

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re

**WESCO AIRCRAFT HOLDINGS, INC.,
et al.,¹**

Debtors.

Case No. 23-90611 (DRJ)

Chapter 11

(Joint Administration Requested)

**DECLARATION OF
PETER LAURINAITIS IN SUPPORT OF
DEBTORS' EMERGENCY MOTION FOR ENTRY OF
INTERIM AND FINAL ORDERS (I) AUTHORIZING
THEM TO (A) OBTAIN POSTPETITION FINANCING
AND (B) USE CASH COLLATERAL, (II) GRANTING
LIENS AND PROVIDING SUPERPRIORITY
ADMINISTRATIVE EXPENSE CLAIMS, (III) GRANTING
ADEQUATE PROTECTION TO PREPETITION
SECURED PARTIES, (IV) MODIFYING THE AUTOMATIC
STAY, AND (V) GRANTING RELATED RELIEF**

¹ The Debtors operate under the trade name Incora and have previously used the trade names Wesco, Pattonair, Haas, and Adams Aviation. A complete list of the Debtors in these chapter 11 cases, with each one's federal tax identification number and the address of its principal office, is available on the website of the Debtors' noticing agent at <http://www.kccllc.net/incora/>. The service address for each of the Debtors in these cases is 2601 Meacham Blvd., Ste. 400, Fort Worth, TX 76137.



I, Peter Laurinaitis, declare under penalty of perjury as follows:

1. I am a Partner in the Restructuring and Special Situations Group at PJT Partners LP (“**PJT**”), an investment banking firm with principal offices located at 280 Park Avenue, New York, New York 10017. I anticipate that the debtors and debtors in possession in the above-captioned chapter 11 cases (the “**Debtors**” and, together with their non-Debtor subsidiaries, “**Incora**”) will file, within the first thirty days of these chapter 11 cases, an application to retain PJT as their investment banker.

2. I submit this declaration (this “**Declaration**”) in support of the Debtors’ *Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Secured Financing and (B) Use Cash Collateral, (II) Granting Liens and Providing Superpriority Administrative Expense Claims, (III) Granting Adequate Protection to Prepetition Secured Parties, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing, and (VI) Granting Related Relief* (the “**Motion**”),² which, as noted in the Motion, seeks approval of a senior-secured superpriority debtor-in-possession financing consisting of new money notes in an aggregate principal amount of approximately \$300 million (the “**DIP Financing**”) and the consensual use of Cash Collateral.³

3. Except as otherwise indicated, all statements in this Declaration are based on (i) my personal knowledge of the Debtors’ operations and finances, (ii) my review of relevant documents, (iii) information provided to me by PJT employees working with me or under my supervision, (iv) information provided to me by, or discussions with, the members of the Debtors’ management team or their other advisors, and/or (v) my opinion based upon my experience as a restructuring professional. I am not being compensated for this testimony other than through payments received

² Capitalized terms used but not defined herein have the meanings ascribed to them in the Motion, the Interim Order (as defined in the Motion), or the First-Day Declaration (as defined below), as applicable.

³ The material terms of the DIP Financing are set forth in further detail in the Motion. For the avoidance of doubt, any description of the DIP Financing herein or in the Motion is qualified in its entirety by reference to the DIP Documents (as defined in the Interim Order).

by PJT as a professional proposed to be retained by the Debtors in these chapter 11 cases.⁴ If called upon to testify, I could and would testify to the statements set forth herein. I am over the age of 18 years and authorized to submit this Declaration.

BACKGROUND AND QUALIFICATIONS

4. PJT is a leading global financial advisory firm with more than 900 employees in 11 offices in the U.S., Europe, and Asia. The firm offers integrated advisory services for mergers and acquisitions, restructuring and special situations, and fund placement. PJT is an industry leader in advising companies and creditors in all aspects of complex restructurings and bankruptcies. The firm has extensive experience providing financial advisory and investment banking services to financially distressed companies, including representing both debtors and lenders in the procurement and provision of postpetition financing. PJT is a registered broker-dealer with the United States Securities and Exchange Commission and is a member of the Securities Investor Protection Corporation and is regulated by the Financial Industry Regulatory Authority.

5. I received a BS in Accounting from the University of Central Florida in 1993, an MS in Accounting from the University of Central Florida in 1995, and an MBA in Finance from the Wharton School of the University of Pennsylvania in 2002.

6. I have more than 25 years of restructuring experience. Since joining The Blackstone Group's ("***Blackstone***") restructuring group in 2002 (which group was spun-off into PJT in 2015), I have provided restructuring advice to companies, creditors, shareholders, and other interested parties on restructuring transactions both in chapter 11 and on an out-of-court basis. Prior to working at Blackstone, I worked in the Audit and Corporate Restructuring groups at Arthur Andersen LLP from 1993 to 2000.

7. In addition to acting as the investment banker to the Debtors prior to and during these chapter 11 cases, some of my other most notable publicly disclosed restructuring assignments

⁴ Pursuant to PJT's engagement letter with the Debtors, subject to this Court's approval, PJT will be entitled to receive a fee in respect of the DIP Financing equal to 1.0% x \$300 million or \$3 million.

include All American Oil & Gas, BPZ Resources, Bruin E&P Partners, Chaparral Energy, Denbury Resources, Endeavour International, Energy XXI, Ltd., EP Energy, Flying J, Inc., General Motors Corporation, GWG Holdings, Halcón Resources, Harvey Gulf, Horsehead Industries, Inc., Legacy Reserves, Inc., LINN Energy, Magnum Hunter Resources, New Gulf Resources, Pacific Lumber Company, Penn Virginia Corporation, Philadelphia Energy Solutions, Quicksilver Resources, Sabine Oil & Gas, Sanchez Energy Corporation, Scotia Pacific Company, LLC, SemGroup, L.P., Sheridan Production Partners, Titan Energy, and Vanguard Natural Resources.

PJT’S RETENTION

8. PJT has been engaged as investment banker to the Debtors, and the PJT team has been working closely with the Debtors since December 2022. PJT was initially engaged by the Debtors from October 2021 to March 2022 in connection with the Debtors’ capital structure and refinancing initiatives, including advising the Debtors in respect of their March 2022 exchange transaction. On or about December 16, 2022, PJT was re-engaged by the Debtors in connection with the Debtors’ evaluation of potential in-court and out-of-court liquidity and capital structure solutions, and, more recently, the Debtors’ preparations for these chapter 11 cases. PJT has worked closely with the Debtors’ management and other advisors in evaluating these alternatives. Through all of these efforts, the PJT team has become familiar with the Debtors’ capital structure, liquidity needs, and business operations.

THE DIP FINANCING

I. THE DEBTORS’ NEED FOR LIQUIDITY

9. I understand that information regarding the Debtors’ cash needs leading up to the Petition Date and the need for the relief requested in the Motion is addressed in the *Declaration of Raymond Carney in Support of Chapter 11 Petitions and First Day Motions* (the “**First Day Declaration**”), and in the *Declaration of Brian Cejka in Support of Debtors’ Emergency Motion for Entry of Interim And Final Orders (I) Authorizing Them to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (II) Granting Liens and Providing Superpriority Administrative*

Expense Claims, (III) Granting Adequate Protection to Prepetition Secured Parties, (IV) Modifying the Automatic Stay, and (V) Granting Related Relief (the “Cejka Declaration”), to be filed substantially contemporaneously with this Declaration and the Motion. Key issues highlighted therein include the continued effect of COVID-19 disruptions to the aerospace supply chain, the effect of global inflation on inventory pricing, the significant burden of debt service payments, disruption in trade terms and factoring, and other issues that have impacted the Debtors’ liquidity position.

10. In light of these continuing challenges, and as described further in the Cejka Declaration, I understand that the Debtors’ management team and its other advisors have assessed that procuring DIP financing of approximately \$300 million in principal amount, with \$110 million available upon entry of the Interim Order, would be sufficient to fund ongoing operations during these chapter 11 cases and the administrative costs and expenses of these chapter 11 cases, which will likely be complex and may take time to resolve.

II. THE DEBTORS’ EFFORTS TO OBTAIN POSTPETITION FINANCING

11. In the weeks leading up to the Petition Date, at the request of the Debtors, PJT conducted a DIP marketing process, which included contacting 24 potential third-party financing sources to gauge interest in providing postpetition financing to the Debtors. These potential financing sources were a mix of traditional banks and third-party direct lenders that have been active and/or have in the past shown interest in postpetition financing activity. Of the financing sources that were contacted, 22 responded and 9 executed non-disclosure agreements and were provided access to a virtual data room that contained a business plan, 12-month liquidity forecast, 13-week cash flows, working capital collateral analysis, and certain other information. Discussions with potential third-party lenders focused primarily on a debtor-in-possession financing structure under which the new-money lenders would share a lien with the existing Prepetition ABL Debt on a “second out” basis. Given that the First Lien Noteholder Group had informed the Debtors that they would not consent to a priming lien on the non-working capital fixed asset collateral, the Debtors and PJT believed that a “second out” on the Prepetition ABL Priority Collateral was the

most likely to attract capital from a third-party lender while also receiving necessary consents from the relevant prepetition lenders. Nevertheless, PJT encouraged parties to consider any and all types of financing. Despite these efforts, only one third-party financing source elected to submit an initial non-binding indication of interest in providing debtor-in-possession financing. This indication of interest was submitted just days prior to the filing of these chapter 11 cases. Feedback from potential lenders who declined to submit a financing proposal, to the extent provided at all, included potential lender concerns in respect of the potential value of collateral, uncertainty regarding the chapter 11 case, and general global economic uncertainty. With respect to the one third party indication of interest that was received, such DIP proposal remained a non-binding initial indication of terms and was subject to the lender completing its business and legal diligence, negotiation of legal documentation, and obtaining formal institutional investment committee authorization to enter into a commitment. As noted above, the Debtors would be required to obtain the consent of the existing ABL lenders to the sharing of their collateral and negotiation of an intercreditor agreement with this potential DIP lender. The Debtors have requested such consent from the ABL lenders but have not yet received such consent nor have any assurance that such consent would be obtained.

12. In parallel with this marketing process to parties outside the current capital structure, PJT and the Debtors other advisors solicited DIP Financing proposals from stakeholders throughout the Debtors' existing capital structure, including the lenders of the Prepetition ABL Debt, significant holders of the Prepetition 1.25L Notes and the 2024, 2026, and 2027 Unsecured Notes, and the First Lien Noteholder Group. Aside from the First Lien Noteholder Group, only one additional party, a holder of the 2027 Unsecured Notes, submitted an indication of interest for the \$300 million DIP financing the Debtors were seeking.⁵ This proposal remained a non-binding initial indication of terms and was subject to business and legal diligence as well as negotiation of

⁵ The Debtors also received a non-binding, non-conforming proposal from one of the ABL lender participants in their own capacity, for a \$100 to \$150 million DIP, however such proposal did not provide the full amount of financing required by the Debtors and such proposal remained subject to diligence and internal approval.

legal documentation and obtaining authorization to provide a formal commitment. Similar to the third party proposal, this DIP proposal would also require the consent of the ABL lenders to the sharing of the ABL collateral, with such consent not yet received, and no assurance such consent would be forthcoming.

13. Based on the discussions that I observed and participated in, the negotiations with the First Lien Noteholder Group were extensive, hard-fought and conducted at arm's length over several rounds beginning at the end of March 2023 and continuing up to shortly before the Petition Date. These negotiations centered around, among other things, the terms and conditions of the DIP Financing, including milestones and covenants, the maturity thereof, the interest rate to be charged, and the fees to be paid in connection with the DIP Financing. Based on my experience with debtor-in-possession financing transactions, as well as my involvement in the financing solicitation process described herein, I believe that these negotiations resulted in the best currently available financing option for the Debtors, taken as a whole, given the facts and circumstances of these chapter 11 cases.

14. Prior to the filing of these chapter 11 cases, the Debtors and their directors, in consultation with PJT and the Debtors' other advisors, determined that the proposed DIP Financing was the best financing proposal then available to them under the circumstances and that it would be imprudent to attempt to conduct the chapter 11 cases without access to DIP Financing. The DIP Financing is, in fact, the Debtors' only currently available source of funding, and no other financing is currently available to the Debtors.

III. THE MATERIAL TERMS OF THE PROPOSED DIP FINANCING

15. As noted in the Motion, the proposed DIP Financing consists of senior-secured superpriority notes in an aggregate principal amount of \$300 million, consisting of \$110 million of new money notes to be issued upon entry of the Interim Order and (ii) \$190 million of new money notes to be issued following entry of the Final Order, pursuant to the terms and conditions of that certain Senior Secured Superpriority Debtor-in-Possession Note Purchase Agreement (as

the same may be amended, restated, supplemented, or otherwise modified from time to time, the “*DIP Note Purchase Agreement*”), to be entered into by and among Wesco Aircraft Holdings, Inc., as Issuer, Wolverine Intermediate Holding Corporation (“*Holdings*”) and certain of its direct and indirect subsidiaries, as guarantors, Wilmington Savings Fund Society, FSB, as administrative and collateral agent, and the Purchasers thereto from time to time.

16. In accordance with the DIP Orders and the Approved Budget, and as more fully described in the Cejka Declaration, proceeds of the DIP Financing will be used to (i) pay certain costs, fees and expenses related to the Debtors’ chapter 11 cases, (ii) make Adequate Protection payments, and (iii) fund working capital needs and expenditures of the Debtors’ during their chapter 11 cases.

17. The economic terms of the proposed DIP Financing are more fully described in the DIP Motion and the DIP Note Purchase Agreement. Certain of the key terms of the DIP Note Purchase Agreement are that the DIP Financing: (a) is a committed financing with a maturity date of up to 9 months from the Petition Date, (b) provides for interest at the rate of SOFR (subject to a SOFR floor of 4.00% *per annum* and a credit spread adjustment of 10 basis points) *plus* 8.50% *per annum* (or, if applicable ABR *plus* 7.50% *per annum*), (c) is guaranteed by Holdings and certain of its direct and indirect subsidiaries, (d) is secured by liens on substantially all of the Debtors’ assets (subject to the priorities set forth in the DIP Orders), and (e) includes an (i) upfront premium of 5.00% and an exit premium of 3.00%.

IV. THE PROPOSED DIP FINANCING, TAKEN AS A WHOLE, IS THE BEST FINANCING OPTION CURRENTLY AVAILABLE TO THE DEBTORS

18. PJT assisted the Debtors in their review of the principal economic terms of the proposed DIP Financing and related restructuring negotiations. As noted in the Motion, the intent of the proposed DIP Financing is to bridge the Debtors to the effective date of a chapter 11 plan by providing them with necessary liquidity to administer these chapter 11 cases. As further noted in the Motion and First-Day Declaration, the Debtors believe that access to the proposed DIP Financing will send a clear signal to the Debtors’ stakeholders that the Debtors’ businesses are on

the path to a speedy reorganization, encouraging stakeholders to work cooperatively with the Debtors throughout the restructuring.

19. Based on my two decades of experience with debtor-in-possession financing transactions and my involvement in the efforts to secure postpetition financing for the Debtors, I believe that the proposed DIP Financing, taken as a whole, is the best financing option currently available to the Debtors under the facts and circumstances of these chapter 11 cases.

20. First, the proposed DIP Financing will provide the Debtors with access to the amount of capital that the Debtors, in consultation with their advisors, believe is necessary to effectively and efficiently administer these chapter 11 cases.

21. Second, the proposed DIP Financing was subject to a third-party marketing process, outreach to stakeholders within the Debtors' capital structure, and arm's-length negotiations between the Debtors and the DIP Purchasers described above. The fees and rates to be paid under the proposed DIP Financing are an integral component of the overall terms of the proposed DIP Financing, and were required by the DIP Purchasers as consideration for the extension of postpetition financing. The Debtors, with the assistance of their advisors, including PJT, solicited and considered other sources of postpetition financing to determine whether the Debtors could obtain such postpetition financing on better terms. However, based on the financing solicitation process described herein, that yielded two, yet unactionable indications of interest, the Debtors were unable to obtain other committed DIP financing on more favorable terms. As noted previously, the one additional stakeholder and one third party outside the current capital structure that provided conforming indications of interest were subject to additional due diligence, negotiation of documentation, internal credit committee processes to be able to provide a commitment (which such commitment was never received), and ABL lender consent to proceed (which has not yet been granted and no certainty exists that the Debtors could obtain such consent).

22. Third, my understanding is that substantially all of the Debtors' material assets are effectively encumbered under their existing capital structure and the Debtors' available unencumbered assets are insufficient to secure a financing of this type and structure.

23. Finally, I believe that the principal economic terms proposed under the DIP Financing, (i.e., pricing, fees, interest rate, and default rate), taken as a whole, are within the range that I have observed in other recent debtor-in-possession financings of this type. In my view, based on the discussions I observed, the economic terms of the DIP Financing were negotiated at arm's length and are, taken as a whole, generally consistent with the cost of debtor-in-possession financings in comparable circumstances.

24. For all these reasons, and based on my experience with debtor-in-possession financing transactions as well as my involvement in the marketing and negotiation of the postpetition financing alternatives for the Debtors, it is my belief that the proposed DIP Financing offers the best currently available financing option to the Debtors under the facts and circumstances of these chapter 11 cases.

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

Dated: June 1, 2023

/s/ Peter Laurinaitis

Peter Laurinaitis
Partner
PJT Partners LP