

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

)	
In re:)	Chapter 11
)	
HAWKER BEECHCRAFT, INC., <i>et al.</i> , ¹)	Case No. 12-11873 (SMB)
)	
Debtors.)	(Jointly Administered)
)	

**DEBTORS' JOINT PLAN OF REORGANIZATION
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

Nothing contained herein shall constitute an offer, acceptance, or a legally binding obligation of the Debtors or any other party in interest. This Plan is subject to approval of the Bankruptcy Court and other customary conditions. This Plan is not an offer with respect to any securities. Acceptances or rejections with respect to this Plan may not be solicited until a disclosure statement has been approved by the Bankruptcy Court in accordance with section 1125 of the Bankruptcy Code. Such a solicitation will only be made in compliance with applicable provisions of securities and bankruptcy laws. YOU SHOULD NOT RELY ON THE INFORMATION CONTAINED IN, OR THE TERMS OF, THIS PLAN FOR ANY PURPOSE PRIOR TO THE CONFIRMATION OF THIS PLAN BY THE BANKRUPTCY COURT.

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Dated: June 30, 2012

¹ The Debtors in the chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Hawker Beechcraft, Inc. (2598); Arkansas Aerospace, Inc. (7496); Beech Aircraft Corporation (0487); Beechcraft Aviation Company (3548); Hawker Beechcraft Acquisition Company, LLC (8770); Hawker Beechcraft Corporation (5770); Hawker Beechcraft Defense Company, LLC (5891); Hawker Beechcraft Finance Corporation (8763); Hawker Beechcraft Global Customer Support Corporation (7338); Hawker Beechcraft Holding, Inc. (6044); Hawker Beechcraft International Delivery Corporation (6640); Hawker Beechcraft International Holding LLC (6757); Hawker Beechcraft International Service Company (9173); Hawker Beechcraft Notes Company (0498); Hawker Beechcraft Quality Support Company (7800); Hawker Beechcraft Regional Offices, Inc. (3889); HBC, LLC (N/A); and Rapid Aircraft Parts Inventory and Distribution Company, LLC (N/A). The location of the Debtors' corporate headquarters and the Debtors' service address is: 10511 East Central, Wichita, Kansas 67206.

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INTRODUCTION

Hawker Beechcraft, Inc. and the other Debtors in the above-captioned Chapter 11 Cases respectfully propose the following joint plan for the resolution of outstanding claims against, and interests in, the Debtors (as defined herein) pursuant to the Bankruptcy Code (as defined herein). Holders of claims and interests may refer to the Disclosure Statement (as defined herein) for a discussion of the Debtors' history, businesses, assets, results of operations, historical financial information, accomplishments during the Chapter 11 Cases (as defined herein), and projections of future operations, as well as a description and summary of the Plan (as defined herein) and certain related matters. The Debtors are proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code.

ARTICLE I. DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME, AND GOVERNING LAW

A. Defined Terms

As used in this Plan, capitalized terms have the meanings set forth below.

1. "Accrued Professional Compensation Claims" means, at any given moment, all Claims for accrued fees and expenses (including transaction or sale fees) for services rendered by a Professional through and including the Confirmation Date, to the extent such fees and expenses have not been paid pursuant to the Interim Compensation Order or any other order of the Bankruptcy Court and regardless of whether a fee application has been Filed for such fees and expenses. To the extent the Bankruptcy Court denies or reduces by a Final Order any amount of a Professional's fees or expenses, then the amount by which such fees or expenses are reduced or denied shall reduce the applicable Accrued Professional Compensation Claim.

2. "Ad Hoc Committee of Senior Noteholders" refers to certain funds that are represented by Milbank, Tweed, Hadley & McCloy LLP and are parties to the Restructuring Support Agreement, solely in their capacity as Holders of Senior Notes Claims.

3. "Ad Hoc Committee of Senior Secured Lenders" refers to certain funds managed by Angelo Gordon & Company, Capital Research and Management Company, Centerbridge Partners, L.P., and Sankaty Advisors, solely in their capacity as Holders of Senior Credit Facility Secured Claims.

4. "Administrative Claim" means a Claim for costs and expenses of administration of the Debtors' Estates pursuant to sections 503(b) or 507(a)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors; (b) Accrued Professional Compensation Claims (to the extent Allowed by the Bankruptcy Court); (c) amounts owing pursuant to the DIP Orders; (d) all fees and charges assessed against the Estates pursuant to chapter 123 of the Judicial Code, including but not limited to the U.S. Trustee Fees; and (e) all Allowed requests for compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), and (5) of the Bankruptcy Code.

5. "Administrative Claims Bar Date" means the first Business Day that is 45 days following the Effective Date, subject to any exceptions specifically set forth in the Plan or a Final Order.

6. "Affiliate" shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

7. "Allowed" means with respect to Claims: (a) any Claim, proof of which is timely Filed by the applicable Claims Bar Date (or for which Claim under the Plan, the Bankruptcy Code, or a Final Order of the Bankruptcy Court, a Proof of Claim is not or shall not be required to be Filed); (b) any Claim that is listed in the Schedules as not contingent, not unliquidated, and not disputed, and for which no Proof of Claim has been timely Filed; or (c) any Claim Allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; provided, that with respect to any Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to

the extent that with respect to such Claim no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or such an objection is so interposed and the Claim shall have been Allowed by a Final Order. Any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated, or disputed, and for which no Proof of Claim is or has been timely Filed, is not considered Allowed and shall be expunged without further action by the Debtors and without further notice to any party or action, approval, or order of the Bankruptcy Court. Notwithstanding anything to the contrary herein, no Claim of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed Allowed unless and until such Entity pays in full the amount that it owes such Debtor or Reorganized Debtor, as applicable. "Allow" and "Allowing" shall have correlative meanings.

8. "Avoidance Actions" means any and all actual or potential claims and causes of action to avoid a transfer of property or an obligation incurred by the Debtors pursuant to any applicable section of the Bankruptcy Code, including sections 502, 510, 542, 544, 545, 547-553, and 724(a) of the Bankruptcy Code or under similar or related state or federal statutes and common law, including fraudulent transfer laws.

9. "Ballot" means the form distributed to holders of Impaired Claims entitled to vote on the Plan on which is to be indicated the acceptance or rejection of the Plan approved by the Bankruptcy Court.

10. "Bankruptcy Code" means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as may be amended from time to time.

11. "Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Cases, and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157 and/or the General Order of the District Court pursuant to section 151 of title 28 of the United States Code, the United States District Court for the Southern District of New York.

12. "Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure, as applicable to the Chapter 11 Cases, promulgated under section 2075 of the Judicial Code and the general, local, and chambers rules of the Bankruptcy Court.

13. "Business Day" means any day, other than a Saturday, Sunday, or "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

14. "Cash" means the legal tender of the United States of America.

15. "Causes of Action" means any Claim, cause of action (including Avoidance Actions), controversy, right of setoff, cross claim, counterclaim, or recoupment and any claim on contracts or for breaches of duties imposed by law or in equity, demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, power, privilege, license, and franchise of any kind or character whatsoever, known, unknown, fixed or contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law.

16. "Chapter 11 Cases" means the jointly administered Chapter 11 Cases commenced by the Debtors and styled In re Hawker Beechcraft, Inc., et al., Chapter 11 Case No. 12-11873 (SMB), which are currently pending before the Bankruptcy Court.

17. "Claim" shall have the meaning set forth in section 101(5) of the Bankruptcy Code.

18. "Claims Bar Date" means the bar date by which a Proof of Claim must be or must have been Filed, as established by (a) the [*Order Establishing Deadline for Filing Proofs of Claim and Approving the Form and Manner of Notice Thereof*] [Docket No. [____]] entered on [____] or (b) a Final Order of the Bankruptcy Court.

19. “*Claims Objection Bar Date*” means the deadline for objecting to a Claim, which shall be on the date that is the later of (a) one year after the Effective Date and (b) such later period of limitation as may be specifically fixed by an order of the Bankruptcy Court.

20. “*Claims Register*” means the official register of Claims maintained by the Notice, Claims, and Solicitation Agent.

21. “*Class*” means a category of Holders of Claims or Interests as set forth in Article III hereof pursuant to section 1122(a) of the Bankruptcy Code.

22. “*Committee*” means the official committee of unsecured creditors appointed in the Chapter 11 Cases pursuant to section 1102(a) of the Bankruptcy Code on May 11, 2012.

23. “*Committee Members*” means: (a) Pension Benefit Guaranty Corporation; (b) Deutsche Bank National Trust Company; (c) Wilmington Trust, N.A.; (d) International Association of Machinists & Aerospace Workers; (e) Rockwell Collins, Inc.; (f) Pratt & Whitney Canada Corp.; and (g) A.M. Castle & Co., each solely in its capacity as a member of the Committee.

24. “*Compensation and Benefits Programs*” means all employment and severance policies, and all compensation, and benefit plans, policies, and programs and other arrangements (and all amendments and modifications thereto), in each case in place as of the Effective Date, applicable to the Debtors’ employees, former employees, retirees, and non-employee directors and employees, former employees, and retirees of their subsidiaries, including, without limitation, all savings plans, retirement plans (other than []), health care plans, disability plans, severance benefit plans, incentive plans and life, accidental death, and dismemberment insurance plans.

25. “*Confirmation*” means the entry of the Confirmation Order on the docket of the Bankruptcy Court in the Chapter 11 Cases.

26. “*Confirmation Date*” means the date upon which the Bankruptcy Court enters the Confirmation Order on its docket in the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

27. “*Confirmation Hearing*” means the hearing held by the Bankruptcy Court to consider Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code.

28. “*Confirmation Order*” means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code, which shall be consistent in all material respects with the Restructuring Support Agreement and Restructuring Term Sheet or otherwise acceptable to the Required Consenting Senior Secured Lenders and Required Consenting Senior Noteholders.

29. “*Consummation*” means the occurrence of the Effective Date.

30. “*Cure Cost*” means all amounts (or such lesser amount as may be agreed upon by the parties under an Executory Contract or Unexpired Lease) required to cure any monetary defaults under any Executory Contract or Unexpired Lease that is to be assumed by the Debtors pursuant to sections 365 or 1123 of the Bankruptcy Code.

31. “*Debtor Release*” means the release provision set forth in Article IX.D hereof.

32. “*Debtors*” means, collectively: HBI; Arkansas Aerospace, Inc.; Beech Aircraft Corporation; Beechcraft Aviation Company; Hawker Beechcraft Acquisition Company, LLC; Hawker Beechcraft Corporation; Hawker Beechcraft Defense Company, LLC; Hawker Beechcraft Finance Corporation; Hawker Beechcraft Global Customer Support Corporation; Hawker Beechcraft Holding, Inc.; Hawker Beechcraft International Delivery Corporation; Hawker Beechcraft International Holding LLC; Hawker Beechcraft International Service Company;

Hawker Beechcraft Notes Company; Hawker Beechcraft Quality Support Company; Hawker Beechcraft Regional Offices, Inc.; HBC, LLC; and Rapid Aircraft Parts Inventory and Distribution Company, LLC.

33. “*DIP Administrative Agent*” means Credit Suisse AG, Cayman Islands Branch in its capacity as administrative agent and collateral agent under the DIP Agreement, or any successor agent appointed in accordance with such agreement.

34. “*DIP Agents*” means, collectively, (a) the DIP Administrative Agent and (b) Credit Suisse Securities (USA) LLC, in its capacity as lead arranger under the DIP Facility.

35. “*DIP Agreement*” means that certain debtor in possession credit agreement, dated as of May 7, 2012, by and among Hawker Beechcraft Acquisition Company, LLC, as borrower, certain of the other Debtors, as guarantors, the DIP Agents, the DIP Lenders, the DIP Issuing Bank, and the other parties thereto, as amended, supplemented, or otherwise modified from time to time.

36. “*DIP Claims*” means any and all Claims arising under or related to the DIP Facility.

37. “*DIP Facility*” means that certain \$400 million debtor in possession credit facility, which includes a \$75 million debtor in possession letter of credit facility, entered into pursuant to the DIP Agreement.

38. “*DIP Issuing Bank*” means Credit Suisse AG, Cayman Islands Branch, in its capacity as an issuer of DIP Letters of Credit, and any affiliate thereof that issued any DIP Letter of Credit.

39. “*DIP Lenders*” means the lenders from time to time party to the DIP Facility.

40. “*DIP Letter of Credit*” means a letter of credit issued under the DIP Agreement.

41. “*DIP Orders*” means the *Interim Order (I) Authorizing the Debtors to (A) Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c), 364(d)(1) and 364(e) and (B) Utilize Cash Collateral of Prepetition Secured Entities Pursuant to 11 U.S.C. §§ 363, (II) Granting Adequate Protection to Prepetition Secured Lenders Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364, (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c), and (IV) Granting Related Relief*, entered May 7, 2012 [Docket No. 53], and as may be amended, modified or supplemented by the Bankruptcy Court from time to time and the *Final Order (I) Authorizing the Debtors to (A) Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c), 364(d)(1) and 364(e) and (B) Utilize Cash Collateral of Prepetition Secured Entities Pursuant to 11 U.S.C. § 363, (II) Granting Adequate Protection to Prepetition Secured Lenders Pursuant to 11 U.S.C. §§ 361, 362, 363, and 364, and (III) Granting Related Relief*, entered June 4, 2012 [Docket No. 197], and as may be amended, modified, or supplemented by the Bankruptcy Court from time to time.

42. “*Disbursing Agent*” means, on the Effective Date, the Debtors or their agent or any other Entity or Entities designated by the Debtors to make or facilitate distributions that are to be made on or after the Effective Date pursuant to the Plan.

43. “*Disclosure Statement*” means the *Disclosure Statement for the Debtors’ Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code*, dated [____], as amended, supplemented, or modified from time to time, including all exhibits and schedules thereto, that is prepared and distributed in accordance with sections 1125, 1126(b), and 1145 of the Bankruptcy Code, Bankruptcy Rule 3018, and other applicable law.

44. “*Disputed*” means, with respect to any Claim or Interest, any Claim or Interest that is not yet Allowed.

45. “*D&O Liability Insurance Policies*” means all insurance policies of any of the Debtors for directors’, managers’, and officers’ liability.

46. “*Effective Date*” means the date selected by the Debtors that is a Business Day after the Confirmation Date on which: (a) no stay of the Confirmation Order is in effect; and (b) all conditions precedent specified in Article X.A hereof have been satisfied or waived (in accordance with Article X.B hereof).

47. “*Entity*” shall have the meaning set forth in section 101(15) of the Bankruptcy Code.

48. “*Estate*” means, as to each Debtor, the estate created for the Debtor on the Petition Date pursuant to section 541 of the Bankruptcy Code.

49. “*Exculpated Parties*” means the Releases.

50. “*Exculpation*” means the exculpation provision set forth in Article IX.F hereof.

51. “*Executory Contract*” means a contract to which one or more of the Debtors is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

52. “*Exit Facility*” means that new credit facility in the amount of \$[_____] to be entered into by the Debtors pursuant to the Exit Facility Agreement, including any Exit Facility Documents, on terms reasonably satisfactory to the Debtors, the Exit Facility Agent, and the lenders thereto, after consultation with the Committee, and materially consistent with the Restructuring Support Agreement and the Restructuring Term Sheet.

53. “*Exit Facility Agent*” means the administrative agent under the Exit Facility, or any successor thereto.

54. “*Exit Facility Agreement*” means that certain credit agreement effectuating the Exit Facility to be entered into as of and subject to the occurrence of the Effective Date by and among certain of the Reorganized Debtors, as borrowers, the Exit Facility Agent, the lenders named therein, and the other parties thereto, as amended, supplemented or otherwise modified from time to time.

55. “*Exit Facility Documents*” means, collectively, all related agreements, documents, or instruments to be executed or delivered in connection with the Exit Facility, the forms of certain of which shall be included as an exhibit to the Plan Supplement.

56. “*File*,” “*Filed*,” or “*Filing*” means file, filed, or filing in the Chapter 11 Cases with the Bankruptcy Court or, with respect to the filing of a Proof of Claim or proof of Interest, the Notice, Claims, and Solicitation Agent.

57. “*Final Order*” means, as applicable, an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter which has not been reversed, stayed, modified, or amended, and as to which the time to appeal or seek certiorari has expired or been waived by the Debtors and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be Filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought; provided, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or the Local Bankruptcy Rules of the Bankruptcy Court, may be filed relating to such order shall not prevent such order from being a Final Order; provided, further, that the Debtors reserve the right to waive any appeal period.

58. “*General Unsecured Claim*” means any Claim that is not Secured and that is not: (a) an Administrative Claim; (b) a Priority Tax Claim; (c) an Other Priority Claim; (d) an Other Secured Claim; (e) an Indianapolis Industrial Revenue Bonds Claim; (f) a Maricopa Industrial Revenue Bonds Claim; (g) a Sedgwick County Industrial Revenue Bonds Claim; (h) a Senior Credit Facility Secured Claim; (i) a Senior Notes Claim; (j) a Subordinated Notes Claim; (k) an Intercompany Claim; (l) PBGC Unsecured Claim; or (m) a Section 510(b) Claim.

59. “*General Unsecured Claims Cash Out Option*” means the treatment option available to certain Holders of General Unsecured Claims described in Article IV.B.

60. “*Governmental Unit*” shall have the meaning set forth in section 101(27) of the Bankruptcy Code.
61. “*GS Capital*” means GS Capital Partners VI, L.P. and the funds affiliated with GS Capital Partners VI, L.P. that hold HBI Interests, and each of their respective co-investment funds, private equity funds affiliated with Goldman, Sachs & Co., and affiliates and any Person or Entity that has a direct or indirect interest in any of the foregoing Persons or Entities.
62. “*HBI*” means Hawker Beechcraft, Inc., a Delaware corporation and one of the Debtors in the Chapter 11 Cases.
63. “*HBI Interests*” means Interests in HBI.
64. “*Holder*” means any Entity holding a Claim or an Interest.
65. “*Impaired*” means, with respect to a Class of Claims or Interests, a Class of Claims or Interests that is not Unimpaired.
66. “*Indemnification Provision*” means each of the Debtors’ indemnification provisions currently in place whether in the Debtors’ bylaws, certificates of incorporation, other formation documents, board resolutions, or employment contracts for the current and former directors, officers, managers, employees, attorneys, other professionals, and agents of the Debtors and such current and former directors’, officers’, and managers’ respective Affiliates.
67. “*Indianapolis Industrial Revenue Bonds*” means those certain development financing bonds issued by the Indianapolis Airport Authority to GE Government Finance, Inc., including the Debtors’ lease obligations thereunder.
68. “*Industrial Revenue Bonds*” means the Indianapolis Industrial Revenue Bonds, the Maricopa Industrial Revenue Bonds, and the Sedgwick County Industrial Revenue Bonds.
69. “*Intercompany Claim*” means any Claim held by a Debtor against another Debtor.
70. “*Intercompany Interests*” means any Interest held by a Debtor against another Debtor.
71. “*Interests*” means the common stock, limited liability company interests, and any other equity, ownership, or profits interests of any Debtor and options, warrants, rights, or other securities or agreements to acquire the common stock, limited liability company interests, or other equity, ownership, or profits interests of any Debtor (whether or not arising under or in connection with any employment agreement), including any claim against the Debtors subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising from or related to any of the foregoing.
72. “*Interim Compensation Order*” means the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals* [Docket No. 185], entered on May 31, 2012, as the same may be modified by a Bankruptcy Court order approving the retention of a specific Professional or otherwise.
73. “*Joinder Agreement*” means that certain form Joinder Agreement, dated after the Petition Date, binding certain Holders of Senior Credit Facility Secured Claims to the Restructuring Support Agreement.
74. “*Judicial Code*” means title 28 of the United States Code, 28 U.S.C. §§ 1–4001.
75. “*Lien*” shall have the meaning set forth in section 101(37) of the Bankruptcy Code.
76. “*Management Equity Incentive Plan*” means that certain post-Effective Date management equity incentive plan which provides that, among other things, [_____] % of the New Common Stock, on a fully-diluted basis, shall be reserved for future issuances as determined by the New Board in its sole discretion.

77. “*Maricopa Industrial Revenue Bonds*” means those certain development financing bonds issued by the County of Maricopa, Arizona to GE Government Finance, Inc., including the Debtors’ lease obligations thereunder.

78. “*New Board*” means the board of directors, board of managers or equivalent governing body of each of the Reorganized Debtors, as applicable, as initially comprised as set forth in this Plan and as comprised thereafter in accordance with the terms of the applicable New Corporate Governance Documents.

79. “*New Bylaws*” means the bylaws, limited liability company agreement, or functionally equivalent document, as applicable, of each of the Reorganized Debtors, as applicable, the forms of which shall be included in the Plan Supplement.

80. “*New Certificates of Incorporation*” means the certificate of incorporation, certificate of formation, or functionally equivalent document as applicable, of each of the Reorganized Debtors, as applicable, the forms of which shall be included in the Plan Supplement.

81. “*New Common Stock*” means the common stock, or limited liability company interests, as applicable, of Reorganized HBI.

82. “*New Corporate Governance Documents*” means the (a) New Certificates of Incorporation, (b) New Bylaws, and (c) New Shareholders Agreement.

83. “*New Non-Qualified Employee Compensation Plan*” means the Debtors’ non-qualified employee compensation arrangements effective as of the Effective Date and implemented pursuant to the Plan, the form of which is included in the Plan Supplement, and which for active employees will include starting balances equal to such employee’s balances as of the Petition Date under the Non-Qualified Deferred Compensation Plan.

84. “*New Shareholders Agreement*” means the shareholders agreement of Reorganized HBI with respect to the New Common Stock to be effective on the Effective Date, and binding on all Holders of New Common Stock, which shall be included in the Plan Supplement, after consultation with the Committee.

85. “*Non-Qualified Deferred Compensation Plan*” means that certain Hawker Beechcraft Excess Savings and Deferred Compensation Plan, dated December 18, 2009, for which Mercer US, Inc. acts as actuary.

86. “*Non-Qualified Supplemental Executive Retirement Plan*” means that certain Hawker Beechcraft Corporation Supplemental Executive Retirement Plan, dated January 1, 2009, for which Mercer US, Inc. acts as actuary.

87. “*Non-Qualified Retirement Plans*” means, collectively, the Non-Qualified Supplemental Executive Retirement Plan and the Non-Qualified Deferred Compensation Plan.

88. “*Notice, Claims, and Solicitation Agent*” means Epiq Bankruptcy Solutions, LLC, in its capacity as notice, claims, and solicitation agent for the Debtors.

89. “*Onex*” means Onex Partners II LP and the funds affiliated with Onex Partners II LP that hold HBI Interests, and each of their respective co-investment funds and affiliates and any Person or Entity that has a direct or indirect interest in any of the foregoing Persons or Entities.

90. “*Other Priority Claim*” means any Claim against any Debtor entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, other than: (a) an Administrative Claim; or (b) a Priority Tax Claim.

91. “*Other Secured Claim*” means any Secured Claim against any Debtor that is not: (a) a Senior Credit Facility Claim; (b) a DIP Claim; (c) a Secured Tax Claim; (d) an Indianapolis Industrial Revenue Bonds Claim; (e) a Maricopa Industrial Revenue Bonds Claim; or (f) a Sedgwick County Industrial Revenue Bonds Claim.

92. “*PBGC*” means the Pension Benefit Guaranty Corporation.
93. “*PBGC Unsecured Claim*” means any Claim of the PBGC against the Debtors (regardless of whether such Claim is held by the PBGC or is transferred to any third party), on account of or related to [___].
94. “*Pension Plans*” means the Qualified Base Pension Plan, the Qualified Hourly Pension Plan, and the Qualified Salaried Pension Plan, each maintained by the Debtors and administered by Morneau Shepell, Ltd., for which Mercer US, Inc. acts as actuary.
95. “*Person*” shall have the meaning set forth in section 101(41) of the Bankruptcy Code.
96. “*Petition Date*” means May 3, 2012, the date on which the Debtors filed their petitions for relief commencing the Chapter 11 Cases.
97. “*Plan*” means this *Debtors’ Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code*, as amended, supplemented, or modified from time to time, including the Plan Supplement, which is incorporated herein by reference and made part of this Plan as if set forth herein.
98. “*Plan Supplement*” means the compilation of documents and forms of documents, schedules, and exhibits to the Plan, all materially consistent with the Restructuring Support Agreement and the Restructuring Term Sheet, to be Filed ten days prior to the Voting Deadline, as amended, supplemented, or modified from time to time in accordance with the terms hereof, the Bankruptcy Code, and the Bankruptcy Rules, including: (a) to the extent known, the identity of the members of the New Board and the nature and compensation for any member of the New Board who is an “insider” under section 101(31) of the Bankruptcy Code; (b) the Schedule of Assumed Executory Contracts and Unexpired Leases; (c) the Schedule of Rejected Executory Contracts and Unexpired Leases; (d) the schedule of assumed Compensation and Benefits Programs; (e) the Exit Facility Documents; (f) the form of the Management Equity Incentive Plan; (g) the New Corporate Governance Documents; (h) the New Non-Qualified Employee Compensation Plan; and (i) a list of retained Causes of Action, in each case, in form and substance acceptable to the Debtors, the Required Consenting Senior Secured Lenders, and the Required Consenting Senior Noteholders in their respective reasonable discretion.
99. “*Priority Tax Claim*” means any Claim of a Governmental Unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.
100. “*Pro Rata*” means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims in that Class, or the proportion that Allowed Claims in a particular Class bear to the aggregate amount of Allowed Claims in a particular Class and other Classes entitled to share in the same recovery as such Allowed Claim under the Plan.
101. “*Professional*” means an Entity: (a) retained in the Chapter 11 Cases pursuant to a Final Order in accordance with sections 327, 363, or 1103 of the Bankruptcy Code and to be compensated for services rendered prior to or on the Confirmation Date, pursuant to sections 327, 328, 329, 330, 363, and 331 of the Bankruptcy Code; or (b) awarded compensation and reimbursement by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code; excluding those Entities entitled to compensation for services rendered after the Petition Date in the ordinary course of business pursuant to a Final Order granting such relief.
102. “*Professional Fee Escrow Account*” means an interest-bearing account to hold and maintain an amount of Cash equal to the Professional Fee Reserve Amount funded by the Debtors on the Effective Date solely for the purpose of paying all Allowed and unpaid Accrued Professional Compensation Claims.
103. “*Professional Fee Reserve Amount*” means the aggregate Accrued Professional Compensation Claims through the Effective Date as estimated in accordance with Article II.B.3 hereof.
104. “*Proof of Claim*” means a proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.

105. “*Qualified Base Pension Plan*” means that certain Hawker Beechcraft Corporation Base Retirement Income Plan administered by Morneau Shepell, Ltd., for which Mercer US, Inc. acts as actuary.

106. “*Qualified Hourly Pension Plan*” means that certain Hawker Beechcraft Corporation Retirement Income Plan for Hourly Employees administered by Morneau Shepell, Ltd., for which Mercer US, Inc. acts as actuary.

107. “*Qualified Salaried Pension Plan*” means that certain Hawker Beechcraft Corporation Retirement Income Plan for Salaried Employees administered by Morneau Shepell, Ltd., for which Mercer US, Inc. acts as actuary.

108. “*Reinstated*” means: (a) leaving unaltered the legal, equitable, and contractual rights to which a Claim entitles the Holder of such Claim or Interest so as to leave such Claim or Interest not Impaired or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of a Claim or Interest to demand or receive accelerated payment of such Claim or Interest after the occurrence of a default: (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured; (ii) reinstating the maturity (to the extent such maturity has not otherwise accrued by the passage of time) of such Claim or Interest as such maturity existed before such default; (iii) compensating the Holder of such Claim or Interest for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim or Interest arises from a failure to perform a nonmonetary obligation other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A), compensating the Holder of such Claim or Interest (other than the Debtor or an insider) for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the legal, equitable or contractual rights to which such Claim or Interest entitles the Holder.

109. “*Releasee*” means, collectively, in each case in their capacity as such: (a) each Debtor and Reorganized Debtor; (b) the Debtors’ current and former officers and directors; (c) the Senior Credit Facility Agents; (d) the Senior Notes Indenture Trustee; (e) the DIP Agents; (f) the DIP Lenders and the DIP Issuing Bank; (g) Holders of Senior Credit Facility Secured Claims (including the Senior Credit Facility Lenders and the Senior Credit Facility Issuing Bank); (h) Holders of Senior Credit Facility Deficiency Claims; (i) Holders of Senior Notes Claims who do not vote to reject the Plan; (j) the Committee; (k) the Committee Members; (l) Shareholders; (m) the Exit Facility Agent; (n) the lenders under the Exit Facility; and (o) each of the foregoing entities’ respective predecessors, successors and assigns, and current and former shareholders, affiliates, subsidiaries, principals, employees, agents, officers, directors, managers, trustees, partners, members, professionals, representatives, advisors, attorneys, financial advisors, accountants, investment bankers, and consultants.

110. “*Releasing Parties*” means, collectively: (a) the Debtors; (b) the Releasees, including the Committee and the Committee Members (solely in their capacities as such); (c) all other Holders of Claims entitled to vote for or against the Plan that do not vote to reject the Plan; (d) all Holders of Claims and Interests to the extent permitted by law; and (e) each of the foregoing entities’ respective predecessors, successors and assigns, and current and former shareholders, affiliates, subsidiaries, principals, employees, agents, officers, directors, managers, trustees, partners, members, professionals, representatives, advisors, attorneys, financial advisors, accountants, investment bankers, and consultants, in each case in their capacity as such.

111. “*Reorganized Debtors*” means (a) the Debtors, as reorganized pursuant to and under the Plan, or any successor thereto, by merger, consolidation, or otherwise, (b) one or more new corporations or limited liability companies that, if determined to be advisable by the Debtors, will be formed or caused to be formed by the Debtors to, among other things, purchase substantially all of the assets of any of the Debtors pursuant to this Plan, or (c) Reorganized HBI.

112. “*Reorganized HBI*” means (a) HBI, as reorganized pursuant to and under the Plan, or any successor thereto, by merger, consolidation, or otherwise, or (b) a new corporation or limited liability company that will be formed or caused to be formed by the Debtors to, among other things, directly or indirectly acquire substantially all of the assets and/or stock of the Debtors and issue the New Common Stock to be distributed pursuant to the Plan.

113. “*Required Consenting Senior Secured Lenders*” has the meaning set forth in the Restructuring Support Agreement.

114. “*Required Consenting Senior Noteholders*” has the meaning set forth in the Restructuring Support Agreement.

115. “*Restructuring Support Agreement*” means that certain Restructuring Support Agreement dated as of May 3, 2012, and all exhibits attached thereto, including the Restructuring Term Sheet, by and between the Debtors and certain Holders of Senior Credit Facility Secured Claims and certain Holders of Senior Notes Claims, and as otherwise amended, supplemented, or otherwise modified from time to time.

116. “*Restructuring Support Agreement Parties*” means the parties to and bound by the Restructuring Support Agreement or Joinder Agreement.

117. “*Restructuring Support Agreement Professional Fees*” means the reasonable and documented legal and financial advisory fees and expenses due and owing to the Senior Credit Facility Agent, the Ad Hoc Committee of Senior Secured Lenders, the Ad Hoc Committee of Senior Noteholders, and such other Restructuring Support Agreement Parties as the Debtors, in their discretion, may determine related to the negotiation of the Plan or the Restructuring Support Agreement; provided, that the payment of fees for each of the foregoing parties shall be subject to and according to the terms and conditions of any fee reimbursement letters between such advisors and the Debtors or between such advisors and the Senior Credit Facility Agent; provided, further, that copies of any invoices (redacted, as necessary, to protect any applicable privilege) with respect to such fees and expenses shall be provided to counsel to the Committee and such party shall have ten days from the date of such notice within which to object in writing to such payment.

118. “*Restructuring Term Sheet*” means that certain Hawker Beechcraft, Inc., et al. Restructuring Term Sheet, dated May 3, 2012, attached as Exhibit A to the Restructuring Support Agreement.

119. “*Restructuring Transactions*” means one or more transactions pursuant to section 1123(a)(5)(D) of the Bankruptcy Code to occur on the Effective Date or as soon as reasonably practicable thereafter, that may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including (a) the execution and delivery of appropriate agreements or other documents of merger, sale, consolidation, equity issuance, certificates of incorporation, operating agreements, bylaws, or other documents containing terms that are consistent with or reasonably necessary to implement the terms of the Plan and that satisfy the requirements of applicable law; (b) the execution and delivery of appropriate instruments of sale, equity issuance, transfer, assignment, assumption, or delegation of any property, right, liability, duty, or obligation on terms consistent with the terms of the Plan; (c) if implemented pursuant to the Plan, all transactions necessary to provide for the purchase of substantially all of the assets or Interests of any of the Debtors, which purchase shall be structured as a taxable transaction for United States federal income tax purposes; and (d) all other actions that the Debtors determine are necessary or appropriate.

120. “*Schedule of Assumed Executory Contracts and Unexpired Leases*” means the schedule of certain Executory Contracts and Unexpired Leases to be assumed by the Debtors pursuant to the Plan, including any Cure Costs related thereto, in the form filed as part of the Plan Supplement, as the same may be amended, modified, or supplemented from time to time.

121. “*Schedule of Rejected Executory Contracts and Unexpired Leases*” means the schedule of certain Executory Contracts and Unexpired Leases to be rejected by the Debtors pursuant to the Plan in the form filed as part of the Plan Supplement, as the same may be amended, modified, or supplemented from time to time.

122. “*Schedules*” means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases, and statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code and in substantial accordance with the Official Bankruptcy Forms, as the same may have been amended, modified, or supplemented from time to time.

123. “*Section 510(b) Claims*” means any Claim against any Debtor arising from rescission of a purchase or sale of a security of any Debtor or an Affiliate of any Debtor, for damages arising from the purchase or sale of such a security, or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such a Claim.

124. “*Secured*” means when referring to a Claim: (a) secured by a Lien on property in which the applicable Estate has an interest, which Lien is valid, perfected, and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor’s interest in such Estate’s interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code; or (b) otherwise Allowed pursuant to the Plan as a Secured Claim.

125. “*Secured Tax Claims*” means any Secured Claim against any Debtor that, absent its secured status, would be entitled to priority in right of payment under section 507(a)(8) of the Bankruptcy Code (determined irrespective of time limitations), including any related Secured Claim for penalties.

126. “*Securities Act*” means the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, as amended, or any similar federal, state or local law.

127. “*Securities Exchange Act*” means the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78nn, as amended.

128. “*Sedgwick County Industrial Revenue Bonds*” means the development financing bonds issued by Sedgwick County, Kansas to one of the Debtors, including the Debtors’ lease obligations thereunder.

129. “*Senior Credit Facility*” means that certain Credit Agreement, dated as of March 26, 2007, by and among HBI and certain of its subsidiaries, as borrowers and guarantors, the Senior Credit Facility Agents, the Senior Credit Facility Lenders and the Senior Credit Facility Issuing Bank, as amended, supplemented, or otherwise modified from time to time.

130. “*Senior Credit Facility Administrative Agent*” means Credit Suisse AG, Cayman Islands Branch, in its capacity as administrative agent and collateral agent under the Senior Credit Facility.

131. “*Senior Credit Facility Agents*” means, collectively, (a) the Senior Credit Facility Administrative Agent, (b) Citicorp North America, Inc., in its capacity as documentation agent under the Senior Credit Facility, (c) Goldman Sachs Credit Partners, L.P., in its capacity as syndication agent under the Senior Credit Facility, (d) Credit Suisse Securities (USA) LLC and Goldman Sachs Credit Partners L.P., in their capacities as lead arrangers under the Senior Credit Facility and (e) Lehman Brothers Inc. and UBS Securities LLC, in their capacities as bookrunners under the Senior Credit Facility.

132. “*Senior Credit Facility Claim*” means any Claim against any Debtor arising under or related to the Senior Credit Facility.

133. “*Senior Credit Facility Deficiency Claim*” means any Claim against the Debtors arising from the portion of obligations under the Senior Credit Facility that is not Allowed as a Senior Credit Facility Secured Claim, but is Allowed as a General Unsecured Claim. Senior Credit Facility Deficiency Claims shall be Allowed as General Unsecured Claims in the aggregate principal amount of \$780.9 million. Senior Credit Facility Deficiency Claims shall be classified as General Unsecured Claims for purposes of voting on the Plan.

134. “*Senior Credit Facility Disbursing Agent*” means the agent appointed by the Debtors and consented to by the Senior Credit Facility Administrative Agent to make the disbursements to the Holders of Senior Credit Facility Secured Claims contemplated by Article VII.F.1.

135. “*Senior Credit Facility Incremental ‘Series A’ Term Loan*” means the approximately \$200 million term loan under the Senior Credit Facility provided pursuant to that certain Incremental Facility Supplement Agreement, dated as of November 25, 2009.

136. “*Senior Credit Facility Issuing Bank*” means Credit Suisse AG, Cayman Islands Branch, in its capacity as an issuer of letters of credit under the Senior Credit Facility, and any affiliate thereof that issued any letter of credit under the Senior Credit Facility.

137. “*Senior Credit Facility Lenders*” means collectively, the lenders under the Senior Credit Facility, including those lenders party to the Senior Credit Facility Term Loan, the Senior Credit Facility Revolver, the Senior Credit Facility Synthetic L/C Facility, or the Senior Credit Facility Incremental ‘Series A’ Term Loan.

138. “*Senior Credit Facility Revolver*” means the approximately \$400 million revolving credit facility provided under the Senior Credit Facility.

139. “*Senior Credit Facility Secured Claim*” means any Claim against any Debtor arising under or related to the Senior Credit Facility that is Secured. Senior Credit Facility Secured Claims shall be Allowed as a Secured Claim in the aggregate principal amount of \$921.6 million.

140. “*Senior Credit Facility Synthetic L/C Facility*” means the approximately \$110 million synthetic letter of credit facility provided under the Senior Credit Facility.

141. “*Senior Credit Facility Term Loan*” means the approximately \$1.3 billion secured term loan provided under the Senior Credit Facility.

142. “*Senior Notes*” means those certain 8.500% Senior Fixed Rate Notes due 2015 and those certain 8.875%/9.625% Senior PIK Election Notes due 2015, issued under the Senior Notes Indenture.

143. “*Senior Notes Claim*” means any Claim against any Debtor arising from or based upon the Senior Notes or the Senior Notes Indenture; provided, that Senior Notes Claims shall not include Section 510(b) Claims.

144. “*Senior Notes Indenture*” means that certain indenture dated March 26, 2007, as the same may have been amended from time to time, by and among Hawker Beechcraft Acquisition Company LLC and Hawker Beechcraft Notes Company as issuer, and certain Affiliates of Hawker Beechcraft Acquisition Company LLC as guarantors, and Deutsche Bank National Trust Company, as successor indenture trustee.

145. “*Senior Notes Indenture Trustee*” means Deutsche Bank National Trust Company as successor to Wells Fargo Bank, N.A., in its capacity as indenture trustee under the Senior Notes Indenture.

146. “*Shareholders*” means GS Capital, Onex, and those current and former management employees and directors of the Debtors who own HBI Interests, and each of their current and former affiliates, officers, directors, managers, members, professionals, and general and limited partners.

147. “*Subordinated Notes*” means those certain 9.750% Senior Subordinated Notes due 2017, issued under the Subordinated Notes Indenture.

148. “*Subordinated Notes Claim*” means any Claim against any Debtor arising from or based upon the Subordinated Notes or the Subordinated Notes Indenture; provided, that Subordinated Notes Claims shall not include Section 510(b) Claims.

149. “*Subordinated Notes Claim Recovery*” means the Holders of Subordinated Notes Claims’ Pro Rata share of the Unsecured Creditor Equity Recovery; provided, that Holders of Allowed Subordinated Notes Claims shall be required to turn over the Subordinated Notes Claim Recovery to Holders of Senior Notes Claims as required under the Senior Notes Indenture and the Subordinated Notes Indenture that provides that the Subordinated Notes Claims are subordinated in right of payment to the payment of the Senior Notes Claims.

150. “*Subordinated Notes Indenture*” means that certain indenture dated March 26, 2007, as the same may have been amended from time to time, by and between Hawker Beechcraft Acquisition Company LLC and Hawker Beechcraft Notes Company as issuer, and certain Affiliates of Hawker Beechcraft Acquisition Company LLC as guarantors, and Wilmington Trust, N.A., as successor indenture trustee.

151. “*Subordinated Notes Indenture Trustee*” means Wilmington Trust N.A. in its capacity as successor indenture trustee under the Subordinated Notes Indenture.

152. “*Third Party Release*” means the release provision set forth in Article IX.E hereof.

153. “*U.S. Trustee*” means the United States Trustee for the Southern District of New York.

154. “*U.S. Trustee Fees*” means fees arising under 28 U.S.C. § 1930(a)(6) and, to the extent applicable, accrued interest thereon arising under 31 U.S.C. § 3717.

155. “*Unexpired Lease*” means a lease of nonresidential real property to which one or more of the Debtors is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

156. “*Unimpaired*” means, with respect to a Class of Claims or Interests, a Claim or an Interest that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.

157. “*Unsecured Creditor Equity Recovery*” means the 18.9% of the New Common Stock available on a Pro Rata basis to Holders of Allowed Senior Credit Facility Deficiency Claims, Allowed Senior Notes Claims, Allowed Subordinated Notes Claims, Allowed General Unsecured Claims, and Allowed PBGC Unsecured Claims, subject to dilution by the Management Equity Incentive Plan.

158. “*Voting Deadline*” means 4:00 p.m., prevailing Eastern Time, on [___].

159. “*Voting Record Date*” means the close of business on [_____].

B. *Rules of Interpretation*

For purposes herein: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, restated, supplemented, or otherwise modified; (d) unless otherwise specified, all references herein to “Articles” are references to Articles hereof or hereto; (e) unless otherwise stated, the words “herein,” “hereof,” and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the words “include” and “including,” and variations thereof, shall not be deemed to be terms of limitation, and shall be deemed to be followed by the words “without limitation;” (h) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (i) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

C. *Computation of Time*

The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

D. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated herein, the laws of the State of New York, without giving effect to the principles of conflict of laws (except for Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York), shall govern the rights, obligations, construction, and implementation of the Plan and any agreements, documents, instruments, or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control); provided, that corporate or limited liability company governance matters relating to the Debtors shall be governed by the laws of the state of incorporation or formation (as applicable) of the applicable Debtor.

E. Reference to Monetary Figures

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided herein.

**ARTICLE II.
DIP CLAIMS, ADMINISTRATIVE CLAIMS, AND PRIORITY TAX CLAIMS**

A. Administrative Claims

Unless otherwise agreed to by the Holder of an Allowed Administrative Claim and the Debtors, each Holder of an Allowed Administrative Claim (other than of an Accrued Professional Compensation Claim), will receive in full and final satisfaction of its Administrative Claim an amount of Cash equal to the amount of such Allowed Administrative Claim either: (1) on the Effective Date or as soon as practicable thereafter, or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (2) if the Administrative Claim is not Allowed as of the Effective Date, no later than 30 days after the date on which an order of the Bankruptcy Court Allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (3) if the Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business after the Petition Date, pursuant to the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claims, without any further action by the Holders of such Allowed Administrative Claims; (4) at such other time that is agreed to by the Debtors and the Holders of such Allowed Administrative Claim; or (5) at such other time and on such other terms set forth by an order of the Bankruptcy Court.

Except for Claims of Professionals and Governmental Units, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the Debtors no later than the Administrative Claims Bar Date pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims that do not File and serve such a request by the Administrative Claims Bar Date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the Debtors and the requesting party by the later of (a) 180 days after the Effective Date and (b) 180 days after the Filing of the applicable request for payment of Administrative Claims, if applicable.

Any requests for payment of Administrative Claims that are not properly Filed and served by the Administrative Claims Bar Date shall not appear on the Claims Register and shall be disallowed automatically without the need for any objection from the Debtors or the Reorganized Debtors or any action by the Bankruptcy Court.

B. Accrued Professional Compensation Claims

1. Final Fee Applications

All final requests for payment of Claims of a Professional shall be filed no later than 45 days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior Bankruptcy Court orders, the Allowed amounts of such Accrued Professional Compensation Claims shall be determined by the Bankruptcy Court.

2. Professional Fee Escrow Account

In accordance with Article II.B.3 hereof, on the Effective Date, the Debtors shall establish and fund the Professional Fee Escrow Account with Cash equal to the aggregate Professional Fee Reserve Amount for all Professionals. The Professional Fee Escrow Account shall be maintained in trust for the Professionals. Such funds shall not be considered property of the Debtors' Estates. The amount of Accrued Professional Compensation Claims owing to the Professionals shall be paid in Cash to such Professionals from funds held in the Professional Fee Escrow Account when such Claims are Allowed by a Final Order. When all Allowed Professional Compensation Claims are paid in full in Cash, amounts remaining in the Professional Fee Escrow Account, if any, shall revert to the Debtors.

3. Professional Fee Reserve Amount

To receive payment for unbilled fees and expenses incurred through the Effective Date, the Professionals shall estimate their Accrued Professional Compensation Claims prior to and as of the Effective Date and shall deliver such estimate to the Debtors, counsel to the Ad Hoc Committee of Senior Secured Lenders, and counsel to the Committee no later than five days prior to the anticipated Effective Date; provided, that such estimate shall not be considered an admission with respect to the fees and expenses of such Professional. If a Professional does not provide an estimate, the Debtors may estimate the unbilled fees and expenses of such Professional. The total amount so estimated as of the Effective Date shall comprise the Professional Fee Reserve Amount.

4. Post-Effective Date Fees and Expenses

Except as otherwise specifically provided in the Plan, on and after the Effective Date, the Reorganized Debtors may, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable legal, Professional (with the exception of Committee Professionals), or other fees and expenses related to implementation and Consummation of the Plan incurred by the Debtors on or after the Effective Date. Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code or the Interim Compensation Order in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

C. DIP Claims

Except to the extent that a Holder of an Allowed DIP Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed DIP Claim, each Allowed DIP Claim shall be paid in full in Cash by the Debtors on the Effective Date.

D. Priority Tax Claims

Each Holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on the Distribution Date, at the option of the Debtors, one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim; (2) Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code; or (3) such other treatment as may be agreed upon

by such Holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court. To the extent any Allowed Priority Tax Claim is not due and owing on the Effective Date, such Claim shall be paid in full in Cash in accordance with the terms of any agreement between the Debtors and the Holder of such Claim, or as may be due and payable under applicable non-bankruptcy law or in the ordinary course of business.

E. U.S. Trustee Statutory Fees

The Debtors shall pay all U.S. Trustee Fees for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first.

**ARTICLE III.
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

In accordance with section 1123(a)(1) of the Bankruptcy Code, DIP Claims, Administrative Claims, and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims and Interests set forth in this Article III.

A. Summary of Classification

All Claims and Interests, other than Administrative Claims (including Accrued Professional Compensation Claims), DIP Claims, and Priority Tax Claims, are classified in the Classes set forth in this Article III for all purposes, including voting, Confirmation, and distributions pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest is also classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

1. Class Identification

The classification of Claims and Interests against each Debtor (as applicable) pursuant to the Plan is as set forth below. The Plan shall apply as a separate Plan for each of the Debtors, and the classification of Claims and Interests set forth herein shall apply separately to each of the Debtors. All of the potential Classes for the Debtors are set forth herein. Certain of the Debtors may not have Holders of Claims or Interests in a particular Class or Classes, and such Classes shall be treated as set forth in Article III.D hereof. For all purposes under the Plan, each Class will contain sub-Classes for each of the Debtors (*i.e.* there will be 18 sub-Classes in each Class and many of such sub-Classes may be vacant).

<u>Class</u>	<u>Claim</u>	<u>Status</u>	<u>Voting Rights</u>
1	Other Priority Claims	Unimpaired	Presumed to Accept
2	Other Secured Claims	Unimpaired	Presumed to Accept
3	Indianapolis Industrial Revenue Bonds Claims	Unimpaired	Presumed to Accept
4	Maricopa Industrial Revenue Bonds Claims	Unimpaired	Presumed to Accept
5	Sedgwick County Industrial Revenue Bonds Claims	Unimpaired	Presumed to Accept
6	Senior Credit Facility Secured Claims	Impaired	Entitled to Vote
7	Senior Notes Claims	Impaired	Entitled to Vote
8	Subordinated Notes Claims	Impaired	Deemed to Reject
9	General Unsecured Claims	Impaired	Entitled to Vote
10	PBGC Unsecured Claims	Impaired	Entitled to Vote

<u>Class</u>	<u>Claim</u>	<u>Status</u>	<u>Voting Rights</u>
11	Intercompany Claims	Impaired	Entitled to Vote on a Provisional Basis
12	Section 510(b) Claims	Impaired	Deemed to Reject
13	Intercompany Interests	Unimpaired	Presumed to Accept
14	HBI Interests	Impaired	Deemed to Reject

B. Treatment of Claims and Interests

The treatment and voting rights provided to each Class for distribution purposes is specified below:

1. Class 1 - Other Priority Claims

- (a) *Classification:* Class 1 consists of all Other Priority Claims.
- (b) *Treatment:* Except to the extent that a Holder of an Allowed Other Priority Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall be paid in full in Cash on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, or (iii) such other date as may be ordered by the Bankruptcy Court.
- (c) *Voting:* Class 1 is Unimpaired, and Holders of Class 1 Other Priority Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1 Other Priority Claims are not entitled to vote to accept or reject the Plan.

2. Class 2 - Other Secured Claims

- (a) *Classification:* Class 2 consists of all Other Secured Claims.
- (b) *Treatment:* Except to the extent that a Holder of an Allowed Other Secured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed Other Secured Claim, each Holder of such Claim shall, at the sole option of the applicable Debtor:
 - (i) be paid in full in Cash, including the payment of any interest required to be paid under section 506(b) of the Bankruptcy Code, on the Effective Date or as soon thereafter as reasonably practicable or, if payment is not then due, in accordance with the payment terms of any applicable agreement;
 - (ii) receive the collateral securing any such Allowed Other Secured Claim and be paid any interest required to be paid under section 506(b) of the Bankruptcy Code on the Effective Date or as soon thereafter as reasonably practicable; or
 - (iii) otherwise be treated in any other manner such that the Allowed Other Secured Claim shall be rendered Unimpaired on the later of the Effective Date and the date on which such Other Secured Claim becomes an Allowed Other Secured Claim or as soon as reasonably practicable thereafter.
- (c) *Voting:* Class 2 is Unimpaired, and Holders of Class 2 Other Secured Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 2 Other Secured Claims are not entitled to vote to accept or reject the Plan.

3. Class 3 - Indianapolis Industrial Revenue Bonds Claims

- (a) *Classification:* Class 3 consists of all Indianapolis Industrial Revenue Bonds Claims.
- (b) *Treatment:* Indianapolis Industrial Revenue Bonds Claims shall be Reinstated on the Effective Date.
- (c) *Voting:* Class 3 is Unimpaired, and Holders of Class 3 Indianapolis Industrial Revenue Bonds Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 3 Indianapolis Industrial Revenue Bonds Claims are not entitled to vote to accept or reject the Plan.

4. Class 4 - Maricopa Industrial Revenue Bonds Claims

- (a) *Classification:* Class 4 consists of all Maricopa Industrial Revenue Bonds Claims.
- (b) *Treatment:* Maricopa Industrial Revenue Bonds Claims shall be Reinstated on the Effective Date.
- (c) *Voting:* Class 4 is Unimpaired, and Holders of Class 4 Maricopa Industrial Revenue Bonds Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 4 Maricopa Industrial Revenue Bonds Claims are not entitled to vote to accept or reject the Plan.

5. Class 5 - Sedgwick County Industrial Revenue Bonds Claims

- (a) *Classification:* Class 5 consists of all Sedgwick County Industrial Revenue Bonds Claims.
- (b) *Treatment:* Sedgwick County Industrial Revenue Bonds Claims shall be Reinstated on the Effective Date.
- (c) *Voting:* Class 5 is Unimpaired, and Holders of Class 5 Sedgwick County Industrial Revenue Bonds Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5 Sedgwick County Industrial Revenue Bonds Claims are not entitled to vote to accept or reject the Plan.

6. Class 6 - Senior Credit Facility Secured Claims

- (a) *Classification:* Class 6 consists of all Senior Credit Facility Secured Claims.
- (b) *Allowance:* The Senior Credit Facility Secured Claims shall be Allowed and deemed to be Allowed Secured Claims in the aggregate principal amount of \$921.6 million.
- (c) *Treatment:* Except to the extent that a Holder of an Allowed Senior Credit Facility Secured Claim agrees to a less favorable treatment for such Holder, in exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed Senior Credit Facility Secured Claim, each Holder of such Allowed Senior Credit Facility Secured Claim shall receive such Holder's Pro Rata share of 81.1% of the New Common Stock, subject to dilution by the Management Equity Incentive Plan.
- (d) *Voting:* Class 6 is Impaired. Therefore, Holders of Class 6 Senior Credit Facility Secured Claims are entitled to vote to accept or reject the Plan.

7. Class 7 - Senior Notes Claims

- (a) *Classification:* Class 7 consists of all Senior Notes Claims.
- (b) *Allowance:* The Senior Notes Claims shall be Allowed as unsecured Claims in the aggregate principal amount of \$510.2 million.
- (c) *Treatment:* Except to the extent that a Holder of an Allowed Senior Notes Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed Senior Notes Claim, each Holder of such Allowed Senior Notes Claim shall receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery and its Pro Rata share of the Subordinated Notes Claim Recovery. For purposes of calculating the Pro Rata share allocable to each Holder of an Allowed Senior Notes Claim, in accordance with Article IX.C hereof, any Senior Notes Claims held by any Debtor have been excluded from the Allowed amount of Senior Notes Claims provided in Article III.B.7(b) above.
- (d) *Voting:* Class 7 is Impaired. Therefore, Holders of Allowed Class 7 Senior Notes Claims as of the Voting Record Date are entitled to vote to accept or reject the Plan.

8. Class 8 - Subordinated Notes Claims

- (a) *Classification:* Class 8 consists of all Subordinated Notes Claims.
- (b) *Allowance:* The Subordinated Notes Claims shall be Allowed as unsecured Claims in the aggregate amount of \$308.3 million.
- (c) *Treatment:* In exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed Subordinated Notes Claim, each Holder of such Allowed Subordinated Notes Claim shall receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery; provided, that Holders of Allowed Subordinated Notes Claims shall turn over their Unsecured Creditor Equity Recovery to Holders of Senior Notes Claims in accordance with the terms and conditions of the Senior Notes Indenture and Subordinated Notes Indenture that provide that the Subordinated Notes Claims are subordinated in right of payment to the payment of the Senior Notes Claims.
- (d) *Voting:* Class 8 is Impaired, and Holders of Class 8 Subordinated Notes Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 8 Subordinated Notes Claims are not entitled to vote to accept or reject the Plan.

9. Class 9 - General Unsecured Claims

- (a) *Classification:* Class 9 consists of all General Unsecured Claims.
- (b) *Allowance:* The General Unsecured Claims shall include the Senior Credit Facility Deficiency Claims, which shall be Allowed in the aggregate principal amount of \$780.9 million, and any other General Unsecured Claims that are Allowed pursuant to the Plan or a Final Order of the Bankruptcy Court.
- (c) *Treatment:* Except to the extent that a Holder of a General Unsecured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed General Unsecured Claim, each Holder of such Allowed General Unsecured Claim shall receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery; provided, that if the Holders of Senior Notes

Claims make a proposal to fund the General Unsecured Claims Cash Out Option, satisfactory to the Debtors before the date which is ten Business Days prior to the hearing to consider approval of the Disclosure Statement, each Holder of an Allowed General Unsecured Claim that is not a Senior Credit Facility Deficiency Claim, in an amount not to exceed \$200 million per General Unsecured Claim, may elect (on such Holder's applicable Ballot) a preference to receive, in lieu of receiving its Pro Rata share of the Unsecured Creditor Equity Recovery, payment in Cash on the Effective Date, which Cash amount will equal [__]% of the implied value of the New Common Stock that such Holder of an Allowed General Unsecured Claim would otherwise have been entitled to receive. If the General Unsecured Claims Cash Out Option is not funded, for the avoidance of doubt, all Holders of Allowed General Unsecured Claims shall receive their Pro Rata share of the Unsecured Creditor Equity Recovery.

For the avoidance of doubt, Holders of Allowed Senior Credit Facility Deficiency Claims agree to waive any rights to receive any payment of the Subordinated Notes Claim Recovery that would otherwise be payable to such Holders upon the enforcement of the contractual subordination of the Subordinated Notes Claims.

- (d) *Voting:* Class 9 is Impaired. Therefore, Holders of Allowed Class 9 General Unsecured Claims as of the Voting Record Date are entitled to vote to accept or reject the Plan.

10. Class 10 - PBGC Unsecured Claims

- (a) *Classification:* Class 10 consists of all PBGC Unsecured Claims.
- (b) *Treatment:* Except to the extent that a Holder of an Allowed PBGC Unsecured Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and compromise of each Allowed PBGC Unsecured Claim, each Holder of such Allowed PBGC Unsecured Claim shall receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery.
- (c) *Voting:* Class 10 is Impaired. Therefore, Holders of Class 10 PBGC Unsecured Claims are entitled to vote to accept or reject the Plan.

11. Class 11 - Intercompany Claims

- (a) *Classification:* Class 11 consists of all Intercompany Claims.
- (b) *Treatment:* To preserve the Debtors' corporate structure, Intercompany Claims may be Reinstated as of the Effective Date or, at the Debtors' or Reorganized Debtors' option, as applicable, be cancelled or compromised, and no distribution shall be made on account of such Intercompany Claims, in all cases consistent with the terms of the Restructuring Support Agreement and the Restructuring Term Sheet, provided, that to the extent any Intercompany Claims are cancelled or compromised, in no event will the beneficiary receive less than it would have received if it were a Class 9 General Unsecured Claim.
- (c) *Voting:* Class 11 is Impaired. Because the Debtors reserve the right to have the Intercompany Claims be Reinstated, cancelled, or compromised, Holders of Class 11 Intercompany Claims are provisionally entitled to vote to accept or reject the Plan; provided, that should Class 11 ultimately be Unimpaired or Impaired and receiving no distribution, Class 11 ballots shall be disregarded and Class 11 shall be either presumed to accept or deemed to reject the Plan, as applicable.

12. Class 12 - Section 510(b) Claims

- (a) *Classification:* Class 12 consists of all Section 510(b) Claims.
- (b) *Treatment:* Holders of Section 510(b) Claims shall not receive any distribution on account of such Claims, and Section 510(b) Claims shall be discharged, cancelled, released, and extinguished as of the Effective Date.
- (c) *Voting:* Class 12 is Impaired, and Holders of Class 12 Section 510(b) Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 12 Section 510(b) Claims are not entitled to vote to accept or reject the Plan.

13. Class 13 - Intercompany Interests

- (a) *Classification:* Class 13 consists of all Intercompany Interests.
- (b) *Treatment:* To the extent not otherwise transferred by HBI to Reorganized HBI, Intercompany Interests shall be reinstated on the Effective Date.
- (c) *Voting:* Class 13 is Unimpaired, and Holders of Class 13 Intercompany Interests conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 13 Intercompany Interests are not entitled to vote to accept or reject the Plan.

14. Class 14 - HBI Interests

- (a) *Classification:* Class 14 consists of all HBI Interests.
- (b) *Treatment:* Holders of HBI Interests will not receive any distribution on account of such HBI Interests, and HBI Interests shall be discharged, cancelled, released, and extinguished as of the Effective Date, and shall be of no further force or effect.
- (c) *Voting:* Class 14 is Impaired, and Holders of Class 14 HBI Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 14 HBI Interests are not entitled to vote to accept or reject the Plan.

C. *Special Provision Governing Unimpaired Claims*

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

D. *Elimination of Vacant Classes*

Any Class of Claims or Interests that does not have a Holder of an Allowed Claim or Allowed Interest or a Claim or Interest temporarily Allowed by the Bankruptcy Court as of the date of the Confirmation Hearing shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

E. *Voting Classes; Presumed Acceptance by Non-Voting Classes*

If a Class contains Claims or Interests eligible to vote and no Holders of Claims or Interests eligible to vote in such Class vote to accept or reject the Plan, the Plan shall be presumed accepted by the Holders of such Claims or Interests in such Class.

F. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code

The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right to modify the Plan in accordance with Article XI hereof to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

G. Controversy Concerning Impairment

If a controversy arises as to whether any Claims or Interests, or any Class of Claims or Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

**ARTICLE IV.
MEANS FOR IMPLEMENTATION OF THE PLAN**

A. Sources of Consideration for Plan Distributions

The Confirmation Order shall be deemed to authorize, among other things, the Restructuring Transactions. All amounts and securities necessary for the Debtors (on the Effective Date) or the Reorganized Debtors or the Disbursing Agent (after the Effective Date) to make payments or distributions pursuant hereto shall be obtained from the New Common Stock, the Exit Facility, Cash of the Debtors, and the implementation of the General Unsecured Claims Cash Out Option. Notwithstanding anything herein to the contrary, the Reorganized Debtors shall assume all liability for the Plan distributions provided on account of all Allowed Claims against the Debtors specified herein that are not satisfied by a distribution made by the Debtors on or around the Effective Date.

B. General Unsecured Claims Cash Out Option

If the Holders of Senior Notes Claims provide an acceptable proposal to the Debtors at least ten Business Days prior to the hearing to approve the Disclosure Statement, the Plan will implement the General Unsecured Claims Cash Out Option available to each Holder of an Allowed General Unsecured Claim in an amount not to exceed \$200 million per General Unsecured Claim described in Article III.B.9. The Holders of Senior Notes Claims funding this treatment will receive the Pro Rata share of the Unsecured Creditor Equity Recovery that otherwise would have been received by the Holder of the General Unsecured Claim that elected the General Unsecured Claims Cash Out Option on its Ballot. If implemented, the Cash necessary to fund this treatment would be provided by the Holders of Senior Notes Claims on a Pro Rata basis; provided, that to the extent any Holder of Senior Notes Claims decides not to fund its Pro Rata share of the funding necessary to fund this treatment, those participating Holders of Senior Notes Claims may elect to purchase the unfunded portion of such funding, and if there is more than one participating Holder of Senior Notes Claims making such election, the unfunded portion of the funding shall be allocated among such Holders based upon the amount of Senior Notes Claims held by each such Holder as compared to the amount of Senior Notes Claims held by all such Holders making such election.

C. Exit Facility

The Confirmation Order shall include approval of the Exit Facility (including the transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Facility, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein) and authorization for the Reorganized Debtors to enter into and execute the Exit Facility Documents and such other documents as may be required to effectuate the treatment afforded to the lenders under the Exit Facility pursuant to the Exit Facility Documents. The Reorganized Debtors may use the Exit Facility for any purpose permitted thereunder, including the funding of obligations under the Plan and satisfaction of ongoing working capital needs.

Upon the Confirmation Date, (1) the Reorganized Debtors are authorized to execute and deliver the Exit Facility Documents and perform their obligations thereunder including, without limitation, the payment or

reimbursement of any fees, expenses, losses, damages, or indemnities, and (2) subject to the occurrence of the Effective Date the Exit Facility Documents shall constitute the legal, valid, and binding obligations of the Reorganized Debtors and be enforceable in accordance with their respective terms.

D. Issuance of New Common Stock

HBI Interests shall be cancelled and Reorganized HBI shall issue the New Common Stock for distribution to Holders of Allowed Senior Credit Facility Secured Claims and Holders of Claims entitled to receive the Unsecured Creditor Equity Recovery, and Holders of Senior Notes Claims who fund the General Unsecured Claims Cash Out Option. New Common Stock shall also be reserved for the Management Equity Incentive Plan.

Each share of the New Common Stock issued and distributed pursuant to the Plan shall be duly authorized, validly issued, and fully paid and non-assessable. Each distribution and issuance referred to in Article VII hereof shall be governed by the terms and conditions set forth herein applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

E. New Shareholders Agreement

[On the Effective Date, Reorganized HBI shall enter into and deliver the New Shareholders Agreement in substantially the form included in the Plan Supplement, after consultation with the Committee. The New Shareholders Agreement shall be deemed to be valid, binding, and enforceable in accordance with its terms, and each Holder of New Common Stock shall be deemed to be bound thereby, in each case without the need for execution by any party thereto other than Reorganized HBI.]

F. General Settlement of Claims

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims, Interests, and controversies resolved pursuant to the Plan. Distributions made to Holders of Allowed Claims are intended to be final.

G. Section 1145 Exemption

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance, and distribution of the New Common Stock shall be exempt from, among other things, the registration and prospectus delivery requirements of Section 5 of the Securities Act and any other applicable state and federal law requiring registration and/or delivery of a prospectus prior to the offering, issuance, distribution, or sale of securities. In addition, under section 1145 of the Bankruptcy Code, any securities contemplated by the Plan and any and all agreements incorporated therein, including, the New Common Stock shall be subject to (1) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act; (2) compliance with any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such securities or instruments; (3) the restrictions, if any, on the transferability of such securities and instruments, including those set forth in the New Corporate Governance Documents; and (4) applicable regulatory approval, if any.

H. Listing of New Common Stock; Reporting Obligations

On the Effective Date, none of the New Common Stock will be listed on a national securities exchange, the Reorganized Debtors will not be reporting companies under the Securities Exchange Act, the Reorganized Debtors shall not be required to file reports with the Securities and Exchange Commission or any other entity or party, and the Reorganized Debtors shall not be required to file monthly operating reports, or any other type of report, with the Bankruptcy Court after the Effective Date; provided, that notwithstanding anything to the contrary contained herein, each of the Reorganized Debtors shall provide to the U.S. Trustee a calculation of their disbursements on a quarterly

basis until the entry of a final decree pursuant to Bankruptcy Rule 3022 to close the chapter 11 case of such Reorganized Debtor. In order to prevent the Reorganized Debtors from becoming subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, the New Corporate Governance Documents may impose certain trading restrictions, and the New Common Stock will be subject to certain transfer and other restrictions pursuant to the New Corporate Governance Documents.

I. Release of Liens

Except as otherwise provided herein or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released, settled, and compromised and all rights, titles, and interests of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall revert to the Reorganized Debtors and their successors and assigns. The Reorganized Debtors shall be authorized to file any necessary or desirable documents to evidence such release in the name of such Secured Party.

J. Cancellation of Securities and Agreements

On the Effective Date, except as otherwise specifically provided for in the Plan: (1) the obligations of the Debtors under the Senior Notes Indenture, the Subordinated Notes Indenture, and any other certificate, share, note, bond, indenture, purchase right, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest, equity, or profits interest in the Debtors or any warrants, options, or other securities exercisable or exchangeable for, or convertible into, debt, equity, ownership, or profits interests in the Debtors giving rise to any Claim or Interest (except the Intercompany Interests and such other certificates, notes, or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically Reinstated pursuant to the Plan), shall be cancelled as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; (2) the obligations of the Debtors under the DIP Facility and the Senior Secured Facility shall be fully released, settled, and compromised as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (3) the obligations of the Debtors pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, indentures, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors shall be fully released, settled, and compromised except as expressly provided herein; provided, that notwithstanding Confirmation or the occurrence of the Effective Date, any such agreement that governs the rights of the Holder of a Claim or Interest shall continue in effect solely for purposes of allowing such Holders to receive distributions under the Plan as provided herein; provided, further, that notwithstanding the foregoing and anything else contained in the Plan, the Senior Notes Indenture and the Subordinated Notes Indenture will continue in effect solely for the purposes of (1) allowing distributions, if any, to be made under the Plan pursuant to the Senior Notes Indenture and the Subordinated Notes Indenture and for the Senior Notes Indenture Trustee and the Subordinated Notes Indenture Trustee to perform such other necessary functions with respect thereto, if any, and to have the benefit of all the protections and other provisions of the applicable indentures in doing so; and (2) permitting an Senior Notes Indenture Trustee to maintain or assert any right or charging lien it may have against distributions pursuant to the terms of the Plan to recover unpaid fees and expenses (including the fees and expenses of their counsel, agents, and advisors) of the Senior Notes Indenture Trustee. On and after the Effective Date, all duties and responsibilities of the Senior Notes Indenture Trustee and the Subordinated Notes Indenture Trustee under the applicable indentures shall be discharged except to the extent required in order to effectuate the Plan.

On the Effective Date, except to the extent otherwise provided herein, any indenture relating to any of the foregoing, including the Senior Notes Indenture and the Subordinated Notes Indenture, shall be deemed to be canceled, as permitted by section 1123(a)(5)(F) of the Bankruptcy Code, and the obligations of the Debtors thereunder shall be fully released, settled, and compromised.

K. Restructuring Transactions

On the Effective Date or as soon as reasonably practicable thereafter, the Debtors and the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Restructuring Transactions under and in connection with the Plan. For the purposes of effectuating the Plan, none of the Restructuring Transactions contemplated herein shall constitute a change of control under any agreement, contract or document of the Debtors. The Debtors reserve the right to implement the restructuring contemplated by the Plan pursuant to a transaction that provides for the purchase of substantially all of the assets of any of the Debtors by one or more new corporations or limited liability companies that will be formed or caused to be formed by the Debtors, which transaction shall be structured as a taxable transaction for United States federal income tax purposes, shall be deemed consummated on the Effective Date, and will be described in the Plan Supplement.

L. Corporate Action

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by Holders of Claims or Interests, directors, managers, or officers of the Debtors, the Reorganized Debtors, or any other Entity or Person, including: (1) rejection or assumption, as applicable, of Executory Contracts and Unexpired Leases; (2) selection of the managers and officers for the Reorganized Debtors; (3) the execution of and entry into the Exit Facility Documents; (4) entry into the New Corporate Governance Documents; (5) the issuance and distribution of the New Common Stock as provided herein; (6) adoption of the Management Equity Incentive Plan; and (7) all other acts or actions contemplated, or reasonably necessary or appropriate to promptly consummate the transactions contemplated by the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the company structure of the Debtors, and any company action required by the Debtors in connection therewith, shall be deemed to have occurred on, and shall be in effect as of, the Effective Date, without any requirement of further action by the security holders, directors, managers, authorized persons, or officers of the Debtors.

On or (as applicable) prior to the Effective Date, the appropriate officers, managers, or authorized persons of the Debtors (including, any president, vice-president, chief executive officer, treasurer, general counsel, or chief financial officer thereof) shall be authorized and directed to issue, execute and deliver the agreements, documents, securities, certificates of incorporation, certificates of formation, bylaws, operating agreements, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Debtors including (1) the Exit Facility Agreement and the other Exit Facility Documents, (2) the New Corporate Governance Documents, and (3) any and all other agreements, documents, securities and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article IV.L shall be effective notwithstanding any requirements under non-bankruptcy law.

M. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors and the managers, officers, authorized persons and members of the boards of managers and directors thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan, the Exit Facility Agreement, and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

N. Exemption from Certain Taxes and Fees

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto or pursuant to the Exit Facility Documents shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment

of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (1) the creation of any mortgage, deed of trust, Lien, or other security interest; (2) the making or assignment of any lease or sublease; (3) any Restructuring Transaction; (4) the issuance, distribution, and/or sale of any of the New Common Stock and any other securities of the Debtors or the Reorganized Debtors; or (5) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation, or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any Restructuring Transaction occurring under the Plan.

O. Corporate Existence

Except as otherwise provided in the Plan, each Debtor shall continue to exist after the Effective Date as a separate corporate Entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be pursuant to the Plan and require no further action or approval.

P. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated herein, on the Effective Date, all property in each Estate, all Causes of Action, and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances. On and after the Effective Date, except as otherwise provided in the Plan, each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

Q. Assumption of Directors and Officers Insurance Policies

The Debtors do not believe that the D&O Liability Insurance Policies issued to, or entered into by, the Debtors prior to the Petition Date constitute executory contracts. To the extent that such insurance policies or agreements are considered to be executory contracts, then, notwithstanding anything in the Plan to the contrary, the Reorganized Debtors shall be deemed to have assumed all of the Debtors' unexpired D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code effective as of the Effective Date. Entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the Reorganized Debtors' foregoing assumption of each of the unexpired D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained in the Plan, confirmation of the Plan shall not discharge, impair, or otherwise modify any indemnity obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such indemnity obligation will be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be filed.

In addition, after the Effective Date, none of the Reorganized Debtors shall terminate or otherwise reduce the coverage under any D&O Liability Insurance Policies (including any "tail policy") in effect on the Petition Date, with respect to conduct occurring prior thereto, and all directors and officers of the Debtors who served in such capacity at any time prior to the Effective Date shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such directors and officers remain in such positions after the Effective Date.

R. Indemnification Provisions in New Corporate Governance Documents

As of the Effective Date, the New Corporate Governance Documents shall provide for the indemnification, defense, reimbursement, exculpation, and/or limitation of liability of, and advancement of fees and expenses to, the Reorganized Debtors' current and former directors, officers, employees, or agents at least to the same extent as the

organizational documents of each of the respective Debtors on the Petition Date, against any claims or Causes of Action whether direct or derivative, liquidated or unliquidated, fixed or contingent, disputed or undisputed, matured or unmatured, known or unknown, foreseen or unforeseen, asserted or unasserted, and none of the Reorganized Debtors shall amend and/or restate the New Corporate Governance Documents before or after the Effective Date to terminate or materially adversely affect any of the Reorganized Debtors' obligations to provide such indemnification rights or such directors', officers', employees', or agents' indemnification rights.

S. Directors and Officers of Reorganized HBI and the Other Reorganized Debtors

1. The New Board

The New Board of Reorganized HBI shall consist of [] directors or managers, as applicable, and the New Board of the other Debtors shall consist of the number of directors or managers, as applicable, provided for such Debtor in its New Corporate Governance Documents, in each case selected in accordance with the Restructuring Term Sheet and the New Corporate Governance Documents. On the Effective Date, all managers, directors, and other members of the existing boards or governance bodies of the Debtors, as applicable, shall cease to hold office or have any authority from and after such time to the extent not expressly included in the roster of the New Board. Pursuant to section 1129(a)(5) of the Bankruptcy Code, to the extent known, the identity of the members of the New Board will be disclosed in the Plan Supplement.

2. Senior Management

The existing officers of the Debtors as of the Petition Date shall remain in their current capacities as officers of the Reorganized Debtors, subject to the ordinary rights and powers of the New Board to remove or replace them in accordance with the New Corporate Governance Documents and any applicable employment agreements that are assumed by the Reorganized Debtors consistent with the terms hereunder.

T. Preservation of Causes of Action

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released (including, for the avoidance of doubt, pursuant to Article IX.D and Article IX.F hereof), the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or the Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against them. Except with respect to Causes of Action as to which the Debtors or the Reorganized Debtors have released any Person or Entity on or prior to the Effective Date (pursuant to the Debtor Release or otherwise), the Debtors or the Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

U. Payment of Senior Notes Indenture Trustee Fees and Expenses

All reasonable fees and expenses of the Senior Notes Indenture Trustee incurred before the Effective Date (and their counsel, agents, and advisors) up to \$250,000 shall be paid in full in Cash without a reduction to the recoveries of applicable Holders of Allowed Claims on the Effective Date (subject to the Debtors', counsel to the Ad Hoc Committee of Senior Secured Lenders', and counsel to the Ad Hoc Committee of Senior Noteholders' prior receipt of invoices in customary form in connection therewith and without the requirement to file a fee application

with the Bankruptcy Court). To the extent invoices are submitted after the Effective Date, such invoices shall be paid as soon as reasonably practicable. Notwithstanding the foregoing, to the extent any fees or expenses of the Senior Notes Indenture Trustee are not paid, the Senior Notes Indenture Trustee may assert their charging liens against any recoveries received on account of Allowed Senior Notes Claims for payment of such unpaid amounts. All disputes related to the fees and expenses of the Senior Notes Indenture Trustee shall be subject to the jurisdiction of and decided by the Bankruptcy Court.

**ARTICLE V.
TREATMENT OF COMPENSATION, PENSION, AND BENEFITS PROGRAMS**

A. Management Equity Incentive Plan

On or as soon as practicable following the Effective Date, the New Board shall adopt the Management Equity Incentive Plan contained in the Plan Supplement. In no event shall initial equity distributions under the Management Equity Incentive Plan occur later than the date which is 30 days after the Effective Date.

B. Compensation and Benefits Programs

The Debtors do not believe that all of the Compensation and Benefits Programs are Executory Contracts, but for purposes of the Plan, the Compensation and Benefits Programs shall be deemed to be, and shall be treated as though they are, Executory Contracts and, except as set forth below, the Reorganized Debtors' obligations under the Compensation and Benefits Programs shall be deemed rejected on the Effective Date pursuant to the provisions of section 365 and 1123 of the Bankruptcy Code, except for: (a) Compensation and Benefits Programs listed in the Plan Supplement to be assumed; (b) Compensation and Benefits Programs that have previously been assumed; and (c) Compensation and Benefits Programs that, as of the entry of the Confirmation Order, are the subject of pending assumption procedures or a motion to assume.

The assumption or continuation of Compensation and Benefits Programs as set forth herein shall not be deemed to trigger any applicable change of control, immediate vesting, termination, or similar provisions therein (unless a Compensation and Benefits Program counterparty timely objects to the assumption or continuation contemplated by this Article V.B in which case any such Compensation and Benefits Program shall be deemed rejected or discontinued as of immediately prior to the Petition Date). No counterparty shall have rights under the Compensation and Benefits Programs assumed pursuant to this Article V.B other than those applicable immediately prior to such assumption or continuation.

For the avoidance of doubt, the Debtors are not seeking to assume any obligations in connection with the [] in connection with the Plan. Claims arising from the discontinuation, rejection, or termination of the Non-Qualified Retirement Plans will be treated as General Unsecured Claims in Class 9.

C. New Non-Qualified Employee Compensation Plan

As of the Effective Date, and as more fully set forth in the Plan Supplement, the Reorganized Debtors shall enter into the New Non-Qualified Employee Compensation Plan, which for active employees shall include starting balances equal to such employees' balances as of the Petition Date under the Non-Qualified Deferred Compensation Plan.

D. Workers' Compensation Programs

As of the Effective Date, except as set forth in the Plan Supplement, the Debtors and the Reorganized Debtors shall continue to honor their obligations under: (i) all applicable workers' compensation laws in states in which the Reorganized Debtors operate; and (ii) the Debtors' written contracts, agreements, agreements of indemnity, self-insurer workers' compensation bonds, policies, programs, and plans for workers' compensation and workers' compensation insurance.

All Proofs of Claims on account of workers' compensation shall be deemed withdrawn automatically and without any further notice to or action, order, or approval of the Bankruptcy Court; provided, that nothing in the Plan shall limit, diminish, or otherwise alter the Debtors' or Reorganized Debtors' defenses, Causes of Action, or other rights under applicable non-bankruptcy law with respect to any such contracts, agreements, policies, programs, and plans; provided, further, that nothing herein shall be deemed to impose any obligations on the Debtors in addition to what is provided for under applicable state law.

ARTICLE VI.
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided herein, or in any contract, instrument, release, indenture or other agreement, or document entered into in connection with the Plan, as of the Effective Date, each Debtor shall be deemed to have rejected each Executory Contract and Unexpired Lease to which it is a party, unless such Executory Contract or Unexpired Lease: (1) was previously assumed or rejected; (2) was previously expired or terminated pursuant to its own terms; (3) is the subject of a motion or notice to assume filed on or before the Confirmation Date; or (4) is designated specifically or by category as an Executory Contract or Unexpired Lease on the Schedule of Assumed Executory Contracts and Unexpired Leases.

The Confirmation Order shall constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the assumptions and assignments or rejections described above as of the Effective Date. Unless otherwise indicated, all assumptions and assignments or rejections of Executory Contracts and Unexpired Leases in the Plan will be effective as of the Effective Date. Each Executory Contract and Unexpired Lease assumed and assigned pursuant to the Plan or by Bankruptcy Court order, shall vest in and be fully enforceable by the applicable assignee in accordance with its terms, except as such terms may have been modified by order of the Bankruptcy Court.

Notwithstanding the foregoing paragraph or anything contrary herein, the Debtors reserve the right to alter, amend, modify, or supplement the Executory Contracts and Unexpired Leases identified in the Plan Supplement prior to the Effective Date.

B. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases

Any Executory Contracts or Unexpired Leases to be assumed and assigned pursuant to the Plan, or otherwise, that are, or may be, alleged to be in default, shall be satisfied solely by payment of the Cure Cost or by an agreed-upon waiver or discharge of the Cure Cost on the Effective Date or as soon as reasonably practicable thereafter or on such other terms as the Debtors and the counterparties to each such Executory Contract or Unexpired Lease may otherwise agree.

In the event of a dispute regarding: (1) the amount of any Cure Cost; (2) the ability of the Reorganized Debtors to provide "adequate assurance of future performance" within the meaning of section 365(b) of the Bankruptcy Code, if applicable, under the Executory Contract or the Unexpired Lease to be assumed; or (3) any other matter pertaining to assumption and/or assignment, then such Cure Costs shall be paid following the entry of a Final Order resolving the dispute and approving the assumption and assignment of such Executory Contracts or Unexpired Leases or as may be agreed upon by the Debtors or the Reorganized Debtors, in consultation with the Committee, and the counterparty to such Executory Contract or Unexpired Lease; provided, that prior to the Effective Date, the Debtors, in consultation with the Committee, or after the Effective Date, the Reorganized Debtors, may settle any dispute regarding the amount of any Cure Cost without any further notice to any party or any action, order, or approval of the Bankruptcy Court; provided, further, that notwithstanding anything to the contrary herein, prior to the Effective Date and prior to the entry of a Final Order resolving any dispute and approving the assumption and assignment of such Executory Contract or Unexpired Lease, the Debtors reserve the right to reject any Executory Contract or Unexpired Lease which is subject to dispute.

Assumption and assignment of any Executory Contract or Unexpired Lease pursuant to the Plan, or otherwise, shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption and/or assignment.

C. Claims Based on Rejection of Executory Contracts and Unexpired Leases

Unless otherwise provided by an order of the Bankruptcy Court, any Proofs of Claim based on the rejection of the Debtors' Executory Contracts or Unexpired Leases pursuant to the Plan or otherwise, must be Filed with the Notice, Claims, and Solicitation Agent no later than the later of (a) 30 days after the effective date of rejection of such Executory Contract or Unexpired Lease and (b) the Claims Bar Date established in the Chapter 11 Cases.

Any Holder of a Claim arising from the rejection of an Executory Contract or Unexpired Lease for which a Proof of Claims was not timely Filed as set forth in the paragraph above shall not (a) be treated as a Holder of a Claim hereunder, (b) be permitted to vote to accept or reject the Plan, or (c) participate in any distribution in the Chapter 11 Cases on account of such Claim, and such Claim shall be deemed fully satisfied, released, settled, and compromised, and be subject to the permanent injunction set forth in Article IX.G hereof, notwithstanding anything in the Schedules or a Proof of Claim to the contrary.

D. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases

Rejection or repudiation of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors under such contracts or leases. In particular, notwithstanding any non-bankruptcy law to the contrary, the Debtors expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased, or services previously received, by the contracting Debtors from counterparties to rejected or repudiated Executory Contracts or Unexpired Leases.

E. Modifications, Amendments, Supplements, Restatements, or Other Agreements

Unless otherwise provided in the Plan, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

F. Reservation of Rights

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Reorganized Debtors have any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors shall have 90 days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided herein.

G. Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code.

**ARTICLE VII.
PROVISIONS GOVERNING DISTRIBUTIONS**

A. Timing and Calculation of Amounts to Be Distributed

Except as otherwise provided in the Plan, on the Effective Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim against the Debtors shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class from the Disbursing Agent. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VIII hereof. Except as otherwise provided herein, Holders of Claims shall not be entitled to interest, dividends, or accruals on the distributions provided for herein, regardless of whether such distributions are delivered on or at any time after the Effective Date. Notwithstanding anything to the contrary herein, no Holder of an Allowed Claim shall, on account of such Allowed Claim, receive a distribution in excess of the Allowed amount of such Claim plus any postpetition interest on such Claim payable in accordance with the Plan. New Common Stock shall be deemed to be issued as of the Effective Date to the Holders of Claims entitled to receive New Common Stock hereunder without the need for further action by any Disbursing Agent, Reorganized HBI, or any other Debtor, including without limitation the issuance and/or delivery of any certificate evidencing any such shares, units, or interests, as applicable, of New Common Stock.

B. Distributions on Account of Obligations of Multiple Debtors

For all purposes associated with distributions under the Plan, all guarantees by any Debtor of the obligations of any other Debtor, as well as any joint and several liability of any Debtor with respect to any other Debtor, shall be deemed eliminated so that any obligation that could otherwise be asserted against more than one Debtor shall result in a single distribution under the Plan; provided that, for the avoidance of doubt, this shall not affect the obligation of each and every Debtor to pay U.S. Trustee Fees until such time as a particular case is closed, dismissed, or converted.

C. Distributions Generally; Disbursing Agent

All distributions under the Plan that are to be made on the Effective Date shall be made by the Debtors as Disbursing Agent or any other duly appointed Disbursing Agent, unless otherwise specified herein. A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

D. Rights and Powers of Disbursing Agent

1. Powers of the Disbursing Agent

The Disbursing Agent shall be empowered to, as applicable: (a) affect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated under the Plan; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

2. Expenses Incurred On or After the Effective Date

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Disbursing Agent after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

E. Distributions on Account of Claims Allowed After the Effective Date

1. Payments and Distributions on Disputed Claims

Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date, but which later become Allowed Claims shall be deemed to have been made on the Effective Date.

2. Special Rules for Distributions to Holders of Disputed Claims

Notwithstanding any provision otherwise in the Plan and except as may be agreed to by the Debtors, on the one hand, and the Holder of a Disputed Claim, on the other hand, no partial payments and no partial distributions shall be made with respect to any Disputed Claim until all Disputed Claims held by the Holder of such Disputed Claim have become Allowed Claims or have otherwise been resolved by settlement or Final Order; provided, that if the Debtors do not dispute a portion of an amount asserted pursuant to an otherwise Disputed Claim, the Holder of such Disputed Claim shall be entitled to a distribution on account of that portion of such Claim, if any, that is not disputed at the time and in the manner that the Disbursing Agent makes distributions to similarly-situated Holders of Allowed Claims pursuant to the Plan.

F. Delivery of Distributions and Undeliverable or Unclaimed Distributions

1. Delivery of Distributions in General

Except as otherwise provided herein, the Disbursing Agent shall make distributions to Holders of Allowed Claims at the address for each such Holder as indicated on the Debtors' books and records as of the date of any such distribution; provided, that the manner of such distributions shall be determined at the discretion of the Disbursing Agent; and provided, further, that the address for each Holder of an Allowed Claim shall be deemed to be the address set forth in any Proof of Claim Filed by that Holder. If a Holder holds more than one Claim in any one Class, all Claims of the Holder will be aggregated into one Claim and one distribution will be made with respect to the aggregated Claim.

After the Confirmation Date, the Senior Credit Facility Administrative Agent and the Senior Notes Indenture Trustee may, in their respective sole discretion, limit the further assignment of Senior Credit Facility Secured Claims or Senior Notes Claims, as applicable, to allow for the accurate recording of the Holders of such Claims as of the Effective Date.

Distributions to Holders of Senior Credit Facility Secured Claims and Senior Credit Facility Deficiency Claims shall (a) be made to the Senior Credit Facility Disbursing Agent for the benefit of the respective Holders of Senior Credit Facility Secured Claims and Senior Credit Facility Deficiency Claims, as provided herein and (b) be deemed completed when made to the Senior Credit Facility Disbursing Agent.

Distributions to Holders of Senior Notes Claims shall (a) be made by the Disbursing Agent to the Senior Notes Indenture Trustee for the benefit of Holders of Senior Notes Claims and (b) be deemed completed when made by the Disbursing Agent to the Senior Notes Indenture Trustee.

Distributions to Holders of Subordinated Notes Claims shall (a) be made by the Disbursing Agent to the Senior Notes Indenture Trustee for the benefit of Holders of Subordinated Notes Claims and (b) be deemed completed when made by the Disbursing Agent to the Senior Notes Indenture Trustee.

Prior to the distribution of New Common Stock hereunder, the recipient of such New Common Stock shall furnish to the transfer agent identified by the Debtors such identification and tax information as may be required by the Debtors.

2. De Minimis Distributions

The Disbursing Agent shall not be required to make partial distributions or payments of fractions of New Common Stock and such fractions shall be deemed to be zero.

3. Undeliverable Distributions and Unclaimed Property

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Disbursing Agent has determined the then current address of such Holder, at which time such distribution shall be made to such Holder without interest; provided, that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of six months from the Effective Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtors (notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary), and the Claim of any Holder to such property or interest in property shall be released, settled, compromised, and forever barred.

4. Manner of Payment Pursuant to the Plan

Any payment in Cash to be made pursuant to the Plan shall be made at the election of the Disbursing Agent by check or by wire transfer.

G. *Compliance with Tax Requirements/Allocations*

In connection with the Plan, to the extent applicable, the Disbursing Agent shall comply with all tax withholding and reporting requirements imposed on it by any Governmental Unit, and all distributions pursuant hereto shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Disbursing Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing any other mechanisms they believe are reasonable and appropriate.

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest.

H. *Claims Paid or Payable by Third Parties*

1. Claims Paid by Third Parties

The Debtors on or prior to the Effective Date or the Reorganized Debtors after the Effective Date, shall reduce in full a Claim, and such Claim shall be disallowed without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a Person or Entity that is not a Debtor. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution to the Reorganized Debtors to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the Allowed amount of such Claim as of the date of any such distribution under the Plan.

2. Claims Payable by Third Parties

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy; provided, that if the Debtors believe a Holder of an Allowed Claim has recourse to an insurance policy and intend to withhold a distribution pursuant to this Article VII.H.2, the Debtors shall cause the Disbursing Agent to provide written notice to such Holder as to what the Debtors believe to be the nature and scope of applicable insurance coverage. To the extent that one or more of the Debtors' insurers agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

3. Applicability of Insurance Policies

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any other Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

**ARTICLE VIII.
PROCEDURES FOR RESOLVING CONTINGENT,
UNLIQUIDATED, AND DISPUTED CLAIMS**

A. *Resolution of Disputed Claims*

1. Allowance of Claims

On or after the Effective Date, the Reorganized Debtors shall have and shall retain any and all rights and defenses that the Debtors had with respect to any Claim, except with respect to any Claim deemed Allowed as of the Effective Date. Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including, without limitation, the Confirmation Order), no Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order, including, without limitation, the Confirmation Order, in the Chapter 11 Cases allowing such Claim.

2. Prosecution of Objections to Claims

The Debtors, prior to and on the Effective Date, or the Reorganized Debtors, after the Effective Date, shall have the exclusive authority to File objections to Claims, settle, compromise, withdraw, or litigate to judgment objections to any and all Claims, regardless of whether such Claims are in a Class or otherwise. From and after the Effective Date, the Reorganized Debtors may settle or compromise any Disputed Claim without any further notice to or action, order or approval of the Bankruptcy Court. From and after the Effective Date, the Reorganized Debtors shall have the sole authority to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order or approval of the Bankruptcy Court.

3. Claims Estimation

Prior to and on the Effective Date, the Debtors, and after the Effective Date, the Reorganized Debtors, may, at any time, request that the Bankruptcy Court estimate (a) any Disputed Claim pursuant to applicable law and (b) any contingent or unliquidated Claim pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, regardless of whether the Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to estimate any Disputed Claim, contingent Claim, or unliquidated Claim, including during the litigation concerning any objection to any Claim or during the pendency of any appeal relating to any such

objection. Notwithstanding any provision otherwise in the Plan, a Claim that has been expunged from the Claims Register but that is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any Disputed Claim, contingent Claim, or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim for all purposes under the Plan, including for purposes of distributions, and the Debtors or the Reorganized Debtors, as applicable, may elect to pursue additional objections to the ultimate distribution on such Claim. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or the Reorganized Debtors, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate distribution on account of such Claim. Notwithstanding section 502(j) of the Bankruptcy Code, in no event shall any Holder of a Claim that has been estimated pursuant to section 502(c) of the Bankruptcy Code or otherwise be entitled to seek reconsideration of such estimation unless such Holder has Filed a motion requesting the right to seek such reconsideration on or before 21 days after the date on which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

4. Expungement or Adjustment to Claims Without Objection

Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims Register by the Debtors or the Reorganized Debtors, as applicable, and any Claim that has been amended may be adjusted thereon by the Debtors or the Reorganized Debtors in both cases without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

5. Deadline to File Objections to Claims

Any objections to Claims shall be Filed no later than the Claims Objection Bar Date.

B. Disallowance of Claims

All Claims of any Entity from which property is sought by the Debtors under section 542, 543, 550, or 553 of the Bankruptcy Code or that the Debtors allege is a transferee of a transfer that is avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code shall be disallowed if (1) the Entity, on the one hand, and the Debtors, on the other hand, agree or the Bankruptcy Court has determined by Final Order that such Entity or transferee is liable to turnover any property or monies under any of the aforementioned sections of the Bankruptcy Code and (2) such Entity or transferee has failed to turnover such property by the date set forth in such agreement or Final Order.

EXCEPT AS OTHERWISE AGREED BY THE DEBTORS, ANY AND ALL PROOFS OF CLAIM FILED AFTER THE APPLICABLE CLAIMS BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE PROOF OF CLAIM IS DEEMED TIMELY FILED BY A FINAL ORDER OF THE BANKRUPTCY COURT.

C. Amendments to Claims

On or after the Effective Date, except as provided in Article II.A hereof, a Claim may not be Filed or amended without the prior authorization of the Bankruptcy Court or the Reorganized Debtors, and any such new or amended Claim Filed shall be deemed disallowed and expunged without any further notice to or action, order, or approval of the Bankruptcy Court.

**ARTICLE IX.
SETTLEMENT, RELEASE, INJUNCTION, AND RELATED PROVISIONS**

A. Compromise and Settlement of Claims, Interests, and Controversies

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Interest, or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against the Debtors and their Estates and Causes of Action against other Entities.

B. Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors or the Reorganized Debtors, as applicable, reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination relating thereto. Notwithstanding anything herein to the contrary, and as provided in Article III.B.12 of the Plan, no Holder of a Section 510(b) Claim shall receive any distribution on account of such Section 510(b) Claim, and all Section 510(b) Claims shall be extinguished.

C. Senior Notes Claims and Subordinated Notes Claims Settlement

The Debtors previously purchased and hold approximately \$353.9 million in aggregate principal amount of Senior Notes Claims and approximately \$154.9 million in aggregate principal amount of Subordinated Notes Claims. The Senior Credit Facility Lenders asserted that the Senior Notes Claims and Subordinated Notes Claims held by the Debtors are their collateral under the Senior Credit Facility. In compromise and settlement of this issue, the Senior Notes Claims held by the Debtors will be deemed retired on the Effective Date and will not receive a distribution under the Plan, but the Subordinated Notes Claims held by the Debtors will be deemed Allowed and will be entitled to a distribution under the Plan, which distribution will be subject to turnover to the Holders of Senior Notes Claims pursuant to the distribution provisions contained herein.

D. Debtor Release

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE, FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE RELEASEES, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, INCLUDING: (1) THE SETTLEMENT, RELEASE, AND COMPROMISE OF DEBT, INTERESTS, AND ALL OTHER GOOD AND VALUABLE CONSIDERATION PAID PURSUANT HERETO; AND (2) THE SERVICES OF THE DEBTORS' PRESENT AND FORMER OFFICERS, DIRECTORS, MANAGERS, AND ADVISORS IN FACILITATING THE EXPEDITIOUS IMPLEMENTATION OF THE RESTRUCTURING CONTEMPLATED HEREBY, EACH OF THE DEBTORS, THE REORGANIZED DEBTORS, AND THE DEBTORS' ESTATES CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER DISCHARGE AND RELEASE AND SHALL BE DEEMED TO HAVE PROVIDED A FULL DISCHARGE AND RELEASE TO EACH RELEASEE (AND EACH SUCH RELEASEE SO RELEASED SHALL BE DEEMED FULLY RELEASED AND DISCHARGED BY THE DEBTORS, THE REORGANIZED DEBTORS, AND THE DEBTORS' ESTATES) AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, OBLIGATIONS, DEBTS, RIGHTS, SUITS, DAMAGES, CAUSES OF

ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED OR WHICH COULD BE ASSERTED ON BEHALF OF THE DEBTORS AND/OR THE REORGANIZED DEBTORS, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR ARISING, IN LAW, EQUITY, OR OTHERWISE, THAT THE DEBTORS, THE REORGANIZED DEBTORS, THEIR ESTATES, OR THEIR AFFILIATES WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT IN THEIR OWN RIGHT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR ON BEHALF OF THE HOLDER OF ANY CLAIM OR INTEREST OR OTHER ENTITY, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS, THE REORGANIZED DEBTORS, THE RESTRUCTURING TRANSACTIONS, THE CHAPTER 11 CASES, THE PURCHASE, SALE, OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS OR THE REORGANIZED DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN ANY DEBTOR AND ANY RELEASEE, THE RESTRUCTURING OF CLAIMS AND INTERESTS PRIOR TO OR IN THE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE PLAN, THE DISCLOSURE STATEMENT, THE PLAN SUPPLEMENT, OR RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS, OR UPON ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE CONFIRMATION DATE; PROVIDED, THAT THE FOREGOING "DEBTOR RELEASE" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS, OBLIGATIONS, DEBTS, RIGHTS, SUITS, DAMAGES, REMEDIES, CAUSES OF ACTION, AND LIABILITIES OF ANY DEBTOR: (1) ARISING UNDER THE EXIT FACILITY DOCUMENTS, OR ANY OTHER AGREEMENTS ENTERED INTO PURSUANT TO THE PLAN; OR (2) EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT, OR RELATED DOCUMENTS.

NOTWITHSTANDING THE FOREGOING, IN THE EVENT THAT ANY CLAIMS ARE SUCCESSFULLY PROSECUTED OR SETTLED AGAINST A RESTRUCTURING SUPPORT AGREEMENT PARTY OR SUCH RESTRUCTURING SUPPORT AGREEMENT PARTY'S OFFICERS, DIRECTORS, AGENTS, AFFILIATES, OR EMPLOYEES BY OR ON BEHALF OF THE DEBTORS OR THEIR ESTATES OR SUCCESSORS, NOTHING CONTAINED IN THE RESTRUCTURING TERM SHEET, THE RESTRUCTURING SUPPORT AGREEMENT, THE PLAN, THE PLAN SUPPLEMENT, THE DISCLOSURE STATEMENT, OR ANY OTHER DOCUMENTS PREPARED IN CONNECTION WITH THE CHAPTER 11 CASES SHALL PRECLUDE ANY OTHER RESTRUCTURING SUPPORT AGREEMENT PARTY FROM RECEIVING ITS PRO RATA DISTRIBUTION OF THE PROCEEDS RECEIVED AS A RESULT OF THE SUCCESSFUL PROSECUTION OR SETTLEMENT OF SUCH CLAIM.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTOR RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE DEBTOR RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASEES; (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE, AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE DEBTORS, THE REORGANIZED DEBTORS, OR THE DEBTORS' ESTATES ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE DEBTOR RELEASE.

E. Third Party Release

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE, THE RELEASING PARTIES (REGARDLESS OF WHETHER A RELEASING PARTY IS A RELEASEE) CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER DISCHARGE AND RELEASE (AND EACH ENTITY SO DISCHARGED AND RELEASED SHALL BE DEEMED DISCHARGED AND RELEASED BY THE RELEASING PARTIES) THE RELEASEES AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, INTERESTS, OBLIGATIONS, DEBTS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION,

REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED OR WHICH COULD BE ASSERTED ON BEHALF OF A DEBTOR, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR ARISING, IN LAW, EQUITY OR OTHERWISE, THAT SUCH ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT (WHETHER INDIVIDUALLY OR COLLECTIVELY), BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS, THE REORGANIZED DEBTORS, THE CHAPTER 11 CASES, THE PURCHASE, SALE, OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS OR THE REORGANIZED DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN ANY DEBTOR AND ANY RELEASEE, THE RESTRUCTURING OF CLAIMS AND INTERESTS PRIOR TO OR IN THE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE RESTRUCTURING SUPPORT AGREEMENT, THE PLAN, THE DISCLOSURE STATEMENT, THE PLAN SUPPLEMENT, OR RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS, OR UPON ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE CONFIRMATION DATE; PROVIDED, THAT THE FOREGOING "THIRD PARTY RELEASE" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS, OBLIGATIONS, DEBTS, RIGHTS, SUITS, DAMAGES, REMEDIES, CAUSES OF ACTION, AND LIABILITIES OF ANY RELEASING PARTY: (1) AGAINST A RELEASEE ARISING UNDER THE EXIT FACILITY AGREEMENT OR ANY OTHER AGREEMENTS ENTERED INTO PURSUANT TO THE PLAN; (2) EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT, OR RELATED DOCUMENTS; OR (3) WITH RESPECT TO PROFESSIONALS' FINAL FEE APPLICATIONS OR ACCRUED PROFESSIONAL COMPENSATION CLAIMS IN THE CHAPTER 11 CASES.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN, AND, FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE THIRD PARTY RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASEES; (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE THIRD PARTY RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE RELEASING PARTIES ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE THIRD PARTY RELEASE.

F. Exculpation

The Exculpated Parties shall neither have, nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted to be taken in connection with, or related to formulating, negotiating, soliciting, preparing, disseminating, confirming, or implementing the Plan, or consummating the Plan, the Restructuring Support Agreement, the Joinder Agreement, the Disclosure Statement, the Restructuring Transactions, the issuance, distribution, and/or sale of any shares of the New Common Stock or any other security offered, issued or distributed in connection with this Plan, the Chapter 11 Cases or any contract, instrument, release or other agreement, or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors; provided, that each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her or its duties pursuant to, or in connection with, the Plan or any other related document, instrument, or agreement; provided, that the foregoing "Exculpation" shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct.

G. Injunction

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES THAT: (1) ARE SUBJECT TO COMPROMISE AND SETTLEMENT PURSUANT TO THE

TERMS OF THE PLAN; (2) HAVE BEEN RELEASED PURSUANT TO ARTICLE IX.D HEREOF; (3) HAVE BEEN RELEASED PURSUANT TO ARTICLE IX.E HEREOF; (4) ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE IX.F HEREOF (BUT ONLY TO THE EXTENT OF THE EXCULPATION PROVIDED IN ARTICLE IX.F); OR (5) ARE OTHERWISE STAYED OR TERMINATED PURSUANT TO THE TERMS OF THE PLAN, ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (A) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND, INCLUDING ON ACCOUNT OF ANY CLAIMS, INTERESTS, CAUSES OF ACTION OR LIABILITIES THAT HAVE BEEN COMPROMISED OR SETTLED AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY, DIRECTLY OR INDIRECTLY, SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION OR LIABILITIES; (B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (C) CREATING, PERFECTING, OR ENFORCING ANY LIEN, CLAIM, OR ENCUMBRANCE OF ANY KIND AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE FROM THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES UNLESS SUCH HOLDER HAS OBTAINED ENTRY OF A FINAL ORDER AUTHORIZING SUCH SETOFF AS PROVIDED HEREIN; AND (E) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES RELEASED, SETTLED, OR COMPROMISED PURSUANT TO THE PLAN; PROVIDED, THAT NOTHING CONTAINED HEREIN SHALL PRECLUDE AN ENTITY FROM OBTAINING BENEFITS DIRECTLY AND EXPRESSLY PROVIDED TO SUCH ENTITY PURSUANT TO THE TERMS OF THE PLAN; PROVIDED, FURTHER, THAT NOTHING CONTAINED HEREIN SHALL BE CONSTRUED TO PREVENT ANY ENTITY FROM DEFENDING AGAINST CLAIMS OBJECTIONS OR COLLECTION ACTIONS WHETHER BY ASSERTING A RIGHT OF SETOFF OR OTHERWISE TO THE EXTENT PERMITTED BY LAW.

H. Setoffs

Except as otherwise provided herein, the Debtors pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim or Interest, may set off against any Allowed Claim or Interest and the distributions to be made pursuant to the Plan on account of such Allowed Claim or Interest (before any distribution is made on account of such Allowed Claim or Interest), any Claims, rights, and Causes of Action of any nature that such Debtor may hold against the Holder of such Allowed Claim or Interest, to the extent such Claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise). In no event shall any Holder of Claims or Interests be entitled to setoff any Claim or Interest against any Claim, right, or Cause of Action of the Debtors unless such Holder obtains entry of a Final Order entered by the Bankruptcy Court authorizing such setoff; provided, that nothing herein shall prejudice or be deemed to have prejudiced the

Debtors' rights to assert that any Holder's setoff rights were required to have been asserted by motion to the Bankruptcy Court prior to the Effective Date.

I. Special Provision Governing Accrued Professional Compensation Claims and Final Fee Applications

For the avoidance of doubt, the foregoing Debtor Release and Third Party Release shall not waive, affect, limit, restrict, or otherwise modify the right of any party in interest to object to any Accrued Professional Compensation Claim or final fee application Filed by any Professional in the Chapter 11 Cases.

**ARTICLE X.
CONDITIONS PRECEDENT TO CONFIRMATION
AND CONSUMMATION OF THE PLAN**

A. Conditions Precedent to the Effective Date

It shall be a condition to Consummation of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article X.B hereof:

1. The Bankruptcy Court shall have approved the Disclosure Statement as containing adequate information;

2. The Confirmation Order shall have been duly entered and not be subject to any stay and the Plan shall be in form and substance acceptable to the Required Consenting Senior Secured Lenders and the Required Consenting Senior Noteholders in their respective sole discretion;

3. The Plan Supplement, including any amendments, modifications, or supplements thereto, shall be in form and substance acceptable to the Required Consenting Senior Secured Lenders and the Required Consenting Senior Noteholders in their respective reasonable discretion;

4. The Exit Facility Agreement shall have been executed and delivered by all of the Entities that are parties thereto, and all conditions precedent to the consummation of the Exit Facility shall have been waived or satisfied in accordance with the terms thereof and the closing of the Exit Facility shall have occurred;

5. All governmental and material third party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions contemplated by the Plan shall have been obtained or entered, not be subject to unfulfilled conditions and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose materially adverse conditions on such transactions; and

6. All documents and agreements necessary to implement the Plan shall have (a) been tendered for delivery, and (b) been effected or executed by all Entities party thereto, or will be deemed executed and delivered by virtue of the effectiveness of the Plan as expressly set forth herein, and all conditions precedent to the effectiveness of such documents and agreements shall have been satisfied or waived pursuant to the terms of such documents or agreements.

B. Waiver of Conditions

The conditions to Confirmation of the Plan and to the Effective Date of the Plan set forth in this Article X may be waived only by consent of the Debtors in consultation with the Restructuring Support Agreement Parties and the Committee; provided, that the Debtors may not waive (i) the conditions set forth in Article X.A.1, Article X.A.2, Article X.A.3, or Article X.A.4 without the prior consent of the Required Consenting Senior Secured Lenders and the Required Consenting Senior Noteholders or (ii) any condition the waiver of which is proscribed by law.

C. *Effective Date*

The Effective Date shall be the first Business Day upon which all of the conditions specified in Article X.A hereof have been satisfied or waived. "Substantial Consummation" of the Plan, as defined in 11 U.S.C. § 1101(2), shall be deemed to occur on the Effective Date. If the Effective Date shall not have occurred on or prior to December 15, 2012, then this Plan shall terminate and be of no further force or effect unless the provisions of this Article X.C are waived in writing by the Debtors and the Required Consenting Senior Secured Lenders and the Required Consenting Senior Noteholders, as applicable.

D. *Effect of Non-Occurrence of Conditions to the Effective Date*

If the Effective Date does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan or the Disclosure Statement shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of the Debtors or any other Person or Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors or any other Person or Entity.

**ARTICLE XI.
MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN**

A. *Modification and Amendments*

Subject to the limitations contained herein and in the Restructuring Support Agreement, the Debtors, in consultation with the Committee, reserve the right to modify the Plan as to material terms and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not resolicit votes on such modified Plan. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtors expressly reserve their rights to alter, amend, or modify materially the Plan with respect to the Debtors, one or more times, after Confirmation, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend, or modify the Plan, or remedy any defect or omission, or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with Article XI hereof. Notwithstanding anything contained herein or otherwise, the Debtors shall not materially amend or modify the Plan without the prior written consent of the Required Consenting Senior Secured Lenders and the Required Consenting Senior Noteholders.

B. *Effect of Confirmation on Modifications*

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

C. *Revocation or Withdrawal of the Plan*

The Debtors, in consultation with the Committee, reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan or Disclosure Statement shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner

the rights of the Debtors or any other Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors or any other Entity.

**ARTICLE XII.
RETENTION OF JURISDICTION**

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Cases and all matters, arising out of, or related to, the Chapter 11 Cases and the Plan, including jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate, or establish the priority, Secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the Secured or unsecured status, priority, amount, or allowance of Claims or Interests;

2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;

3. resolve any matters related to: (a) the assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Claims related to the rejection of an Executory Contract or Unexpired Lease, Cure Costs pursuant to section 365 of the Bankruptcy Code, or any other matter related to such Executory Contract or Unexpired Lease; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying, or supplementing, after the Effective Date, pursuant to Article VI hereof, the list of Executory Contracts and Unexpired Leases to be assumed and assigned or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory or expired;

4. ensure that distributions to Holders of Allowed Claims and Interests are accomplished pursuant to the provisions of the Plan;

5. adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;

6. adjudicate, decide, or resolve any and all matters related to Causes of Action;

7. enter and implement such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;

8. enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

9. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the Consummation, interpretation, or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

10. issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;

11. resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the settlements, compromises, releases, injunctions, Exculpations, and other provisions contained in Article IX hereof

and enter such orders as may be necessary or appropriate to implement such releases, injunctions, and other provisions;

12. resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim or Interest for amounts not timely repaid pursuant to Article VII.H.1 hereof;

13. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

14. determine any other matters that may arise in connection with or relate to the Plan, the Restructuring Support Agreement, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan or the Disclosure Statement;

15. adjudicate any and all disputes arising from or relating to distributions under the Plan or any transactions contemplated therein;

16. consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;

17. determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;

18. hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;

19. hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

20. hear and determine all disputes involving the existence, nature, or scope of all releases set forth herein, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;

21. enforce all orders previously entered by the Bankruptcy Court;

22. to resolve any disputes arising under the Restructuring Support Agreement or Joinder Agreement;

23. hear any other matter not inconsistent with the Bankruptcy Code;

24. enter an order concluding or closing the Chapter 11 Cases; and

25. enforce the injunction, release, and Exculpation provisions set forth in Article IX hereof.

ARTICLE XIII. MISCELLANEOUS PROVISIONS

A. *Immediate Binding Effect*

Subject to Article X.A hereof and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan, the Plan Supplement, and the Confirmation Order shall be immediately effective and enforceable and deemed binding upon the Debtors and any and all Holders of Claims or Interests (regardless of whether such Claims or Interests are deemed to have accepted or rejected the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, and

injunctions described in the Plan, each Entity acquiring property under the Plan or the Confirmation Order, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors. All Claims and debts shall be as fixed, adjusted, or compromised, as applicable, pursuant to the Plan regardless of whether any Holder of a Claim or debt has voted on the Plan.

B. Additional Documents

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

C. Payment of Statutory Fees

All fees payable pursuant to section 1930(a) of the Judicial Code shall be paid by the Debtors (prior to or on the Effective Date) or the Reorganized Debtors (after the Effective Date) for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first.

D. Payment of Restructuring Support Agreement Professional Fees

All Restructuring Support Agreement Professional Fees payable under the Restructuring Support Agreement and the Plan shall be paid by the Debtors prior to or on the Effective Date without any further notice to or action, order, or approval of the Bankruptcy Court.

E. Dissolution of the Committee

On the Effective Date, the Committee shall dissolve and all members, employees, or agents thereof shall be released and discharged from all rights and duties arising from or related to the Chapter 11 Cases.

F. Reservation of Rights

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the Plan, any statement or provision contained in the Plan, nor any action taken or not taken by any Debtor with respect to the Plan, the Disclosure Statement, the Confirmation Order, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Interests prior to the Effective Date.

G. Successors and Assigns

The rights, benefits, and obligations of any Entity named or referred to in the Plan or the Confirmation Order shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, Affiliate, officer, director, manager, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

H. Service of Documents

Any pleading, notice, or other document required by the Plan to be served on or delivered to the Debtors shall be served on:

Hawker Beechcraft, Inc.
10511 East Central
Wichita, Kansas 67206
Attention: Alexander L.W. Snyder
General Counsel

with copies to:

Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois 60654
Attention: Patrick J. Nash, Jr. and Ross M. Kwastenet

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022
Attention: James H.M. Sprayregen, P.C. and Paul M. Basta

I. Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

J. Entire Agreement

Except as otherwise indicated, on the Effective Date, the Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations with respect to the subject matter of the Plan, all of which will have become merged and integrated into the Plan on the Effective Date. To the extent the Confirmation Order is inconsistent with the Plan, the Confirmation Order shall control for all purposes.

K. Nonseverability of Plan Provisions

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the Debtors' consent; and (3) nonseverable and mutually dependent.

Respectfully submitted, as of the date first set forth above,

Hawker Beechcraft, Inc. (for itself and all Debtors)

By: /s/
Name: Robert S. Miller
Title: Chief Executive Officer of Hawker Beechcraft, Inc.

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

)				
In re:)	Chapter 11			
)				
HAWKER BEECHCRAFT, INC., <i>et al.</i> , ¹)	Case No. 12-11873 (SMB)			
)				
Debtors.)	(Jointly Administered)			
)				

**DISCLOSURE STATEMENT FOR DEBTORS' JOINT PLAN OF REORGANIZATION
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

James H.M. Sprayregen, P.C.
Paul M. Basta
KIRKLAND & ELLIS LLP
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Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200

Counsel to the Debtors and Debtors in Possession

Dated: June 30, 2012

PLEASE NOTE THAT THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, AND HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF VOTES WITH RESPECT TO THE DEBTORS' JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE OR AN OFFER WITH RESPECT TO ANY SECURITIES. ANY SUCH SOLICITATION OR OFFER WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND PROVISIONS OF THE BANKRUPTCY CODE. ACCEPTANCES OR REJECTIONS OF THE DEBTORS' PLAN MAY NOT, AND WILL NOT, BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. ACCORDINGLY, THE INFORMATION CONTAINED HEREIN IS SUBJECT TO CHANGE.

¹ The Debtors in the chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Hawker Beechcraft, Inc. (2598); Arkansas Aerospace, Inc. (7496); Beech Aircraft Corporation (0487); Beechcraft Aviation Company (3548); Hawker Beechcraft Acquisition Company, LLC (8770); Hawker Beechcraft Corporation (5770); Hawker Beechcraft Defense Company, LLC (5891); Hawker Beechcraft Finance Corporation (8763); Hawker Beechcraft Global Customer Support Corporation (7338); Hawker Beechcraft Holding, Inc. (6044); Hawker Beechcraft International Delivery Corporation (6640); Hawker Beechcraft International Holding LLC (6757); Hawker Beechcraft International Service Company (9173); Hawker Beechcraft Notes Company (0498); Hawker Beechcraft Quality Support Company (7800); Hawker Beechcraft Regional Offices, Inc. (3889); HBC, LLC (N/A); and Rapid Aircraft Parts Inventory and Distribution Company, LLC (N/A). The location of the Debtors' corporate headquarters and the Debtors' service address is: 10511 East Central, Wichita, Kansas 67206.

IMPORTANT INFORMATION FOR YOU TO READ

THE DEADLINE TO VOTE ON THE PLAN IS [●], AT 5:00 P.M. EASTERN TIME.

FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE NOTICE AND CLAIMS AGENT BEFORE THE VOTING DEADLINE AS DESCRIBED HEREIN.

The Debtors are providing the information in this Disclosure Statement for the Debtors' Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan") to Holders of Claims entitled to vote on the Plan for the purpose of soliciting votes to accept the Plan. Nothing in this Disclosure Statement may be relied upon or used by any entity for any other purpose.

This Disclosure Statement may not be deemed to provide legal, financial, securities, tax, or business advice. The Bankruptcy Court's approval of the adequacy of disclosures contained in this Disclosure Statement does not constitute the Bankruptcy Court's approval of the merits of the Plan or a guarantee of the accuracy or completeness of the information contained herein. The Debtors have not authorized any entity to give any information about or concerning the Plan other than that which is contained in this Disclosure Statement. The Debtors have not authorized any representations concerning the value of their properties other than as set forth in this Disclosure Statement. Any information, representations, or inducements made to obtain acceptance of the Plan, which are other than or inconsistent with the information contained in this Disclosure Statement, in the Plan, or in the Plan Supplement should not be relied upon by any Holder of a Claim entitled to vote to accept or reject the Plan.

The Debtors urge every Holder of a Claim entitled to vote on the Plan to (a) read the entire Disclosure Statement and the Plan carefully, (b) consider all of the information in this Disclosure Statement, including, importantly, the risk factors described in Article VIII of this Disclosure Statement, and (c) consult with its own advisor(s) with respect to reviewing this Disclosure Statement, the Plan, all documents attached hereto or filed in connection herewith and the proposed transactions contemplated under the Plan before deciding whether to vote to accept or reject the Plan.

The Plan contains a series of releases that are part of the overall settlement of various potential Claims. In that respect, parties should be aware that, if the Plan is confirmed, they may be receiving and giving releases as set forth in Article IX of the Plan and Article V of this Disclosure Statement.

This Disclosure Statement contains summaries of the Plan, certain statutory provisions, events in the Debtors' Chapter 11 Cases, and certain documents related to the Plan. In the event of any inconsistency or discrepancy between a description in this Disclosure Statement and the terms and provisions of the Plan or other documents referenced herein, the Plan or such other documents will govern for all purposes. Except where otherwise specifically noted, factual information contained in this Disclosure Statement has been provided by the Debtors' management. The Debtors do not represent or warrant that the information contained herein or attached hereto is without any material inaccuracy or omission.

Although the Debtors have used their reasonable business judgment to ensure the accuracy of the financial information contained in, or incorporated by reference into, this Disclosure Statement, such financial information has not been and will not be audited or reviewed by the Debtors' independent auditors unless explicitly noted otherwise. The Debtors are generally making the statements and providing the financial information contained in this Disclosure Statement as of the date hereof where feasible, unless otherwise specifically noted. Although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so, and parties reviewing this Disclosure Statement should not infer that, at the time of their review, the facts set forth herein have not changed since this Disclosure Statement was filed.

Neither this Disclosure Statement nor the Plan is or should be construed as an admission of fact, liability, stipulation, or waiver. No reliance should be placed on the fact that a particular Claim or potential objection to a particular Claim is, or is not, identified in this Disclosure Statement. The Debtors or

Reorganized Debtors may seek to investigate, file, and prosecute Claims and may object to Claims after Confirmation or the Effective Date of the Plan irrespective of whether this Disclosure Statement identifies any such Claims or objections to Claims.

SPECIAL NOTICE REGARDING FEDERAL AND STATE SECURITIES LAWS

Neither this Disclosure Statement nor the Plan has been filed with the United States Securities and Exchange Commission (the “SEC”) or any state authority. The Plan has not been approved or disapproved by the SEC or any state securities commission and neither the SEC nor any state securities commission has passed upon the accuracy or adequacy of this Disclosure Statement or the merits of the Plan.

This Disclosure Statement has been prepared pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016(b) and is not necessarily in accordance with federal or state securities laws or other similar laws. The securities to be issued on or after the Effective Date pursuant to or as contemplated by the Plan will not have been the subject of a registration statement filed with the SEC under the Securities Act of 1933, as amended (the “Securities Act”) or any securities regulatory authority of any state under any state securities law (“Blue Sky Law”). The Debtors are relying on the exemption from the Securities Act and equivalent state law registration requirements provided by section 1145(a)(1) of the Bankruptcy Code, to exempt the offering and issuance of new securities pursuant to the Plan from registration under the Securities Act and Blue Sky Law as well as, to the extent necessary, the private placement exemption under section 4(2) of the Securities Act, or Regulation D promulgated thereunder, and similar Blue Sky Law provisions.

This Disclosure Statement contains “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as “may,” “expect,” “anticipate,” “estimate,” or “continue,” or the negative thereof, or other variations thereon or comparable terminology. You are cautioned that all forward looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The Liquidation Analysis set forth in Exhibit C, distribution projections, and other information contained herein and attached hereto are estimates only, and the timing and amount of actual distributions to Holders of Allowed Claims may be affected by many factors that cannot be predicted. Any analyses, estimates, or recovery projections may or may not turn out to be accurate. You should carefully read Article VIII herein titled “Certain Risk Factors to be Considered Prior to Voting.”

Making investment decisions based on the information contained in this Disclosure Statement and/or the Plan is therefore highly speculative. The Debtors recommend that potential recipients of any securities issued pursuant to the Plan consult their own legal counsel concerning the securities laws governing the transferability of any such securities.

QUESTIONS AND ADDITIONAL INFORMATION

If you would like to obtain copies of this Disclosure Statement, the Plan, or any of the documents attached hereto or referenced herein, or have questions about the solicitation and voting process or these Chapter 11 Cases generally, please contact the Debtors’ Notice and Claims Agent by: (a) visiting <http://dm.epiq11.com/Hawker>; (b) writing to Hawker Beechcraft, Inc. c/o Epiq Bankruptcy Solutions, LLC, 757 Third Avenue, 3rd Floor, New York, NY 10017; or (c) calling (866) 879-7096.

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EXHIBITS

- EXHIBIT A Debtors' Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code
- EXHIBIT B Financial Projections
- EXHIBIT C Liquidation Analysis
- EXHIBIT D Valuation Analysis
- EXHIBIT E Disclosure Statement Order

**ARTICLE I.
IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT**

A. Introduction

Hawker Beechcraft, Inc. (“HBI”) and certain of its affiliates, as debtors and debtors in possession (collectively, the “Debtors”), submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to Holders of Claims against and Interests in the Debtors in connection with the solicitation of acceptances with respect to the *Debtors’ Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* (the “Plan”), dated June [●], 2012.² A copy of the Plan is attached hereto as Exhibit A and incorporated herein by reference.

The Debtors are a leading manufacturer of business, special mission, and trainer/attack aircraft and have an extensive global network of more than 100 service centers supporting an estimated fleet of more than 34,000 Debtor-manufactured aircraft. On May 3, 2012, the Debtors filed voluntary petitions for relief with the Bankruptcy Court under chapter 11 of the Bankruptcy Code.

THE DEBTORS BELIEVE THAT THE PLAN IS FAIR AND EQUITABLE, PROVIDES FOR A LARGER DISTRIBUTION TO THE DEBTORS’ CREDITORS AND INTEREST HOLDERS THAN WOULD OTHERWISE RESULT FROM LIQUIDATION UNDER CHAPTER 7 OF THE BANKRUPTCY CODE, AND MAXIMIZES THE VALUE OF THE DEBTORS’ ESTATES. AT THIS TIME, THE DEBTORS BELIEVE THIS IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THESE CHAPTER 11 CASES. FOR THESE REASONS AND THE REASONS DESCRIBED HEREIN, THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

B. Key Constituents’ Support for the Plan

The Debtors are very pleased that after extensive, good-faith negotiations, the Plan is supported by the largest creditor constituencies in these Chapter 11 Cases. Specifically, the Plan is supported by a substantial majority of the Debtors’ Senior Credit Facility Lenders and the Holders of the Senior Notes.

Prior to the commencement of the Chapter 11 Cases, the Debtors reached agreement with a substantial majority of the Senior Credit Facility Lenders and the Holders of the Senior Notes regarding the terms of a consensual de-leveraging transaction that would result in the full equitization of their Claims and reduce the Debtors’ total funded debt from approximately \$2.552 billion to approximately \$[●] million. To evidence their support of the Debtors’ restructuring plan, approximately 68.14% of the Holders of Claims under the Senior Credit Facility, approximately 72.55% of the Holders of Senior Notes Claims, and the Senior Credit Facility Agent executed the Restructuring Support Agreement, which incorporated a term sheet for the Plan and which provides for implementation of the restructuring through a chapter 11 plan of reorganization.

The Debtors submit that the compromise contemplated under the Plan is fair and equitable, will maximize the Debtors’ value for all stakeholders, and provides the best recovery to the Debtors’ stakeholders. Ultimately, the Debtors’ largest stakeholders agreed that a protracted chapter 11 process would not be in the best interests of creditors and interest holders and the parties believe that the compromise reached and the resulting financial restructurings under the Plan will provide sufficient liquidity to fund the Debtors’ emergence from chapter 11, appropriately capitalize the Reorganized Debtors, and facilitate the implementation of the Debtors’ business plan.

² Capitalized terms used but not otherwise defined in this Disclosure Statement will have the meaning ascribed to such terms in the Plan. The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern.

C. *Summary of the Plan*

The Plan provides for the resolution of all Claims against and Interests in each of the 18 Debtors in the Chapter 11 Cases. Among other things, the Plan also provides for the following recoveries and transactions:

1. Purpose and Effect of the Plan

The Debtors are reorganizing under chapter 11 of the Bankruptcy Code, which is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor may reorganize its business for the benefit of its stakeholders. The consummation of a plan of reorganization is the principal objective of a chapter 11 case. A plan of reorganization sets forth how a debtor will treat claims and equity interests. A bankruptcy court's confirmation of a plan of reorganization binds the debtor, any entity or person acquiring property under the plan, any creditor of or equity security holder in a debtor and any other entities and persons to the extent ordered by the bankruptcy court pursuant to the terms of the confirmed plan, whether or not such entity or person is impaired pursuant to the plan, has voted to accept the plan or receives or retains any property under the plan.

Among other things (subject to certain limited exceptions and except as otherwise provided in the Plan or the Confirmation Order), the Confirmation Order will discharge the Debtors from any Claim arising before the Effective Date, terminate all of the rights and interests of pre-bankruptcy equity security holders and substitute the obligations set forth in the Plan for those pre-bankruptcy Claims and Interests. Under the Plan, Claims and Interests are divided into Classes according to their relative priority and other criteria. Each of the Debtors is a proponent of the Plan within the meaning of section 1129 of the Bankruptcy Code.

The Plan does not contemplate the substantive consolidation of the Debtors' estates. Instead, the Plan, although proposed jointly, constitutes a separate plan for each of the 18 Debtors in these Chapter 11 Cases. Holders of Allowed Claims or Interests against each of the Debtors will receive the same recovery provided to other Holders of Allowed Claims or Interests in the applicable Class and will be entitled to their share of assets available for distribution to such Class.

The feasibility of the Plan is premised upon, among other things, HBI's ability to achieve the goals of its long-range business plan, make the distributions contemplated under the Plan and pay certain continuing obligations in the ordinary course of Reorganized HBI's business. HBI's financial projections are set forth on **Exhibit B**.

Although the Debtors believe the projections are reasonable and appropriate, they include a number of assumptions and are subject to a number of risk factors and to significant uncertainty. Actual results will differ from the projections, and the differences may be material. The Debtors' business plan and projections incorporate the Debtors' forecasts of the anticipated operating performance of its foreign subsidiaries and joint ventures that are not subject to these Chapter 11 Cases.

2. Financial Restructurings under the Plan

As of April 30, 2012, the Debtors had outstanding funded debt in the aggregate principal and accrued interest amount of approximately \$2.552 billion, consisting of: (a) \$1.829 billion of obligations under the Senior Credit Facility, including (i) \$1.2234 billion outstanding under the Term Loan, (ii) \$198.3 million outstanding under the Incremental "Series A" Term Loan, (iii) \$243.3 million outstanding under the Revolver, (iv) \$39.2 million outstanding under the Synthetic L/C Facility; and (v) \$124.7 million outstanding under the Senior Tranche Advance bridge financing facility; (b) \$409.0 million outstanding under the Senior Fixed Rate Notes (of which \$217.1 million is held by the Debtors); (c) \$455.1 million outstanding under the Senior PIK-Election Notes (of which \$136.8 million is held by the Debtors and subject to retirement under the Plan); (d) \$308.3 million outstanding under the Subordinated Notes (of which \$154.9 million is held by the Debtors and subject to retirement under the Plan); and (e) \$59.6 million outstanding under the EDC Facility (each as defined herein, and together the "Prepetition Debt Obligations"). As a result of the proposed Plan, the Prepetition Debt Obligations (excluding the Senior Tranche Advance which has been repaid with the proceeds of the DIP Facility) will be converted to equity. The Reorganized Debtors anticipate borrowing approximately \$[●] in exit financing to repay the DIP Facility and to fund ongoing operations. The Plan will be effectuated through the following transactions:

- The Debtors will enter into a new credit facility (the “Exit Facility”) pursuant to an agreement to be executed on or before and subject to the occurrence of the Effective Date, including any agreements, amendments, supplements, or documents related thereto, on terms reasonably satisfactory to the Debtors, the Exit Facility Agent, and the lenders thereto and materially consistent with the Exit Facility Documents;
- The approximately \$921.6 million in secured indebtedness outstanding under the Senior Credit Facility will be converted into 81.1% of the New Common Stock of Reorganized HBI (which is subject to dilution by the Management Equity Incentive Plan) and distributed Pro Rata to the Senior Credit Facility Lenders on account of the obligations owed to them under the Senior Credit Facility;
- Holders of Allowed Senior Notes Claims against the Debtors will receive a Pro Rata share of the Unsecured Creditor Equity Recovery and such Holder’s Pro Rata share of the Subordinated Notes Claim Recovery. For purposes of calculating the Pro Rata share allocable to each Holder of an Allowed Senior Notes Claim, in accordance with Article IX.C of the Plan, any Senior Notes Claims held by any Debtor have been excluded from the Allowed amount of the Senior Notes Claims provided in Article III.B.7(b) of the Plan;
- Holders of Allowed Subordinated Notes Claims will receive a Pro Rata share of the Unsecured Creditor Equity Recovery and will turn over their Unsecured Creditor Equity Recovery to Holders of Senior Notes Claims in accordance with the terms and conditions of the Senior Notes Indenture and Subordinated Notes Indenture that provide that Subordinated Notes Claims are subordinated in right of payment to the payment of the Senior Notes Claims;
- Holders of Allowed General Unsecured Claims, which includes Senior Credit Facility Deficiency Claims, will receive a Pro Rata share of the Unsecured Creditor Equity Recovery; provided, that if the Holders of Senior Notes Claims make a proposal to fund the General Unsecured Claims Cash Out Option, satisfactory to the Debtors before the date which is ten Business Days prior to the hearing to consider approval of the Disclosure Statement, each Holder of an Allowed General Unsecured Claim that is not a Senior Credit Facility Deficiency Claim, in an amount not to exceed \$200 million per General Unsecured Claim, may elect (on such Holder’s applicable Ballot) a preference to receive, in lieu of receiving its Pro Rata share of the Unsecured Creditor Equity Recovery, payment in Cash on the Effective Date, which Cash amount will equal [●]% of the implied value of the New Common Stock that such Holder of an Allowed General Unsecured Claim would otherwise have been entitled to receive; and
- All HBI Interests will be extinguished.

Consummation of the Plan and the financial restructurings contemplated thereby will both significantly de-lever the Debtors’ capital structure and provide the Debtors with access to new money necessary for ongoing operations. With a sustainable capital structure aligned with the Debtors’ revised business plan and adequate operating liquidity, the Reorganized Debtors will be positioned to compete more effectively in their industry.

3. Recovery Analysis

The Plan provides for a comprehensive restructuring of the Debtors’ prepetition obligations, provides for additional liquidity, preserves the going-concern value of the Debtors’ business and protects the jobs of employees. After a careful review of their current operations, prospects as an ongoing business, financial projections and estimated recoveries to creditors in a liquidation scenario, the Debtors have concluded that recoveries to the Debtors’ stakeholders will be maximized by the Debtors’ continued operation as a going concern. The Debtors believe that their businesses and assets have significant value that would not be realized in a liquidation, either in whole or in substantial part, and that the value of the Debtors’ estates is considerably greater as a going concern. In developing the Plan, the Debtors gave due consideration to various exit alternatives and engaged in extensive discussions and negotiations with all their key stakeholders, including their Senior Credit Facility Lenders, who will be the primary economic stakeholders in the Reorganized Debtors under the Plan. The Debtors, with the assistance of their advisors, have also undertaken significant efforts both pre- and postpetition to market the business to incumbent and third party potential plan sponsors or acquirers. The Debtors are continuing to evaluate potential sale

alternatives and may elect to incorporate one or more sale or Plan sponsorship transactions into the Plan if the Debtors conclude that such transaction or transactions maximize the value for the Debtors' creditors and stakeholders.

Taking into account the package of collateral securing the claims of the Senior Credit Facility Lenders and DIP Lenders, the extensive claims against assets of these estates and their relative priorities and the amount and form of value available for distribution, unless a superior transaction becomes available, the Debtors believe that the Plan provides the best recoveries possible for the Debtors' stakeholders. Accordingly, the Debtors recommend that, if you are entitled to vote, you vote to accept the Plan.

4. Marketing Process

The Debtors, with the assistance of their advisors, have engaged in an extensive marketing process of their assets with the goal of determining whether a sale would provide more value to their estates than the stand-alone restructuring embodied in the Restructuring Support Agreement. For several months leading up to the commencement of these chapter 11 cases, the Debtors and their investment banker, Perella Weinberg Partners LP ("Perella"), developed a comprehensive list of potential buyers and investors that could purchase the Debtors' assets. Since the commencement of these chapter 11 cases, the Debtors and Perella have continued to engage in discussions with potential strategic and financial bidders regarding various alternative restructuring transaction structures. Although the Debtors believe that the restructuring proposal embodied in the Plan provides a clear path towards emergence, the Debtors, with the assistance of their advisors, are continuing to evaluate potential sale alternatives and may elect to pursue an alternative transaction and/or incorporate one or more sale or Plan sponsorship transactions into the Plan if the Debtors conclude that such transaction or transactions will maximize value for the Debtors' stakeholders.

5. Summary of Classification and Treatment of Claims and Interests

All Claims and Interests, other than DIP Claims, Administrative Claims, Accrued Professional Compensation Claims, and Priority Tax Claims, are classified in the Classes set forth in Article III of the Plan for all purposes, including voting, Confirmation, and distributions pursuant thereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest is also classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

The Plan shall apply as a separate Plan for each of the Debtors, and the classification of Claims and Interests set forth in the Plan shall apply separately to each of the Debtors. All of the potential Classes for the Debtors are set forth therein. Certain of the Debtors may not have Holders of Claims or Interests in a particular Class or Classes, and such Classes shall be treated as set forth in Article III of the Plan. For all purposes under the Plan, each Class will contain sub-Classes for each of the Debtors (*i.e.* there will be 18 sub-Classes in each Class and many of such sub-Classes may be vacant).

The following table is a summary of the classification, treatment, impairment status, voting rights, and potential distributions both under the Plan and pursuant to a liquidation under chapter 7 of the Bankruptcy Code. The amounts set forth below are estimates only. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Interests. The recoveries set forth below are projected recoveries and are therefore subject to change.

Class	Type of Claim or Interest	Status	Voting Rights	Estimated Allowed Claims or Interests	Estimated Range of % Recovery Under Plan ³	Estimated Range of % Recovery Under Chapter 7 ⁴
1	Other Priority Claims	Unimpaired	Presumed to Accept	N/A	0%	0%
2	Other Secured Claims	Unimpaired	Presumed to Accept	N/A	0%	0%
3	Indianapolis Industrial Revenue Bonds Claims	Unimpaired	Presumed to Accept	[\$9,500,000]	100%	[__%]
4	Maricopa Industrial Revenue Bonds Claims	Unimpaired	Presumed to Accept	[\$8,000,000]	100%	[__%]
5	Sedgwick County Industrial Revenue Bonds Claims	Unimpaired	Presumed to Accept	[\$230,600,000]	100%	[__%]
6	Senior Credit Facility Secured Claims	Impaired	Entitled to Vote	[\$921,600,000]	[__%]	[__%]
7	Senior Notes Claims	Impaired	Entitled to Vote	[\$510,200,000]	[__%]	[__%]
8	Subordinated Notes Claims	Impaired	Deemed to Reject	[\$308,300,000]	[__%]	0%
9	General Unsecured Claims	Impaired	Entitled to Vote	[\$_____]	[__%]	[__%]
10	PBGC Unsecured Claims	Impaired	Entitled to Vote	[\$_____]	[__%]	[__%]
11	Intercompany Claims	Impaired	Entitled to Vote on a Provisional Basis	[\$6,500,000]	[__%]	0%
12	Section 510(b) Claims	Impaired	Deemed to Reject	N/A	0%	0%
13	Intercompany Interests	Unimpaired	Presumed to Accept	N/A	0%	0%
14	HBI Interests	Impaired	Deemed to Reject	N/A	0%	0%

- DIP Claims:
 - Amounts outstanding under the DIP Facility will be repaid in full in Cash.
- Industrial Revenue Bond Claims:
 - The Indianapolis Industrial Revenue Bonds Claims will be Reinstated on the Effective Date.
 - The Maricopa Industrial Revenue Bonds Claims will be Reinstated on the Effective Date.
 - The Sedgwick County Industrial Revenue Bonds Claims will be Reinstated on the Effective Date.
- Senior Credit Facility Claims:
 - Each Holder of an Allowed Senior Credit Facility Secured Claim will receive such Holder's Pro Rata share of 81.1% of the New Common Stock, subject to dilution by the Management Equity Incentive Plan.
- Senior Notes Claims:
 - Each Holder of an Allowed Senior Notes Claim will receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery and its Pro Rata share of the Subordinated Notes Claim Recovery. For purposes of calculating the Pro Rata share allocable to each Holder of an Allowed Senior Notes Claim, in accordance with Article IX.C of the Plan, any Allowed Senior Notes Claims held by any Debtor have been excluded from the Allowed amount of Senior Notes Claims provided in Article III.B.7(b) of the Plan.
- Subordinated Notes Claims:
 - Each Holder of an Allowed Subordinated Notes Claim will receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery and will turn over their Unsecured Creditor Equity Recovery to Holders of Senior Notes Claims in accordance with the terms and conditions of the Senior Notes Indenture and Subordinated Notes Indenture

³ The projected recoveries below will be provided with the filing of Exhibit D.

⁴ The projected recoveries below will be provided with the filing of Exhibit C.

that provide that Subordinated Notes Claims are subordinated in right of payment to the payment of the Senior Notes Claims.

- Other Unsecured Claims:
 - Each Holder of an Allowed General Unsecured Claim, which includes Holders of Senior Credit Facility Deficiency Claims, will receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery; provided, that if the Holders of Senior Notes Claims make a proposal to fund the General Unsecured Claims Cash Out Option, satisfactory to the Debtors before the date which is ten Business Days prior to the hearing to consider approval of the Disclosure Statement, each Holder of an Allowed General Unsecured Claim that is not a Senior Credit Facility Deficiency Claim, in an amount not to exceed \$200 million per General Unsecured Claim, may elect (on such Holder's applicable Ballot) a preference to receive, in lieu of receiving its Pro Rata share of the Unsecured Creditor Equity Recovery, payment in Cash on the Effective Date, which Cash amount will equal [●]% of the implied value of the New Common Stock that such Holder of an Allowed General Unsecured Claim would otherwise have been entitled to receive. If the General Unsecured Claims Cash Out Option is not funded, for the avoidance of doubt, all Holders of Allowed General Unsecured Claims shall receive their Pro Rata share of the Unsecured Creditor Equity Recovery. For the avoidance of doubt, Holders of Allowed Senior Credit Facility Deficiency Claims agree to waive any rights to receive any payment of the Subordinated Notes Claim Recovery that would otherwise be payable to such Holders upon the enforcement of the contractual subordination of the Subordinated Notes Claims.
 - Each Holder of an Allowed PBGC Unsecured Claim will receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery.
- Intercompany Claims:
 - To preserve the Debtors' corporate structure, Intercompany Claims may be Reinstated as of the Effective Date or, at the Debtors' or Reorganized Debtors' option, as applicable, be cancelled or compromised, and no distribution shall be made on account of such Intercompany Claims in all cases consistent with the terms of the Restructuring Support Agreement and the Restructuring Term Sheet, provided, that to the extent any Intercompany Claims are cancelled or compromised, in no event will the beneficiary receive less than it would have received if it were a Class 9 General Unsecured Claim.
- Section 510(b) Claims:
 - Each Holder of a Section 510(b) Claim shall not receive any distribution on account of such Claim, and each Section 510(b) Claim shall be discharged, cancelled, released, and extinguished.
- Interests:
 - To the extent not otherwise transferred by HBI to Reorganized HBI, Intercompany Interests shall be Reinstated on the Effective Date.
 - Each Holder of an HBI Interest will not receive any distribution on account of such HBI Interest, and HBI Interests shall be discharged, cancelled, released, and extinguished.

6. Further Information about the Plan

Confirmation and Consummation of the Plan are subject to certain material conditions precedent described in Article X of the Plan. There is no assurance that the Plan will be confirmed or, if confirmed, that such material conditions precedent will be satisfied or waived.

You are encouraged to read this Disclosure Statement in its entirety, including the Plan (which is expressly incorporated into and made a part of this Disclosure Statement) and Article VIII herein entitled "Certain Risk Factors To Be Considered Prior To Voting" prior to submitting your ballot to vote to accept or reject the Plan. The

Debtors urge you to consult with your own advisors with respect to any legal, financial, securities, tax, or business advice in reviewing this Disclosure Statement, the Plan, and each of the transactions contemplated thereby.

The Debtors will File a Plan Supplement with the Bankruptcy Court ten days prior to the Voting Deadline. The Plan Supplement will include documents and forms of documents, schedules, and exhibits to the Plan, all materially consistent with the Restructuring Support Agreement and the Restructuring Term Sheet, as amended, supplemented, or modified from time to time in accordance with the terms of the Plan, the Bankruptcy Code, and the Bankruptcy Rules, including: (a) to the extent known, the identity of the members of the New Board and the nature and compensation for any member of the New Board who is an “insider” under section 101(31) of the Bankruptcy Code; (b) the Schedule of Assumed Executory Contracts and Unexpired Leases; (c) the Schedule of Rejected Executory Contracts and Unexpired Leases; (d) the schedule of assumed Compensation and Benefits Programs; (e) the Exit Facility Documents; (f) the form of the Management Equity Incentive Plan; (g) the New Corporate Governance Documents; (h) the New Non-Qualified Employee Compensation Plan; and (i) a list of retained Causes of Action, in each case, in form and substance acceptable to the Debtors, the Required Consenting Senior Secured Lenders, and the Required Consenting Senior Noteholders each in their respective reasonable discretion.

The Plan contains a series of releases that are part of the overall settlement of various potential claims and interests. In that respect, parties should be aware that, if the Plan is confirmed, they may be receiving and giving releases as set forth in Article IX of the Plan and Article V of this Disclosure Statement.

Assuming the requisite acceptances to the Plan are obtained, the Debtors will seek the Bankruptcy Court’s approval of the Plan. If the Plan is confirmed by the Bankruptcy Court and Consummation occurs, all Holders of Claims and Interests (including those Holders of Claims or Interests that do not submit ballots to accept or reject the Plan, or that are not entitled to vote on the Plan) will be bound by the terms of the Plan and the proposed transactions contemplated thereby.

The Plan and all documents to be executed and/or delivered in connection with the Consummation of the Plan, including the documents to be included in the Plan Supplement, are subject to revision and modification from time to time prior to the Effective Date (subject to the terms of the Plan).

D. Voting Procedures and Requirements

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Prior to soliciting acceptances of a proposed plan of reorganization, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of a chapter 11 plan. This Disclosure Statement is being submitted in accordance with such requirements. This Disclosure Statement includes, without limitation, information about:

- the classification and treatment of Claims and Interests under the Plan, including who is entitled to vote and how to vote on the Plan (Article V hereof);
- the Debtors’ corporate history and corporate structure, business operations, and prepetition capital structure and indebtedness (Article II hereof);
- events leading to these Chapter 11 Cases, including the Debtors’ prepetition restructuring negotiations and entry into the Restructuring Support Agreement (Article III hereof);
- significant events in the Debtors’ Chapter 11 Cases (Article IV hereof);
- certain important effects of Confirmation of the Plan (Article V hereof);
- releases contemplated by the Plan that are integral to the overall settlement of Claims and Interests pursuant to the Plan (Article V hereof);
- certain financial information about the Debtors, including financial projections and liquidation and valuation analyses (Article VI hereof and **Exhibits B, C, and D** attached hereto);

- the statutory requirements for confirming the Plan (Article VII hereof);
- certain risk factors Holders of Claims should consider before voting to accept or reject and the Plan and information regarding alternatives to Confirmation of the Plan (Article VIII hereof); and
- certain United States federal income tax consequences of the Plan (Article X hereof).

In light of the foregoing, the Debtors believe the Disclosure Statement contains “adequate information” to enable a hypothetical reasonable investor to make an informed judgment about the Plan and complies with all aspects of section 1125 of the Bankruptcy Code.

1. Classes Entitled to Vote on the Plan

Your ability to vote and your distribution, if any, depend on what kind of Claim or Interest that you hold. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims (including Accrued Professional Compensation Claims), DIP Claims, and Priority Tax Claims have not been classified. The remainder of Claims and Interests are classified into the Classes as described in the table above.

Only Holders of Claims included in one of the Classes entitled to vote to accept or reject the Plan will receive a Solicitation Package (as defined herein) from the Debtors’ notice and claims agent, Epiq Bankruptcy Solutions, LLC (the “Notice and Claims Agent”). For more information about the treatment of Claims and Interests, see Article V.A.5 herein entitled “Treatment of Claims and Interests.”

Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan, there are conditions (described in Article X of the Plan) that need to be satisfied or waived so that the Plan can be Consummated and become effective. References to the Effective Date mean the date that all conditions to the Plan have been satisfied or waived, at which point the Plan may be “consummated.” Distributions only will be made after Consummation of the Plan and will be made only to Holders on account of Claims or Interests that are or become Allowed. See Article VII herein entitled “Statutory Requirements for Confirmation of the Plan,” for a discussion of the conditions to Consummation.

2. Solicitation Procedures

Holders of Claims who are eligible to vote to accept or reject the Plan will receive appropriate solicitation materials including (the “Solicitation Package”):

- a CD-ROM containing this Disclosure Statement, as approved by the Bankruptcy Court (with all exhibits thereto, including the Plan and the exhibits to the Plan), an order approving the Disclosure Statement, as well as procedures for distributing materials and soliciting votes attached thereto (the “Solicitation Procedures”);
- a notice of the Confirmation Hearing;
- the appropriate ballot or master ballot with voting instructions with respect thereto, together with a pre-addressed, postage prepaid return envelope;
- any supplemental documents that the Debtors may file with the Bankruptcy Court or that the Bankruptcy Court orders to be included in the Solicitation Package.

The Solicitation Package may also be obtained (a) from the Debtors’ Notice and Claims Agent by: (i) visiting <http://dm.epiq11.com/Hawker>; (ii) writing to Hawker Beechcraft, Inc. c/o Epiq Bankruptcy, LLC, 757 Third Avenue, 3rd Floor, New York, NY 10017; or (iii) calling (866) 879-7096 or (b) for a fee via PACER (except for ballots) at <http://www.nysb.uscourts.gov>.

3. Voting Procedures

The deadline to vote on the Plan is [●] at 4:00 p.m. Eastern Time (the "Voting Deadline").

The Debtors are distributing this Disclosure Statement, accompanied by a ballot to be used for voting to accept or reject the Plan, to the Holders of Claims entitled to vote to accept or reject the Plan. If you are a Holder of a Claim in Classes 6, 7, 9, 10, and/or 11, you may vote to accept or reject the Plan by completing the ballot and returning it in the envelopes provided.

The Debtors have engaged Epiq Bankruptcy Solutions, LLC to serve as the Notice and Claims Agent. The Notice and Claims Agent is available to answer questions, provide additional copies of all materials, oversee the voting process, and process and tabulate ballots for each class entitled to vote to accept or reject the Plan.

BALLOTS
Ballots must be actually received by the Notice and Claims Agent by the Voting Deadline, which is [●] at 4:00 p.m. prevailing Eastern Time, at the following address: Hawker Beechcraft, Inc. c/o Epiq Bankruptcy Solutions, LLC 757 Third Avenue, 3rd Floor New York, NY 10017 If you have any questions on the procedure for voting on the Plan, please call the Notice and Claims Agent at: (866) 879-7096

More detailed instructions regarding how to vote on the Plan are contained on the ballots distributed to Holders of Claims that are entitled to vote to accept or reject the Plan. If you are eligible to vote, for your vote to be counted, your ballot must be completed, signed, and received by the Voting Deadline; provided, however, that ballots received by the Notice and Claims Agent after the Voting Deadline may be counted only in the sole and absolute discretion of the Debtors in consultation with the Ad Hoc Committee of the Senior Secured Lenders and the Ad Hoc Committee of Senior Noteholders.

Any ballot that is properly executed by the Holder of a Claim, but that does not clearly indicate an acceptance or rejection of the Plan or that indicates both an acceptance and a rejection of the Plan, will not be counted. Ballots received by facsimile or by electronic means will not be counted.

Each Holder of a Claim entitled to vote to accept or reject the Plan may cast only one ballot for each Claim held by such Holder. By signing and returning a ballot, each Holder of a Claim in Classes 6, 7, 9, 10 or 11 will certify to the Bankruptcy Court and the Debtors that no other ballots with respect to such Claim have been cast or, if any other ballots have been cast with respect to such Claim, such earlier ballots are superseded and revoked.

All ballots will be accompanied by return envelopes. It is important to follow the specific instructions provided on each ballot, as failing to do so may result in your ballot not being counted.

The Bankruptcy Court has established [●] at 5:00 p.m. Eastern Time as the deadline to object to confirmation of the Plan (the "Plan Objection Deadline"). All such objections must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in interest in accordance with the order approving the Disclosure Statement and Solicitation Procedures so that they are *actually received* on or before the Plan Objection Deadline. The Debtors believe the Plan Objection Deadline, as established by the Bankruptcy Court, affords the Bankruptcy Court, the Debtors, and other parties in interest reasonable time to consider the objections to the Plan prior to a Confirmation Hearing.

4. Confirmation Hearing

Assuming the requisite acceptances are obtained for the Plan, the Debtors intend to seek confirmation of the Plan at the Confirmation Hearing to be scheduled on [●], before the Honorable Stuart M. Bernstein, United States Bankruptcy Judge, in Courtroom No. 723 of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004-1408. The Confirmation Hearing may be continued from time to time without further notice other than an adjournment announced in open court or a notice of adjournment filed with the Bankruptcy Court and served on the entities who have filed objections to the Plan, without further notice to other parties in interest. The Bankruptcy Court, in its discretion and prior to the Confirmation Hearing, may put in place additional procedures governing that hearing. The Plan may be modified, if necessary, prior to, during, or as a result of the hearing to confirm the Plan without further notice to parties in interest.

**ARTICLE II.
BACKGROUND TO THESE CHAPTER 11 CASES⁵**

A. *The Debtors' Business*

1. The Debtors' Business and Overview

The Debtors are a world-leading manufacturer of business, special mission, and trainer/attack aircraft. The Debtors also manufacture and market parts and aviation products and provide support services for businesses, governments, and individuals worldwide. The Debtors lead their industry with a global network of more than 100 service centers that support an estimated fleet of more than 34,000 Debtor-manufactured aircraft presently in operation around the world. The Debtors conduct their business through three primary segments: business and general aviation (the "Business and General Aviation Segment"), trainer/attack aircraft (the "Trainer/Attack Segment"), and customer support (the "Customer Support Segment").

(a) Business and General Aviation Segment

The Debtors' Business and General Aviation Segment designs, develops, manufactures, markets, and delivers commercial and specially modified business and general aviation aircraft. The Debtors offer one of the broadest product lines in the industry, including business jet, turboprop, and piston aircraft, under the Hawker and Beechcraft brands. The Debtors also market, manufacture, and support a wide range of special-mission aircraft for militaries and governments worldwide. For example, the Debtors' new Beechcraft King Air 350ER offers extended range and a variety of surveillance, radar, air ambulance, and special-mission capabilities.

The Debtors' extensive product line attracts a broad range of corporate and charter operators and individual customers worldwide. The Business and General Aviation Segment sells aircraft through various distribution channels, including direct single unit retail sales and fleet sales to larger operators and authorized dealers. For the years ended December 31, 2011, 2010, and 2009, respectively, sales in the Business and General Aviation Segment represented approximately 53%, 60%, and 71% of the Debtors' total consolidated sales.

(b) Trainer/Attack Segment

The Debtors' Trainer/Attack Segment designs, develops, manufactures, markets, and sells military training and attack aircraft and related spare parts. The Debtors provide aircraft to both the U.S. and foreign governments, and are the sole-source supplier of the primary trainer aircraft to the U.S. Air Force and U.S. Navy. The Trainer/Attack Segment manufactures one of the industry's leading military trainer aircraft, the T-6 Texan II (the

⁵ Additional information about the Debtors' background can be found in the *Declaration of Robert S. Miller (I) in Support of Debtors' Chapter 11 Petitions and First Day Motions and (II) Pursuant to Local Bankruptcy Rule 1007-2*, filed on May 4, 2012 [Docket No. 22] (the "First Day Declaration").

“T-6”). The Trainer/Attack Segment is increasingly catering to foreign governments and international customers, with such customers making up approximately 31% of Trainer/Attack Segment aircraft deliveries for 2011. Additionally, the Debtors are increasingly investing in their attack aircraft offering, the AT-6 which is a light attack aircraft. Overall, for the years ended December 31, 2011, 2010, and 2009, respectively, sales in the Trainer/Attack Segment represented approximately 26%, 24%, and 17% of total consolidated sales.

(c) Customer Support Segment

The Debtors’ Customer Support Segment provides parts and maintenance services to Hawker and Beechcraft aircraft worldwide. The Debtors sell parts from their Wichita, Kansas headquarters and operate distribution warehouses in Dallas, Texas, London, England, Dubai, United Arab Emirates, and Singapore. Support services include maintenance, repairs, and refurbishment, as well as airframe and avionics modifications and upgrades. The Debtors’ service network for jet and turboprop aircraft is the largest in the industry, with ten company-owned service centers in the U.S., the United Kingdom, and Mexico. Additionally, the Debtors’ service network includes more than 100 company-authorized third-party service centers in over 30 countries. For the years ended December 31, 2011, 2010, and 2009, respectively, sales in the Customer Support Segment represented approximately 21%, 16%, and 12% of total consolidated sales.

(d) Customers

The Debtors’ customer base is highly diversified, including corporations, charter operators, governments, and individuals around the world. A vast network of aviation dealers, regional sale representatives, and distributors, allows the Debtors to maintain a truly global footprint. The Debtors’ largest individual customer is the U.S. government, accounting for approximately 31% of sales in 2011. In an effort to continue to expand their customer base, the Debtors employ specialized sales teams and their network of dealers, suppliers, and servicers to develop relationships in foreign and emerging markets.

(e) Competition

The Debtors are known for innovation, performance, quality, and value, and have leading positions in their different markets. For example, the Hawker 900XP and King Air product families are the best selling business jet and turboprop lines, respectively, in the history of the general aviation industry. Competition is driven by the ability to deliver superior performance and desirable features, such as increased cabin size or range, on a cost-effective basis. Competitors to the Debtors’ Business and General Aviation Segment include Cessna Aircraft Company, Bombardier Aerospace, Gulfstream Aerospace Corporation, Dassault Falcon Jet Corp., and Embraer S.A.

The Trainer/Attack Segment operates in the military aviation business and is the sole-source provider of the world’s best selling primary military trainer aircraft, the T-6 and its variants, to the U.S. Air Force and the U.S. Navy. Outside the U.S., the Debtors compete for military trainer contracts with companies including Pilatus Aircraft Ltd., Embraer S.A., Korea Aerospace Industries, Ltd., Alenia Aermacchi, EADS, Grob Aircraft AG, and Lockheed Martin Corporation. Additionally, the Debtors are increasingly competing against traditional defense industry manufacturers as they expand their attack aircraft development. For example, the Debtors’ AT-6 aircraft compares favorably against peer light attack aircraft, offering integrated surveillance equipment, data link technology, and wings capable of carrying light attack weapons.

Direct competition against the Debtors’ parts and maintenance activities comes mostly from a multitude of privately-owned maintenance facilities, repair shops, parts brokers, and parts distributors located across the global market. Most of these competitors are regionally focused and no single competitor has any significant concentration of market share. The Debtors are actively seeking to increase their share of the aftermarket services provided to their customers by continuing to improve service standards, leveraging product knowledge, expanding product offerings, and improving distribution capabilities.

(f) Employees

As of the Petition Date, the Debtors employed approximately 5,420 employees, approximately 45% of whom are covered by a collective bargaining agreement. At that time, approximately 2,430 of the Debtors' hourly employees at their Wichita, Kansas facilities were covered by a collective bargaining agreement with the International Association of Machinists and Aerospace Workers (the "IAM").

(g) Suppliers and Raw Materials

The Debtors' key supplies vary from raw materials, such as aluminum, to completed aircraft components and major assemblies, such as engines, avionics, fuselages, and wings. Aircraft systems and structures comprise a substantial portion of the Debtors' supply costs. Supplier pricing arrangements typically include multi-year contracts with fixed-price or annual adjustable pricing pegged to published economic indices.

The Debtors co-develop a significant portion of their aircraft components with their suppliers, and therefore, often have sole-source arrangements for particular components. Many of the Debtors' supplies are custom ordered, engineered into aircraft designs, and certified by the Federal Aviation Administration (the "FAA"). As a result, the Debtors typically cannot replace suppliers on a timely basis, and changing existing suppliers is often cost-prohibitive because doing so would require substantial research and development and re-certification.

(h) Working Capital

A majority of the Debtors' Business and General Aviation Segment sales typically occur during the second half of the year. As a result, the Debtors must build aircraft throughout the year in support of a higher second half sales volume. As a result, the Debtors' inventory levels typically rise during the first three quarters of the year and are reduced significantly during the fourth quarter when they generate the majority of their cash flow.

2. The Debtors' Corporate History and Organizational Structure

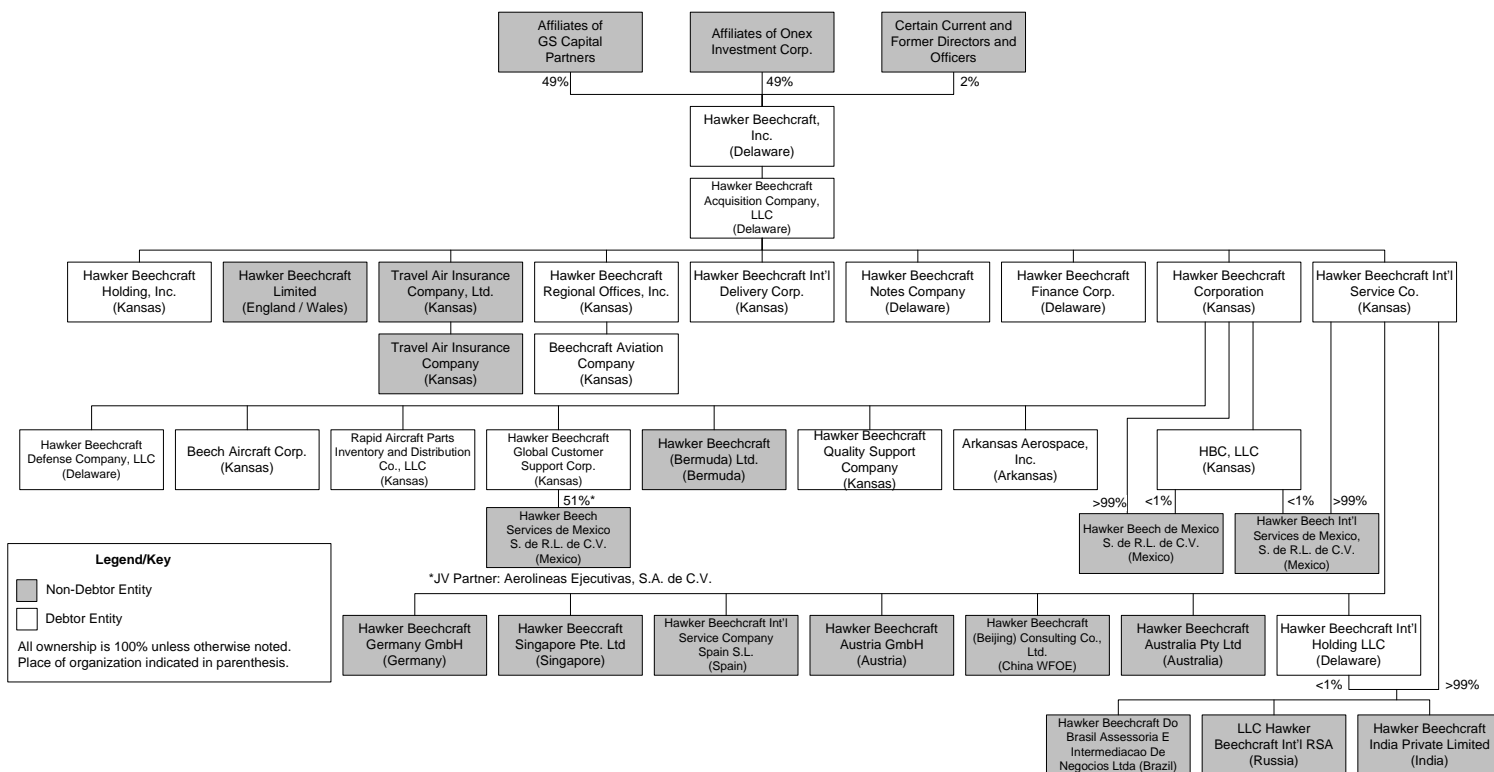
The Debtors' storied history traces back to the founding of both the Beech Aircraft Corporation in the U.S. and the DeHavilland Aircraft Company in the U.K. The Beech Aircraft Corporation, founded in 1932 by Walter H. and Olive Ann Beech, primarily served the business traveler, offering reliable and high-speed commercial aircraft. The first Beechcraft aircraft was the Model 17, otherwise known as the "Staggerwing," which over time, evolved into the Debtors' current turboprop and piston aircraft offerings. The Debtors' business jet origins started three decades later in 1962, when the "125 business jet" was first conceived by the DeHavilland Aircraft Company as a purpose-designed jet for personal business travel. The 125 business jet was ahead of its time, offering a cabin with standup headroom throughout its 19-foot 4-inch length and operating with a Rolls Royce Viper 520 turbojet engine. After Hawker Siddeley Corporation purchased the DeHavilland Aircraft Company, the 125 series aircraft became better known simply as the "Hawker."

From these beginnings, the Beech Aircraft Corporation and the Hawker Siddeley Corporation continued to develop increasingly sophisticated "Beechcraft" and "Hawker" business jet, turboprop, and piston aircraft product lines. These aircraft delivered significant improvements in flying performance and passenger comfort to a rapidly growing customer base consisting of individuals, businesses, and governments in the U.S. and abroad. Beech Aircraft Corporation manufactured the primary training aircraft for the U.S. government during World War II, and released one of its most enduring product lines, the King Air series of turboprop aircraft, in 1964. During this time, Hawker Siddeley Corporation made strategic acquisitions of other aircraft manufacturers amidst increasing consolidation in the aircraft manufacturing market.

Raytheon Company ("Raytheon") acquired the Beech Aircraft Corporation in 1980, and certain business jet producing subsidiaries of British Aerospace (including certain successor entities to the Hawker Siddeley Corporation) in 1993. Raytheon consolidated production of its Hawker and Beechcraft lines in Wichita, Kansas in 1995, after completing an extensive modernization of its production facilities.

On March 26, 2007, GS Capital (as defined herein) and Onex (as defined herein) (together, the “Equity Sponsors”) acquired the subsidiaries producing the Hawker and Beechcraft product lines from Raytheon (the “Acquisition”) for total consideration of approximately \$3.2 billion, net of cash acquired and including certain post-closing purchase price adjustments. The Equity Sponsors financed the Acquisition using the proceeds from the borrowings under the Senior Credit Facility (as defined herein), the offering of the Senior Fixed Rate Notes, Senior PIK-Election Notes, and the Subordinated Notes (each as defined herein), and equity contributions by the Equity Sponsors and certain members of management.

A chart generally depicting the Debtors’ prepetition organizational structure is provided below.



B. Summary of Prepetition Capital Structure

As described in greater detail below, as of April 30, 2012, the Debtors’ outstanding funded debt obligations were in the aggregate principal and accrued interest amount of \$2.552 billion and were comprised of: (a) \$1.829 billion of obligations under the Senior Credit Facility, including (i) \$1.2234 billion outstanding under the Term Loan, (ii) \$198.3 million outstanding under the Incremental “Series A” Term Loan, (iii) \$243.3 million outstanding under the Revolver, (iv) \$39.2 million outstanding under the Synthetic L/C Facility; and (v) \$124.7 million outstanding under the Senior Tranche Advance bridge financing facility; (b) \$409.0 million outstanding under the Senior Fixed Rate Notes (of which \$217.1 million is held by the Debtors); (c) \$455.1 million outstanding under the Senior PIK-Election Notes (of which \$136.8 million is held by the Debtors); (d) \$308.3 million outstanding under the Subordinated Notes (of which \$154.9 million is held by the Debtors); and (e) \$59.6 million outstanding under the EDC Facility. The equity interests in Hawker Beechcraft, Inc., the direct or indirect owner of all of the Debtors’ subsidiaries are held 49% each, by affiliates of the Equity Sponsors, with the remainder owned by certain existing and former members of the Debtors’ management. The Prepetition Debt Obligations are summarized in the chart below and are described in greater detail herein.

Debt Obligation	Original Amount (Issuance Date)	Approximate Amount as of April 30, 2012	Interest Rate	Maturity Date
Secured Debt				
Senior Tranche Advance	\$124.5 million	\$124.7 million	LIBOR+12.00%	6/29/12
Term Loan	\$1.3 billion (3/26/07)	\$1.2234 billion	LIBOR+2.000%	3/26/14
Incremental "Series A" Term Loan	\$200 million (11/25/09)	\$198.3 million	LIBOR+8.500%	3/26/14
Revolver	\$400 million (3/26/07)	\$243.3 million	LIBOR+1.75% ⁶	3/26/13
Synthetic L/C Facility	\$110 million (3/26/07)	\$39.2 million	2.100% ⁷	3/26/14
Unsecured Debt				
Senior Fixed Rate Notes	\$400 million (3/26/07)	\$409.0 million ⁸	8.500%	4/1/15
Senior PIK-Election Notes	\$400 million (3/26/07)	\$455.1 million ⁹	8.875%	4/1/15
Subordinated Notes	\$300 million (3/26/07)	\$308.3 million ¹⁰	9.750%	4/1/17
EDC Facility	NA	\$59.6 million	LIBOR+5.000%	5/31/14 ¹¹

1. The Senior Credit Facility

In connection with the Acquisition, the Debtors, Credit Suisse AG, Cayman Islands Branch, as Administrative Agent and Collateral Agent, and the lenders party thereto entered into a senior credit facility totaling \$1.81 billion, dated March 26, 2007 (as amended, supplemented, or modified from time to time, the "Senior Credit Facility"),¹² consisting of (a) a \$1.3 billion term loan drawn at the close of the Acquisition (the "Term Loan"), (b) a \$400 million revolving credit facility (the "Revolver"), and (c) a \$110 million synthetic letter of credit facility (the "Synthetic L/C Facility"). The Debtors have concluded that the Senior Credit Facility is secured by a first-priority lien on substantially all of the Debtors' assets (other than their foreign affiliates) with the notable exception of certain aircraft and engine inventory. Certain disputes among the Debtors, the Senior Credit Facility Lenders, and

⁶ The Revolver is also subject to a 0.5% commitment fee.

⁷ The Synthetic L/C Facility is also subject to 0.125% interest on all amounts outstanding.

⁸ The approximate amount of the Senior Fixed Rate Notes includes \$217.1 million repurchased by the Debtors at a substantial discount to par value.

⁹ The approximate amount of the Senior PIK-Election Notes includes \$136.8 million held by the Debtors. The Debtors repurchased \$124.6 million in principal amount of Senior PIK-Election Notes that subsequently increased to \$136.8 million in principal amount following payments of PIK interest.

¹⁰ The approximate amount of the Subordinated Notes includes the \$154.9 million repurchased by the Debtors at a substantial discount to par value.

¹¹ The EDC Facility initially matured on May 31, 2011, but contains three 12-month renewals at EDC's discretion.

¹² The Borrowers under the Senior Credit Facility include: Hawker Beechcraft, Inc., Hawker Beechcraft Acquisition Company, LLC and Hawker Beechcraft Limited. The Guarantors under the Senior Credit Facility include: Hawker Beechcraft Corporation; RAPID Aircraft Parts Inventory and Distribution Company, LLC; Hawker Beechcraft Global Customer Support Corporation (f/k/a Hawker Beechcraft Services, Inc.); Hawker Beechcraft Finance Corporation; Arkansas Aerospace, Inc.; Hawker Beechcraft Quality Support Company; Travel Air Insurance Company, Ltd.; Hawker Beechcraft Regional Offices, Inc.; Travel Air Insurance Company; Hawker Beechcraft Aircraft Charter & Management, Inc. (no longer exists); Beechcraft Aviation Company; Hawker Beechcraft Notes Company; Hawker Beechcraft International Delivery Corporation; Hawker Beechcraft Holding, Inc.; and Hawker Beechcraft Defense Company, LLC.

Credit Suisse, as the administrative and collateral agent for the Senior Credit Facility, regarding the perfection of such lien on certain aircraft and engine inventory are discussed in greater detail below.

In March 2008, the Debtors reduced the Synthetic L/C Facility to \$75 million. In December 2008, the Debtors amended the Senior Credit Facility to allow for the prepayment, up to \$300 million, of the Term Loan at a discount price to par to be determined pursuant to certain auction procedures.

In November 2009, the Debtors further amended the Senior Credit Facility to provide for the following terms and conditions, among others:¹³

- i. the conditional waiver of compliance with the maximum consolidated secured debt ratio test;
- ii. the addition of a new minimum liquidity covenant under the Revolver; and
- iii. the addition of a new adjusted EBITDA covenant.

In November 2009, the Debtors entered into an Incremental Facility Supplement Agreement, which provided \$200 million of new term loans (the "Incremental 'Series A' Term Loan"). The Debtors paid a fee to the Incremental "Series A" Term Loan lenders, in the form of an Original Issue Discount, equal to 6% of the principal amount of the loan.

On March 27, 2012, the Debtors entered into a Forbearance Agreement and Third Amendment to the Credit Agreement, which provided \$124.5 million of interim liquidity to the Debtors (the "Senior Tranche Advance"). The Senior Tranche Advance also deferred the Debtors' obligations to make certain interest payments under the Senior Credit Facility when due and granted the Debtors relief from certain loan covenants.

In conducting due diligence efforts related to the Senior Tranche Advance, the Debtors came to conclude that the Senior Credit Facility lenders did not have valid perfected security interests in a number of finished and work-in-progress aircraft, engines, and related equipment. Federal law requires filings with the FAA to perfect security interests in civil aircraft and certain types of engines and propellers.¹⁴ Federal law defines "civil aircraft" as an aircraft that has been registered with the FAA.¹⁵ Upon registration with the FAA, aircraft are given an "N" registration number, and are referred to as "N-Registered" aircraft. Once a new aircraft has passed a series of certification requirements, it is eligible to receive a "certificate of airworthiness" from the FAA. In the ordinary course of the Debtors' operations, aircraft are registered with the FAA and receive "N" registration numbers at the very outset of the production process, and receive certificates of airworthiness only after a series of flight tests following the conclusion of the assembly process.

Under the terms of the Senior Credit Facility, the Debtors are not required to file FAA lien documents on newly manufactured aircraft until 180 days following the aircraft receiving a certificate of airworthiness from the FAA. In 2007, when the Senior Credit Facility was entered into, the Debtors' aircraft were often delivered to customers immediately upon receiving their certificate of airworthiness. However, given declining demand, presently the Debtors have a significant number of completed and in-process aircraft that have not been sold. As of immediately prior to entry into the Senior Tranche Advance, the Debtors had approximately 18 fully completed aircraft that had already received certificates of airworthiness, approximately 41 used, demonstration, and experimental aircraft, approximately 31 aircraft that were fully assembled and capable of flight, but which had not yet received certificates of airworthiness, some of which may have needed final paint jobs, installation of seats,

¹³ The initial effectiveness of the second amendment of the Senior Credit Facility was conditioned upon, among other items, the repayment of \$125 million of the Debtors' outstanding borrowings under the Revolver and a permanent reduction of the Revolver by \$137 million.

¹⁴ See 49 U.S.C. § 44107; 14 C.F.R. § 49.41(a).

¹⁵ See 49 USC § 40102(a)(17).

carpeting, and other interior features and/or other interior work in order to be completed, and approximately 74 aircraft that were in various stages of the assembly process (collectively, the “Disputed Assets”). All of the Disputed Assets were “N-Registered” with the FAA, and the Debtors have concluded that none of the Disputed Assets were subject to an FAA lien filing in favor of the Senior Credit Facility lenders. Notwithstanding the Debtors’ conclusions, the Senior Credit Facility Lenders and Credit Suisse, as the administrative and collateral agent for the Senior Credit Facility, take the position that the Disputed Assets were validly perfected by existing “all assets” UCC filings immediately prior to the making of the Senior Tranche Advance.

In connection with the Senior Tranche Advance, the Debtors agreed to file FAA liens on the Disputed Assets in favor of the Senior Tranche Advance lenders, who collectively provided the Debtors with \$124.5 million in new money. The Debtors did not agree, however, that FAA liens on any of the Disputed Assets would be filed to secure any portion of the then-outstanding Senior Credit Facility. The Debtors insisted that the value of the Disputed Assets, after repayment of the Senior Tranche Advance, be available for the benefit of unsecured creditors. Similarly, the Disputed Assets serve as collateral for the DIP facility, but the Debtors have not proposed that any of the Disputed Assets be granted as collateral for the Senior Credit Facility.

2. The Senior Notes

In March 2007, in connection with the Acquisition, the Debtors issued \$1.1 billion of notes, including: (a) \$400 million of senior fixed rate notes due April 2015 (the “Senior Fixed Rate Notes”); (b) \$400 million of senior PIK-election notes due April 2015 (the “Senior PIK-Election Notes,” and together with the Senior Fixed Rate Notes, the “Senior Notes”); and (c) \$300 million of senior subordinated notes due April 2017 (the “Subordinated Notes”).

The Debtors issued the Senior Notes pursuant to a senior indenture dated as of March 26, 2007, with Deutsche Bank National Trust Company, as the Indenture Trustee, (as amended, supplemented, or modified from time to time, the “Senior Notes Indenture”).¹⁶ The interest rate for the Senior Fixed Rate Notes is 8.500% and is payable in cash. The Debtors previously could elect to pay interest on the Senior PIK-Election Notes: (a) entirely in cash; (b) entirely by increasing the principal amount; or (c) 50% cash interest and 50% PIK interest. The Debtors’ election option expired with the interest payment due April 1, 2011, and the Debtors are required to make cash payments going-forward. Cash interest accrues at a rate of 8.875% per annum and PIK interest accrued at a rate of 9.625% per annum.

The Debtors issued the Subordinated Notes pursuant to a senior subordinated indenture dated as of March 26, 2007, with Wells Fargo Bank, N.A., as the Indenture Trustee, (as amended, supplemented, or modified from time to time, the “Subordinated Notes Indenture”).¹⁷ The interest rate for the Subordinated Notes is 9.750% and is payable in cash.

In 2009, the Debtors completed a cash tender offer to purchase a portion of the outstanding Senior Notes and Subordinated Notes. The tender offer resulted in the purchase of \$341.7 million in aggregate principal amount

¹⁶ The Issuers under the Senior Notes Indenture include: Hawker Beechcraft Acquisition Company LLC and Hawker Beechcraft Notes Company. The Guarantors under the Senior Notes Indenture include: Hawker Beechcraft Finance Corporation; Arkansas Aerospace, Inc.; Hawker Beechcraft Corporation; RAPID Aircraft Parts Inventory and Distribution Company, LLC; Hawker Beechcraft Quality Support Company; Hawker Beechcraft Regional Offices, Inc.; Beechcraft Aviation Company; Hawker Beechcraft Global Customer Support Corporation; RACM, Inc. (no longer exists); Travel Air Insurance Company, Ltd.; Travel Air Insurance Company; Hawker Beechcraft International Delivery Corporation; Hawker Beechcraft Defense Company, LLC; and Hawker Beechcraft Holding, Inc.

¹⁷ The Issuers under the Subordinated Notes Indenture include: Hawker Beechcraft Acquisition Company LLC and Hawker Beechcraft Notes Company. The Guarantors under the Subordinated Notes Indenture include: Hawker Beechcraft Finance Corporation; Arkansas Aerospace, Inc.; Hawker Beechcraft Corporation; RAPID Aircraft Parts Inventory and Distribution Company, LLC; Hawker Beechcraft Quality Support Company; Hawker Beechcraft Regional Offices, Inc.; Beechcraft Aviation Company; Hawker Beechcraft Global Customer Support Corporation; RACM, Inc. (no longer exists); Travel Air Insurance Company, Ltd.; and Travel Air Insurance Company.

of Senior Notes and approximately \$154.9 million in aggregate principal amount of Subordinated Notes at a substantial discount to par value. The principal amount of Senior Notes held by the Debtors subsequently increased to \$353.9 million following payments of PIK interest.

3. EDC Facility

The Debtors purchase a significant percentage of their aircraft engines, engine parts, and related services from Pratt & Whitney Canada Corp., a Canadian corporation ("Pratt & Whitney"). To facilitate these imports, Pratt & Whitney and Export Development Canada ("EDC") entered into a note purchase facility (as amended, supplemented, or modified from time to time, the "EDC Facility") which was acknowledged and consented to by the Debtors on June 23, 2010, pursuant to which EDC provides extended trade terms to the Debtors. Typically, when the Debtors order new engines from Pratt & Whitney, the Debtors issue an unsecured note to Pratt & Whitney, which then sells the note to EDC. The notes typically include a 120-day term and bear interest at five-month LIBOR plus 5%. As of April 30, 2012, the Debtors had \$59.6 million of unsecured notes outstanding under the EDC Facility, including accrued interest.

4. Industrial Revenue Bonds

Certain of the Debtors utilized industrial revenue bonds to finance the purchase and development of service centers. Specifically, Indianapolis Airport Authority ("Indianapolis") and the Industrial Development Authority of the County of Maricopa, Arizona ("Maricopa") issued bonds to GE Government Finance, Inc., which serves as lender for certain of the Debtors' bond transactions ("GE"). Certain of the Debtors then leased property from Indianapolis and Maricopa, and Indianapolis and Maricopa, in turn, pay GE with lease payments received from the Debtors. The Indianapolis-issued bond carries a 5.61% interest rate that may be reset every three years. The Maricopa-issued bond carries a 4.78% interest rate that may be reset every three years. The Debtors pay approximately \$91,000 each month under the Indianapolis-issued bond and approximately \$77,500 each month under the Maricopa-issued bond. As of the Petition Date, the Debtors' Indianapolis-issued and Maricopa-issued bond obligations totaled approximately \$17.5 million.

Additionally, certain of the Debtors utilized industrial revenue bonds to finance their capital expenditures at the Debtors' Wichita, Kansas facilities. Under this arrangement, Sedgwick County, Kansas ("Sedgwick County") issued bonds which were purchased by the Debtors. The funds the Debtors paid to purchase the bonds were used by Sedgwick County to purchase the capital assets (the "Projects") from the Debtors and such funds were immediately sent back to the Debtors. The Projects owned by Sedgwick County were then leased back to the Debtors. The rent payments made to Sedgwick County by the Debtors were in an amount equal to the principal and interest then due on the outstanding bonds. Immediately upon receipt of such rent payments, Sedgwick County returns the funds to the Debtors, as bondholders, in payment of principal and interest on the bonds. The leases granted the Debtors the right to purchase Sedgwick County's interests in the assets that have been financed for a nominal sum when the bonds are retired, either at maturity or upon earlier redemption. The Debtors retained most, if not all, of the incidents of ownership and are treated as the owner for purposes of federal income taxation (e.g., deductions for operating expenses and depreciation).

5. Intercompany Notes

In December 2008 and June 2009, Hawker Beechcraft Acquisition Company, LLC ("HBAC") issued \$6.5 million in unsecured notes (the "Intercompany Notes") to Travel Air Insurance Company, Ltd. ("Travel Air Limited") and Travel Air Insurance Company (Kansas) ("Travel Air Kansas," and collectively with Travel Air Limited, the "Travel Air Companies"). The Travel Air Companies operate as licensed and captive insurance companies in the State of Kansas. Travel Air Kansas formerly underwrote product liability policies for Beech Aircraft Corporation and Raytheon, and administered the business of Travel Air Limited. Travel Air Limited operates as a captive insurance company owned by Hawker Beechcraft Acquisition Company, LLC (one of the Debtors, "HBAC") and formerly reinsured the product liability policies written by Travel Air Kansas. The Intercompany Notes serve as a source of liquidity to HBAC and as an investment to the Travel Air Companies. The Intercompany Notes are memorialized by five debenture agreements. The balance of each debenture is payable on demand to Travel Air Limited or Travel Air Kansas, as applicable. The interest rate charged by the Travel Air Companies on the Intercompany Notes is governed by that certain Debenture Interest Agreement, dated

December 31, 2008, entered into by and between HBAC and the Travel Air Companies. Specifically, HBAC is required to pay interest to the Travel Air Companies on the first day of each fiscal month at a rate equal to the HBAC average cost of debt. As of the Petition Date, HBAC's Intercompany Notes obligations totaled \$6.5 million.

6. Pension Plans

The Debtors maintain three IRS-qualified defined benefit pension plans (the "Pension Plans"). The first is the Qualified Salaried Pension Plan, which covers many of the Debtors' salaried employees, including several members of management. Under the formula for the pension plan, an employee's pension is determined by his or her "final average earnings" multiplied by a percentage which increases the longer the employees worked for the Debtors. In an effort to contain costs, the Debtors closed the Qualified Salaried Pension Plan to new participants effective January 1, 2007. Only employees hired before that date are included in the Qualified Salaried Pension Plan, and those employees have continued to earn benefits as of the Petition Date so long as they are employed by the Debtors.

The second plan is the Qualified Hourly Pension Plan which covers the company's unionized employees represented by the IAM. The Qualified Hourly Pension Plan provides a benefit of \$612 per year multiplied by the employee's years of service. Unlike the Qualified Salaried Pension Plan, the Qualified Hourly Pension Plan remains open as of the Petition Date to new entrants. Thus, all current employees, as well as all new employees, who are represented by the IAM accrue benefits under the Qualified Hourly Pension Plan.

The third and smallest plan is the Qualified Base Pension Plan, which covers non-unionized employees in the Debtors' Customer Support segment. Similar to the Qualified Hourly Pension Plan, the Qualified Base Pension Plan provides a flat dollar amount multiplied by years of service, with the dollar amount varying depending on the date of service and the subsidiary employing the worker. Like the Qualified Salaried Pension Plan, the Qualified Base Pension Plan was closed to new participants on January 1, 2007, though employees hired before that date continue to earn benefits.

The number of participants in each defined benefit pension plan and their relevant information is summarized on the following chart:

Pension Plan Participant Statistics as of January 1, 2011

	Pension Plans		
	Qualified Salaried Pension Plan	Qualified Hourly Pension Plan	Qualified Base Pension Plan
Active participants	1,510	2,841	530
• Average age	48.5	49.4	48.2
• Average benefit service	12.7	17.9	12.5
Terminated vested participants	2,468	3,006	2,509
• Average age	50.5	49.4	51.2
• Average monthly benefit	\$527	\$358	\$197
Retirees and beneficiaries	1,961	2,564	562
• Average age	71.7	74.8	70.0
• Average monthly benefit	\$1,079	\$589	\$258

As of the Petition Date, the Debtors also maintain a defined contribution plan known as the Savings and Investment Plan. The Savings and Investment Plan has two types of employer contributions, the Retirement Income Savings Program (the “RISP”) and a matching contribution. The RISP covers management, salaried, and non-unionized employees hired on or after January 1, 2007, *i.e.*, the employees who are not covered by a defined benefit plan. Under the RISP, the Debtors contribute a percentage of the employee’s pay to a retirement fund invested by the employee, and on retirement the employee receives the contributions plus all of the investment income earned by the funds. The percentage contributed by the Debtors varies depending on the employee’s age and length of service as follows:

Current Retirement Income Savings Program (RISP)

Age Factor	Service Factor			
	Less than 10	At least 10 but less than 20	At least 20 but less than 30	30 or more
Under 30	3%	5%	7%	9%
At least 30 but less than 40	4%	6%	8%	9%
At least 40 but less than 50	5%	7%	8%	9%
50 or over	6%	7%	8%	9%

Because of the combination of low interest rates, sharply decreased investment values, and provision of guaranteed pension payments to its employees, the Debtors face substantial pension contributions over the next several years under the Pension Plans. Specifically, the Debtors will face almost \$400 million in required defined benefit pension contributions from 2012 through 2016. [Additional Details TO COME].

7. Common Stock

In March 2007, in connection with the Acquisition, Hawker Beechcraft, Inc. issued approximately 104 million shares of common stock. GS Capital Partners VI, L.P. and other private equity funds affiliated with Goldman, Sachs & Co. (“GS Capital”) and Onex Partners II LP and related funds (“Onex”) each own approximately 49% of the issued and outstanding common stock of Hawker Beechcraft, Inc. The remainder of the issued and outstanding equity interests are owned by current and former management employees and certain directors.

**ARTICLE III.
EVENTS LEADING TO THE CHAPTER 11 CASES**

A. *Economic Recession, Lack of Global Economic Confidence, and Their Impact on the Global Aviation Industry and the Debtors*

As described above, the Debtors operate in the global business and general aviation industry, which continues to experience depressed demand primarily as a result of uncertainty in the global economy. The business and general aviation industry is historically cyclical and many factors impact it, including the condition of the U.S. and global economies, the availability of financing for customers, corporate profits, and geo-political events. Due in part to the long lead times related to aircraft manufacturing, performance trends in the business and general aviation industry have historically lagged behind trends in general economic conditions and corporate profits. As the general economic environment deteriorated in late 2008 and into 2009, new order activity declined and order cancellations increased.

As a result, the Debtors’ financial performance, including their liquidity, declined significantly since the time of the Acquisition. Considering that the industry headwinds showed no sign of subsiding and the resulting

deterioration in the Debtors' performance, the Debtors realized that they would need to implement certain initiatives to stabilize their operations and return to long-term profitability.

B. Prepetition Restructuring Efforts

Beginning with the onset of the global economic crisis of 2008, the Debtors began to evaluate all aspects of their business with an eye toward adjusting their operations and cost-structure to reflect declining demand in the global aviation industry. This evaluation resulted in the implementation of a number of significant financial, operational, and personnel changes.

First, the Debtors negotiated numerous amendments to the Senior Credit Facility, including several tranches of incremental financing to provide additional liquidity during the economic downturn. In November, 2009, the Debtors amended the Senior Credit Facility to waive certain covenants and to provide the \$200 million Incremental "Series A" Term Loan.

Second, the Debtors attempted to take advantage of market turmoil by repurchasing Senior Notes and Subordinated Notes at a discount to delever their balance sheet. In 2009, the Debtors purchased approximately \$509 million in Senior Notes and Subordinated Notes at a substantial discount to par value.

Third, on March 30, 2009, the Debtors elected to pay their October 2009 semi-annual interest payment on their Senior PIK-Election Notes by increasing the principal value of the notes rather than by paying in cash. The Debtors also exercised this option on September 28, 2009, March 31, 2010, and September 30, 2010, for the April 2010, October 2010, and April 2011 semi-annual interest payments.

Fourth, to enhance liquidity and fund ongoing operations, the Debtors drew down the full remaining availability under their Revolver in the fourth quarter of 2011. The Debtors used these Revolver proceeds to pay for operating expenses in the months leading up to the Petition Date. As of April 30, 2012, approximately \$243.3 million was outstanding under the Revolver.

Fifth, the Debtors engaged in further discussions with certain Senior Credit Facility Lenders. On March 27, 2012, the Debtors entered into an amendment and forbearance agreement under the Senior Credit Facility that waived compliance with additional covenants under the Senior Credit Facility and provided for a \$124.5 million Senior Tranche Advance.

Sixth, the Debtors periodically adjusted their production schedule in an attempt to better align production volumes with anticipated future demand for aircraft. However, given the long lead time associated with manufacturing an aircraft and the large number of vendors who supply parts to the Debtors' aircraft, there is considerable lag time associated with any decision to adjust production. Furthermore, the long lead time on production of an aircraft makes it inherently difficult to predict what macro economic conditions will be and the level of customer demand by the time an aircraft that the Debtors decide to build is ultimately manufactured and ready for delivery.

Seventh, to reduce the cost of operations, in October 2010, the Debtors announced they would implement a concentrated cost reduction and productivity program, which would include a transfer of certain work performed at the Debtors' U.S. facilities to third-party suppliers or to the Debtors' manufacturing operations in Mexico. The program consisted of three primary components: (a) the immediate termination of approximately 8% of salaried employees in October 2010, and the reduction of the Debtors' factory and shop work forces by approximately 800 employees by the end of August 2011, (b) the closure of several of the Debtors' facilities in Wichita, Kansas and the outsourcing of certain operations, and (c) the entry into an innovative and favorable collective bargaining agreement with the IAM on behalf of the Debtors' union workforce.

Finally, the Debtors also made certain changes to their senior leadership team and engaged legal and financial professionals to assist in the consideration of restructuring alternatives.¹⁸ The Debtors hired a new chief financial officer, KJ Tjon, in September 2011. Subsequently, in December 2011, the Debtors engaged Perella to serve as financial advisor and, in January 2012, engaged Kirkland & Ellis LLP (“K&E”) to serve as counsel in connection with the Debtors’ assessment of restructuring alternatives. In February 2012, Robert S. Miller was hired as Chief Executive Officer. And in March 2012, the Debtors engaged Alvarez & Marsal North America, LLC (“A&M”) to provide restructuring and financial advisory services.

C. Negotiations with Stakeholders and the Execution of the Restructuring Support Agreement

Despite these significant efforts to revitalize the Debtors’ operational performance and financial position, the Debtors were not able to meet their sales targets due, in part, to ongoing uncertainty in the global economy and increasing market and customer focus on the Debtors’ distressed financial status. Earlier this year, concerned about the impact of lower sales volumes on their liquidity and on their ability to meet the financial covenants under the Senior Credit Facility, the Debtors and their advisors initiated discussions with the administrative agent for the Senior Credit Facility and the Ad Hoc Committee of Senior Secured Lenders, as well as with the Ad Hoc Committee of Senior Noteholders. The Debtors and their advisors spent considerable time meeting with the Ad Hoc Committee of Senior Secured Lenders and the Ad Hoc Committee of Senior Noteholders, and their respective legal and financial advisors, and gave those constituents access to a great deal of due diligence materials. The parties engaged in extensive discussions regarding the Debtors’ financial situation and the restructuring of certain of the Debtors’ existing obligations, and the need for the Debtors to avoid a liquidity crisis and to address defaults under the Debtors’ existing financing documents.

After extensive discussions, the Debtors entered into a forbearance agreement and an amendment to the Senior Credit Facility that made available the Senior Tranche Advance. This allowed the Debtors to continue to fund ongoing operations and provided additional time for the parties to develop and assess restructuring alternatives. Utilizing the time provided by the Senior Tranche Advance, the Debtors engaged in parallel negotiations with their prepetition secured lenders and third parties to secure DIP financing on the best terms possible. The Debtors negotiated at arm’s length and in good faith, ultimately securing the DIP Facility from existing secured lenders in the amount of \$400 million, which includes a \$75 million letter of credit facility.

The time provided by the Senior Tranche Advance also provided the Debtors with the opportunity to negotiate and execute the Restructuring Support Agreement and Restructuring Term Sheet, which set forth the parameters of a financial restructuring that would be implemented pursuant to the Plan.

Approximately 68.14% of the Holders of Claims under the Senior Credit Facility, approximately 72.55% of the Holders of Senior Notes Claims, and the Senior Credit Facility Agent executed the Restructuring Support Agreement (collectively, the “RSA Parties”). Generally, the RSA Parties are required, subject to the occurrence of certain termination events and other limitations, to support a restructuring transaction whereby Holders of Senior Credit Facility Claims and Holders of Senior Notes Claims would have their Claims converted to equity on the terms set forth in the Restructuring Term Sheet. Additionally, the Restructuring Support Agreement also reflected a proposed settlement and compromise of the Debtors’ collateral dispute with the Holders of Senior Credit Facility Claims and the Senior Credit Facility Agent regarding the Disputed Assets, as described in more detail in Article IV.D herein. The Restructuring Support Agreement also set forth a clear timeline for the Debtors’ chapter 11 process—the Debtors were required to file a plan of reorganization and a disclosure statement by June 30, 2012, must obtain approval of a disclosure statement by August 31, 2012, must confirm a plan of reorganization by November 15, 2012, and must consummate a plan of reorganization by December 15, 2012. Certain Holders of Claims under the Senior Credit Facility that were not already RSA Parties executed a joinder to the Restructuring

¹⁸ In connection with the Debtors’ attempts to restructure and improve their leadership, in late 2011, the Debtors entered into severance agreements with certain high performing officers and increased their compensation by approximately four percent of base salary. Additionally, the Debtors restored the compensation for certain officers who previously took voluntary pay reductions to prior levels. Further information regarding these actions was disclosed by the Debtors in their March 13, 2012, Form 8-K filing with the United States Securities and Exchange Commission.

Support Agreement after the Petition Date and agreed to be bound by certain of the terms and conditions thereof, in order to participate in the syndication of the DIP Facility.

The Debtors commenced these Chapter 11 Cases to effectuate the debt-for-equity exchange contemplated by the Restructuring Term Sheet that is supported by the RSA Parties and those parties that have executed joinders to the Restructuring Support Agreement.

**ARTICLE IV.
EVENTS OF THE CHAPTER 11 CASES**

A. *First Day Pleadings and Other Case Matters*

1. First and Second Day Pleadings to Stabilize Operations

To facilitate these Chapter 11 Cases and minimize disruption to the Debtors' operations, the Debtors filed certain motions and applications with the Bankruptcy Court on the Petition Date or immediately thereafter seeking certain relief summarized below. The relief sought in the "first day" and "second day" pleadings facilitated the Debtors' seamless transition into chapter 11 and aided in the preservation of the Debtors' going-concern value. The first and second day pleadings included the following¹⁹:

- Taxes. On May 4, 2012, the Bankruptcy Court entered an interim order, which was subsequently amended on May 7, 2012, authorizing the Debtors to pay certain Taxes and Fees and similar charges in the ordinary course of business [Docket Nos. 40 and 49]. The Bankruptcy Court entered a final order granting the relief requested on May 30, 2012 [Docket No. 173].
- Insurance. On May 4, 2012, the Bankruptcy Court entered an interim order, which was subsequently amended on May 7, 2012, authorizing the Debtors to (a) maintain prepetition insurance policies and (b) obtain new insurance policies, aviation liability policies, brokerage agreements, and surety bonds [Docket Nos. 46 and 50]. The Bankruptcy Court entered a final order granting the relief requested on May 30, 2012 [Docket No. 176].
- Customer Programs. On May 4, 2012, the Bankruptcy Court entered an interim order authorizing the debtors to honor certain prepetition obligations to customers and otherwise continue certain customer programs and practices in the ordinary course of business [Docket No. 44]. The Bankruptcy Court entered a final order granting the relief requested on May 30, 2012 [Docket No. 179].
- Cash Management. On May 4, 2012, the Bankruptcy Court entered an interim order authorizing the Debtors to continue to use their existing cash management system, existing bank accounts, existing business forms, and certain existing investment guidelines [Docket No. 39]. The Bankruptcy Court entered a final order granting the relief requested on May 30, 2012 [Docket No. 180].
- Employee Wages and Benefits. On May 4, 2012, the Bankruptcy Court entered an interim order authorizing the Debtors to (a) pay certain prepetition wages, salaries, and reimbursable employee expenses, (b) pay and honor certain employee medical and other benefits, and (c) continue employee wages and benefits programs [Docket No. 37]. The Bankruptcy Court entered a final order granting the relief requested on May 30, 2012 [Docket No. 187].

¹⁹ Capitalized terms used but not defined in this section shall have the meanings ascribed to them in the respective First Day Pleadings.

- Vendors. On May 4, 2012, the Bankruptcy Court entered an interim order (I) authorizing the Debtors' payment of (a) section 503(B)(9) claims, (b) logistical claims, (c) foreign creditor claims, and (d) critical vendor claims, (II) directing financial institutions to honor and process related checks and transfers, and (III) granting related relief [Docket No. 36]. The Bankruptcy Court entered a final order granting the relief requested on May 30, 2012 [Docket No. 178].
- Claims Trading. On May 4, 2012, the Bankruptcy Court entered an interim order (I) establishing an effective date for notice and sell-down procedures for trading in claims against the Debtors' estates and (II) granting related relief [Docket No. 42]. The Bankruptcy Court entered a final order granting the relief requested on May 30, 2012 [Docket No. 177].
- Cash Collateral and DIP. On May 7, 2012, the Bankruptcy Court entered an interim order authorizing the Debtors (I) to borrow \$300 million in postpetition debtor-in-possession financing and (II) to utilize cash collateral [Docket No. 53]. These funds were critical to the Debtors' ability to repay the Senior Tranche Obligations, effect the Letters of Credit Conversion, and satisfy their ordinary course obligations incurred to run the business during the Chapter 11 Cases. On June 1, 2012, the Bankruptcy Court entered a final order granting relief requested, including the ability to borrow up to a maximum principal amount of \$400 million in postpetition debtor-in-possession financing and utilize cash collateral [Docket No. 197].
- Assumption and Rejection Procedures. On May 30, 2012, the Bankruptcy Court entered an order authorizing and approving expedited procedures to reject or assume executory contracts and unexpired leases [Docket No. 184].

2. Procedural and Administrative Motions

To facilitate the efficient administration of these Chapter 11 Cases and to reduce the administrative burden associated therewith, the Debtors also sought and received authorization to implement several procedural and administrative motions:

- authorizing the joint administration of the Debtors' Chapter 11 Cases;
- approving notice, case management, and administrative procedures to govern these Chapter 11 Cases;
- extending the time during which the Debtors may file certain schedules of assets and liabilities, schedules of executory contracts and unexpired leases, and statements of financial affairs, the filing of which are required under section 521 of the Bankruptcy Code;
- allowing the Debtors to prepare a list of creditors in lieu of submitting a formatted mailing matrix and to file a consolidated list of the Debtors' 50 largest creditors;
- allowing the Debtors to retain and compensate certain professionals utilized in the ordinary course of business;
- determining the amount and nature of the adequate assurance payment for future utility service; and
- approving the procedures for the interim compensation and reimbursement of retained Professionals in these Chapter 11 Cases.

3. Retention of Chapter 11 Professionals

The Debtors also filed several applications and obtained authority to retain various professionals to assist the Debtors in carrying out their duties under the Bankruptcy Code during these Chapter 11 Cases. These professionals include: (a) K&E, as counsel to the Debtors; (b) Perella as investment banker to the Debtors; (c) A&M as restructuring advisor to the Debtors; (d) Epiq Bankruptcy Solutions, LLC, as the Notice and Claims Agent for the Debtors; and (e) Curtis Mallet-Prevost, Colt & Mosle LLP, as conflicts counsel to the Debtors.

B. Exclusivity

Under the Bankruptcy Code, a debtor has the exclusive right to file a plan or plans of reorganization for an initial period of 120 days from the date on which the debtor filed for voluntary relief, which period may be extended by the bankruptcy court for a period of up to 18 months after the petition date.

During this period, no other party in interest may file a competing chapter 11 plan or plans; however, the Bankruptcy Court may modify the exclusive period upon request of a party in interest and “for cause.” The Debtors have filed the Plan and Disclosure Statement within the exclusivity period and reserve the right to seek extensions of their exclusive right to file a plan or plans and solicit votes thereon if necessary and appropriate.

C. Pending Litigation Proceedings

In the ordinary course of business, the Debtors are party to various lawsuits, legal proceedings, and claims arising out of their business. The Debtors cannot predict with certainty the outcome of these lawsuits, legal proceedings, and claims. Nevertheless, they do not believe the outcome of any currently existing proceeding, even if determined adversely, would have a material adverse effect on their business, financial condition, or results of operations.

With certain exceptions, the filing of these Chapter 11 Cases operates as a stay with respect to the commencement or continuation of litigation against the Debtors that was or could have been commenced before the commencement of these Chapter 11 Cases. In addition, the Debtors’ liability with respect to litigation stayed by the commencement of these Chapter 11 Cases is subject to compromise, settlement, and release upon confirmation of a plan under chapter 11, with certain exceptions. Therefore, certain litigation claims against the Debtors may be subject to compromise in connection with these Chapter 11 Cases.

D. Disputed Assets Settlement

The terms of the Plan reflect an overall compromise on the value of the Disputed Assets that are not subject to validly perfected Liens under the Senior Credit Facility (other than Liens granted by the Debtors in connection with the Senior Credit Facility and the Senior Tranche Advance).²⁰ Parties have differing views on whether any of the Disputed Assets were not subject to such validly perfected Liens. Parties also have differing views on the amount of value that the Disputed Assets would have were they not subject to such validly perfected Liens. The recoveries provided under the Plan to Holders of Secured Senior Credit Facility Claims and to Holders of Claims that are not Secured are, among other things, the product of arm’s-length negotiations regarding these issues between the Debtors, the Holders of Senior Credit Facility Claims, and the Holders of Senior Notes (one of the Debtors’ largest unsecured creditor constituencies). Rather than subject the value of the Debtors’ business to risks and costs associated with significant litigation related to the Disputed Assets, the Plan’s terms reflect a compromise of the various positions of the parties with competing interests, and the Debtors believe that the ultimate resolution of the issues regarding the Disputed Assets is fair and reasonable under the circumstances.

E. Settlement Regarding Senior Note Claims Held by the Debtors

The Plan provides for a compromise and settlement with the Senior Credit Facility Lenders. The Debtors previously purchased and hold approximately \$353.9 million in aggregate principal amount of Senior Notes Claims and approximately \$154.9 million in aggregate principal amount of Subordinated Notes Claims. The Senior Credit Facility Lenders asserted that the Senior Notes Claims and Subordinated Notes Claims held by the Debtors are their collateral under the Senior Credit Facility. In compromise and settlement of this issue, the Senior Notes Claims held by the Debtors will be deemed retired and will not receive a distribution under the Plan, but the Subordinated Notes Claims held by the Debtors will be deemed Allowed and will be entitled to a distribution under the Plan, which

²⁰ The Disputed Assets also are subject to Liens under the DIP Facility.

distribution will be subject to turnover to the Holders of Senior Notes Claims pursuant to the distribution provisions contained in the Plan.

F. Strategic Transaction Process

The Debtors, with the assistance of their advisers, have engaged in an extensive marketing process of the Debtors and their assets. The Debtors' goal has been to determine whether a sale would provide more value to their estates than the stand-alone restructuring embodied in the Restructuring Support Agreement. For several months leading up to the commencement of these chapter 11 cases, the Debtors and their investment banker, Perella, developed a comprehensive list of potential buyers and investors that could purchase the Debtors' assets. The Debtors and Perella identified and vetted over 35 potential buyers, ranging from strategic purchasers to potential private equity partners. Perella contacted a targeted group of 15 potential buyers, based on strategic fit, financial capability, and prior strategic dialogues. This group included three domestic and twelve international parties, of which 13 were strategic and two were financial buyers. The Debtors provided non-disclosure agreements to ten of those parties following process conversations.

Of these ten parties, nine executed non-disclosure agreements and were granted access to diligence materials through a data room. The more than 2,400 documents in the data room provided extensive insight into all aspects of the Debtors' businesses and financial condition, including (a) the Debtors' business plan and financial projections, (b) the Debtors' contracts and leases with key suppliers, vendors, and business partners, and (c) information on ongoing and potential litigations and claims against the Debtors and their insurance coverage with respect to such claims. Potential buyers engaged in extensive analysis of the Debtors' information, downloading and reviewing over 2,100 documents in the aggregate. Furthermore, the Debtors and their advisors held numerous discussions—including phone calls, written correspondence, and in-person meetings—about the data room information and to address any additional due diligence requests.

Five of the potential buyers also traveled or sent advisors to the Debtors' headquarters in Wichita, Kansas, for more detailed meetings with the Debtors' management team and advisors. The Debtors spent approximately five days conducting in-person meetings with the potential suitors.

Further, representatives of the Debtors' management team and Perella, including the Debtors' Chairman and Director of Strategic & Business Planning, visited another four potential buyers in their respective home countries. These meetings lasted four days and entailed extensive discussions regarding the Debtors' businesses and the strategic and economic reasoning behind each suitor's potential acquisition of the Debtors or their assets.

In connection with this marketing process, the Debtors established June 6, 2012, as the deadline for preliminary indications of interest. On May 18, 2012, Perella sent a letter to each of the potential nine suitors, setting forth the Debtors request for, and the general requirements of, potential offers. The Debtors received eight bids, addressing various components of the Debtors' assets and businesses.

On June 19, 2012, Perella sent letters to six bidders requesting revised proposals by June 22, 2012. The Debtors are evaluating various submissions received on June 22, 2012, and have not made any definite decisions yet regarding whether to pursue a third party sale transaction.

[Additional Details TO COME]

G. The Debtors' Proposed Treatment of the Pension Plans and CBA

[Additional Details TO COME]

**ARTICLE V.
SUMMARY OF THE PLAN**

A. *The Plan's Classification Scheme*

As set forth in Article III of the Plan and in accordance with sections 1122 and 1123(a)(1) of the Bankruptcy Code, all Claims and Interests, other than Administrative Claims (including Accrued Professional Compensation Claims), DIP Claims, and Priority Tax Claims, are classified in the Classes set forth in Article III of the Plan for all purposes, including voting, Confirmation, and distributions pursuant to the Plan and in connection with sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest is also classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

The classification of Claims and Interests against each Debtor (as applicable) pursuant to the Plan is set forth below.

The Plan shall apply as a separate Plan for each of the Debtors, and the classification of Claims and Interests set forth in the Plan shall apply separately to each of the Debtors. All of the potential Classes for the Debtors are set forth in the Plan. Certain of the Debtors may not have Holders of Claims or Interests in a particular Class or Classes, and such Classes shall be treated as set forth in Article III.D of the Plan. For all purposes under the Plan, each Class will contain sub-Classes for each of the Debtors (*i.e.* there will be 18 sub-Classes in each Class and many of such sub-Classes may be vacant).

<u>Class</u>	<u>Claim</u>	<u>Status</u>	<u>Voting Rights</u>
1	Other Priority Claims	Unimpaired	Presumed to Accept
2	Other Secured Claims	Unimpaired	Presumed to Accept
3	Indianapolis Industrial Revenue Bonds Claims	Unimpaired	Presumed to Accept
4	Maricopa Industrial Revenue Bonds Claims	Unimpaired	Presumed to Accept
5	Sedgwick County Industrial Revenue Bonds Claims	Unimpaired	Presumed to Accept
6	Senior Credit Facility Secured Claims	Impaired	Entitled to Vote
7	Senior Notes Claims	Impaired	Entitled to Vote
8	Subordinated Notes Claims	Impaired	Deemed to Reject
9	General Unsecured Claims	Impaired	Entitled to Vote
10	PBGC Unsecured Claims	Impaired	Entitled to Vote
11	Intercompany Claims	Impaired	Entitled to Vote on a Provisional Basis
12	Section 510(b) Claims	Impaired	Deemed to Reject
13	Intercompany Interests	Unimpaired	Presumed to Accept
14	HBI Interests	Impaired	Deemed to Reject

Treatment of Unclassified Claims

1. Administrative Claims

Unless otherwise agreed to by the Holder of an Allowed Administrative Claim and the Debtors, each Holder of an Allowed Administrative Claim (other than of an Accrued Professional Compensation Claim), will receive in full and final satisfaction of its Administrative Claim an amount of Cash equal to the amount of such

Allowed Administrative Claim either: (a) on the Effective Date or as soon as practicable thereafter, or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (b) if the Administrative Claim is not Allowed as of the Effective Date, no later than 30 days after the date on which an order of the Bankruptcy Court Allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (c) if the Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business after the Petition Date, pursuant to the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claims, without any further action by the Holders of such Allowed Administrative Claims; (d) at such other time that is agreed to by the Debtors and the Holders of such Allowed Administrative Claim; or (e) at such other time and on such other terms set forth by an order of the Bankruptcy Court.

Except for Claims of Professionals and Governmental Units, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the Debtors no later than the Administrative Claims Bar Date pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims that do not File and serve such a request by the Administrative Claims Bar Date shall be forever barred, stopped, and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests must be Filed by the later of (a) 180 days after the Effective Date and (b) 180 days after the Filing of the applicable request for payment of Administrative Claims, if applicable.

Any requests for payment of Administrative Claims that are not properly Filed and served by the Administrative Claims Bar Date shall not appear on the Claims Register and shall be disallowed automatically without the need for any objection from the Debtors or the Reorganized Debtors or any action by the Bankruptcy Court.

2. Accrued Professional Compensation Claims

(a) Final Fee Applications

All final requests for payment of Claims of a Professional shall be filed no later than 45 days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior Bankruptcy Court orders, the Allowed amounts of such Accrued Professional Compensation Claims shall be determined by the Bankruptcy Court.

(b) Professional Fee Escrow Account

In accordance with Article II.B.3 of the Plan, on the Effective Date, the Debtors shall establish and fund the Professional Fee Escrow Account with Cash equal to the aggregate Professional Fee Reserve Amount for all Professionals. The Professional Fee Escrow Account shall be maintained in trust for the Professionals. Such funds shall not be considered property of the Debtors' Estates. The amount of Accrued Professional Compensation Claims owing to the Professionals shall be paid in Cash to such Professionals from funds held in the Professional Fee Escrow Account when such Claims are Allowed by a Final Order. When all Allowed Professional Compensation Claims are paid in full in Cash, amounts remaining in the Professional Fee Escrow Account, if any, shall revert to the Debtors.

(c) Professional Fee Reserve Amount

To receive payment for unbilled fees and expenses incurred through the Effective Date, the Professionals shall estimate their Accrued Professional Compensation Claims prior to and as of the Effective Date and shall deliver such estimate to the Debtors, counsel to the Ad Hoc Committee of Senior Secured Lenders, and counsel to the Committee no later than five days prior to the anticipated Effective Date; provided, that such estimate shall not be considered an admission with respect to the fees and expenses of such Professional. If a Professional does not

provide an estimate, the Debtors may estimate the unbilled fees and expenses of such Professional. The total amount so estimated as of the Effective Date shall comprise the Professional Fee Reserve Amount.

(d) Post-Effective Date Fees and Expenses

Except as otherwise specifically provided in the Plan, on and after the Effective Date, the Reorganized Debtors may, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable legal, Professional (with the exception of Committee Professionals), or other fees and expenses related to implementation and Consummation of the Plan incurred by the Debtors on or after the Effective Date. Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code or the Interim Compensation Order in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

3. DIP Claims

Except to the extent that a Holder of an Allowed DIP Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed DIP Claim, each Allowed DIP Claim shall be paid in full in Cash on the Effective Date.

4. Priority Tax Claims

Each Holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on the Distribution Date, at the option of the Debtors, one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim; (2) Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code; or (3) such other treatment as may be agreed upon by such Holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court. To the extent any Allowed Priority Tax Claim is not due and owing on the Effective Date, such Claim shall be paid in full in Cash in accordance with the terms of any agreement between the Debtors and the Holder of such Claim, or as may be due and payable under applicable non-bankruptcy law or in the ordinary course of business.

5. U.S. Trustee Statutory Fees

The Debtors shall pay all U.S. Trustee Fees for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first.

B. Treatment of Claims and Interests

The treatment and voting rights provided to each Class for distribution purposes is specified below:

1. Class 1 - Other Priority Claims

- (a) *Classification:* Class 1 consists of all Other Priority Claims.
- (b) *Treatment:* Except to the extent that a Holder of an Allowed Other Priority Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall be paid in full in Cash on (i) the Effective Date or as soon as practicable thereafter, (ii) if after the Effective Date, the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, or (iii) such other date as may be ordered by the Bankruptcy Court.

- (c) *Voting:* Class 1 is Unimpaired, and Holders of Class 1 Other Priority Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1 Other Priority Claims are not entitled to vote to accept or reject the Plan.

2. Class 2 - Other Secured Claims

- (a) *Classification:* Class 2 consists of all Other Secured Claims.
- (b) *Treatment:* Except to the extent that a Holder of an Allowed Other Secured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed Other Secured Claim, each Holder of such Claim shall, at the sole option of the applicable Debtor:
 - (i) be paid in full in Cash including the payment of any interest required to be paid under section 506(b) of the Bankruptcy Code, on the Effective Date or as soon thereafter as reasonably practicable or, if payment is not then due, in accordance with the payment terms of any applicable agreement;
 - (ii) receive the collateral securing any such Allowed Other Secured Claim and be paid any interest required to be paid under section 506(b) of the Bankruptcy Code on the Effective Date or as soon thereafter as reasonably practicable; or
 - (iii) otherwise be treated in any other manner such that the Allowed Other Secured Claim shall be rendered Unimpaired on the later of the Effective Date and the date on which such Other Secured Claim becomes an Allowed Other Secured Claim or as soon as reasonably practicable thereafter.
- (c) *Voting:* Class 2 is Unimpaired, and Holders of Class 2 Other Secured Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 2 Other Secured Claims are not entitled to vote to accept or reject the Plan.

3. Class 3 - Indianapolis Industrial Revenue Bonds Claims

- (a) *Classification:* Class 3 consists of all Indianapolis Industrial Revenue Bonds Claims.
- (b) *Treatment:* Indianapolis Industrial Revenue Bonds Claims shall be Reinstated on the Effective Date.
- (c) *Voting:* Class 3 is Unimpaired, and Holders of Class 3 Indianapolis Industrial Revenue Bonds Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 3 Indianapolis Industrial Revenue Bonds Claims are not entitled to vote to accept or reject the Plan.

4. Class 4 - Maricopa Industrial Revenue Bonds Claims

- (a) *Classification:* Class 4 consists of all Maricopa Industrial Revenue Bonds Claims.
- (b) *Treatment:* Maricopa Industrial Revenue Bonds Claims shall be Reinstated on the Effective Date.
- (c) *Voting:* Class 4 is Unimpaired, and Holders of Class 4 Maricopa Industrial Revenue Bonds Claims conclusively are presumed to have accepted the Plan pursuant to section

1126(f) of the Bankruptcy Code. Therefore, Holders of Class 4 Maricopa Industrial Revenue Bonds Claims are not entitled to vote to accept or reject the Plan.

5. Class 5 - Sedgwick County Industrial Revenue Bonds Claims

- (a) *Classification:* Class 5 consists of all Sedgwick County Industrial Revenue Bonds Claims.
- (b) *Treatment:* Sedgwick County Industrial Revenue Bonds Claims shall be Reinstated on the Effective Date.
- (c) *Voting:* Class 5 is Unimpaired, and Holders of Class 5 Sedgwick County Industrial Revenue Bonds Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5 Sedgwick County Industrial Revenue Bonds Claims are not entitled to vote to accept or reject the Plan.

6. Class 6 - Senior Credit Facility Secured Claims

- (a) *Classification:* Class 6 consists of all Senior Credit Facility Secured Claims.
- (b) *Allowance:* The Senior Credit Facility Secured Claims shall be Allowed and deemed to be Allowed Secured Claims in the aggregate principal amount of \$921.6 million.
- (c) *Treatment:* Except to the extent that a Holder of an Allowed Senior Credit Facility Secured Claim agrees to a less favorable treatment for such Holder, in exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed Senior Credit Facility Secured Claim, each Holder of such Allowed Senior Credit Facility Secured Claim shall receive such Holder's Pro Rata share of 81.1% of the New Common Stock, subject to dilution by the Management Equity Incentive Plan.
- (d) *Voting:* Class 6 is Impaired. Therefore, Holders of Class 6 Senior Credit Facility Secured Claims are entitled to vote to accept or reject the Plan.

7. Class 7 - Senior Notes Claims

- (a) *Classification:* Class 7 consists of all Senior Notes Claims.
- (b) *Allowance:* The Senior Notes Claims shall be Allowed as unsecured Claims in the aggregate principal amount of \$510.2 million.
- (c) *Treatment:* Except to the extent that a Holder of an Allowed Senior Notes Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed Senior Notes Claim, each Holder of such Allowed Senior Notes Claim shall receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery and its Pro Rata share of the Subordinated Notes Claim Recovery. For purposes of calculating the Pro Rata share allocable to each Holder of an Allowed Senior Notes Claim, in accordance with Article IX.C of the Plan, any Senior Notes Claims held by any Debtor have been excluded from the Allowed amount of Senior Notes Claims provided in Article III.B.7(b) of the Plan.
- (d) *Voting:* Class 7 is Impaired. Therefore, Holders of Allowed Class 7 Senior Notes Claims as of the Voting Record Date are entitled to vote to accept or reject the Plan.

8. Class 8 - Subordinated Notes Claims

- (a) *Classification:* Class 8 consists of all Subordinated Notes Claims.
- (b) *Allowance:* The Subordinated Notes Claims shall be Allowed as unsecured Claims in the aggregate amount of \$308.3 million.
- (c) *Treatment:* In exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed Subordinated Notes Claim, each Holder of such Allowed Subordinated Notes Claim shall receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery; provided, that Holders of Allowed Subordinated Notes Claims shall turn over their Unsecured Creditor Equity Recovery to Holders of Senior Notes Claims in accordance with the terms and conditions of the Senior Notes Indenture and Subordinated Notes Indenture that provide that the Subordinated Notes Claims are subordinated in right of payment to the payment of the Senior Notes Claims.
- (d) *Voting:* Class 8 is Impaired, and Holders of Class 8 Subordinated Notes Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, the Holders of Class 8 Subordinated Notes Claims are not entitled to vote to accept or reject the Plan.

9. Class 9 - General Unsecured Claims

- (a) *Classification:* Class 9 consists of all General Unsecured Claims.
- (b) *Allowance:* The General Unsecured Claims shall include the Senior Credit Facility Deficiency Claims, which shall be Allowed in the aggregate principal amount of \$780.9 million, and any other General Unsecured Claims that are Allowed pursuant to the Plan or a Final Order of the Bankruptcy Court.
- (c) *Treatment:* Except to the extent that a Holder of a General Unsecured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and compromise of each and every Allowed General Unsecured Claim, each Holder of such Allowed General Unsecured Claim shall receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery; provided, that if the Holders of Senior Notes Claims make a proposal to fund the General Unsecured Claims Cash Out Option, satisfactory to the Debtors before the date which is ten Business Days prior to the hearing to consider approval of the Disclosure Statement, each Holder of an Allowed General Unsecured Claim that is not a Senior Credit Facility Deficiency Claim, in an amount not to exceed \$200 million per General Unsecured Claim, may elect (on such Holder's applicable Ballot) a preference to receive, in lieu of receiving its Pro Rata share of the Unsecured Creditor Equity Recovery, payment in Cash on the Effective Date, which Cash amount will equal [●]% of the implied value of the New Common Stock that such Holder of an Allowed General Unsecured Claim would otherwise have been entitled to receive. If the General Unsecured Claims Cash Out Option is not funded, for the avoidance of doubt, all Holders of Allowed General Unsecured Claims shall receive their Pro Rata share of the Unsecured Creditor Equity Recovery.

For the avoidance of doubt, Holders of Allowed Senior Credit Facility Deficiency Claims agree to waive any rights to receive any payment of the Subordinated Notes Claim Recovery that would otherwise be payable to such Holders upon the enforcement of the contractual subordination of the Subordinated Notes Claims.

- (d) *Voting:* Class 9 is Impaired. Therefore, Holders of Allowed Class 9 General Unsecured Claims as of the Voting Record Date are entitled to vote to accept or reject the Plan.

10. Class 10 - PBGC Unsecured Claims

- (a) *Classification:* Class 10 consists of all PBGC Unsecured Claims.
- (b) *Treatment:* Except to the extent that a Holder of an Allowed PBGC Unsecured Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and compromise of each Allowed PBGC Unsecured Claim, each Holder of such Allowed PBGC Unsecured Claim shall receive such Holder's Pro Rata share of the Unsecured Creditor Equity Recovery.
- (c) *Voting:* Class 10 is Impaired. Therefore, Holders of Class 10 PBGC Unsecured Claims are entitled to vote to accept or reject the Plan.

11. Class 11 - Intercompany Claims

- (a) *Classification:* Class 11 consists of all Intercompany Claims.
- (b) *Treatment:* To preserve the Debtors' corporate structure, Intercompany Claims may be Reinstated as of the Effective Date or, at the Debtors' or Reorganized Debtors' option, as applicable, be cancelled or compromised, and no distribution shall be made on account of such Intercompany Claims, in all cases consistent with the terms of the Restructuring Support Agreement and the Restructuring Term Sheet, provided, that to the extent any Intercompany Claims are cancelled or compromised, in no event will the beneficiary receive less than it would have received if it were a Class 9 General Unsecured Claim.
- (c) *Voting:* Class 11 is Impaired. Because the Debtors reserve the right to have the Intercompany Claims be Reinstated, cancelled, or compromised, Holders of Class 11 Intercompany Claims are provisionally entitled to vote to accept or reject the Plan; provided, that should Class 11 ultimately be Unimpaired or Impaired and receiving no distribution, Class 11 ballots shall be disregarded and Class 11 shall be either presumed to accept or deemed to reject the Plan, as applicable.

12. Class 12 - Section 510(b) Claims

- (a) *Classification:* Class 12 consists of all Section 510(b) Claims.
- (b) *Treatment:* Holders of Section 510(b) Claims shall not receive any distribution on account of such Claims, and Section 510(b) Claims shall be discharged, cancelled, released, and extinguished as of the Effective Date.
- (c) *Voting:* Class 12 is Impaired, and Holders of Class 12 Section 510(b) Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 11 Section 510(b) Claims are not entitled to vote to accept or reject the Plan.

13. Class 13 - Intercompany Interests

- (a) *Classification:* Class 13 consists of all Intercompany Interests.
- (b) *Treatment:* To the extent not otherwise transferred by HBI to Reorganized HBI, Intercompany Interests shall be reinstated on the Effective Date.
- (c) *Voting:* Class 13 is Unimpaired, and Holders of Class 13 Intercompany Interests conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the

Bankruptcy Code. Therefore, Holders of Class 13 Intercompany Interests are not entitled to vote to accept or reject the Plan.

14. Class 14 - HBI Interests

- (a) *Classification:* Class 14 consists of all HBI Interests.
- (b) *Treatment:* Holders of HBI Interests will not receive any distribution on account of such HBI Interests, and HBI Interests shall be discharged, cancelled, released, and extinguished as of the Effective Date, and shall be of no further force or effect.
- (c) *Voting:* Class 14 is Impaired, and Holders of Class 14 HBI Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 14 HBI Interests are not entitled to vote to accept or reject the Plan.

C. *Special Provisions*

1. Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

2. Elimination of Vacant Classes

Any Class of Claims or Interests that does not have a Holder of an Allowed Claim or Allowed Interest or a Claim or Interest temporarily Allowed by the Bankruptcy Court as of the date of the Confirmation Hearing shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

3. Voting Classes; Presumed Acceptance by Non-Voting Classes

If a Class contains Claims eligible to vote and no Holders of Claims eligible to vote in such Class vote to accept or reject the Plan, the Plan shall be presumed accepted by the Holders of such Claims in such Class.

4. Confirmation Pursuant to Section 1129(a)(10) and 1129(b) of the Bankruptcy Code

The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right to modify the Plan in accordance with Article XI of the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

5. Controversy Concerning Impairment

If a controversy arises as to whether any Claims or Interests, or any Class of Claims or Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

D. *Means for Implementation of the Plan*

1. Sources of Consideration for Plan Distributions

The Confirmation Order shall be deemed to authorize, among other things, the Restructuring Transactions. All amounts and securities necessary for the Debtors (on the Effective Date) or the Reorganized Debtors or the Disbursing Agent (after the Effective Date) to make payments or distributions pursuant to the Plan shall be obtained

from the New Common Stock, the Exit Facility, Cash of the Debtors, and the implementation of the General Unsecured Claims Cash Out Option. Notwithstanding anything in the Plan to the contrary, the Reorganized Debtors shall assume all liability for the Plan distributions provided on account of all Allowed Claims against the Debtors specified in the Plan that are not satisfied by a distribution made by the Debtors on or around the Effective Date.

2. General Unsecured Claims Cash Out Option

If the Holders of Senior Notes Claims provide an acceptable proposal to the Debtors at least ten Business Days prior to the hearing to approve the Disclosure Statement, the Plan will implement the General Unsecured Claims Cash Out Option available to each Holder of an Allowed General Unsecured Claim in an amount not to exceed \$200 million per General Unsecured Claim described in Article III.B.9 of the Plan. The Holders of Senior Notes Claims funding this treatment will receive the Pro Rata share of the Unsecured Creditor Equity Recovery that otherwise would have been received by the Holder of the General Unsecured Claim that elected the General Unsecured Claims Cash Out Option on its Ballot. If implemented, the Cash necessary to fund this treatment would be provided by the Holders of Senior Notes Claims on a Pro Rata basis; provided, that to the extent any Holder of Senior Notes Claims decides not to fund its Pro Rata share of the funding necessary to fund this treatment, those participating Holders of Senior Notes Claims may elect to purchase the unfunded portion of such funding, and if there is more than one participating Holder of Senior Notes Claims making such election, the unfunded portion of the funding shall be allocated among such Holders based upon the amount of Senior Notes Claims held by each such Holder as compared to the amount of Senior Notes Claims held by all such Holders making such election.

3. Exit Facility

The Confirmation Order shall include approval of the Exit Facility (including the transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Facility, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein) and authorization for the Reorganized Debtors to enter into and execute the Exit Facility Documents and such other documents as may be required to effectuate the treatment afforded to the lenders under the Exit Facility pursuant to the Exit Facility Documents. The Reorganized Debtors may use the Exit Facility for any purpose permitted thereunder, including the funding of obligations under the Plan and satisfaction of ongoing working capital needs.

Upon the Confirmation Date, (1) the Reorganized Debtors are authorized to execute and deliver the Exit Facility Documents and perform their obligations thereunder including, without limitation, the payment or reimbursement of any fees, expenses, losses, damages, or indemnities, and (2) subject to the occurrence of the Effective Date the Exit Facility Documents shall constitute the legal, valid, and binding obligations of the Reorganized Debtors and be enforceable in accordance with their respective terms.

4. Issuance of New Common Stock

HBI Interests shall be cancelled and Reorganized HBI shall issue the New Common Stock for distribution to Holders of Allowed Senior Credit Facility Secured Claims and Holders of Claims entitled to receive the Unsecured Creditor Equity Recovery, and Holders of Senior Notes Claims who fund the General Unsecured Claims Cash Out Option. New Common Stock shall also be reserved for the Management Equity Incentive Plan.

Each share of the New Common Stock issued and distributed pursuant to the Plan shall be duly authorized, validly issued, and fully paid and non-assessable. Each distribution and issuance referred to in Article VII of the Plan shall be governed by the terms and conditions set forth therein applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

5. New Shareholders Agreement

[On the Effective Date, Reorganized HBI shall enter into and deliver the New Shareholders Agreement in substantially the form included in the Plan Supplement, after consultation with the Committee. The New

Shareholders Agreement shall be deemed to be valid, binding, and enforceable in accordance with its terms, and each Holder of New Common Stock shall be deemed to be bound thereby, in each case without the need for execution by any party thereto other than Reorganized HBI.]

6. General Settlement of Claims

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims, Interests, and controversies resolved pursuant to the Plan. Distributions made to Holders of Allowed Claims are intended to be final.

7. Section 1145 Exemption

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance, and distribution of the New Common Stock shall be exempt from, among other things, the registration and prospectus delivery requirements of Section 5 of the Securities Act and any other applicable state and federal law requiring registration and/or delivery of a prospectus prior to the offering, issuance, distribution, or sale of securities. In addition, under section 1145 of the Bankruptcy Code, any securities contemplated by the Plan and any and all agreements incorporated therein, including, the New Common Stock shall be subject to (1) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act; (2) compliance with any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such securities or instruments; (3) the restrictions, if any, on the transferability of such securities and instruments, including those set forth in the New Corporate Governance Documents; and (4) applicable regulatory approval, if any.

8. Listing of New Common Stock; Reporting Obligations

On the Effective Date, none of the New Common Stock will be listed on a national securities exchange, the Reorganized Debtors will not be reporting companies under the Securities Exchange Act, the Reorganized Debtors shall not be required to file reports with the Securities and Exchange Commission or any other entity or party, and the Reorganized Debtors shall not be required to file monthly operating reports, or any other type of report, with the Bankruptcy Court after the Effective Date; provided, that notwithstanding anything to the contrary contained in the Plan, each of the Reorganized Debtors shall provide to the U.S. Trustee a calculation of their disbursements on a quarterly basis until the entry of a final decree pursuant to Bankruptcy Rule 3022 to close the chapter 11 case of such Reorganized Debtor. In order to prevent the Reorganized Debtors from becoming subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, the New Corporate Governance Documents may impose certain trading restrictions, and the New Common Stock will be subject to certain transfer and other restrictions pursuant to the New Corporate Governance Documents.

9. Release of Liens

Except as otherwise provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released, settled, and compromised and all rights, titles, and interests of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall revert to the Reorganized Debtors and their successors and assigns. The Reorganized Debtors shall be authorized to file any necessary or desirable documents to evidence such release in the name of such Secured Party.

10. Cancellation of Securities and Agreements

On the Effective Date, except as otherwise specifically provided for in the Plan: (1) the obligations of the Debtors under the DIP Agreement, the Senior Credit Facility, the Senior Notes Indenture, the Subordinated Notes Indenture, and any other certificate, share, note, bond, indenture, purchase right, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest, equity, or profits interest in the Debtors or any warrants, options, or other securities exercisable or exchangeable for, or convertible into, debt, equity, ownership, or profits interests in the Debtors giving rise to any Claim or Interest (except the Intercompany Interests and such other certificates, notes, or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically Reinstated pursuant to the Plan), shall be cancelled as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; (2) the obligations of the Debtors under the DIP Facility and the Senior Secured Facility shall be fully released, settled, and compromised as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (3) the obligations of the Debtors pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, indentures, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors shall be fully released, settled, and compromised except as expressly provided in the Plan; provided, that notwithstanding Confirmation or the occurrence of the Effective Date, any such agreement that governs the rights of the Holder of a Claim or Interest shall continue in effect solely for purposes of allowing such Holders to receive distributions under the Plan as provided therein; provided, further, that notwithstanding the foregoing and anything else contained in the Plan, the Senior Notes Indenture and the Subordinated Notes Indenture will continue in effect solely for the purposes of (1) allowing distributions, if any, to be made under the Plan pursuant to the Senior Notes Indenture and the Subordinated Notes Indenture and for the Senior Notes Indenture Trustee and the Subordinated Notes Indenture Trustee to perform such other necessary functions with respect thereto, if any, and to have the benefit of all the protections and other provisions of the applicable indentures in doing so; and (2) permitting a Senior Notes Indenture Trustee to maintain or assert any right or charging lien it may have against distributions pursuant to the terms of the Plan to recover unpaid fees and expenses (including the fees and expenses of their counsel, agents, and advisors) of the Senior Notes Indenture Trustee. On and after the Effective Date, all duties and responsibilities of the Senior Notes Indenture Trustee and the Subordinated Notes Indenture Trustee under the applicable indentures shall be discharged except to the extent required in order to effectuate the Plan.

On the Effective Date, except to the extent otherwise provided in the Plan, any indenture relating to any of the foregoing, including the Senior Notes Indenture and the Subordinated Notes Indenture, shall be deemed to be canceled, as permitted by section 1123(a)(5)(F) of the Bankruptcy Code, and the obligations of the Debtors thereunder shall be fully released, settled, and compromised.

11. Restructuring Transactions

On the Effective Date or as soon as reasonably practicable thereafter, the Debtors and the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Restructuring Transactions under and in connection with the Plan. For the purposes of effectuating the Plan, none of the Restructuring Transactions contemplated in the Plan shall constitute a change of control under any agreement, contract or document of the Debtors. The Debtors reserve the right to implement the restructuring contemplated by the Plan pursuant to a transaction that provides for the purchase of substantially all of the assets of any of the Debtors by one or more new corporations or limited liability companies that will be formed or caused to be formed by the Debtors, which transaction shall be structured as a taxable transaction for United States federal income tax purposes, shall be deemed consummated on the Effective Date, and will be described in the Plan Supplement.

12. Corporate Action

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by Holders of Claims or Interests, directors, managers, or officers of the Debtors, the Reorganized Debtors, or any other Entity or Person, including: (1) rejection or assumption, as applicable, of Executory Contracts and Unexpired Leases;

(2) selection of the managers and officers for the Reorganized Debtors; (3) the execution of and entry into the Exit Facility Documents; (4) entry into the New Corporate Governance Documents; (5) the issuance and distribution of the New Common Stock as provided in the Plan; (6) adoption of the Management Equity Incentive Plan; and (7) all other acts or actions contemplated, or reasonably necessary or appropriate to promptly consummate the transactions contemplated by the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the company structure of the Debtors, and any company action required by the Debtors in connection therewith, shall be deemed to have occurred on, and shall be in effect as of the Effective Date, without any requirement of further action by the security holders, directors, managers, authorized persons, or officers of the Debtors.

On or (as applicable) prior to the Effective Date, the appropriate officers, managers, or authorized persons of the Debtors (including, any president, vice-president, chief executive officer, treasurer, general counsel, or chief financial officer thereof) shall be authorized and directed to issue, execute and deliver the agreements, documents, securities, certificates of incorporation, certificates of formation, bylaws, operating agreements, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Debtors including (1) the Exit Facility Agreement and the other Exit Facility Documents, (2) the New Corporate Governance Documents, and (3) any and all other agreements, documents, securities and instruments relating to the foregoing. The authorizations and approvals contemplated by Article IV.L of the Plan shall be effective notwithstanding any requirements under non-bankruptcy law.

13. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors and the managers, officers, authorized persons and members of the boards of managers and directors thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan, the Exit Facility Agreement, and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

14. Exemption from Certain Taxes and Fees

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant to the Plan or pursuant to the Exit Facility Documents shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (1) the creation of any mortgage, deed of trust, Lien, or other security interest; (2) the making or assignment of any lease or sublease; (3) any Restructuring Transaction; (4) the issuance, distribution, and/or sale of any of the New Common Stock and any other securities of the Debtors or the Reorganized Debtors; or (5) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation, or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any Restructuring Transaction occurring under the Plan.

15. Corporate Existence

Except as otherwise provided in the Plan, each Debtor shall continue to exist after the Effective Date as a separate corporate Entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be pursuant to the Plan and require no further action or approval.

16. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated in the Plan, on the Effective Date, all property in each Estate, all Causes of Action, and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances. On and after the Effective Date, except as otherwise provided in the Plan, each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

17. Assumption of Directors and Officers Insurance Policies

The Debtors do not believe that the D&O Liability Insurance Policies issued to, or entered into by, the Debtors prior to the Petition Date constitute executory contracts. To the extent that such insurance policies or agreements are considered to be executory contracts, then, notwithstanding anything in the Plan to the contrary, the Reorganized Debtors shall be deemed to have assumed all of the Debtors' unexpired D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code effective as of the Effective Date. Entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the Reorganized Debtors' foregoing assumption of each of the unexpired D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained in the Plan, confirmation of the Plan shall not discharge, impair, or otherwise modify any indemnity obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such indemnity obligation will be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be filed.

In addition, after the Effective Date, none of the Reorganized Debtors shall terminate or otherwise reduce the coverage under any D&O Liability Insurance Policies (including any "tail policy") in effect on the Petition Date, with respect to conduct occurring prior thereto, and all directors and officers of the Debtors who served in such capacity at any time prior to the Effective Date shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such directors and officers remain in such positions after the Effective Date.

18. Indemnification Provisions in New Corporate Governance Documents

As of the Effective Date, the New Corporate Governance Documents shall provide for the indemnification, defense, reimbursement, exculpation, and/or limitation of liability of, and advancement of fees and expenses to, the Reorganized Debtors' current and former directors, officers, employees, or agents at least to the same extent as the organizational documents of each of the respective Debtors on the Petition Date, against any claims or Causes of Action whether direct or derivative, liquidated or unliquidated, fixed or contingent, disputed or undisputed, matured or unmatured, known or unknown, foreseen or unforeseen, asserted or unasserted, and none of the Reorganized Debtors shall amend and/or restate the New Corporate Governance Documents before or after the Effective Date to terminate or materially adversely affect any of the Reorganized Debtors' obligations to provide such indemnification rights or such directors', officers', employees', or agents' indemnification rights.

19. Directors and Officers of Reorganized HBI and the Other Reorganized Debtors

(a) The New Board

The New Board of Reorganized HBI shall consist of [●] directors or managers, as applicable, and the New Board of the other Debtors shall consist of the number of directors or managers, as applicable, provided for such Debtor in its New Corporate Governance Documents, in each case selected in accordance with the Restructuring Term Sheet and the New Corporate Governance Documents. On the Effective Date, all managers, directors, and other members of the existing boards or governance bodies of the Debtors, as applicable, shall cease to hold office or have any authority from and after such time to the extent not expressly included in the roster of the New Board. Pursuant to section 1129(a)(5) of the Bankruptcy Code, to the extent known, the identity of the members of the New Board will be disclosed in the Plan Supplement.

(b) Senior Management

The existing officers of the Debtors as of the Petition Date shall remain in their current capacities as officers of the Reorganized Debtors, subject to the ordinary rights and powers of the New Board to remove or replace them in accordance with the New Corporate Governance Documents and any applicable employment agreements that are assumed by the Reorganized Debtors consistent with the terms under the Plan.

20. Preservation of Causes of Action

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released (including, for the avoidance of doubt, pursuant to Article IX.D and Article IX.F of the Plan), the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or the Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against them. Except with respect to Causes of Action as to which the Debtors or the Reorganized Debtors have released any Person or Entity on or prior to the Effective Date (pursuant to the Debtor Release or otherwise), the Debtors or the Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

21. Payment of Senior Notes Indenture Trustee Fees and Expenses

All reasonable fees and expenses of the Senior Notes Indenture Trustee incurred before the Effective Date (and their counsel, agents, and advisors) up to \$250,000 shall be paid in full in Cash without a reduction to the recoveries of applicable Holders of Allowed Claims on the Effective Date (subject to the Debtors', counsel to the Ad Hoc Committee of Senior Secured Lenders', and counsel to the Ad Hoc Committee of Senior Noteholders' prior receipt of invoices in customary form in connection therewith and without the requirement to file a fee application with the Bankruptcy Court). To the extent invoices are submitted after the Effective Date, such invoices shall be paid as soon as reasonably practicable. Notwithstanding the foregoing, to the extent any fees or expenses of the Senior Notes Indenture Trustee are not paid, the Senior Notes Indenture Trustee may assert their charging liens against any recoveries received on account of Allowed Senior Notes Claims for payment of such unpaid amounts. All disputes related to the fees and expenses of the Senior Notes Indenture Trustee shall be subject to the jurisdiction of and decided by the Bankruptcy Court.

E. Treatment of Compensation, Pension, and Benefits Programs

1. Management Equity Incentive Program

On or as soon as practicable following the Effective Date, the New Board shall adopt the Management Equity Incentive Plan contained in the Plan Supplement. In no event shall initial equity distributions under the Management Equity Incentive Plan occur later than the date which is 30 days after the Effective Date.

2. Compensation and Benefits Program

The Debtors do not believe that all of the Compensation and Benefits Programs are Executory Contracts, but for purposes of the Plan, the Compensation and Benefits Programs shall be deemed to be, and shall be treated as

though they are, Executory Contracts and, except as set forth below, the Reorganized Debtors' obligations under the Compensation and Benefits Programs shall be deemed rejected on the Effective Date pursuant to the provisions of section 365 and 1123 of the Bankruptcy Code, except for: (a) Compensation and Benefits Programs listed in the Plan Supplement to be assumed; (b) Compensation and Benefits Programs that have previously been assumed; and (c) Compensation and Benefits Programs that, as of the entry of the Confirmation Order, are the subject of pending assumption procedures or a motion to assume.

The assumption or continuation of Compensation and Benefits Programs as set forth in the Plan shall not be deemed to trigger any applicable change of control, immediate vesting, termination, or similar provisions therein (unless a Compensation and Benefits Program counterparty timely objects to the assumption or continuation contemplated by Article V.B of the Plan in which case any such Compensation and Benefits Program shall be deemed rejected or discontinued as of immediately prior to the Petition Date). No counterparty shall have rights under the Compensation and Benefits Programs assumed pursuant to Article V.B of the Plan other than those applicable immediately prior to such assumption or continuation.

For the avoidance of doubt, the Debtors are not seeking to assume any obligations in connection with the [●] in connection with the Plan. Claims arising from the discontinuation, rejection, or termination of the Non-Qualified Retirement Plans will be treated as General Unsecured Claims in Class 9.

3. New Non-Qualified Employee Compensation Plan

As of the Effective Date, and as more fully set forth in the Plan Supplement, the Reorganized Debtors shall enter into the New Non-Qualified Employee Compensation Plan, which for active employees shall include starting balances equal to such employees' balances as of the Petition Date under the Non-Qualified Deferred Compensation Plan.

4. Workers' Compensation Programs

As of the Effective Date, except as set forth in the Plan Supplement, the Debtors and the Reorganized Debtors shall continue to honor their obligations under: (i) all applicable workers' compensation laws in states in which the Reorganized Debtors operate; and (ii) the Debtors' written contracts, agreements, agreements of indemnity, self-insurer workers' compensation bonds, policies, programs, and plans for workers' compensation and workers' compensation insurance.

All Proofs of Claims on account of workers' compensation shall be deemed withdrawn automatically and without any further notice to or action, order, or approval of the Bankruptcy Court; provided, that nothing in the Plan shall limit, diminish, or otherwise alter the Debtors' or Reorganized Debtors' defenses, Causes of Action, or other rights under applicable non-bankruptcy law with respect to any such contracts, agreements, policies, programs, and plans; provided, further, that nothing herein shall be deemed to impose any obligations on the Debtors in addition to what is provided for under applicable state law.

F. *Treatment of Executory Contracts and Unexpired Leases*

1. Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided in the Plan, or in any contract, instrument, release, indenture or other agreement, or document entered into in connection with the Plan, as of the Effective Date, each Debtor shall be deemed to have rejected each Executory Contract and Unexpired Lease to which it is a party, unless such Executory Contract or Unexpired Lease: (1) was previously assumed or rejected; (2) was previously expired or terminated pursuant to its own terms; (3) is the subject of a motion or notice to assume filed on or before the Confirmation Date; or (4) is designated specifically or by category as an Executory Contract or Unexpired Lease on the Schedule of Assumed Executory Contracts and Unexpired Leases.

The Confirmation Order shall constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the assumptions and assignments or rejections described above as of the

Effective Date. Unless otherwise indicated, all assumptions and assignments or rejections of Executory Contracts and Unexpired Leases in the Plan will be effective as of the Effective Date. Each Executory Contract and Unexpired Lease assumed and assigned pursuant to the Plan or by Bankruptcy Court order, shall vest in and be fully enforceable by the applicable assignee in accordance with its terms, except as such terms may have been modified by order of the Bankruptcy Court.

Notwithstanding the foregoing paragraph or anything contrary in the Plan, the Debtors reserve the right to alter, amend, modify, or supplement the Executory Contracts and Unexpired Leases identified in the Plan Supplement prior to the Effective Date.

2. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases

Any Executory Contracts or Unexpired Leases to be assumed and assigned pursuant to the Plan, or otherwise, that are, or may be, alleged to be in default, shall be satisfied solely by payment of the Cure Cost or by an agreed-upon waiver or discharge of the Cure Cost on the Effective Date or as soon as reasonably practicable thereafter or on such other terms as the Debtors and the counterparties to each such Executory Contract or Unexpired Lease may otherwise agree.

In the event of a dispute regarding: (1) the amount of any Cure Cost; (2) the ability of the Reorganized Debtors to provide "adequate assurance of future performance" within the meaning of section 365(b) of the Bankruptcy Code, if applicable, under the Executory Contract or the Unexpired Lease to be assumed; or (3) any other matter pertaining to assumption and/or assignment, then such Cure Costs shall be paid following the entry of a Final Order resolving the dispute and approving the assumption and assignment of such Executory Contracts or Unexpired Leases or as may be agreed upon by the Debtors or the Reorganized Debtors, in consultation with the Committee, and the counterparty to such Executory Contract or Unexpired Lease; provided, that prior to the Effective Date, the Debtors, in consultation with the Committee, or after the Effective Date, the Reorganized Debtors, may settle any dispute regarding the amount of any Cure Cost without any further notice to any party or any action, order, or approval of the Bankruptcy Court; provided, further, that notwithstanding anything to the contrary in the Plan, prior to the Effective Date and prior to the entry of a Final Order resolving any dispute and approving the assumption and assignment of such Executory Contract or Unexpired Lease, the Debtors reserve the right to reject any Executory Contract or Unexpired Lease which is subject to dispute.

Assumption and assignment of any Executory Contract or Unexpired Lease pursuant to the Plan, or otherwise, shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption and/or assignment.

3. Claims Based on Rejection of Executory Contracts and Unexpired Leases

Unless otherwise provided by an order of the Bankruptcy Court, any Proofs of Claim based on the rejection of the Debtors' Executory Contracts or Unexpired Leases pursuant to the Plan or otherwise, must be Filed with the Notice, Claims, and Solicitation Agent no later than the later of (a) 30 days after the effective date of rejection of such Executory Contract or Unexpired Lease and (b) the Claims Bar Date established in the Chapter 11 Cases.

Any Holder of a Claim arising from the rejection of an Executory Contract or Unexpired Lease for which a Proof of Claim was not timely Filed as set forth in the paragraph above shall not (a) be treated as a Holder of a Claim under the Plan, (b) be permitted to vote to accept or reject the Plan, or (c) participate in any distribution in the Chapter 11 Cases on account of such Claim, and such Claim shall be deemed fully satisfied, released, settled, and compromised, and be subject to the permanent injunction set forth in Article IX.G of the Plan, notwithstanding anything in the Schedules or a Proof of Claim to the contrary.

4. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases

Rejection or repudiation of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors under such contracts or leases. In particular, notwithstanding any non-bankruptcy law to the contrary, the Debtors expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased, or services previously received, by the contracting Debtors from counterparties to rejected or repudiated Executory Contracts or Unexpired Leases.

5. Modifications, Amendments, Supplements, Restatements, or Other Agreements

Unless otherwise provided in the Plan, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

6. Reservation of Rights

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Reorganized Debtors have any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors shall have 90 days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided in the Plan.

7. Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code.

G. *Procedures for Resolving Contingent, Unliquidated, and Disputed Claims*

1. Resolution of Disputed Claims

(a) Allowance of Claims

On or after the Effective Date, the Reorganized Debtors shall have and shall retain any and all rights and defenses that the Debtors had with respect to any Claim, except with respect to any Claim deemed Allowed as of the Effective Date. Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including, without limitation, the Confirmation Order), no Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order, including, without limitation, the Confirmation Order, in the Chapter 11 Cases allowing such Claim.

(b) Prosecution of Objections to Claims

The Debtors, prior to and on the Effective Date, or the Reorganized Debtors, after the Effective Date, shall have the exclusive authority to File objections to Claims, settle, compromise, withdraw, or litigate to judgment objections to any and all Claims, regardless of whether such Claims are in a Class or otherwise. From and after the Effective Date, the Reorganized Debtors may settle or compromise any Disputed Claim without any further notice to or action, order or approval of the Bankruptcy Court. From and after the Effective Date, the Reorganized Debtors shall have the sole authority to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order or approval of the Bankruptcy Court.

(c) Claims Estimation

Prior to and on the Effective Date, the Debtors, and after the Effective Date, the Reorganized Debtors, may, at any time, request that the Bankruptcy Court estimate (a) any Disputed Claim pursuant to applicable law and (b) any contingent or unliquidated Claim pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, regardless of whether the Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to estimate any Disputed Claim, contingent Claim, or unliquidated Claim, including during the litigation concerning any objection to any Claim or during the pendency of any appeal relating to any such objection. Notwithstanding any provision otherwise in the Plan, a Claim that has been expunged from the Claims Register but that is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any Disputed Claim, contingent Claim, or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim for all purposes under the Plan, including for purposes of distributions, and the Debtors or the Reorganized Debtors, as applicable, may elect to pursue additional objections to the ultimate distribution on such Claim. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or the Reorganized Debtors, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate distribution on account of such Claim. Notwithstanding section 502(j) of the Bankruptcy Code, in no event shall any Holder of a Claim that has been estimated pursuant to section 502(c) of the Bankruptcy Code or otherwise be entitled to seek reconsideration of such estimation unless such Holder has Filed a motion requesting the right to seek such reconsideration on or before 21 days after the date on which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

(d) Expungement or Adjustment to Claims Without Objection

Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims Register by the Debtors or the Reorganized Debtors, as applicable, and any Claim that has been amended may be adjusted thereon by the Debtors or the Reorganized Debtors in both cases without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

(e) Deadline to File Objections to Claims

Any objections to Claims shall be Filed no later than the Claims Objection Bar Date.

2. Disallowance of Claims

All Claims of any Entity from which property is sought by the Debtors under section 542, 543, 550, or 553 of the Bankruptcy Code or that the Debtors allege is a transferee of a transfer that is avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code shall be disallowed if (1) the Entity, on the one hand, and the Debtors, on the other hand, agree or the Bankruptcy Court has determined by Final Order that such Entity or transferee is liable to turnover any property or monies under any of the aforementioned sections of the Bankruptcy Code and (2) such Entity or transferee has failed to turnover such property by the date set forth in such agreement or Final Order.

EXCEPT AS OTHERWISE AGREED BY THE DEBTORS, ANY AND ALL PROOFS OF CLAIM FILED AFTER THE APPLICABLE CLAIMS BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE PROOF OF CLAIM IS DEEMED TIMELY FILED BY A FINAL ORDER OF THE BANKRUPTCY COURT.

3. Amendments to Claims

On or after the Effective Date, except as provided in Article II.A of the Plan, a Claim may not be Filed or amended without the prior authorization of the Bankruptcy Court or the Reorganized Debtors, and any such new or amended Claim Filed shall be deemed disallowed and expunged without any further notice to or action, order, or approval of the Bankruptcy Court.

H. Settlement, Release, Injunction, and Related Provisions

1. Compromise and Settlement of Claims, Interests, and Controversies

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Interest, or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against the Debtors and their Estates and Causes of Action against other Entities.

2. Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors or the Reorganized Debtors, as applicable, reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination relating thereto. Notwithstanding anything in the Plan to the contrary, and as provided in Article III.B.12 of the Plan, no Holder of a Section 510(b) Claim shall receive any distribution on account of such Section 510(b) Claim, and all Section 510(b) Claims shall be extinguished.

3. Senior Notes Claims and Subordinated Notes Claims Settlement

The Debtors previously purchased and hold approximately \$353.9 million in aggregate principal amount of Senior Notes Claims and approximately \$154.9 million in aggregate principal amount of Subordinated Notes Claims. The Senior Credit Facility Lenders asserted that the Senior Notes Claims and Subordinated Notes Claims held by the Debtors are their collateral under the Senior Credit Facility. In compromise and settlement of this issue, the Senior Notes Claims held by the Debtors will be deemed retired on the Effective Date and will not receive a distribution under the Plan, but the Subordinated Notes Claims held by the Debtors will be deemed Allowed and will be entitled to a distribution under the Plan, which distribution will be subject to turnover to the Holders of Senior Notes Claims pursuant to the distribution provisions contained in the Plan.

4. Debtor Release

NOTWITHSTANDING ANYTHING CONTAINED IN THE PLAN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE, FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE RELEASEES, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, INCLUDING: (1) THE SETTLEMENT, RELEASE, AND COMPROMISE OF DEBT, INTERESTS, AND ALL OTHER GOOD AND VALUABLE CONSIDERATION PAID PURSUANT TO THE PLAN; AND (2) THE SERVICES OF THE DEBTORS' PRESENT AND FORMER OFFICERS, DIRECTORS, MANAGERS, AND ADVISORS IN FACILITATING THE EXPEDITIOUS IMPLEMENTATION OF THE RESTRUCTURING CONTEMPLATED HEREBY, EACH OF THE DEBTORS, THE REORGANIZED DEBTORS, AND THE DEBTORS' ESTATES CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER DISCHARGE AND RELEASE AND SHALL BE DEEMED TO HAVE PROVIDED A FULL DISCHARGE AND RELEASE TO EACH RELEASEE (AND EACH SUCH RELEASEE SO RELEASED SHALL BE DEEMED FULLY RELEASED AND DISCHARGED BY THE DEBTORS, THE REORGANIZED DEBTORS, AND THE DEBTORS' ESTATES) AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, OBLIGATIONS, DEBTS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED OR WHICH COULD BE ASSERTED ON BEHALF OF THE DEBTORS AND/OR THE REORGANIZED DEBTORS, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR ARISING IN LAW, EQUITY, OR OTHERWISE, THAT THE DEBTORS, THE REORGANIZED DEBTORS, THEIR ESTATES, OR THEIR AFFILIATES WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT IN THEIR OWN RIGHT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR ON BEHALF OF THE HOLDER OF ANY CLAIM OR INTEREST OR OTHER ENTITY, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS, THE REORGANIZED DEBTORS, THE RESTRUCTURING TRANSACTIONS, THE CHAPTER 11 CASES, THE PURCHASE, SALE, OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS OR THE REORGANIZED DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN ANY DEBTOR AND ANY RELEASEE, THE RESTRUCTURING OF CLAIMS AND INTERESTS PRIOR TO OR IN THE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE PLAN, THE DISCLOSURE STATEMENT, THE PLAN SUPPLEMENT, OR RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS, OR UPON ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE CONFIRMATION DATE; PROVIDED, THAT THE FOREGOING "DEBTOR RELEASE" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS, OBLIGATIONS, DEBTS, RIGHTS, SUITS, DAMAGES, REMEDIES, CAUSES OF ACTION, AND LIABILITIES OF ANY DEBTOR: (1) ARISING UNDER THE EXIT FACILITY DOCUMENTS, OR ANY OTHER AGREEMENTS ENTERED INTO PURSUANT TO THE PLAN; OR (2) EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT, OR RELATED DOCUMENTS.

NOTWITHSTANDING THE FOREGOING, IN THE EVENT THAT ANY CLAIMS ARE SUCCESSFULLY PROSECUTED OR SETTLED AGAINST A RESTRUCTURING SUPPORT AGREEMENT PARTY OR SUCH RESTRUCTURING SUPPORT AGREEMENT PARTY'S OFFICERS, DIRECTORS, AGENTS, AFFILIATES, OR EMPLOYEES BY OR ON BEHALF OF THE DEBTORS OR THEIR ESTATES OR SUCCESSORS, NOTHING CONTAINED IN THE RESTRUCTURING TERM SHEET, THE RESTRUCTURING SUPPORT AGREEMENT, THE PLAN, THE PLAN SUPPLEMENT, THE DISCLOSURE STATEMENT, OR ANY OTHER DOCUMENTS PREPARED IN CONNECTION WITH THE CHAPTER 11 CASES SHALL PRECLUDE ANY OTHER RESTRUCTURING SUPPORT AGREEMENT PARTY FROM RECEIVING ITS PRO RATA DISTRIBUTION OF THE PROCEEDS RECEIVED AS A RESULT OF THE SUCCESSFUL PROSECUTION OR SETTLEMENT OF SUCH CLAIM.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTOR RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE DEBTOR RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY

THE RELEASEES; (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE, AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE DEBTORS, THE REORGANIZED DEBTORS, OR THE DEBTORS' ESTATES ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE DEBTOR RELEASE.

5. Third Party Release

NOTWITHSTANDING ANYTHING CONTAINED IN THE PLAN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE, THE RELEASING PARTIES (REGARDLESS OF WHETHER A RELEASING PARTY IS A RELEASEE) CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER DISCHARGE AND RELEASE (AND EACH ENTITY SO DISCHARGED AND RELEASED SHALL BE DEEMED DISCHARGED AND RELEASED BY THE RELEASING PARTIES) THE RELEASEES AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, INTERESTS, OBLIGATIONS, DEBTS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED OR WHICH COULD BE ASSERTED ON BEHALF OF A DEBTOR, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR ARISING, IN LAW, EQUITY OR OTHERWISE THAT SUCH ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT (WHETHER INDIVIDUALLY OR COLLECTIVELY), BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS, THE REORGANIZED DEBTORS, THE CHAPTER 11 CASES, THE PURCHASE, SALE, OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS OR THE REORGANIZED DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN ANY DEBTOR AND RELEASEE, THE RESTRUCTURING OF CLAIMS AND INTERESTS PRIOR TO OR IN THE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE RESTRUCTURING SUPPORT AGREEMENT, THE PLAN, THE DISCLOSURE STATEMENT, THE PLAN SUPPLEMENT, OR RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS, OR UPON ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE CONFIRMATION DATE; PROVIDED, THAT THE FOREGOING "THIRD PARTY RELEASE" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS, OBLIGATIONS, DEBTS, RIGHTS, SUITS, DAMAGES, REMEDIES, CAUSES OF ACTION, AND LIABILITIES OF ANY RELEASING PARTY: (1) AGAINST A RELEASEE ARISING UNDER THE EXIT FACILITY AGREEMENT OR ANY OTHER AGREEMENTS ENTERED INTO PURSUANT TO THE PLAN; (2) EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT, OR RELATED DOCUMENTS; OR (3) WITH RESPECT TO PROFESSIONALS' FINAL FEE APPLICATIONS OR ACCRUED PROFESSIONAL COMPENSATION CLAIMS IN THE CHAPTER 11 CASES.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE THIRD PARTY RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASEES; (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE THIRD PARTY RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE RELEASING PARTIES ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE THIRD PARTY RELEASE.

6. Exculpation

The Exculpated Parties shall neither have, nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted to be taken in connection with, or related to formulating, negotiating, soliciting,

preparing, disseminating, confirming, or implementing the Plan, or consummating the Plan, the Restructuring Support Agreement, the Joinder Agreement, the Disclosure Statement, the Restructuring Transactions, the issuance, distribution, and/or sale of any shares of the New Common Stock or any other security offered, issued or distributed in connection with the Plan, the Chapter 11 Cases or any contract, instrument, release or other agreement, or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors; provided, that each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her or its duties pursuant to, or in connection with, the Plan or any other related document, instrument, or agreement; provided, that the foregoing "Exculpation" shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct.

7. Injunction

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES THAT: (1) ARE SUBJECT TO COMPROMISE AND SETTLEMENT PURSUANT TO THE TERMS OF THE PLAN; (2) HAVE BEEN RELEASED PURSUANT TO ARTICLE IX.D OF THE PLAN; (3) HAVE BEEN RELEASED PURSUANT TO ARTICLE IX.E OF THE PLAN; (4) ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE IX.F OF THE PLAN (BUT ONLY TO THE EXTENT OF THE EXCULPATION PROVIDED IN ARTICLE IX.F OF THE PLAN); OR (5) ARE OTHERWISE STAYED OR TERMINATED PURSUANT TO THE TERMS OF THE PLAN, ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (A) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND, INCLUDING ON ACCOUNT OF ANY CLAIMS, INTERESTS, CAUSES OF ACTION OR LIABILITIES THAT HAVE BEEN COMPROMISED OR SETTLED AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY, DIRECTLY OR INDIRECTLY, SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION OR LIABILITIES; (B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (C) CREATING, PERFECTING, OR ENFORCING ANY LIEN, CLAIM, OR ENCUMBRANCE OF ANY KIND AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE FROM THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES UNLESS SUCH HOLDER HAS OBTAINED ENTRY OF A FINAL ORDER AUTHORIZING SUCH SETOFF AS PROVIDED IN THE PLAN; AND (E) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES RELEASED, SETTLED, OR COMPROMISED PURSUANT TO THE PLAN; PROVIDED, THAT NOTHING CONTAINED IN THE PLAN SHALL PRECLUDE AN ENTITY FROM OBTAINING BENEFITS DIRECTLY AND EXPRESSLY PROVIDED TO SUCH ENTITY PURSUANT TO THE TERMS OF THE PLAN; PROVIDED, FURTHER, THAT NOTHING

CONTAINED IN THE PLAN SHALL BE CONSTRUED TO PREVENT ANY ENTITY FROM DEFENDING AGAINST CLAIMS OBJECTIONS OR COLLECTION ACTIONS WHETHER BY ASSERTING A RIGHT OF SETOFF OR OTHERWISE TO THE EXTENT PERMITTED BY LAW.

8. Setoffs

Except as otherwise provided in the Plan, the Debtors pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim or Interest, may set off against any Allowed Claim or Interest and the distributions to be made pursuant to the Plan on account of such Allowed Claim or Interest (before any distribution is made on account of such Allowed Claim or Interest), any Claims, rights, and Causes of Action of any nature that such Debtor may hold against the Holder of such Allowed Claim or Interest, to the extent such Claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise). In no event shall any Holder of Claims or Interests be entitled to setoff any Claim or Interest against any Claim, right, or Cause of Action of the Debtors unless such Holder obtains entry of a Final Order entered by the Bankruptcy Court authorizing such setoff; provided, that nothing in the Plan shall prejudice or be deemed to have prejudiced the Debtors' rights to assert that any Holder's setoff rights were required to have been asserted by motion to the Bankruptcy Court prior to the Effective Date.

I. *Conditions Precedent to the Effective Date*

1. Condition Precedent to Effective Date

It shall be a condition to Consummation of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article X.B of the Plan:

- (a) The Bankruptcy Court shall have approved the Disclosure Statement as containing adequate information;
- (b) The Confirmation Order shall have been duly entered and not be subject to any stay and the Plan shall be in form and substance acceptable to the Required Consenting Senior Secured Lenders and the Required Consenting Senior Noteholders in their respective reasonable discretion;
- (c) The Plan Supplement, including any amendments, modifications, or supplements thereto, shall be in form and substance acceptable to the Required Consenting Senior Secured Lenders and the Required Consenting Senior Noteholders in their respective reasonable discretion;
- (d) The Exit Facility Agreement shall have been executed and delivered by all of the Entities that are parties thereto, and all conditions precedent to the consummation of the Exit Facility shall have been waived or satisfied in accordance with the terms thereof and the closing of the Exit Facility shall have occurred;
- (e) All governmental and material third party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions contemplated by the Plan shall have been obtained or entered, not be subject to unfulfilled conditions and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose materially adverse conditions on such transactions; and
- (f) All documents and agreements necessary to implement the Plan shall have (a) been tendered for delivery, and (b) been effected or executed by all Entities party thereto, or will be deemed executed and delivered by virtue of the effectiveness of the Plan as expressly set forth in the Plan and all conditions precedent to the effectiveness of such

documents and agreements shall have been satisfied or waived pursuant to the terms of such documents or agreements.

2. Waiver of Conditions

The conditions to Confirmation of the Plan and to the Effective Date of the Plan set forth in Article X of the Plan may be waived only by consent of the Debtors in consultation with the Restructuring Support Agreement Parties and the Committee; provided, that the Debtors may not waive (i) the conditions set forth in Article X.A.1, Article X.A.2, Article X.A.3, or Article X.A.4 of the Plan without the prior consent of the Required Consenting Senior Secured Lenders and the Required Consenting Senior Noteholders or (ii) any condition the waiver of which is proscribed by law.

3. Effective Date

The Effective Date shall be the first Business Day upon which all of the conditions specified in Article X.A of the Plan have been satisfied or waived. "Substantial Consummation" of the Plan, as defined in 11 U.S.C. § 1101(2), shall be deemed to occur on the Effective Date. If the Effective Date shall not have occurred on or prior to December 15, 2012, then the Plan shall terminate and be of no further force or effect unless the provisions of Article X.C of the Plan are waived in writing by the Debtors and the Required Consenting Senior Secured Lenders and the Required Consenting Senior Noteholders, as applicable.

4. Effect of Non-Occurrence of Conditions to the Effective Date

If the Effective Date does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan or the Disclosure Statement shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of the Debtors or any other Person or Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors or any other Person or Entity.

J. Modification, Revocation, or Withdrawal of the Plan

1. Modification and Amendments

Subject to the limitations contained in the Plan and in the Restructuring Support Agreement, the Debtors, in consultation with the Committee, reserve the right to modify the Plan as to material terms and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not resolicit votes on such modified Plan. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtors expressly reserve their rights to alter, amend, or modify materially the Plan with respect to the Debtors, one or more times, after Confirmation, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend, or modify the Plan, or remedy any defect or omission, or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with Article XI of the Plan. Notwithstanding anything contained in the Plan or otherwise, the Debtors shall not materially amend or modify the Plan without the prior written consent of the Required Consenting Senior Secured Lenders and the Required Consenting Senior Noteholders.

2. Revocation or Withdrawal of the Plan

The Debtors, in consultation with the Committee, reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the

Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan or Disclosure Statement shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of the Debtors or any other Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors or any other Entity.

ARTICLE VI. VALUATION AND FINANCIAL PROJECTIONS

A. *Valuation*

[TO COME].

B. *Financial Projections*

As further discussed in Article VII.B.2 of this Disclosure Statement, the Debtors believe the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as 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 under the Plan. In connection with developing the Plan, and for purposes of determining whether the Plan satisfies feasibility standards, the Debtors' management has developed the financial projections, which are attached hereto as **Exhibit B** and incorporated by reference.

ARTICLE VII. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

The following is a brief summary of the confirmation process. Holders of Claims and Interests are encouraged to review the relevant provisions of the Bankruptcy Code and to consult their own advisors with respect to the summary provided herein.

A. *Confirmation Hearing*

Section 1128(a) of the Bankruptcy Code requires a bankruptcy court, after notice, to conduct a hearing to consider confirmation of a chapter 11 plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a chapter 11 plan. **The Bankruptcy Court has scheduled the Confirmation Hearing for the Plan for [●].** The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or the filing of a notice of such adjournment served in accordance with the order approving the Disclosure Statement and Solicitation Procedures. Any objection to the Plan must (1) be in writing, (2) conform to the Bankruptcy Rules and the Local Bankruptcy Rules, (3) state the name, address, phone number, and e-mail address of the objecting party and the amount and nature of the Claim or Interest of such entity, if any, (4) state with particularity the basis and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection, and (5) be filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is actually received by the following notice parties set forth herein no later than the Plan Objection Deadline. **Unless an objection to the Plan is timely served and filed, it may not be considered by the Bankruptcy Court.**

B. *Confirmation Standards*

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code and that they have complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code. Specifically, the Debtors believe that the Plan satisfies or will satisfy the applicable confirmation requirements of section 1129 of the Bankruptcy Code, including those set forth below.

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors, as the Plan proponents, have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or to be made under the Plan for services or for costs and expenses in, or in connection with, these Chapter 11 Cases, or in connection with the Plan and incident to these Chapter 11 Cases, has been or will be disclosed to the Bankruptcy Court, and any such payment: (1) made before the confirmation of the Plan is reasonable; or (2) is subject to the approval of the Bankruptcy Court as reasonable, if it is to be fixed after confirmation of the Plan.
- With respect to each Class of Claims, each Holder of an Impaired Claim has accepted the Plan or will receive or retain under the Plan on account of such Claim property of a value as of the Effective Date of the Plan that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated on that date under chapter 7 of the Bankruptcy Code. With respect to each Class of Interests, each Holder of an Impaired Interest has accepted the Plan or will receive or retain under the Plan on account of such Interest property of a value as of the Effective Date of the Plan that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated on that date under chapter 7 of the Bankruptcy Code.
- Each Class of Claims that is entitled to vote on the Plan has either accepted the Plan or is not Impaired under the Plan, or the Plan can be confirmed without the approval of such voting Class of Claims pursuant to section 1129(b) of the Bankruptcy Code.
- Except to the extent that the Holder of a particular Claim will agree to a different treatment of its Claim, the Plan provides that: (1) Holders of Claims specified in sections 507(a)(2) and 507(a)(3) will receive, under different circumstances, Cash equal to the amount of such Claim either on the Effective Date (or as soon as practicable thereafter), no later than 30 days after the Claim becomes Allowed, or pursuant to the terms and conditions of the transaction giving rise to the Claim; (2) Holders of Claims specified in sections 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code will receive on account of such Claims Cash equal to the Allowed amount of such Claim on the Effective Date of the Plan (or as soon thereafter as is reasonably practicable) or Cash payable over no more than six months after the Petition Date; and (3) Holders of Claims specified in section 507(a)(8) of the Bankruptcy Code will receive on account of such Claim regular installment payments of Cash of a total value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim over a period ending not later than five years after the Petition Date.
- At least one class of Impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by any “insider,” as that term is defined by section 101(31) of the Bankruptcy Code, holding a Claim in that Class.
- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successors thereto under the Plan, unless the Plan contemplates such liquidation or reorganization.
- The Debtors have paid or the Plan provides for the payment of the required filing fees pursuant to 28 U.S.C. § 1930 to the clerk of the Bankruptcy Court.

1. Best Interests of Creditors Test - Liquidation Analysis

Often called the “best interests” test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each class, that each holder

of a claim or an interest in such class either (a) has accepted the plan or (b) will receive or retain under the plan property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtors liquidated under chapter 7 of the Bankruptcy Code.

To demonstrate compliance with the “best interests” test, the Debtors, with the assistance of their advisors, prepared the Liquidation Analysis, attached hereto as Exhibit C, showing that the value of the distributions provided to Holders of Allowed Claims and Interests under the Plan would be the same or greater than under a hypothetical chapter 7 liquidation.

2. Financial Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that the Bankruptcy Court find that Confirmation is not likely to be followed by the liquidation of the Reorganized Debtors or the need for further financial reorganization, unless the Plan contemplates such liquidation or reorganization. The Debtors believe that the Plan meets the financial feasibility requirement. Moreover, the Debtors believe that sufficient funds will exist to make all distributions required by the Plan. Accordingly, the Debtors believe that the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code.

C. *Acceptance by Impaired Classes*

The Bankruptcy Code requires, as a condition to confirmation, that, except as described in the following section, each class of claims or interests that is impaired under a plan, accept the plan. A class that is not impaired under a plan is presumed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. Pursuant to section 1124 of the Bankruptcy Code, a class is impaired unless the plan: (1) leaves unaltered the legal, equitable, and contractual rights to which the claim or the interest entitles the holder of such claim or interest; (2) cures any default, reinstates the original terms of such obligation, and compensates; or (3) provides that, on the effective date, the holder of such claim or interest receives cash equal to the allowed amount of that claim or, with respect to any interest, any fixed liquidation preference to which the holder of such interest is entitled or to any fixed price at which the debtor may redeem the security.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired creditors as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject a plan. Thus, a Class of creditor Claims will have voted to accept the Plan only if two-thirds (2/3) in amount and a majority in number actually voting cast their ballots in favor of acceptance, subject to Article III of the Plan.

D. *Confirmation without Acceptance by All Impaired Classes*

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if impaired classes entitled to vote on the plan have not accepted it or if an impaired class is deemed to reject the plan, *provided that* the plan is accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class’s rejection or deemed rejection of the plan, such plan will be confirmed, at the plan proponent’s request, in a procedure commonly known as “cram down,” so long as the plan does not “discriminate unfairly” and is “fair and equitable” with respect to each class of claims or interests that is impaired under, and has not accepted, the plan.

1. No Unfair Discrimination

The test for unfair discrimination applies to classes of claims or interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent but that such treatment be “fair.” In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (*e.g.*, classes of the same legal character). The Debtors do not believe the Plan discriminates unfairly against any Impaired Class of Claims or Interests that have voted against or are deemed to vote against the Plan. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests satisfy the foregoing requirements for non-consensual Confirmation.

2. Fair and Equitable Test

The fair and equitable test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class. As to each non-accepting class, the test sets different standards depending on the type of claims or interests in such class. As set forth below, the Debtors believe that the Plan satisfies the “fair and equitable” requirement, notwithstanding the fact that certain Classes are deemed to reject the Plan. There is no Class of equal priority receiving more favorable treatment and no Class that is junior to such dissenting Class that will receive or retain any property on account of the Claims or Interests in such Class.

(a) Secured Claims

The condition that a plan be “fair and equitable” to a non-accepting class of secured claims includes the requirements that: (i) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan; and (ii) each holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant’s interest in the debtor’s property subject to the liens.

(b) Unsecured Claims

The condition that a plan be “fair and equitable” to a non-accepting class of unsecured claims includes the requirement that either: (i) the plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (ii) the holder of any claim or any interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or junior interest any property.

(c) Interests

The condition that a plan be “fair and equitable” to a non-accepting class of interests includes the requirements that either: (i) the plan provides that each holder of an interest in that class receives or retains under the plan on account of that interest property of a value, as of the effective date of the plan, equal to the greater of: (1) the allowed amount of any fixed liquidation preference to which such holder is entitled; (2) any fixed redemption price to which such holder is entitled; or (ii) the value of such interest; or (iii) if the class does not receive the amount as required under (i) hereof, no class of interests junior to the non-accepting class may receive a distribution under the plan.

**ARTICLE VIII.
CERTAIN RISK FACTORS TO BE CONSIDERED PRIOR TO VOTING**

Holders of Claims entitled to vote should read and consider carefully the risk factors set forth below, as well as the other information set forth in this Disclosure Statement and the documents delivered together herewith, referred to or incorporated by reference herein, prior to voting to accept or reject the Plan. These factors should not be regarded as constituting the only risks present in connection with the Debtors’ business or the Plan and its implementation.

A. *Certain Bankruptcy Law Considerations*

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions available to Holders of Allowed Claims and Allowed Interests under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of Holders of Claims in such Impaired Classes.

1. Parties in Interest May Object to the Plan's Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims and Interests in each such class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2. Failure to Satisfy Vote Requirements

With respect to the Plan, if votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the Holders of Allowed Claims as those proposed in the Plan.

3. The Debtors May Not Be Able to Secure Confirmation of the Plan

The Debtors will need to satisfy section 1129 of the Bankruptcy Code for the Plan. With respect to the Plan, section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan and requires, among other things, a finding by a bankruptcy court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim or an Allowed Interest might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the Solicitation Procedures, and the voting results are appropriate, the Bankruptcy Court can still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation have not been met, including the requirement that the terms of the Plan do not "unfairly discriminate" and are "fair and equitable" to non-accepting Classes. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims and Allowed Interests will receive with respect to their Allowed Claims and Allowed Interests.

The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify the terms and conditions of the Plan as necessary for Confirmation. Any such modifications could result in a less favorable treatment of any Class than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution of property whatsoever under the Plan.

4. Nonconsensual Confirmation

In the event that any impaired class of claims does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting classes. The Debtors believe that the Plan satisfies these requirements and the Debtors may request such nonconsensual Confirmation in accordance with section 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, with respect to the Plan, the pursuit of nonconsensual Confirmation of the Plan may result in, among

other things, increased expenses and the expiration of the entities' commitments to provide support for the Plan, financially or otherwise.

5. The Debtors May Object to the Amount or Classification of a Claim

Except as specifically provided in the Plan, the Debtors reserve the right, under the Plan, to object to the amount or classification of any Claim. The estimates set forth in this Disclosure Statement cannot be relied upon by any Holder of a Claim where such Claim is or may be subject to an objection. Any Holder of a Claim that is or may be subject to an objection, thus, may not receive its expected share of the estimated distributions described in this Disclosure Statement.

6. Risk of Non-Occurrence of the Effective Date

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date with respect to the Plan, there can be no assurance as to such timing or as to whether such an Effective Date will, in fact, occur. In addition, the Plan will be null and void in all respects if the Effective Date does not occur on or before December 15, 2012 (under the Restructuring Support Agreement), unless otherwise agreed by the Debtors and the Required Parties (as defined in the Restructuring Support Agreement).

7. Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan

The distributions available to Holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. The occurrence of any and all such contingencies, which could affect distributions available to Holders of Allowed Claims and Allowed Interests under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

B. Risk Factors that May Affect Recovery Available to Holders of Allowed Claims and the Value of Securities to Be Issued Under the Plan

1. Actual Amounts of Allowed Claims May Differ from Estimated Amounts of Allowed Claims, Thereby Adversely Affecting the Recovery of Some Creditors

The estimate of Allowed Claims and creditor recoveries set forth in this Disclosure Statement are based on various assumptions. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may vary significantly from the estimated Claims contained in this Disclosure Statement. Moreover, the Debtors cannot determine with any certainty at this time, the number or amount of Claims that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the recoveries to Holders of Allowed Claims under the Plan and the Debtors' and the Reorganized Debtors' abilities to meet the Debtors' current projected financial results.

2. The Restructuring Support Agreement May Terminate, Thereby Preventing the Debtors From Consummating the Plan as Applicable to the Debtors

To the extent that the terms or conditions of the Restructuring Support Agreement are not satisfied, or to the extent events giving rise to termination of the Restructuring Support Agreement occur, the Restructuring Support Agreement may terminate prior to the Confirmation or Consummation of the Plan, which could result in the loss of support for the Plan by important creditor constituents. Any such loss of support could adversely affect the Debtors' ability to confirm and consummate the Plan.

3. The Reorganized Debtors May Not Be Able to Meet the Projected Financial Results

The Reorganized Debtors may not be able to meet the Debtors' current projected financial results or achieve projected revenues and cash flows that they have assumed in projecting future business prospects. To the

extent that the Reorganized Debtors do not meet the Debtors' projected financial results, the Reorganized Debtors may lack sufficient liquidity to continue operating as planned, may be unable to service its debt obligations, and may not be able to meet its working capital and operational needs. Any one of these failures may preclude the Reorganized Debtors from, among other things: (a) generating and growing revenues; (b) maintaining the physical condition of directly and indirectly owned properties; (c) taking advantage of future business opportunities; and (d) responding to competitive pressures. While the financial projections represent management's view based on current known facts and assumptions about future operations, there is no guarantee that the financial projections will be realized.

4. Certain Tax Implications of the Debtors' Bankruptcy May Increase the Tax Liability of the Reorganized Debtors

Holders of Allowed Claims should carefully review Article X herein, "Certain United States Federal Tax Income Consequences" to determine how the tax implications of the Plan and these Chapter 11 Cases may adversely affect the Reorganized Debtors.

C. *Risk Factors that Could Negatively Impact the Debtors' Business*

The Debtors are subject to a number of risks, including (1) bankruptcy-related risk factors and (2) general business and financial risk factors. Any or all such factors, which are enumerated below, could have a materially adverse effect on the business, financial condition, or results of operations of the Debtors and the Reorganized Debtors. Additional risks and uncertainties not currently known to the Debtors or that the Debtors currently deem to be immaterial at this time may also materially adversely affect the Debtors' business, financial condition, or results of operations. Any of the following risks could materially adversely affect the Debtors' business, financial condition, or results of operations.

1. Bankruptcy Related Risk Factors

For the duration of these Chapter 11 Cases, the Debtors' operations and the Debtors' ability to execute their business strategy will be subject to the risks and uncertainties associated with bankruptcy. These risks include:

- The Chapter 11 Cases may adversely affect the Debtors' business prospects and their ability to operate.
- The Chapter 11 Cases and the attendant difficulties of operating the Debtors' business while attempting to reorganize the business in bankruptcy may make it more difficult to maintain and promote the Debtors' goods and services and attract customers to their business.
- The Chapter 11 Cases will cause the Debtors to incur substantial costs for fees and other expenses associated with these Chapter 11 Cases.
- The Chapter 11 Cases may prevent the Debtors from continuing to grow their business and may restrict their ability to pursue other business strategies. Among other things, the Bankruptcy Code limits the Debtors' ability to incur additional indebtedness, make investments, sell assets, consolidate, merge or sell, or otherwise dispose of assets or grant liens. These restrictions may place the Debtors at a competitive disadvantage.
- Transactions by the Debtors outside the ordinary course of business are subject to the prior approval of the Bankruptcy Court, which may limit their ability to respond timely to certain events or take advantage of certain opportunities. The Debtors may not be able to obtain Bankruptcy Court approval or such approval may be delayed with respect to actions they seek to undertake during the pendency of these Chapter 11 Cases.
- The Debtors may be unable to retain and motivate key executives and employees through the process of reorganization, and the Debtors may have difficulty attracting new employees. In

addition, so long as these Chapter 11 Cases continue, the Debtors' senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on business operations.

- There can be no assurance as to the Debtors' ability to maintain sufficient financing sources to fund their business and meet future obligations. The Debtors currently are financing their operations during their reorganization using funds from operations and the DIP Facility. The Debtors may be unable to operate pursuant to the terms of the DIP Facility, including the financial covenants and restrictions contained therein, or to negotiate and obtain necessary approvals, amendments, waivers, or other types of modifications, and to otherwise fund and execute the Debtors' business plans throughout the duration of these Chapter 11 Cases.
- There can be no assurance that the Debtors will be able to successfully develop, prosecute, confirm, and consummate the Plan with respect to these Chapter 11 Cases that are acceptable to the Bankruptcy Court and the Debtors' creditors, equityholders, and other parties in interest. Additionally, third parties may seek and obtain Bankruptcy Court approval to terminate or shorten the exclusivity period for the Debtors to propose and confirm the Plan, to appoint a chapter 11 trustee, or to convert the cases to chapter 7 cases.

In addition, the uncertainty regarding the eventual outcome of the Debtors' restructuring, and the effect of other unknown adverse factors could threaten the Debtors' existence as a going-concern. Continuing on a going-concern basis is dependent upon, among other things, obtaining Bankruptcy Court approval of a chapter 11 plan, maintaining the support of key vendors and customers, and retaining key personnel, along with financial, business, and other factors, many of which are beyond the Debtors' control. Under the priority scheme established by the Bankruptcy Code, unless creditors agree otherwise in accordance with the Bankruptcy Code, distributions from the estate for prepetition liabilities and postpetition liabilities must comply with section 1129 of the Bankruptcy Code. The ultimate recovery to Holders of Claims or Interests, if any, will not be determined until Confirmation of the Plan or an alternative to a chapter 11 plan. No assurance can be given as to what values, if any, will be ascribed in these Chapter 11 Cases to each of these constituencies or what types or amounts of distributions, if any, they will receive.

2. Exit Financing Risk Factor

The Debtors' ability to emerge from bankruptcy is dependent on obtaining sufficient exit financing or capital. In addition to funding ongoing operational needs, exit financing, or capital must be sufficient to fund certain emergence costs. The final terms of such financing are uncertain and the success of obtaining financing by the Debtors may be limited.

3. General Business and Financial Risk Factors

(a) General Economic Conditions

In the financial projections, the Debtors have assumed that the general economic conditions of the United States economy will improve over the next several years. The stability of economic conditions is subject to many factors outside the Debtors' control, including interest rates, inflation, unemployment rates, the housing market, consumer spending, war, terrorism, and many other factors. Any one of these or other economic factors could have a significant impact on the operating performance of the Debtors. There is no guarantee that economic conditions will improve in the near term.

(b) Implementation of Business Plan

The Debtors believe that they will succeed in implementing and executing their business plan and financial restructuring. However, there are risks that the goals of the Debtors' going-forward business plan and financial restructuring strategy will not be achieved. In such event, the Debtors may be unable to refinance maturing debt or

be forced to sell all or parts of their business, develop and implement further restructuring plans not contemplated herein, or become subject to further insolvency proceedings.

(c) Vendors

The FAA prescribes standards and qualification requirements for aerostructures, including virtually all general aviation products, with which the Debtors' suppliers must comply. The Debtors cannot be certain that their suppliers will be able to comply, and failure to do so may cause shortages or delays. The Debtors cannot be certain that substitute raw materials or component parts will be available to them or will meet the strict specifications and quality standards that the Debtors, their customers, and the U.S. government impose. Often, their certification from the FAA relates to a specific part from a specific supplier. If the Debtors were required to certify replacement parts from a new vendor, the certification process could materially delay or threaten production and adversely affect their business, financial condition, results of operations, and liquidity.

The Debtors are highly dependent on the availability of essential materials and purchased components from their suppliers, some of which are available only from a sole source or limited sources, especially major components such as wings, engines, and avionics, which are co-developed with their suppliers and, therefore, are often sole-sourced with that supplier. Moreover, the Debtors are dependent upon the ability of their suppliers to provide materials and components that meet specifications, quality standards, and delivery schedules. The Debtors' suppliers' failure to provide expected raw materials or component parts that meet their technical specifications could materially disrupt production schedules and contract profitability.

In addition, contracts with certain of the Debtors' suppliers for raw materials and other goods are short-term contracts. The Debtors cannot be certain that these suppliers will continue to provide products to them at attractive prices or at all, or that the Debtors will be able to obtain such products in the future from these or other providers on the scale and within the time periods the Debtors require. The Debtors' foreign suppliers must also comply with U.S. import/export control laws. Any failure to comply with such laws may delay or halt supplier production or shipments of goods. If the Debtors are not able to obtain key products on a timely basis and at affordable costs, or the Debtors experience significant delays or interruptions of supply, the Debtors may need to suspend production and their business, financial condition and results of operations could be materially adversely affected.

In addition to the risks described above, the Debtors' continued supply of materials is subject to a number of other risks including:

- disputes with the Debtors' suppliers, including disputes over timeliness of payments and associated risks of termination;
- requests by the Debtors' suppliers for assurances that the Debtors will be able to perform under the Debtors' arrangements with such suppliers and their refusal to be satisfied by such assurances;
- a work stoppage or strike by the Debtors' suppliers' employees;
- the failure of essential equipment at the Debtors' suppliers' plants;
- the failure, shortage, or delays in the delivery of supply of raw materials to the Debtors' suppliers;
- inability of second-tier suppliers to perform as required; and
- the destruction of the Debtors' suppliers' facilities or their distribution infrastructure.

(d) Competition

The general aviation industry is highly competitive and the Debtors encounter competition in both domestic and foreign markets. The highly competitive nature of their industry means the Debtors are continually subject to the risk of loss of their market share, loss of significant customers, reduction in margins, the inability for them to gain market share or acquire new customers, and difficulty in raising their prices. Many of their competitors in the

general aviation market are either part of larger, more diversified companies or may be the beneficiaries of government subsidies. As a result of this, these competitors may have access to more resources than the Debtors do. These circumstances may provide their competitors with a lower cost of capital, the ability to sustain a prolonged downturn in the industry or general economy, more funds for investment in development of new products, and more resources in general. These competitors may have less debt than the Debtors have and may be better able to withstand changes in market conditions within the industry. For these reasons, the Debtors may not be able to compete successfully against such competitors or future entrants into the general aviation markets in which the Debtors compete, which could have a material adverse effect on their business, financial condition, and results of operations.

(e) Aircraft Programs

The principal markets in which the Debtors' businesses operate experience changes due to the introduction of new technologies. To meet their customers' needs in these businesses, the Debtors must continuously design new products, update existing products and services, and invest in and develop new technologies. Making such investments requires available capital which may not be available to them. In addition, new programs with new technologies typically carry risks associated with design responsibility, FAA mandated certification requirements, development of new production tools, hiring and training of qualified personnel, increased capital and funding commitments, delivery schedules and unique contractual requirements, supplier performance, and their ability to accurately estimate costs associated with such programs. The Debtors' competitors may also develop products that are superior to the Debtors' products or may adapt more quickly than the Debtors to new technologies or evolving customer requirements. Technological advances by the Debtors' competitors may lead to new manufacturing techniques to manufacture their products and may make it more difficult for the Debtors to compete. In addition, any new aircraft program may not generate sufficient demand or may be subject to technological problems or significant delays in the regulatory certification or manufacturing and delivery schedule, and the costs of these new aircraft programs may exceed the Debtors' expectations. If the Debtors were unable to manufacture products at their estimated costs or if a new program in which they had made a significant investment is subject to weak demand, delays, or technological problems, or if they lack sufficient capital to make the necessary investments in new programs, their business, financial condition, and results of operations could be materially adversely affected.

(f) Employee

The success of the Debtors' business is highly dependent upon their ability to continue to recruit, train, and retain skilled employees, particularly skilled engineers as well as finance and accounting personnel. The market for these personnel resources is highly competitive. The Debtors may be unsuccessful in attracting and retaining the employees they need, and, in such event, their business could be materially adversely affected. The Debtors' inability to hire new personnel with the requisite skills could impair their ability to provide products to their customers or to manage their business effectively.

(g) Business and Customers in Foreign Countries

The Debtors derive a significant portion of their revenues from sales to customers outside the U.S. For the year ended December 31, 2011, international sales accounted for approximately 41% of their consolidated revenues. The Debtors expect that their international sales will continue to account for a significant portion of their revenues for the foreseeable future and are likely to increase over time. As a result, the Debtors are subject to risks of doing business internationally, including:

- changes in regulatory requirements;
- domestic and foreign government policies, including requirements to expend a portion of program funds locally and governmental industrial cooperation requirements;
- the necessity and complexity of using foreign employees, representatives, and consultants;
- fluctuations in foreign exchange rates;

- lack of intellectual property protection in foreign jurisdictions;
- imposition of tariffs or embargoes, export controls, and other trade restrictions;
- the difficulty of management and operation of an enterprise spread over various countries;
- compliance with a variety of foreign laws and taxation policies, as well as U.S. laws affecting the activities of U.S. companies abroad; and
- economic and geo-political developments and conditions, including international hostilities, political instability, acts of terrorism and governmental reactions, inflation, trade relationships, and military and political alliances.

While these factors or the impact of these factors are difficult to predict, any one or more of these factors could materially adversely affect their business, financial condition, results of operations, and liquidity.

In order to sell many of the Debtors' products outside of the U.S., the Debtors must first obtain licenses and authorizations from various government agencies. For certain sales of defense equipment and services to foreign governments, the U.S. Department of State must notify Congress at least 15 to 30 days, depending on the size and location of the sale, prior to authorizing these sales. During that time, Congress may take action to block the proposed sale. The Debtors can give no assurance that they will continue to be successful in obtaining the necessary licenses or authorizations or that Congress will not prevent certain sales. The Debtors' inability to sell products outside of the U.S. could materially adversely affect their business, financial condition, results of operations, and liquidity.

(h) Internal Controls

Through the Debtors' ongoing assessment of their system of internal controls over financial reporting, they identified material weaknesses in their internal control over financial reporting related to their implementation of an upgraded ERP system and difficulties in attracting and retaining appropriately qualified accounting and finance personnel. While the Debtors have taken certain remedial actions and are taking future remedial actions, additional controls must be implemented and tested successfully before they can be reasonably assured that their internal controls are effective. The Debtors' implementation of changes to their internal controls in connection with their remediation plans are expected to require additional expenditures, could take a significant period of time to complete, and could distract their officers and employees from the operation of their business. In light of these material weaknesses and other deficiencies, the Debtors may not be able to produce reliable financial statements or to file these financial statements as part of a periodic report in a timely manner with the Securities and Exchange Commission. The Debtors failure to maintain effective internal controls could result in a loss of confidence in the reliability of their financial statements by noteholders, which in turn could harm the value of the notes.

(i) Cybersecurity

A cyber-attack that bypasses the Debtors' information technology ("IT") security systems causing an IT security breach, may lead to a material disruption of their IT business systems and/or the loss of business information resulting in an adverse business impact. Risks may include:

- future results could be adversely affected due to the theft, destruction, loss, misappropriation, or release of confidential data or intellectual property;
- operational or business delays resulting from the disruption of IT systems and subsequent clean-up and mitigation activities; and
- negative publicity resulting in reputation or brand damage with customers, partners, or industry peers.

(j) General Aviation and Other Aircraft Market Conditions

Many of the products the Debtors sell are considered discretionary purchases, and are significantly affected by the level of corporate and consumer spending which, in turn, is a function of the general economic environment. In a slowly growing economy, such as many of the markets in which the Debtors operate are experiencing, demand for their products may weaken and prospective customers may postpone planned purchases. Accordingly, sales of their products may be adversely affected by a weak economy, increases in consumer debt levels, uncertainties regarding future economic prospects, or a decline in consumer confidence.

Moreover, aircraft customers, including sellers of fractional share interests, providers of charter services, and dealers have responded, and may continue to respond, to the current weak economic conditions by delaying delivery of orders or canceling orders as the Debtors have experienced since late 2008. Weakness in the economy may also result in fewer hours being flown on existing aircraft and, consequently, lower demand for spare parts and maintenance services. Weak economic conditions may also cause reduced demand for used business jets. The Debtors have experienced reductions in the fair market value of used aircraft accepted as trade-ins while such aircraft were in their inventory. In addition, economic conditions have resulted in an increased supply of used aircraft in the market which to some extent competes with their sales of new aircraft into the market. The continuation of this dynamic may adversely affect sales of the Debtors' products.

(k) Manufacturing Facilities

The Debtors' manufacturing facilities could be damaged or disrupted by a natural disaster, war, terrorist activity, or sustained mechanical failure. Although the Debtors have obtained property damage and business interruption insurance in amounts determined sufficient by management, a major catastrophe, such as a fire, flood, tornado, or other natural disaster at any of their sites, war, or terrorist activities in any of the areas where the Debtors conduct operations or the sustained mechanical failure of a key piece of equipment could result in a prolonged interruption of all or a substantial portion of their business. Production at their manufacturing facilities could be disrupted in connection with their closure of certain of their other facilities and their outsourcing of certain operations. Any disruption resulting from these events could cause significant delays in shipments of products and the loss of sales and customers. The Debtors may not have insurance to adequately compensate them for any of these events. A large portion of their operations is conducted in facilities in Wichita, Kansas; Little Rock, Arkansas; Chester, England; and Chihuahua, Mexico, and any significant damage or disruption to these facilities in particular would materially adversely affect their ability to manufacture and deliver aircraft and parts to their customers.

(l) Customers' Inability to Obtain Financing

Some of the Debtors' customers rely on credit markets to obtain financing for new and used aircraft purchases. Uncertainty in with respect to the residual value of aircraft being financed may reduce the number of lenders willing to finance aircraft or cause lenders to impose stricter lending requirements. The inability of a portion of the Debtors' customers to obtain financing could lead to reduced demand for their products, delayed deliveries, or order cancellations, which could adversely affect the number of aircraft deliveries they make or reduce the prices they can charge for their aircraft, either of which could have a material adverse effect on their financial condition and results of operations.

(m) Trade-Ins

In connection with the signing of a purchase contract for new aircraft, the Debtors may agree to accept a trade-in aircraft from their customer as partial consideration of the purchase price. The Debtors may be required to accept trade-ins at prices that are above the then-market price of the trade-in aircraft, which would result in lower gross margins at the time of the new aircraft sale.

(n) Accidents

Any accident involving one of the Debtors' manufactured aircraft could create a public perception that their aircraft are not safe or reliable, which could harm their reputation and have a negative impact on their business, financial condition, and results of operations. In addition, if one of their manufactured aircraft were to crash or be involved in an accident, they could be exposed to significant liability. The Debtors are currently involved in various litigation matters stemming from such incidents. The Debtors' insurance coverage may not be adequate to cover all

possible losses that may arise in the event of an accident involving one of their manufactured products. In the event that their insurance is not adequate, the Debtors may be forced to bear substantial losses.

Accidents and incidents involving one of the Debtors' manufactured aircraft may prompt the FAA to issue airworthiness directives or other notices regarding the aircraft, and the Debtors have received such airworthiness directives previously. Publication of an FAA airworthiness directive or notice could create a public perception that a particular Hawker Beechcraft aircraft is not safe, reliable, or suitable for an operator's needs. This perception could result in a claim being filed against the Debtors or lost future sales, or both. In addition, the FAA could require design modifications causing the Debtors to incur significant expenditures altering an aircraft design, altering aircraft in production, and altering fielded aircraft. FAA airworthiness directives are typically followed by similar regulatory requirements in other countries where affected aircraft are certified. The publication of an airworthiness directive or notice by the FAA could lead to a decline in revenues and have a negative impact on their business, financial condition, and results of operations.

The General Aviation Revitalization Act of 1994 ("GARA") provides a "statute of repose" which, in the context of aviation litigation, operates to limit the time a lawsuit can be filed against an aircraft manufacturer. GARA bars lawsuits against a manufacturer of aircraft or aircraft components once the product has been in service for eighteen years. Such limitations on liability, however, are dependent upon the facts and circumstances surrounding the incident giving rise to liability. GARA does not, for instance, apply if the aircraft was engaged in a scheduled passenger flight and may not apply in certain air medical services operations. Raytheon Aircraft has manufactured certain aircraft that remain in use in scheduled passenger and other operations, including the King Air 1900, that may not be covered by GARA. In addition, as part of the Acquisition, the Debtors retained the type certification for the King Air 1900. As a result, if any of these aircraft were to crash or be involved in an accident, the Debtors could be exposed to liability and may not have a defense under GARA.

(o) Litigation

The Debtors are defendants in a number of litigation matters and are subject to various other claims, demands and investigations. These matters may divert financial and management resources that would otherwise be used to benefit their operations. No assurances can be given that the results of these matters will be favorable to the Debtors. An adverse resolution or outcome of any of these lawsuits, claims, demands or investigations could have a negative impact on the Debtors' business, financial condition, results of operations, and liquidity.

(p) Labor

The Debtors' financial performance is affected by the availability of qualified personnel and the cost of labor. As of the Petition Date, approximately 45% of their workforce, was represented by unions and is covered by collective bargaining agreements. At that time, approximately 2,430 of the Debtors' hourly employees at the Debtors' Wichita, Kansas facilities were covered by a collective bargaining agreement with the IAM that expires in August 2016. The Debtors' service facility in Chester, England, had a union contract covering approximately 130 employees that expired on March 31, 2012. Although this agreement expired on March 31, 2012, the Debtors do not anticipate any work stoppages during the renegotiation process. If their workers were to engage in a strike, work stoppage, or other slowdown, the Debtors could experience a significant disruption of their operations that could cause the Debtors to be unable to deliver products to their customers on a timely basis and could result in a breach of their sales or supply agreements. This could result in a loss of business and an increase in their operating expenses, which could have a material adverse effect on their business, financial condition, results of operations, and liquidity. In addition, the Debtors' non-unionized labor force may become subject to labor union organizing efforts, which could cause the Debtors to incur additional labor costs and increase the related risks that they now face.

(q) JPATS

The Debtors manufacture aircraft for the U.S. Air Force and the U.S. Navy. The Debtors provide some of their products and services to governments through long-term contracts in which the pricing terms are fixed based on certain production volumes. For the year ended December 31, 2011, approximately 21% of the Debtors' revenues were derived from the JPATS contract. Government programs such as the JPATS program are generally implemented by the award of multi-year contracts in which the pricing for future years' procurements by the

government is negotiated under fixed price contracts and segregated into individual lots to be exercised on an annual basis. The award of these future lots is subject to future Congressional appropriations. Congress generally appropriates funds on a fiscal year basis even though a program extends for more than one year. Consequently, programs are often only partially funded at any one time, and additional funds are committed only as Congress makes further appropriations. U.S. government contracts under such programs are subject to termination or adjustment if appropriations for the program are not available or change. In addition, U.S. government contracts, including the JPATS contract, generally contain provisions permitting termination, in whole or in part, without prior notice at the U.S. government's convenience as well as termination for default based on performance. Upon termination for convenience, the Debtors are generally entitled to compensation only for work done and commitments outstanding at the time of termination. A termination arising out of the Debtors' default could expose the Debtors to liability and have a negative impact on their ability to obtain future contracts and orders. Furthermore, on contracts for which the Debtors are a subcontractor and not the prime contractor, the U.S. government could terminate the prime contract for convenience or otherwise, irrespective of their performance as a subcontractor.

In January 2011, the Secretary of Defense publicized his efforts to freeze the military budget as part of the U.S. government's efforts to decrease the deficit. Circumstances such as these may increase the risk that Congress may limit its appropriations in the future. The termination of one or more large contracts, whether due to lack of funding, for convenience, or otherwise, or the occurrence of delays, cost overruns, and product failures in connection with one or more government contracts, could materially adversely impact the Debtors' results of operations and financial condition. Furthermore, the Debtors can give no assurance that the Debtors would be able to procure new U.S. government contracts to offset the revenues lost as a result of any termination of their current U.S. government contracts. The majority of their Trainer/Attack Aircraft segment sales are from their JPATS contract. A termination of the JPATS contract would substantially reduce future sales in this segment.

The JPATS contracts are generally fixed-price in nature. As a result, the Debtors will bear the risk that increased or unexpected costs may reduce their profit margins or cause them to sustain losses on the contract. The Debtors must fully absorb cost overruns, notwithstanding the difficulty of estimating all of the costs the Debtors will incur in performing this contract and in projecting the ultimate level of sales that they may achieve. Their failure to anticipate technical problems, estimate delivery reductions, estimate costs accurately, or control costs during performance of a fixed price contract may reduce the profitability of a contract or cause a loss.

(r) U.S. Government Audit

As a government contractor the Debtors are subject to routine audits and investigations by U.S. government agencies such as the DCAA. These agencies review a contractor's performance under its contracts, cost structure, and compliance with applicable laws, regulations, and standards. The DCAA also reviews the adequacy of, and a contractor's compliance with, its internal control systems and policies. Any costs found to be improperly allocated to a specific contract will not be reimbursed or must be refunded if already reimbursed. Moreover, private individuals may bring *qui tam*, or "whistle blower" suits, under the False Claims Act, which permits a private individual to bring a claim on behalf of the U.S. government to recover payments made as a result of a false claim. Such individuals may receive a portion of amounts recovered on behalf of the U.S. government. If an audit, alleged whistle blower, or other activity results in discovery of improper or illegal activities, the Debtors may be subject to civil and criminal penalties and administrative sanctions, which may include: termination of contracts; forfeiture of profits; suspension of payments; fines; and suspension or prohibition from doing business with the U.S. government. In addition, the Debtors could suffer serious reputational harm if allegations of impropriety were made against them.

(s) Government, Regulatory and Industry Approvals

The FAA prescribes standards and qualification requirements for aerostructures, including virtually all general aviation products. The FAA further regulates virtually all aviation services, such as maintenance, training, and the operation of aircraft. Comparable agencies, including but not limited to the European Aviation Safety Agency ("EASA"), in Europe, regulate these matters in other countries. In addition, the FAA, the EASA, or other comparable agencies occasionally propose new regulations or changes to existing regulations. These regulations, if adopted, could cause the Debtors to incur significant additional costs to achieve compliance. If the Debtors fail to qualify for or obtain a required license for one of their products or services or lose a qualification or license

previously granted, the sale of the subject product or service would be prohibited by law until such license is obtained or renewed and their business, financial condition, results of operations, and liquidity could be materially adversely affected. In addition, designing new products to meet existing regulatory requirements and retrofitting existing products to comply with new regulatory requirements can be expensive and time consuming.

Further, the Debtors' business could be materially adversely affected if the U.S. government enacts new regulation in the form of user fees or other tax regulation on their products or their use. The Debtors' products are generally considered discretionary goods and are not currently subject to user fees or other excess taxation. If the U.S. government were to institute new taxes on the operation or use of their products, the attractiveness of general aviation as an alternative to commercial airfare could be affected and demand for their products may decrease, which could have a material adverse effect on their business, financial condition, results of operations, and liquidity.

The Department of Homeland Security and the Transportation Security Administration, along with other governmental regulatory agencies regularly review the level of security associated with general aviation flight operations to minimize the vulnerability of general aviation aircraft being used as a weapon or to deliver illicit materials or to transport dangerous individuals. Any changes to the current regulations which decrease the efficiencies associated with the use of general aviation aircraft may make the utilization of general aviation as an alternative to commercial air travel less attractive and could therefore lower demand for the Debtors' products which could have a material adverse effect on their business, financial condition, results of operation, and liquidity.

Certain contracts, primarily related to the Debtors' special mission business, are classified contracts. Because one of their principal shareholders is a Canadian entity, the Debtors have agreed to, and have implemented, a Security Control Agreement with the Defense Security Service as a suitable Foreign Ownership, Control or Influence ("FOCI") mitigation arrangement under the National Industrial Security Program Operating Manual. A FOCI arrangement is necessary for the Debtors to continue to maintain the requisite security clearances to complete performance under these contracts. Failure to reach and/or maintain an appropriate agreement with the Defense Security Service regarding the appropriate FOCI mitigation arrangement could result in invalidation or termination of the security clearances, which in turn would mean that the Debtors would not be able to enter into future classified contracts, and may result in the loss of their ability to complete their existing classified contracts.

(t) Regulation of Technical Data and Goods

The Debtors are regulated by the International Traffic in Arms Regulations administered by the U.S. Department of State, and the Export Administration Regulations administered by the U.S. Department of Commerce. Collaborative agreements that the Debtors may have with foreign persons, including manufacturers and suppliers, are also subject to U.S. export control laws. In addition, the Debtors are subject to trade sanctions against embargoed countries, administered by the Office of Foreign Assets Control within the U.S. Department of the Treasury.

A determination that the Debtors have failed to comply with one or more of these export controls or trade sanctions could result in civil or criminal penalties, including the imposition of fines and the denial of export privileges and debarment from participation in U.S. government contracts. Delays or disapproval of export or import licenses or agreements could delay production and adversely affect the Debtors' financial condition. Additionally, restrictions may be placed on the export of technical data and goods in the future as a result of changing geo-political conditions. Any one or more of such sanctions could have a material adverse effect on the Debtors' business, financial condition, and results of operations.

(u) Environmental Laws and Regulations

The Debtors' operations are subject to the requirements of federal, state, local, European, and other foreign environmental and occupational health and safety laws and regulations, the violation of which can result in substantial costs and liabilities, including material civil and criminal fines and penalties. Such requirements include those pertaining to pollution; the protection of human health and the environment; air emissions; wastewater discharges; occupational safety and health; and the generation, handling, treatment, remediation, use, storage, transport, release of, and exposure to, hazardous substances and wastes. The Debtors have incurred and will continue to incur costs and capital expenditures to comply with these environmental requirements and to obtain and

maintain all necessary permits. Any failure by the Debtors to comply with such laws and regulations could subject the Debtors to significant civil or criminal fines and penalties and other liabilities. In addition, if the Debtors were convicted of a violation of certain of these laws or regulations (including the Clean Air Act and the Clean Water Act), the Debtors, or one of their subsidiaries, could be placed by the U. S. Environmental Protection Agency (the “EPA”) on the “Excluded Parties List” maintained by the U.S. General Services Administration. The listing would continue until the EPA concluded that the cause of the violation had been cured. Facilities at which the violation occurred cannot be used in performing any U.S. Government contract awarded during any period of listing by the EPA, and pre-existing contracts may be terminated by the government once a facility is listed. In addition, this prohibition can also extend to other facilities that are owned or operated by a convicted entity.

Under certain of these laws and regulations, such as the federal Superfund statute, the obligation to investigate and remediate contamination at a facility may be imposed on current and former owners or operators or on persons who may have sent waste to that facility for disposal. Liability under these laws and regulations may be without regard to fault or to the legality of the activities giving rise to the contamination. Contamination has been identified at some of the Debtors’ facilities, and the Debtors have incurred, and will continue to incur, costs to investigate and remediate these conditions. In connection with such contamination, the Debtors may also be liable for natural resource damages, government penalties, and claims by third parties for personal injury and property damage. In addition, the Debtors may incur liabilities in connection with any future environmental contamination or any previously unknown but currently existing environmental conditions at the Debtors’ facilities. The costs of investigation, remediation, and other costs with respect to identified environmental conditions, including conditions at offsite disposal locations with respect to which the Debtors have been notified of potential liability, could be significant.

In addition, environmental laws and regulations, and the interpretation or enforcement of these laws and regulations, are constantly evolving and it is impossible to predict accurately the effect that changes in these laws and regulations, or their interpretation or enforcement, may have upon the Debtors’ business, financial condition, results of operations, or liquidity. Should environmental laws and regulations, or their interpretation or enforcement, become more stringent, the costs of compliance could increase. If the Debtors cannot pass along future cost increases to their customers, any such increases may have an adverse effect on their business, financial condition, results of operations, or liquidity.

(v) Rate of Exchange

The majority of the Debtors’ sales are generated in U.S. dollars; however, a significant component of their aircraft production cost on certain models is contracted with suppliers in U.K. pound sterling. The Debtors may enter into foreign currency forward contracts with commercial banks to fix the dollar value of a portion of their commitments to these suppliers; however, these foreign currency forward contracts may not cover the total value of foreign currency payments the Debtors are obligated, or may become obligated, to make. Therefore, the Debtors could be adversely affected by a weakening of the U.S. dollar relative to foreign currencies, particularly the U.K. pound sterling. Conversely, declining production volumes could cause foreign currency forward contracts to be in excess of required foreign currency commitments causing the Debtors to be exposed to mark-to-market gains or losses for the ineffective portion of foreign currency forward contracts or contracts not designated in a cash flow hedging relationship.

(w) Valuing Used Aircraft

There is significant judgment used to determine the value of used aircraft that the Debtors acquire. The Debtors assess the realizable value of the aircraft on a continual basis. During this assessment, the Debtors evaluate many factors, including current and future market conditions, the age and condition of the aircraft, and availability levels of the aircraft in the market. In addition, the valuation of aircraft materials and parts that support their worldwide fleet requires significant judgment. The Debtors assess the realizable value of the parts on a continual basis. During this assessment, the Debtors evaluate many factors, including the expected useful life of the aircraft, some of which have remained in service for several decades. Furthermore, the Debtors assume an orderly disposition of both used aircraft and aircraft materials and parts in connection with their assessments of realizable value. Changes in market or economic conditions and changes in products or competitive products may adversely

impact the future valuation of used aircraft and aircraft materials and parts and such changes in valuation could materially adversely affect their business, financial condition, results of operations, or liquidity.

(x) Estimates

Revenue recognition for certain of the Debtors' contracts requires judgment relative to estimating total sales and costs at completion. Due to the size and nature of these contracts, the estimating process is complicated. Because of the significance of the judgments and estimation processes, it is likely that materially different amounts could be recorded if the Debtors used different assumptions. Changes in underlying assumptions, circumstances or estimates may materially adversely affect their business, financial condition, and results of operations.

(y) Intellectual Property Rights

The Debtors rely on a combination of trademarks, trade names, copyrights, patents, non-patented proprietary know-how, trade secrets, and other proprietary information. The Debtors employ various methods to protect their proprietary information, including confidentiality agreements, invention assignment agreements, and proprietary information agreements with vendors, employees, contractors, distributors, consultants, and others. However, these agreements may be breached. In addition, the Debtors hold U.S. and foreign trademarks and patents relating to a number of their products and have additional trademark and patent applications pending. The Debtors also apply for patents in the ordinary course of their business, as the Debtors deem appropriate. However, these precautions offer only limited protection, and their proprietary information may become known to, or be independently developed by, competitors, patent, or trademark applications might not be issued or their proprietary rights in intellectual property may be challenged, any of which could have a material adverse effect on their business, financial condition, and results of operations. Additionally, the Debtors' existing or future patents, if any, may not afford us significant competitive advantages, and the Debtors cannot be certain that any patent application will result in an issued patent or that their patents will not be circumvented, invalidated, or declared unenforceable.

The Debtors' results of operations, financial condition, and liquidity could be adversely affected if the Debtors become involved in intellectual property litigation. If the Debtors were to lose any such litigation, a court or a similar foreign governing body could invalidate or render unenforceable their owned or licensed patents, require the Debtors to pay significant damages, cause the Debtors to seek licenses and/or pay royalties to third parties, require the Debtors to redesign their products, or prevent the Debtors from manufacturing, using, or selling their products. Any of those events could have a material adverse effect on their financial condition, results of operations, and liquidity. The defense and prosecution of intellectual property suits and proceedings before the U.S. Patent and Trademark Office, or its foreign equivalents, are costly and time consuming. Intellectual property litigation relating to their products could cause their customers or potential customers to defer or limit their purchase or use of the affected products until resolution of the litigation.

(z) Weather Conditions

Historically, the Debtors' peak deliveries have occurred during the last quarter of the calendar year. Inclement weather conditions during that time of year may limit the Debtors' ability to conduct necessary pre-delivery flight tests, which may delay their deliveries and adversely affect their financial results.

(aa) Number of Employees in Kansas

In December 2010, the Debtors reached an agreement with the State of Kansas pursuant to which the Debtors received \$10.0 million in 2011, and the Debtors will receive an additional \$5.0 million each year for the next four years. These funds may be used for expenses such as the purchase or relocation of equipment, product development, labor recruitment, or building costs. The State's incentive package requires the Debtors' to maintain their current product lines in Wichita and retain at least 4,000 jobs in Kansas over the next 10 years. If the Debtors do not, the Debtors will be subject to certain repayment obligations which could materially adversely affect their business, financial condition, results of operations, or liquidity.

(bb) Future Business Combinations, Acquisitions, Mergers or Joint Ventures

The Debtors actively consider strategic transactions from time to time. The Debtors evaluate acquisitions, joint ventures, alliances, or co-production programs as opportunities arise, and the Debtors may be engaged in varying levels of negotiations with potential competitors at any time. The Debtors may not be able to effect transactions with strategic alliance, acquisition, or co-production program candidates on commercially reasonable terms or at all. The integration of companies that have previously been operated separately involves a number of risks; as such, if the Debtors enter into these transactions, the Debtors also may not realize the benefits the Debtors anticipate and the Debtors may subject themselves to unforeseen contingent liabilities. Consummating any acquisitions, joint ventures, alliances, or co-production programs could result in the incurrence of additional debt and related interest expense. In addition, the Debtors may not be able to obtain additional financing for these transactions.

D. Risks Associated with Forward Looking Statements

1. Financial Information Is Based on the Debtors' Books and Records and, Unless Otherwise Stated, No Audit Was Performed

The financial information contained in this Disclosure Statement has not been audited. In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to ensure the accuracy of the financial information provided in this Disclosure Statement, and while the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to represent or warrant that the financial information contained herein and attached hereto is without inaccuracies.

2. Financial Projections and Other Forward Looking Statements Are Not Assured, Are Subject to Inherent Uncertainty Due to the Numerous Assumptions Upon Which They Are Based and, as a Result, Actual Results May Vary

This Disclosure Statement contains various projections concerning the financial results of the Debtors' operations, including the financial projections, that are, by their nature, forward looking, and which projections are necessarily based on certain assumptions and estimates. Should any or all of these assumptions or estimates ultimately prove to be incorrect, the actual future experiences of the Reorganized Debtors may turn out to be different from the financial projections. The financial projections do not reflect emergence adjustments including the impact of generally accepted "fresh start" accounting.

Specifically, the projected financial results contained in this Disclosure Statement reflect numerous assumptions concerning the anticipated future performance of the Reorganized Debtors, some of which may not materialize, including, without limitation, assumptions concerning: (a) the timing of Confirmation and Effective Date of the Plan in accordance with its terms; (b) the anticipated future performance of the Reorganized Debtors, including the ability to maintain or increase revenue and gross margins, control future operating expenses, or make necessary capital expenditures; (c) general business and economic conditions; (d) overall industry performance and trends; (e) the Debtors' ability to maintain market strength and receive vendor support by way of favorable purchasing terms; and (f) customer preferences continuing to support the Debtors' operations.

Due to the inherent uncertainties associated with projecting financial results generally, the projections contained in this Disclosure Statement will not be considered assurances or guarantees of the amount of funds or the amount of Claims that may be Allowed in the various Classes. While the Debtors believe that the financial projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized.

E. Disclosure Statement Disclaimer

1. Information Contained Herein Is for Soliciting Votes

The information contained in this Disclosure Statement is for the purposes of soliciting acceptances of the Plan and may not be relied upon for any other purpose.

2. This Disclosure Statement Was Not Approved by the United States Securities and Exchange Commission

This Disclosure Statement was not filed with the United States Securities and Exchange Commission under the Securities Act or applicable state securities laws. Neither the United States Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained herein.

3. Reliance on Exemptions from Registration Under the Securities Act

This Disclosure Statement has been prepared pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016(b) and is not necessarily in accordance with federal or state securities laws or other similar laws. The offer of and sale of New Common Stock to certain Holders of Allowed Claims has not been registered under the Securities Act or similar state securities or “blue sky” laws.

New Common Stock to be issued to certain Holders of Allowed Claims will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance on the exemption set forth in section 4(2) of the Securities Act or Regulation D promulgated thereunder.

Section 4(2) of the Securities Act provides that the issuance of securities by an issuer in transactions not involving any public offering is exempt from registration under the Securities Act. Regulation D is a non-exclusive safe harbor promulgated by the United States Securities and Exchange Commission under the Securities Act related to, among others, section 4(2) of the Securities Act.

The term “issuer,” as used in section 4(2) of the Securities Act, means, among other things, a person who issues or proposes to issue any security.

Securities issued pursuant to the exemption provided by section 4(2) of the Securities Act or Regulation D promulgated thereunder are considered “restricted securities.” As a result, resales of such securities may not be exempt from the registration requirements of the Securities Act or other applicable law. Holders of such restricted securities may, however, be able, at a future time and under certain conditions described below, to sell securities without registration pursuant to the resale provisions of Rule 144 and Rule 144A under the Securities Act.

4. No Legal or Tax Advice Is Provided to You by this Disclosure Statement

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Holder of a Claim or an Interest should consult his or her own legal counsel, accountant, or other applicable advisor with regard to any legal, tax, and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

5. No Admissions Made

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any entity (including, without limitation, the Debtors) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, the Reorganized Debtors, Holders of Allowed Claims or Allowed Interests, or any other parties in interest.

6. Failure to Identify Litigation Claims or Projected Objections

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. The Debtors or the Reorganized Debtors may seek to investigate, File, and prosecute Claims and Interests and may object to Claims or Interests after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or Interests or objections to such Claims or Interests.

7. No Waiver of Right to Object or Right to Recover Transfers and Assets

The vote by a Holder of an Allowed Claim for or against the Plan does not constitute a waiver or release of any claims, causes of action, or rights of the Debtors or the Reorganized Debtors (or any entity, as the case may be) to object to that Holder's Claim, or recover any preferential, fraudulent, or other voidable transfer of assets, regardless of whether any claims or causes of action of the Debtors or their respective estates are specifically or generally identified herein.

8. Information Was Provided by the Debtors and Was Relied Upon by the Debtors' Advisors

The Debtors' advisors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although the Debtors' advisors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

9. Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update

The statements contained in this Disclosure Statement are made by the Debtors as of the date of this Disclosure Statement, unless otherwise specified herein, and the delivery of this Disclosure Statement after the date of this Disclosure Statement does not imply that there has not been a change in the information set forth herein since that date. While the Debtors have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

10. No Representations Outside this Disclosure Statement Are Authorized

No representations concerning or relating to the Debtors, these Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to the counsel to the Debtors, the United States Trustee for the Southern District of New York, and counsel to the Committee.

F. *Liquidation Under Chapter 7*

If no plan can be confirmed, the Debtors' Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of Holders of Claims or Interests and the Debtors' liquidation analysis is set forth in Article VII herein, "Statutory Requirements for Confirmation of the Plan" and the Liquidation Analysis attached hereto as **Exhibit C**.

**ARTICLE IX.
IMPORTANT SECURITIES LAW DISCLOSURE**

A. New Common Stock of the Reorganized Debtors

The Plan provides that, on the Effective Date, certain Holders of Allowed Claims will receive New Common Stock of the Reorganized Debtors. On or prior to the Effective Date, the Reorganized Debtors will reserve for issuance the New Common Stock required to be issued pursuant to the Plan.

B. Issuance and Resale of New Common Stock of the Reorganized Debtors under the Plan

1. Offer and Sale of New Common Stock: Bankruptcy Code Exemption

Pursuant to the Plan, certain Holders of Allowed Claims will receive shares of New Common Stock. Section 1145(a)(1) of the Bankruptcy Code exempts the offer or sale of securities under a plan of reorganization from registration under Section 5 of the Securities Act and state laws if three principal requirements are satisfied: (1) the securities must be issued “under a plan” of reorganization by the debtor or its successor under a plan or by an affiliate participating in a joint plan of reorganization with the debtor; (2) the recipients of the securities must hold a claim against, an interest in, or a claim for administrative expenses in the case concerning the debtor or such affiliate; and (3) the securities must be issued in exchange for the recipient’s claim against or interest in the debtor, or such affiliate, or “principally” in such exchange and “partly” for cash or property. In reliance upon this exemption, the Debtors believe that the offer and sale, under the Plan, of the New Common Stock will be exempt from registration under the Securities Act and state securities laws with respect to any Holder of Allowed Claims who is not deemed to be an “underwriter” as defined in Section 1145(b) of the Bankruptcy Code.

In addition, the Debtors will seek to obtain, as part of the Confirmation Order, a provision confirming such exemption. Accordingly, subject to compliance with the New Corporate Governance Documents, such securities generally may be resold (a) without registration under the Securities Act or other federal securities laws pursuant to an exemption provided by Section 4(1) of the Securities Act, unless the holder is an “underwriter” (see discussion below) with respect to such securities, as that term is defined under the Bankruptcy Code and (b) without registration under state securities or “blue sky” laws pursuant to various exemptions provided by the respective laws of the several states. However, recipients of securities issued under the Plan are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state law in any given instance and as to any applicable requirement or conditions to such availability.

[The securities issued to Holders of Senior Notes on account of their funding of the General Unsecured Claims Cash Out Option will be issued without registration in reliance upon the exemption set forth in Section 4(2) of the Securities Act and will be “restricted securities.”]

2. Subsequent Transfers of New Common Stock

Section 1145(b) of the Bankruptcy Code defines the term “underwriter” for purposes of the Securities Act as one who, except with respect to “ordinary trading transactions” of an entity that is not an “issuer,” (1) purchases a claim against, interest in, or claim for an administrative expense in the case concerning the debtor, if such purchase is with a view to distributing any security received in exchange for such a claim or interest; (2) offers to sell securities offered or sold under a plan for the holders of such securities; (3) offers to buy securities offered or sold under the plan from the holders of such securities, if the offer to buy is: (a) with a view to distribution of such securities and (b) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (4) is an “issuer” with respect to the securities, as the term “issuer” is defined in Section 2(a)(11) of the Securities Act.

The term “issuer” is defined in Section 2(a)(4) of the Securities Act; however, the reference contained in Section 1145(b)(1)(D) of the Bankruptcy Code to Section 2(11) of the Securities Act purports to include as statutory underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. “Control” (as such term is defined in Rule 405 of Regulation C under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the

direction of the policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor (or its successor) under a plan of reorganization may be deemed to be a “control person,” particularly if such management position is coupled with the ownership of a significant percentage of the debtor’s (or successor’s) voting securities. Ownership of a significant amount of voting securities of a reorganized debtor could also result in a person being considered to be a “control person.”

To the extent that persons deemed to be “underwriters” receive New Common Stock pursuant to the Plan, resales by such persons would not be exempted by Section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Such persons would not be permitted to resell such New Common Stock, unless such securities were registered under the Securities Act or an exemption from such registration requirements were available. Entities deemed to be statutory underwriters for purposes of Section 1145 of the Bankruptcy Code may, however, be able, at a future time and under certain conditions, to sell securities without registration pursuant to the resale provisions of Rule 144 under the Securities Act or another available exemption under the Securities Act.

Whether or not any particular person would be deemed to be an “underwriter” with respect to the New Common Stock to be issued pursuant to the Plan, or an “affiliate” of HBI, would depend upon various facts and circumstances applicable to that person. Accordingly, we express no view as to whether any such person would be such an “underwriter” or “affiliate.”

PERSONS WHO RECEIVE NEW COMMON STOCK UNDER THE PLAN ARE URGED TO CONSULT THEIR OWN LEGAL ADVISOR WITH RESPECT TO THE RESTRICTIONS APPLICABLE UNDER THE SECURITIES LAWS AND THE CIRCUMSTANCES UNDER WHICH SECURITIES MAY BE SOLD IN RELIANCE ON SUCH LAWS. THE FOREGOING SUMMARY DISCUSSION IS GENERAL IN NATURE AND HAS BEEN INCLUDED IN THIS DISCLOSURE STATEMENT SOLELY FOR INFORMATIONAL PURPOSES. WE MAKE NO REPRESENTATIONS CONCERNING, AND DO NOT PROVIDE, ANY OPINIONS OR ADVICE WITH RESPECT TO THE NEW COMMON STOCK OR THE BANKRUPTCY MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT. IN LIGHT OF THE UNCERTAINTY CONCERNING THE AVAILABILITY OF EXEMPTIONS FROM THE RELEVANT PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS, WE ENCOURAGE EACH PARTY-IN INTEREST TO CONSIDER CAREFULLY AND CONSULT WITH ITS OWN LEGAL ADVISORS WITH RESPECT TO ALL SUCH MATTERS. BECAUSE OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR HOLDER MAY BE AN UNDERWRITER, WE MAKE NO REPRESENTATION CONCERNING THE ABILITY OF A PERSON TO DISPOSE OF THE NEW COMMON STOCK.

C. No Registration or Listing of New Common Stock

The issuer of the New Common Stock of the Reorganized Debtors will not be required to file periodic reports under the Securities Exchange Act or seek to list the New Common Stock of the Reorganized Debtors for trading on a national securities exchange. Consequently, there will not be “current public information” (as such term is defined in Rule 144) regarding the issuer of the New Common Stock of the Reorganized Debtors.

**ARTICLE X.
CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

The following discussion is a summary of certain U.S. federal income tax consequences of the consummation of the Plan to the Debtors and to certain Holders of Claims. The following discussion does not address the U.S. federal income tax consequences to Holders (i) whose Claims are Unimpaired or otherwise entitled to payment in full in Cash under the Plan or (ii) that are deemed to reject the Plan. This summary is based on the Internal Revenue Code of 1986 (the “IRC”), the Treasury Regulations promulgated thereunder, judicial authorities, published administrative positions of the Internal Revenue Service (the “IRS”) and other applicable authorities, all as in effect on the date of this Disclosure Statement and all of which are subject to change or differing interpretations, possibly with retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Debtors do not intend to seek a ruling from the IRS as to any of the

tax consequences of the Plan discussed below. The discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

This discussion does not purport to address all aspects of U.S. federal income taxation that may be relevant to the Debtors, the Reorganized Debtors, or to Holders of Claims or Interests in light of their individual circumstances, nor does it address tax issues with respect to Holders that are not “United States persons” as such term is defined in the IRC or that are otherwise subject to special treatment under the U.S. federal income tax laws (including, for example, banks, governmental authorities or agencies, pass-through entities, trusts, dealers and traders in securities, insurance companies, financial institutions, tax-exempt organizations, small business investment companies, and regulated investment companies and those holding, or who will hold, Claims, Interests, or other certain assets, as part of a hedge, straddle, conversion, or constructive sale transaction). Furthermore, the following summary of certain U.S. federal income tax consequences of the Plan does not purport to address any aspect of state, local, estate, gift, non-U.S., or other tax law. Lastly, the following discussion assumes the debt obligation(s) underlying each Allowed Claim is properly treated as debt (rather than equity) of the Debtor(s) the Holder has the Allowed Claim against.

THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL, NON-U.S., AND OTHER TAX CONSEQUENCES OF THE PLAN.

IRS CIRCULAR 230 DISCLOSURE

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE IRC. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. Certain United States Federal Income Tax Consequences to the Debtors

The tax consequences of the implementation of the Plan to the Debtors will differ depending on whether the Restructuring Transactions will include a taxable sale of the Debtors’ assets and/or stock.

If the transaction undertaken pursuant to the Plan is structured as a taxable sale of the assets of any Debtor (a “Taxable Transaction”), such Debtor would recognize gain or loss upon the transfer in an amount equal to the difference between the fair market value of the assets sold and the Debtor’s tax basis in such assets. The Debtors believe that the tax basis of their assets exceed their fair market value, and hence the Debtors believe that no significant federal, state, or local tax liability, if any, should be incurred as a result of a Taxable Transaction.

If a Reorganized Debtor purchases assets or stock of any Debtor pursuant to a Taxable Transaction, it will take a fair market value basis in the transferred assets or stock. However, if a Taxable Transaction involves a purchase of stock, the Debtor whose stock is transferred would retain its basis in the assets.

In general, as of the Petition Date the Debtors expect to report consolidated net operating losses (“NOLs”) and tax credits for U.S. federal income tax purposes for the period ending December 31, 2011 of approximately \$700 million and \$50 million, respectively. As discussed below, the Debtors’ NOLs and tax credits are expected to be eliminated upon implementation of the Plan.

1. Cancellation of Debt and Reduction of Tax Attributes

In general, absent an exception, a debtor will realize and recognize cancellation of debt income (“COD Income”) upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (y) the amount of Cash paid and (z) the fair market value of any new consideration given in satisfaction of such indebtedness at the time of the exchange.

A debtor will not, however, be required to include any amount of COD Income in gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income pursuant to section 108 of the IRC. In general, tax attributes will be reduced in the following order: (a) NOLs; (b) general business credit carryovers; (c) minimum tax credit carryovers; (d) capital loss carryovers; (e) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject); (f) passive activity loss and credit carryovers; and (g) foreign tax credits. A debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the IRC. The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. Any excess COD Income over the amount of available tax attributes is not subject to U.S. federal income tax and has no other U.S. federal income tax impact.

In connection with the Restructuring Transactions, Debtors expect to realize significant COD Income. The amount of the tax attributes required to be reduced will depend on whether the transactions undertaken pursuant to the Plan are structured as a Taxable Transaction. Regardless of the implemented structure, the Debtors expect, however, that the amount of such COD Income will be sufficient to eliminate all of their NOLs and tax credits allocable to periods prior to the Effective Date. In addition, depending on the structure of the transactions undertaken pursuant to the Plan, some of the Debtors’ tax basis in their assets may be reduced by COD Income that is not absorbed by the NOLs and tax credits.

2. Limitation on NOLs and Other Tax Attributes

Under section 382 of the IRC, if a corporation undergoes an “ownership change,” the amount of any remaining NOLs, tax credit carryforwards, net unrealized built-in losses, and possibly certain other attributes of the Reorganized Debtors allocable to periods prior to the Effective Date (collectively, “Pre-Change Losses”) that may be utilized to offset future taxable income generally are subject to an annual limitation. In general, the amount of the annual limitation to which a corporation that undergoes an ownership change would be subject is equal to the product of (a) the fair market value of the stock of the loss corporation immediately before the ownership change (with certain adjustments) multiplied by (b) the “long-term tax-exempt rate” in effect for the month in which the ownership change occurs (currently, [3.26 percent]). The annual limitation under section 382 represents the amount of pre-change NOLs, as well as certain built-in losses recognized within the five year period following the ownership change, that may be used each year to offset income. Section 383 of the IRC applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

An exception to the foregoing annual limitation rules generally applies when former shareholders and so called “qualified creditors” of a company in bankruptcy receive, in respect of their claims, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in bankruptcy) pursuant to a confirmed Chapter 11 plan (the “382(l)(5) Exception”). Under the 382(l)(5) Exception, a debtor’s pre-change losses are not limited on an annual basis but, instead, are required to be reduced by the amount of any interest deductions claimed during the three taxable years preceding the Effective Date, and during the part of the taxable year prior to and including the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the Reorganized Debtors undergo another ownership change within two years after Consummation of the Plan, then the Reorganized Debtors’ section 382 annual limitation will generally be reduced to zero, which would effectively preclude utilization of Pre-Change Losses.

Where the 382(l)(5) Exception is not applicable (either because the debtor company does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the

“382(l)(6) Exception”). When the 382(l)(6) Exception applies, a corporation in bankruptcy that undergoes an “ownership change” generally is permitted to determine the fair market value of its stock after taking into account the increase in value resulting from any surrender or cancellation of creditors’ claims in the bankruptcy. This differs from the ordinary rule that requires the fair market value of a corporation that undergoes an ownership change to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that under it the Reorganized Debtors would not be required to reduce their NOLs by the amount of any interest deductions claimed by the Debtors within the prior three-year period and the Reorganized Debtors may undergo a change of ownership within two years without triggering any reduction in their Section 382 annual limitation.

As discussed above, the Debtors expect that all of the Debtors’ NOLs allocable to periods prior to the Effective Date will be eliminated and hence will not be subject to the section 382 limitation. However, the Debtors believe that the overall tax basis of their assets exceeds their fair market value and therefore, unless the Debtors undertake a Taxable Transaction, the Debtors expect to have unrealized built-in losses on the Effective Date. The Debtors’ ability to deduct such built-in losses during the 5-year period following the Effective Date would be subject to the section 382 limitation. The availability to the Debtors of either the 382(l)(5) Exception or the 382(l)(6) Exception will depend on the structure of the transactions undertaken pursuant to the Plan.

3. Alternative Minimum Tax

In general, an alternative minimum tax (“AMT”) is imposed on a corporation’s alternative minimum taxable income (“AMTI”) at a 20% rate to the extent such tax exceeds the corporation’s regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, if a corporation undergoes a section 382 ownership change and is in a net unrealized built-in loss position (as determined for AMT purposes) on the date of the ownership change, the corporation’s aggregate tax basis in its assets will be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date.

B. Certain United States Federal Income Tax Consequences to the Holders of Certain Allowed Claims

1. Consequences to Holders of Allowed Class 6, Class 7, Class 8, and Class 9 Claims

Pursuant to the Plan and in full and final satisfaction of their Claims, Holders of Allowed Class 6, Class 7, Class 8, and Class 9 Claims will receive their Pro Rata share of the New Common Stock, provided that Holders of Class 9 claims may receive Cash in lieu of their Pro Rata share of the New Common Stock pursuant to the General Unsecured Claims Cash Out Option. The U.S. federal income tax consequences of the Plan to Holders of Class 6, Class 7, Class 8, and Class 9 Claims will depend, in part, on whether the transactions undertaken pursuant to the Plan constitute a Taxable Transaction. If the transactions undertaken pursuant to the Plan do not constitute a Taxable Transaction (a “Recapitalization”), the U.S. federal income tax consequences to such Holders of Claims will further depend on whether the Claims surrendered constitute “securities” for U.S. federal income tax purposes.

Whether a debt instrument constitutes a “security” is determined based on all the facts and circumstances, but most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an Interest of the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued.

(a) Taxable Transaction

To the extent that the transactions undertaken pursuant to the Plan constitute a Taxable Transaction, a Holder of an Allowed Class 6, Class 7, Class 8, Class 9, or Class 10 Claim will be treated as exchanging such Claim for New Common Stock or Cash, as applicable, in a taxable exchange under section 1001 of the IRC. Accordingly,

each Holder of such Claim should recognize gain or loss equal to the difference between (1) the fair market value of New Common Stock or the amount of Cash received in exchange for the Claim; and (2) such Holder's adjusted basis, if any, in such Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Claim in such Holder's hands, whether the Claim constitutes a capital asset in the hands of the Holder, whether the Claim was purchased at a discount, and whether and to what extent the Holder has previously claimed a bad debt deduction with respect to its Claim. To the extent that a portion of the New Common Stock or Cash, as applicable, received in exchange for the Claim is allocable to accrued but untaxed interest, the Holder may recognize ordinary income (as discussed in greater detail in Accrued but Untaxed Interest below). A Holder's tax basis in any New Common Stock received should equal the fair market value of such stock as of the date such stock is distributed to the Holder. A Holder's holding period for the New Common Stock received should begin on the day following the Effective Date.

(b) Recapitalization

If the transactions undertaken pursuant to the Plan constitute a Recapitalization and the Allowed Class 6, Class 7, Class 8, Class 9, or Class 10 Claims are not treated as securities, or (regardless of whether such Claim is a security) a Holder exchanges its Claim for Cash, a Holder of such Claim will be treated as exchanging such Claim for New Common Stock and/or Cash, as applicable, in a taxable exchange under section 1001 of the IRC. The U.S. federal income tax consequences to such Holder will be substantially similar to the consequences, described above, that such Holder would have experienced in a Taxable Transaction.

If any of the Allowed Class 6, Class 7, Class 8, Class 9, or Class 10 Claims received pursuant to a Recapitalization do qualify as securities, a Holder that receives New Common Stock in satisfaction of such Claim should recognize no gain or loss (or bad debt deduction). To the extent that a portion of such New Common Stock is allocable to accrued but untaxed interest, however, the Holder may recognize ordinary income (as discussed in greater detail in Accrued but Untaxed Interest below).

A Holder's aggregate tax basis in the New Common Stock received pursuant to a Recapitalization in satisfaction of the Holder's Claim that qualifies as a security, apart from amounts allocable to accrued but untaxed interest, generally should equal the Holder's tax basis in such surrendered Claim. The holding period of any such New Common Stock received under the Plan, apart from amounts allocable to accrued but untaxed interest, generally should include the holding period of such surrendered Claim.

2. Consequences to Holders of New Common Stock

(a) Dividends on New Common Stock

Any distributions made on account of the New Common Stock will constitute dividends for U.S. federal income tax purposes to the extent of the current or accumulated earnings and profits of the Reorganized Debtors as determined under U.S. federal income tax principles. To the extent that a Holder receives distributions that would otherwise constitute dividends for U.S. federal income tax purposes but that exceed such current and accumulated earnings and profits, such distributions will be treated first as a non-taxable return of capital reducing the Holder's basis in its shares. Any such distributions in excess of the Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as capital gain. Subject to certain exceptions, dividends received by noncorporate Holders prior to 2013 will be taxed under current law at a maximum rate of 15%, provided that certain holding period requirements and other requirements are met.

Dividends paid to Holders that are corporations generally will be eligible for the dividends-received deduction so long as there are sufficient earnings and profits. However, the dividends-received deduction is only available if certain holding period requirements are satisfied. The length of time that a shareholder has held its stock is reduced for any period during which the shareholder's risk of loss with respect to the stock is diminished by reason of the existence of certain options, contracts to sell, short sales, or similar transactions. In addition, to the extent that a corporation incurs indebtedness that is directly attributable to an investment in the stock on which the dividend is paid, all or a portion of the dividends received deduction may be disallowed.

(b) Sale, Redemption, or Repurchase of New Common Stock

Unless a non-recognition provision applies, Holders generally will recognize capital gain or loss upon the sale, redemption, or other taxable disposition of New Common Stock.

(c) Medicare Tax

Certain Holders that are individual, estates, or trusts are required to pay an additional 3.8% tax on, among other things, dividends and gains from the sale or other disposition of capital assets for taxable years beginning after December 31, 2012. Holders that are individuals, estates, or trusts should consult their tax advisors regarding the effect, if any, of this tax provision on their ownership and disposition of New Common Stock.

3. Accrued but Untaxed Interest

To the extent that any amount received by a Holder of a surrendered Allowed Claim under the Plan is attributable to accrued but unpaid interest and such amount has not previously been included in the Holder's gross income, such amount should be taxable to the Holder as ordinary interest income. Conversely, a Holder of a surrendered Allowed Claim may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for worthless debts) to the extent that any accrued interest on the debt instruments constituting such claim was previously included in the Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

The extent to which the consideration received by a Holder of a surrendered Allowed Claim will be attributable to accrued interest on the debts constituting the surrendered Allowed Claim is unclear. Certain Treasury Regulations generally treat a payment under a debt instrument first as a payment of accrued and untaxed interest and then as a payment of principal. Application of this rule to a final payment on a debt instrument being discharged at a discount in bankruptcy is unclear. Pursuant to the Plan, distributions in respect of Allowed Claims will be allocated first to the principal amount of such claims (as determined for U.S. federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the claims, to any portion of such claims for accrued but unpaid interest. However, the provisions of the Plan are not binding on the IRS or a court with respect to the appropriate tax treatment for creditors.

4. Market Discount

Under the "market discount" provisions of sections 1276 through 1278 of the IRC, some or all of any gain realized by a Holder exchanging the debt instruments constituting its Allowed Claim may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt constituting the surrendered Allowed Claim.

In general, a debt instrument is considered to have been acquired with "market discount" if its Holder's adjusted tax basis in the debt instrument is less than (i) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or (ii) in the case of a debt instrument issued with "original issue discount," its adjusted issue price, by at least a *de minimis* amount (equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a Holder on the exchange of debt constituting its Allowed Claim that was acquired with "market discount" should be treated as ordinary income to the extent of the "market discount" that accrued thereon while such debts were considered to be held by the Holder (unless the holder elected to include "market discount" in income as it accrued).

C. *Information Reporting and Backup Withholding*

The Debtors will withhold all amounts required by law to be withheld from payments of interest and dividends. The Debtors will comply with all applicable reporting requirements of the IRC. In general, information reporting requirements may apply to distributions or payments made to a Holder of a Claim under the Plan. Additionally, under the backup withholding rules, a Holder of a Claim may be subject to backup withholding, currently at a rate of 28%, with respect to distributions or payments made pursuant to the Plan unless that Holder

complies with the applicable requirements of the backup withholding rules and: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) provides an accurate taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax but is, instead, an advance payment that may entitle the Holder to a refund from the IRS to the extent it results in an overpayment of tax, provided that the required information is provided to the IRS.

In addition, from an information reporting perspective, the Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the Holders' tax returns.

THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF UNITED STATES FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM OR INTEREST IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM UNDER THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, NON-U.S., OR OTHER TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

**ARTICLE XI.
RECOMMENDATION OF THE DEBTORS**

In the opinion of the Debtors, the Plan is preferable to the alternatives described in this Disclosure Statement because it provides for a larger distribution to the Debtors' creditors than would otherwise result in liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than Confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to Holders of Allowed Claims and Interests than proposed under the Plan. Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan support Confirmation of the Plan and vote to accept the Plan.

Dated: June 30, 2012

Hawker Beechcraft, Inc. (for itself and all Debtors)

By: /s/
Name: Robert S. Miller
Title: Chief Executive Officer of Hawker Beechcraft, Inc.

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EXHIBIT A

**Debtors' Joint Plan of Reorganization
Pursuant to Chapter 11 of the Bankruptcy Code**

EXHIBIT B

Financial Projections

EXHIBIT C

Liquidation Analysis

EXHIBIT D

Valuation Analysis

EXHIBIT E

Disclosure Statement Order