IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
Dynamic Aerostructures LLC, *et al.*,	Case No. 25-10292 (___)
Debtors.[1]	(*Joint Administration Pending*)

DECLARATION OF ERIC N. ELLIS IN
SUPPORT OF DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS

I, Eric N. Ellis, hereby declare under penalty of perjury to the best of my knowledge, information, and belief:

1. I am the President and Chief Executive Officer of Forrest Machining LLC, one of the above-captioned debtors and debtors in possession (collectively, the "Debtors" or the "Company"). On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition in the United States Bankruptcy Court for the District of Delaware (the "Court") for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors are continuing to operate their business and managing their affairs in the ordinary course of business as debtors in possession.

2. I have served as the Debtors' President and Chief Executive Officer since May 2023. I have more than 25 years of experience in the aerospace and defense industry, most recently serving as President of E2 Strategies, LLC, a management consultancy firm in the aerospace and defense market. Prior to my tenure at E2 Strategies, LLC, I spent six years working as Vice President (2016-2018), Senior Vice President (2018-2022), and General Manager of General

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number are: Dynamic Aerostructures LLC (3076); Dynamic Aerostructures Intermediate LLC (9800); and Forrest Machining LLC (3421). The Debtors' service address is 27756 Avenue Mentry, Valencia, California 91355.

Dynamics Ordnance and Tactical Systems, a multi-national aerospace and defense corporation. From 2007 through 2016, I served as Vice President (2007-2010) and President (2010-2016) of L3Harris Fuzing and Ordnance Systems division (f/k/a L3 Communications), a global aerospace and defense corporation. I hold an MBA from Santa Clara University Leavey School of Business, a Bachelor of Science degree in mechanical engineering from Brigham Young University, and have completed executive leadership coursework at the Wharton School Business of the University of Pennsylvania.

3. In my capacity as President and Chief Executive Officer, I am generally familiar with the Debtors' day-to-day operations, business and financial affairs, and books and records. I submit this declaration (this "Declaration") to assist the Court and parties in interest in understanding the Debtors' corporate history, business operations, prepetition corporate and capital structure, the circumstances and events leading the commencement of these chapter 11 cases, and in support of the Debtors' chapter 11 petitions and first day motions filed contemporaneously herewith, which seek relief intended to avoid immediate and irreparable harm to the Debtors' business and estates and to preserve value for the benefit of all stakeholders. The first day motions also seek certain procedural relief that I believe will facilitate the Debtors' orderly transition into chapter 11.

4. Except as otherwise indicated, all facts and statements set forth in this Declaration are based upon my personal knowledge, my discussions with other members of the Debtors' management team and the Debtors' advisors, my review of relevant documents and information concerning the Debtors' operations, financial affairs, and restructuring initiatives, or my opinions based upon my experience and knowledge and information I have reviewed or obtained from the Debtors concerning the Debtors' operations and financial condition. The statements in this

Declaration are accurate and correct to the best of my knowledge, information, and belief. If called upon as a witness, I could and would testify competently to the facts set forth in this Declaration on that basis.

BACKGROUND

5. To assist the Court and parties in interest in understanding the Company's business generally, and the Debtors in particular, and the relief the Debtors are seeking in the first day motions, this Declaration is organized as follows:

- ***Part I*** provides a general overview of the Company's corporate history and business operations;
- ***Part II*** provides an overview of the Company's prepetition corporate and capital structure;
- ***Part III*** describes the circumstances leading to the filing of these chapter 11 cases; and
- ***Part IV*** discusses the first day motions.

I. CORPORATE HISTORY AND BUSINESS OPERATIONS

A. The Company's Corporate History

6. The Company is a privately held, leading manufacturer and supplier of parts and assemblies in the aerospace and defense industry. Originally founded in 1978 by Garl and Barbara Forrest, the Company has become a trusted manufacturer and supplier for some of the most groundbreaking aircraft projects over the past few decades, delivering (a) the Company's first production parts for Northrop Corporation's B-2 Spirit,[2] also known as the Stealth Bomber, in 1989, (b) its first production parts for Lockheed Martin's F-22 Raptor aircraft in 2000, and (c) its first production parts for Lockheed Martin's F-35 Lightning aircraft in 2003.

[2] In 1994, Northrop Corporation merged with Grumman Aerospace Corporation to form Northrop Grumman Corporation.

7. The Company was purchased by Robert and Joanne Butler in 1997 and, in 1999, the Company moved to its current facilities at 27756 and 27712 Avenue Mentry, Valencia, California. In 2012, the Company expanded its facility space at these locations to its current size of approximately 226,000 square feet of temperature-controlled manufacturing space, giving the Company one of the largest independent aerospace and defense manufacturing sites in North America.

8. The Company received a BAC 5114 certification in 2018, which is one of the highest certifications to achieve for airplane parts manufacturers and ensures advanced quality controls for all machining processes used in aircraft component manufacturing. In July 2021, Forrest Machining, Inc. (now known as Forrest Machining LLC, d/b/a FMI Aerostructures) was acquired by Endeavour Capital, through Dynamic Aerostructures, and today continues to be a leading provider of critical structural components and assemblies for the aerospace and defense industry in the United States.

B. The Company's Operations

9. The Company specializes in manufacturing large structural airframe and wing components of varying complexity and from a wide range of materials, including ceramics, stainless steel, titanium, and aluminum. The Company serves and supplies parts and assemblies for key aerospace and defense customers such as Lockheed Martin, Northrop Grumman, Boeing, Spirit AeroSystems, Blue Origin Enterprises, Space Exploration Technologies Corp., and more, including in connection with the below aircraft platforms.

REPRESENTATIVE PLATFORMS		
F-35 Lightning 	**F-15 Eagle** 	**C-130 Hercules** 
E-2D Advanced Hawkeye 	**T-38 Talon** 	**New Glenn** 

10. With over 180 full-time and part-time employees, FMI's full-service capabilities include complex machining and parts, advanced assembly, sheet metal fabrication, and forming. Equipped with 3, 4, 5, and 6-axis vertical and horizontal machining, the Company is approved for fracture, durability, maintenance, and flight science critical components. The Company has more than 100 active spindles in use for precision machining, enabling the Company to manufacture large airframe components and assemblies and tailor the parts to each customer's request and particular aircraft platform. Components and parts manufactured and supplied by the Company to its customers include bulkheads, floor beams, wing panels, engine mounts, wing skins, screens, cradles, canopies, and longerons.

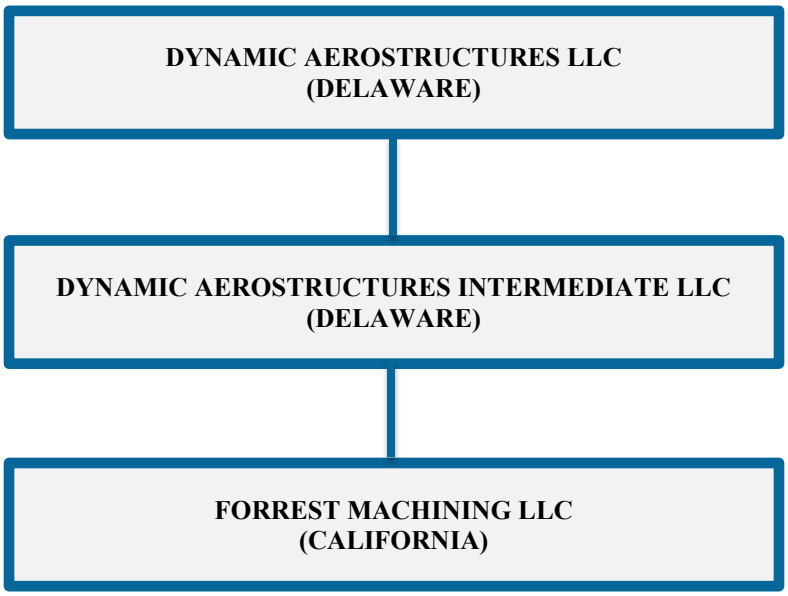
11. The Company has invested in programming and inspection equipment and performs in-house rapid prototyping, numerical control programming, complex tooling design and build, and laser calibration and inspection. The Company's location in Southern California—

which is a major hub for companies involved in aerospace research, development, and testing—provides it with a strategic advantage and adds efficiency to its customers' supply chains.

12. The Company generated over $51 million of revenue in 2023 and over $52 million of revenue in 2024. Approximately 85% of the Company's annual revenue is derived from its long-term agreements with key customers—including Northrop Grumman, Lockheed Martin and Boeing—and from being the sole supplier for essential components on the F-35, F-15, C-130, B-2, and other aircrafts.

II. THE DEBTORS' PREPETITION CORPORATE AND CAPITAL STRUCTURE

13. The Debtors are directly or indirectly majority owned and controlled by Endeavour Capital or funds managed thereby. Dynamic Aerostructures LLC is the holding company for Dynamic Aerostructures Intermediate LLC and its operating subsidiary Forrest Machining LLC. The following chart depicts the Debtors' organizational structure.



A. Prepetition Credit Agreement

14. Forrest Machining LLC, as borrower, and Dynamic Aerostructures Intermediate LLC, as guarantor (together, the "Obligors"), entered into a Loan and Security Agreement, dated

as of July 30, 2021 (as amended, restated, supplemented, or otherwise modified from time to time, the "Prepetition Credit Agreement" and collectively with any other agreements and documents executed or delivered in connection therewith, each as may be amended, restated, supplemented, or otherwise modified from time to time, the "Prepetition Loan Documents") with BMO Harris Bank N.A., as successor in interest to Bank of West, as administrative agent, documentation agent, syndication agent, and collateral agent (the "Prepetition Agent") and BMO Harris Bank N.A., as lender (the "Prepetition Lender").

15. The Prepetition Credit Agreement provides for a total credit facility of up to $51,500,000, consisting of (a) a term loan facility in the aggregate principal amount of $39,000,000 (the "Prepetition Term Loan Facility") and (b) a prepetition revolving loan facility in the aggregate principal amount of up to $12,500,000 (the "Prepetition Revolving Credit Facility" and, together with the Prepetition Term Loan Facility, the "Prepetition Credit Facility").

16. The Prepetition Credit Facility has a maturity date of July 31, 2026. The Obligors' obligations under the Prepetition Credit Facility bear interest based on (a) an adjustable base rate, which is the highest of the applicable prime rate, the applicable federal funds rate plus 0.50%, and the one-month secured overnight financing rate (SOFR) rate plus 1.00%, plus (b) an applicable margin that varies based on the Obligors' total leverage ratio. The Obligors' obligations under the Prepetition Credit Facility bear a default rate of interest equal to the applicable non-default interest rate plus 2.00%. The effective rate of interest on the Obligors' obligations under the Prepetition Credit Facility is approximately 10.5% per annum.

17. The Obligors' obligations under the Prepetition Credit Facility are secured by liens on substantially all of the Obligors' assets. As of the Petition Date, approximately $47,623,999 in

aggregate principal amount and approximately $7,110,827 in accrued but unpaid interest remains outstanding to the Prepetition Lender under the Prepetition Credit Agreement.

B. Lease Obligations

18. The Debtors are party to two long-term commercial lease agreements (the "Facility Leases") with Rexford Industrial – 27712 Avenue Mentry, LLC, as lessor, for two manufacturing space facilities in Valencia, California. The Debtors lease a total of approximately 226,000 square feet and the Facility Leases have a remaining term of approximately 21 years. As of the Petition Date, the Debtors have approximately $554,000 in accrued and unpaid obligations under the Facility Leases.

C. Trade Claims and Other Unsecured Debt

19. In the ordinary course of their business, in addition to their funded debt and Facilities Leases obligations, the Debtors routinely incur obligations to vendors, suppliers, trade counterparties for, among other things, machine parts, fasteners, tooling, supplies, maintenance, and other goods and services needed for the Debtors' operations. A majority of these vendors and suppliers conduct business with the Debtors on a purchase-order-by-purchase-order basis. The Debtors also face certain asserted warranty claims arising out of legacy quality control issues, discussed below.

III. EVENTS LEADING TO THESE CHAPTER 11 CASES

20. These chapter 11 cases are being filed as a result of a number of issues and events that affected the Debtors' performance and available liquidity in recent years. Accordingly, the Debtors have determined that seeking relief pursuant to chapter 11 of the Bankruptcy Code and continuing in their efforts to implement a value-maximizing transaction in chapter 11 provides the best option for the Debtors and their stakeholders at this time.

A. Challenging Operating Environment and Industry-Specific Challenges

21. A confluence of factors contributed to the Debtors' need to commence the chapter 11 cases. Following the July 2021 acquisition by Endeavour Capital, the Company discovered certain manufacturing practice inconsistencies that resulted in legacy quality control issues. The Company self-reported the issues to its customers but expended significant investment and time to rectify the issues. In addition, certain affected customers issued temporary stop work orders to the Company which adversely affected the Company's margins and ability to generate sales. While the quality issues have been resolved, the Debtors' efforts to rectify the legacy issues resulted in disruptions to the certain of the Company's business lines and had significant revenue and cost impacts.

22. In addition, global price inflation in recent years, particularly for the outside processing and materials that are critical inputs to aerospace parts and assemblies, substantially increased the Company's inventory costs and expenses. The Company's long-term agreements with its major customers were largely negotiated in an environment of low inflation and industry growth and, as a result, many of the agreements include long-term, fixed-price terms that are below-market and without inflation protection provisions. At the same time, the Company often must purchase inventory at the current market price or otherwise at prices that do not reflect the pricing expectations at the time the Debtors' long-term customer agreements were negotiated. As such, the Company is subject to increased inventory costs that it is unable to pass along to many of its customers. Without price modifications under its customer contracts, the Company's gross margins have steadily decreased in recent years rendering the Company unable to operate its business sustainably.

23. Also, in 2023, one of the Debtors' customers instituted an industry-wide stop work order for one of its aircrafts which resulted in planning disruptions for the Debtors and significantly

delayed revenue and earnings. All the foregoing issues severely strained the Company's resources, with the Company incurring significant net losses in each of 2023 and 2024.

24. In addition, in late 2023 and again in April 2024, the Obligors received notices from the Prepetition Agent that Events of Default had occurred and were continuing under the Prepetition Credit Agreement due to the Obligors' failure to make certain scheduled interest payments and failure to comply with certain financial covenants under the Prepetition Loan Documents. On February 3, 2024, the Obligors received an additional notice from the Prepetition Agent that (a) additional Events of Default had occurred and were continuing under the Prepetition Credit Agreement due to the Obligors' failure to make scheduled interest payments and failure to comply with certain additional financial covenants and reporting requirements under the Prepetition Loan Documents and (b) accelerated and declared all obligations under the Prepetition Loan Documents to be immediately due and payable.

25. Accordingly, in addition to the Debtors' dwindling cash flows from operations, the Debtors were unable to access any incremental liquidity from the Prepetition Lender under the Prepetition Credit Agreement.

B. Prepetition Restructuring Efforts

i. *The Debtors' Efforts to Preserve Liquidity*

26. The Company undertook several operational initiatives in 2024 in an effort to generate cost-savings and increase revenue, including reducing machine downtime, reprogramming certain machines to maximize efficiency and output, enhancing the Company's business development team to better capitalize on industry demands, implementing additional quality control initiatives, implementing a reduction in force in November 2024, and commencing discussions with major customers regarding potential pricing adjustments across key parts and orders under the Company's long-term agreements.

27. The Company has managed to keep its business operationally sound and continues to be a reliable source of inventory and parts for its customers, but the Company has not been able to generate sufficient cash to meet its existing debt service and other obligations. Despite the Company's efforts, its liquidity has been insufficient due to continuing cashflow issues and its leveraged capital structure.

ii. ***The Debtors' Prepetition Marketing Process and Stalking Horse Asset Purchase Agreement***

28. On April 25, 2024, the Company engaged Configure Partners, LLC ("Configure") to serve as their investment banker to begin exploring strategic alternatives to address the Company's imminent liquidity concerns. Upon its retention, Configure immediately began conducting due diligence with respect to the Debtors' assets and operations. After assessing the Company's liquidity and alternatives, the Company, in consultation with its professional advisors, determined that it was in the best interests of the Company to commence a marketing process for a sale or other strategic restructuring transaction.

29. In May 2024, Configure began contacting potential bidders for a sale or other restructuring transaction with respect to the Company, providing a "teaser" summary of the Company, its business operations, assets, and financial affairs to seventy-three (73) potential strategic and financial sponsor parties and holding introductory calls with many of these parties. Of those parties contacted, forty-five (45) executed non-disclosure agreements with the Company and were provided with a fulsome confidential information memorandum concerning the Company. Configure held numerous follow-up diligence calls for the benefit of these interested parties and gave these parties access to a virtual data room, management presentations, and other more comprehensive diligence information. Nine (9) of these interested parties ultimately submitted a proposal or indication of interest to the Company.

30. The Company and its advisors evaluated these submissions and, together with Configure, held extensive and detailed follow-up management presentations with many of the potential bidders and the Company's senior management team. After considering the offers received and engaging in discussions with the interested parties, the Company determined that an in-court sale process pursuant to section 363 of the Bankruptcy Code was the best available executable structure through which a sale transaction could be completed.

31. After thoroughly evaluating the proposals submitted by interested parties and engaging in follow up discussions, the Company's board of managers, in consultation with the Company's professionals, determined that Avem Partners ("Avem"), a private equity firm based in Southern California that specializes in investments in aerospace and industrial companies across North America, submitted the highest or otherwise best bid for the Debtors' assets.

32. Thereafter, the Company, through its advisors, continued to engage in good faith, arm's length negotiations to finalize definitive documentation with Avem to effectuate a sale of assets pursuant to section 363 of the Bankruptcy Code, subject to higher and better offers in accordance with procedures approved by the Court. In addition, while the Company and Avem were engaged in negotiations regarding a definitive purchase agreement, the Company and Avem were concurrently engaged in extensive discussions with certain of the Debtors' major aerospace and defense customers regarding potential pricing adjustments under the long-term agreements in connection with a sale transaction that would increase revenues and significantly enhance the value of the Debtors' business on a go-forward basis.

33. As of the Petition Date, the Debtors have executed a stalking horse agreement with FMI Holdco LLC, an entity formed by Avem (the "Stalking Horse Purchaser"), providing for the sale of substantially all of the Debtors' assets for a cash purchase price of $16 million, subject to

adjustments for working capital and cure costs related to executory contracts assumed and assigned to the Stalking Horse Purchaser, and the assumption by the Stalking Horse Purchaser of certain assumed liabilities. The Debtors have commenced these chapter 11 cases to consummate a sale transaction with the Stalking Horse Purchaser or a third-party bidder who submits a higher or otherwise better bid for the Debtors' business and assets. Through the contemplated sale process, which is a continuation of a nearly nine-month prepetition process, the Debtors seek to obtain Court approval of proposed bidding procedures in connection with a post-petition marketing process and, at the conclusion of such process, consummation of a sale transaction. Based on discussions with Configure and the Debtors' other advisors and my experience, I believe that in addition to the prepetition sale process conducted by Configure, this process will enable the Debtors to obtain a value maximizing sale transaction that is in the best interest of the Debtors and their stakeholders.

34. As outlined above, the transaction negotiated with the Stalking Horse Purchaser is the culmination of a nine-months' long, thorough, arm's length, and fulsome marketing process. The Company believes that the proposed sale transaction is fair and reasonable and represents the highest and best offer available to the Company at this time, subject to any higher or otherwise better offers that may be received during an additional post-petition marketing process to be conducted during these cases.

iii. The Debtors' Financing Efforts

35. While the Company was conducting this marketing process and engaging in discussions with Avem and other interested parties, the Company, with the assistance of its advisors, was concurrently seeking incremental liquidity to allow time to develop the best plan to maximize the value of the Company's assets for all the Company's stakeholders. As part of this

process, the Company's management and advisors approached the Prepetition Lender regarding additional liquidity, including potential postpetition financing for an in-court sale process.

36. On or about February 14, 2025, following several meetings and discussions between the Debtors, their advisors, and the Prepetition Lender, the Prepetition Lender informed the Debtors that it would not provide any additional liquidity, including on a postpetition basis in a chapter 11 case. In an effort to continue their operations and the employment of more than 180 people working on critical U.S. defense projects, the Debtors swiftly pivoted to obtaining financing with other third-party financing sources, whether on a junior or senior basis.

37. After extensive negotiations with various parties, including further negotiations with the Prepetition Lender and the Debtors' major customers, the Debtors were able to secure an agreement with CRG Financial LLC (the "DIP Lender") on the terms of a consensual, senior secured priming DIP Facility (as defined below), approval of which is sought through the DIP Motion.

iv. The Need for a Prompt Sale Process and Restructuring

38. Under the circumstances I believe it is critical for the Debtors to continue their sale process and consummate a transaction promptly to prevent any deterioration to the Debtors' business operations and their relationships with customers, vendors, suppliers, and other stakeholders. As discussed above, the Debtors and their advisors, including Configure, have been marketing the Debtors' assets and business to prospective buyers and transaction counterparties since May 2024, and at this point believe they have identified the universe of potentially interested parties. Given the extensive prepetition process, the Debtors are confident that any potential participant in the Debtors' sale process has already been involved in discussions with the Debtors' management and advisors regarding a potential transaction and conducted diligence on the

Debtors' assets and business and, thus, will have adequate time to participate under the Debtors' timeline.

39. In addition, the Debtors were only able to identify and secured a postpetition financing commitment from a new, third-party financing source in the days leading up to the bankruptcy filing. The DIP Lender has agreed to extend postpetition financing to the Debtors on a first lien, priming basis, but only on the condition that the Debtors' run an expeditious and efficient marketing and sale process with the Stalking Horse Purchaser serving as the floor and baseline bid.

40. In addition, I believe it is critical for the Debtors' marquee customers—including Lockheed Martin and Northrop Grumman and such customers' aerospace and national defense projects and platforms—that a sale transaction occur quickly with agreed pricing under long-term agreements to ensure stability and the existence of a viable manufacturer and supplier of parts and assemblies on a go-forward basis.

41. Accordingly, in light of these considerations, the Debtors are proposing a postpetition sale timeline that includes:

- A deadline of April 7, 2025 for the receipt of bids from interested parties;
- An auction to be conducted by April 9, 2025 to the extent there are multiple qualified bidders, in addition to the Stalking Horse Purchaser;
- A hearing on approval of a sale transaction to be conducted by April 11, 2025; and
- A target date of April 15, 2025 for the successful bidder to consummate a sale transaction.

42. I believe this timeline is fair and reasonable and appropriately balances the need (a) continue the Debtors' marketing process to ensure the highest or otherwise best bidder is

selected to maximize value for stakeholders and (b) consummate a transaction quickly to preserve the Debtors' business.

43. In sum, the filing of the chapter 11 cases was precipitated by, among other things, the Debtors' severe liquidity concerns and need to consummate a restructuring transaction to preserve the Debtors as a going concern. The liquidity concerns placed the Debtors' business and their relationships with key customers and, thus, its going concern value, at significant risk. Accordingly, the Debtors commenced the chapter 11 cases to obtain the immediate cash infusion provided under the Debtors' proposed postpetition financing facility and to consummate a sale transaction to maximize the value of the Debtors' assets.

IV. FIRST DAY MOTIONS AND RELATED RELIEF REQUESTED

A. The DIP Facility and Related Relief Requested

44. Pursuant to the DIP Motion,[3] the Debtors seek authority to (a) obtain senior secured postpetition financing on a superpriority basis consisting of (i) a facility (the "DIP Facility") in an aggregate principal amount not to exceed $12,500,000, (ii) priming of the existing liens of the Prepetition Agent and Lender, consensual use of cash collateral ("Cash Collateral"), and (b) obtain related relief. If the DIP Facility is approved, $4,000,000 of the DIP Facility would be available upon entry of the Interim Order (as defined in the DIP Motion) and the remainder would be available upon entry of the Final Order (as defined in the DIP Motion).

[3] "DIP Motion" means the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Senior Secured Financing, (II) Authorizing the Debtors to Use Cash Collateral on a Limited Basis, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief*.

1. The Debtors Have an Immediate and Continuing Need for DIP Financing and Access to Cash Collateral

45. In the months leading up to the commencement of these chapter 11 cases, the Debtors took significant steps to preserve liquidity and reduce operational costs. The Debtors are now in need of immediate liquidity and commenced the chapter 11 cases with limited cash on hand. The Debtors are in need of both access to Cash Collateral and an immediate infusion of liquidity to ensure sufficient working capital to operate their businesses, pay their employees and vendors, fulfill customer orders, administer their estates during the chapter 11 cases, and fund the sale process.

46. Without prompt access to postpetition financing and Cash Collateral, the Debtors would be unable to: (a) ensure payments to employees, third-party vendors, utilities, taxing authorities, and insurance companies, among others, who provide the essential services needed to operate, maintain, and insure the Debtors' assets; (b) ensure the timely payment of administrative expenses to be incurred; (c) provide a positive message to the market that the chapter 11 cases are sufficiently funded and that the sale process will be adequate, which is critical to ensure confidence in the Debtors from, among others, their customers, employees, and vendors; and (d) make any necessary payments to preserve the value of the Debtors' business.

47. Immediate access to the DIP Facility and continued access to the Cash Collateral is, therefore, crucial to the Debtors' efforts to preserve value for their stakeholders during these chapter 11 cases and to avoid immediate and irreparable harm to the value of the Debtors' estates. Absent this funding, the Debtors would not be able to continue to operate their businesses at the levels that are necessary to preserve their goodwill, employee morale, vendor confidence in the Debtors' businesses, and customer loyalty and reputation in the aerospace and defense industry. I further believe that the Debtors' entry into the DIP Term Sheet (as defined in the DIP Motion) is

an exercise of the Debtors' sound business judgment, and that the benefits of accessing the DIP Facility and further use of Cash Collateral outweigh the modest burdens and expenses imposed by the financing arrangements.

48. The Debtors and their advisors, including Berkeley Research Group, LLC ("BRG"), as financial advisor, and Configure, as investment banker, undertook a detailed analysis of the Debtors' operations and funding needs, and, from this review and analysis, it became clear that the Debtors would require an infusion of capital to operate during these chapter 11 cases as they conduct their marketing for the sale process. In furtherance of their cash needs, the Debtors and BRG prepared the Budget (as defined in the DIP Motion) outlining the likely funding requirements over the initial 13-week period post-filing, with such budget to be updated pursuant to the terms of the DIP Term Sheet and the Interim Order. Based on information available as of the Petition Date, it is my belief that the Budget, as will be updated, is an accurate reflection of their initial funding requirements based on the contemplated case timeline and sale process and will allow the Debtors to meet their obligations in the chapter 11 cases.

2. The DIP Facility Was Negotiated in Good Faith and at Arm's Length

49. The Debtors' management and the Debtors' advisors were actively involved throughout the negotiations with the DIP Lender (as defined in the DIP Motion) for debtor in possession financing, which were conducted at arm's length and in good faith. Following such negotiations, the Debtors reached an agreement with the DIP Lender with respect to the terms of the DIP Facility. The Debtors and their advisors worked to negotiate the most favorable terms of the DIP Facility available to the Debtors given the Debtors' lack of alternative financing. Ultimately, the DIP Lender was unwilling to lend on terms other than those specifically set forth in the DIP Documents.

50. Without immediate access to the DIP Facility and the use of Cash Collateral, I believe the Debtors would suffer immediate and irreparable harm and would not be able to successfully consummate a value-maximizing transaction and administer these chapter 11 cases. I believe that the DIP Facility should be approved, and the Debtors be authorized to pay the interest and fees under the DIP Facility given the Debtors' financial circumstances and the lack of any other viable financing alternatives. I also believe that the use of Cash Collateral alone would be insufficient to meet the Debtors' postpetition liquidity needs. Based on my discussions with the Debtors' management team and their advisors and my review of the terms of the DIP Facility, I believe that the DIP Facility is the best financing option presently available to the Debtors and that the terms of the DIP Facility are reasonable under the circumstances. Accordingly, I believe that the Court's entry of the Interim Order is necessary to preserve the going concern value of the Debtors' operating businesses, pursue the sale of substantially all of the Debtors' assets, and ultimately effectuate a value-maximizing transaction that is in the best interest of their estates and stakeholders.

B. Other First Day Motions and Related Relief Requested

51. In connection with the filing of these chapter 11 petitions, in addition to the DIP Motion, the Debtors filed the below-listed First Day Motions requesting relief that the Debtors believe is necessary to enable them to administer their estates with minimal disruption and loss of value during these chapter 11 cases. The facts set forth in each of the First Day Motions are incorporated herein in their entirety.[4]

[4] Capitalized terms used in this section but not otherwise defined herein shall have the meanings ascribed to them in the respective First Day Motions.

(i) Administrative Motions:

(1) Joint Administration Motion. *Debtors' Motion for Entry of an Order (I) Directing Joint Administration of Related Chapter 11 Cases and (II) Granting Related Relief*;

(2) Claims and Noticing Agent Application. *Debtors' Application for Entry of an Order (I) Approving the Retention and Appointment of Kurtzman Carson Consultants, LLC, dba Verita Global, as the Claims and Noticing Agent to the Debtors, Effective as of the Petition Date, and (II) Granting Related Relief*; and

(3) Creditor Matrix Motion. *Debtors' Motion for Entry of Order (I) Authorizing Debtors to File a Consolidated (A) Creditor Matrix and (B) Top 30 Creditors List, (II) Authorizing Redaction of Certain Personal Identification Information, and (III) Granting Related Relief.*

(ii) Operational Motions:

(4) Cash Management Motion. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Continue to Operate Their Cash Management System, (B) Honor Certain Prepetition Obligations Related Thereto, (C) Maintain Existing Business Forms, and (D) Continue Certain Intercompany Transactions and (II) Granting Related Relief*;

(5) Insurance Motion. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Debtors To (A) Maintain Existing Insurance Policies and Pay All Insurance Obligations Arising Thereunder, and (B) Renew, Supplement, Modify, or Purchase Insurance Coverage; and (II) Granting Related Relief*;

(6) Taxes Motion. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Certain Prepetition Taxes and Fees and (II) Granting Related Relief*;

(7) Utilities Motion. *Debtors' Motion for Entry of Interim and Final Orders (I)(A) Approving the Debtors' Proposed Adequate Assurance of Payment for Future Utility Services, (B) Approving the Debtors' Proposed Procedures for Resolving Additional Assurance Requests, and (C) Prohibiting Utility Providers from Altering, Refusing, or Discontinuing Services; and (II) Granting Related Relief;*

(8) Wages Motion. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Debtors To (A) Pay Prepetition Wages, Employee Benefits Obligations and Other Compensation, and*

(B) Continue Employee Benefits Programs and Pay Related Administrative Obligations and (II) Granting Related Relief;

(9) Customer Programs Motion. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Debtors To (A) Honor Certain Prepetition Obligations to Customers and (B) Otherwise Continue Certain Customer Programs in The Ordinary Course of Business and (II) Granting Related Relief*; and

(10) Critical Vendors Motion. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Certain Prepetition Claims of Critical Vendors, (II) Authorizing Banks to Honor and Process Check and Electronic Transfer Requests, and (III) Granting Related Relief*

52. The First Day Motions request authority to, among other things, honor workforce-related compensation and benefits obligations, pay claims of certain taxing authorities, continue to honor certain customer programs, and continue the Debtors' cash management system and other operations in the ordinary course of business to ensure minimal disruption of the Debtors' business operations during these chapter 11 cases. For the avoidance of doubt, the Debtors request authority, but not direction, to pay amounts or satisfy obligations with respect to the relief requested in the First Day Motions.

53. The Debtors have tailored their requests for immediate relief to those circumstances where the failure to receive such relief would cause immediate and irreparable harm to the Debtors and their estates. I believe an orderly transition into chapter 11 is critical to the viability of the Debtors' operations and that any delay in granting the relief described below could hinder the Debtors' operations and cause irreparable harm. Other requests for relief will be deferred for consideration at a later hearing.

54. Below is a brief discussion of each First Day Motion and an explanation of why, in my belief, the relief sought in each such motion is critical to the successful prosecution of these chapter 11 cases. More detailed descriptions of the relevant facts and the bases for the relief

requested can be found in each First Day Motion. I have reviewed each of the First Day Motions and am familiar with the content and substance contained therein. The facts set forth in each First Day Motion are true and correct to the best of my knowledge and belief with appropriate reliance on other corporate officers and advisors and I can attest to such facts. I believe the relief requested in each of the First Day Motions listed above (a) is necessary to allow the Debtors to operate with minimal disruption and productivity losses during these chapter 11 cases, (b) is critical to ensure the maximization of value of the Debtors' estates, (c) is essential to achieving a successful reorganization, and (d) serves the best interests of the Debtors' stakeholders.

C. Joint Administration Motion

55. In the Joint Administration Motion, the Debtors request entry of an order directing joint administration of these chapter 11 cases for procedural purposes only. All Debtors are affiliates, and I believe joint administration of the chapter 11 cases will save the Debtors' estates substantial time and expense by removing the need to prepare, file, and serve duplicative notices, applications, and order.

56. Furthermore, joint administration will relieve the Court of entering duplicative orders and maintaining duplicative files and dockets. The Debtors, the parties in interest in these cases, and the U.S. Trustee will similarly benefit from joint administration of these cases, sparing them the time and effort of reviewing duplicative pleadings.

57. I believe that joint administration would not adversely affect any creditor's rights because the Debtors request the joint administration of these cases for procedural purposes only. The Debtors do not seek substantive consolidation of their estates. Instead, all parties in interest will benefit from the cost reductions associated with joint administration. Accordingly, I believe that joint administration of these chapter 11 cases is in the best interests of the Debtors, their estates, and all other parties in interest and should be granted.

D. Claims and Noticing Agent Application

58. In the Claims and Noticing Agent Application, the Debtors request entry of an order appointing Kurtzman Carson Consultants, LLC, d/b/a Verita Global ("Verita") as the claims, noticing, and solicitation agent (the "Claims and Noticing Agent") in these chapter 11 cases, effective as of the Petition Date.

59. As more fully described in the Claims and Noticing Agent Motion, Verita will, among other tasks, (a) serve as the noticing agent to mail notices to creditors, equity security holders, and other parties in interest, (b) provide computerized claims, objection, solicitation, and balloting database services, (c) provide expertise, consultation, and assistance in the claim and ballot processing, and (d) provide other administrative services with respect to these chapter 11 cases, all pursuant to the terms of its engagement agreement.

60. The Debtors' counsel has informed me that the Debtors will be required to provide notices to numerous persons and entities during the pendency of these chapter 11 cases. I believe the appointment of Verita as the Claims and Noticing Agent will provide the most effective and efficient means of providing those notices, thereby relieving the Debtors of the administrative burden associated with all of these necessary administrative tasks. Accordingly, I believe the Claims Agent Motion should be granted.

E. Creditor Matrix Motion

61. I have been informed that a debtor must file, together with its voluntary petition, a list setting forth the names, addresses, and claim amounts of the creditors, excluding insiders, who hold the 20 largest unsecured claims in the debtor's case. The Debtors have instead filed a list of their 30 largest unsecured creditors on a consolidated basis, which I believe provides a sufficiently clear picture of the Debtors' unsecured creditor constituency while also alleviating administrative

burden, costs, and the possibility of duplicative service that could potentially result from preparing separate lists for each Debtor.

62. I am further informed that a debtor must generally provide unredacted access to its creditor matrix and other documents filed with the court in its case; however, the Debtors are instead seeking to redact certain personal identification information (*i.e.*, email addresses and home addresses of the Debtors' individual creditors (including employees) and equity security holders) from such documents. I believe it is appropriate for the Debtors to redact this information because disclosure risks violating the California Consumer Privacy Act of 2018 due to the significant number of business activities the Debtors have in California, which would expose the Debtors to potential civil liability and significant financial penalties. Moreover, I believe such information could be used by third parties, among other things, to perpetrate identity theft or locate survivors of domestic violence or stalking who have otherwise taken steps to conceal their whereabouts. I understand that unredacted access to documents will be provided to the Court and other select parties upon request.

63. Accordingly, I believe that the relief requested in the Creditor Matrix Motion is in the best interests of the Debtors, their estates, and all parties in interest and should be granted

F. Cash Management Motion

64. In the Cash Management Motion, the Debtors seek entry of an order (i) authorizing the Debtors to (a) continue to operate their Cash Management System, (b) honor certain prepetition obligations related thereto, and (c) maintain existing Bank Accounts and Business Forms; (ii) authorizing continued use of Corporate Credit Cards; and (iii) granting related relief.

65. The Debtors' business depends on the efficient collection, transfer, and disbursement of funds. As more fully described in the Cash Management Motion, operate an integrated, centralized cash management system to manage their cash flow in a cost-effective,

efficient manner. The Cash Management System included four Bank Accounts—two held at BMO Bank N.A. ("BMO") and two accounts held at Bank of America ("BofA"). All of the Debtors' customer collections and other receipts are deposited into an operating account at BMO (the "BMO Operating Account"). With the exception of payroll, all of the Debtors' disbursements, including vendor and supplier payments, insurance payments, tax payments, and any other payments made by the Debtors, are processed and paid through the BMO Operating Account. On Thursday of each week, an amount necessary to pay the Debtors' payroll for that week is transferred from the BMO Operating Account to a payroll account held at BMO (the "BMO Payroll Account"). The Debtors' weekly payroll obligations are then paid directly from the BMO Payroll Account on Friday of each week. One BofA Bank Account is a cash holding account, and the Debtors also established a Bank Account with BofA that the Debtors propose will hold an adequate assurance deposit for the benefit of the Debtors' utilities providers during the course of these chapter 11 cases.

66. Any disruption to the Cash Management System would have an immediate adverse effect on the Debtors' operations to the detriment of their estates and stakeholders. I believe that authority to continue utilizing the existing Cash Management System, subject to the terms described in the Cash Management Motion, is essential for minimizing the disruption caused by the filing of these chapter 11 cases and to maximizing the value of the Debtors' estates.

67. In the ordinary course of business, the Debtors incur and pay, honor, or allow to be deducted from the appropriate Bank Accounts, service fees and other charges and costs charged by the Banks on account of the Bank Accounts (collectively, the "Bank Fees"). The Debtors estimate that $2,500 in Bank Fees were due and owing as of the Petition Date.

68. The ability of certain employees to use Corporate Credit Cards is an integral part of the Debtors' cash management and accounting functions, and continuation of the ability of such employees to use Corporate Credit Cards is essential to the continued operation of the Debtors' business. Corporate Credit Cards are held by five employees of the Debtors and are used to cover certain approved company expenditures, including payments for supplies, repair parts, and similar operating expenses. The Debtors generally maintain a prepaid balance under the Corporate Credit Cards of approximately $48,000, and the Debtors remit payment to BofA in advance each month on account of any Corporate Credit Card Program purchases in the prior month and to restore the prepaid balance to approximately $48,000.

69. In the ordinary course of business, the Debtors use numerous Business Forms, including, without limitation, checks, invoices, and letterhead. To minimize expense to their estates and avoid confusion on the part of employees, customers and suppliers, the Debtors need to continue to use all Business Forms as they existed immediately prior to the Petition Date without reference to the Debtors' status as debtors in possession. The Debtors will ensure that once the Debtors have exhausted their existing stock of checks or forms, any new check stock or subsequently printed checks or forms will bear the designation "Debtor in Possession" with the joint case number.

70. I believe that the relief requested in the Cash Management Motion is essential to the continued operation of the Debtors' business and denial of such relief would severely disrupt, if not cripple, the Debtors' businesses. Therefore, I believe that the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest. Accordingly, on behalf of the Debtors, I respectfully submit that the Court should approve the Cash Management Motion.

G. Insurance Motion

71. In the Insurance Motion, the Debtors seek entry of an order authorizing the Debtors, in their discretion, to (a) maintain their existing insurance policies and pay all premiums, taxes, deductibles, administration costs, consulting fees, brokers' fees, assessments, or other fees arising thereunder or in connection therewith in the ordinary course of business, (b) renew, supplement, modify, or purchase insurance coverage as needed in the Debtors' business judgment without further order of this Court.

72. In connection with the operation of the Debtors' businesses, the Debtors maintain a comprehensive insurance program. The Debtors maintain approximately nine Insurance Policies that are administered by multiple third-party Insurance Carriers. The Insurance Policies provide coverage for, among other things, property, general liability, automobile liability, umbrella liability, workers' compensation, directors' and officers' liability, and cyber risk liability. A list of the Insurance Policies in effect as of the Petition Date is attached to the Insurance Motion.

73. Continuation and renewal of the Insurance Policies and potentially entry into new insurance policies is essential to preserving the value of the Debtors' businesses, properties, and assets. Moreover, coverage provided by the Insurance Policies is required by the regulations, laws, and contracts that govern the Debtors' commercial activities, including the Bankruptcy Code. Accordingly, the Debtors need to maintain the existing Insurance Policies, pay any related prepetition obligations, and to renew, supplement, modify, or enter into new Insurance Policies in the ordinary course of business on a postpetition basis.

74. The current annual premiums and Brokerage Fees under the Insurance Policies total approximately $1,028,735. The premiums on the Insurance Policies are paid by the Debtors either on a monthly, quarterly, or annual basis. As of the Petition Date, the Debtors estimate that

approximately $260,000 will be due and owing during the Interim Period relating to premiums for the Insurance Policies.

75. The Debtors typically obtain certain of the Insurance Policies through the assistance of their insurance broker, Arthur J. Gallagher Risk Management Services LLC ("Gallagher" or the "Broker"). I believe that Gallagher's services are necessary to assure the Debtors' ability to secure insurance on advantageous terms at competitive rates, to maintain the Debtors' Insurance Policies in good order postpetition, and to ensure adequate protection of the Debtors' property for the benefit of all parties in interest. The agreement between the Debtors and the Broker provides for the Broker's collection of commission payments for services rendered related to the Insurance Policies. The commission percentage is determined by the Insurance Carriers depending on the Debtors' line of business, and commissions paid to the Broker are included in the premiums paid by the Debtors. The Debtors do not believe that any amounts are due and owing to the Broker on account of fees and commissions as of the Petition Date, but as a precaution, are requesting authority in the Insurance Motion to pay any such prepetition amounts in the ordinary course of business and consistent with past practices.

76. The Debtors also maintain workers' compensation insurance coverage under a Workers' Compensation Program that provides coverage for employee-related injuries, disabilities, or death, as prescribed by state and federal workers' compensation laws and other statutes. The Workers' Compensation Program is administered by Insurance Company of the West (the "WC Insurer"). The premium for the Workers' Compensation Program is $715,568.00 for the calendar year, paid in equal monthly installments, subject to an audit and adjustment annually at the end of each policy period. Through the Insurance Motion, the Debtors seek to pay all amounts due in connection with the Workers' Compensation Program, including all deductibles

and any other amounts related to any prepetition workers' compensation claims, including as a result of any audit, in the ordinary course of business.

77. I believe that continuation and renewal of the Insurance Policies and potentially entry into new insurance policies is essential to preserving the value of the Debtors' businesses, properties, and assets. Moreover, in many cases, coverage provided by the Insurance Policies is required by the regulations, laws, and contracts that govern the Debtors' commercial activities, including the requirements of the U.S. Trustee. I believe that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in chapter 11 without disruption. Accordingly, I respectfully submit that the Court should approve the Insurance Motion.

H. Taxes Motion

78. In the Taxes Motion, the Debtors seek entry of an order: (a) authorizing them to pay certain prepetition taxes and related obligations ("Taxes and Fees") as necessary to conduct their business operations in the ordinary course and (b) granting certain related relief.

79. Prior to the Petition Date, the Debtors, in their ordinary course of business, incurred various taxes, including use, property and other related business taxes, as well as regulatory, business license, and other similar fees and obligations (collectively, the "Taxes and Fees"). The Debtors remit the Taxes and Fees to various federal, state, and local authorities, including taxing, regulatory, and licensing authorities (collectively, the "Authorities"). The Debtors pay the Taxes and Fees to the Authorities on a periodic basis depending on the nature and incurrence of a particular Tax or Fee.

80. The Debtors believe they are current in the payment of assessed and undisputed Taxes and Fees that came due and payable prior to the Petition Date. However, certain Taxes and Fees attributable to the prepetition period are not yet due. The Debtors do not believe that any

Taxes and Fees related to the prepetition period will come due and payable to Authorities within the first thirty (30) days of the Petition Date (the "Interim Period"), but out of an abundance of caution, are seeking authorizing to pay any Taxes and Fees that may come due within the Interim Period in an amount not to exceed $10,000. The Debtors anticipate that approximately $250,000 of property taxes related to the prepetition period will come due by March 31, 2025, and are seeking authorizing the Debtors such property taxes and any other Taxes and Fees as well as any other Taxes and Fees related to the prepetition period that may come due after the Interim Period.

81. I believe that failure to pay the Taxes and Fees sought to be paid by the Taxes Motion would have a materially detrimental impact on the Debtors' estates because nonpayment of such Taxes and Fees could cause certain Authorities to take adverse action against the Debtors or their estates. I have been informed that such interference could, in certain instances, include seeking to lift the automatic stay, bringing personal liability actions against directors, officers, and other key employees, asserting liens on the Debtors' property, or assessing penalties or significant interest on past-due taxes. I believe that neither the Debtors' business nor their chapter 11 strategy can afford to endure such setbacks.

82. Accordingly, I believe that the relief requested in the Taxes Motion is in the best interests of the Debtors, their estates, and all parties in interest and should be granted.

I. Utilities Motion

83. In the ordinary course of business, the Debtors obtain telephone, internet, gas, electric, water, waste, and other Utility Services from several Utility Providers. These Utility Services are critical to the continued operation of the Debtors' facilities as the Debtors cannot operate their businesses without the services that the Utility Providers provide. As of the Petition Date, the Debtors had approximately six active utility accounts. Since the Debtors' business depends on their ability to provide rapid and reliable service to their customers, it is critical that

the Debtors have uninterrupted service throughout these cases. Even a brief interruption in those services may cause grave disruption to the Debtors' day-to-day operations, and impact time sensitive deliveries and services, which would interfere with customer relationships, adversely impact revenue, and hinder the Debtors' ability to conduct their business. I believe the continued and uninterrupted provision of Utility Services during the postpetition period is necessary to allow a smooth operation of the Debtors' business and ensure stability in the production of the Debtors' products.

84. Accordingly, in the Utilities Motion, the Debtors seek entry of an order: (a) determining adequate assurance of payment for future Utility Services that certain of the Debtors regularly obtain from a number of Utility Providers, (b) establishing procedures for determining adequate assurance of payment, and (c) prohibiting Utility Providers from altering, refusing, or discontinuing utility services. Specifically, the Debtors request authority to deposit an amount of money equivalent to approximately two weeks of payments to Utility Providers in a segregated bank account for the benefit of the Utility Providers.

85. In general, the Debtors have a consistent history of paying their Utility Providers on time. Over the six months, the Debtors have paid, on average, approximately $156,500 per month to Utility Providers for their services. To the best of my knowledge, there are generally no material defaults or arrearages with respect to undisputed invoices for the services that the Utility Providers provide to the Debtors.

86. I am informed and believe that the proposed adequate assurance procedures are consistent with procedures that are typically approved in chapter 11 cases in this district and are sufficient to assure the Utility Providers that they will be paid for post-Petition Date services.

J. Wages Motion

87. In the Employee Wages Motion, the Debtors seek authorization to pay their prepetition employee wages and benefits, and to continue their employee benefits and programs, each in the ordinary course of business. As of the Petition Date, there are amounts accrued under or related to the Compensation and Benefits Programs, which the Debtor estimates to be approximately $590,050. The Debtors expect that all of this amount will become due and payable during the Interim Period. I believe that all of the Compensation and Benefits Programs are vital to the Debtors' businesses. As a result, the Debtor requests authority to make payments on account of the Prepetition Compensation Obligations because such payments are necessary to prevent immediate and irreparable harm to the Debtor's businesses.

88. As of the Petition Date, the Debtors employ approximately 183 full-time Employees. The Employees perform a wide variety of functions, which are mission-critical to the preservation of value and the administration of the Debtor's estate. The Employees include personnel who are intimately familiar with the Debtors' businesses, processes, and systems, who have developed relationships with the Debtors' customers, suppliers, and other key counterparties that are essential to the Debtors' businesses, and who cannot be easily replaced. I believe that without the continued, uninterrupted services of the Employees, the Debtors' business operations will be halted immediately and the administration of the estates materially impaired.

89. The Employees rely on their compensation and benefits discussed in the Wages Motion to pay their daily living expenses. Not only will these workers be irreparably harmed if the Debtors are not permitted to continue paying compensation, including the Prepetition Compensation Obligations, and providing health and other benefits during these chapter 11 cases, but any interruption in payment will also likely jeopardize their continued performance and loyalty

to the Debtors. Consequently, I believe that the relief requested in the Wages Motion is necessary and appropriate under the facts and circumstances of these chapter 11 cases.

90. It is my belief that each of the Employee Benefits Programs is an important component of the total compensation offered to the Employees and is essential to the Debtors' efforts to maintain Employee morale and minimize employee attrition. I believe that the expenses associated with the Employee Benefits Programs are reasonable and necessary in light of the potential Employee attrition, loss of morale, and loss of productivity that would occur if such programs were discontinued.

91. In addition to Employee attrition, I believe that failure to maintain the Compensation and Benefits Programs and satisfy the Prepetition Compensation Obligations will likely jeopardize Employee morale and loyalty at a time when Employee support is critical to the Debtors' business. The majority of the Debtors' Employees rely exclusively on their compensation and benefits to satisfy their daily living expenses and needs. I believe these Employees will be exposed to significant financial difficulties and other distractions if the Debtors are not permitted to honor their employee-related obligations. If the Court does not authorize the Debtors to maintain the Compensation and Benefits Programs and honor the Prepetition Compensation Obligations, many Employees will be deprived of their income and lose access to critical benefits at a time when the Debtors need their Employees to perform their jobs at peak efficiency. It is my belief that the loss in morale and distraction of Employees worrying about paying their bills and other necessary expenses will harm the Debtors' ability to operate.

92. I believe that the relief requested in the Wages Motion is in the best interests of the Debtors' estates, creditors, and all other parties in interest, and will enable the Debtors to continue

to operate their business in chapter 11. Accordingly, on behalf of the Debtor, I respectfully request that the Wages Motion be approved.

K. Customer Programs Motion

93. Prior to the commencement of these cases, in the ordinary course of business, the Debtors implemented certain customer programs, practices, credits, and other accommodations described designed to, among other things, drive sales, meet competitive pressure, build key relationships, develop and sustain customer loyalty, and improve the Debtors' profitability by maximizing the satisfaction of the Debtors' customers with the Debtors and their products. The Customer Programs promote customer satisfaction and inure to the goodwill of the Debtors' business. I believe that maintaining the goodwill of their customers is critical to the Debtors' ongoing operations in these chapter 11 cases and is necessary to maximize value for the benefit of all of the Debtors' stakeholders.

94. In the ordinary course of business, the Debtors provide their Customers with warranties and other accommodations for their products (the "Warranty Program"). Under the Warranty Program, the Debtors agree to maintain certain standards with respect to the quality of their products, and the warranties are included in either a customized contract with a Customer or the applicable purchase order. In connection with the sale of the Debtors' structured components and assemblies, the Debtors generally warrant that the product will meet the specifications stipulated in the agreement between the Customer and the Debtors. The Debtors' warranty period generally ranges from 36 months to an undefined period.

95. If a Customer believes that it has a claim under a warranty with the Debtors, the Debtors may inspect a sample of the product so that they may analyze whether any defect violates the applicable warranty. If it does, the Debtors do one of four things: issue a refund, issue a credit for future purchases, repair the product, or replace the product. However, the majority of warranty

claims with the Debtors' Customers are settled via repair or replacement of the product and without any cash outlay. The Debtors occasionally honor a Customer's warranty claim even though a technical breach of the warranty may not exist. Accommodations of this nature occur quite frequently in the industry and are important for maintaining the goodwill of the Debtors' Customers..

96. I believe that if the Debtors were not permitted to refund amounts paid for defective products or to repair or replace such products, the Debtors' relationships with their Customers would be harmed. Customers could determine that the Debtors' products are not of reliable quality, and they may avoid making future purchases from the Debtors. The cost to the Debtors of losing future business, particularly from the Debtors' larger Customers, far exceeds the costs of making Customers whole from the few defective products that are occasionally delivered.

97. Despite the Debtors' continuous focus on and dedication to quality, it is inevitable that certain unexpected situations will arise in which the products supplied to the Debtors' Customers do not conform to such Customer's specifications (the "Nonconforming Goods"). Similarly, despite the Debtors' efforts to manage their supply chain, it is inevitable that certain products will occasionally be misdelivered, delivered in an inaccurate quantity, or damaged in transit (the "Misdelivered Goods," and together with the Nonconforming Goods, the "Adjusted Goods").

98. Additionally, from time to time, the Debtors correct billing errors after an invoice has been sent to the Customer. Such errors include duplicative invoicing (when two invoices are created for the same shipment), duplicative payment (when a Customer makes two payments on account of the same shipment), mispricing (when a Customer is charged or pays an incorrect price for the Debtors' products), and various other billing and payment errors (collectively, the

"Invoicing Errors"). The Debtors routinely issue credits or refunds for reimbursement of Invoicing Errors to Customers.

99. In the event of delivery of Adjusted Goods or an Invoicing Error, the Debtors and the affected Customer will generally agree to adjust the amount owed by such Customer in connection with the affected shipment (the "Invoice Adjustments") or will agree to correct the products previously shipped. The correct goods or adjustment will be in such quantity or amount as is allocable to the Adjusted Goods or sufficient to correct the Invoicing Error, as appropriate. The Debtors may also incur, directly or indirectly, additional shipping charges in connection with expediting delivery in order to ensure timely delivery of corrected goods. Alternatively, the Debtors may directly or indirectly incur charges in connection with the sorting or repair of the Adjusted Goods if such activities are practicable. Finally, Customer contracts or purchase orders also typically contain offset commitments (the "Offset Commitments") expressly allowing the offsetting of credits resulting from the sale contracts.

100. I believe that honoring the Customer Adjustments is in the best interests of the Debtors and their estates. The Debtors' failure to remedy Invoicing Errors and deliver corrected goods would significantly harm customers' confidence in the Debtors and their products, and a failure to honor the Customer Adjustments would have a long-term negative impact on the Debtors' reputation and would hurt the Debtors' industry position.

101. I believe that continuing to administer the Customer Programs without interruption during the pendency of these chapter 11 cases is critical to preserving the value of the Debtors' estates. Customers expect and rely on the Customer Programs and may not continue supporting the Debtors' business if the Customer Programs are discontinued. Continued support from the Debtors' customers is essential for go-forward operations and value maximization. Accordingly,

on behalf of the Debtors, I respectfully submit that the Court should approve the Customer Programs Motion.

L. Critical Vendors Motion

102. In the Critical Vendor Moton, the Debtors are seeking authority to pay certain prepetition claims of critical vendors. The Debtors' manufacturing and supply operations require the services of a variety of carefully sourced third-party vendors. Should the Debtors become unable to conduct business with a particular vendor, the direct result could be a significant delay or even a shutdown of the Debtors' manufacturing lines, which would drastically harm the Debtors' relationships with their customers.

103. The Debtors' operations depend upon the uninterrupted flow of parts and materials used in the manufacturing and production process. Thus, maintaining the Debtors' supply chain without disruption is critical to the Debtors' ability to generate revenue. In addition, the Debtors are heavily dependent upon the support and maintenance services needed to keep the Debtors' manufacturing and supply lines moving. Many of these key providers are required by the Debtors' aerospace and defense customers to possess specific certifications or security clearance authorizations

104. I believe there is a significant and material risk that key vendors may stop providing goods and services to the Debtors on a timely basis or completely sever their business relationship with the Debtors. Short of severing their relations with the Debtors, nonpayment of Critical Vendor Claims may also cause key vendors to take other harmful actions, including refusing to supply goods or services, which could harm the operations of the Debtors and their customers. Providing uninterrupted services for the Debtors' customers is critical to the Debtors' businesses and cash flows, and the Debtors cannot afford any delays or interruptions of this nature.

105. Any material interruption in the provision of the materials, parts and services required by the Debtors' operations, however brief, including the delivery of key commodities and essential services, could cause irreparable harm to the Debtors' go-forward businesses, goodwill, employees, customer base, and market share. If the Debtors are unable to acquire required materials or parts to fulfill customer orders, the Debtors' revenues and customer relationships could suffer irreparable damage. I believe such harm would likely far outweigh the cost of payment of prepetition claims of critical vendors.

106. The Critical Vendors generally fall into two categories: (a) raw materials suppliers and (b) parts and support vendors. In the ordinary course of business, the Debtors procure raw materials for use in the manufacturing of the structural airframe and wing components and other structures from materials suppliers. Due to product specifications and compliance requirements, the Debtors would be unable to obtain comparable raw material from alternative sources without significant disruption to their operations. Indeed, there are long lead times for developing and sourcing many of the raw materials used in the Debtors' manufacturing operations. I thus believe that any replacement sources, to the extent even available, would result in lengthy delays in production given the Debtors' volume requirements and would cause the Debtors to incur significant additional costs and expenses. In most cases, the Debtors' procurement of raw materials is accomplished by way of purchase orders rather than supply contracts.

107. The Debtors also are dependent on critical Parts and Support Vendors who provide proprietary parts, supplies, service and other maintenance support for the Debtors' manufacturing lines and other equipment. In the ordinary course of the Debtors' business, the Debtors depend upon certain Parts and Support Vendors to, *inter alia*, provide proprietary replacement components for the Debtors' manufacturing and supply lines and other equipment and to assist in the

maintenance and servicing of equipment. Certain Parts and Support Vendors include original equipment manufacturers who are also the exclusive supplier of parts for their respective equipment. Additionally, certain Parts and Support Vendors possess specific certifications or security clearance authorizations required by the Debtors' aerospace and defense customers. I believe that if the Debtors' business relationship with a key Parts and Support Vendor is disrupted, it may prove extremely difficult, if not impossible, for the Debtors to find a substitute provider and integrate it with the Debtors' operations. Indeed, some Parts and Support Vendors are so integrated into the Debtors' operations that replacing them on short notice amidst an in-court reorganization would be impractical, if not entirely impossible.

108. For these reasons, I believe the relief requested in the Critical Vendor Motion is vital to preserve the value of the Debtors' estates for the benefit of all stakeholders in the chapter 11 cases.

CONCLUSION

109. The Debtors' ultimate goal in the chapter 11 cases is to achieve a value-maximizing result for the Debtors' stakeholders through the sale of the Debtors' assets. To minimize any loss of value, the Debtors' immediate objective is to maintain a business-as-usual atmosphere during the course of the chapter 11 cases, with as little interruption or disruption to the Debtors' operations as possible. I believe that if the Court grants the relief requested by the First Day Motions, the prospect for achieving these objectives will be substantially enhanced.

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: February 26, 2025

/s/ Eric N. Ellis
Eric N. Ellis
President and Chief Executive Officer