IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
NEWNAN DIVISION

In re: AFH AIR PROS, LLC, *et al.*,[1] Debtors.	Chapter 11 Case No. 25-10356 (PMB) (Jointly Administered) **Hearing Date: April 23, 2025, at 1:00 p.m. ET** **Objection Deadline: April 17, 2025, at 4:00 p.m. ET**

MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER APPROVING KEY EMPLOYEE INCENTIVE PLAN AND KEY EMPLOYEE RETENTION PLAN

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), submit this motion (the "Motion") for entry of an order, substantially in the form attached hereto as **Exhibit A** (the "Proposed Order"), pursuant to sections 105(a), 363(b), and 503(b) and (c)(3) of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq*. (the "Bankruptcy Code"), and Rule 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), approving (i) a key employee incentive plan ("KEIP") comprised of (a) a non-executive KEIP (the "Non-Executive KEIP") for certain of the Debtors' non-executive employees, as described herein and as set forth in **Exhibit 1** to the Proposed Order (the "KEIP Overview"), and (b) a KEIP for the Debtors' Chief Operating Officer as described herein (the "Executive KEIP"); and (ii) a key employee retention plan ("KERP") for certain non-management employees of the Debtors, as described herein and as set forth in **Exhibit 2** to the Proposed Order (the "KERP Overview"). In support of this Motion, the Debtors submit the *Declaration of Andrew D.J. Hede in Support of the Motion of the Debtors*

[1] The last four digits of AFH Air Pros, LLC's tax identification number are 1228. Due to the large number of debtor entities in these chapter 11 cases, a complete list of the debtor entities and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the claims and noticing agent at https://www.veritaglobal.net/AirPros. The mailing address for the debtor entities for purposes of these chapter 11 cases is: 150 S. Pine Island Road, Suite 200, Plantation, Florida 33324.

for Entry of an Order Approving Key Employee Incentive Plan and Key Employee Retention Plan attached hereto as **Exhibit B** (the "KEIP/KERP Declaration"). In further support of this Motion, the Debtors respectfully state as follows:

JURISDICTION AND VENUE

1. The United States Bankruptcy Court for the Northern District of Georgia (the "Court") has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue is proper in the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory and legal predicates for the relief requested herein are sections 105, 363(b), and 503(b) and (c)(3) of the Bankruptcy Code and Bankruptcy Rule 6004.

BACKGROUND

A. The Chapter 11 Cases

3. On March 16, 2025 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with this Court.

4. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. No official committee has been appointed in the above-captioned chapter 11 cases (the "Chapter 11 Cases"), and no request has been made for the appointment of a trustee or an examiner.

6. A detailed factual background of the business and operations, as well as the events precipitating the commencement of these chapter 11 cases, is more fully set forth in the *Declaration of Andrew D.J. Hede in Support of Chapter 11 Petitions and First Day Pleadings* [Docket No. 8] (the "First Day Declaration"), filed on the Petition Date and incorporated herein by reference.

A. Prepetition Retention Program

7. Prior to the Petition Date, the Debtors determined that it was necessary to formulate and implement a program to incentivize and retain certain key employees to ensure that the Debtors do not suffer significant and costly key employee turnover during the prepetition marketing and sale process and the preparation of these Chapter 11 Cases. Accordingly, the Debtors established and implemented a retention plan (the "Prepetition KERP") for approximately 52 employees (collectively, the "Prepetition KERP Participants"), which included payment of bonuses to employees prior to the Petition Date in the aggregate amount of $626,000 (the "Prepetition KERP Payments"). The Debtors made the Prepetition KERP Payments to Prepetition KERP Participants between December 2024 and March 2025.

8. Prior to receiving a Prepetition KERP Payment, each KERP Participant agreed that if they resign from employment with the Company prior to the postpetition KERP Payment Date (as defined herein), the resigning KERP Participant shall repay the Debtors the net amount of all KERP Payments received. To effectuate such repayment, the Prepetition KERP Participants agreed that the Debtors may withhold the repayment amount from any final wage payments from the Debtors to such Prepetition KERP Participant to the extent permitted under applicable law. To the extent that withholding from final wage payment is prohibited under applicable law or the Prepetition KERP Participant's final wage payment is not sufficiently to permit the Debtors to withhold the full repayment amount, then the Prepetition KERP Participant agreed to repay the Debtors the outstanding repayment amount within 10 days of the Prepetition KERP Participant's resignation and, if the Prepetition KERP Participant fails to do so and the Debtors thereafter commence a collection action to recoup the outstanding repayment amount, the Prepetition KERP

Participant agrees to pay the Debtors' reasonable attorneys' fees and costs incurred in such collection action.

B. The Key Employee Incentive Program[2]

9. Given the uncertainty created by the Chapter 11 Cases, the Debtors also determined it was necessary to formulate and adopt a comprehensive compensation program for certain key employees to appropriately incentivize continued operational performance during these Chapter 11 Cases and to maximize the going concern value of the Debtors' assets.

10. The KEIP is comprised of (a) a Non-Executive KEIP for certain of the Debtors' non-executive employees, as described herein and as set forth in **Exhibit 1** to the Proposed Order (the "KEIP Overview"), and (b) an Executive KEIP for the Debtors' Chief Operating Officer as described herein. As set forth below, the KEIP appropriately motivates and rewards the KEIP Participants (defined below) in connection with their efforts to successfully reach prescribed financial and operational targets.

i. Non-Executive KEIP Participants

11. The Debtors have limited participation in the Non-Executive KEIP to certain specified non-executive key employees as set forth on **Exhibit 3** to the Proposed Order (collectively, the "Non-Executive KEIP Participants").[3] The Non-Executive KEIP Participants are comprised of four principal groups:

- Corporate Management. The Corporate Management group is comprised of key management employees of Debtor Air Pros Solutions, LLC ("Solutions") who are not

[2] Capitalized terms used in this section but not otherwise defined herein have the meanings ascribed to such terms in the KEIP Overview. The summary of the Non-Executive KEIP in this Motion is provided for informational purposes and is subject in all respects to the KEIP Overview. To the extent of any conflict between this summary and the KEIP Overview, the KEIP Overview controls.

[3] By separate motion filed contemporaneously herewith, the Debtors are requesting authority to file **Exhibit 3** to the Proposed Order, which identifies each of the initial Non-Executive KEIP Participants and proposed awards, under seal.

officers of the Debtors. The Corporate Management Non-Executive KEIP Participants have oversight over all aspects of the Debtors' business and are deemed critical to achieving financial and operational objectives.

- Business Unit ("BU") General Managers. The BU General Managers are comprised of general managers of each business unit and are critical to the financial and operational performance of their respective business unit.

- Call Center Management. The Call Center Management group is comprised of key employees who manage call center operations for the Debtors' businesses.

- Solutions (Non-Management). The Solutions (Non-Management) group is comprised of key non-management employees of Solutions who influence business management and financial and operational performance but are not dedicated to a specific business unit.

12. Each of the Non-Executive KEIP Participants is an employee of the Debtors. The Debtors carefully selected the Non-Executive KEIP Participants because they are essential to the successful operation of the Debtors' businesses and the administration of their estates. The efforts and performance of the Non-Executive KEIP Participants will materially impact the Debtors' ability to manage their businesses during these Chapter 11 Cases through the marketing and sale process, which will inure to the benefit of all creditors.

ii. Non-Executive KEIP Target and Objectives

13. Each Non-Executive KEIP Participant shall be entitled to a bonus payment (a "KEIP Payment") if both of the following achievements are met (the "Non-Executive KEIP Targets"):

(i) *Revenue Target*. The Applicable Business Unit achieves the applicable Revenue Targets set forth in the KEIP Overview; and

(ii) *Gross Margin Target*. The Applicable Business Unit achieves a gross margin (per the Debtors' published financial statements) during the Measurement Period that is equal to or greater than the Applicable Business Unit's gross margin in the Prior Year Measurement Period as set forth in the KEIP Overview (the "Gross Margin Target").

14. As set forth in greater detail in the KEIP Overview, the Non-Executive KEIP Targets for each Non-Executive KEIP Participant vary based on the respective Non-Executive

KEIP Participant's position with the Debtors. For example, for the Corporate Management, Call Center Management, and Solutions (Non-Management) Non-Executive KEIP Participants, the Non-Executive KEIP Targets are based on the collective performance of certain specified business units. For Non-Executive KEIP Participants that are BU General Managers, the Non-Executive KEIP Targets are based on performance of the specific business unit with which such Non-Executive KEIP Participant is employed.

15. Subject to achievement of the Gross Margin Target, the KEIP Payments will be determined based on the achievement of the applicable Revenue Target milestone achieved by the Applicable Business Unit. As set forth in the KEIP Overview, the Revenue Targets are divided into three milestones with an increasing incentive payment for each milestone achieved as follows:

Revenue Target	KEIP Payment[4]
Milestone 1	**5 – 10%** of such KEIP Participant's 2024 base salary
Milestone 2	Additional **4 – 8%** of such KEIP Participant's 2024 base salary
Milestone 3	Additional **4 – 7%** of such KEIP Participant's 2024 base salary

16. The KEIP Payments will not exceed a maximum aggregate amount of $694,000 comprised of (a) $216,000 on account of Corporate Management KEIP Participants, (b) $306,000 on account of BU General Manager KEIP Participants, (c) $15,000 on account of Call Center Management KEIP Participants, and (d) $157,000 on account of Solutions (Non-Management)

[4] The amount of the KEIP Payment as a percentage of base salary will vary by KEIP Participant based on, among other considerations, the KEIP Participant's KEIP Group and the Applicable Business Unit. The specific Gross Margin Target, Revenue Target Milestones, and applicable KEIP Payments that may be earned by each KEIP Participant upon achievement of the applicable KEIP Targets is set forth in Exhibit 3 to the Proposed Order.

KEIP Participants, with maximum payments ranging from 5-25% of each Non-Executive KEIP Participant's base salary.[5]

iii. KEIP Payment Date

17. KEIP Payments will be made on June 30, 2025, or such earlier date as the Debtors deem appropriate (the "KEIP Payment Date"). Only Non-Executive KEIP Participants that are on the Debtors' payroll as of the payment date will be entitled to receive KEIP Payments; provided that any Non-Executive KEIP Participant that is on payroll on June 30, 2025 but is terminated other than for cause prior to the KEIP Payment Date shall be entitled to his or her KEIP Payment.[6] Upon voluntary termination or termination for cause prior to the receipt of any KEIP Payment, a Non-Executive KEIP Participant's KEIP Payment, if any, will be forfeited. Such forfeited KEIP Payments will not be made available to other employees.

18. The Debtors believe that the Non-Executive KEIP appropriately motivates and rewards the Non-Executive KEIP Participants in connection with their efforts to successfully reach the prescribed targets based on achievement of predetermined net revenue and gross margin targets.

C. Executive KEIP

19. In addition to the Non-Executive KEIP, the Debtors have established additional incentives for Brian Smith, the Debtors' Chief Operating Officer (the "Executive KEIP

[5] As provided in the KEIP Overview and the KERP Overview, the Debtors reserve the right to add additional non-insiders as Non-Executive KEIP Participants or KERP Participants (as defined below) and to reasonably reallocate KEIP Payments and KERP Payments (as defined below), provided that the aggregate additional KEIP Payments and KERP Payments will not exceed $250,000 in the aggregate.

[6] For purposes of the KEIP, "cause" means (i) the willful failure to perform the employee's duties, (ii) commission of any material act of fraud or dishonesty against the Company, (iii) conviction of or a plea of guilty or nolo contendere to a crime that constitutes a felony or a crime that constitutes a misdemeanor involving moral turpitude, (iv) embezzlement, misappropriation, or fraud, whether or not related to employment with the Company, or (v) material violation of the Company's written policies or codes of conduct.

Participant", and collectively with the Non-Executive KEIP Participants, the "KEIP Participants"), based upon achievement of certain gross margin, revenue, and sale proceeds targets.[7]

20. First, the Executive KEIP Participant shall be entitled to a monthly bonus payment in the amount of $25,000 per month (the "Monthly Performance Payment") if (i) the Applicable Business Units[8] achieve aggregate "net revenue" (per the Company's published financial statements) for such month which is equal to or greater than the amounts set forth for such month in the following table (the "Monthly Revenue Target") and (ii) the Applicable Business Units achieve a gross margin (per the Debtors' published financial statements) during the month that is no less than 44.0% (the "Monthly Gross Margin Target", and together with the Monthly Revenue Target, the "Executive Performance Targets", and collectively with the Non-Executive KEIP Targets, the "KEIP Targets"):

Month	Revenue Target
March 2025	$6,862,800
April 2025	$7,538,250
May 2025	$9,344,200
June 2025	$9,060,150

21. In addition to the Executive Performance Targets, the Executive KEIP Participant is entitled to an additional bonus (a "Sale Incentive Payment") upon the completion of the Debtors' sale process based on the total gross sale proceeds achieved in the sale of the Debtors' assets as follows:

[7] For the avoidance of doubt, the COO is not a KEIP Participant under the Non-Executive KEIP described above and shall not be entitled to any bonus payments under the Non-Executive KEIP.

[8] For purposes of the Executive KEIP, the "Applicable Business Units" means, collectively, East Coast Mechanical, CM Air Pros, Dallas Plumbing, One Source, and Hansen business units of the Debtors.

Gross Sale Proceeds	Sale Incentive Payment
Less Than $150,000,000 or any credit bid by the Debtors' prepetition or postpetition secured lenders, regardless of value	$150,000
$150,000,000 to $175,000,000	$300,000
$175,000,000 to $200,000,000	$400,000
Greater than $200,000,000	$500,000

22. To the extent that the applicable Executive Performance Targets are achieved for a particular month, the Monthly Performance Payment attributable to such month will be paid to the Executive KEIP Participant in the following month. Any Sale Incentive Payment that is earned shall be paid to the Executive KEIP Participant following the last closing of a sale transaction such that substantially all of the Debtors' assets have been sold.

23. The Debtors believe that the Executive KEIP appropriately motivates and rewards the COO in connection with his efforts to successfully reach the prescribed Monthly Performance Targets during these Chapter 11 Cases based on achievement of predetermined net revenue and gross margin targets. In addition, the Sale Incentive Payments based upon the aggregate gross proceeds received for the sale of substantially all of the Debtors' assets appropriately motivates and rewards the Executive KEIP Participant in connection with the sale.

D. The Key Employee Retention Program[9]

24. The Debtors seek to implement the KERP to ensure that the Debtors do not suffer significant and costly key employee turnover during these Chapter 11 Cases. The loss of the KERP Participants (defined below) would hamper the Debtors' ability to effectively and efficiently

[9] Capitalized terms used in this section but not otherwise defined herein have the meanings ascribed to such terms in the KERP Overview. The summary of the KERP in this Motion is provided for informational purposes and is subject in all respects to the KERP Overview. To the extent of any conflict between this summary and the KERP Overview, the KERP Overview controls.

administer their estates and result in significant revenue declines (potentially also lowering the value of the Debtors' assets in connection with the ongoing marketing and sale process) and ultimately impact potential recoveries for the Debtors' creditors. In particular, the circumstances of these Chapter 11 Cases are likely to increase employee turnover, especially in light of the availability of alternatives for the Debtors' employees, many of whom are highly skilled. The proposed retention plan seeks to balance the need to motivate employees to remain with the Debtors (and the costs associated with increased employee turnover) with the financial constraints on the Debtors' businesses and the interests of their creditors. Therefore, in consultation with their advisors, the Debtors have determined that a non-insider retention program would be an effective way to retain key employees during these Chapter 11 Cases.

25. The Debtors have limited participation in the KERP to certain non-insider and non-senior management employees critical to the Debtors' business operations (collectively, the "KERP Participants") as set forth on **Exhibit 3** to the Proposed Order.[10] The KERP Participants generally serve in critical administrative roles, including operational, back office, and administrative positions.

26. Each of the KERP Participants is an employee of the Debtors. The Debtors carefully selected the KERP Participants because they are essential to the successful operation of the Debtors. The efforts of the KERP Participants will materially impact the Debtors' ability to manage their business through consummation of a sale or sales of the Debtors' assets, which will maximize recoveries for all creditors. The KERP Participants (a) have critical knowledge, skills, and experience in areas central to the success of the Debtors' operations, (b) possess skills that are

[10] Exhibit 3 to the Proposed Order identifies each initial KERP Participant, the proposed KERP Payments (as defined below), and the role of each KERP Participant, demonstrating that the KERP Participants are not "insiders" within the meaning of the Bankruptcy Code.

difficult and costly to replace, and (c) are important to the going concern businesses such that the Debtors and their advisors believe their retention will help maximize the value of the Debtors' assets.

27. The proposed KERP payments (the "KERP Payments") total a maximum aggregate amount of $174,000 and range from 8% to 17% of such KERP Participants' base compensation.[11] The KERP Payments were calculated for each KERP Participant by analyzing the degree to which the employee is critical to maintaining successful operations and the restructuring process, the risk that such employee would voluntarily leave the Debtors or be recruited by a competitor of the Debtors, the difficulty of replacing the employee, and the employee's possession of irreplaceable proprietary knowledge.

28. KERP Payments will be made on June 30, 2025, or such earlier date as the Company deems appropriate based on the circumstances of these Chapter 11 Cases. Only KERP Participants that are on the Debtors' payroll as of the payment date will be entitled to receive their respective KERP Payment. Upon voluntary termination or termination for cause prior to the receipt of the KERP Payment, a KERP Participant's KERP Payment for such period, if any, will be forfeited.[12] Such forfeited KERP Payments will not be made available to other employees.

RELIEF REQUESTED

29. The Debtors request entry of the Proposed Order approving the KEIP and the KERP.

[11] As previously referenced herein, the Debtors reserve the right to add additional non-insiders as KEIP Participants or KERP Participants and to reasonably reallocate KEIP Payments and KERP Payments, provided that the aggregate additional KEIP Payments and KERP Payments will not exceed $250,000 in the aggregate.

[12] As used herein, "cause" shall mean: (i) the willful failure to perform the employee's duties, (ii) commission of any material act of fraud or dishonesty against the Company, (iii) conviction of or a plea of guilty or nolo contendere to a crime that constitutes a felony or a crime that constitutes a misdemeanor involving moral turpitude, (iv) embezzlement, misappropriation, or fraud, whether or not related to employment with the Company, or (v) material violation of the Company's written policies or codes of conduct.

BASIS FOR RELIEF

A. The KEIP

i. Implementation of the KEIP is Warranted Under Section 363(b)(1) as an Exercise of the Debtors' Sound Business Judgment and is Warranted Under the Fact and Circumstances of These Cases

30. Section 363(b)(1) provides that "[t]he [debtor], after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). Under section 363, a court may approve a request for relief when the debtor shows a sound business justification for such relief. S*ee Dai Ilchi Kangyo Bank Ltd. v. Montgomery Ward Holding Corp. (In re Montgomery Ward Holding Corp.)*, 242 B.R. 147, 153 (D. Del. 1999) ("In determining whether to authorize the use, sale, or lease of property of the estate under [section 363(b)], courts require the debtor to show that a sound business purpose justifies such actions.").

31. The business judgment rule applies in chapter 11 cases and shields a debtor's management from judicial second-guessing. *Official Comm. of Subordinated Bondholders v. Integrated Res., Inc. (In re Integrated Res., Inc.)*, 147 B.R. 650, 656 (S.D.N.Y. 1992). In that regard, courts have found that a debtor's use of reasonable performance bonuses and other incentives for employees is a valid exercise of a debtor's business judgment. *See, e.g., In re Glob. Home Prods., LLC*, 369 B.R. 778, 787 (Bankr. D. Del. 2007) (approving incentive plan as proper exercise of the debtors' business judgment); *In re Am. W. Airlines, Inc.*, 171 B.R. 674, 678 (Bankr. D. Ariz. 1994) (noting that it is the proper use of a debtor's business judgment to propose bonuses for employees who helped propel the debtor successfully through the bankruptcy process); *In re Interco Inc.*, 128 B.R. 229, 234 (Bankr. E.D. Mo. 1991) (stating that a debtor's business judgment was controlling in the approval of a "performance/retention program").

32. In determining whether the approval of a compensation plan is a proper exercise of a debtor's business judgment, courts consider several factors, including: (a) whether there is a

reasonable relationship between the plan proposed and the results to be obtained (i.e., whether the key employee will stay for as long as it takes for the debtor to market its assets, or, in the case of a performance incentive, whether the plan is calculated to achieve the desired performance); (b) whether the plan is reasonable in the context of the debtor's assets, liabilities, and earning potential; (c) whether the scope of the plan is fair and reasonable; (d) whether the plan or proposal is consistent with industry standards; (e) the due diligence efforts of the debtor in investigating the need for a plan, including analyzing which key employees need to be incentivized; and (f) whether the debtor received independent counsel in performing due diligence and in creating and authorizing the incentive compensation. *Global Home Prods.*, 369 B.R. at 786 (*citing In re Dana Corp.*, 358 B.R. 567, 576–77).

33. The Debtors determined, in their business judgment, that implementation of the KEIP is likely to maximize the value of the Debtors' estates and ensure the success of the sale process. The assistance of the Debtors' key employees is essential to maintaining continuous operations during these Chapter 11 Cases and the ongoing marketing and sale process. As set forth herein, the KEIP Participants are employees whose performance and assistance during these Chapter 11 Cases will directly impact the going concern values of the Debtors' businesses and, thus, the proceeds to be realized from the proposed sales of the Debtors' assets. The Non-Executive KEIP Participants include general managers responsible for overseeing operations of their respective business unit, employees who manage call center operations, and non-management employees who can influence the Debtors' business. The KEIP Targets establish goals for the KEIP Participants that, if achieved, will have a meaningful impact on the Debtors' sale efforts. Thus, the KEIP Participants are essential to the Debtors' operational success and to achieving a successful sale process that maximizes value and benefits all stakeholders of the Debtors' estates.

34. Moreover, the cost of the KEIP is reasonable in the context of the Debtors' assets, liabilities, and earning potential, and is consistent with industry standards. The Debtors received independent counsel from their advisors in performing due diligence and in creating the KEIP, investigating the need for a KEIP, analyzing which employees needed to be incentivized, and determining what is generally applicable in their industry. The Debtors carefully selected the KEIP Participants who are essential to the successful operation of the Debtors, and because the Debtors believe that the KEIP Participants have the ability to maximize creditor recoveries by ensuring continued, uninterrupted operations during these Chapter 11 Cases. Accordingly, the Debtors believe that the KEIP is reasonable, consistent with the industry standards, and does not discriminate unfairly. Accordingly, the KEIP is the result of the Debtors' sound business judgment and is justified by the facts and circumstances of these Chapter 11 Cases and should be approved.

ii. The KEIP is a Performance-Based Incentive Plan and is Therefore Sections 503(c)(1) and 503(c)(2) do Not Apply

35. Section 503(c) of the Bankruptcy Code, which governs certain retention and severance compensation to insiders, does not apply to the KEIP. As discussed above, "[c]ompensation issues are normally governed by business judgment standards, i.e., proof that there is a broad business purpose for an action," and the "reasonable use of incentives and performance bonuses are considered the proper exercise of a debtor's business judgment." *In re Global Home Prods., LLC*, 369 B.R. 778, 783-84 (Bankr. D. Del. 2007). Section 503(c), however, limits approval of retention and severance plans for insiders as well as any compensation plan that is outside the ordinary course of business. *Id.* at 783–85.

36. In discussing the implementation of section 503(c), the Court in *Global Home Products* noted:

> Section 503(c)(1) prohibits payments to "insiders" to induce them to remain with the debtor unless a court finds that the evidence

> establishes that the payment is "essential" because the individual has a "bona fide" offer from another entity at the same or greater rate of compensation, and the individual's services are "essential" to the debtor's survival. The retention bonuses are also limited in amount. Section 503(c)(2) permits severance payments to "insiders" only if they are part of a program which is applicable to all employees and are less than ten times the mean of severance payments given to nonmanagement employees. Sections 503(c)(1) and (2) are plainly high hurdles to clear if payments are primarily designed for retention.

Id. at 785.

37. While retention and severance plans for insiders are subject to sections 503(c)(1) and (2) of the Bankruptcy Code, "[t]he entire analysis changes if a bonus plan is not primarily motivated to retain personnel or is not in the nature of severance." *Id.* at 785. Importantly, the analysis changed because "all compensation has a retention element." *Id.* at 786. Where the Debtors are asking to approve a performance-based incentive plan, such as the KEIP, rather than a retention plan, section 503(c)(1) is not applicable even if the plan participants are insiders; rather, the court must determine if the plan satisfies the business judgment and reasonableness standards under section 363. *Id.* at 787; *see also In re Nellson Nutraceutical, Inc.*, 369 B.R. 787, 802 (Bankr. D. Del. 2007) (finding that although a bonus plan for insiders had "some retentive effect, it is for the primary purpose of motivating employees and, thus, the limitations of section 503(c)(1) are not applicable").

38. Here, the requirements of sections 503(c)(1) and (2) do not apply to the KEIP, because (a) the Non-Executive KEIP Participants are not insiders of the Debtors, (b) the KEIP, including the Executive KEIP, is a performance-based incentive plan, and any retentive effect is merely incidental, and (c) the KEIP is not a severance plan. The KEIP Targets will incentivize the KEIP Participants to work diligently and expeditiously to manage the Debtors' businesses during the postpetition marketing and sale process and give the Debtors the best possible chance to

maximize the value of their estates, which will inure to the benefit of the Debtors' creditors. As in *Global Home Products*, any retentive aspect of the KEIP here is merely incidental, because the KEIP is performance-based. Therefore, sections 503(c)(1) and (2) do not apply, and the KEIP is subject to the business judgment rule.

iii. Awards Under the KEIP are Administrative Expenses

39. Additionally, the Debtors request that the KEIP Payments, once earned, be deemed to be administrative expenses pursuant to section 503(b) of the Bankruptcy Code, entitled to priority under section 507(a)(2) of the Bankruptcy Code. Section 503(b) provides that there shall be allowed administrative expenses for "the actual, necessary costs and expenses of preserving the estate . . . ." 11 U.S.C. § 503(b)(1)(A). As set forth herein, the KEIP is a critical component of the Debtors' strategy in these Chapter 11 Cases and necessary to preserve and maximize the value of the Debtors' estates for the benefit of all stakeholders. Accordingly, all awards and payments under the KEIP, once earned, should be granted administrative expense priority under section 503(b) and 507(a)(2) of the Bankruptcy Code.

B. The KERP

i. Implementation of the KERP is in the Ordinary Course of the Debtors' Business and Therefore Authorized by Section 363(c)

40. Under section 363(c)(1) of the Bankruptcy Code, a debtor in possession may "enter into transactions . . . and use property of the estate in the ordinary course of business without notice and a hearing." 11 U.S.C. § 363(c)(1). The proper standard of review for expenditure of estate funds for a retention program is the "business judgment" standard. *See In re Allied Holdings, Inc.*, 337 B.R. 716, 721 (Bankr. N.D. Ga. 2005) (rejecting arguments that a more rigorous standard should be applied to review of a KERP and "follow[ing] the majority of courts that have addressed this particular issue" applying the business judgment standard). Indeed, the court in *Allied*

Holdings acknowledged and recognized that "KERP Programs . . . have become customary uses of estate funds in large business reorganizations." *Id*. at 721.

41. Here, the Debtors' implementation of the KERP is a sound exercise of the Debtors' business judgment and is justified by the facts and circumstances of this case. As noted above, the KERP Participants are critical employees of the Debtors, and the Debtors need their knowledge and expertise to efficiently administer the estates. The uncertainty created by the commencement of the Chapter 11 Cases coupled with the proposed sale process raises the risk that these critical employees may leave the Debtors' employ before the completion of the sale process. The loss to the Debtors of the KERP Participants' skills and institutional knowledge would jeopardize the Debtors' ability to maintain going concern value of their businesses, which will benefit the estates and maximize the values of the Debtors' assets. Therefore, a non-insider retention program for the KERP Participants is necessary and appropriate to mitigate the risks posed by the facts and circumstances of these Chapter 11 Cases.

42. The KERP is a reasonable exercise of business judgment, is in the best interests of the Debtors' estates, and will help ensure the successful operation of their business during the Debtors' Chapter 11 Cases. Accordingly, the Debtors respectfully request that the Court enter the Proposed Order granting the Motion and approving the KERP.

ii. Sections 503(c)(1) and (2) do Not Apply to The KERP Because the KERP Participants Are Not Insiders

43. The KERP Participants are not insiders of the Debtors, and therefore the limitations under section 503(c)(1) and (2) do not apply. As noted previously, sections 503(c)(1) and (2) of the Bankruptcy Code prohibit certain retention and severance plans for "insiders." *See* 11 U.S.C. §§ 503(c)(1)-(2). The Bankruptcy Code defines an insider of a corporation as a "(i) director of the debtor; (ii) officer of the debtor; (iii) person in control of the debtor; (iv) partnership in which the

debtor is a general partner; (v) general partner of the debtor; or (vi) relative of a general partner, director, officer, or person in control of the debtor." 11 U.S.C. § 101(31)(B).

44. The Debtors assessed the insider status of each KERP Participant and determined that no KERP Participant is an insider because, among other things, they do not make critical financial decisions or enjoy the authority to make company-wide or strategic decisions. Nor do any KERP Participants exercise sufficient authority over the Debtors so as to unqualifiedly dictate corporate policy or the disposition of corporate assets. In addition, none of the KERP Participants report to the board of directors in the ordinary course, but rather, each KERP Participant reports to a more senior employee of the Debtors. Therefore, while the titles of the KERP Participants reflect their individual roles and functions, no corporate action has been taken to appoint any KERP Participant as an officer of the Debtors, the titles given to the KERP Participants do not confer officer status upon the KERP Participants, and the KERP Participants do not control or participate in the management of the Debtors. Therefore, the KERP Participants are not "insiders" as defined in the Bankruptcy Code. Instead, the KERP Participants are critical employees of the Debtors who have the knowledge and experience to carry out the decisions of management in an efficient and cost-effective manner. Because no KERP Participant is an "insider" within the meaning of the Bankruptcy Code, section 503(c) does not apply.

iii. Awards Under the KERP are Administrative Expenses

45. Additionally, the Debtors request that the KERP Payments, once earned, be deemed to be administrative expenses pursuant to section 503(b) of the Bankruptcy Code, entitled to priority under section 507(a)(2) of the Bankruptcy Code. Section 503(b) provides that there shall be allowed administrative expenses for "the actual, necessary costs and expenses of preserving the estate . . . ." 11 U.S.C. § 503(b)(1)(A). As set forth herein, the KERP is a critical component of the Debtors' strategy in these Chapter 11 Cases and necessary to preserve and maximize the value of

the Debtors' estates for the benefit of all stakeholders. Accordingly, all awards and payments under the KERP, once earned, should be granted administrative expense priority under section 503(b) and 507(a)(2) of the Bankruptcy Code.

NOTICE

46. Notice of this Motion has been provided to: (a) the Office of the United States Trustee for the Northern District of Georgia; (b) creditors holding the 30 largest unsecured claims against the Debtors; (c) counsel for the Debtors' prepetition and postpetition lenders and collateral agent; (d) the Internal Revenue Service; (e) the Georgia Department of Revenue; (f) the Attorney General for the State of Georgia and the states attorneys general for states in which the Debtors conduct business; (g) the United States Attorney for the Northern District of Georgia; and (h) any party that has requested notice pursuant to Bankruptcy Rule 2002. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

NO PRIOR REQUEST

47. No prior request for the relief sought in this Motion has been made to this or any other court.

CONCLUSION

WHEREFORE, the Debtors respectfully request that this Court enter the Proposed Order granting the relief requested herein and such other and further relief as is just and proper.

Dated: March 27, 2025

Respectfully submitted,

GREENBERG TRAURIG, LLP

/s/ Matthew A. Petrie
David B. Kurzweil (Ga. Bar No. 430492)
Matthew A. Petrie (Ga. Bar No. 227556)
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Proposed Counsel for the Debtors and Debtors in Possession

Exhibit A

Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
NEWNAN DIVISION**

In re:	Chapter 11
AFH AIR PROS, LLC, *et al.*,[1]	Case No. 25-10356 (PMB)
Debtors.	(Joint Administration Requested)
	Re: Docket No. ___

ORDER APPROVING KEY EMPLOYEE INCENTIVE PLAN AND KEY EMPLOYEE RETENTION PLAN

Upon the *Motion of the Debtors for Entry of an Order Approving Key Employee Incentive Plan and Key Employee Retention Plan* (the "Motion");[2] and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and this matter being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue of these Chapter 11 Cases and the Motion in this district being proper pursuant to 28 U.S.C. §§ 1408 and 1409; and due and sufficient notice of (a) the opportunity to object to relief requested in the Motion by April 17, 2025 at 4:00 p.m. (prevailing Eastern Time) and (b) for hearing on the Motion scheduled for April 23, 2025 at 1:00 p.m. (prevailing Eastern Time) having been given under the particular circumstances pursuant to the *Third Amended and Restated General Order No. 24-2018*; and no hearing is necessary on the Motion absent the filing of an objection with respect to the same; and the Court having considered the Motion and all other matters of record, including the First Day Declaration and the KEIP/KERP

[1] The last four digits of AFH Air Pros, LLC's tax identification number are 1228. Due to the large number of debtor entities in these chapter 11 cases, a complete list of the debtor entities and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the claims and noticing agent at https://www.veritaglobal.net/AirPros. The mailing address for the debtor entities for purposes of these chapter 11 cases is: 150 S. Pine Island Road, Suite 200, Plantation, Florida 33324.

[2] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

Declaration filed as Exhibit B to the Motion; this Court having determined that there is good and sufficient cause for the relief set forth in this Order; and based on the foregoing, no further notice or hearing is required; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties-in-interest; and after due deliberation thereon; and good and sufficient cause appearing therefor

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED to the extent provided herein.

2. The Non-Executive KEIP, as described and set forth in the KEIP Overview attached hereto as **Exhibit 1**, is approved in all respects.

3. The Executive KEIP, as described and set forth in the Motion, is approved in all respects.

4. The KERP, as described and set forth in the KERP Overview attached hereto as **Exhibit 2**, is approved in all respects.

5. Any payments earned under the KEIP by the KEIP Participants or under the KERP by the KERP Participants shall, in each case, constitute administrative expenses under section 503(b) of the Bankruptcy Code and entitled to priority in payment under section 507(a)(2) of the Bankruptcy Code.

6. Neither the KEIP, the KERP, nor any individual's participation in the KEIP or the KERP (i) is intended to constitute or shall be interpreted as a promise of employment for any period of time or (ii) is intended or shall be deemed to change a participant's status, if applicable, as an at will employee of the Debtors.

7. To the extent any KEIP Participant or KERP Participant is entitled to an allowed administrative expense claim for severance, any KEIP Payment or KERP Payment, as applicable, made to such KEIP Participant or KERP Participant shall automatically offset and reduce on a dollar-for-dollar basis any such administrative severance claim.

8. Notwithstanding anything to the contrary contained in this Order, any payment, deposit, or other transfer made or to be made under this Order, any authorization contained in this Order, or any claim for which payment is authorized hereunder, shall be subject to the terms and provisions of any orders of this Court approving any debtor-in-possession financing for, or any use of cash collateral by, the Debtors and any approved budget (subject to permitted variances thereto) in connection therewith. Nothing herein is intended to modify, alter, or waive, in any way, any terms, provisions, requirements, or restrictions of (a) any such orders approving any debtor-in-possession financing or use of cash collateral or (b) any debtor-in-possession financing agreements and documents related thereto.

9. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Order.

10. Notwithstanding any applicable Bankruptcy Rule, this Order shall be effective and enforceable immediately upon entry hereof.

11. Proposed counsel for the Debtors, through Kurtzman Carson Consultants, LLC d/b/a Verita Global ("Verita"), shall, within three days of the entry of this Order, cause a copy of this Order to be served by electronic mail or first-class mail, as applicable, on all parties served with the Motion, and Verita shall file promptly thereafter a certificate of service confirming such service.

12. The Court shall retain jurisdiction with respect to all matters arising from or related to the implementation and interpretation of this Order.

END OF ORDER

Prepared and presented by:

GREENBERG TRAURIG, LLP

/s/ Matthew A. Petrie
David B. Kurzweil (Ga. Bar No. 430492)
Matthew A. Petrie (Ga. Bar No. 227556)
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Proposed Counsel for the Debtors and Debtors in Possession

Exhibit 1

KEIP Overview

KEY EMPLOYEE INCENTIVE PLAN (NON-EXECUTIVE)

The Key Employee Incentive Plan (the "Non-Executive KEIP") of Air Pros Solutions, LLC ("Solutions") and its direct and indirect subsidiaries (collectively, the "Company") described herein is designed to incentivize non-executive key employees to achieve optimum financial and operational results based on predetermined net revenue and gross margin targets as set forth herein.

A. KEIP Participants

The Company has limited participation in the Non-Executive KEIP to certain specified non-executive key employees who are vital to the Company's business and maximizing value (the "Non-Executive KEIP Participants"). The Non-Executive KEIP Participants are comprised of four principal groups (the "KEIP Groups"):[1]

- Corporate Management. The Corporate Management group is comprised of key Solutions management employees who are not officers of the Company. The Corporate Management Non-Executive KEIP Participants have oversight over all aspects of the Company's business and are deemed critical to achieving financial and operational objectives.

- Business Unit ("BU") General Managers. The BU General Managers are comprised of general managers of each business unit and are critical to the performance of their respective business unit.

- Call Center Management. The Call Center Management group is comprised of key employees who manage call center operations for the Company's businesses.

- Solutions (Non-Management). The Solutions (Non-Management) group is comprised of key Solutions non-management employees who influence business management and financial and operational performance but are not dedicated to a specific business unit.

B. KEIP Metrics and Targets

The Non-Executive KEIP appropriately motivates and rewards Non-Executive KEIP Participants in connection with their efforts to successfully reach prescribed targets based on achievement of predetermined net revenue and gross margin targets.

Each Non-Executive KEIP Participant shall be entitled to a bonus payment (a "KEIP Payment") if both of the following achievements are met (the "KEIP Targets"):

(i) *Revenue Target*. The Applicable Business Unit achieves the applicable Revenue Targets set forth in the schedules below; and

(ii) *Gross Margin Target*. The Applicable Business Units achieve an aggregate gross margin (per the Company's published financial statements) during the

[1] The Company reserves the right to add additional non-insiders as Non-Executive KEIP Participants and to reasonably reallocate KEIP Payments, provided that the aggregate additional KEIP Payments and KERP Payments (as defined in the KERP Overview) will not exceed $250,000 in the aggregate.

Measurement Period that is equal to or greater than the Applicable Business Unit's gross margin in the Prior Year Measurement Period as set forth in the schedules below (the "Gross Margin Target").

The amount of the KEIP Payment earned by and payable to each Non-Executive KEIP Participant shall be determined based on the following schedules:[2]

Revenue Target	KEIP Payment[3]
Milestone 1	**5 – 10%** of such KEIP Participant's base salary
Milestone 2	**4 – 8%** of such KEIP Participant's base salary
Milestone 3	**4 – 7%** of such KEIP Participant's base slaary

<table>
<tr><th>Revenue Target</th><th>Gross Margin Target</th><th>KEIP Group</th></tr>
<tr><td>Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than $25,003,000, but less than $30,003,000</td><td rowspan="3">44.1%</td><td rowspan="3">Corporate Management, Call Center Management, or Solutions (Non-Management)</td></tr>
<tr><td>Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than $30,003,000, but less than $33,337,000</td></tr>
<tr><td>Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than $33,337,000</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td>Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than $7,135,000, but less than $8,562,000</td><td rowspan="2">40.3%</td><td rowspan="2"><u>BU General Managers</u>:
CM</td></tr>
<tr><td>Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than $8,562,000, but less than $9,514,000</td></tr>
</table>

2 For the avoidance of doubt, no KEIP Payments shall be earned or payable if (i) the Applicable Business Unit's gross margin for the Measurement Period is less than the Applicable Business Unit's gross margin for the Prior Year Measurement Period, or (ii) the Applicable Business Unit does not achieve the applicable Revenue Targets. To the extent that the Measurement Period is shortened or extended, the KEIP Targets set forth herein shall be adjusted accordingly to reflect the shortened or extended Measurement Period

3 The amount of the KEIP Payment as a percentage of Base Salary will vary by individual based on, among other considerations, the KEIP Participant's KEIP Group and the business unit with which the KEIP Participant is affiliated.

Revenue Target	Gross Margin Target	KEIP Group
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$9,514,000**		
Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than **$6,577,000**, but less than **$7,892,000**	50.8%	BU General Managers: East Coast Mechanical
Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than **$7,892,000**, but less than **$8,769,000**		
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$8,769,000**		
Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than **$6,194,000**, but less than **$7,432,000**	33.4%	BU General Managers: Hansen
Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than **$7,432,000**, but less than **$8,258,000**		
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$8,258,000**		
Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than **$2,789,000**, but less than **$3,347,000**	54.1%	BU General Managers: Dallas
Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than **$3,347,000**, but less than **$3,719,000**		
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$3,719,000**		
Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than **$2,308,000**, but less than **$2,769,000**	51.5%	BU General Managers: One Source
Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than **$2,769,000**, but less than **$3,077,000**		
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$3,077,000**		

Revenue Target	Gross Margin Target	KEIP Group
Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than **$971,000**, but less than **$1,165,000**	46.9%	BU General Managers: Doug's
Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than **$1,165,000**, but less than **$1,295,000**		
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$1,295,000**		
Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than **$716,000**, but less than **$860,000**	36.0%	BU General Managers: Boca
Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than **$860,000**, but less than **$955,000**		
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$955,000**		
Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than **$799,000**, but less than **$958,000**	37.8%	BU General Managers: Ocala
Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than **$958,000**, but less than **$1,065,000**		
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$1,065,000**		
Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than **$327,000**, but less than **$392,000**	57.4%	BU General Managers: Orlando
Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than **$392,000**, but less than **$436,000**		
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$436,000**		

Revenue Target	Gross Margin Target	KEIP Group
Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than **$1,502,000**, but less than **$1,802,000**	31.1%	BU General Managers: Davie
Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than **$1,802,000**, but less than **$2,002,000**		
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$2,002,000**		
Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than **$279,000**, but less than **$335,000**	51.7%	BU General Managers: Tampa
Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than **$335,000**, but less than **$372,000**		
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$372,000**		
Milestone 1: Actual Revenue of the Applicable Business Unit is equal to or greater than **$1,004,000**, but less than **$1,253,000**	42.5%	BU General Managers: Dream Team
Milestone 2: Actual Revenue of the Applicable Business Unit is equal to or greater than **$1,253,000**, but less than **$1,392,000**		
Milestone 3: Actual Revenue of the Applicable Business Unit is equal to or greater than **$1,392,000**		

Exhibit 3 attached to the order approving the KEIP, sets forth each Non-Executive KEIP Participant and their respective base salary, Gross Margin Target, Revenue Target Milestones, and applicable KEIP Payments that may be earned upon achievement of the applicable Non-Executive KEIP Targets.

For purposes of the Non-Executive KEIP, the following terms have the following respective meanings:

- "Actual Revenue" means the aggregate "net revenue" (per the Company's published financial statements) for the Measurement Period.
- "Applicable Business Unit" means, as applicable, (a) with respect to Non-Executive KEIP Participants who are Corporate Management, Call Center Management, or Solutions (Non-Management): East Coast Mechanical, CM Air Pros, Dallas Plumbing,

One Source, and Hansen business units of the Company, collectively; or (b) with respect to Non-Executive KEIP Participants who are BU General Management, the specific business unit with which such Non-Executive KEIP Participant is employed.

- "Measurement Period" means the period commencing February 1, 2025, through and including May 31, 2025, or such other date as the Company deems appropriate.

- "Prior Year Measurement Period" means the period commencing February 1, 2024, through and including May 31, 2024, or other such date that is commensurate with the "Measurement Period".

C. KEIP Payments

KEIP Payments will be made on June 30, 2025 (the "KEIP Payment Date") or such earlier date as the Company deems appropriate, or if the Non-Executive KEIP Participant executes an employment agreement with a party approved of by the Company. Only Non-Executive KEIP Participants that are on the Company's payroll as of the payment date will be entitled to receive KEIP Payments; provided that any Non-Executive KEIP Participant that is on payroll on June 30, 2025 but is terminated other than for cause prior to the KEIP Payment Date shall be entitled to his or her KEIP Payment.[4] Upon voluntary termination or termination for cause prior to the receipt of any KEIP Payment, a Non-Executive KEIP Participant's KEIP Payment, if any, will be forfeited. Such forfeited KEIP Payments will not be made available to other employees.

[4] As used herein, "cause" means (i) the willful failure to perform the employee's duties, (ii) commission of any material act of fraud or dishonesty against the Company, (iii) conviction of or a plea of guilty or nolo contendere to a crime that constitutes a felony or a crime that constitutes a misdemeanor involving moral turpitude, (iv) embezzlement, misappropriation, or fraud, whether or not related to employment with the Company, or (v) material violation of the Company's written policies or codes of conduct.

Exhibit 2

KERP Overview

KEY EMPLOYEE RETENTION PLAN

The Key Employee Retention Plan (the "KERP") of Air Pros Solutions LLC and its direct and indirect subsidiaries (collectively, the "Company") described herein is designed to retain certain key non-management employees.

A. KERP Participants

The Company has limited participation in the KERP to certain specified key non-management employees who are essential to the successful operations of the Company (the "KERP Participants"). **Exhibit 3** attached to the order approving the KERP sets forth each KERP Participant and their respective base salary ("Base Salary"), role with the Debtors, and KERP Payment that may be earned by such KERP Participant. The Company reserves the right to add additional non-insiders as KERP Participants and to reasonably reallocate KERP Payments, provided that the aggregate additional KERP Payments and KEIP Payments (as defined in the KEIP Overview) will not exceed $250,000 in the aggregate.

B. KERP Payments

Subject to satisfying certain employment criteria described herein, on June 30, 2025, or such earlier date as the Company deems appropriate in its sole discretion (the "KERP Payment Date"), each KERP Participant shall receive a bonus payment (the "KERP Payment") in an amount between 8% and 17% of such KERP Participant's Base Salary.

Only KERP Participants that are on the Company's payroll as of the KERP Payment Date will be entitled to receive a KERP Payment on such date. Upon voluntary termination or termination for cause prior to the receipt of the KERP Payment, a KERP Participant's KERP Payment for such period, if any, will be forfeited.[1] Such forfeited KERP Payments will not be made available to other employees.

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[1] As used herein, "cause" means (i) the willful failure to perform the employee's duties, (ii) commission of any material act of fraud or dishonesty against the Company, (iii) conviction of or a plea of guilty or nolo contendere to a crime that constitutes a felony or a crime that constitutes a misdemeanor involving moral turpitude, (iv) embezzlement, misappropriation, or fraud, whether or not related to employment with the Company, or (v) material violation of the Company's written policies or codes of conduct.

Exhibit 3

KEIP Participants and KERP Participants

[PENDING REQUEST TO FILE UNDER SEAL]

Exhibit B

KEIP/KERP Declaration

IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
NEWNAN DIVISION

In re:	Chapter 11
AFH AIR PROS, LLC, *et al.*,[1]	Case No. 25-10356 (PMB)
Debtors.	(Jointly Administered)

DECLARATION OF ANDREW D.J. HEDE IN SUPPORT OF THE MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER APPROVING KEY EMPLOYEE INCENTIVE PLAN AND KEY EMPLOYEE RETENTION PLAN

I, Andrew D.J. Hede, hereby declare under penalty of perjury, pursuant to section 1746 of title 28 of the United States Code, as follows:

1. I am the Chief Restructuring Officer of AFH Air Pros, LLC and the affiliated debtors and debtors in possession (collectively, the "Debtors"), which have filed voluntary petitions under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") commencing the above-captioned chapter 11 cases (the "Chapter 11 Cases") on March 16, 2025.

2. I am a Senior Managing Director of Accordion Partners, LLC ("Accordion") and Head of Accordion's Turnaround & Restructuring Practice. I have over 30 years of financial and operational transformation and restructuring experience in both the United States and Australia. I specialize in advising companies, creditors, and equity sponsors in distressed and non-distressed situations, focusing on financial and operational reviews, liquidity management, performance

[1] The last four digits of AFH Air Pros, LLC's tax identification number are 1228. Due to the large number of debtor entities in these chapter 11 cases, a complete list of the debtor entities and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the claims and noticing agent at https://www.veritaglobal.net/AirPros. The mailing address for the debtor entities for purposes of these chapter 11 cases is: 150 S. Pine Island Road, Suite 200, Plantation, Florida 33324.

improvement, business and asset divestment, business plan preparation and review, recapitalization strategies, and negotiation of reorganization plans.

3. Accordion has been retained by the Debtors as financial advisors since March 2024. In addition, I have served as the Chief Restructuring Officer ("CRO") of the Debtors in the above-captioned chapter 11 cases (the "Chapter 11 Cases") since September 2024.[2] As a result of Accordion's previous engagement as a financial advisor to the Debtors and my work as the CRO of the Debtors I have become extremely familiar with the Debtors' day to day operations, business and financial affairs, and books and records. As part of my duties as CRO in these Chapter 11 Cases, I am advising the Debtors on their day-to-day operations, bankruptcy compliance, budgets, cash flows, financial analysis, and overall restructuring efforts.

4. I submit this declaration (the "Declaration") in support of the *Motion of the Debtors for Entry of an Order Approving Key Employee Incentive Plan and Key Employee Retention Plan* (the "Motion"),[3] which seeks entry of an order (i) approving the KEIP and the KERP, as described in the Motion, and authorizing the Debtors to implement the KEIP and the KERP, and (ii) allowing all payments thereunder as administrative expenses of the estates pursuant to section 503(b) of the Bankruptcy Code, entitled to priority under section 507(a)(2) of the Bankruptcy Code.

5. Except as otherwise indicated, all the facts set forth in this Declaration are based upon my personal knowledge, my discussions with members of the Debtors' management team and the Debtors' other advisors, my review of relevant documents and information concerning the

[2] Additional information regarding the terms of Accordion's retention by the Debtors, including copies of the applicable engagement agreements, is set forth in greater detail in *Debtors' Application for an Order Authorizing (I) the Retention of Accordion Partners, LLC to Provide the Debtors a Chief Restructuring Officer and Certain Additional Personnel and (II) Designation of Andrew D.J. Hede as Chief Restructuring Officer for the Debtors and Debtors in Possession, Effective as of the Petition Date* [Docket No. 59] and my declaration in support thereof.

[3] Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Motion.

Debtors' operations, financial affairs, and restructuring initiatives, or my opinions based upon my experience and knowledge. If called as a witness, I could and would testify competently to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtors.

THE KEY EMPLOYEE INCENTIVE PLAN

6. I believe that a successful sale process as proposed in these Chapter 11 Cases will maximize value to the Debtors' estates, will preserve jobs for hundreds of employees, and ensure that the Debtors' customers continue to receive the high level of service historically provided by the Debtors. I recognize the need to retain key employees and incentivize employee performance is imperative to these objectives. As set forth below, I believe that the KEIP appropriately rewards, motivates, and reassures the KEIP Participants (defined below) in connection with their efforts to successfully maintain the Debtors' operations and going concern value and consummate efficient and successful sales of the Debtors' assets. The KEIP is an entirely performance-based incentive program, which is only paid if the applicable targets (the "KEIP Targets") are achieved, as discussed below.

7. I, with the assistance of other members of the senior management team, formulated the terms of the KEIP in good faith and compared them to the Debtors' historical performance to ensure that the terms and conditions of the KEIP are fair and reasonable and properly incentivize the KEIP Participants to maximize the value of the Debtors' estates. Accordingly, I believe that implementation of the KEIP is a sound exercise of the Debtors' business judgment.

A. Non-Executive KEIP

8. The Debtors have limited participation in the Non-Executive KEIP to certain specified non-executive employees (collectively, the "Non-Executive KEIP Participants"). Each of the Non-Executive KEIP Participants is an employee of the Debtors and was carefully selected

by the Debtors because they are essential to the successful operation of the Debtors' businesses and the administration of the estates. The efforts and performance of the Non-Executive KEIP Participants will materially impact the Debtors' ability to manage their businesses through these Chapter 11 Cases through the marketing and sale process, which will inure to the benefit of all creditors.

9. I believe that the Non-Executive KEIP appropriately motivates and rewards the Non-Executive KEIP Participants in connection with their efforts to successfully reach prescribed financial and operational KEIP Targets based on achievement of predetermined net revenue and gross margin targets for the Applicable Business Units.

10. Under the proposed Non-Executive KEIP, the Non-Executive KEIP Participants will not be eligible to receive an incentive payment (the "KEIP Payments") unless the Debtors achieve both KEIP Targets. I believe that the proposed KEIP Payments appropriately incentivize and compensate the postpetition efforts of the Non-Executive KEIP Participants.

B. Executive KEIP

11. The Debtors have also established additional incentives for the Debtors' COO, Brian Smith (the "Executive KEIP Participant", and collectively with the Non-Executive KEIP Participants, the "KEIP Participants"). The Executive KEIP Participant is essential to the successful operation of the Debtors and the administration of the estates, whose efforts and performance will materially impact the management of the Debtors' businesses through these Chapter 11 Cases and the outcome of the sale process, which will inure to the benefit of all creditors.

12. I believe the Executive KEIP appropriately motivates and rewards the Executive KEIP Participant in connection with the prescribed KEIP Targets based on monthly net revenue, gross margin, and gross sale proceeds realized from the sale process that the Debtors are pursuing

in these Chapter 11 Cases. Under the proposed Executive KEIP, the Executive KEIP Participant will not be entitled to a Monthly Performance Payment unless both the Monthly Revenue Target and the Monthly Gross Margin Target are met. Additionally, any Sale Incentive Payment is tied directly to the actual gross sale proceeds achieved in the sale of the Debtors' assets.

C. The KEIP is Reasonable, Necessary, and Warranted Under the Facts and Circumstances of These Chapter 11 Cases

13. The skills, knowledge, and motivation of the KEIP Participants are essential to preserving the going concern value of the Debtors' businesses and maximizing recoveries for the Debtors' creditors. In addition to their already demanding ordinary course activities overseeing the Debtors' businesses and maintaining key relationships with customers, vendors, and employees in the face of the Debtors' bankruptcy filings, the KEIP Participants must work with the Debtors' professionals to stabilize and maintain operations. In light of these circumstances, achieving the KEIP Targets during these Chapter 11 Cases may be challenging, and the result is not assured.

14. To evaluate the reasonableness of the proposed KEIP Targets, the Debtors reviewed the historical performance prior to the Petition Date with respect to each of the KEIP Targets. Based on my review of the Debtors' historical performance, I believe that the KEIP Targets are reasonable under the circumstances. The KEIP Targets and KEIP Payments have been carefully tailored to incentivize the KEIP Participants to ensure that the Debtors are operationally sound, administer their estates efficiently, and maximize the value of the Debtors' estates for the benefit of all stakeholders.

15. The motivated, best efforts of the KEIP Participants are essential to optimizing operational performance, preserving and maximizing the value of the Debtors' assets as a going concern, and ensuring that the Debtors' customers receive the high-quality service that the Debtors are accustomed to providing. As set forth above, in addition to their already demanding ordinary

course activities overseeing the Debtors' businesses and maintaining key relationships with customers, vendors, and employees in the face of the Debtors' bankruptcy filings, the KEIP Participants must work with the Debtors' professionals to stabilize and maintain operations. Thus, the KEIP Participants are essential to the Debtors' operational success and preserving and maximizing the value of the Debtors' assets as a going concern.

16. In addition, the cost of the KEIP is reasonable in the context of the Debtors' assets, liabilities, and earning potential. Under my supervision, the Debtors performed substantial due diligence in investigating the need for a KEIP, analyzing which key employees were critical and needed to be incentivized, and determining what is generally applicable in the Debtors' industry. The Debtors carefully selected the KEIP Participants because they are essential to the successful operation of the Debtors' businesses through the consummation of the proposed sales of the Debtors' assets and because the Debtors believe that the KEIP Participants have the ability to maximize the recovery to creditors by ensuring the Debtors operate efficiently and effectively during these Chapter 11 Cases.

17. The KEIP Participants will not participate in any other incentive plan (other than ordinary course sales commissions), and amounts paid to any KEIP Participant under the KEIP will automatically offset and reduce on a dollar-for-dollar basis any allowed administrative severance claims to which the KEIP Participant may have been entitled.

THE KEY EMPLOYEE RETENTION PLAN

18. The Debtors seek to implement the KERP to ensure that they do not suffer significant and costly key employee turnover during the chapter 11 process. I believe the loss of the KERP Participants would hamper the Debtors' ability to effectively and efficiently administer their estates and result in significant revenue declines (potentially also lowering the value of the Debtors' assets) and ultimately impact potential recoveries for the Debtors' creditors. In particular,

I believe that without the KERP, the circumstances of these Chapter 11 Cases are likely to increase employee turnover, especially in light of the challenges posed by the Debtors' liquidity issues and the availability of alternatives for the Debtors' employees, many of whom are highly skilled. I expect that the KERP Participants will be faced with additional pressure due to uncertain future job prospects. Therefore, Accordion and the Debtors have determined that a non-insider retention program would be an effective way to retain certain key employees during these Chapter 11 Cases.

19. The proposed retention plan seeks to balance the need to motivate employees to remain with the Debtors (and the costs associated with increased employee turnover) with the financial constraints on the Debtors' businesses and the interests of their creditors.

A. KERP Participants

20. In developing the KERP, the Debtors have identified certain individuals critical to the Debtors' business operations. These KERP Participants (a) have critical knowledge, skills, and experience in areas central to the success of the Debtors' operations, (b) possess skills that are difficult and costly to replace, and (c) are important to the going concern businesses such that the Debtors and their advisors believe that their retention will help maximize the value of the Debtors' assets through a sale.

21. Accordion worked with the Debtors and their advisors to assess the insider status of each KERP Participant and determined that no KERP Participant is an insider because, among other things, they do not make critical financial decisions or enjoy the authority to make company-wide or strategic decisions. Nor do any of the KERP Participants exercise sufficient authority over the Debtors so as to unqualifiedly dictate corporate policy or the disposition of corporate assets. In addition, none of the KERP Participants report to the board of directors in the ordinary course. Rather, each KERP Participant reports to a more senior employee or an officer of the Debtors. Therefore, while the titles of the KERP Participants reflect their individual roles and functions, the

KERP Participants do not participate in the management of the Debtors and I do not believe they confer officer status upon the KERP Participants. Rather, the KERP Participants are critical employees of the Debtors who have the knowledge and experience to carry out the decisions of management in an efficient and cost-effective manner.

B. The KERP Terms

22. The proposed KERP payments (the "KERP Payments") were calculated for each KERP Participant by analyzing the degree to which the employee is critical to maintaining successful operations and the restructuring process, the risk that such employee would voluntarily leave the Debtors or be recruited by a competitor of the Debtors, the difficulty of replacing the employee, and the employee's possession of irreplaceable proprietary knowledge. The KERP Payments total $174,000 in the aggregate if all eligible KERP Participants remain employed on the payment date. Based on my review of the KERP, I believe that the KERP is reasonable and necessary to retain certain key employees during these Chapter 11 Cases.

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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: March 27, 2025

/s/ Andrew D.J. Hede
Andrew D.J. Hede
Chief Restructuring Officer of the Debtors
and Debtors in Possession