

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

IN RE: Chapter 11  
Case No. 21-10636 (JTD)  
AEROCENTURY CORP., et al., (Joint Administration  
Requested)  
Debtors. 824 Market Street  
Wilmington, Delaware 19801  
Wednesday, March 31, 2021  
10:00 a.m.

TRANSCRIPT OF HYBRID TELEPHONIC/ZOOM HEARING  
BEFORE THE HONORABLE JOHN T. DORSEY  
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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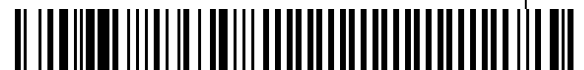
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1 (Proceedings commenced at 10:00 a.m.)

2 THE COURT: Good morning, everyone. This is Judge  
3 Dorsey. We're on the record in AeroCentury Corporation, Case  
4 Number 21-10636.

5 I'll go ahead and turn it over to debtors' counsel  
6 to run the agenda.

7 MR. BARRY: Good morning, Your Honor. Can you  
8 hear me okay?

9 THE COURT: I can. Thank you.

10 MR. BARRY: Good morning, Your Honor. For the  
11 record, Joe Barry of Young Conaway on behalf of the debtors,  
12 AeroCentury Corporation, and its affiliated debtors.

13 Your Honor, I want to start by thanking you for  
14 agreeing to hear us on an expedited basis, so hopefully we  
15 can get the cases started off on the right foot. We know  
16 that you and your colleagues are very busy, so we do  
17 appreciate you making the accommodations for us to be heard  
18 today.

19 If I could, Your Honor, I'd like to start with a  
20 few introductions.

21 THE COURT: Okay.

22 MR. BARRY: First, Your Honor, is my co-counsel  
23 from Morrison & Foerster, Lorenzo Marinuzzi is here. We've  
24 been working very closely with Mr. Marinuzzi's team on behalf  
25 of the debtors and will continue to do so as we proceed

1 through the cases. So I suspect that you'll be seeing a lot  
2 of Mr. Marinuzzi and myself.

3 MR. MARINUZZI: Good morning, Your Honor.

4 THE COURT: Good morning.

5 MR. BARRY: Next, Your Honor, are my colleagues  
6 from Young Conaway, Joseph Mulvihill and Alexander Faris are  
7 here. They will be presenting most of the first day motions  
8 today, so you'll be hearing from them in a moment.

9 Next, Your Honor, is Adam Rosen. Mr. Rosen is the  
10 managing director of B. Riley Securities, and he and his team  
11 are the debtors' investment banker.

12 As I'll get to shortly, we have filed a stalking  
13 horse asset purchase agreement for the sale of a substantial  
14 component of the debtors' assets. Mr. Rosen will be leading  
15 the post-petition marketing and sale efforts for the debtors,  
16 much as he did with the debtors' petition marketing and sale  
17 efforts.

18 Finally, Your Honor, Harold Lyons is with us. Mr.  
19 Lyons is AeroCentury's chief financial officer, he's also the  
20 senior VP for the other debtors, and he's also our first day  
21 declarant. In a few minutes, I'll move into the record -- or  
22 request that Your Honor move into the record Mr. Lyons'  
23 declaration, and he is of course available for cross-  
24 examination.

25 Your Honor, we alerted the U.S. Trustee's Office

1 to the filing early last week, I think it was Monday, about  
2 midweek Ms. Casey was appointed as the trial attorney for the  
3 cases. We promptly sent her drafts of all the first day  
4 papers. We of course appreciate Ms. Casey and her office  
5 working through all the issues with us.

6 And as we reported to chambers this morning  
7 around, I think, 8 o'clock, unless I hear to the contrary, we  
8 stand before Your Honor on an uncontested basis, having  
9 resolved, at least for purposes of today's hearing, the  
10 issues and concerns that have been raised by the U.S.  
11 Trustee's Office. And, again, we do appreciate Ms. Casey's  
12 working with us, particularly on such short notice, including  
13 a 7:30 call to sort of put to bed the remaining issues.

14 Your Honor, with that, I'd like to get into a  
15 little bit about what the debtor does and what its business  
16 comprises, its debt structure, and where we plan with the  
17 case. But before I do, I wanted to pause and see if Your  
18 Honor has any housekeeping or other questions or thoughts  
19 before we get into the day's presentation.

20 THE COURT: No, go ahead. Thank you, Mr. Barry.

21 MR. BARRY: Thank you, Your Honor.

22 So, Your Honor, the debtors are engaged in the  
23 business of investing in used regional aircraft and leasing  
24 the aircraft to foreign and domestic regional air carriers.  
25 The principal business objective is to acquire aircraft

1 assets and manage those assets in order to provide a return  
2 on the investment through lease revenue and eventually to  
3 sell the assets and, therefore, realize sale proceeds from  
4 the sale of the aircraft.

5           The model, Your Honor, is dependent largely on the  
6 success in three areas, which are the asset selection in  
7 acquisitions, i.e. what aircraft the debtor selects and  
8 acquires; the lessee selection, which means finding quality  
9 lessees with a low credit risk; and, finally, obtaining  
10 financing so that they can in fact acquire the aircraft  
11 assets.

12           The portfolio primarily exists of midlife regional  
13 turboprop and jet aircraft and engines. The debtors lease  
14 their aircraft through operating leases and financing leases  
15 through a globally diverse customer base, including six  
16 airlines operating in the United States, Canada, Croatia,  
17 Norway, and Kenya.

18           In addition, Your Honor, to the leasing activities  
19 that the debtor engages in, they also sell aircraft and  
20 aircraft parts in the ordinary course of business from their  
21 operating lease portfolio to other leasing companies, to  
22 financial services companies, and to airline industries,  
23 again, all in the ordinary course of the debtors' business.

24           As of the date of the debtors' filing, Your Honor,  
25 the aircraft portfolio consisted of six aircraft that were



1 held for -- under operating leases, two held under financing  
2 leases and five aircraft that were off lease and subject to  
3 sale either in totality or as parts.

4           And the debtors, Your Honor, typically acquire  
5 their aircraft assets in one of three ways. The debtors may  
6 purchase aircraft already subject to a lease and, therefore,  
7 assume the obligations of the seller as lessor under an  
8 existing lease; second, they may purchase an aircraft from an  
9 air carrier and immediately lease that aircraft back to that  
10 same air carrier; and, finally, Your Honor, the debtor may  
11 purchase an asset from a seller and then immediately enter  
12 into a lease with a new third party lessee and, in that  
13 instance, Your Honor, the debtors rarely, if ever, acquire an  
14 asset under those circumstances without having an existing  
15 lessee available and committed to lease the asset.

16           The debtors, Your Honor, generally target regional  
17 aircraft with a purchase price between ten and \$20 million.  
18 And so Your Honor has a sense of scope, over the past four  
19 years the debtors have acquired 12 aircraft, nine of those  
20 were leased to lessees under operating leases, three of them  
21 were leased under financing leases, and over the same period  
22 of time the debtors have sold approximately 26 aircraft, four  
23 aircraft engines and various parts, again, all in the  
24 ordinary course of business.

25           Your Honor, I'm going to get into the debtors'

1 capital structure, which is fairly straightforward, and then  
2 I'm going to talk a little bit about where these -- how these  
3 cases got to where they are and where they're going but,  
4 before I do, that was the nutshell of the debtors' business  
5 operations, and I wanted to pause and see if Your Honor had  
6 any questions.

7 THE COURT: I did have a question about how -- it  
8 wasn't clear to me from the first day affidavit how COVID  
9 affected this particular company given that they purchase  
10 aircraft and then lease them. Are the airlines that lease  
11 these aircraft, have they stopped making their lease payments  
12 or what's the issue with COVID? Or they just aren't able to  
13 acquire new aircraft and enter into new leases?

14 MR. BARRY: You've got it, Your Honor. There's a  
15 couple of different things that I'll address.

16 First of all, the debtor -- prior to COVID, the  
17 debtor was in a status of restructuring, it was exploring its  
18 restructuring alternatives. So, by the time COVID came  
19 around, the debtor had already retained, for example, Mr.  
20 Rosen's firm, it had been out in the market just generally  
21 exploring its restructuring alternatives. But the acuteness  
22 that was accompanied by the COVID pandemic was largely what  
23 Your Honor had identified, which is, number one, certain of  
24 the airlines to which the debtor leased their aircraft,  
25 because of the severity and acuteness that COVID impacted the

1 airline industry, couldn't timely make their periodic lease  
2 payments to the debtor. That's one way.

3           Second, the second way is the debtors' revenue is  
4 also dependent upon their ability to sell both aircrafts in  
5 their totality and aircraft parts. During the COVID  
6 pandemic, their ability to generate buyers or generate sales  
7 steeply declined, as did the value of the asset. So whereas  
8 they may have been in discussions with a potential buyer or  
9 have separately valued an asset pre-COVID, the value of those  
10 assets precipitously declined post-COVID, in addition to a  
11 want of folks out in the buying market willing to acquire  
12 aircraft assets.

13           THE COURT: Okay. Thank you.

14           MR. BARRY: So those are largely the cumulative  
15 effects of -- you know, the debtor had already been in the  
16 market, exploring restructuring alternatives, but the  
17 onslaught of COVID had had, you know, a pretty significant  
18 impact on its overall ability to effectuate its business  
19 plan.

20           So, again, coming full circle, Your Honor I think  
21 did pick up on exactly what we're trying to convey in the  
22 first day declarations.

23           THE COURT: Okay. Thank you.

24           MR. BARRY: Your Honor, as to the company's  
25 capital structure, it's pretty straightforward. I will say,

1 the first day declaration gives a lot of background detail on  
2 the debtors' capital structure, predominantly for disclosure  
3 and informational purposes, but the debtors' capital  
4 structure is pretty straightforward and it's largely three  
5 things. The first is they're indebted to their senior  
6 secured lender, Drake Asset Management, in the amount of  
7 approximately \$82.3 million. Drake acquired the deposition  
8 from NDFG (ph) in October and, as you'll hear in a moment,  
9 Your Honor, Drake is going to be our proposed stalking horse  
10 bidder for the acquisition of ten of the debtors' aircraft.

11 Second, in May of 2020, the debtor received a loan  
12 under the Paycheck Protection Program in the amount of  
13 \$276,000 and in February of 2021 the debtors received another  
14 PPP loan in the approximately amount of \$170,000, the first  
15 was through American Express National Bank and the second was  
16 through Customers Bank.

17 Your Honor, one note, I think our first day  
18 declaration references the second tranche coming in in  
19 February of 2020, that was of course before PPP even existed.  
20 We apologize; we think that's just a typo. The second  
21 tranche actually came in in February of 2021.

22 And then the debtors are, Your Honor, well into  
23 the forgiveness program -- the forgiveness process, that is,  
24 for the first tranche, and they will apply for forgiveness on  
25 the second tranche at the appropriate time. The debtors have

1 used and, to the extent they haven't, will use the proceeds  
2 in a forgivable way under that program.

3           Finally, Your Honor, there's the trade debt, which  
4 may have piqued your interest, if you looked. The debtors'  
5 trade debt, there's not much. There's only about 15,000 of  
6 unsecured, unpaid trade debt as of the petition date owed to  
7 three creditors. And the fact of the matter is the debtor  
8 has just been diligent in managing its business and paying  
9 its trade payables and simply just doesn't have much in the  
10 way of trade debt.

11           So, Your Honor, I was going to get into next sort  
12 of the reasons why COVID had impacted the debtors, but I  
13 think we've largely covered that. So, with Your Honor's  
14 permission, I'll simply skip that and sort of cut to the  
15 case, which is, in order to stave off the effects that COVID  
16 has had, in addition to their -- you know, the preexisting  
17 default, the debtors decided that the best way to maximize  
18 value was to file these cases and pursue a value-maximizing  
19 sale transaction, followed by, we hope, a Chapter 11 plan of  
20 restructuring.

21           So step one in that process, Your Honor, is the  
22 execution of a court-supervised marketing sale process  
23 utilizing the bid that the debtors' post-petition secured  
24 lender as the stalking horse bid to acquire, again, ten of  
25 the debtors' remaining assets.

1           In the weeks leading up to the debtors' filing,  
2 the debtors negotiated an APA with the prepetition lender to  
3 utilize the totality of its \$83.2 million from the secured  
4 debtor to acquire those assets that's of course, Your Honor,  
5 subject to higher and better offers. And there are also,  
6 Your Honor, other assets of the debtors' estates that are not  
7 currently subject to the stalking horse bid that will be a  
8 part of the ongoing marketing and sale process or they will  
9 be sold in the ordinary course of the debtors' business  
10 during the bankruptcy cases.

11           Your Honor, we have secured from chambers a  
12 hearing date of April 26th for the bidding procedures  
13 hearing. So we're not trying to, you know, hyper-accelerate  
14 the marketing and sale process. Mr. Rosen and his team have  
15 already launched the post-petition marketing and sale efforts  
16 for the company, and I can report, Your Honor, that the  
17 debtors have already begun to receive inbound inquiries  
18 relating to the debtors' assets that are for sale through the  
19 process that will be overseen by Your Honor.

20           So, Your Honor, in addition to the marketing and  
21 sale process, we're hopeful to propose and confirm a Chapter  
22 11 plan in the short term. The plan is still in development,  
23 but there will be sufficient cash, we believe, in other  
24 unencumbered assets that can form the basis of and fund a  
25 Chapter 11 plan that will result in the emergence, we hope,

1 of AeroCentury in a restructured form largely around the  
2 aircraft-leasing platform. We do think that that's an  
3 optimistic plan, Your Honor, but we think it's also very  
4 achievable.

5 So, Your Honor, let me pause there and see if Your  
6 Honor has any questions about sort of where we are with the  
7 case.

8 THE COURT: No, I don't have any questions. Thank  
9 you.

10 MR. BARRY: Great. So, Your Honor, I think what  
11 I'd like to do next, if I could, is I'd like to move for the  
12 admission of Mr. Lyons' declaration and offer him for cross-  
13 examination should anybody wish to do so. So I will so move.

14 THE COURT: Okay, is there any objection?

15 The declaration is admitted without objection.

16 (Lyons declaration received in evidence)

17 THE COURT: Does anyone wish to cross-examine?  
18 Nothing?

19 Okay. Go ahead, Mr. Barry.

20 MR. BARRY: Thank you, Your Honor. With your  
21 permission, Your Honor, since we are uncontested, again,  
22 subject to Your Honor's wishes, I'd like to take the agenda  
23 slightly out of order, which is I'd like to cover the cash  
24 collateral motion first.

25 THE COURT: That's fine.

1 MR. BARRY: Thank you, Your Honor. And, again,  
2 we've resolved for today's purposes Ms. Casey's issues. It  
3 bears mentioning that the prepetition secured lender and  
4 their counsel at Vedder and Potter Anderson & Corroon worked  
5 very collaboratively, I think, with the debtors and with Ms.  
6 Casey in making sure we could stand before Your Honor on an  
7 uncontested basis to get the critically-needed use of cash  
8 collateral.

9 So, Your Honor, as set forth in our motion, we've  
10 been working to negotiate the terms of this cash collateral  
11 up until, again, 7:30 to 8 o'clock this morning without the  
12 need to have to go out and try to borrow proceeds on a  
13 debtor-in-possession basis. We do think working with the  
14 lenders and in light of their ability and agreement to  
15 consent to our use of the cash collateral, we do think we'll  
16 have sufficient cash to fund these cases at least through  
17 June without having to borrow.

18 One thing worth noting, Your Honor, is that in the  
19 debtors' -- in the ordinary course of the debtors' business  
20 they do engage in parts or aircraft sales, especially as it  
21 relates to the part sales. Those are routine, but can't  
22 really easily be predictable or forecasted with any degree of  
23 certainty. So the current budget that you've seen attached  
24 to the cash collateral order doesn't include prospective part  
25 sales, but the debtors do fully expect that in the 13-week



1 budget period that there will be part sales or aircraft  
2 sales.

3           So the existing budget, we believe, in its current  
4 form is sufficient to fund the cases, but there will likely  
5 be aircraft and part sales in that same period that will be  
6 additive to what's currently in the budget, which means, if  
7 we can live with what's in the budget, that will be additive,  
8 and, if not, there should be sufficiently -- there should be  
9 additional sources of liquidity should the debtors need that  
10 through parts and other aircraft sales.

11           The terms of the cash collateral, Your Honor, were  
12 heavily negotiated over the course of the last couple of  
13 weeks. We believe, Your Honor, that they're fair and  
14 reasonable; we think they're commensurate with what a lender  
15 authorizing the use of cash collateral should expect. And as  
16 set forth in Mr. Lyons' declaration, Your Honor, the debtors  
17 wouldn't be able to operate without the use of cash  
18 collateral on the lenders' consent, which means we wouldn't  
19 be able to execute the sale strategy or, frankly, any other  
20 aspect of the bankruptcy cases.

21           So, Your Honor, with that, we've submitted to  
22 chambers around 8 o'clock this morning a redline that  
23 reflected final agreement amongst the U.S. Trustee, the  
24 lender, and the debtors on the consensual use of cash  
25 collateral. I don't know if Your Honor has had a chance to

1 take a look at it, but I'm happy to walk Your Honor either  
2 through the changes or, if there's no need to do that,  
3 address any questions or concerns Your Honor might have with  
4 respect to the existing form of order or the terms of the use  
5 of cash collateral.

6 THE COURT: No, I did see the redline; there's no  
7 need to walk through the changes. I do have a couple of  
8 things.

9 On paragraph 8, I require in all of my cash  
10 collateral and DIP orders on the challenge period, if someone  
11 files a motion for standing, it stays the challenge period  
12 until I rule on that motion. So if you could just put a  
13 sentence in there to that effect.

14 The other is just a typo. In paragraph 8(a), it  
15 refers to the stipulation set forth in paragraph D; that  
16 should actually be paragraph E. Paragraph D is the notice  
17 paragraph.

18 MR. BARRY: Your Honor, thank you, obviously, for  
19 picking that up and apologies to Your Honor for having to do  
20 so, but we will -- obviously, we will absolutely make both of  
21 those changes and upload a revised form of order.

22 THE COURT: No need to apologize, Mr. Barry.

23 MR. BARRY: With that --  
24  
25

1 THE COURT: If I could say that I've never had  
2 something go out with a typo in it, I could say I'm offended,  
3 but I'm not offended at all. It happens.

4 MR. BARRY: Yeah. It's inevitable, I suppose,  
5 despite COVID.

6 All right, Your Honor. With that, we will upload  
7 a revised proposed form of order, and I think at this point,  
8 Your Honor, I'd like to turn the podium over to my colleague  
9 Alexander Faris, who will be addressing the next in line for  
10 the first day motions, which I think will be joint  
11 administration.

12 THE COURT: Okay. Well, first I should ask if  
13 anybody else wishes to be heard on the cash collateral order.

14 Okay. I am satisfied based on the record  
15 presented that the requested relief is appropriate and I will  
16 enter that order.

17 MR. BARRY: Thank you, Your Honor.

18 THE COURT: All right. Who's up next?

19 MR. FARIS: Thank you, Mr. Barry. Your Honor, for  
20 the record, Alexander Faris, Young Conaway, proposed counsel  
21 for the debtors. Let me start, can you hear me all right?

22 THE COURT: I can. Thank you.

23 MR. FARIS: Excellent. Your Honor, as Mr. Barry  
24 mentioned, we appreciate you hearing us on an expected basis  
25 here on these first day matters, and we also appreciate Ms.

1 Casey's attention to the first day pleadings we filed. And  
2 so I'll be handling items 3 through 6 on the agenda, and I'm  
3 happy to report that as a result of discussions with Ms.  
4 Casey, and as Mr. Barry mentioned, we're here on a consensual  
5 basis on those matters.

6 And so, Your Honor, the first matter that I would  
7 like to start with is the joint administration motion, which  
8 is agenda item 3.

9 THE COURT: All right.

10 MR. FARIS: Your Honor, we have three debtors in  
11 these cases, AeroCentury Corp., JetFleet Holding Corp., and  
12 JetFleet Management Corp. These entities are all affiliates,  
13 as that word is defined in Section 101 of the bankruptcy  
14 code, and we are seeking the joint administration of these  
15 cases for procedural purposes only under the AeroCentury  
16 Corp. case, which is Number 21-10636.

17 Your Honor, the debtors believe the relief is  
18 routine and will facilitate the smooth administration of  
19 these cases. So, Your Honor, unless you have any questions,  
20 we would respectfully request entry of the order approving  
21 the joint administration motion.

22 THE COURT: Okay. Does anyone wish to be heard?

23 All right. I am satisfied based on the record the  
24 relief is appropriate. I will enter the order.

25 MR. FARIS: Thank you, Your Honor.

1           Your Honor, the next item on the agenda is the  
2 Kurtzman Carson Consultants retention application as the  
3 claims and noticing agent, and that's agenda item 4. Your  
4 Honor, there are more than 200 creditors on the matrix here  
5 and so we are required under our local rules to have a claims  
6 and noticing agent.

7           Prior to filing for bankruptcy, the debtors got  
8 quotes from three claims agents and chose KCC for their  
9 competitive pricing expertise. We filed a declaration in  
10 support of the KCC application from Evan Gershbein, in  
11 addition to Mr. Lyons' first day declaration.

12           And, Your Honor, unless you have any questions  
13 regarding the KCC application as claims and noticing agent,  
14 we would, again, respectfully request entry of the order  
15 approving that application.

16           THE COURT: I have no questions. Does anyone else  
17 wish to be heard?

18           I'm satisfied that the retention is appropriate.  
19 I will sign the order.

20           MR. FARIS: Thank you, Your Honor.

21           Your Honor, the next item on the agenda is our  
22 insurance motion, and that's agenda item 5. By the insurance  
23 motion, we are seeking entry of interim and final orders  
24 authorizing the debtors to renew, replace, or supplement  
25 insurance programs in the ordinary course, and authorizing,

1 but not directing, the payment of related obligations.

2           Your Honor, the debtors maintain a variety of  
3 insurance programs, including D&O and employee practices --  
4 our employment practices policies, kidnap and ransom  
5 policies, foreign coverage in whole liability and  
6 (indiscernible) policies. On an annual basis, total premiums  
7 are approximately \$800,000 in the aggregate. On an interim  
8 basis, the debtors are seeking approval to pay \$10,000.

9           I will note that there are no amounts owing as of  
10 the petition date under the insurance policies, but we seek  
11 this \$10,000 interim cap out of an abundance of caution in  
12 case anything comes up during the interim period.

13           I will note that this motion implicates Rule 6003  
14 and the debtors believe that, absent the ability to pay and  
15 maintain their insurance programs, they would suffer  
16 immediate and irreparable harm, and also that we would need  
17 to maintain these insurance programs to satisfy the United  
18 States Trustee's requirements.

19           And so, Your Honor, unless you have any questions,  
20 we would respectfully request entry of the order, an interim  
21 order approving the insurance motion.

22           THE COURT: Does anyone wish to be heard?

23           I'm satisfied the requested relief is appropriate.  
24 I'll enter the order.

25           MR. FARIS: Thank you, Your Honor.

1           And, lastly, for me, Your Honor, is our taxes  
2 motion, which is agenda item number 6. This motion seeks  
3 entry of interim and final orders authorizing the debtors to  
4 pay certain taxes and fees. In the ordinary course, the  
5 debtors incur a variety of taxes, including real property,  
6 leasing taxes, and franchise taxes.

7           As of the petition date, the debtors were current  
8 on all tax obligations. There is approximately \$41,000 in  
9 taxes coming due from -- or that have accrued as of the  
10 petition date and which the debtors seek authority to pay  
11 during the interim period. And so we have included a \$45,000  
12 cap on an interim basis to cover that and anything else that  
13 may pop up.

14           I will note that there are no catch-up payments  
15 being made here; they're all just accrued, but not yet owing  
16 as of the petition date.

17           And, again, this motion also implicates Rule 6003  
18 and the debtors believe that, for the reasons set forth in  
19 the motion and in Mr. Lyons' declaration, absent the ability  
20 to pay their taxes, the debtors and estates would suffer  
21 immediate and irreparable harm. And so we again respectfully  
22 request entry of the interim order approving the taxes  
23 motion.

24           THE COURT: Okay. Does anyone wish to be heard?

25           I'm satisfied, based on the record, the relief is

1 appropriate. I will enter the order.

2 MR. FARIS: Thank you, Your Honor. And that  
3 concludes my matters and so I will turn it over to my  
4 colleague Joe Mulvihill for the remaining items on the  
5 agenda.

6 THE COURT: All right. Mr. Mulvihill?

7 MR. MULVIHILL: Good morning, Your Honor. For the  
8 record, Joseph Mulvihill of Young Conaway, proposed counsel  
9 to the debtors. Can you hear me okay?

10 THE COURT: I can. Thank you.

11 MR. MULVIHILL: Thank you, Your Honor.

12 The next item on the agenda is agenda item number  
13 7, which is the debtors' equity trading motion. By this  
14 motion, the debtors seek interim and final orders approving  
15 notification and hearing procedures for certain stock  
16 transfers and declarations of worthlessness with respect to  
17 the debtors' common stock.

18 AeroCentury is a publicly-traded company and  
19 trades on the New York Stock Exchange under the ticker ACY.  
20 As of the petition date, the debtors have approximately \$22  
21 million of federal net operating losses and approximately  
22 \$418,000 of state NOL. In addition, while the company has  
23 not finalized their 2020 tax returns, they are expecting to  
24 get significant additional net operating losses as a result.

25 Your Honor, the debtors believe that these



1 procedures are necessary to preserve the significant tax  
2 attributes, including the net operating losses, and provide  
3 for the potential of tax savings and other tax structuring  
4 possibilities in these cases. In order to maximize and  
5 preserve the attributes, and to avoid immediate and  
6 irreparable harm, the debtors seek the limited relief to  
7 establish procedures that will allow them to closely monitor  
8 certain transfers of common stock and claims of worthless  
9 stock deductions.

10           The procedures set forth in the motion and the  
11 interim order will allow the debtors to act expeditiously to  
12 prevent such transfers or worthless stock deductions to  
13 preserve these tax attributes. We believe that the  
14 procedures are customary in these Chapter 11 cases and are  
15 consistent with the procedures that this Court has approved  
16 in similar cases.

17           Unless Your Honor has any questions, the debtors  
18 would respectfully request entry of the interim order.

19           THE COURT: Well, I saw that the order also  
20 includes a restriction on anyone who is a 50-percent  
21 shareholder from declaring the ownership of the stock as  
22 worthless on their tax return, but nobody is even close to  
23 that, right? I mean, the closest shareholders are 21  
24 percent, 22 percent, something like that?

25           MR. MULVIHILL: That is correct, Your Honor.

1 THE COURT: Okay. So, given the restriction on  
2 the trading, it's unlikely anybody would get to that point.

3 MR. MULVIHILL: It's very unlikely that that would  
4 happen in this case, Your Honor, but we would like to include  
5 that out of an abundance of caution in the event someone  
6 would trade up to that amount.

7 THE COURT: Okay. Does anyone else wish to be  
8 heard?

9 I'm satisfied the requested relief is appropriate.  
10 I'll enter the order.

11 MR. MULVIHILL: Thank you very much, Your Honor.

12 The next item on the agenda is agenda item number  
13 8, the debtors' cash management motion. By this motion, the  
14 debtors seek entry of interim and final orders authorizing  
15 the continued use of the debtors' cash management system,  
16 bank accounts, business forms in the ordinary course of  
17 business.

18 The cash management system outlined in the motion,  
19 Your Honor, we believe is pretty straightforward. The  
20 debtors have just a handful of integrated accounts, which  
21 consists of two checking accounts at California Bank & Trust  
22 and a checking account at Union Bank. All of the debtors'  
23 accounts are covered by UDA. In addition, there are five  
24 non-debtor bank accounts, four of which are held at MUFG Bank  
25 and one of which is held at the Bank of Montreal.

1           Like other businesses of their size, the debtors  
2 designed the cash management system to efficiently collect,  
3 transfer, and disburse funds generated through the debtors'  
4 operations, and to accurately record such collections,  
5 transfers, and disbursements in the ordinary course of  
6 business.

7           Your Honor, the debtors also intend to continue  
8 their intercompany transactions; however, the order does  
9 provide that there shall be no intercompany loans from or to  
10 the debtors absent further order of the Court.

11           In advance of the hearing, Your Honor, we did  
12 agree to certain changes with the United States Trustee, and  
13 we have provided a blackline to Your Honor around 8 o'clock  
14 this morning. The highlights of the changes here, Your  
15 Honor, are that we made this an interim and final order, we  
16 struck the word "invest" in paragraph 9, and we added a cap  
17 of \$30,000 per month -- or during the interim period for the  
18 non-debtor intercompany transactions in new paragraph 15.  
19 With those changes, Your Honor, we believe that we have  
20 resolved the United States Trustee's comments.

21           And I would just note, Your Honor, with respect to  
22 this motion that Rule 6003 is implicated and, as set forth in  
23 the motion and the first day declarations, to the extent that  
24 the debtors would be unable to continue their cash management  
25 system they would suffer immediate and irreparable harm, that

1 they would not be able to make payments in a timely fashion  
2 or track incoming receipts, which could result in the refusal  
3 of essential services.

4 And, unless Your Honor has any questions, we would  
5 respectfully request entry of the interim order as revised.

6 THE COURT: Okay, I have no questions.

7 Ms. Casey, did that resolve your issues, the  
8 revisions I saw this morning?

9 MS. CASEY: Yes, Your Honor, our issues are  
10 resolved. Thank you.

11 THE COURT: Okay, all right. I'm satisfied then,  
12 based on the record, that the requested relief is  
13 appropriate. I will enter the order.

14 MR. MULVIHILL: Thank you, Your Honor.

15 The final item on the agenda today is agenda item  
16 number 9, the debtors' wages motion.

17 Like most companies, the employees are the  
18 backbone of the debtors' business, critical to its success,  
19 critical to the viability of its operation, and critical to  
20 the ability to preserve and maximize value. This is  
21 especially true here where the company only has a handful of  
22 employees. By this motion, the debtors seek authority to pay  
23 their prepetition wage obligations and to continue their  
24 current benefit and other workforce obligations, plans, and  
25 programs in the ordinary course of business, subject to the

1 statutory caps as set forth in Section 507 of the bankruptcy  
2 code.

3           The debtors have just seven full-time employees  
4 and one part-time employee. In addition, the debtors utilize  
5 one third party vendor to supplement their workforce with  
6 respect to their European operation. The debtors' employees  
7 are paid biweekly on the 15th and last business days of the  
8 month.

9           Prior to the petition date, the debtors funded  
10 their payroll to cover the period from March 16th through and  
11 including March 31st. In addition to payroll, Your Honor,  
12 the debtors offer a standard suite of employee benefits,  
13 including health plans, a 401(k) retirement plan, and  
14 reimbursement for business expenses that are incurred on  
15 behalf of the company.

16           I won't tick through each of the items listed in  
17 the motion, unless the Court would prefer, but, generally  
18 speaking, the motion seeks to preserve the status quo in  
19 terms of computation, benefits, reimbursement packages, and  
20 all subject to the individual caps and other limitations set  
21 forth in the interim order.

22           I would note again, Your Honor, that Rule 6003 is  
23 implicated, and for the reasons set forth in the motion and  
24 the first day declaration the ability to pay employees and  
25 maintain the benefit programs is necessary to prevent

1 immediate and irreparable harm to the debtor and their  
2 estates.

3 Unless Your Honor has any questions, we would  
4 respectfully request entry of the interim order approving the  
5 wages motion.

6 THE COURT: I don't have any questions. Does  
7 anyone else wish to be heard?

8 All right, I'm satisfied, based on the record  
9 presented, that the requested relief is appropriate. I will  
10 enter the order.

11 MR. MULVIHILL: Thank you, Your Honor. That  
12 concludes the matters for the agenda today. I would note  
13 that for all of the orders, Your Honor, we have plugged in  
14 the April 26th at 2:00 p.m. hearing date, but we have nothing  
15 further on the agenda today.

16 We would like to thank Your Honor and the Court  
17 and all of your staff for their time in getting us scheduled  
18 for this expedited hearing today.

19 THE COURT: All right. Are all the revised orders  
20 uploaded and ready for e-signature?

21 MR. MULVIHILL: They are in the process --

22 MR. BARRY: They are (indiscernible) Your Honor --

23 THE COURT: I'm sorry, Mr. Barry and Mr. Mulvihill  
24 spoke at the same time. Go ahead, Mr. Barry.

25 MR. BARRY: One Joe at a time. Your Honor, I just

1 said, I think we still owe you the cash collateral order  
2 based on the comments from Your Honor earlier this morning.

3 THE COURT: All right. No need to submit a COC  
4 for that, you can just upload the order and notify chambers,  
5 and we'll get that entered.

6 MR. BARRY: Thank you.

7 THE COURT: All right? All right, thank you all  
8 very much. Good luck as you move forward. I guess I'll see  
9 everybody in about three weeks.

10 COUNSEL: Thank you, Your Honor.

11 THE COURT: We're adjourned.

12 (Proceedings concluded at 10:35 a.m.)  
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CERTIFICATION

I certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter to the best of my knowledge and ability.

/s/ Tracey Williams

April 1, 2021

Tracey Williams, CET-914

Certified Court Transcriptionist

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