Docket #2477 Date Filed: 12/15/2024

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 (MI) Chapter 11 (Jointly Administered)

DECLARATION OF BRIAN E. CEJKA IN SUPPORT OF CONFIRMATION OF THE FURTHER MODIFIED SECOND AMENDED JOINT CHAPTER 11 PLAN OF WESCO AIRCRAFT HOLDINGS, INC., *ET AL.*

[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.veritaglobal.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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I, Brian E. Cejka, declare under the penalty of perjury as follows:

1. I am a Managing Director in the North American Commercial Restructuring Practice at Alvarez & Marsal North America, LLC ("***A&M***"), a global professional services firm with principal offices located at 600 Madison Avenue, 8th Floor, New York, New York 10022. The Debtors retained A&M as restructuring advisors to assist the Debtors in these cases. *See Order Authorizing the Employment and Retention of Alvarez & Marsal North America, LLC as Restructuring Advisors to the Debtors and Debtors in Possession Effective as of the Petition Date* [Dkt. No. 481]. I received a Bachelor of Accounting from Southern Methodist University. I am a non-practicing Certified Public Accountant and a Certified Insolvency and Restructuring Advisor. I have more than 25 years of restructuring experience. Since joining A&M's North American Commercial Restructuring Practice, 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.

2. I submit this declaration (this "***Declaration***") in support of the *Further Modified Second Amended Joint Chapter 11 Plan of Wesco Aircraft Holdings, Inc., et al.* [Dkt. No. 2408] (including any exhibits, schedules, or supplements thereto and as may be amended, modified, or supplemented from time to time in accordance with the terms thereof, the "***Plan***").[1] I am over the age of 18 and authorized to submit this Declaration.

3. I am knowledgeable about, and familiar with, the Debtors' business and financial affairs, day-to-day operations, books and records, the circumstances leading to the commencement of the Chapter 11 Cases, and the terms of the Plan. Except as otherwise indicated herein, the facts set forth in this Declaration are based upon my personal knowledge, my review of relevant documents, or my opinion based upon my experience, knowledge, and information concerning the

[1] Capitalized terms used but not defined herein have the meanings in the Plan, the *Disclosure Statement for the Modified Second Amended Joint Chapter 11 Plan of Wesco Aircraft Holdings, Inc. et al.* [Dkt. No. 2083] (the "***Disclosure Statement***"), or the *Debtors' Memorandum of Law (I) in Support of Confirmation of the Further Modified Second Amended Joint Chapter 11 Plan of Wesco Aircraft Holdings, Inc. et al. and (II) in Response to Objections*, filed contemporaneously herewith, as applicable.

Debtors' operations and financial affairs. If called upon to testify, I could and would testify to the facts set forth herein on that basis.

4. Based upon my personal involvement in the negotiation of the terms of the Plan and the transactions embodied therein, as well as my discussions with the Debtors' other advisors, I believe the Plan was proposed in good faith, and the Debtors, acting through their officers, directors, managers, and advisors, have conducted themselves in good faith and fairly in relation to the formulation and negotiation of, and solicitation of votes on, the Plan.

I. THE PLAN SATISFIES THE REQUIREMENTS OF SECTION 1129.

5. I am aware that the Debtors, as the proponents of the Plan, must demonstrate that the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. Below I set out facts with respect to certain of those requirements, the events that have occurred during the pendency of the Chapter 11 Cases, my experience as the Debtors' financial advisor, and discussions I have had with the Debtors' other advisors and with members of the Debtors' management team. As set forth below, I believe the Plan satisfies all applicable provisions of section 1129 of the Bankruptcy Code.

A. The Plan Satisfies the Requirements of Section 1129(a).

1. *The Plan Complies with the Applicable Provisions of the Bankruptcy Code (§ 1129(a)(1)).*

6. I understand that Bankruptcy Code section 1129(a)(1) requires the Plan to comply with the applicable provisions of the Bankruptcy Code. As detailed below, I believe the Plan satisfies this requirement.

a. <u>The Plan Satisfies the Classification Requirements of Section 1122.</u>

7. The Plan provides for the following 11 Classes of Claims and Interests: (a) Class 1 (Priority Non-Tax Claims); (b) Class 2 (Other Secured Claims); (c) Class 3 (ABL Facility Claims); (d) Class 4a (Secured 1L Notes Claims); (e) Class 4b (1L Notes Deficiency Claims); (f) Class 4c (New Money Claims); (g) Class 5 (1.25L Notes Claims); (h) Class 6a (Secured 2026 Notes Claims); (i) Class 6b (2026 Notes Deficiency Claims); (j) Class 7a (General Unsecured Claims);

(k) Class 7b (General Unsecured Convenience Claims); (*l*) Class 8 (PIK Notes Claims); (m) Class 9 (Intercompany Claims); (n) Class 10 (Existing Equity Interests); and (o) Class 11 (Intercompany Interests).

8. I understand the Plan's classification scheme generally tracks the Debtors' prepetition capital structure and divides Claims and Interests into Classes based on the underlying instruments giving rise to those Claims and Interests:

- ***Class 1 (Priority Non-Tax Claims)***. Class 1 is comprised of Claims entitled to priority under section 507(a) of the Bankruptcy Code, other than Administrative Expenses (including DIP Financing Claims), and Priority Tax Claims.

- ***Class 2 (Other Secured Claims)***. Class 2 is comprised of Secured Claims other than Priority Tax Claims (except as set forth in Article II.F of the Plan), DIP Financing Claims, ABL Facility Claims, 1L Notes Claims, or 2026 Notes Claims. For the avoidance of doubt, 1.25L Notes Claims, 2024 Unsecured Notes Claims, 2027 Unsecured Notes Claims, and PIK Notes Claims are not Other Secured Claims.

- ***Class 3 (ABL Facility Claims)***. Class 3 is comprised of Claims arising on account of the "Obligations" under, and as defined in, the ABL Credit Agreement.

- ***Class 4a (Secured 1L Notes Claims)***. Class 4a is comprised of Claims that are Secured arising on account of the "Obligations" under the "Notes Documents," each as defined in the 1L Indenture.

- ***Class 4b (1L Notes Deficiency Claims)***. Class 4b is comprised of Claims that are not Secured arising on account of the "Obligations" under the "Notes Documents," each as defined in the 1L Indenture.

- ***Class 4c (New Money Claims)***. Class 4c is comprised of Claims for notes issued or attempted to be issued in exchange for the additional notes that were issued or attempted to be issued pursuant to that certain Note Purchase Agreement, dated as of March 28, 2022, by and among Wesco Holdings as issuer, certain purchasers party thereto, and the other parties thereto.

- ***Class 5 (1.25L Notes Claims)***. Class 5 is comprised of Claims arising on account of the "Obligations" under the "Note Documents," each as defined in the 1.25L Indenture.

- ***Class 6a (Secured 2026 Notes Claims)***. Class 6a is comprised of Claims that are Secured arising on account of, derived from, based upon or arising under the 2026 Indenture or related documents (excluding any Claim for payment or

reimbursement of professional fees and expenses of the 2024/2026 Noteholder Group).

- ***Class 6b (2026 Notes Deficiency Claims)***. Class 6b is comprised of Claims that are not Secured arising on account of, derived from, based upon or arising under the 2026 Indenture or related documents.

- ***Class 7a (General Unsecured Claims)***. Class 7a is comprised of all unsecured Claims other than Administrative Expenses, Other Secured Claims, Priority Tax Claims, Priority Non-Tax Claims, ABL Facility Claims, 1L Notes Claims, 2026 Notes Claims, 1.25L Notes Claims, PIK Notes Claims, General Unsecured Convenience Claims, or Intercompany Claims. For the avoidance of doubt, 2024 Unsecured Notes Claims and 2027 Unsecured Notes Claims are General Unsecured Claims.

- ***Class 7b (General Unsecured Convenience Claims)***. Class 7b is comprised of unsecured Claims that are Allowed in an amount of $1,500,000 or less, other than Administrative Expenses, Other Secured Claims, Priority Tax Claims, Priority Non-Tax Claims, ABL Facility Claims, 1L Notes Claims, 1.25L Notes Claims, 2024 Unsecured Notes Claims, 2026 Notes Claims, 2027 Unsecured Notes Claims, PIK Notes Claims, or Intercompany Claims.

- ***Class 8 (PIK Notes Claims)***. Class 8 is comprised of Claims against Wolverine Intermediate Holding Corporation arising on account of the PIK Notes, the PIK Notes Indenture, or other related documents.

- ***Class 9 (Intercompany Claims)***. Class 9 is comprised of Claims against a Debtor held by any other Debtor.

- ***Class 10 (Existing Equity Interests)***. Class 10 is comprised of Interests in any Debtor other than Intercompany Interests.

- ***Class 11 (Intercompany Interests***). Class 11 is comprised of Interests in any Debtor held by another Debtor.

9. I believe the Plan's classification structure is rational and appropriate because Claims and Interests assigned to each of the above Classes are substantially similar to the other Claims and Interests in such Class. Claims (rights to payment) are classified separately from Interests (representing ownership interests). The Plan provides for the separate classification of Claims and Interests based upon the different legal nature and/or priority of such Claims and Interests.

b. The Plan Satisfies the Mandatory Plan Requirements of Section 1123(a).

10. ***Section 1123(a)(1).*** As set forth above, the Plan designates Classes of Claims and Interests as required by section 1123(a)(1).

11. ***Sections 1123(a)(2)-(3).*** The Plan identifies Classes 1, 2, 3, 9, and 11 as Unimpaired or potentially Unimpaired and Classes 4a, 4b, 4c, 5, 6a, 6b, 7a, 7b, 7c, 8, 9, and 10 as Impaired or potentially Impaired. In addition, the Plan sets forth the treatment of the Claims and Interests in each Class. I understand this satisfies the requirements of sections 1123(a)(2) and (3) of the Bankruptcy Code.

12. ***Section 1123(a)(4).*** The holders of Allowed Claims or Interests within each Class will receive the same treatment as all other holders of Allowed Claims or Interests within such Class. With respect to the Voting Classes, all holders of Allowed Claims in such classes—even those who vote to reject the Plan—will receive the same distributions on account of their Claims. Thus, the Plan satisfies section 1123(a)(4).

13. ***Section 1123(a)(5).*** I believe the Plan provides for adequate and proper means for its implementation, which I understand is required by Bankruptcy Code section 1123(a)(5). Article IV of the Plan, as well as other provisions, sets forth the means by which the Plan will be implemented. Among other things, Article IV of the Plan effectuates the global settlement and authorizes the Debtors to issue new securities and engage in a series of restructuring transactions that will implement the economic terms of the Plan in a tax-efficient manner, to be described more precisely in the Plan Supplement.

14. ***Section 1123(a)(6).*** I understand the securities being issued pursuant to the Plan are voting equity securities and Article IV of the Plan provides that the New Organizational Documents will prohibit the issuance of any non-voting equity securities to the extent required by section 1123(a)(6). Additionally, the New LLC Agreement (to be filed in the Plan Supplement) will expressly prohibit the issuance of non-voting securities. Accordingly, I believe the Plan satisfies section 1123(a)(6).

15. ***Section 1123(a)(7).*** Article IV of the Plan outlines the manner of selecting the officers, directors, and/or managers of the Reorganized Debtors and of the ultimate parent Reorganized Company, and these provisions are consistent with the interests of the debtors' claimholders and with public policy. Accordingly, I believe the Plan satisfies section 1123(a)(7).

c. The Plan Satisfies the Discretionary Provisions of Section 1123(b).

16. I understand section 1123(b) of the Bankruptcy Code sets forth permissive provisions that may be incorporated into the Plan, including that the Plan may: (a) impair or leave unimpaired any class of claims or interests; (b) provide for the assumption or rejection of executory contracts and unexpired leases; (c) provide for the settlement or adjustment of any claim or interest belonging to the debtor or the estates; and (d) include any other appropriate provision not inconsistent with the applicable provisions of chapter 11. As set forth below, I believe the Plan is consistent with Bankruptcy Code section 1123(b).

17. Article III.B of the Plan describes the treatment of Unimpaired Classes and Impaired Classes, which I understand is consistent with section 1123(b) of the Bankruptcy Code. In addition, Article V.A of the Plan provides for the assumption of all Executory Contracts and Unexpired Leases other than those that are expressly rejected.

18. Further, as I understand, the Plan includes certain settlements, third-party releases, exculpations, and injunctions, which are the product of extensive good-faith, arm's-length negotiations, were a material inducement for parties to enter into the Restructuring Support Agreement and to extend the DIP and exit financing and are supported by the key constituencies of the Chapter 11 Cases. As set forth in section II of this Declaration, I believe these interconnected provisions are appropriate under the circumstances and, based upon my understanding of the Bankruptcy Code and discussions with the Debtors' legal advisors, these provisions are consistent with the Bankruptcy Code.

d. The Plan Complies with Section 1123(d).

19. Article V.B of the Plan provides that the cure amounts for all assumed Executory Contracts and Unexpired Leases are $0.00 unless otherwise specified. The Debtors have filed a

Schedule of Assumed Executory Contracts and Unexpired Leases, which sets forth non-zero cure amounts for certain Executory Contracts and Unexpired Leases, and, consistent with the Plan, the Debtors have adjourned consideration of cure objections and will continue discussions with counterparties to resolve any cure disputes.

2. *The Debtors Have Complied with the Applicable Provisions of the Bankruptcy Code (§ 1129(a)(2)).*

20. I understand Bankruptcy Code section 1129(a)(2) requires the Debtors to comply with the applicable provisions of the Bankruptcy Code. I believe the Debtors have complied with the applicable provisions of the Bankruptcy Code, including sections 1125 and 1126.

21. On September 5, 2024, the Court entered an order [Dkt. No. 2086] approving the Disclosure Statement as containing "adequate information" within the meaning of section 1125 of the Bankruptcy Code and approved the Re-Solicitation Package. I understand that, in accordance with the re-solicitation and voting procedures, the Debtors re-solicited votes from holders of Claims and Interests in Classes 4a and 6a and that all other Classes entitled to vote have already been solicited according to the Solicitation and Voting Procedures previously approved by the Court in the *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* [Dkt. No. 1228]. In addition, based on discussions with the Debtors' advisors, I understand that the Debtors' solicitation and tabulation of votes on the Plan thus far were proper and conformed with the solicitation procedures approved by the Bankruptcy Court and with the requirements of the Bankruptcy Code. I also understand, based on discussions with the Debtors' advisors, that the Debtors intend to continue soliciting votes from Classes 4a and 6a until the applicable voting deadline for such classes on December 20, 2024, in conformance with the solicitation procedures approved by the Bankruptcy Court and the requirements of the Bankruptcy Code.

22. The Debtors, following the filing of this Declaration, may make immaterial changes to the Plan prior to the Confirmation Hearing pursuant to section 1127 of the Bankruptcy Code. I

have no reason to believe any of those modifications will require additional disclosures or solicitation of votes.

3. *The Plan Was Proposed in Good Faith (§ 1129(a)(3)).*

23. I believe the Plan has been proposed in good faith and the Debtors' reasons for commencing the Chapter 11 Cases and proposing the Plan are consistent the purposes of the Bankruptcy Code. Specifically, I believe the Plan will enable Incora to deleverage its balance sheet, improve liquidity, and strengthen its operations—positioning reorganized Incora's business for long-term success. Moreover, the Plan is the product of extensive arm's-length negotiations among the Debtors and many of their leading creditors.

4. *The Plan Provides that the Debtors' Payment of Professional Fees and Expenses Are Subject to Court Approval (§ 1129(a)(4)).*

24. I understand the payment of the Retained Professional Fees is the only category of payments that falls within the ambit of section 1129(a)(4) in these Chapter 11 Cases, and the Plan prohibits payment of the Retained Professional Fees without Court approval. All Retained Professional Fees will be subject to prior Court approval as reasonable in accordance with section 1129(a)(4) of the Bankruptcy Code. Specifically, Article II.C of the Plan provides that Retained Professionals must file their final requests for payment of Retained Professional Fees no later than 60 calendar days after the Effective Date, thereby providing adequate time for the U.S. Trustee and all parties in interest to review such fees before a final fee hearing.

5. *The Debtors Have Disclosed All Necessary Information Regarding Directors, Officers, and Insiders (§ 1129(a)(5)).*

25. To the best of my knowledge, the Debtors have satisfied or will satisfy section 1129(a)(5) of the Bankruptcy Code. In the Plan Supplement, the Debtors will disclose the identities of persons proposed to serve on the Board of the Reorganized Company and all insiders that the Reorganized Debtors will employ or retain. In addition, the Debtors' current officers, who have guided Incora through the tumult of bankruptcy while cutting costs and gaining new customers, will retain their positions and will continue to serve at the discretion of the Board of the Reorganized Company.

6. *The Plan Is in the Best Interests of All the Creditors (§ 1129(a)(7)).*

26. I understand, based upon my discussions with the Debtors' legal advisors, that section 1129(a)(7) of the Bankruptcy Code, commonly known as the "best interest test," applies to individual dissenting holders of impaired claims and interests, and is generally satisfied through a comparison of the estimated recoveries by each such holder in a hypothetical chapter 7 liquidation of the applicable debtor on the plan effective date against the estimated recoveries under the proposed plan. I believe the Plan satisfies this requirement.

27. In connection with the development of the Plan and Disclosure Statement, the Debtors, with the assistance of their advisors, prepared a liquidation analysis attached to the Disclosure Statement at Exhibit C (the "***Liquidation Analysis***"). I am familiar with the Liquidation Analysis and its underlying financial data and assumptions, and I believe such assumptions are reasonable. I also believe the estimated aggregate amounts of Claims and the liquidation values of the Debtors' assets in the context of a liquidation are fair, reasonable, consistent with my extensive experience as a financial advisor to distressed companies and tailored to the Debtors' specific business and assets. Nothing has come to my attention since the Debtors filed the Disclosure Statement that would lead me to believe the Liquidation Analysis should be revised.

28. The projected recoveries under the Plan and those estimated in the Liquidation Analysis are as follows:

Class and Designation	**Plan Recoveries**	**Liquidation Recoveries**	
		Low	**High**
Carveout Reserve Claims[2]	100.0%	100.0%	100.0%
DIP Claims	100.0%	77.3%	100.0%

[2] Carve-out reserve claims, defined as the "Carve-Out" in the *Final Order (I) Authorizing the Debtors 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* [Dkt. No. 396], include any outstanding Professional Fees, fees required to be paid to the Claims Register and the U.S. Trustee, and fees and expenses up to $100,000 incurred by a trustee under section 726(B) of the Bankruptcy Code that have not been paid prior to the Conversion Date, as well as an aggregate amount not to exceed $6.0 million for the Post-Trigger Fee Cap.

Class and Designation	Plan Recoveries	Liquidation Recoveries	
		Low	High
Administrative Claims	100.0%	0.0%	0.4%[3]
Priority Tax Claims	100.0%	0.0%	0.8%
1 Priority Non-Tax Claims	N/A	N/A	N/A
2 Other Secured Claims	100.0%	100.0%	100.0%
3 ABL Facility Claims	100.0%	100.0%	100.0%
4 1L Notes Claims[4]	40.0%-67.0%	0.0%	4.1%
5 1.25L Notes Claims	0.0%	0.0%	0.0%
6 2026 Notes Claims[5]	50.0%-83.0%	0.0%	5.1%
7a General Unsecured Claims	2.0%-4.0%	0.0%	0.0%
7b General Unsecured Convenience Claims	10.0%	0.0%	0.0%
7c 2024 Unsecured Notes Claims	2.0%-4.0%	0.0%	0.0%
8 PIK Notes Claims	0.0%	0.0%	0.0%
9 Intercompany Claims	0.0% or 100.0%	0.0%	N/A[6]
10 Existing Equity Interests	N/A	0.0%	0.0%
11 Intercompany Interests	N/A	0.0%	0.0%[7]

[3] Recovery of individual Administrative Expenses range from 0.0%-5.0% depending on the Debtor and range from 0.0% - 0.4% on a consolidated basis.

[4] The 1L Notes Claims includes those in Class 4a (Secured 1L Notes Claims), Class 4b (1L Notes Deficiency Claims), and Class 4c (New Money Claims).

[5] The 2026 Notes Claims includes those in Class 6a (Secured 2026 Notes Claims) and Class 6b (2026 Notes Deficiency Claims).

[6] Recovery on Intercompany Claims is estimated to range from 0 - 100% depending on the Debtor.

[7] Recovery on Intercompany Interests is estimated to range from 0 - 100% depending on the Debtor.

29. In comparing the estimated recoveries under the Plan to the estimated recoveries in the Liquidation Analysis, I believe the projected recoveries for all creditors under the Plan are equal to or more than the recoveries estimated in a hypothetical chapter 7 liquidation. Accordingly, I believe the Plan complies with section 1129(a)(7) of the Bankruptcy Code.

7. *The Plan Has Been or Will Be Accepted by All Impaired Classes Except Those That Are Subject to Cram-Down (§ 1129(a)(8)).*

30. I understand section 1129(a)(8) of the Bankruptcy Code requires that each impaired class of claims or interests must accept the plan. Holders of Claims and Interests in Class 4b (1L Notes Deficiency Claims), Class 4c (New Money Claims), Class 5 (1.25L Notes Clams), Class 6b (2026 Notes Deficiency Claims), Class 8 (PIK Notes Claims), Class 9 (Intercompany Claims) (in the event Intercompany Claims are not Reinstated), and Class 10 (Existing Equity Interests) are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Furthermore, I understand Class 7a has voted to reject the Plan. Nevertheless, as discussed below, I believe the Plan can still be confirmed because it satisfies the "cram down" provisions of section 1129(b) of the Bankruptcy Code with respect to Classes 4b, 4c, 5, 6b, 7a, 8, 9, and 10.

8. *The Plan Provides for Payment in Full of All Allowed Priority Claims (§ 1129(a)(9)).*

31. I am aware that section 1129(a)(9) of the Bankruptcy Code requires that certain priority claims be paid in full on the effective date of a plan and that the holders of certain other priority claims receive certain specified deferred cash payments. The Plan provides that each holder of an Allowed General Administrative Expense Claim will receive Cash equal to the Allowed amount of such Claim on the Effective Date (or, if payment is not then due, then in the applicable Debtor's ordinary course of business). In addition, the Plan provides that holders of Allowed Priority Tax Claims shall be treated in accordance with the terms set forth in section 1129(a)(9)(C). Therefore, I believe the Plan satisfies the requirements of section 1129(a)(9).

9. *At Least One Class of Impaired, Non-Insider Claims Accepted the Plan (§ 1129(a)(10)).*

32. I understand, based upon my discussions with the Debtors' legal advisors, that section 1129(a)(10) of the Bankruptcy Code provides that at least one impaired class of claims must accept the plan "without including any acceptance of the plan by any insider." I understand that Class 7b, which is Impaired, voted to accept the Plan independent of any insiders' votes.

10. *The Plan Is Feasible (§ 1129(a)(11)).*

33. I am aware that section 1129(a)(11) of the Bankruptcy Code requires a plan to be feasible—*i.e.*, not likely to be followed by liquidation or the need for further financial reorganization. Based upon my understanding of the Plan, my discussions with the Debtors' advisors and management team, and my experience with, and knowledge of, the Debtors' business and industry, I believe that the Plan is feasible: the Plan will allow the Reorganized Debtors to emerge as a competitive, financially flexible, and healthy company and is not likely to be followed by liquidation or the need for further financial reorganization. This conclusion is based upon, among other things, the Debtors' analysis of their ability to meet their obligations under the Plan, as well as the consolidated Financial Projections the Debtors have prepared for each fiscal year following the Effective Date through 2029. Those Financial Projections, and the assumptions on which they are based, are set forth in **Exhibit A** attached to this Declaration.

34. I reviewed the Financial Projections and believe the Financial Projections were based on reasonable assumptions based upon the current views and understanding of the members of the Debtors' management, each of whom has years of experience in, and an intimate understanding of, the aerospace industry (among other specialized industry experience). Specifically, the Financial Projections were developed based on the Debtors' business plan, which covers the period from fiscal year 2024 through fiscal year 2029, and supplemented by actual performance through September 30, 2024, as well as current and projected conditions in each of the Debtors' markets and businesses.

35. The Financial Projections assume the Plan will be consummated by December 31, 2024. Based on the Financial Projections, the Reorganized Debtors will have the ability to make all the payments and distributions required pursuant to the Plan. As the Financial Projections show, the Reorganized Debtors' improved financial performance is projected to result in $128 million of Adjusted EBITDA in fiscal year 2024, which will grow to $275 million in fiscal year 2029.

36. Further, although characterized as debt, the New Takeback Notes will not require cash interest payments or a cash principal payment at any point and, as such, should be viewed similar to convertible equity for purposes of the feasibility analysis. Thus, the New Takeback Notes are presented distinctly from the New Revolver Facility and New Exit Notes on the balance sheet to allow parties-in-interest to discern between operating leverage and total leverage.

37. The Financial Projections were prepared on a holistic basis, utilizing a number of reasonable and good-faith assumptions based upon the current views and understanding of the Debtors' management, and were informed by the current understanding of the conditions in the Debtors' markets. I do not believe any changes have taken place since the Financial Projections in Exhibit A were prepared that require further modifications or amendments to the Financial Projections. The Financial Projections have been shared with advisors to the Committee, to the First Lien Noteholder Group, and to the 2024/2026 Noteholder Group.

11. *All Statutory Fees Have Been or Will Be Paid (§ 1129(a)(12)).*

38. Article II.D of the Plan provides that all Statutory Fees, to the extent not previously paid, must be paid on the Effective Date and thereafter as required until the Chapter 11 Cases are closed, dismissed, or converted to cases under chapter 7 of the Bankruptcy Code.

12. *The Plan Honors Outstanding Benefits (§ 1129(a)(13)).*

39. I understand that section 1129(a)(13) of the Bankruptcy Code requires that all retiree benefits continue post-confirmation at the levels established in accordance with section 1114 of the Bankruptcy Code. Pursuant to Article V of the Plan, the Debtors will assume all Compensation and Benefit Plans. Accordingly, I believe the Plan satisfies section 1129(a)(13).

B. The Plan Satisfies Cram-Down Requirements with Respect to Rejecting Classes (§ 1129(b)).

40. I understand that section 1129(b)(1) of the Bankruptcy Code excuses a plan's compliance with section 1129(a)(8) (*i.e.*, not all impaired classes of claims have accepted the plan) so long as all other components of section 1129(a) are satisfied, and the Plan is "fair and equitable" and "does not discriminate unfairly" with respect to rejecting classes.

41. I further understand, based upon my discussions with the Debtors' legal advisors, that to be "fair and equitable" with respect to a class of claims or interests, no holder of claims or interests in a class junior to the rejecting impaired class will receive or retain property under the plan on account of such junior claim or interest. Under the Plan, no holders of Claims in Classes that are junior to Classes 4b, 4c, 5, 6b, 7a, 8, and 10 will receive or retain any property on account of those Claims, and there are no Interests junior to Interests in Class 10. Accordingly, I believe the Plan is fair and equitable with regard to the rejecting Classes.

42. Further, based upon my discussions with the Debtors' legal advisors, I understand that unfair discrimination occurs when similarly situated classes are treated differently without a reasonable basis. I do not believe the Plan discriminates unfairly with respect to Class 4b (1L Notes Deficiency Claims), Class 4c (New Money Claims), Class 5 (1.25L Notes Claims), Class 6b (2026 Notes Deficiency Claims), Class 7a (General Unsecured Claims), Class 8 (PIK Notes Claims), or Class 10 (Existing Equity Interests). As discussed above, the Claims and Interests in each such Class are legally distinct in nature from the Claims and Interests, as applicable, in any other Class. Therefore, given that the Claims and Interests in Classes 4b, 4c, 5, 6b, 5, 7a, 8, and 10 are "dissimilar" from the Claims and Interests in all other Classes, the Plan does not discriminate unfairly with respect to those Classes.

43. Finally, the cramdown requirements should not be applied to Intercompany Claims (Class 9), which have no economic substance and will be impaired only to preserve, improve, or simplify the accounting or tax position of the Reorganized Debtors' enterprise. In any event, each

holder of an Intercompany Claim is a proponent of the Plan and has therefore waived any objection to its treatment under the Plan.

C. Only One Plan Has Been Proposed (§ 1129(c)).

44. The Plan is the only plan that the Debtors are seeking confirmation for.

D. The Purpose of the Plan Is Not to Avoid Taxes or Application of the Securities Act (§ 1129(d)).

45. I can confirm that the purpose of the Plan is not to avoid taxes or the application of section 5 of the Securities Act, and no governmental unit has requested that the Court decline to confirm the Plan on such grounds.

E. Other Requirements of Section 1129 Are Not Applicable to the Plan.

46. Based on my understanding of the Plan and discussion with the Debtors' legal advisors, the following provisions of the Bankruptcy Code are inapplicable to the Plan: (a) section 1129(a)(6) because the Debtors are not subject to the jurisdiction of any governmental regulatory commission; (b) section 1129(a)(14) because the Debtors do not have domestic support obligations; (c) section 1129(a)(15) because no Debtor is an individual; (d) section 1129(a)(16) because each of the Debtors that is a corporation is a moneyed, business, or commercial corporation; and (e) section 1129(e) because none of the Chapter 11 Cases is a small business case.

II. THE THIRD-PARTY RELEASES, EXCULPATIONS, AND INJUNCTIONS SET FORTH IN THE PLAN ARE APPROPRIATE.

47. I understand the Plan includes certain third-party releases, exculpations, and injunctions, and as noted above, I believe these provisions are appropriate under the circumstances.

A. The Consensual Third-Party Release Is Appropriate.

48. Article VIII.E of the Plan contains Third-Party Releases, whereby each Releasing Party releases any and all claims and Causes of Action such party could assert against the Released Parties.

49. The Third-Party Release is binding on all parties who do not affirmatively opt out of the Third-Party Release. Thus, the Third-Party Release is consensual. The parties that validly and

timely opted out of the Third-Party Release contained in the *Modified First Amended Joint Chapter 11 Plan of Wesco Aircraft Holdings, Inc., et al.*[Dkt. No. 1223] are deemed to opt out of the Third-Party Release contained in the Further Modified Second Amended Plan.

50. Moreover, the Third-Party Release are integral to the Plan and a condition of the Global Settlement. The Plan, including the Third-Party Release, was heavily negotiated by sophisticated parties, each of whom was represented by competent counsel and financial advisors. The consensual Third-Party Release is a key component of the Restructuring and was a critical inducement to bringing stakeholder groups to the bargaining table. Moreover, the Third-Party Release was given for consideration, and each Releasing Party has made a substantial contribution to the Chapter 11 Cases. Thus, I believe the Third-Party Release is justified and complies with controlling law and should therefore be approved.

B. The Exculpation Provision is Appropriate

51. Article VIII.F of the Plan provides exculpation to the Exculpated Parties from claims and Causes of Action arising out of or in connection with the administration of the Chapter 11 Cases and certain related transactions, except for acts or omissions that constitute a criminal act, intentional fraud or willful misconduct as determined by a Final Order (the "***Exculpation Provision***"). The Exculpated Parties include: (a) the Debtors, (b) the Reorganized Debtors, (c) the Committee and its members, and (d) any independent director of a Debtor (including Patrick Bartels as independent director of Wolverine Intermediate Holding). I believe the Exculpation Provision represents an integral piece of the overall settlements embodied by the Plan and is the product of good faith, arm's-length negotiations. As such, I believe the Exculpation Provision should be approved.

C. The Plan Injunction is Appropriate.

52. I understand the injunction provision set forth in Article VIII.G of the Plan (the "***Injunction Provision***") implements the Plan's release and exculpation provisions by permanently enjoining all persons and entities from commencing any actions and seeking any form of relief released or exculpated by the Plan or the Confirmation Order. Additionally, the Injunction

Provision provides that no person or entity shall treat, or cause any other person or entity to treat, any stock (within the meaning of Section 382(g)(4)(D) of the Internal Revenue Code of 1986, as amended) of any Debtor held by any 50-Percent Shareholder as "becoming worthless" (within the meaning of Section 382(g)(4)(D) of the Internal Revenue Code of 1986, as amended), with respect to any taxable year ending prior to the Effective Date. I believe that the Injunction Provision is narrowly tailored to achieve its purpose and therefore should be approved.

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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: December 15, 2024

/s/ Brian Cejka
Brian Cejka
Managing Director
Alvarez & Marsal North America, LLC

Exhibit A

CERTIFICATE OF SERVICE

I certify that, on December 15, 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, and will be served as set forth in the Affidavit of Service to be filed by the Debtors' proposed noticing agent.

Dated: December 15, 2024

/s/ Charles A. Beckham, Jr.

Charles A. Beckham, Jr.

EXHIBIT A

FINANCIAL PROJECTIONS

Exhibit A

Financial Projections[1]

A. Introduction

The financial projections for the Debtors are based on the Debtors' FY 2024 – FY 2029 business plan (the "*Financial Projections*") and supplemented by actual Company performance through September 30, 2024 as well as current and projected conditions in each of the Debtors' markets and businesses.

The Financial Projections were prepared by management with the assistance of the Debtors' financial advisors and are based upon the Debtors' books and records and other available sources. The Financial Projections are also based upon a number of assumptions made by management with respect to the future performance of the Debtors' operations and the economic environments in which the Debtors operate. Although management has prepared the Financial Projections in good faith and believes the assumptions to be reasonable, there can be no assurance that such assumptions will be realized. Any estimates or forecasts reflected in the Financial Projections inherently involve significant elements of subjective judgment and analysis that may or may not be correct. As described in detail in the Disclosure Statement, a variety of risk factors could affect the Debtors' financial results and must be considered including but not limited to the impact of a prolonged chapter 11 case on future customer contract renewals and new business opportunities. The Financial Projections should not be regarded as a representation or warranty by the Debtors, the Reorganized Debtors, or any other person as to the accuracy of the Financial Projections or that the Financial Projections will be realized. The Financial Projections were not prepared with a view toward compliance with published guidelines of the United States Securities and Exchange Commission or guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. An independent auditor has not examined, compiled, or performed any procedures with respect to the prospective financial information contained in this exhibit and, accordingly, no independent auditor expresses an opinion or any other form of assurance on such information or its achievability. The Debtors' independent auditor assumes no responsibility for, and denies any association with, the prospective financial information.

B. Accounting Policies

Under Accounting Standards Codification "ASC" 852, "Reorganizations," the Debtors note that the Financial Projections reflect the operational emergence from chapter 11 but not the complete impact of fresh start accounting that will likely be required upon the occurrence of the Effective Date. Fresh start accounting requires all assets, liabilities, and equity instruments to be valued at "fair value." The Financial Projections account for the reorganization and related transactions pursuant to the Plan. While the Debtors expect that they will be required to implement fresh start accounting upon emergence, they have not yet completed the work required to quantify

[1] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Disclosure Statement or Plan.

the effect upon the Financial Projections, and as such, additional fresh starting accounting adjustments may be required. Select adjustments are included in the Financial Projections for forecasting purposes only and are purely illustrative. Such forecast adjustments include write-offs of (i) intangible assets, (ii) prepetition accounts payable, and (iii) the 1L Notes, 2026 Notes (when combined with the 1L Notes, net of the New Takeback Notes), 1.25L Notes, 2024 Unsecured Notes, and 2027 Unsecured Notes. For the avoidance of doubt, the Debtors believe the final fresh start accounting adjustments will have material impacts on the Financial Projections presented herein.

C. Safe Harbor Under the Private Securities Litigation Reform Act of 1995

The Financial Projections contain statements which constitute "forward-looking statements" within the meaning of the Securities Act and the Securities Exchange Act. Forward-looking statements in the Financial Projections include the current expectations of the Debtors and management with respect to the timing and completion of the proposed Plan and the assumptions upon which such statements are based.

While the Debtors believe that the expectations are based upon reasonable assumptions within the bounds of their knowledge of their business and operations, parties-in-interest are cautioned that any such forward-looking statements are not guarantees of future performance, involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

D. Select Risk Factors Related to the Financial Projections

The Financial Projections are subject to inherent risks and uncertainties, most of which are difficult to predict and many of which are beyond the Debtors' management team's control. Many factors could cause actual results, performance, or achievements to differ materially from any future results, performance, or achievements expressed or implied by these forward-looking statements including but not limited to the impact of a prolonged chapter 11 case on future customer contract renewals and new business opportunities. A description of the risk factors associated with the Plan, the Disclosure Statement, and the Financial Projections is included in Section IX of the Disclosure Statement.

E. General Assumptions and Methodology

The Financial Projections, which are presented on a consolidated basis inclusive of Debtor and non-Debtor affiliate activity, include the operations of the Debtors' Hardware and Chemicals business units (collectively the "*Business Units*"). The Business Units have many operational similarities, but are managed separately and have segregated financial statements. As such, the Business Units are forecasted separately in the Financial Projections. The Financial Projections for FY 2024 and FY 2025 utilize (i) actual performance through September 30, 2024 plus (ii) a "bottoms-up" approach based on customer-level detail and internal and external demand planning capabilities. The Financial Projections for FY 2026 – FY 2029 are based on commercial and defense aerospace industry production demand curves for Hardware revenue, customer account

trends for Chemicals revenue, and longer-term trend assumptions for profitability by business unit. Specific expected revenue and profitability drivers, including new business initiatives, customer contract repricing efforts, inflation mitigation clauses, and ongoing cost reduction initiatives, have been included.

The Financial Projections assume that the Plan will be consummated in accordance with its terms, including all transactions contemplated by the Plan, by December 31, 2024 (the "*Assumed Effective Date*").

The Financial Projections consist of the following unaudited pro forma financial statements for each year: (i) projected consolidated income statement, (ii) projected consolidated cash flow statement, and (iii) projected consolidated balance sheet.

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F. Financial Projections[2]

Income Statement - Incora Consolidated							
$USD in Millions		Financial Projections					
		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	Notes	Full Year	Full Year	Full Year	Full Year	Full Year	Full Year
Revenue:							
Hardware	[A]	$ 1,187	$ 1,229	$ 1,332	$ 1,456	$ 1,558	$ 1,661
Chemicals	[B]	977	964	1,002	1,064	1,130	1,200
Total Revenue	**[C]**	**2,164**	**2,193**	**2,334**	**2,520**	**2,688**	**2,861**
Gross Profit:							
Hardware		271	303	334	366	392	418
Chemicals		168	163	169	182	194	210
Total Gross Profit	**[D]**	**439**	**467**	**503**	**548**	**586**	**628**
SG&A	[E]	(311)	(317)	(326)	(335)	(342)	(354)
Adjusted EBITDA	**[F]**	**$ 128**	**$ 150**	**$ 177**	**$ 213**	**$ 245**	**$ 275**
Depreciation & Amortization		(73)	(14)	(14)	(14)	(13)	(12)
Interest Expense	[G]	(68)	(109)	(113)	(114)	(113)	(111)
Amortization of Deferred Financing Costs		(1)	-	-	-	-	-
One-Time (Costs) / Benefits	[H]	1,679	(33)	-	-	-	-
Total Other (Expense) / Income	[I]	27	-	-	-	-	-
Profit Before Tax		**1,692**	**(6)**	**50**	**85**	**118**	**152**
Income Tax Provision	[J]	4	-	(3)	(4)	(21)	(27)
Net Income		**$ 1,696**	**$ (6)**	**$ 46**	**$ 81**	**$ 97**	**$ 125**

Note: As described in Paragraph B (Accounting Policies), the impact of fresh start accounting has not been completely incorporated in the Financial Projections. The Debtors believe the final fresh start accounting adjustments will have material impacts on the Financial Projections.

[2] The Financial Projections are presented on a consolidated basis, inclusive of both Debtor and Non-Debtor affiliate operations.

Cash Flow Statement - Incora Consolidated							
$USD in Millions		Financial Projections					
		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	Notes	Full Year	Full Year	Full Year	Full Year	Full Year	Full Year
Net Income		$ 1,696	$ (6)	$ 46	$ 81	$ 97	$ 125
(+/-) Non-Cash Expenses	[K]	(1,896)	55	22	22	22	21
(+) Non-Cash Interest	[G]	-	84	92	29	31	33
Δ Total Net Working Capital	[L]	84	(42)	(45)	(61)	(55)	(61)
(+/-) Other	[M]	(46)	(15)	(17)	(18)	(13)	(18)
Cash Flow from Operating Activities		**(163)**	**75**	**97**	**54**	**82**	**102**
(-) Capital Expenditures	[N]	(20)	(35)	(25)	(25)	(15)	(15)
Cash Flow from Investing Activities		**(20)**	**(35)**	**(25)**	**(25)**	**(15)**	**(15)**
(+/-) Proceeds / (Repayment) on Debt	[G]	79	(40)	(72)	(29)	(67)	(87)
Total Cash Flow from Financing Activities		**79**	**(40)**	**(72)**	**(29)**	**(67)**	**(87)**
Total Cash Flow		**$ (104)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Beginning Cash		$ 179	$ 75	$ 75	$ 75	$ 75	$ 75
Cash Flow		(104)	-	-	-	-	-
Ending Cash	**[O]**	**$ 75**	**$ 75**	**$ 75**	**$ 75**	**$ 75**	**$ 75**
Liquidity	[O]	219	278	347	357	424	510

Note: As described in Paragraph B (Accounting Policies), the impact of fresh start accounting has not been completely incorporated in the Financial Projections. The Debtors believe the final fresh start accounting adjustments will have material impacts on the Financial Projections.

Balance Sheet - Incora Consolidated							
$USD in Millions		Financial Projections					
		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	Notes	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29
Assets							
Current Assets:							
Cash and Cash Equivalents	[O]	$ 75	$ 75	$ 75	$ 75	$ 75	$ 75
Accounts Receivable	[P]	476	475	498	543	577	616
Net Inventory	[Q]	1,020	1,050	1,074	1,112	1,145	1,180
Prepaid Expenses and Other Current Assets		73	73	73	73	73	73
Total Current Assets		**1,644**	**1,673**	**1,721**	**1,803**	**1,870**	**1,944**
Non-Current Assets:							
Property, Plant and Equipment, Net		60	81	92	103	105	108
Total Other Non-Current Assets		107	107	107	107	107	107
Total Non-Current Assets		**166**	**188**	**199**	**210**	**212**	**215**
Total Assets		**$ 1,811**	**$ 1,861**	**$ 1,920**	**$ 2,013**	**$ 2,082**	**$ 2,158**
Liabilities & Equity							
Current Liabilities:							
AP & Accrued Expenses	[R]	$ 311	$ 339	$ 350	$ 379	$ 400	$ 422
Accrued Interest		-	3	3	3	3	2
Other Current Liabilities		23	23	23	24	29	30
Total Current Liabilities		**334**	**365**	**376**	**406**	**431**	**454**
Long-Term Liabilities:							
OpCo Debt	[G]	840	857	849	820	753	667
HoldCo Debt	[G]	420	446	474	503	535	568
Other Long-Term Liabilities		117	117	117	117	117	117
Total Long-Term Liabilities		**1,376**	**1,420**	**1,439**	**1,440**	**1,405**	**1,351**
Total Liabilities		**1,710**	**1,785**	**1,815**	**1,846**	**1,836**	**1,805**
Equity		**100**	**76**	**104**	**167**	**246**	**353**
Total Liabilities & Equity		**$ 1,811**	**$ 1,861**	**$ 1,920**	**$ 2,013**	**$ 2,082**	**$ 2,158**

Note: As described in Paragraph B (Accounting Policies), the impact of fresh start accounting has not been completely incorporated in the Financial Projections. The Debtors believe the final fresh start accounting adjustments will have material impacts on the Financial Projections.

G. Notes to Financial Projections

Note A – Hardware Revenue

Hardware revenue is primarily generated from fixed price customer contracts which generally include inflation mitigation clauses ("Hardware Contract" revenue), plus non-contract revenue which is sold at variable market pricing ("ONdemand" revenue). Hardware contracts are typically multi-year, fixed price agreements. The inflation mitigation clauses that are included within Hardware contracts were largely implemented as part of the customer contract repricing initiatives which have been a key component of the Debtors' restructuring efforts within chapter 11. The ONdemand revenue typically features shorter lead times but higher margins as compared to Hardware Contract revenue.

FY 2024 and FY 2025 revenue were projected utilizing (i) actual performance through September 30, 2024 plus (ii) a customer-level bottoms-up approach, including incremental new business and the impacts of contract repricing initiatives. FY 2026 – FY 2029 revenue was projected based on (i) commercial and defense aerospace industry production demand curves, (ii) future new business projections, and (iii) the impact of contractual inflation pass-through.

Revenue is projected to grow from $1,187 million in FY 2024 to $1,229 million in FY 2025 (3.5% growth), primarily driven by organic volume increases, future new business, and contractual inflation pass-through, partially offset by the removal of low margin parts from a material customer contract. Revenue is then projected to grow to $1,661 million in FY 2029 (7.8% CAGR from FY 2025), primarily driven by the factors described above.

Note B – Chemicals Revenue

Chemicals revenue is primarily generated from contracts with market-based pricing mechanisms, management fees, and other ancillary services fees. As compared to Hardware, contracts are typically shorter in duration. Non-contract revenue also exists within Chemicals but is generally less prevalent when compared to Hardware.

FY 2024 and FY 2025 revenue were projected utilizing (i) actual performance through September 30, 2024 plus (ii) a customer-level bottoms-up approach, including the impacts of contract repricing initiatives. FY 2026 – FY 2029 revenue was projected based on (i) customer account trends and (ii) future new business projections.

Revenue is projected to decrease from $977 million in FY 2024 to $964 million in FY 2025 (1.4% decrease), primarily attributable to customer volume changes. Revenue is then projected to grow to $1,200 million in FY 2029 (5.6% CAGR from FY 2025), primarily driven by organic volume increases and new business.

Note C – Total Revenue

Total revenue is projected to have de minimis growth from FY 2024 ($2,164 million) to FY 2025 ($2,193 million) driven by the factors described above. Revenue is then projected to grow to $2,861 million in FY 2029 (6.9% CAGR from FY 2025).

Hardware is projected to grow faster than Chemicals, causing the mix of revenue attributable to Hardware to increase from 54.9% in FY 2024 to 58.1% in FY 2029. The mix shift from Chemicals to Hardware is driven by inflation mitigation initiatives having an outsized impact on Hardware, a pipeline of future new business anticipated within Hardware, and production demand curves and macroeconomic forecasts indicating faster growth within Hardware.

Note D – Total Gross Profit

Hardware margins are projected to expand from 22.8% in FY 2024 to 24.7% in FY 2025 as low margin parts are removed from a material customer contract. Projected margin growth to 25.2% in FY 2029 is driven by contractual inflation pass-through and margin optimization of the material customer contract highlighted above continues.

Chemicals margins are projected to expand from 17.2% in FY 2024 to 17.5% in FY 2029 alongside material customer contract renewals.

On a consolidated basis, margins are projected to grow from 20.3% in FY 2024 to 22.0% in FY 2029 driven by the factors noted above plus the positive impacts of Hardware mix shift increases (Hardware has higher business unit margins).

Note E – SG&A

SG&A consists of expenses related to operating the Business Units and other unallocated corporate overhead. These costs are primarily comprised of personnel, building & equipment, and communications & IT spending. Management continues to review and implement opportunities to reduce SG&A, including reducing SG&A from $328 million in FY 2023 to approximately $311 million in FY 2024 through headcount and non-headcount cost reductions. Annual SG&A is projected to grow due to merit, inflation, and revenue volume growth, primarily offset by ongoing cost reduction initiatives through FY 2029.

Note F – Adjusted EBITDA

"Adjusted EBITDA" or "AEBITDA" is defined as earnings before interest, taxes, depreciation and amortization, adjusted to exclude restructuring charges and certain other one-time costs and income. AEBITDA is not a measure of financial performance under Generally Accepted Accounting Principles ("GAAP") and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

Consolidated AEBITDA is projected to grow from $128 million in FY 2024 to $150 million in FY 2025 (17.3% growth) largely driven by organic volume increases, new business, and incremental operating leverage. AEBITDA is then projected to grow to $275 million in FY 2029 (16.3% CAGR from FY 2025) largely driven by the factors described above.

Note G – Capital Structure

The capital structure reflects the terms as described in the Plan and includes the following:

- Concurrent with the Assumed Effective Date, the Company will finalize a replacement for the ABL Facility, the New Revolver Facility. The New Revolver Facility is assumed to be drawn at approximately $400 million on the Assumed Effective Date based on an outstanding balance on the ABL Facility of approximately $420 million and an approximately $20 million paydown to maintain targeted operating cash requirements of $75 million. The Debtors are in the process of seeking aggregate commitments of up to $600 million for the New Revolver Facility. The facility is assumed to accrue cash interest at the Secured Overnight Financing Rate ("*SOFR*") + 2.50% and have select tranches paid monthly and quarterly (current terms of the ABL Facility). SOFR reflects the 3-month forward curve as of November 1, 2024. Excess cash above $75 million is used to pay down the New Revolver Facility during the projection period. The final terms of the New Revolver Facility remain subject to change, and as such, may have a material impact on the Financial Projections.
- The New Exit Notes consist of a $437 million note issued on the Assumed Effective Date, including the New DIP Exit Notes and New Investment Exit Notes. The New Investment Exit Notes are projected to be $100 million. The notes include a 3.00% paid in kind upfront premium and accrue cash interest at SOFR + 8.00%, paid quarterly. At the Debtors' election, interest may be paid in kind at SOFR + 8.50% through December 31, 2026 (two years from the Assumed Effective Date) and reflected herein. Interest is paid in cash thereafter. The final terms of the New Investment Exit Notes remain subject to change, and as such, may have a material impact on the Financial Projections.
- The New Takeback Notes consist of $420 million in unsecured mandatorily convertible notes issued on the Assumed Effective Date. The notes accrete at 6.00% based on quarterly-compounding through maturity. The New Takeback Notes will be issued by Reorganized Incora and will therefore be structurally junior to debt of operating legal entities, including the New Revolver Facility, the New Exit Notes, and trade debt. As such, the New Takeback Notes are presented distinctly from the New Revolver Facility and New Exit Notes on the balance sheet to allow parties-in-interest to discern between operating leverage and total leverage.

Note H – One-Time (Costs) / Benefits

One-time (costs) / benefits associated with FY 2024 include the following items:

- Write-off of select liabilities subject to compromise including (i) principal and accrued interest associated with the 1L Notes, 2026 Notes (when combined with the 1L Notes, net of the New Takeback Notes), 1.25L Notes, 2024 Unsecured

Notes, and 2027 Unsecured Notes and (ii) prepetition accounts payable ($2.2 billion in aggregate);
- Write-off of intangible assets ($219 million). As described in Paragraph B (Accounting Policies), the impact of fresh start accounting has not been completely incorporated in the Financial Projections;
- Chapter 11 professional fees ($204 million);
- Costs associated with emerging from chapter 11 ($83 million);
- 3.00% paid in kind upfront premium due to the New Exit Notes ($13 million);
- 3.00% exit premium due to the DIP Notes ($9 million); and
- Other items primarily related to one-time employee costs ($10 million)

FY 2025 includes the disposal of select inventory post-emergence ($33 million on a net basis, $237 million on a gross basis).

As described in Paragraph B (Accounting Policies), the impact of fresh start accounting has not been completely incorporated in the Financial Projections. The Debtors believe the final fresh start accounting adjustments will have material impacts on the Financial Projections.

Note I – Total Other (Expense) / Income

Total Other (Expense) / Income in FY 2024 is primarily related to income associated with the Gulfstream Transition Agreement further described and defined in the *Order (I) Authorizing Rejection of the Gulfstream Contract, (II) Approving a Transition Agreement Between the Debtors and Gulfstream, and (III) Granting Related Relief* [Dkt. No. 1398]. Separately, the Financial Projections include the associated cash consideration from the (i) Net Invoiced Amount ($14.9 million) and (ii) Purchase Price ($175.9 million) associated with the same *Order (I) Authorizing Rejection of the Gulfstream Contract, (II) Approving a Transition Agreement Between the Debtors and Gulfstream, and (III) Granting Related Relief* [Dkt. No. 1398].

Additional non-cash contract termination income related to the Gulfstream Transition Agreement will likely continue to be recognized in the future. The non-cash income does not impact AEBITDA. As described in paragraph A, the Financial Projections were not prepared with a view towards compliance with published guidelines established by the American Institute of Certified Public Accountants.

Note J – Income Tax Provision

The Financial Projections consider a 26.0% blended US federal and state income tax rate and taxable income of US EBIT less (i) 30.0% of US EBIT (reflecting the maximum annual interest deduction) and (ii) the gross value of the US inventory in the inventory disposal ($190 million of $237 million total disposal). Additionally, NOL utilization is limited to 80.0% of taxable income. US federal and state taxes are projected to be required to be paid in cash starting in FY 2026.

As described in Paragraph B (Accounting Policies), the impact of fresh start accounting has not been completely incorporated in the Financial Projections. The Debtors believe the final fresh start accounting adjustments will have material impacts on the Financial Projections.

Note K – Non-Cash Expenses

Projected Non-Cash Expenses consist of depreciation, amortization, excess and obsolete inventory provisions, and bad debt expense as well as one-time non-cash items as further described in Note H.

Post-emergence depreciation ranges from $12 million to $14 million annually based on current trends and capital expenditure ("Capex") projections. Intangible assets are written off at emergence, and as such, amortization only impacts the period before the Assumed Effective Date. Excess and obsolete inventory provisions are projected grow from $7 million in FY 2025 to $9 million in FY 2029 alongside the growth of the business. The excess and obsolete inventory provisions were estimated before the one-time disposal was finalized (see Note H), and as such, actual results may differ materially from the Financial Projections. Bad debt expense is approximately $1 million per year based on current accounting policies.

As described in Paragraph B (Accounting Policies), the impact of fresh start accounting has not been completely incorporated in the Financial Projections. The Debtors believe the final fresh start accounting adjustments will have material impacts on the Financial Projections.

Note L – Net Working Capital

The projected underlying business growth requires additional working capital to support operations, offset by working capital efficiencies described in further detail below. FY 2024 is impacted by the Gulfstream Transition Agreement further described and defined in the *Order (I) Authorizing Rejection of the Gulfstream Contract, (II) Approving a Transition Agreement Between the Debtors and Gulfstream, and (III) Granting Related Relief* [Dkt. No. 1398].

Note M – Other Cash Flow from Operating Activities

Projected Other Cash Flow from Operating Activities primarily consists of VAT and other taxes, changes in income tax payable, changes in accrued interest, and changes in accrued restructuring expenses.

Note N – Capital Expenditures

Capex includes both maintenance and investment Capex. Maintenance Capex primarily relates to upkeep of existing systems and technology. Investment Capex includes systems improvement. The Financial Projections include $40 million of aggregate investment Capex, which is primarily focused on IT systems enhancements and anticipated to facilitate some of the ongoing cost reduction initiatives as described in the SG&A footnote.

Note O – Liquidity

Cash is projected to be $75 million on the Assumed Effective Date due to the assumption that excess cash above $75 million, the targeted operating cash requirement, will be used to pay down the New Revolver Facility. However, based on the initial projected borrowing base under the New Revolver Facility of $549 million, total liquidity (defined as cash on hand and incremental borrowing available under the New Revolver Facility) is projected to be $219 million. Thereafter, the Company is projected to generate $295 million of cash following the Assumed Effective Date through FY 2029 which is used to pay down the New Revolver Facility which, when combined with changes in the borrowing base, results in $510 million of total liquidity in FY 2029.

The borrowing base is projected on the basis of a recent term sheet with the New Revolver Facility lenders and is projected to grow with the business, partially offset by accounts receivable and inventory management efficiencies. The projected borrowing base ranges from $549 million to $576 million following the Assumed Effective Date through FY 2029. The final terms of the New Revolver Facility remain subject to change, and as such, may have a material impact on the Financial Projections.

Note P – Accounts Receivable

Days sales outstanding is projected to be 83 days on the Assumed Effective Date. Days sales outstanding is projected to improve to 79 days by FY 2029. Efficiencies gained in customer collection timing and process improvements are offset by revenue growth resulting in projected AR growth from $476 million in FY 2024 to $616 million in FY 2029.

Note Q – Net Inventory

Net inventory turns are projected to be 1.59x in FY 2024 (excluding any benefit from the inventory disposal described in Note H). Net inventory turns are then projected to be 1.54x in FY 2025 and grow to 1.78x in FY 2029 as efficiencies are gained across both Business Units. The improved inventory management efficiencies are offset by growth in the business resulting in projected net inventory growth from $1,020 million in FY 2024 to $1,180 million in FY 2029.

Note R – AP & Accrued Expenses

Days payable outstanding is projected to improve from 42 days on the Assumed Effective Date to 46 days by year-end FY 2025 as vendors revert to normalized trade terms following emergence from chapter 11. Days payable outstanding is projected to improve to 49 days by FY 2029, fully normalized trade terms. Efficiencies gained and the growth in the business result in projected AP & accrued expenses growth from $311 million in FY 2024 to $422 million in FY 2029.