

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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In re : Chapter 11
AEROCENTURY CORP., *et al.*, :
Debtors.¹ : Case No. 21-10636 (JTD)
: (Jointly Administered)
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**DECLARATION OF ADAM M. ROSEN IN SUPPORT OF CONFIRMATION OF THE
COMBINED DISCLOSURE STATEMENT AND JOINT CHAPTER 11 PLAN OF
AEROCENTURY CORP., AND ITS AFFILIATED DEBTORS**

I, Adam M. Rosen, declare pursuant to 28 U.S.C. § 1746, under penalty of perjury, to the best of my knowledge and belief, that:

1. I am a Managing Director at B. Riley Securities, Inc. ("B. Riley"), an investment bank which has its principal office at 11100 Santa Monica Blvd., Suite 800 Los Angeles, CA 90025. I have been retained as the investment banker to AeroCentury Corp. and its affiliates (the "Debtors") and I am submitting this Declaration in that capacity.

2. I submit this declaration (this "Declaration") in support of confirmation of the *Combined Disclosure Statement and Joint Chapter 11 Plan of AeroCentury Corp., and its Affiliated Debtors* [D.I. 225] (as may be further amended, supplemented, or modified from time to time, the "Combined Disclosure Statement and Plan" or the "Plan").²

3. The statements in this Declaration are, except where specifically noted, based on my personal knowledge or opinion, or on information that I have received from the Debtors'

¹ The Debtors in these chapter 11 cases, along with the last four digits of their federal employer identification number, are: AeroCentury Corp. (3974); JetFleet Holding Corp. (5342); and JetFleet Management Corp. (0292). The Debtors' mailing address is 1440 Chapin Avenue, Suite 310, Burlingame, CA 94010.

² Capitalized terms used but not otherwise defined herein have the meaning ascribed to them in the Plan.



employees or advisors, or employees of B. Riley working directly with me or under my supervision, direction, or control.

QUALIFICATIONS

4. I have been a Managing Director at B. Riley since April 2016. Prior to joining B. Riley, I was a Director at PricewaterhouseCoopers LLP from 2009 to 2016. I have over 16 years of experience in the field of rendering financial advisory and corporate finance related services in bankruptcy, workouts, and restructuring transactions. During the course of my career, I have advised debtors, creditors and acquirers in financial restructurings, distressed mergers and acquisitions and raised capital for troubled companies. I received my M.B.A. from Fordham University and B.S. from Union College.

5. B. Riley has extensive experience in providing financial advisory and investment banking services to financially distressed companies and to creditors, equity holders, and other constituencies in reorganization proceedings and complex financial restructurings, both in and out of court. B. Riley was engaged by the Debtors on a prepetition basis to act as their investment banker in connection with the Debtors' restructuring initiatives. During the lead up to these chapter 11 cases, B. Riley acquired significant knowledge of the Debtors' business, including their financial affairs, debt structure, business operations, capital structure, key stakeholders, financing documents, and related matters. Following the Petition Date, the Debtors retained B. Riley on a post-petition basis to serve as an investment banker and to run, among other things, an extensive marketing process for the sale of all or substantially all of the Debtors' assets. Subsequent to the Debtors' sale process, B. Riley continued its marketing efforts in an attempt to identify an investor to provide the Debtors with the necessary funding to reorganize and continue as a go-forward business.

SELECTION OF THE PLAN SPONSOR

6. The Debtors retained B. Riley in October 2019 to assist in analyzing options to address its capital structure, including strategic and financing alternatives to restructure its indebtedness and other contractual obligations. In December 2019, the Debtors embarked on a dual-track process to raise capital and/ or sell some or all of the Debtors' assets. In connection with this dual-track process, I and the B. Riley team, contacted approximately 90 parties. All prospective parties were encouraged and permitted to submit proposals for a variety of potential transactions, including debt financings, equity investments, or to acquire any of the Debtors' assets, including any combination thereof.

7. As set forth more fully in the *Declaration of Adam M. Rosen in Support of the Bidding Procedures Motion* [D.I. 13], the *Declaration of Adam M. Rosen in Support of Entry of the Order (I) Approving and Authorizing the Sale of a Certain De Havilland Model DHC-8-311 Aircraft and Related Engines and Parts to Skyward Express Limited, Free and Clear of All Liens, Claims, and Encumbrances, and (II) Granting Related Relief* [D.I. 145]; the *Declaration of Adam M. Rosen in Support of the Sale to Stratus* [D.I. 158], and the *Declaration of Adam M. Rosen in Support of Sale to the Stalking Horse Bidder* [D.I. 165], the Debtors conducted a fulsome sale process, culminating in the Asset Sales in late May, 2021.

8. During and after this sale process, the Debtors, through B. Riley, contacted potential investors to discuss potential making an investment and/or providing financing to the Debtors in connection with the emergence from bankruptcy. After Asset Sales were approved, B. Riley reengaged with these potential investors to solicit interest in providing capital as a plan sponsor for the Debtors' Combined Disclosure Statement and Plan. As a result of these efforts,

the Debtors entered into multiple non-disclosure agreements, and ultimately received five indications of interest (the “IOIs”).

9. The Debtors conducted considerable due diligence, including holding multiple board meetings, to discuss and compare the IOIs. Ultimately, the Debtors determined, in their business judgment that the offer from a group of investors consisting of Yucheng Hu, Hao Yang, Jing Li, Yeh, Ching and Yu Wang (the “Plan Sponsor”) offered the highest and best value for all parties in interest.

10. As set forth more fully in the Plan Sponsor Agreement, the Plan Sponsor has agreed to invest \$11,000,000 in the Debtors. Such investment includes a cash distribution to existing shareholders of AeroCentury Corp. in the amount of \$1,000,000 on the Effective Date. A summary of the financial terms of the Plan Sponsor Agreement are as follows:³

- a. On the Effective Date of the Combined Disclosure Statement and Plan, each Interest in AeroCentury Corp. shall be reinstated, subject to dilution. The Debtors will issue new shares of AeroCentury Corp. common stock to the Plan Sponsor such that the pro forma ownership percentages of the AeroCentury Corp. common stock will be: (a) 65.0% held by the Plan Sponsor, and (b) 35.0% held by existing shareholders of AeroCentury Corp. on the Effective Date (the “Legacy Shareholders”).
- b. As soon as practicable following the Effective Date, AeroCentury Corp. will make a cash dividend distribution to the Legacy Shareholders in the aggregate amount of \$1,000,000.
- c. On the Effective Date, a trust will be established for the benefit of the Legacy Shareholders. At the same time, all Interests of AeroCentury Corp. in JetFleet Holding Corp. will be canceled. JetFleet Holding Corp. will then issue a Series B Preferred Stock to the trust. The Series B Preferred Stock will have a liquidation preference of \$1, non-convertible, non-transferable, non-voting, will not pay a dividend, and will contain a mandatory, redeemable provision. The Series B Preferred Stock is redeemable for an aggregate amount equal to (i) \$1,000,000, if the Series B Preferred Stock is redeemed after following the first fiscal year for which JetFleet Holding Corp. reports positive EBITDA for the preceding 12 month

³ In the event of any inconsistency between the summary of terms herein and the Plan Sponsor Agreement, the Plan Sponsor Agreement shall govern.

period, or (ii) \$0.001 per share, if the Series B Preferred Stock is redeemed prior the first fiscal year for which JetFleet Holding Corp. reports positive EBITDA for the preceding 12-month period.

11. As set forth below, the Debtors believe that this investment and the Plan Sponsor Agreement provides sufficient liquidity to operate the Debtors' businesses on a go-forward basis, and the Sponsored Plan is not likely to be followed by a liquidation or further financial restructuring.

THE PLAN MEETS THE "BEST INTERESTS" TEST

12. The Debtors, with the assistance of B. Riley, prepared the liquidation analysis attached as Exhibit A to the Combined Disclosure Statement and Plan (the "Liquidation Analysis"), which provides a summary of the estimated liquidation values of the Debtors' various classes of creditors assuming a chapter 7 liquidation. The Debtors have revised the Liquidation Analysis to show expected returns under the Sponsored Plan.

13. The Liquidation Analysis demonstrates that each impaired class will receive no less under the Stand Alone Plan than under a chapter 7 liquidation. As set forth in the Liquidation Analysis, the total estimated recovery to creditors in a chapter 7 liquidation ranges between \$1,116,793 and \$1,526,493. In the low scenario, this would result in payment in full of all Claims, but no recovery for Holders of Class 7 Interests. In the high scenario, this would result in a *de minimis* recovery for Holders of Class 7 Interests.

14. The Liquidation Analysis also shows that under the Stand Alone Plan, the total estimated recovery to creditors ranges between \$1,504,793 and \$1,914,496. In the low scenario, this would result in payment in full of all Claims, and a distribution of \$174,232 to Holders of Class 7 Interests. In the high scenario, this would result in payment in full of all Claims, and a distribution of \$583,932 to Holders of Class 7 Interests.

15. In comparison, the Liquidation Analysis shows that under the Sponsored Plan, the total estimated recovery to creditors would be \$3,050,345. Holders of Claims will be paid in full, and Holders of Class 7 Interests will be reinstated, subject to dilution, with an estimated value of \$2,000,000.

16. I believe that the Debtors' Liquidation Analysis is sound and based on reasonable assumptions and estimates regarding the Debtors' assets and liabilities, including with respect to: (a) the additional costs and expenses that would be incurred by the Debtors as a result of a chapter 7 trustee or a liquidating trustee's fees and retention of new professionals; (b) the delay and subsequent erosion of asset value associated with the time needed for such trustee and its professionals to familiarize themselves with the Debtors' assets and liabilities; (c) the reduced recoveries associated with an accelerated sale or other disposition of the Debtors' assets; and (d) additional costs and expenses related to the recovery and disposal of assets. I therefore believe that the amounts set forth in the Liquidation Analysis and the Valuation Analysis are reasonable estimates of the proceeds that would be available to creditors in a chapter 7 scenario, the Stand Alone Plan, or the Sponsored Plan, as applicable, based on my understanding of the Debtors' operations and capital structure. Accordingly, I believe that, under the Sponsored Plan, Holders of Class 7 Interests will receive a recovery in these chapter 11 cases that exceeds the estimated recovery such Holders would receive on account of such Interests in a chapter 7 scenario or under the Stand Alone Plan.

17. Based on the Liquidation Analysis, I believe that the Sponsored Plan satisfies the "best interests test" under section 1129(a)(7) of the Bankruptcy Code.

THE PLAN IS FEASIBLE

18. I understand that section 1129(a)(11) of the Bankruptcy Code requires that confirmation is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors unless such liquidation or reorganization is proposed in the plan. I believe that the Sponsored Plan meets this requirement with respect to the Debtors.

19. In connection with the formulation and negotiation of the Plan Sponsor Agreement and the Sponsored Plan, the Debtors assessed their ability to fulfill their obligations under the Sponsored Plan while maintaining sufficient liquidity and capital resources. Specifically, with the assistance of their financial advisors, the Debtors prepared financial projections for the remainder of fiscal year 2021, as well as fiscal year 2022 (the “Financial Projections”), which are being filed contemporaneously herewith in the Second Plan Supplement. The Financial Projections demonstrate that the Debtors’ businesses should be operated more efficiently than at present, and that the Debtors’ operational costs should be less than their prepetition levels, especially in light of the fact that the Debtors will not have any secured debt obligations post-emergence.

20. The Financial Projections are based on a set of sound assumptions rooted in the extensive experience of the Debtors’ management and their knowledge of historical and current trends and data. Key personnel from the Debtors provided input in the development of the Financial Projections. In preparing the Financial Projections, the Debtors incorporated material considerations pertaining to the current industry environment, historical operating performance, and the Debtors’ operating costs. Furthermore, the Debtors are emerging from bankruptcy with in excess of \$8 million of unrestricted cash which will provide sufficient liquidity to execute any business plan put forth by the Plan Sponsor.

21. Importantly, pursuant to the terms of the Plan Sponsor Agreement and the Sponsored Plan, following the Effective Date, the Reorganized Debtors will have no secured debt obligations upon emergence. The Financial Projections demonstrate that the Reorganized Debtors will be well capitalized and be able to service their ordinary course operational obligations on a go-forward basis for an extended period of time following the emergence from bankruptcy.

Conclusion

22. Based on the information and assumptions described herein, I believe that the Sponsored Plan satisfies the “Best Interests” tests and is feasible.

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: August 30, 2021

/s/ Adam M. Rosen

Adam M. Rosen