishment of the Objection Deadline, is in the best interests of all parties in interest in these Chapter 11 Cases. This schedule is intended to minimize the disruption to the Debtors' businesses and avoid the costs associated with lengthy chapter 11 proceedings.

92. I also believe that the Court should authorize the Debtors to assume the Restructuring Support Agreement. The Restructuring Support Agreement is essential to the Debtors' restructuring efforts. The Restructuring Support Agreement was intensively negotiated among the Debtors and the Consenting RSA Parties at arm's length over a period of several months. The resulting agreement provides the framework for an expeditious and value-enhancing

restructuring and binds the Debtors' key stakeholders to support that restructuring. Indeed, as required by the Restructuring Support Agreement, holders of 100% of the Claims in each Voting Classes have voted unanimously to accept the Prepackaged Plan, thus positioning the Debtors for prompt consummation of a consensual Prepackaged Plan.

93. Absent timely consummation of the Prepackaged Plan consistent with the Restructuring Support Agreement, the Debtors would have to restart their negotiations relating to a plan of reorganization, which would prolong the time spent in chapter 11 and increase costs to the Debtors' estates. In short, the Restructuring Support Agreement represents the Debtors' best opportunity to successfully restructure and maximize the value of their estates. Accordingly, the Debtors respectfully request that that Court authorize the assumption of the Restructuring Support Agreement as an exercise of sound business judgment.

[Remainder of page intentionally left blank]

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 and belief.

Dated: July 31, 2023

/s/ David Nolletti

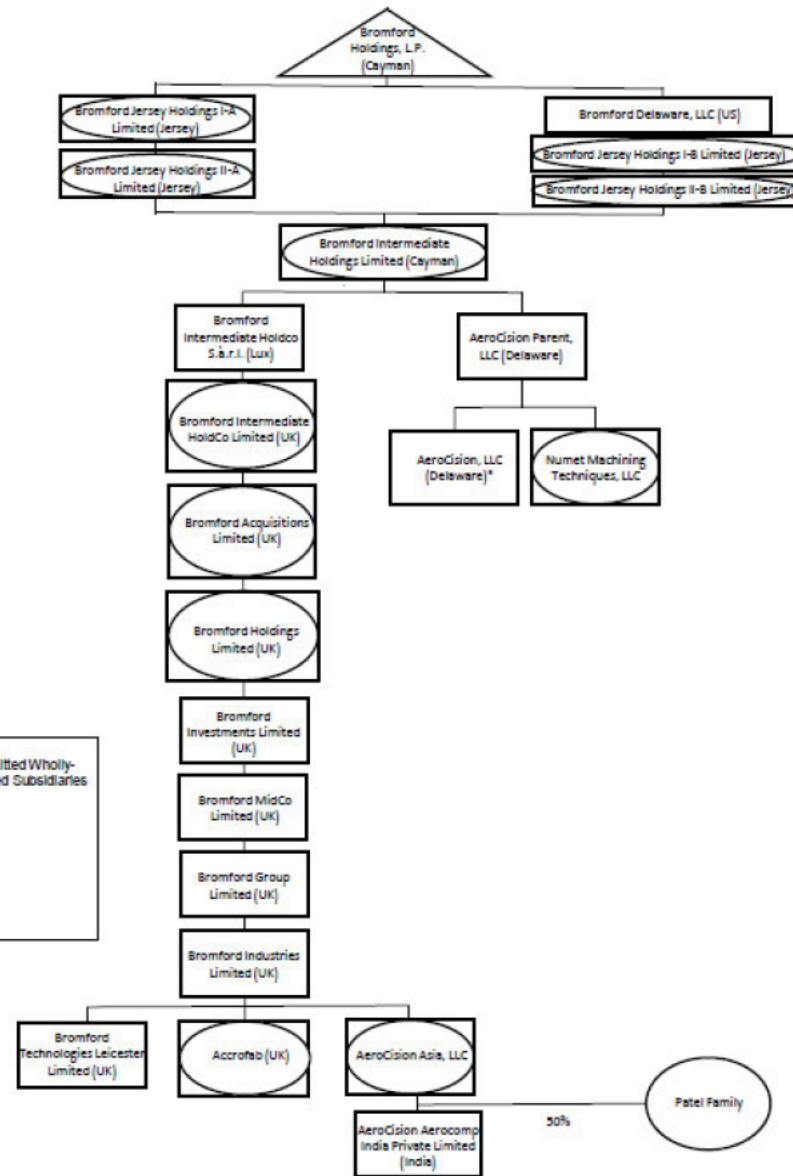
David Nolletti

Chief Restructuring Officer

AeroCision Parent, LLC, *et al.*

EXHIBIT 1

Organizational Chart



Legend (U.S. tax classification)

Unless indicated otherwise, all ownership is 100 percent.

Omitted Wholly-Owned Subsidiaries

Partnership or Pension Fund	Corporation	Disregarded Entity	Equity	Individual