Docket #2445 Date Filed: 12/12/2024

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

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

LIMITED RESERVATION OF RIGHTS OF THE FIRST LIEN NOTEHOLDER GROUP REGARDING THE FURTHER MODIFIED SECOND AMENDED JOINT CHAPTER 11 PLAN OF WESCO AIRCRAFT OLDINGS, INC. *ET AL.*

(RELATED TO DOCKET NOS. 2408, 2412)

The First Lien Noteholder Group,[2] by and through its undersigned counsel, respectfully submits this limited reservation of rights (this "**Limited Reservation**") with respect to the *Further Modified Second Amended Joint Chapter 11 Plan of Wesco Aircraft Holdings, Inc. et al.* (ECF No. 2408 (the "**Plan**").[3] In support of the Limited Reservation, the First Lien Noteholder Group respectfully states as follows:

LIMITED RESERVATION OF RIGHTS

1. The First Lien Noteholder Group has long supported the Debtors and their businesses, both prior to and throughout these Chapter 11 Cases. Indeed, the First Lien Noteholder Group—which remains the largest creditor constituency in these Chapter 11 Cases by many

[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 https://veritaglobal.net/incora/. The service address for each of the Debtors in these cases is 2601 Meacham Blvd., Ste. 400, Fort Worth, TX 76137.

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

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

multiples—is committed to working alongside the Debtors to see the Debtors through to emergence as expeditiously as possible.

2. Although certain aspects of the Plan, including the Plan Supplement, remain subject to ongoing negotiations, and therefore the Plan is not yet supported by nor acceptable to the First Lien Noteholder Group and cannot yet be confirmed, the First Lien Noteholder Group remains committed to working constructively with the Debtors and the 2024/2026 Noteholder Group to resolve all of the outstanding issues in order to achieve a confirmable Plan. The First Lien Noteholder Group files this Limited Reservation to the extent that open issues in the Plan, including the Plan Supplement, are not resolved between now and the Confirmation Hearing in a manner acceptable to the First Lien Noteholder Group. If they are not, the Plan cannot be confirmed or consummated, and the First Lien Noteholder Group reserves all rights to object to Confirmation on any grounds.

3. On June 1, 2023, the Debtors commenced an adversary proceeding against the 2024/2026 Holders (as defined in *Debtors' Motion for Summary Judgment* (ECF No. 199)) in this Court by filing a Complaint, which was amended on July 9, 2023. *See* ECF No. 1 (Complaint); ECF No. 63 (First Amended Complaint and Counterclaim Answer). On June 26, 2023, the 2024/2026 Holders filed their Answer, Affirmative Defenses, and Counterclaims, and amended those Counterclaims on July 31, 2023. ECF No. 50.

4. On July 10, 2024, the Court issued its principal interlocutory rulings on the claims affecting the Debtors "capital stack", which it clarified on August 13, 2024 (together, the "**Adversary Proceeding Decision**"). *See* Ct. Scheduling Notice, 7/7/2024 ("Courts' Announcement of Principal Results from Adversary Proceeding Affecting Capital Stack Hearing scheduled for 7/10/2024 at 03:30 PM[.]"); *see also* 7/10 Tr. at 38:11–13 ("THE COURT: In the

meantime, I'm going to hold the expectation that the debtors are going to go ahead and proceed now to act on what their capital structure has now been declared to be"); Main Dkt. ECF 2002 8/13 Tr. at 8:5-8, 74:18-23 (clarifying ruling with respect to the status of the $250 million new money financing provided on March 22, 2022).

5. In particular, the Court declared in the Adversary Proceeding Decision that: "[t]he rights, liens, and interests that were for the benefit of all of the holders of the 2026 notes as they existed on March 27th, 2022 remained in full force and effect on March 29th, 2022," *i.e.*, the day after the transaction. 7/10 Tr. at 3:12-21. On August 13, the parties raised a question as to the New Money Claims (as defined in the Plan), and whether, in light of the Court's decision, those claims were "pari passu" or "subordinate or junior to the secured notes." Main Dkt. ECF 2002 8/13 Tr at 8:5-8 (Debtors' Counsel: "With respect to the $250 million of new money financing that was done in 2022, Your Honor. The parties are unclear as to what Your Honor's direction was from your oral ruling on that issue."). The Court then clarified: "What I intended to say was that because it violated the indenture, that there were no new 2026 notes issued. Obviously the 250 million was received and it needs to be dealt with in a plan and I did not intend to dictate how it was dealt with in a plan. But the 250 million did not ever result in the issuance of additional 2026 notes." *Id.* at 74:18-23. Accordingly, the Plan currently does not treat the New Money Claims as Secured. *See* Plan, Article I.A.163 (definition of "New Money Claims"); Article III.B.6 (Class 4c – New Money Claims).

6. The First Lien Noteholders respectfully disagree with the Court's rulings in the Adversary Proceeding Decision with respect to the 2026 Indenture and the New Money Claims, and intend to appeal. However, in light of the importance of allowing the Debtors to emerge from

bankruptcy, the First Lien Noteholders have worked diligently towards getting the Debtors out of bankruptcy while preserving each party's appellate rights.

7. Thus, the First Lien Noteholders, to the extent a Plan and Plan Supplement are finalized in a manner acceptable to the First Lien Noteholder Group, would support and would vote to accept the Plan, notwithstanding the treatment provided on account of 1L Notes Claims and 2026 Notes Claims, on the basis that, as the Plan sets forth in Article VII.D Distributions to Holders of Disputed Claims, (a) distributions on account of 2024 Unsecured Notes Claims, 2026 Notes Claims and 1L Notes Claims will be made on the Effective Date (or as soon thereafter as reasonably practicable in accordance with the distribution provisions set forth in the Plan) in accordance with the Court's rulings in the 2022 Financing Adversary Proceeding as of the Confirmation Date, including the Adversary Proceeding Decision, notwithstanding that such rulings are not Final Orders as of the Confirmation Date and remain subject to the Appellate Litigation and any Potential Remedies Order, and (b) such distributions (and the holders thereof, and each such holders' successors, transferees and assigns) will remain subject to the jurisdiction of the Court (and any appellate court therefrom) and any Potential Remedies Order.

8. The First Lien Noteholders, to the extent a Plan and Plan Supplement are finalized in a manner acceptable to the First Lien Noteholder Group, would support and would vote to accept the Plan, notwithstanding the treatment provided on account of 1L Notes Claims and 2026 Notes Claims, on the further basis that, in no event shall the Plan (including the Plan Settlement), the Confirmation Order or any consent to or vote to accept the Plan be deemed (x) to be a determination by the Court or an admission or waiver by the Debtors or any other Entity as to the status (including secured (or Secured) or unsecured status) of the 2024 Unsecured Notes, the 2026 Notes, the 1L Notes (including the New Money Claims) (or the 2024 Unsecured Notes Claims,

the 2026 Notes Claims or the 1L Notes Claims on account thereof) or (y) to moot, waive, foreclose or otherwise impair any appeal (including any appeal by holders of 1L Notes Claims, 2026 Notes Claims and/or 2024 Unsecured Notes Claims) of the Bankruptcy Court's rulings in the 2022 Financing Adversary Proceeding (or alter, amend or otherwise limit any rights, claims or defenses that may or could be asserted by any Entity in connection with the Appellate Litigation, irrespective of whether such rights, claims or defenses are provided or arise under the applicable agreements, applicable law, or otherwise) or any party pursuing any Potential Remedies Order.

9. In short, to the extent a Plan and Plan Supplement are finalized in a manner acceptable to the First Lien Noteholder Group and the First Lien Noteholders support and vote for the Plan, that would not be intended to waive or impair, and shall not be construed as waiving or impairing, any rights, including the right to appeal the Adversary Proceeding Decision and to seek any available remedy should they be successful on appeal, and all other rights reserved under the Plan.

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Dated: December 12, 2024
Houston, Texas

/s/ *John F. Higgins*

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Counsel to the First Lien Noteholder Group

CERTIFICATE OF SERVICE

I certify that, on December 12, 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*

John F. Higgins