

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

In re:

WESCO AIRCRAFT HOLDINGS, INC.,
et al.,

Debtors.¹

Case No. 23-90611 (MI)

Chapter 11

(Jointly Administered)

**ROLLS-ROYCE PLC, ROLLS-ROYCE DEUTSCHLAND & CO KG,
AND ROLLS-ROYCE SINGAPORE (PTE) LTD'S APPLICATION
FOR ALLOWANCE AND PAYMENT OF ADMINISTRATIVE
EXPENSE CLAIM PURSUANT TO 11 U.S.C. §§ 503(b) AND 507(a)(2)**

THIS APPLICATION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THE APPLICATION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN 21 DAYS OF THE DATE THIS WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE APPLICATION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU. IF YOU OPPOSE THE APPLICATION AND HAVE NOT REACHED AN AGREEMENT, YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE, THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE THE APPLICATION AT THE HEARING.

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEY.

Rolls-Royce plc, Rolls-Royce Deutschland & Co KG, and Rolls-Royce Singapore (Pte) Ltd (collectively, the "Rolls-Royce Entities"), through undersigned counsel, file this *Application for Allowance and Payment of Administrative Expense Claim Pursuant to 11 U.S.C.*

¹ A complete list of the Debtors in these chapter 11 cases, with each Debtor's federal tax identification number and the address of its principal office, is available on the website of the Debtors' noticing agent at <http://veritaglobal.net/incora/>.



§§ 503(b) and 507(a)(2) (the “Application”) for entry of an order allowing their administrative expense priority claim in connection with amounts owed under an assumed contract and compelling the timely payment of such administrative expense priority claim. In support of the Application, the Rolls-Royce Entities respectfully state as follows:

I. Jurisdiction and Venue

1. This Court has jurisdiction over the matters set forth in this Application pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A).
2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.
3. The bases for the relief requested herein are §§ 503 and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”).

II. Background

A. Procedural Background

4. On June 1, 2023 (the “Petition Date”), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed.

5. On December 15, 2023, the Court entered that certain *Order Authorizing and Approving the Assumption and Amendment of Certain Executory Contracts with Rolls-Royce* [ECF No. 1084] (the “Assumption Order”),² whereby the Debtors were authorized to enter into the 13th Amendment to the LSP Agreement and to assume the Rolls-Royce Agreements, and whereby the Rolls-Royce Agreements were deemed assumed.³

² All capitalized, undefined terms herein shall have the same meanings ascribed to such terms in the Assumption Order.

³ On December 11, 2023, the Court entered that certain *Order Authorizing the Debtors to File Under Seal Their Motion for Entry of an Order Authorizing and Approving Assumption and Amendment of Certain Executory Contracts*

6. On January 31, 2025, the Debtors filed that certain *Notice of (i) Effective Date and (ii) Entry of Order Confirming Further Modified Second Amended Joint Chapter 11 Plan of Wesco Aircraft Holdings, Inc. et al.* [ECF No. 2615], providing notice that the “Effective Date” occurred on January 31, 2025 (the “Effective Date”) and providing that all requests for payment of general administrative expenses that accrued on or before the Effective Date must be filed and served by the date that is thirty (30) calendar days after the later of (a) the Effective Date and (b) the date on which such claim becomes due and payable by the Debtors in the ordinary course of business.

7. The Rolls-Royce Entities submit this Application, requesting allowance and payment of an administrative expense claim, in accordance with the Bankruptcy Code.

B. The Rolls-Royce Entities’ Administrative Claim

8. Under the Rolls-Royce Agreements, the Debtors are required, *inter alia*, to maintain the availability of parts as may be required by the Rolls-Royce Entities from time to time, and to make available such parts to the Rolls-Royce Entities.

9. After the Petition Date and prior to the Effective Date, the Debtors breached their obligations under the Rolls-Royce Agreements by, *inter alia*, failing to timely deliver parts needed and requested by the Rolls-Royce Entities (the “Defaults”).

10. Based on the Defaults, the Rolls-Royce Entities have incurred damages in an amount no less than \$24,740,470.69 (the “Administrative Expense Claim”).⁴

11. Following is a breakdown of the Administrative Expense Claim owed by the Debtors to the Rolls-Royce Entities⁵:

with Rolls-Royce [ECF No. 1064], whereby the Court recognized the sensitive and confidential nature of the Rolls-Royce Agreements. Accordingly, a copy of the Rolls-Royce Agreements is not attached hereto.

⁴ The Administrative Expense Claim is based on a conversion rate of \$1.26 for every English pound. All dollar amounts set forth in this Application constitute conversions from English pounds using this conversion rate.

⁵ The Administrative Expense Claim does not account for additional and further aircraft on ground (AOG) penalties that the Rolls-Royce Entities may be liable for as a consequence of the Debtors’ Defaults. The Rolls-Royce Entities are working to calculate such AOG penalties; however, it is likely to take several more weeks to confirm such

- a. \$11,970,113.96 in customer penalties that the Rolls-Royce Entities had to pay to its customers based on delayed production of engines due to the Debtors' failure to timely provide parts to the Rolls-Royce Entities;
- b. \$2,520,000.00 in engine past kit date events and penalties, which are contractually capped at \$1,260,000.00 per year under the Rolls-Royce Agreements;
- c. \$8,041,699.58 in order fulfillment fees contemplated under the Rolls-Royce Agreements when the Debtors' on-time delivery of parts to the Rolls-Royce Entities drops below 98.3%; and
- d. \$2,208,657.16 in third-party consultant fees paid by the Rolls-Royce Entities in response to the various Defaults, obtaining advice and guidance on means for addressing the same and otherwise working to minimize losses for the Rolls-Royce Entities.

III. Basis for Relief

12. On and after the Petition Date through the Effective Date, the Rolls-Royce Entities performed their obligations under the Rolls-Royce Agreements, ordering goods from the Debtors and paying for the same in the ordinary course business.

13. After the Petition Date, the Debtors failed to fulfill their contractual obligations to the Rolls-Royce Entities under the Rolls-Royce Agreements, failing to timely deliver parts requested and needed by the Rolls-Royce Entities.

14. Based on the Debtors' Defaults after the Petition Date, the Rolls-Royce Entities incurred damages and losses, which entitle the Rolls-Royce Entities to an administrative claim against the Debtors.

15. Pursuant to the Application, the Rolls-Royce Entities therefore request that the Court enter an order: (a) allowing the Rolls-Royce Entities an administrative priority expense

penalties. Beyond these penalties, the Rolls-Royce Entities are continuing to assess and evaluate further damages resulting from the Defaults. Accordingly, the Rolls-Royce Entities hereby reserve any and all right to further update and revise the Administrative Expense Claim to account for such further penalties and damages that the Debtors would be liable for under the Rolls-Royce Agreements.

claim for the full value of the damages incurred by the Rolls-Royce Entities in an amount no less than the Administrative Expense Claim; and (b) directing the Debtors to pay the Rolls-Royce Entities such Administrative Expense Claim in the time set forth in the Plan (as defined herein).

IV. Argument

16. The Rolls-Royce Entities assert the Administrative Expense Claim pursuant to §§ 503(b) and 507(a)(2) of the Bankruptcy Code. The applicable law in the Fifth Circuit is summarized in *In re Snelson*, 305 B.R. 255 (Bankr. N.D. Tex. 2003):

Under the Bankruptcy Code, the Debtor had the right to assume or reject the [contract]. 11 U.S.C. § 365. However, after electing to assume it, the Debtor was required to perform the [contract] in accordance with its terms. *See In re Texas Health Enters., Inc.*, 246 B.R. 832, 835 (Bankr. E.D. Tex. 2000); *see also In re Nat'l Gypsum Co.*, 208 F.3d 498, 505 (5th Cir. 2000). Moreover, once assumed, damages flowing from a post-assumption breach are entitled to administrative claim status in the Case. 11 U.S.C. § 503(b)(1)(A); *see also* 3 COLLIER ON BANKRUPTCY ¶ 365.03[2] at 365–22 (L. King 15th ed.); *In re Greystone III Joint Venture*, 995 F.2d 1274, 1281 (5th Cir. 1991), *cert. denied*, 506 U.S. 822 (1992); *In re Boston Post Road Ltd. P'ship*, 21 F.3d 477, 484 (2d Cir. 1994); *In re Frontier Props. Inc.*, 979 F.2d 1358, 1367 (9th Cir. 1992); *In re Sporting Way Inc.*, 126 B.R. 110, 112 (Bankr. M.D. Fla. 1991).

In re Snelson, 305 B.R. at 259-260.

17. Here, the Rolls-Royce Entities' Administrative Expense Claim relates to assumed contracts (i.e., the Rolls-Royce Agreements) that the Debtors breached. The damages resulting from such breach(es), which are in an amount no less than the Administrative Expense Claim, are entitled to administrative priority.

18. Pursuant to the *Further Modified Second Amended Joint Chapter 11 Plan of Wesco Aircraft Holdings, Inc. et al.* [ECF No. 2517] (the "Plan"), the Debtors agreed to pay all allowed administrative claims no later than the first business day after the date that is thirty (30) calendar days after the date on which an order allowing such claim becomes a final order. Since the Rolls-

Royce Entities have not received payment for their Administrative Expense Claim, the Rolls-Royce Entities respectfully request this Court to direct the Debtors to make timely payment of the Rolls-Royce Entities' Administrative Expense Claim in accordance with the Plan.

V. Reservation of Rights

19. The Rolls-Royce Entities hereby expressly reserve all rights, claims, counterclaims, defenses, and remedies, including but not limited to the rights of setoff and/or recoupment, under the Bankruptcy Code and applicable non-bankruptcy law. The Rolls-Royce Entities also reserve the right to assert additional claims against the Debtors of any nature and for any amounts, and to amend, modify, or supplement this Application to account for further damages incurred by the Rolls-Royce Entities as a consequence of the Debtors' Defaults.

VI. Notice

20. Notice of this Application is being provided to: (a) the United States Trustee; (b) counsel to the Debtors; (c) counsel to the Official Committee of Unsecured Creditors; (d) counsel to the First Lien Noteholders Group; and (e) all parties requesting notice in these chapter 11 cases under Bankruptcy Rule 2002.

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

VII. Conclusion

WHEREFORE, the Rolls-Royce Entities respectfully request that the Bankruptcy Court enter an order, substantially in the form attached hereto as **Exhibit 1**, granting the relief requested herein allowing an administrative expense claim in favor of the Rolls-Royce Entities in an amount no less than the Administrative Expense Claim, directing the Debtors to pay such allowed

administrative expense claim in accordance with the Plan, and granting such other relief as the Court deems appropriate under the circumstances.

[SIGNATURE PAGE FOLLOWS]

Dated: February 28, 2025

Respectfully Submitted,

BARNES & THORNBURG LLP

/s/ Thomas Haskins

Thomas Haskins

Texas Bar No. 2257983

2121 N. Pearl Street, Suite 700

Dallas, TX 75201

Telephone: (214) 258-4111

thomas.haskins@btlaw.com

*Attorneys for Rolls-Royce plc, Rolls-Royce
Deutschland & Co KG, and Rolls-Royce Singapore
(Pte) Ltd*

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on February 28, 2025, a true and correct copy of the foregoing document was served by electronic transmission via the Court's CM/ECF system upon all parties registered to receive electronic notice in this bankruptcy case, including the following counsel for the Debtors, the United States Trustee, counsel for the unsecured creditors committee, and counsel for the first lien noteholders group.

Dennis F. Dunne
Samuel A. Khalil
Benjamin M. Schak
Milbank LLP
55 Hudson Yards
New York, NY 10001

John F. Higgins
M. Shane Johnson
Megan Young-John
Bryan L. Rochelle
PORTER HEDGES LLP
1000 Main Street, 36th Floor
Houston, Texas 77002-6341

Charles A. Beckham, Jr.
Kelli S. Norfleet
Martha Wyrick
Haynes and Boone, LLP
1221 McKinney Street, Suite 400
Houston, TX 77010

Damian S. Schaible
Angela Libby
Stephanie Massman
DAVIS POLK & WARDWELL LLP
450 Lexington Avenue
New York, NY 10017

Andrew Jiménez
U.S. Department of Justice
United States Trustee Program
515 Rusk Street, Suite 3516
Houston, TX 77002

Lorenzo Marinuzzi
Theresa A. Foudy
Michael Birnbaum
Benjamin Butterfield
Raff Ferraioli
MORRISON & FOERSTER LLP
250 West 55th Street
New York, NY 10019-9601

/s/ Thomas Haskins
Thomas Haskins

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

In re:

WESCO AIRCRAFT HOLDINGS, INC.,
et al.,

Debtors.¹

Case No. 23-90611 (MI)

Chapter 11

(Jointly Administered)

**ORDER GRANTING ROLLS-ROYCE PLC, ROLLS-ROYCE DEUTSCHLAND & CO
KG, AND ROLLS-ROYCE SINGAPORE (PTE) LTD'S APPLICATION
FOR ALLOWANCE AND PAYMENT OF ADMINISTRATIVE
EXPENSE CLAIM PURSUANT TO 11 U.S.C. §§ 503(b) AND 507(a)(2)**

This matter is before the Court on the *Application for Allowance and Payment of Administrative Expense Claim Pursuant to 11 U.S.C. §§ 503(b) and 507(a)(2)* (the “Application”)² filed by Rolls-Royce plc, Rolls-Royce Deutschland & Co KG, and Rolls-Royce Singapore (Pte) Ltd (collectively, the “Rolls-Royce Entities”). This Court: (i) having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, and consideration of the Application and the relief requested therein being a core proceeding pursuant to 28 U.S.C § 157(b); (ii) venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; (iii) notice of the Application having been adequate and appropriate under the circumstances; (iv) having reviewed the Application; and (v) having determined that the legal and factual basis set forth in the Application establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefore:

¹ A complete list of the Debtors in these chapter 11 cases, with each Debtor’s federal tax identification number and the address of its principal office, is available on the website of the Debtors’ noticing agent at <http://veritaglobal.net/incora/>.

² All capitalized, undefined terms herein shall have the meanings ascribed to such terms in the Application.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Application is GRANTED as set forth herein.
2. The Rolls-Royce Entities are hereby allowed an administrative expense claim pursuant to 11 U.S.C. §§ 503(b)(1) and 507(a)(2) in the amount of \$24,740,470.69 for damages incurred by the Rolls-Royce Entities related to the Rolls-Royce Agreements, which were assumed pursuant to that certain *Order Authorizing and Approving the Assumption and Amendment of Certain Executory Contracts with Rolls-Royce* [ECF No. 1084].
3. The Debtors are hereby authorized and directed to promptly pay to the Rolls-Royce Entities the total amount of \$24,740,470.69 in accordance with the terms set forth in the *Further Modified Second Amended Joint Chapter 11 Plan of Wesco Aircraft Holdings, Inc. et al.* [ECF No. 2517].
4. The Rolls-Royce Entities have reserved any and all rights to seek the allowance of further administrative expense claims associated with damages resulting from the Debtors' Defaults accruing on or before January 31, 2025, and are permitted, in their discretion and without prejudice, to file further applications for allowance of such administrative claims after the date hereof as information related to such damages becomes available.
5. This Order shall not limit, prejudice, or otherwise affect the Rolls-Royce Entities' rights and claims against the Debtors related to any breach or default of the Rolls-Royce Agreements occurring after January 31, 2025, and all of such rights and claims are hereby reserved.
6. Notwithstanding anything to the contrary, the terms and conditions of this Order are immediately effective and enforceable upon its entry.

7. This Court shall retain exclusive jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, and/or enforcement of this Order.

Signed: _____, 2025

Marvin Isgur
United States Bankruptcy Judge