

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

In re:

USAE, LLC,¹

Debtor.

Chapter 11

Case No. 17-11778 (---)

**DECLARATION OF ROBERT CRAIG IN
SUPPORT OF CHAPTER 11 PETITION**

I, Robert Craig, hereby declare under penalty of perjury:

1. I am the sole manager of USAE, LLC (the “Debtor” or “USAE”), a limited liability company organized under the laws of the State of Delaware, with its principal place of business in Wilmington, Delaware.

2. I have been serving as manager of the Debtor since its formation on July 17, 2015. As the Debtor’s manager, I oversee the Debtor’s day-to-day business operations.

3. I submit this declaration (“Declaration”) in support of the Debtor’s chapter 11 bankruptcy petition and in support of any “first day” motions and applications filed by the Debtor. I am over 18 years of age and am competent to make this Declaration and testify to the facts set forth herein.

4. I, or those employees of the Debtor under my supervision, am generally familiar with the Debtor’s day-to-day operations, business and financial affairs, and books and records. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my discussions with current and former members of the Debtor’s management team, senior personnel and advisors, my review of relevant documents and information concerning the Debtor’s operations and financial affairs as well as the Debtor’s books and records, or my opinions based upon my experience and knowledge. If called as a witness to testify in this matter, I could and would testify competently to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtor.

¹ The last four (4) digits of the Debtor’s federal tax identification number are 5787. The Debtor’s mailing address and principal place of business is 913 N. Market St., Ste. 200, Wilmington, DE 19801.

5. On the date hereof (the “Petition Date”), the Debtor filed its voluntary petition (the “Petition”) for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”) commencing the above-captioned bankruptcy case (the “Case”). It is anticipated that the Debtor will continue to manage its affairs and operate its business as debtor and debtor-in-possession pursuant and subject to the requirements of sections 1107(a) and 1108 of the Bankruptcy Code.

6. This Declaration describes the Debtor’s business, capital structure and the events leading to the filing of the Petition.

A. History of the Debtor.

7. The Debtor was formed on July 17, 2015, as a Delaware limited liability company named US Aerospace, LLC.² Immediately upon its formation, the Debtor entered into a letter of intent with Aviation International, LLC, a Maryland limited liability company, with the intention of expanding Aviation International’s aviation company business and aviation consulting and related businesses in the Washington, D.C. area.

8. On July 24, 2015, the Debtor entered into a merger with U.S. Aerospace, LLC (“U.S. Aerospace”), a Minnesota limited liability company. The Debtor was the surviving entity.

9. U.S. Aerospace was previously a Delaware corporation named New Century Companies, Inc., located at 9831 Romandel Avenue, Santa Fe Springs, California. On April 19, 2010, New Century Companies, Inc. changed its name to U.S. Aerospace, Inc., and later that year changed its address to 10291 Trademark Street, Rancho Cucamonga, California. The company was publicly traded on the OTC Bulletin Board under the ticker symbol “USAE.” On May 3, 2013, U.S. Aerospace reincorporated from Delaware to Minnesota, became U.S. Aerospace, Inc., a Minnesota corporation, and changed its address to 310 4th Avenue South,

² On February 19, 2016, the Debtor changed its name to USAE, LLC.

Suite 5010, Minneapolis, Minnesota. On September 3, 2014, U.S. Aerospace changed from a Minnesota corporation to a Minnesota limited liability company, becoming U.S. Aerospace, LLC.

10. As noted above, on July 24, 2015, the Debtor merged with U.S. Aerospace, with the Debtor being the surviving entity. On February 19, 2016, the Debtor changed its name from US Aerospace, LLC to USAE, LLC. The Debtor's address is 913 N. Market Street, Suite 200, Wilmington, Delaware.

11. The Debtor is an aerospace company, that was engaged in the production of aircraft assemblies, structural components and highly engineered, precision machined details for the United States Department of Defense, United States Air Force, Lockheed Martin Corporation, The Boeing Company, L-3 Communications Holdings, Inc., the Middle River Aircraft Systems subsidiary of General Electric Company, and other aircraft manufacturers, aerospace companies, and defense contractors. Among other things, the Debtor's wholly-owned subsidiary, Precision Aerostructures, Inc., supplied structural aircraft parts for military aircraft such as the P-3 Orion, and wide-body commercial airliners such as the Boeing 747.

12. The Debtor entered into strategic cooperation agreements with two of the world's largest aerospace companies. The first with Aviation Industry Corporation of China (AVIC), the Chinese state-owned aerospace and defense company. The second with Antonov State Company, the Ukrainian state-owned aerospace company. Antonov is a former soviet design bureau, and is the manufacturer of the world's largest airplane.

B. Organizational Structure, Governance, and Current Management

13. The Debtor is a limited liability company formed in the State of Delaware on July 17, 2015.

14. I am the Debtor's sole manager. I have been the sole manager since the Debtor's inception.

C. Circumstances Leading to Chapter 11 Filing.

15. **Failed Attempts to Secure Contracts** – In cooperation with Antonov, U.S. Aerospace submitted a bid on the U.S. Air Force KC-X new refueling tanker. Unfortunately, the bid was unsuccessful. U.S. Aerospace also worked with AVIC, to bid on the VXX new Marine One helicopter to transport the President of the United States. Unfortunately, the project was delayed and no bid was submitted. The Debtor nevertheless continues to believe that the relationships developed from these experiences represent significant potential future opportunities for the company.

16. **Problems and Disputes with Certain Lenders** – U.S. Aerospace has had significant problems with two of its lenders, CAMOFI Master LDC and CAMHZN Master LDC, both of which are managed by Richard Smithline of Centrecourt Asset Management. These have resulted in extensive, time consuming and costly litigation, much of which remains ongoing.

17. **Inability to Close Acquisitions and Obtain Significant Financing** – Over the past several years, U.S. Aerospace and the Debtor have engaged in negotiations with several different aerospace companies to acquire or merge with active aviation companies, acquire significant manufacturing and other assets, and/or to partner or joint venture on aircraft projects. They also sought financing to enable it to consummate such transactions. The most recent example is Debtor's letter of intent with Aviation International. Due to its poor financial condition, and also in substantial part to the ongoing litigation with its lenders, the Debtor has been unable to close any of these deals.

18. **Limited Liquidity and Capital Resources** – As of the petition date, the Debtor's sole source of liquidity is borrowing. Debtor is not currently generating any revenues from ongoing business operations, and has no regular source of income or cash flow. Historically, uses of cash have been for operating expenses, capital expenditures and working capital requirements. The Debtor has generated substantial operating losses since its inception. As of the petition date, the Debtor had a large accumulated deficit. The Debtor has been operating under a cash preservation strategy for several years, minimizing cash outflows by differing substantially all salaries and consulting fees, and reducing all expenses as much as possible.

D. **Anticipated Reorganization.**

19. Debtor believes it can settle ongoing litigation and fair and reasonable terms, and eliminate the legal fees, costs and expenses of ongoing litigation. The terms of any settlement will be subject to court approval, and any cash obtained by the Debtor will be held pending further court order.

20. If Debtor can resolve and satisfy its debts and eliminate ongoing litigation expense, management believes it can take advantage of the opportunities and relationships that it has developed in the aerospace industry, and reorganize into a successful ongoing enterprise. Debtor's financial difficulties are due in substantial part to legacy issues that date back approximately seven years. If these problems can be put behind it, Debtor can take advantage of its assets and abilities and the current economic climate in the industry in order to continue as a viable business and maximize the potential return for all stakeholders.

21. In addition, on information and belief, CAMOFI and CAMHZN each claim to hold security interests in the Debtor's property. Debtor anticipates challenging the validity of

any lien claimed be either or both entities, and seeking offsets against any claims submitted by them to the assets of the estate.

22. I believe that filing for protection under the Bankruptcy Code is reasonable and necessary and in the best interests of all creditors and the estate, as it will allow for the Debtor to continue to operate and preserve the assets of the estate while the Debtor pursues reorganization. I also believe that maintaining the status quo while the Debtor continues to operate in the ordinary course of its business, is in the best interests of all creditors and parties-in-interest.

I declare under penalty of perjury that, to the best of my knowledge after reasonable inquiry, the foregoing is true and correct.

Dated: August 21, 2017



Robert Craig
Manager