Docket #2064 Date Filed: 09/04/2024

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)

LIMITED OBJECTION AND RESERVATION OF RIGHTS OF THE 2024/2026 NOTEHOLDER GROUP TO APPROVAL OF THE DISCLOSURE STATEMENT FOR THE MODIFIED SECOND AMENDED JOINT CHAPTER 11 PLAN AND RELATED RELIEF
Related to Docket Nos. 2029 and 2030.

The ad hoc group of holders (the "2024/2026 Noteholder Group") of the 8.50% notes due 2024 and the 9.00% notes due 2026 hereby files this limited objection and reservation of rights (the "Limited Objection") to (i) the *Disclosure Statement for the Modified Second Amended Joint Chapter 11 Plan of Wesco Aircraft Holdings, Inc. et al.* (Docket No. 2029) (the "Disclosure Statement"), and (ii) the *Debtors' Emergency Motion for Entry of an Order (I) Approving the Amended Disclosure Statement, (II) Approving Re-Solicitation of Classes 4 and 6 and Related Voting Procedures, (III) Approving Forms of Modified Ballots, (IV) Scheduling a Confirmation Hearing, (V) Establishing Notice and Objection Procedures, and (VI) Shortening the Notice and Objection Periods in Connection with the Foregoing* (Docket No. 2030) (the "Motion").[2] In support of this Limited Objection, the 2024/2026 Noteholder Group respectfully represents as follows:

[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.

[2] Capitalized terms used but not defined in this Limited Objection have the meanings ascribed to them in the Disclosure Statement.

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LIMITED OBJECTION

1. After over two years of seeking to vindicate their rights, the 2024/2026 Noteholder Group desires nothing more than to achieve a consensual resolution of these Chapter 11 Cases that allows the Debtors to emerge from bankruptcy as a healthy company with a viable capital structure. To that end, the 2024/2026 Noteholder Group is currently engaged in negotiations with the Debtors and the PIMCO and Silver Point Noteholder Group over the contours of a Chapter 11 plan that would have its support.[3] Although the 2024/2026 Noteholder Group is hopeful that the parties may ultimately be able to reach consensus, it nevertheless files this Limited Objection to protect its interests in the event the parties' efforts fall short.

2. Indeed, this Limited Objection is necessitated by the fact that the Plan put forth by the Debtors is unconfirmable absent consent of the 2024/2026 Noteholder Group. Despite the Court finding that the rights, liens, and interests that were for the benefit of all holders of 2026 Notes remained in full force and effect following the Debtors' March 2022 financing transaction,[4] the Plan treats the claims held by the PIMCO and Silver Point Noteholder Group differently from (and better than) the 2026 Notes Claims held by the 2024/2026 Noteholder Group, notably by way of a novel "Appellate Adjustment Mechanism" and the refusal to pay professional fees owed to the 2024/2026 Noteholder Group in cash.

3. Moreover, the Plan does not provide holders of secured 2026 Notes Claims with new secured, interest-paying debt instruments. Rather, it proposes making distributions to holders of 2026 Notes Claims in the form of New Takeback Notes and New Common Equity. The New Takeback Notes are unsecured, do not provide for payment of interest, and are

[3] The term "PIMCO and Silver Point Noteholder Group" shall have the same meaning as the term "First Lien Noteholder Group" in the Disclosure Statement. The term "PIMCO and Silver Point Noteholders" shall have the meaning used in the 2022 Financing Adversary Proceeding.

[4] *See* July 10, 2024 H'rg. Tr. 3:13-16.

essentially an equity instrument (like the New Common Equity), whereas the 2026 Notes are fundamentally different secured debt instruments.

4. To make matters worse, these securities are subject to the Appellate Adjustment Mechanism, the details of which have not yet been fully developed, that dictates how plan distributions are to be adjusted (if at all) based on a future appellate ruling. Not only is this mechanism engineered to provide the PIMCO and Silver Point Noteholders with enhanced appellate rights by side-stepping the doctrine of equitable mootness (a question for the appellate court) and the requirement to post a bond for any appeal, but the Appellate Adjustment Mechanism will undeniably lead to continued litigation overhang and an illiquid market for the company's securities.[5] For these reasons, the 2024/2026 Noteholder Group does not believe the Plan is confirmable absent its consent, as the Debtors cannot satisfy the "cram up" provisions of Section 1129(b)(2) of the Bankruptcy Code, among other plan confirmation requirements.

5. The 2024/2026 Noteholder Group is thus left in a position where, on the one hand, it is working towards a global resolution but, on the other, must be prepared to protect its interests should the Debtors seek to move forward with the current Plan on a contested basis. To ensure a fair and balanced process, the 2024/2026 Noteholder Group has requested that the following revisions be made to the Disclosure Statement and proposed Plan confirmation timeline set forth in the Motion.[6]

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[5] Notably, the Plan presupposes continuing appeals by the Debtors (the sole defendants in most of the contractual claims ruled upon by this Court) when there is no apparent reason why the Debtors, acting as fiduciaries to the estates, would deem an appeal to be value-maximizing and beneficial. The Debtors have indicated that they "have not determined" whether they will appeal the Court's July 10, 2024 ruling in the 2022 Financing Adversary Proceeding, whereas the PIMCO and Silver Point Noteholders have indicated that those entities that are party to the 2022 such proceeding intend to pursue an appeal.

[6] Counsel to the 2024/2026 Noteholder Group also provided counsel to the Debtors with proposed revisions to the Disclosure Statement prior to filing this Limited Objection, which counsel understands have been incorporated into the Disclosure Statement. To the extent such revisions are not incorporated into the Disclosure Statement, the 2024/2026 Noteholder Group reserves the right to further object to the Disclosure Statement at the hearing.

6. ***Plan Objection Deadline***. The Motion proposes that objections to confirmation of the Plan must be received no later than September 13, 2024 at 5:00 p.m.—only three weeks after the Plan and Disclosure Statement were filed—and that the Debtors have an equal amount of time to file a reply by October 3, 2024. Mot. at 4. The 2024/2026 Noteholder Group does not believe this provides adequate time to prepare and file an objection while contemporaneously negotiating towards a global resolution with the Debtors and PIMCO and Silver Point Noteholder Group, nor is it appropriate for the Debtors and other parties to have the same amount of time to file a reply as the 2024/2026 Noteholder Group has to file an objection. The 2024/2026 Noteholder Group respectfully submits that its objection deadline should be extended to **September 23, 2024**, which it believes is reasonable and appropriate under the circumstances.

7. ***Additional Plan Supplement***. Additionally, the 2024/2026 Noteholder Group submits that the Debtors should be required to file a plan supplement one week prior to its proposed objection deadline (*i.e.*, September 20, 2024) including: (i) the New Takeback Notes Indenture, (ii) New Organizational Documents, and (iii) a revised Appellate Adjustment Mechanism that describes the finalized mechanism or procedures for the adjustment of securities issued under the Plan; *provided* that the deadline to file such plan supplement may be extended with the consent of the 2024/2026 Noteholder Group to allow the parties additional time to negotiate the terms of such documents in good faith.[7] These are critical plan documents that, should the Debtors decide to proceed to confirmation on a contested basis, will be central to the 2024/2026 Noteholder Group's objection.

[7] On August 23, 2024 the Debtors filed the *Second Amended Plan Supplement* (Docket No. 2031), which included an outline of the Appellate Adjustment Procedure. The 2024/2026 Noteholder Group understands that further adjustments to the Appellate Adjustment Procedure are necessary and therefore requests that the finalized procedure be filed.

RESERVATION OF RIGHTS

8. The 2024/2026 Noteholder Group reserves the right to object to confirmation of the Plan on any basis. Nothing contained herein shall constitute a waiver of the 2024/2026 Noteholder Group's rights or remedies under the Bankruptcy Code or applicable law, including, without limitation, the right to amend or supplement this Limited Objection on additional grounds, including in response to amendments to the Plan and Disclosure Statement that the Debtors may file on or after the date hereof.

Dated: September 4, 2024

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Counsel for the Ad Hoc 2024/2026 Noteholder Group

Certificate of Service

I certify that on September 4, 2024, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ John P. Melko

John P. Melko