IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
Aerospace Holdings, Inc., *et al.*,[1]	Case No. 17-10635 (KG)
Debtors.	(Jointly Administered)
	Hearing Date: TBD **Objection Deadline: April 28, 2017 at 4:00 p.m.**

APPLICATION OF THE DEBTORS FOR ENTRY OF AN ORDER PURSUANT TO SECTIONS 327(a) AND 328(a) OF THE BANKRUPTCY CODE AUTHORIZING THE DEBTORS TO RETAIN AND EMPLOY G2 CAPITAL ADVISORS, LLC AS INVESTMENT BANKER FOR THE DEBTORS *NUNC PRO TUNC* TO THE PETITION DATE AND WAIVING CERTAIN REPORTING REQUIREMENTS PURSUANT TO LOCAL RULE 2016-2(h)

The above captioned debtors and debtors-in-possession (collectively, the "Debtors") hereby submit this application (the "Application") pursuant to sections 327(a) and 328(a) of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"), Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 2014-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware ("Local Rules"), for entry of an order (i) authorizing the retention and employment of G2 Capital Advisors, LLC ("G2") as investment banker to the Debtors *nunc pro tunc* to the Petition Date (as defined below), and (ii) waiving certain informational requirements of Local Rule 2016-2(h). In support of this Application, the Debtors rely upon the *Declaration of Thomas Thompson In Support Of Application Of The Debtors For Entry Of An Order Pursuant To Sections 327(a) And 328(a) Of The Bankruptcy Code*

[1] The Debtors in these Chapter 11 Cases, along with the business addresses and the last four (4) digits of each Debtor's federal tax identification number are: Aerospace Holdings, Inc., 366 Madison Avenue, 9th Floor, New York, NY 10017 (4318); Valley Tool & Manufacturing, Inc., 22 Prindle Hill Rd., P.O. Box 564, Orange, CT 06477 (8614); NC Dynamics Incorporated, 6925 Downey Avenue, Long Beach, CA 90805 (3219); NCDI Mexico, Inc., 2771 Centerville Road, Suite 400, Wilmington, DE 19808 (5905); and GroupAero Seattle, Inc., 7020 S. 238th Street, Kent, WA 98032 (7033).

Authorizing The Debtors To Retain And Employ G2 Capital Advisors, LLC As Investment Banker For The Debtors Nunc Pro Tunc To The Petition Date (the "Thompson Declaration"), which is attached hereto as **Exhibit A** and incorporated herein by reference, and respectfully represent as follows:

Status of the Case

1. On March 28, 2017 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Court").

2. The Debtors have continued in possession of their properties and are operating and managing their businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. No request has been made for the appointment of a trustee or examiner.

4. On April 7, 2017, an official committee of unsecured creditors (the "Committee") was appointed in these cases [Docket No. 66].

Jurisdiction, Venue, and Statutory Predicates

5. The Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

6. The statutory predicates for the relief requested herein are sections 327, 328, and 1107 of the Bankruptcy Code, Bankruptcy Rules 2014(a) and 2016, and Local Rule 2014-1.

Background

7. The Debtors design and manufacture a wide variety of products, including machined parts, fabricated components, and tooling for the commercial aerospace and defense

markets. Collectively, the Debtors encompass a full spectrum of precision manufacturing capabilities for any scale, from individual prototypes to large lot production.

8. Valley Tool & Manufacturing, Inc. ("Valley") was formed in 2006 from the merger of Mauer Metalcraft, Inc. and New England Manufacturing Group, Inc., which allowed Valley to combine customer vendor codes and allowed Valley's expansion of the products offered to the commercial aerospace and defense industry. Valley operates a facility in Orange, Connecticut and primarily focuses on the machining and fabrication of sheet metal parts, such as door frames, dash boards and hinges, as well as small machined components for military and commercial rotary wing aircrafts. Valley also possesses tube bending capabilities (up to 40 mm in diameter) that are used in the manufacturing of nozzles and tubing. Valley has developed a reputation as a "build to design" manufacturer and excels at developing the capability to adapt each product to fit a specific customer's needs. Due to Valley's flexibility and commitment to its products, Valley has engrained itself as a key supplier of parts to a number of high-priority military and commercial programs.

9. NC Dynamics Incorporated ("NCDI") was founded in 1979 and engineers, manufactures and assembles sophisticated metallic machined structures for the commercial aerospace and defense industry. NCDI specializes in monolithic components and assemblies manufactured from "hard metals" such as titanium, stainless steel alloys and high strength aluminum. NCDI offers multi-axis machining along with precision component assembly. NCDI operates its business from a 118,000 square foot facility in Long Beach, California.

10. A detailed factual background of the Debtors' businesses and operations, as well as the events precipitating the commencement of these cases, is more fully set forth in the

Declaration of Matthew D. Sedigh in Support of the Debtors' Chapter 11 Petitions and Requests for First Day Relief [D.I. 13] (the "First Day Declaration"), incorporated herein by reference.[2]

Relief Requested

11. By this Application, the Debtors seek, pursuant to sections 327 and 328 of the Bankruptcy Code, to employ and retain G2 as their investment banker, *nunc pro tunc* to the Petition Date, to perform services pursuant to the terms and conditions set forth in this Application and that certain letter agreement by and between the Debtors and G2 dated as of March 27, 2017 (the "Agreement"), a true and correct copy of which is attached as **Schedule 1** to the Thompson Declaration and incorporated herein by reference.[3] Specifically, the Debtors seek to retain G2 as their investment banker in connection with a possible sale of all or a significant portion of the assets of the Debtors (a "Sale").

Services To Be Rendered

12. As set forth more fully in the Thompson Declaration and the Agreement, the Debtors have retained G2 to perform the following services in these cases:

a. Provide assistance to management, the Company's financial advisors and Company's counsel with all investment banking services needed to prepare the Company with an orderly and efficient restructuring;

b. Provide in-court testimony regarding the pre-petition marketing process, the valuation, the Company's liquidity, forecasted cash flows and any other matters at the request of the Company and its counsel;

c. Manage the 363-sale process to include:
   i. Prepare updated solicitation materials;
   ii. Maintain and update a data room to enable interested parties to conduct due diligence;
   iii. Field diligence requests and questions from interested parties;
   iv. Assist the Debtors' counsel and management with negotiations with any interested parties; and

[2] Capitalized terms used in the Notice section but not otherwise defined in this Application shall have the meanings ascribed to them in the First Day Declaration.
[3] Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

v. Contact all parties expressing an interest in the Company pre-petition with updated solicitation materials and bidding procedures; and

d. Assist the Company and Company's counsel with any other matters as requested.

13. The Debtors believe that G2 is well qualified and able to provide the foregoing services to the Debtors. G2 has indicated a willingness to act on behalf of the Debtors, on the terms described herein.

Qualifications of Professional

14. The Debtors have selected G2 as their investment banker in connection with a Sale because of the firm's diverse experience and extensive knowledge in the sale and restructuring of troubled companies.

15. G2 is an investment banking services firm that provides a broad range of corporate advisory services to its clients, including in connection with mergers, acquisitions and divestitures, capital raising, corporate restructurings, and related services. G2's professionals have served as investment bankers to debtors and creditors in numerous chapter 11 proceedings. As such, G2 is well qualified to perform the work required in these cases.

16. The Debtors have selected G2 as their investment banker based upon, among other things, (a) the Debtors' need to retain an investment banking firm to provide advice with respect to the Debtors' anticipated Sale and (b) G2's extensive experience and excellent reputation in providing investment banking and financial advisory services in complex chapter 11 cases.

17. Notably, G2's professionals have been retained as investment bankers and financial advisors in numerous large and complex chapter 11 cases representing debtors, creditors and equity holders. A sample of G2's engagements include, among others: ADS

Logistics LLC, Weirton Steel Corporation, Bayou Steel Corporation, Trend Technologies, Inc., Oneida, Inc., Dictaphone Corporation and many others.

18. The resources, capabilities, and experience of G2 are important to the Debtors' efforts to maximize value for its stakeholders. Given their work to date, should the Debtors be required to retain an investment banker other than G2 in connection with these chapter 11 cases, the Debtors, their estates, and all parties-in-interest would be unduly prejudiced by the time and expense necessarily attendant to such investment bankers' familiarization with the intricacies of the Debtors and their business operations and financial affairs. The Debtors therefore believe that the retention of G2 as investment banker is in the best interests of the Debtors' estate.

Disinterestedness of Professional

19. To the best of the Debtors' knowledge and based upon the Thompson Declaration, G2 is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code.

20. To the best of the Debtors' knowledge and based upon the Thompson Declaration, G2 does not hold or represent an interest adverse to the estates. To the best of the Debtors' knowledge and based upon the Thompson Declaration, (1) G2 does not have connections with the Debtors, creditors, or any other party-in-interest; and (2) G2 and the G2 professionals working on this matter are not relatives of and do not have connections with the United States Trustee of the District of Delaware or of any known employee in the office thereof, or the United States Bankruptcy Judge for the District of Delaware assigned to these cases.

21. G2 has not provided, and will not provide, any professional services to any of the creditors, other parties-in-interest, or their respective attorneys and accountants with regard to any matter related to these cases.

Indemnification and Limitation of Liability

22. The Agreement further provides that the Debtors will indemnify and hold harmless G2, its affiliates, and their respective directors, officers, employees, agents, and controlling persons (collectively, the "Indemnified Parties") under certain circumstances (such indemnification obligations, as modified by the proposed retention order, the "Indemnification Provisions"), which provisions are attached to and made a part of the Agreement.

23. The Debtors and G2 believe that the Indemnification Provisions are customary and reasonable for financial advisory and investment banking engagements, both out of court and in chapter 11 cases. The terms and conditions of the Agreement, including the Indemnification Provisions, were negotiated by the Debtors and G2 at arm's-length and in good faith. The Debtors respectfully submit that the Indemnification Provisions contained in the Agreement, viewed in conjunction with the other terms of G2's proposed retention, are reasonable and in the best interests of the Debtors, their estates and creditors in light of the fact that the Debtors require G2's services for a successful Sale in these cases. Accordingly, as part of this Application, the Debtors request that the Court approve the Indemnification Provisions, as outlined in the Agreement attached as **Schedule 1** to the Thompson Declaration, subject during the pendency of the chapter 11 cases to the following modifications:

(a) Subject to the provisions of subparagraphs (b) and (c) below, the Debtors are authorized to indemnify the Indemnified Parties, in accordance with the Agreement, for any claim arising from, related to or in connection with their performance of the services described in the Agreement; provided, however, that the Indemnified Parties shall not be indemnified for any claim arising from services other than the services provided under the Agreement, unless such services and the indemnification, contribution or reimbursement therefore are approved by the Court;

(b) Notwithstanding anything to the contrary in the Agreement, the Debtors shall have no obligation to indemnify any person, or provide contribution or reimbursement to any person, (i) for any claim or expense that is judicially determined (the determination having become final and no longer subject to appeal) to have arisen

from that person's gross negligence or willful misconduct; (ii) for a contractual dispute in which the Debtors allege breach of G2's obligations under the Agreement, unless the Court determines that indemnification, contribution or reimbursement would be permissible pursuant to *In re United Artists Theatre Company, et al.*, 315 F.3d 217 (3d Cir. 2003); or (iii) settled prior to a judicial determination as to that person's gross negligence or willful misconduct, but determined by this Court, after notice and a hearing, to be a claim or expense for which that person should not receive indemnity, contribution, or reimbursement under the terms of the Agreement as modified by the proposed order; and

(c) If, before the earlier of (i) the entry of an order confirming a chapter 11 plan in these chapter 11 cases (that order having become a final order no longer subject to appeal) and (ii) the entry of an order closing these chapter 11 cases, G2 believes that it is entitled to the payment of any amounts by the Debtors on account of the Debtors' indemnification, contribution and/or reimbursement obligations under the Agreement (as modified by the proposed order), including without limitation the advancement of defense costs, G2 must file an application before this Court, and the Debtors may not pay any such amounts before the entry of an order by this Court approving the payment. This subparagraph (c) is intended only to specify the period of time under which the Court shall have jurisdiction over any request for fees and expenses for indemnification, contribution or reimbursement, and not a provision limiting the duration of the Debtors' obligation to indemnify G2.

24. Likewise, similar indemnification arrangements have been approved and implemented in other large chapter 11 cases by courts in this district. *See e.g.*, *In re Optima Specialty Steel, Inc.*, et al., Case No. 16-12789 (KJC) (Bankr. D. Del. Jan. 26, 2017); *In re Directbuy Holdings, Inc.,* et al., Case No. 16-12435 (CSS) (Bankr. D. Del. Dec. 8, 2016); *In re Delivery Agent, Inc.* et al., Case No. 16-12051 (LSS) (Bankr. D. Del. Oct. 19, 2016).

Professional Compensation

25. G2's decision to advise and assist the Debtors is conditioned upon its ability to be retained in accordance with its customary terms and conditions of employment and to be compensated for its services and reimbursed for the expenses it incurs in accordance with its customary billing practices.

26. By this Application, the Debtors request that the Court approve the compensation arrangements described in the Agreement pursuant to section 328(a) of the Bankruptcy Code.

The compensation arrangements contained in the Agreement are highly beneficial to the Debtors' estates as they provide certainty and proper inducement for G2 to act expeditiously and prudently with respect to the matters for which it will be employed.

27. G2's fees and expenses will remain subject to Court approval, consistent with the proposed compensation set forth in the Agreement (the "Fee Structure"), and in accordance with the standard set forth in section 328(a) of the Bankruptcy Code, such that compensation different from the terms and conditions of the Agreement may be allowed if such terms and conditions prove to have been improvident in light of developments not capable of being anticipated at the time that this Application is approved.

28. Further, because the Debtors seek to retain G2 under section 328(a) of the Bankruptcy Code, the Debtors believe that G2's compensation should not be subject to any additional standard of review under section 330 of the Bankruptcy Code and should not constitute a "bonus" or fee enhancement under applicable law.

29. Given the nature of G2's compensation arrangements, i.e., not on an hourly basis, G2 requests the ability to apply to the Court for approval of its reasonable, necessary fees and expenses with a general description of services performed rather than the detailed time entries otherwise required.

30. In summary, the Fee Structure provides for the following compensation to G2: G2 will work through the conclusion and closing of the section 363 auction process during the course of the chapter 11 cases on a fixed fee basis. G2 will work from commencement of the bankruptcy through May 6, 2017 for a fixed fee of $50,000 USD (the "Monthly Fee"). If the chapter 11 case and the 363 auction process extends beyond May 6, 2017, G2 will earn a weekly fee of $12,500 USD that is due and payable every seven (7) days.

31. In addition to the fees that are or may be payable to G2 under the Agreement, G2's reasonable out-of-pocket expenses incurred in connection with its activities under the Agreement will be payable by the Debtors on a monthly and/or weekly basis, as applicable. Such expenses include, but are not limited to, costs directly associated with the Agreement, including reasonable attorneys' fees and expenses, travel, lodging, document preparation, printing, and similar items.

32. The overall compensation structure described above is comparable to compensation generally charged by investment banking firms of similar stature to G2 for comparable engagements, both in and out of court. G2's restructuring expertise, as well as its capital markets knowledge, financing skills and mergers and acquisitions capabilities, some or all of which may be required by the Debtors during the term of G2's engagement, are important factors in G2's determination of its fees. The Debtors believe that the ultimate benefit to their estates of G2's services cannot be measured merely by reference to the number of hours to be expended by G2's professionals in the performance of services.

Record Keeping and Applications for Compensation

33. It is not the general practice of investment banking firms, including G2, to keep detailed time records similar to those customarily kept by attorneys and required by Local Rule 2016-2(d). Because G2 does not ordinarily maintain contemporaneous time records in one-tenth hour (.10) increments or provide or conform to a schedule of hourly rates for its professionals, pursuant to Local Rule 2016-2(h), G2 should be excused from compliance with such information requirements pursuant to Local Rule 2016-2(d) and from compliance with any interim compensation order with respect to G2's professional fees only. G2 should only be required to set forth, in a summary format, a description of the services rendered by each

professional and the approximate amount of time spent on each date by each such individual in rendering services on behalf of the Debtors.

34. G2 will also maintain detailed records of any actual and necessary costs and expenses incurred in connection with the aforementioned services. G2's applications for compensation and expenses will be paid by the Debtors pursuant to the terms of the Agreement, in accordance with Local Rule 2016-2(e) and any procedures established by the Court, pursuant to an interim compensation order or otherwise.

Basis for Relief

35. Under sections 327 and 328 of the Bankruptcy Code, a trustee, debtor-in-possession, and committee appointed under section 1102 of the Bankruptcy Code may employ one or more professionals, that do not hold or represent an interest adverse to the estate and that are disinterested persons, to assist such parties in carrying out their duties under the Bankruptcy Code.

36. Specifically, section 327(a) of the Bankruptcy Code provides that a debtor, subject to Court approval:

> [M]ay employ one or more attorneys, accountants, appraisers, auctioneers, or other professional persons, that do not hold or represent an interest adverse to the estate, and that are disinterested persons, to represent or assist the [debtors] in carrying out the [debtors'] duties under this title.

11 U.S.C. § 327(a).

37. In addition, section 328(a) of the Bankruptcy Code provides:

> The trustee, or a committee appointed under section 1102 of this title, with the court's approval, may employ or authorize the employment of a professional person under section 327 or 1103 of this title, as the case may be, on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, *on a fixed or percentage fee basis*, or on a contingent fee basis.

11 U.S.C. § 328(a) (emphasis added). Section 328(a) of the Bankruptcy Code makes clear that debtors may retain, subject to bankruptcy court approval, a professional on a fee basis such as the Fee Structure proposed by the Debtors herein.

38. Section 328(a) permits the compensation of professionals, including investment bankers, on flexible terms that reflect the nature of their services and prevailing market conditions for those services. Accordingly, the Debtors seek approval of the Agreement, including the Fee Structure contained therein, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code.

39. As set forth above, notwithstanding approval of the Agreement under section 328(a) of the Bankruptcy Code, G2 intends to submit applications for compensation for professional services rendered and reimbursement of expenses incurred in connection with these cases, subject to the Court's approval and in compliance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any other applicable procedures and orders of the Court and consistent with the Fee Structure set forth in the Agreement.

40. The Debtors believe that the Fee Structure appropriately reflects the nature and scope of services to be provided by G2 in these chapter 11 cases, and G2's substantial experience with respect to investment banking services and the fee structures typically utilized by G2 and other leading investment banks that do not bill their clients on an hourly basis. In so agreeing to seek G2's retention under section 328(a) of the Bankruptcy Code, the Debtors represent that G2's general restructuring experience and expertise, knowledge of the capital markets, and merger and acquisition capabilities will inure to the benefit of the Debtors in pursuing the Sale and that the value to the Debtors of G2's services under the Agreement derives in substantial part from that expertise and experience.

41. Indeed, similar fixed fee arrangements in other large chapter 11 cases have been routinely approved and implemented by courts in this circuit and elsewhere. *See e.g.*, *In re Optima Specialty Steel, Inc.*, et al., Case No. 16-12789 (KJC) (Bankr. D. Del. Jan. 26, 2017); *In re Directbuy Holdings, Inc.,* et al., Case No. 16-12435 (CSS) (Bankr. D. Del. Dec. 8, 2016); *In re Delivery Agent, Inc.* et al., Case No. 16-12051 (LSS) (Bankr. D. Del. Oct. 19, 2016).

42. In light of the foregoing and given the issues that G2 may be required to address in the performance of its services hereunder, G2's commitment to the variable level of time and effort necessary to address all such issues as they arise and the market prices for G2's services for engagement of this nature, the Debtors believe that the terms and conditions of the Agreement are fair, reasonable, and market-based under the standards set forth in section 328(a) of the Bankruptcy Code.

Request for Approval of Retention of
G2, *Nunc Pro Tunc* as of the Petition Date

43. The Debtors request that G2's retention be made effective, *nunc pro tunc* as of the Petition Date, in order to allow G2 to be compensated for the work it performs for the Debtors following the Petition Date and prior to the Court's consideration and approval of this Application. Such relief is warranted by the circumstances presented by these cases. The complexity, intense activity, and speed that have characterized the filing of these cases have necessitated that the Debtors, G2, as well as the Debtors' other professionals, focus their immediate attention on time-sensitive matters, and promptly devote substantial resources to the affairs of the Debtors pending submission and approval of this Application. The Debtors submit that under the circumstances, and to avoid irreparable harm to the Debtors' estates that may occur if G2 is not immediately retained, retroactive approval to the Petition Date is warranted.

Notice

44. Notice of this Application has been given to the following parties or, in lieu thereof, to their counsel, if known: (a) the Office of the United States Trustee for the District of Delaware; (b) Harlow Aerostructures LLC as (i) Agent and Lender under the Prepetition Credit Agreement and (ii) lender under the Debtors' DIP Credit Agreement; (c) proposed counsel to the Committee, (i) Drinker Biddle & Reath LLP, 222 Delaware Ave., Ste. 1410, Wilmington, DE 19801 (Attn: Steven K. Kortanek, Esq.), and (ii) Drinker Biddle & Reath LLP, 600 Campus Dr., Florham Park, NJ 07932; and (d) those parties that have requested notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice need be given.

Consent to Jurisdiction

45. Pursuant to Local Rule 9013-1(f), the Debtors consent to the entry of a final judgment or order with respect to this Application if it is determined that the Court lacks adjudicatory authority under Article III of the United States Constitution to enter such final order or judgment absent consent of the parties.

No Prior Request

46. No previous application for the relief sought herein has been made to this or any other court.

WHEREFORE, the Debtors respectfully request that this Court enter an order, substantially in the form attached hereto, granting the relief requested herein and that it grant the Debtors such other and further relief as is just and proper.

Dated: April 13, 2017

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