

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

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<i>In re</i>	:	Chapter 11
	:	
TECT AEROSPACE GROUP HOLDINGS,	:	Case No. 21- ____ (____)
INC., <i>et al.</i> ,	:	
	:	Joint Administration Requested
Debtors. ¹	:	
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**DECLARATION OF SHAUN MARTIN IN SUPPORT OF
CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

I, Shaun Martin, hereby declare under penalty of perjury:

1. I am the Chief Restructuring Officer of TECT Aerospace Group Holdings, Inc. and its debtor affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, “TECT” or the “Debtors”). I am authorized to submit this declaration (the “**First Day Declaration**”) on behalf of the Debtors.

2. I am a co-founder and managing partner of Winter Harbor LLC, a Riveron Company, a financial advisory services firm located in Boston, Massachusetts. I have served as the Debtors’ Chief Restructuring Officer (“CRO”) since January 2021. In addition to my role with the Debtors, I have held executive officer positions within industry and advised boards, management teams, and creditors of financially and operationally distressed companies. In these roles, I have managed all aspects of the financial restructuring process. I have over 20 years of

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: TECT Aerospace Group Holdings, Inc. (9338); TECT Aerospace Kansas Holdings, LLC (4241); TECT Aerospace Holdings, LLC (9112); TECT Aerospace Wellington Inc. (4768); TECT Aerospace, LLC (8650); TECT Hypervelocity, Inc. (8103); and Sun Country Holdings, LLC (6079). The Debtors’ mailing address is 300 W. Douglas, Suite 100, Wichita, KS 67202.



experience working with distressed companies. I hold a bachelor's degree in Business Administration from the University of Massachusetts.

3. Having served as the Debtors' CRO, I am generally familiar with the Debtors' financial matters, cash flows, and underlying books and records. All facts set forth in this First Day Declaration are based upon my personal knowledge of the Debtors' equity and capital structure and related financial information gathered from my review of their books and records, relevant documents, and information supplied to me by members of the Debtors' management team and advisors. If called to testify, I could and would testify competently to the facts set forth in this First Day Declaration.

4. On the date hereof (the "**Petition Date**"), the Debtors filed voluntary petitions commencing these chapter 11 cases. As detailed herein, the Debtors are a group of aerospace manufacturing companies. Prior to the Petition Date, the Debtors' business operations were severely impacted by the halt in production of The Boeing Company's ("**Boeing**") 737 MAX airplane and restrictions on airline travel arising from the COVID-19 pandemic and the resulting decline in demand for the Debtors' products and services. In December 2019, when Boeing announced it was suspending production of the 737 MAX, the Debtors were already near the maximum borrowing capacity allowed under the Prepetition Credit Agreement (as defined below) with PNC Bank, National Association ("**PNC**"). The combined effect of the lack of availability under their Prepetition Credit Agreement and the loss of revenue arising from the slowdown in 737 MAX production and the pandemic significantly strained TECT's liquidity. In addition, in late December 2020, a significant customer, Spirit AeroSystems ("**Spirit**"), notified TECT that it was terminating its supply agreement with TECT. While the Debtors explored a number of options to address TECT's continued financial distress, it became apparent that an out of court solution

was not achievable. As a result, through these chapter 11 cases, the Debtors will seek to consummate a sale or sales of substantially all of TECT's assets pursuant to section 363 of the Bankruptcy Code. I believe a sale will maximize the value of TECT's assets.

5. I submit this First Day Declaration on behalf of the Debtors in support of the Debtors' (a) voluntary petitions for relief that were filed under chapter 11 of the Bankruptcy Code and (b) "first day" motions, which are being filed concurrently herewith (collectively, the "**First Day Motions**"). The Debtors seek the relief set forth in the First Day Motions to minimize any adverse effects caused by the commencement of these chapter 11 cases. I have reviewed the Debtors' petitions and the First Day Motions, or have otherwise had their contents explained to me, and it is my belief that the relief sought therein is essential to ensure the uninterrupted operation of the Debtors' business, the smooth transition in chapter 11 and the successful maximization of the value of the Debtors' estates.

GENERAL BACKGROUND

A. The Debtors' Equity Ownership

6. The Debtors are privately held companies owned by Glass Holdings, LLC ("**Glass**") and related Glass owned or Glass controlled entities. TECT Aerospace Group Holdings, Inc. is the 100% equity owner of TECT Aerospace Kansas Holdings, LLC and TECT Aerospace Holdings, LLC. TECT Aerospace Kansas Holdings, LLC is the 100% equity owner of TECT Aerospace Wellington Inc. and TECT Hypervelocity, Inc. TECT Aerospace Holdings, LLC is the 100% equity owner of TECT Aerospace, LLC and Sun Country Holdings, LLC. With the exception of TECT Aerospace Wellington Inc., all of the Debtors are Delaware corporations or limited liability companies, as applicable. An organizational chart of the Debtors and certain of their non-debtor affiliates is attached hereto as **Exhibit A**.

B. The Debtors' Business

7. The Debtors manufacture high precision components and assemblies for the aerospace industry, specializing in complex structural and mechanical assemblies, and, machined components for a variety of aerospace applications. The Debtors produce assemblies and parts used in flight controls, fuselage/interior structures, doors, wings, landing gear and cockpits. As is commonplace throughout the aerospace industry, the Debtors' business functions under a tiered supply chain structure whereby the Debtors manufacture and service specialized aerospace components that are in turn utilized and incorporated by customers into their platforms and planes. Established in 2004, the Debtors supply many of the largest aerospace manufacturers in the world, including Boeing, and their products are used by customers in the commercial, business, military, and general aviation markets.

8. The Debtors operate manufacturing facilities in Everett, Washington, and Park City and Wellington, Kansas and their corporate headquarters is located in Wichita, Kansas. The Debtors currently employ approximately 400 individuals nationwide.

9. The Debtors lease all of their real property and much of their manufacturing equipment from certain non-debtor related entities (collectively, the "**Affiliated Creditors**") pursuant to certain agreements, as identified on **Exhibit B** hereto (collectively, the "**Affiliated Creditor Agreements**"). The Affiliated Creditors are privately owned by Glass or other affiliate companies under common control with the controlling member of Glass. Additionally, two Affiliated Creditors, Stony Point Group Inc. ("**Stony Point**") and Office Support Services, LLC ("**OSS**"), provide support services to the Debtors. Specifically, Stony Point provides the Debtors with certain management services and OSS provides essential back office services, including enterprise-level information technology, employee benefits management and other human

resources functions, and traditional treasury and risk management.

10. The Debtors operate in an extremely competitive market which has been severely impacted both by the extended grounding of the 737 MAX aircraft and effects of the COVID-19 pandemic on aircraft production rates. The Debtors continue to provide high-precision and complex manufacturing and assembling services to meet the stringent demands of their customers, but the abrupt decline in this market has created severe financial challenges. As discussed further below, in early 2020, the Debtors began to explore paths to raise additional capital to support operations and address the Debtors' financial hardships.

C. The Debtors' Capital Structure

11. As of the Petition Date, the Debtors have approximately (i) \$41.9 million of outstanding secured obligations under the Prepetition Credit Agreement (as defined below), (ii) approximately \$1.25 million of outstanding obligations under the Equipment Loan Agreements (as defined below), (iii) approximately \$19.7 million of outstanding unsecured obligations to the Affiliated Creditors for amounts related to rent and equipment lease payments and support services provided by Stony Point and OSS, and (iv) approximately \$35 million of outstanding unsecured obligations to ordinary course trade creditors.

12. A detailed discussion of the Debtors' capital structure, including various debt obligations, is set forth below.

i. TECT Prepetition Credit Agreement

13. In 2017, TECT entered into that certain *Revolving Credit, Term Loan and Security Agreement*, dated as of June 27, 2017 (as modified, amended or supplemented from time to time, the "**Prepetition Credit Agreement**"), by and among the Debtors (other than TECT Aerospace Group Holdings, Inc.) as borrowers and guarantors and PNC, as agent for the lenders party thereto

(collectively, with the agent, the “**Lender Parties**”). Pursuant to the Prepetition Credit Agreement, the Debtors granted a security interest in and lien on certain collateral, including receivables, inventory and certain equipment and fixtures, for the benefit of the Lender Parties. As of the Petition Date, the outstanding amount owed under the Prepetition Credit Agreement was approximately \$41.9 million. The Debtors are currently in default under the Prepetition Credit Agreement.

14. In February 2021, PNC transferred the loan under the Prepetition Credit Agreement to Boeing and, by letter dated February 26, 2021, Boeing notified the Debtors that Boeing was the sole lender under the Prepetition Credit Agreement.

ii. Equipment Loan Agreements with Chisholm

15. In July 2019, Debtor TECT Hypervelocity, Inc. (“**TECT Hypervelocity**”) entered into that certain *Commercial Loan and Security Agreement*, dated July 1, 2019 (the “**Hypervelocity Equipment Loan Agreement**”) with Chisholm Trail State Bank (“**Chisholm**”). Pursuant to the Hypervelocity Equipment Loan Agreement, TECT Hypervelocity granted Chisholm a security interest on certain equipment as set forth therein.

16. In September 2019, Debtor TECT Aerospace Wellington Inc. (“**TECT Wellington**”) entered into that certain *Commercial Loan and Security Agreement*, dated September 27, 2019 (the “**Wellington Equipment Loan Agreement**” and, together with the Hypervelocity Equipment Loan Agreement the “**Equipment Loan Agreements**”), with Chisholm. Debtor TECT Aerospace Kansas Holdings, LLC guaranteed TECT Wellington’s obligations under the Wellington Equipment Loan Agreement. Pursuant to the Wellington Equipment Loan Agreement, TECT Wellington granted Chisholm a security interest on certain equipment as set forth therein. As of the Petition Date, the outstanding amounts owed under the Equipment Loan Agreements was

approximately \$1.25 million in the aggregate.

iii. Obligations to the Affiliated Creditors

17. As detailed above, the Affiliated Creditors (i) lease certain real property to the Debtors, (ii) lease certain manufacturing equipment to the Debtors, (iii) provide certain management services to the Debtors, and (iv) provide certain office support services to the Debtors. Over the past year, as TECT worked to address liquidity concerns and financial distress resulting from the 737 MAX grounding and decreased demand in the market, the Affiliated Creditors provided significant accommodations to support TECT's business. As a consequence, TECT accumulated significant past due obligations to the Affiliated Creditors totaling approximately \$19.7 million in the aggregate, and including \$11.6 million for management services under the management services agreement with Stony Point.

iv. Trade Obligations

18. As of the Petition Date, the Debtors have approximately \$35 million of unsecured trade debt, a significant portion of which is owed to Boeing. Approximately \$1.44 million is owed to Boeing and certain of its affiliates for ordinary course trade debt. Additionally, from 2017 to August of 2020, Boeing made three separate unsecured advances (collectively, the "**Boeing Advances**") to TECT, either directly or on TECT's behalf, to help fund obligations owed to TECT's suppliers. The Boeing Advances totaled approximately \$17.2 million. By letter dated March 2, 2021, Boeing notified TECT that it would begin debiting against Boeing's payables to TECT in order to recoup a portion of the Boeing Advances, consistent with the terms of its supply agreements. As of the Petition Date, approximately \$17 million remains owing to Boeing with respect to the Boeing Advances.

D. Events Leading to the Chapter 11 Cases

19. Two significant events over the past two years had dramatic effects on TECT's business. First, in March 2019, the Boeing manufactured 737 MAX airplane was grounded by the FAA. In 2019, 35% of TECT's total revenue was related to the production and sale of parts for the 737 MAX to both Boeing and Spirit, a supplier to Boeing under the 737 MAX program. Boeing announced in April 2019 that it would be reducing production of the 737 MAX and, in December 2019, Boeing announced that it was suspending production entirely beginning in January 2020. Following this announcement, the Debtors negotiated with Boeing to continue to supply certain assemblies for the 737 MAX but at a significantly lower volume. Further, in December 2019, Spirit announced that it would also suspend its production of assemblies used in the production of the 737 MAX. While production of the 737 MAX resumed with respect to Spirit in May 2020, it was at a much lower volume. As a result, aerospace suppliers, such as TECT, were drastically affected by the production halt of the 737 MAX. Specifically, in 2020, TECT's revenue related to the 737 MAX dropped approximately 83% compared to 2019 revenue.

20. Second, the unprecedented economic impact of COVID-19 on the aviation industry severely impaired the Debtors' business operations. Travel restrictions have been put in place all across the world, causing a rapid decline in bookings and an increase in cancellations. As a result, many aircraft manufacturers significantly reduced production rates in the face of slowing demand. TECT, already distressed by the halt in 737 MAX production, was now confronted with reduced demand for its parts from its remaining customers.

21. These events were sudden and unanticipated by the aerospace industry. Prior to the grounding of the 737 MAX, demand for new aircraft was growing, and the major commercial aircraft manufacturers, Boeing and Airbus, each had backlogs of orders covering many years of

production. Manufacturers were forecasting increased rates of production, and suppliers such as TECT were making sizable capital investments in order to meet these increased production rates. Without warning and in just a few weeks, the outlook changed completely.

i. Negotiations with Boeing, the Affiliated Creditors, PNC and Others

22. Beginning in March 2020, TECT, Boeing, the Affiliated Creditors, PNC and other important customers commenced discussions regarding strategic alternatives for addressing TECT's financial distress. The discussions continued through the fall and into December of 2020. In the fall of 2020, the parties began exploring an option for NWI Aerostructures LLC ("NWI"), a related Glass owned entity, to acquire TECT's Kansas assets to address TECT's financial difficulties and potentially benefit TECT's various suppliers and creditors. As a result of this interest, in late December 2020, TECT, NWI and the Affiliated Creditors entered into discussions regarding a potential acquisition.

23. In early December 2020, the Affiliated Creditors notified TECT of certain alleged defaults under the various Affiliated Creditor Agreements. Notwithstanding the notice of default, the Affiliated Creditors continued to provide services to TECT and to pursue negotiations with parties in interest. Hoping to retain the Boeing business relationship, TECT, NWI and the Affiliated Creditors ultimately proposed a transaction to Boeing whereby NWI would acquire the Kansas assets. TECT pursued discussions regarding the proposal with all parties in interest but an agreement could not be reached and the negotiations proved unsuccessful.

24. TECT continued to explore other out of court restructuring options. However, in late December 2020, Spirit notified TECT that it was terminating its supply agreement with TECT. As a result, those out of court restructuring options failed. On December 28, 2020, the Affiliated Creditors issued a second notice of default and indicated their intent to exercise their remedies

under the Affiliated Creditor Agreements.

ii. TECT's Forbearance Agreement with the Affiliated Creditors

25. After initial negotiations between the parties failed, TECT continued evaluating a number of alternative paths forward. On February 1, 2021, TECT entered into a forbearance agreement (the “**Forbearance Agreement**”) with the Affiliated Creditors pursuant to which the Affiliated Creditors agreed to forbear from discontinuing service through February and agreed to forgo current payment for certain amounts owed under the Affiliated Creditor Agreements for the month of February. By agreement dated February 22, 2021, the parties agreed to extend the Forbearance Agreement through March 29, 2021 and agreed to forgo current payment for certain amounts owed under the Affiliated Creditor Agreements for the month of March. On March 24, 2021, the Affiliated Creditors agreed to further extend the Forbearance, without payment, through April 9, 2021 to, among other things, allow TECT the ability to finalize the debtor in possession financing with Boeing and prepare for a chapter 11 filing.

iii. Boeing Requires Restructuring to Continue Funding

26. On February 26, 2021, with the parties unable to reach agreement regarding a consensual path forward, Boeing notified TECT that after March 22, 2021 it would no longer advance funds under the Prepetition Credit Agreement except through an agreed debtor in possession financing as part of a bankruptcy proceeding. Accordingly, in consultation with their advisors and professionals, the Debtors began exploring restructuring options to pursue through the chapter 11 process. Notwithstanding any formal agreement to extend the March 22, 2021 deadline, Boeing has continued to fund under the Prepetition Credit Agreement through the date hereof.

THE PROPOSED SALE PROCESS AND DIP FINANCING

i. TECT Determines That, Given the Lack of Liquidity and Increasing Customer Pressure, the Only Viable Path Forward to Preserve the Value of the Debtors' Business and Assets is a 363 Sale

27. Over the past several months, TECT has evaluated restructuring alternatives and continued its discussions with Boeing and other parties to explore such alternatives, including potential out of court options. TECT, having considered the alternatives, believes that a sale will maximize the value of TECT's assets.

28. As set forth above, Boeing acquired the PNC loan in February 2021. Although it appeared that out of court restructuring was no longer an option, Boeing, recognizing that in order for it to continue to receive the necessary parts for its airplanes and TECT's need for additional funding, continued to support the TECT business by providing funding under the Prepetition Credit Agreement. From the time it acquired the loan under the Prepetition Credit Agreement from PNC through the Petition Date, Boeing provided TECT with over \$13.2 million in net new funding.

29. Further, TECT, understanding Boeing's critical role as the most significant customer of TECT's Everett, Washington facility, agreed in late 2020 to allow Boeing to begin exploring discussions with potential purchasers for the Everett operations. TECT believes that any potential purchaser would only be interested in considering a transaction for the Everett assets if it was confident that Boeing would continue to support the Everett operations as a customer. Boeing, the world's largest aerospace company, has the knowledge and experience with respect to other similarly suited aerospace part manufacturers and, as a result, Boeing began contacting potential third party acquirers to determine their interest in a sale of TECT's Everett business.

30. Further, the Debtors initiated their own sale process to find a potential buyer or buyers of their assets. In March 2021, the Debtors retained Imperial Capital, LLC ("**Imperial**")

to provide investment banking services in connection with a potential sale. Imperial is currently evaluating certain prepetition offers for the various business units and developing a fulsome marketing and sale process.

31. As set forth above, prior to the Petition Date, TECT, the Affiliated Creditors, and NWI approached Boeing with respect to a potential sale of the Debtors' Kansas assets to NWI but the parties were unable to reach agreement on a consensual path forward. Recognizing that a likely bidder for certain of TECT's Kansas assets may be NWI or another affiliate of the Debtors, the board of directors (collectively, the "**Board**") of TECT Aerospace Kansas Holdings, LLC and TECT Aerospace Holdings, LLC determined the need for independence, and in March 2021, the Board established a special independent committee of each Board (the "**Special Committee**") to review, evaluate, negotiate, approve and execute any transaction involving the Debtors, on the one hand, and one or more affiliates of the Debtors and any other related party, on the other hand (a "**Related Party Transaction**"). Jean King is the independent director of the Boards and the sole member of the Special Committee.

32. As of the Petition Date, the Debtors have not entered into any agreements with respect to the sale of their assets. As set forth above, the Debtors are in the process of marketing their assets and are hopeful that this process will result in an executed asset purchase agreement or agreements that will allow the Debtors to sell all or a portion of their assets in the near term pursuant to section 363 of the Bankruptcy Code.

33. The Debtors believe that consummation of a sale or sales through a court approved, open and competitive marketing process during these chapter 11 cases represents the best strategy to maximize value for the Debtors' estates.

ii. DIP Facility

34. Following Boeing's purchase of PNC's position under the Prepetition Credit Agreement and its February 26 letter informing the Debtors that it would not continue funding under the Prepetition Credit Agreement outside of chapter 11, Boeing offered to provide the Debtors with debtor in possession financing. As discussed in more detail in the motion filed contemporaneously herewith, and in the declaration of David E. Burns attached thereto, after arm's-length negotiations the Debtors and Boeing reached agreement on a \$60,200,000 superpriority secured debtor-in-possession financing facility (the "**DIP Facility**"). Under the DIP Facility, \$22,000,000 will be available to the Debtors upon entry of an interim order. The DIP Facility will provide the funding necessary for the Debtors to continue their operations through the sale processes and to pay expenses attendant to these chapter 11 cases.

FIRST DAY MOTIONS

35. The Debtors have filed with the Court certain First Day Motions seeking orders granting various forms of relief intended to stabilize the Debtors' business operations, facilitate the efficient administration of these chapter 11 cases, and expedite a sale of the Debtors' assets. I am familiar with the contents of each First Day Motion and believe that the relief sought in each First Day Motion is necessary to enable the Debtors to operate in chapter 11 with minimal disruption or loss of productivity and value, constitutes a critical element in achieving a successful sale of the Debtors' assets, and best serves the Debtors' estates and creditors' interests. The facts set forth in each First Day Motion are incorporated herein by reference. Capitalized terms used but not otherwise defined in this section of this First Day Declaration shall have the meanings ascribed to them in the relevant First Day Motion. The First Day Motions include the following:

A. Administrative Motions and Applications

***i.* Joint Administration Motion**

36. The Debtors request entry of an order directing joint administration of these chapter 11 cases for procedural purposes pursuant to Bankruptcy Rule 1015(b) and Local Rule 1051-1 and that the Court maintain one file and one docket for all of the chapter 11 cases under the lead case TECT Aerospace Group Holdings, Inc. Joint administration of these chapter 11 cases will provide significant administrative efficiencies without harming the substantive rights of any party in interest. The relief requested in the Joint Administration 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 businesses in chapter 11 with the least disruption.

ii. Kurtzman Carson Consultants LLC ("KCC") Retention Application

37. The Debtors request authority to retain and appoint KCC as Claims and Noticing Agent in accordance with the terms and conditions specified in the Engagement Agreement by and between the Debtors and KCC, dated as of March 16, 2021. KCC's duties will include, among other things, responsibility for the distribution of notices and the maintenance, processing, and docketing of proofs of claim, if any, filed in the Debtors' chapter 11 cases.

38. I believe the Debtors' selection of KCC to serve as its Claims and Noticing Agent has satisfied the Court's Protocol for the Employment of Claims and Noticing Agents Under 28 U.S.C. § 156(c). Specifically, the Debtors solicited and reviewed engagement proposals from at least two other Court-approved claims and noticing agents to ensure selection through a competitive process. I believe that KCC's rates are competitive and reasonable given KCC's quality of services and expertise. The terms of KCC's retention are set forth in the Engagement Agreement attached to, and filed contemporaneously with, the KCC Retention Application. Appointing KCC as the Debtors' Claims and Noticing Agent will maximize the efficiency of the distribution of notices and the processing of claims, as well as relieve the Office of the Clerk of

the Court of the administrative burden of processing an overwhelming number of claims.

B. Operational Motions Requesting Immediate Relief

i. Cash Management Motion

39. The Debtors request authority to continue their existing cash management system and bank accounts, honor prepetition obligations related thereto, and continue certain ordinary course intercompany transactions among the Debtors and their non-Debtor affiliates.

40. The Debtors' existing cash management system is tailored to allow the Debtors to draw on their revolving secured credit facility, make disbursements on account of expenses at their several manufacturing facilities, collect customer payments, repay amounts owed under the revolver, and maintain a minimal cash balance necessary to satisfy the day-to-day needs of the business. The proposed DIP Facility also requires the Debtors to maintain their existing accounts and structure in the same manner as before the Petition Date. Having to close and open new bank accounts, or make other changes to the cash management system, would immediately disrupt the Debtors' business operations and cause harm to these estates. Attendant to maintaining their bank accounts, the Debtors accrue ordinary course fees with their bank. The Debtors seek authority to pay those bank fees in the ordinary course of business to avoid any interruption to the cash management system.

41. The Debtors also seek to engage in certain intercompany transactions with their non-Debtor subsidiaries and, from to time, other non-Debtor affiliates in the ordinary course of business on a post-petition basis. As discussed in the motion, as only a few of the Debtors maintain bank accounts, "transfers" among the Debtors themselves are not done by cash transfers, but by intercompany loans, which the Debtors reconcile monthly. The Debtors do make cash transfers on behalf of their wholly owned non-Debtor subsidiaries in Mexico and the United Kingdom; the

Debtors propose to continue making those payments on a post-petition basis in the ordinary course. Lastly, the Debtors also, from time to time, purchase parts necessary for their manufacturing and assembly business from each other or from non-Debtor affiliates. Those transactions are mostly recorded as ordinary purchase orders. By these transactions, the Debtors are not seeking to pay any prepetition amounts owed to a non-Debtor affiliate. The Debtors believe that continuing these transactions is an ordinary course business practice but, out of an abundance of caution, seek the Court's authority to continue those transactions on a post-petition basis.

ii. Employee Wage Motion

42. The Debtors seek authority to pay and maintain their various Employee Compensation Obligations and Employee Benefit Obligations to ensure a smooth transition into chapter 11 and preserve the Debtors' estates. The Debtors' Employees are highly skilled and essential in order to meet the needs of the Debtors' customers. I believe that the Employees are critical to the success of the Debtors' business, responsible for ensuring, among other things, that the Debtors' administrative, mechanical, engineering, and operational segments continue to run smoothly and customer satisfaction is met on a daily basis.

43. As of the Petition Date, the Debtors collectively employ approximately three hundred eighty-one (381) active employees, all of which are full-time employees. I understand that many of the Debtors' Employees rely exclusively on their compensation, benefits, and reimbursement of expenses to satisfy their daily living expenses. The Employees will be exposed to significant financial hardships and other distractions if the Debtors are not permitted to honor their obligations for unpaid compensation, benefits, and reimbursable expenses. Furthermore, if the Debtors are unable to honor their various obligations under the Health Benefits plans, many Employees will lose access to health coverage at a time when the Debtors need their Employees

to perform their jobs at peak efficiency, and while the Employees are faced with the ongoing health threat of the COVID-19 pandemic. The loss in morale and potential distraction of Employees worrying about paying their bills and their healthcare costs will harm the Debtors ability to operate and serve customers at their standard high levels, causing an erosion in the Debtors' value. Additionally, Employee attrition would cause the Debtors to incur additional expenses to find qualified and experienced replacements in order to maintain their manufacturing capabilities, and the amount of time required to find such replacements could would be devastating to the Debtors' operations.

iii. Critical Vendors Motion

44. The Debtors seek authority to pay in the ordinary course of business those vendors that are crucial to the Debtors' operations, including the Critical Vendors, Foreign Vendors and 503(b)(9) Claimants (collectively, the "**Vendors**" and the claims of such Vendors, the "**Vendor Claims**"). The Debtors' businesses function under a tiered supply chain structure whereby the Debtors manufacture and service specialized aerospace components that are in turn utilized and incorporated by customers into their platforms and planes. Accordingly, the Debtors rely on a highly customized network of essential vendors to provide them with the unique parts, materials, and services necessary to satisfy the stringent demands of their customers. It is therefore imperative that the Debtors maintain positive relationships with the providers of the goods and services essential to their business operations throughout these chapter 11 cases. Even a short-term disruption to Debtors' ability to provide services to customers could be catastrophic to Debtors' operations and businesses.

45. The Vendors provide the Debtors with the essential goods and services necessary to facilitate their highly specialized operations. For example, certain Vendors supply the Debtors

with highly unique raw materials that must meet strict regulatory standards to be used in aerospace applications and would take up to two years to resource. Moreover, the Debtors are often contractually obligated to use only specific parts produced by a specific Vendor. Finally, certain Vendors hold exclusive intellectual property rights in the parts they produce and accordingly are the sole suppliers of that part. The Debtors are seeking to pay the claims asserted by these Vendors as they become due and payable in the ordinary course of the Debtors' business.

46. In identifying the Vendors that provided goods and services that are actually essential to the Debtors' businesses, the Debtors and their advisors spent significant time and effort reviewing and analyzing the Debtors' books and records, consulting operations management and purchasing personnel, reviewing contracts and supply agreements, and analyzing applicable laws, regulations, and historical practices to identify business relationships which, if lost, could materially harm the Debtors' businesses or impair their restructuring process. Applying these factors, the Debtors identified those vendors whose support remains essential to the Debtors' ability to preserve and enhance value throughout these chapter 11 cases. In addition to satisfying the foregoing criteria, the Debtors' Foreign Vendors specifically have little or no connection to the United States and therefore may be able to immediately pursue remedies on behalf of their prepetition claims despite imposition of the automatic stay.

47. In addition, the Vendors include those claimants who, in the ordinary course of business, delivered goods to the Debtors within 20 days of the Petition Date, giving rise to administrative expense claims under section 503(b)(9) of the Bankruptcy Code. The Debtors are seeking authority to satisfy any such claims in the ordinary course of business, as failure to do so at the outset of these chapter 11 cases could result in the 503(b)(9) Claimants refusing to do business with the Debtors going forward, and could cause such claimants to impose stricter

payment terms on the Debtors, thereby reducing the value of the Debtors' estates and, in turn, creditor recoveries.

48. Finally, the Debtors seek an order from this Court (a) confirming that all undisputed obligations of the Debtors arising from the postpetition delivery of goods or services subject to Outstanding Orders are afforded administrative expense priority status under section 503(b) of the Bankruptcy Code and (b) authorizing the Debtors to satisfy such obligations in the ordinary course of business. Failure to provide these Vendors with assurance that their claims will not be treated as general unsecured claims may result in such Vendors refusing to provide goods or services to the Debtors purchased pursuant to the Outstanding Orders. I believe it is a sound exercise of the Debtors' business judgment to pay the Vendor Claims as they become due in the ordinary course of business because doing so will avoid value-destructive business interruption and will not prejudice the Debtors' other stakeholders. The goods and services provided by the Vendors are necessary for the continued, uninterrupted operation of the Debtors' businesses. I believe that failure to pay the Vendor Claims as they become due is likely to result in many Vendors refusing to provide essential goods and services or conditioning the delivery of such goods and services on compliance with onerous and commercially unreasonable terms. Furthermore, I believe that paying the amount of the Vendor Claims in the ordinary course is prudent when compared to the amount the Debtors' stakeholders stand to lose if the Debtors' business were interrupted.

iv. Shippers and Other Lien Claimants Motion

49. The Debtors seek authority to pay certain parties whose critical services may give rise to a lien on the Debtors' property. As part of their operations, the Debtors use and make payments to Shippers who ship, transport and otherwise facilitate the movement of the Debtors' Goods. Similarly, the Debtors engage a number of third parties, including equipment

manufacturers, tool makers, service technicians, materialmen and others that provide goods or services integral to the Debtors' manufacturing and servicing processes. However, the Debtors are currently unaware of any amounts due to the Other Lien Claimants for the provision of prepetition services. That notwithstanding, failure to pay the Shippers or Other Lien Claimants may entitle such claimants to assert statutory liens against any Goods in their possession to secure such charges, potentially blocking the Debtors' access to such Goods.

50. I believe it is a sound exercise of the Debtors' business judgment to pay the Lien Claims as they become due in the ordinary course of business because doing so will avoid value-destructive business interruption and will not prejudice the Debtors' other stakeholders. The Lien Claimants provide goods and services necessary to the Debtors' operations. I believe that failure to pay the Lien Claims as they become due may entitle the Lien Claimants to assert liens against the Debtors' property and, in some instances, their customers' property. Such a result could jeopardize the Debtors' ability to generate revenue and potentially result in irreparable harm to the Debtors' estates.

v. Shared Services Motion

51. The Debtors seek authority to continue to operate in the ordinary course of business under the Shared Services Agreements to ensure access to services necessary to their daily operations, enable a smooth transition into chapter 11, and to preserve the Debtors' estates. A non-debtor affiliate, OSS, provides essential services to the Debtors and other non-debtor affiliates, including enterprise-level information technology, employee benefits management and other human resources functions, and traditional treasury and risk management.

52. The Debtors continuing the Shared Services Agreements is necessary to ensure that TECT Aerospace remains operational and continues generating income. I believe that the inability

to continue operating under the Shared Services Agreements would result in OSS halting its provision of the Shared Services, which are necessary for the Debtors to continue their day-to-day operations and are essential to maintaining the value of the Debtors' business as a going concern. The Debtors do not have capacity or ability to perform on their own the Shared Services provided under the Shared Services Agreements. Absent the Shared Services provided by OSS, the Debtors would be forced to secure replacement services, which would cause significant disruption to the Debtors' operations and erode the value of the Debtors' assets to the detriment of the Debtors and their estates. In turn, the maintenance of the Shared Services Agreements during these chapter 11 cases is crucial to the Debtors' ability to preserve value for the benefit of all of the Debtors' stakeholders, by allowing the Debtors' business operations to continue without interruption.

vi. Utilities Motion

53. By the Utilities Motion, the Debtors are requesting approval of their proposed form of adequate assurance of payment to utility providers, approval of certain procedures for resolving objections by utility providers relating to the adequacy of the proposed adequate assurance (the **"Adequate Assurance Procedures"**), and a prohibition on utility providers from altering, refusing, or discontinuing utility service on account of the commencement of these chapter 11 cases and/or outstanding prepetition invoices.

54. In the ordinary course of business, the Debtors incur expenses for, among other things, internet, telephone, electricity, gas, water, garbage, waste disposal, recycling and security services. I believe that preserving utility services on an uninterrupted basis is essential to the Debtors' ongoing operations. Any interruption in utility services – even for a brief period of time – would seriously disrupt the Debtors' ability to continue operations and service their customers. Such a result could seriously jeopardize the Debtors' operation of their businesses for the benefit

of all parties in interest.

55. Furthermore, I believe the Adequate Assurance Procedures are necessary for the Debtors to effectuate their chapter 11 strategy without unnecessary and costly disruptions on account of discontinued utility services. If the Adequate Assurance Procedures are not approved, the Debtors likely will be confronted with and forced to address numerous requests by their utility providers at a critical time for their businesses. I understand that the Debtors' utility providers could unilaterally decide that they are not adequately protected and, therefore, may be entitled to either make exorbitant demands for payment to continue providing service or discontinue providing service to the Debtors altogether. Such an outcome could seriously jeopardize the Debtors' operations and their ability to maximize the value of their estates.

vii. Taxes Motion

56. The Debtors seek authority to remit and pay certain taxes, assessments, fees, and other charges incurred in the ordinary course of business, without regard to whether those obligations accrued or arose before or after the Petition Date. The Debtors collect, withhold and incur an assortment of Taxes and Fees that they remit periodically to various federal, state, and local taxing, licensing, regulatory and other governmental authorities. The Debtors also pay fees to a certain non-governmental entity in order to maintain certification under a widely accepted standard in the aerospace industry. Certain of the Taxes and Fees collected prepetition are not property of the Debtors' estates but, rather, are held in trust for the applicable Taxing Authorities. The Debtors also seek to pay certain Taxes and Fees to, among other things, forestall Taxing Authorities from taking actions that may disrupt the Debtors' administration of these chapter 11 cases. I believe allowing the Debtors to continue remitting and paying Taxes and Fees in the ordinary course of business is in the best interests of the Debtors' estates, the Debtors' creditors,

and all other parties in interest. If the Debtors are not allowed to remit Taxes and Fees, this could cause a material adverse impact on the Debtors' ability to operate in jurisdictions where they do business and may lead to the imposition of liens on the Debtors' assets, the accrual of interest charges and unnecessary fees and penalties, and increase the scope of secured and priority claims held by the Taxing Authorities, thereby depleting the value of the Debtors' estates.

***viii.* Insurance Motion**

57. The Debtors operate in a highly regulated industry that requires them to maintain certain coverage in order to manufacture their products and protect them from exposure to a variety risks. The Insurance Policies and Programs include two categories: (i) Insurance Policies and Programs directly obtained by the Debtors; and (ii) Shared Insurance Policies and Programs obtained by Glass Holdings and certain non-debtor affiliates pursuant to which the Debtors are a named insured. Each Shared Insurance Policy and Program either (a) jointly names the Debtors, along with certain non-debtor affiliates, as the insured party, or (b) names a non-debtor affiliate as the insured party, which in turn provides the Debtors with the necessary insurance coverage.

58. The Debtors pay their insurance premiums either by directly paying the applicable Insurer in full on a lump-sum basis at the beginning of the policy term or through the Premium Finance Agreement whereby the PFA Lender provides financing for the Debtors' and certain non-debtor affiliates' Insurance Policies and Programs. The Debtors only pay an allocated portion of the payments due under the Premium Finance Agreement with respect to the Shared Insurance Policies and Programs that are financed thereunder.

59. I believe the Insurance Policies and Programs are essential to mitigating risk and to preserving the value of Debtors' business and assets. I understand the Debtors are required legally and contractually to maintain these programs, and the failure to do so will prevent the Debtors

from undertaking essential functions related to their operations. Moreover, termination or lapse in the programs may expose the Debtors to potentially significant personal liability to the detriment of all parties in interest.

60. I have reviewed each of the First Day Motions, proposed orders, and exhibits thereto, and the facts set forth therein are true and correct to the best of my knowledge, information, and belief. Moreover, I believe that the relief sought in each of the First Day Motions is vital to enabling the Debtors to make the transition to chapter 11 and to therefore preserve and maximize the value of the Debtors' estates for the benefit of the Debtors' stakeholders.

CONCLUSION

61. The Debtors' ultimate goal in these chapter 11 cases is to maximize the value of their estates for the benefit of their stakeholders. A sale or sales of substantially all of the Debtors' assets under section 363 of the Bankruptcy Code is the best way to accomplish this. In the near term, however, to minimize any loss of value, the Debtors' immediate objective is to promote stability during the early stages of these chapter 11 cases. I believe that if the Court grants the First Day Motions, the prospect for achieving this objective will be enhanced.

62. I hereby certify that the foregoing statements are true and correct to the best of my knowledge, information and belief and respectfully request that all of the relief requested in the First Day Motions be granted, together with such other and further relief that is just and proper.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 5th day of April 2021.

TECT Aerospace Group Holdings, Inc., et al.,
Debtors and Debtors in Possession

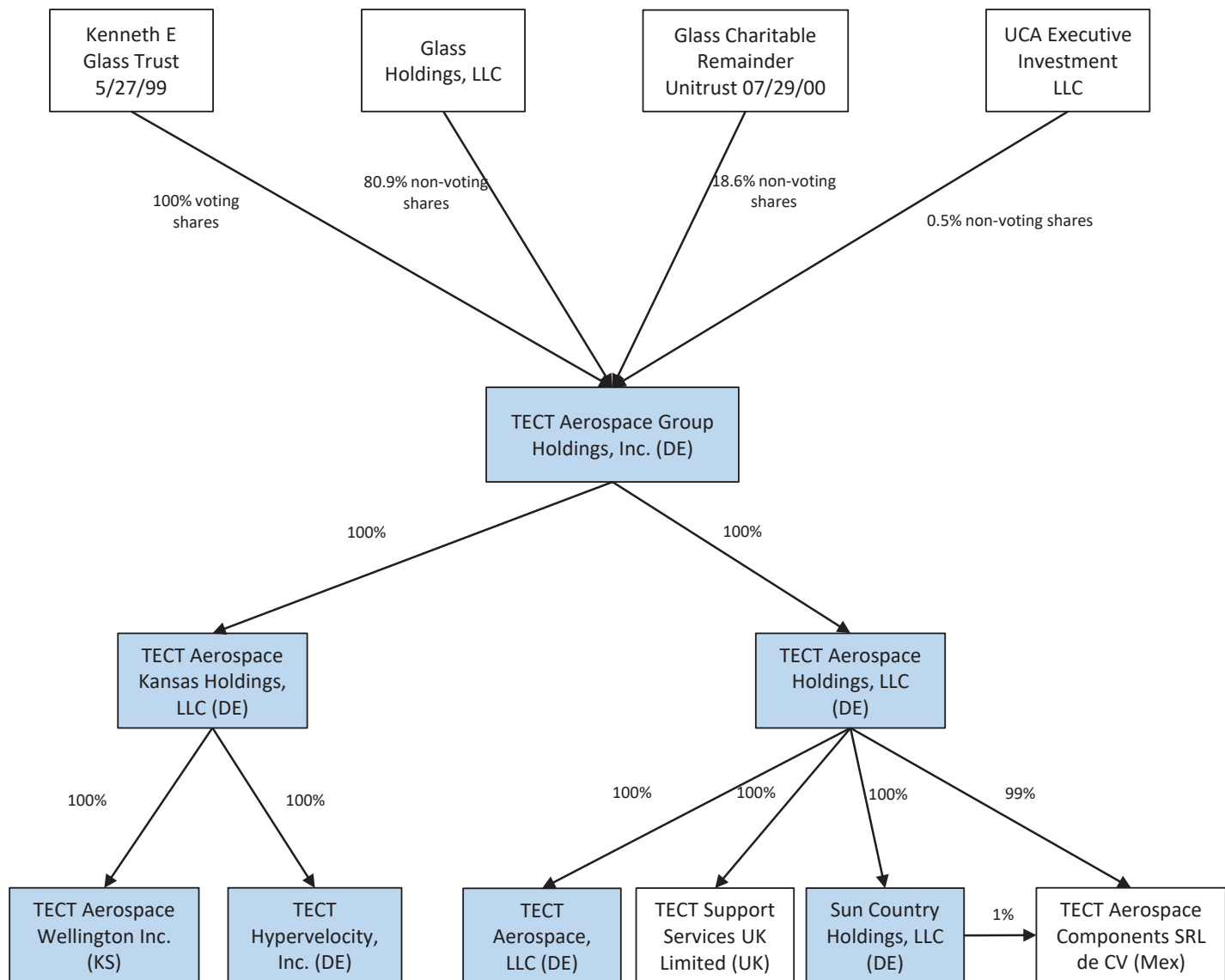
/s/ Shaun Martin

Shaun Martin
Chief Restructuring Officer

Exhibit A

Organizational Chart

TECT Aerospace Organizational Chart



Debtor (state of formation)

Non-Debtor (state of formation)

EXHIBIT B

Affiliated Creditor Agreements

AFFILATED CREDITOR AGREEMENTS

1. Support Services Agreement, effective as of June 27, 2017, by and between Office Support Services, LLC and TECT Aerospace Kansas Holdings, LLC
2. Amended and Restated Support Services Agreement, effective as of June 27, 2017, by and between Office Support Services, LLC and TECT Aerospace Holdings, LLC
3. Amended and Restated Management Agreement, dated as of January 1, 2018, between Stony Point Group, Inc. and TECT Aerospace Holdings, LLC
4. Amended and Restated Management Agreement, dated as of January 1, 2018, between Stony Point Group, Inc. and TECT Aerospace Kansas Holdings, LLC
5. First Amended and Restated Lease, dated May 9, 2018, between Utica Realty Park City, LLC and TECT Hypervelocity, Inc.
6. Lease Agreement dated August 15, 2013 between Utica Realty Wellington, LLC and Aerospace Wellington, Inc., as amended by that certain amendment to the Lease Agreement, dated November 4, 2013, as amended by that certain second amendment to the Lease Agreement, dated September 13, 2019.
7. Lease, dated August 15, 2013, by and between Utica Realty Kent, LLC and TECT Aerospace Inc., as amended by that certain Amendment to Lease, dated November 4, 2013.
8. Sublease, dated June 1, 2011, by and between Utica Realty Holdings V LLC and TECT Aerospace, Inc., as amended by that certain Amendment to Sublease, dated October 1, 2013, as extended by that certain Notice of Execution of Term of Lease, dated December 7, 2019.
9. Equipment Lease Agreement, dated as of March 31, 2017, by and between SPEF Carriage Assembly, LLC and TECT Aerospace Wellington Inc.
10. Equipment Lease Agreement, dated as of March 31, 2017, by and between SPEF Monolithic, LLC and TECT Hypervelocity, Inc.
11. Equipment Lease Agreement, dated as of September 27, 2019 by and between Stony Point Equipment Finance LLC and TECT Aerospace, LLC
12. Equipment Lease Agreement, dated as of April 5, 2017, by and between SPEF Carriage Assembly, LLC and TECT Aerospace Wellington Inc.
13. Equipment Lease Agreement, dated as of April 5, 2017, by and between SPEF Carriage Assembly, LLC and TECT Aerospace Wellington Inc.
14. Equipment Lease Agreement, dated as of April 5, 2017, by and between SPEF Carriage Assembly, LLC and TECT Aerospace Wellington Inc.

15. Equipment Lease Agreement, dated as of April 5, 2017, by and between SPEF Monolithic, LLC and TECT Hypervelocity, Inc.