Docket #1211 Date Filed: 01/11/2024

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

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| *In re* | ) | Chapter 11 |
| **WESCO AIRCRAFT HOLDINGS, INC.**, *et al*., | ) | Case No. 23-90611 (MI) |
| | ) | (Jointly Administered) |
| Debtors.[1] | ) | |

**STATEMENT OF THE FIRST LIEN NOTEHOLDER GROUP IN SUPPORT OF DEBTORS' MOTION FOR ENTRY OF AN ORDER (I) APPROVING THE DISCLOSURE STATEMENT, (II) APPROVING SOLICITATION AND VOTING PROCEDURES, (III) APPROVING FORMS OF BALLOTS, (IV) SCHEDULING A CONFIRMATION HEARING, AND (V) ESTABLISHING NOTICE AND OBJECTION PROCEDURES**

[1] 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.

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The First Lien Noteholder Group,[1] by and through its undersigned counsel, hereby submits this statement in support of the *Debtors' Motion for Entry of an Order (I) Approving the Disclosure Statement, (II) Approving Solicitation and Voting Procedures, (III) Approving Forms of Ballots, (IV) Scheduling a Confirmation Hearing, and (V) Establishing Notice and Objection Procedures* [ECF No. 964] (the "Disclosure Statement Motion")[2] and in response to *The 2024/2026 Noteholder Group's Objection to First Amended Disclosure Statement for the Joint Chapter 11 Plan of Wesco Aircraft Holdings, Inc., et al.* [ECF No. 1170] (the "Formerly Secured Noteholder Objection" and, the parties who filed the Formerly Secured Noteholder Objection, the "Objectors") and the *Reservation of Rights of UMB Bank, N.A., as Successor Indenture Trustee for the 8.5% Notes Due 2024 and 9.0% Notes Due 2026, to the Debtors' Motion for Entry of an Order Approving Disclosure Statement, Approving Solicitation and Voting Procedures, Approving Forms of Ballots, Scheduling a Confirmation Hearing, and Establishing Notice and Objection Procedures* [ECF No. 1168] (the "UMB Reservation of Rights").

## PRELIMINARY STATEMENT

1. The First Lien Noteholders have long supported the Debtors and their businesses, both prior to and during this bankruptcy. Well before these Chapter 11 Cases, the First Lien Noteholders provided the Debtors with $250 million in much-needed liquidity to support their operations. Upon the filing, the First Lien Noteholders stepped up again and delivered an additional $300 million in postpetition financing to enable the Debtors to stabilize the business in

[1] The members of the First Lien Noteholder Group (the "First Lien Noteholders") are identified in the *Verified Statement of Davis Polk & Wardell LLP and Porter Hedges LLP Pursuant to Federal Rule of Bankruptcy Procedures 2019* [ECF No. 147].

[2] Capitalized terms used but not defined herein shall have the meanings ascribed to them in (i) the Disclosure Statement Motion or (ii) the *Modified First Amended Joint Chapter 11 Plan of Wesco Aircraft Holdings, Inc. et al.* [ECF No. 1207] (as amended or supplemented from time to time, solely in accordance with the terms thereof, the "Plan").

the face of a liquidity crisis and facilitate the Debtors undertaking a value-maximizing operational and financial restructuring. And, to accommodate efforts to build consensus around a resource-preserving and value-maximizing pathway forward in these Chapter 11 Cases, the First Lien Noteholders have agreed to numerous requests to extend key milestones in the DIP Order.[3]

2. The First Lien Noteholders have also devoted significant amounts of time and resources to diligently and continuously seek open dialogue with the Debtors, the Committee, and all other parties in interest willing to engage in order to achieve broad consensus for a plan that will deliver value to all creditors, while enabling the Debtors to exit bankruptcy as quickly as possible. Now, after weeks of intensive efforts by nearly all of the Debtors' creditor groups, a value maximizing pathway to emergence has begun to take shape. The Debtors, the First Lien Noteholder Group, and the Committee have entered into the Committee Stipulation, and the Debtors, the First Lien Noteholder Group and holders of more than two-thirds of each of the 1.25L Notes and 2027 Unsecured Notes are entering into the Restructuring Support Agreement. Together, these reflect commitments by all major creditor constituencies other than the Objectors to support the Plan and the Global Settlement reflected therein.

3. The Plan, among other things, (a) settles all estate causes of action, including those raised in the Committee's and Langur Maize's standing motions, (b) waives preference claims against the Debtors' critical vendors and other commercial parties that continue to do business with the Debtors, (c) provides valuable recoveries to holders of General Unsecured Claims and

[3] For example, in addition to granting eight extensions to the original August 10, 2023 milestone for the filing of an Acceptable Plan of Reorganization, the First Lien Noteholder Group agreed to five extensions of the original August 15, 2023 Challenge Period deadline with respect to the Committee. (*See, e.g.*, Notice of Fifth Extension of the Challenge Period Under the Final DIP Order Solely with Respect to the Official Committee of Unsecured Creditors (Nov. 20, 2023), ECF No. 972.) The First Lien Noteholder Group also agreed to extend the Challenge Period with respect to the successor indenture trustee under the 2024 Unsecured Indenture, the 2026 Unsecured Indenture, and the 2027 Unsecured Indenture. (*See* Notice of Extension of the Challenge Period Under the Final DIP Order Solely with Respect to BOKF NA in Its Capacity as Successor Indenture Trustee (Aug. 17, 2023), ECF No. 663.)

General Unsecured Convenience Claims, (d) provides for the waiver of recoveries on account of 1L Notes deficiency claims and 1.25L Notes Claims, and (e) provides significant additional concessions and agreements for the benefit of the Committee and its constituents. With the filing of the Plan, the parties have taken a critical step toward bringing these Chapter 11 Cases to a successful conclusion.

4. Notwithstanding the significant milestone represented by the consensus achieved through the Committee Stipulation and the Restructuring Support Agreement, the First Lien Noteholders recognize that significant work remains to be done before the Plan can be confirmed and consummated. And while the First Lien Noteholders believe that the Plan is in the best interests of the estates, it plainly remains subject to confirmation by the Court, and all parties will have a fair opportunity to voice their objections to confirmation at the appropriate time. In the interim, the First Lien Noteholders are diligently continuing to seek consensual resolutions on all outstanding concerns.

5. The Objectors remain the only major creditor constituency that is not supportive of the Plan. Their objection reflects a worldview of these Chapter 11 Cases that is fundamentally opposed to forward momentum, asserting that solicitation of the Plan cannot proceed in the absence of a resolution of the Objectors' litigation. Transforming a confirmation objection into a disclosure objection, they assert that their litigation must be resolved before any disclosure statement is approved by the Court. Section 1125 of the Bankruptcy Code sets forth the standard of information required to be provided to creditors as a condition to soliciting their votes on a plan—nothing in it requires that the Debtors first obtain an outcome in pending litigation over their capital structure and then disclose that outcome. To suggest otherwise would turn the Bankruptcy Code's plan filing, solicitation, and confirmation process on its head. The Disclosure Statement

clearly discloses the existence and potential implication of the litigation; that is all the Code requires.

6. For the reasons set forth in the Debtors' Reply, the Objectors' remaining objections to the adequacy of the information in the Disclosure Statement should be rejected as thinly disguised confirmation objections and, in any event, meritless. The Objectors, like all other parties in interest, will have the chance to contest confirmation of the Plan. Moreover, the Objectors have had more than seven months in these Chapter 11 Cases to prosecute their litigation, and will have a multi-day trial to present their case, all before the Court is asked to rule on confirmation of the Plan. The Court should not countenance the Objectors' attempts to halt these Chapter 11 Cases in their tracks, potentially for months or even years, at the expense of the estates and the First Lien Noteholders (who, unlike the Objectors, have funded these cases from the outset). The attempts to further delay these cases should be rejected.

**RESPONSE**

7. The First Lien Noteholders respectfully submit that Objections to the Disclosure Statement should be overruled for the reasons set forth in the *Debtors' Omnibus Reply to Responses to Their Motion for Entry of an Order (I) Approving the Disclosure Statement, (II) Approving Solicitation and Voting Procedures, (III) Approving Forms of Ballots, (IV) Scheduling a Confirmation Hearing, and (V) Establishing Notice and Objection Procedures* [ECF No. 1209] (the "Debtors' Reply"), filed substantially contemporaneously herewith.

8. The First Lien Noteholders will not repeat all of those arguments here. Rather, the First Lien Noteholders write to emphasize that the Objectors have failed to identify a single legitimate reason why the Court should delay approval of the Disclosure Statement at all, much less until the "resolution" of the 2022 Financing Adversary Proceeding.

9. First, contrary to the Objectors' assertions, proceeding with solicitation of the Plan in no way "moots" or otherwise impacts the upcoming trial in any way. (Formerly Secured Noteholder Obj. at 1.) Irrespective of solicitation, the trial will begin on January 18, prior to confirmation. Moreover, while the Plan contemplates a global settlement and release of potential estate causes of action (releases supported by valuable consideration and both estate fiduciaries), the Objectors are entitled to object to those settlements at confirmation. There is, therefore, no prejudice in allowing the Debtors to commence solicitation under these circumstances, as this Court has previously recognized. (*See* Dec. 18, 2023 Hr'g Tr. at 15:8–15, ECF No. 1138 (Court: "I'm inclined to get Disclosure Statement hearings, get the disclosure out and let people negotiate on the vote on it and on changes to it later. And there's no real prejudice . . . in terms of any legal findings of trying to get that done.").)[4]

10. The Objectors nevertheless maintain that commencing solicitation is "premature" and a "potentially useless exercise" until there is a "resolution" of their litigation claims. (*See* Formerly Secured Noteholder Obj. ¶¶ 23–25.) But, tellingly, the Objectors do not explain what they mean by "resolution" in this context, and whether, for example, the delay they seek to impose includes any appeals. Those could take months, if not years. What is clear, however, is that putting the Disclosure Statement and subsequent solicitation on ice for any length of time would be value destructive for the estates and risk nullifying the hard-won progress the parties have made to date on the Plan. The Objectors may be willing to bear their own cost of continued delay and uncertainty in these cases for the sake of their litigation claims, but the Debtors and all their other key economic stakeholders have determined that such delay comes at too great a cost to the

[4] (*See also* Dec. 18, 2023 Hr'g Tr. at 12:23–34 (Court: "I would rather get a Disclosure Statement hearing done without agreement than not get one done at all.").)

Debtors' estates. The Objectors will have their day in court, but they cannot be allowed to impede the Debtors and their supporting creditors from continuing to advance a value-maximizing resolution of these cases.

11. Finally, the notion that approval of the Disclosure Statement runs the risk of soliciting on the basis of an "out-of-date" disclosure statement (Formerly Secured Noteholder Obj. at 1), or that solicitation will be "in vain" (*id.* ¶ 25), depending on the outcome of the litigation, is a red herring. The litigants in the 2022 Financing Adversary Proceeding are all well aware of the litigation and its consequences for the Debtors' secured capital structure. Moreover, as set out more fully in the Debtors' Reply, the Debtors have added additional disclosures to the Disclosure Statement to address concerns raised by the Objectors. In any case, a mere hypothetical risk of needing to resolicit does not provide a basis for preventing the Debtors from commencing solicitation in the first place, particularly where the Objectors have not seriously alleged that any aspect of the Plan is patently unconfirmable. *See, e.g., In re U.S. Brass Corp.*, 194 B.R. 420, 428 (Bankr. E.D. Tex. 1996) (rejecting objections to disclosure statement where "feasibility issues are best determined at confirmation" and "[t]he Court cannot conclude . . . that the Plan is so fatally flawed that it cannot be confirmed").

* * *

12. The sole question before the Court is whether the Disclosure Statement "contain[s] adequate information." 11 U.S.C. § 1125(b). It does. The Debtors should therefore be allowed to begin soliciting votes on the Plan. That said, consistent with how the First Lien Noteholders have approached these cases from the beginning, the First Lien Noteholders remain committed to continue working to expand the support for the Plan, including by engaging with the Objectors on consensual resolutions of their claims.

## CONCLUSION

WHEREFORE, the First Lien Noteholder Group respectfully requests that the Court enter the Order granting the relief requested in the Disclosure Statement Motion and such other relief as the Court deems appropriate under the circumstances.

Dated: January 11, 2024

Respectfully submitted,

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**Certificate of Service**

I hereby certify that on January 11, 2024, a true and correct copy of the foregoing document was served through the Electronic Case Filing system of the United States Bankruptcy Court for the Southern District of Texas

*/s/ John F. Higgins*
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