IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
THE FAIRCHILD CORPORATION, et al.,[1]	)	Case No. 09-10899 (CSS)
Debtors.	)	Jointly Administered

DISCLOSURE STATEMENT FOR THE SECOND AMENDED JOINT PLAN OF LIQUIDATION OF THE FAIRCHILD CORPORATION AND ITS DEBTOR AFFILIATES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AND NO SOLICITATION HAS BEEN AUTHORIZED

November 9, 2009

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[1] The last four digits of Fairchild's federal tax identification number are 8587. The mailing address for Fairchild is 1750 Tysons Boulevard, Suite 530, McLean, Virginia 22102. Due to the large number of Debtors in these jointly administered cases, a complete list of the Debtors, the last four digits of their federal tax identification numbers and their addresses is not provided herein. A complete list of such information may be obtained on the website of the Debtors' Solicitation and Claims Agent at http://chapter11.epiqsystems.com/fairchild.

TABLE OF CONTENTS

EXHIBIT INDEX

DISCLOSURE STATEMENT FOR THE JOINT PLAN OF LIQUIDATION OF THE FAIRCHILD CORPORATION AND ITS DEBTOR AFFILIATES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

THE DEBTORS RESERVE THE RIGHT TO MODIFY, AMEND OR SUPPLEMENT THIS PROPOSED DISCLOSURE STATEMENT OR ANY EXHIBITS HERETO AT OR BEFORE THE CONFIRMATION HEARING, AND TO WITHDRAW THE PLAN AND DISCLOSURE STATEMENT AS TO ANY OR ALL OF THE DEBTORS AT ANY TIME PRIOR TO CONFIRMATION OF THE PLAN.

I. INTRODUCTION

The Fairchild Corporation ("Fairchild") and its debtor affiliates (collectively, the "Debtors") provide this *Disclosure Statement for the Second Amended Joint Plan of Liquidation of The Fairchild Corporation and Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code*, as it may be amended, supplemented or modified (the "Disclosure Statement") [Docket No. ___] to all of the Debtors' outstanding Creditors in order to permit such Creditors to make an informed decision in voting to accept or reject the proposed *Second Amended Joint Plan of Liquidation of The Fairchild Corporation and Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code*, as it may be amended, supplemented or modified (the "Plan") [Docket No. ___] filed on November 9, 2009 with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") in connection with the above-captioned cases (the "Chapter 11 Cases"). A copy of the Plan is attached to this Disclosure Statement as **Exhibit A**. Capitalized terms used herein but not otherwise defined have the meanings assigned to such terms in the Plan. Whenever the words "include," "includes" or "including" are used in this Disclosure Statement, they are deemed to be followed by the words "without limitation."

This Disclosure Statement is presented to certain Holders of Claims against the Debtors in accordance with the requirements of section 1125 of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1330 (the "Bankruptcy Code"). Section 1125 of the Bankruptcy Code requires that a disclosure statement provide information sufficient to enable a hypothetical and reasonable investor, typical of the Debtors' Creditors, to make an informed judgment whether to accept or reject the Plan. This Disclosure Statement may not be relied upon for any purpose other than that described above.

The Disclosure Statement is based on:

1. information publicly available in filings and pleadings filed with the Bankruptcy Court;

2. information provided by the Plan, which is attached as **Exhibit A** hereto;

3. information provided by Epiq Bankruptcy Solutions, LLC, as the official Claims and Solicitation Agent in connection with the Chapter 11 Cases ("Epiq");

4. a liquidation analysis prepared by the Debtors (the "Liquidation Analysis"), which is attached as **Exhibit B** hereto and;

5. financial projections of the Debtors as prepared by the Debtors (the "Financial Projection"), which is attached hereto as **Exhibit C**.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE AN INTEGRAL PACKAGE, AND THEY MUST BE CONSIDERED TOGETHER FOR THE READER TO BE ADEQUATELY INFORMED BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THE PLAN PROVIDES FOR SUBSTANTIVE CONSOLIDATION OF THE DEBTORS FOR ALL PURPOSES ASSOCIATED WITH CONFIRMATION AND CONSUMMATION. THE VOTES TO ACCEPT OR REJECT THE PLAN BY HOLDERS OF CLAIMS SHALL BE TABULATED ON A CONSOLIDATED BASIS WITH CREDITORS ENTITLED TO ONE VOTE FOR EACH CLAIM AGAINST THE DEBTORS NOTWITHSTANDING THAT SUCH CLAIM MAY HAVE BEEN FILED OR ASSERTED AGAINST MORE THAN ONE DEBTOR; PROVIDED, HOWEVER, THAT IN THE EVENT THE BANKRUPTCY COURT DOES NOT AUTHORIZE SUBSTANTIVE CONSOLIDATION, THE PLAN MAY CONSTITUTE SEPARATE PLANS OF LIQUIDATION FOR EACH DEBTOR WHOSE ESTATE IS NOT CONSOLIDATED AND, SUBJECT TO THE PROVISIONS OF THE PLAN, THE VOTES TO ACCEPT OR REJECT THE PLAN BY HOLDERS OF CLAIMS, TO THE EXTENT APPLICABLE, SHALL BE TABULATED AS VOTES TO ACCEPT OR REJECT SUCH SEPARATE PLANS OF LIQUIDATION. THIS INTRODUCTION IS QUALIFIED IN ITS ENTIRETY BY THE REMAINING PORTIONS OF THIS DISCLOSURE STATEMENT, AND THIS DISCLOSURE STATEMENT IN TURN IS QUALIFIED, IN ITS ENTIRETY, BY THE PLAN.

NO REPRESENTATIONS CONCERNING THE DEBTORS (PARTICULARLY AS TO THE VALUE OF THEIR PROPERTY) ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS AND ANY SOLICITATION MATERIALS APPROVED BY THE BANKRUPTCY COURT AND ACCOMPANYING THIS DISCLOSURE STATEMENT AS TRANSMITED BY EPIQ. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OF THE PLAN OTHER THAN AS SET FORTH ABOVE SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS, WHO WILL IN TURN DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE APPROPRIATE.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING ANY EXHIBITS CONCERNING THE FINANCIAL CONDITION OF THE DEBTORS AND THE OTHER INFORMATION CONTAINED

HEREIN, HAS NOT BEEN SUBJECT TO AN AUDIT OR INDEPENDENT REVIEW EXCEPT AS EXPRESSLY SET FORTH HEREIN. ACCORDINGLY, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONCERNING THE DEBTORS OR THEIR FINANCIAL CONDITION IS ACCURATE OR COMPLETE. THE PROJECTED INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PRESENTED FOR ILLUSTRATIVE PURPOSES ONLY AND, BECAUSE OF THE UNCERTAINTY AND RISK FACTORS INVOLVED, THE ACTUAL RESULTS MAY NOT BE AS PROJECTED HEREIN.

ALTHOUGH AN EFFORT HAS BEEN MADE TO BE ACCURATE, THE DEBTORS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS IS CORRECT. THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. EACH CREDITOR IS STRONGLY URGED TO REVIEW THE PLAN PRIOR TO VOTING ON IT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE OF THIS DISCLOSURE STATEMENT UNLESS ANOTHER TIME IS SPECIFIED. THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH SINCE THE DATE OF THIS DISCLOSURE STATEMENT.

A STATEMENT OF THE ASSETS AND LIABILITIES OF THE DEBTORS AS OF THE DATE OF THE COMMENCEMENT OF THEIR CHAPTER 11 CASES IS ON FILE WITH THE CLERK OF THE BANKRUPTCY COURT AND MAY BE INSPECTED BY INTERESTED PARTIES DURING REGULAR BUSINESS HOURS AND IS AVAILABLE ON EPIQ'S WEBSITE SET FORTH IN THE COVER SHEET OF THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NON-BANKRUPTCY LAW. ENTITIES HOLDING OR TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS AGAINST, INTERESTS IN OR SECURITIES OF, THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT ONLY IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS SUCH COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT WILL NOT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN. EACH CREDITOR SHOULD, THEREFORE, CONSULT WITH ITS OWN LEGAL,

BUSINESS, FINANCIAL AND TAX ADVISERS AS TO ANY SUCH MATTERS CONCERNING THE SOLICITATION, THE PLAN OR THE TRANSACTIONS CONTEMPLATED THEREBY.

Pursuant to the Bankruptcy Code, this Disclosure Statement and the Plan were filed on November 9, 2009. The Bankruptcy Court will hold a hearing on Confirmation of the Plan beginning at 11:00 a.m. (prevailing Eastern time) on December 17, 2009, in the United States Bankruptcy Court, 824 North Market Street, 5th Floor, Courtroom 6, Wilmington, Delaware 19801 (the "Confirmation Hearing"). At that Confirmation Hearing, the Bankruptcy Court will consider whether the Plan satisfies the requirements of the Bankruptcy Code, including whether the Plan is in the best interests of the Holders of Claims and Interests, and will review a ballot report concerning votes cast for acceptance or rejection of the Plan.

To obtain, at your cost, additional copies of this Disclosure Statement or of the Plan, please contact:

Epiq Bankruptcy Solutions, LLC
757 Third Avenue, Third Floor
New York, NY 10017
(646) 282-2400
Attn: The Fairchild Corporation Ballot Processing Center

You may also download the Disclosure Statement and the Plan for free at Epiq's website at http://chapter11.epiqsystems.com/fairchild.

A. Overview of the Plan

THE FOLLOWING IS A BRIEF SUMMARY OF THE TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN. THE DESCRIPTION OF THE PLAN SET FORTH BELOW CONSTITUTES A SUMMARY ONLY AND IS QUALIFIED, IN ITS ENTIRETY, BY THE PLAN AND THE PLAN DOCUMENTS. CREDITORS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW THE MORE DETAILED DESCRIPTION OF THE PLAN CONTAINED IN ARTICLE IV OF THIS DISCLOSURE STATEMENT AND THE PLAN ITSELF. THE PLAN IS ATTACHED AS EXHIBIT A TO THIS DISCLOSURE STATEMENT. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE PLAN CONTROLS.

Chapter 11 is the chapter of the Bankruptcy Code primarily used for business reorganizations and liquidations. The fundamental purpose of a chapter 11 case is to formulate a plan to restructure or liquidate a debtor company's finances so as to maximize recoveries for its creditors. With this purpose in mind, businesses so metimes use chapter 11 as a means to conduct asset sales and other forms of liquidation. Whether the aim is reorganization or liquidation, a chapter 11 plan sets forth and governs the treatment and rights to be afforded to creditors and stockholders with respect to their claims against and equity interests in a debtor's bankruptcy estate.

As an initial matter, the Plan shall serve as a motion by the Debtors seeking entry of an order substantively consolidating all of the Estates of all of the Debtors into a single consolidated Estate for all purposes associated with Confirmation and Consummation into a single consolidated Estate. A more detailed description of substantive consolidation is contained in Article III of this Disclosure Statement and Article XIII of the Plan.

1. Class 1 Consists of the PBGC Secured Claim

The PBGC Secured Claim shall be deemed to be an Allowed Claim. The Allowed PBGC Secured Claim's principal amount shall be deemed to have been satisfied upon the contribution by the Debtors of the amount of $1,956,670 to the Pension Plan which contribution occurred in September 2009. The PBGC Secured Claim is not entitled to any additional distributions under the Plan except for any interest as may be determined by the PBGC and either the Debtors or the Liquidating Trust, as the case may be, or by the Bankruptcy Court.

2. Class 2 Consists of Claims Secured by Real Property

Unless otherwise explicitly stated in the Plan, any and all Allowed Claims that are secured by real property owned as of the Effective Date by the Debtors shall be Reinstated and continue to be the obligations of the Facilitating Companies or, where owned by a Debtor who is not a Facilitating Company, such Claims shall be deemed to have been assumed and assigned to the Liquidating Trust with title to the asset which constitutes the Holders' security for such Claims to be received by and vested in the Liquidating Trust subject to such Secured Claims. No such Allowed Claims will be deemed to have accelerated the mortgage as a consequence of such Reinstatement, transfer of the asset(s) to the Liquidating Trust or assumption and assignment of such Allowed Claims.

3. Class 3 Consists of Other Secured Claims

At the option of the Liquidating Trustee, each Holder of an Allowed Secured Claim (other than the Claims included in Class 1 or Class 2) shall receive, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Secured Claim, one of the following treatments: (i) Reinstatement of the Claim, with such Claim to be assumed and assigned to the Liquidating Trust with title to the asset which constitutes the Holder's security for such Claim to be received by and vested in the Liquidating Trust subject to such Secured Claim; (ii) Cash equal to the value of the Allowed Secured Claimant's interest in the property of the Estate that constitutes collateral for such Allowed Secured Claim, as described in section 506(a) of the Bankruptcy Code; (iii) Cash equal to the full amount of the Allowed Secured Claim; (iv) such other treatment as determined by the Liquidating Trust, and either agreed by the Claimant or adjudicated by the Bankruptcy Court, to constitute the indubitable equivalent of such Claimant's Allowed Secured Claim, in accordance with section 1129(b)(2)(A)(iii) of the Bankruptcy Code; or (v) such other treatment as to which the Debtors or the Liquidating Trust, as the case may be, and the Holder of such Allowed Secured Claim have agreed upon in writing. The Liquidating Trust's failure to object to any such Allowed Secured Claim shall be without prejudice to the Liquidating Trust's right to object to all or any portion of such Claim in the Bankruptcy Court or other appropriate non-bankruptcy forum (at the option of the Liquidating

Trust) when and if such Claim is sought to be enforced by the Holder of such Allowed Secured Claim.

4. Class 4 Consists of Other Priority Claims

On the later of the Effective Date or the date on which an Other Priority Claim becomes an Allowed Other Priority Claim or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Other Priority Claim due and payable on or prior to the Effective Date shall, in full, final, and complete satisfaction of such Claim, (i) be paid in full in Cash or (ii) receive such other treatment as the Debtors or the Liquidating Trust, as applicable, and the Holder of such Other Priority Claim may otherwise agree.

5. Class 5 Consists of General Unsecured Claims.

Each Holder of an Allowed General Unsecured Claim, including all Claims relating to Environmental Claims, PBGC Unsecured Claims, the Retiree Health Plan Unsecured Claim, the Retiree General Unsecured Claims and Banner Claims, shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for such Allowed General Unsecured Claim, its Pro Rata share of the Distributable Assets, if any, available from the Liquidating Trust after full payment or other satisfaction in accordance with the Plan of all Allowed Administrative Claims, all Allowed Priority Tax Claims and all Claims of Classes 1 through 4, in accordance with the terms of the Plan.

6. Class 6 Consists of Interests.

On the Effective Date, all Interests held as of the Record Date shall be Allowed and the Holders of Allowed Interests shall receive their Pro Rata share, after giving effect to the relative rights of such Interests with respect to the other Interests of the Debtors under applicable non-bankruptcy law, of any amount of the Distributable Assets that is remaining, *in the highly unlikely event that any amount is remaining*, after full payment or other satisfaction in accordance with the Plan of all Allowed Administrative Claims, all Allowed Priority Tax Claims and all Claims of Classes 1 through 5.

7. Distributions

The Debtors believe that the Distributions under the Plan will provide Holders of Claims or Interests with at least the same recovery on account of Allowed Claims as would distributions by a chapter 7 trustee. However, Distributions under the Plan to Creditors of the Debtors would be made more quickly than distributions by a chapter 7 trustee and a chapter 7 trustee would charge a substantial fee, reducing the amount available for Distribution on account of Allowed Claims.

ACCORDINGLY, THE DEBTORS URGE EACH CREDITOR ENTITLED TO VOTE ON THE PLAN TO VOTE TO ACCEPT THE PLAN.

Following are detailed, Class-by-Class summaries of the estimated Allowed Claims and Interests against the Debtors and the estimated Distribution, if any, to Holders of Claims or Interests in respect of Allowed Claims and Interests.

THE RECOVERY PERCENTAGES SET FORTH IN THE FOLLOWING TABLE ARE MERELY ESTIMATES. THE ACTUAL AMOUNTS DISTRIBUTED TO HOLDERS OF ALLOWED CLAIMS UNDER THE PLAN MAY BE HIGHER OR LOWER THAN ESTIMATED.

Class	Description	Estimated Recovery	Status
N/A	Administrative Claims	100%	Unclassified and not entitled to vote
N/A	Priority Tax Claims	100%	Unclassified and not entitled to vote
1	PBGC Secured Claim	100%	Impaired and entitled to vote
2	Claims Secured by Real Property	100%	Unimpaired, deemed to accept the Plan and not entitled to vote
3	Other Secured Claims	100%	Unimpaired, deemed to accept the Plan and not entitled to vote
4	Other Priority Claims	100%	Unimpaired, deemed to accept the Plan and not entitled to vote
5	General Unsecured Claims	2%-25.2%	Impaired and entitled to vote
6	Interests	0%	Impaired, deemed to reject the Plan and not entitled to vote

B. Voting Instructions

THE DEBTORS STRONGLY RECOMMEND EACH CREDITOR ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.

THE CREDITORS' COMMITTEE ALSO STRONGLY RECOMMENDS EACH CREDITOR ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN. A LETTER IN SUPPORT OF THE PLAN FROM THE CREDITORS' COMMITTEE IS INCLUDED WITH YOUR BALLOT.

The Bankruptcy Code entitles only holders of impaired claims or equity interests who receive some distribution under a proposed plan to vote to accept or reject that plan. Holders of claims or equity interests that are unimpaired under a proposed plan are conclusively presumed to have accepted that plan and are not entitled to vote on it. Holders of classes of claims or equity interests that will receive no distributions under a proposed plan are conclusively presumed to reject that plan and, therefore, are also not entitled to vote on it.

Unimpaired Classes. Classes 2, 3 and 4 are Unimpaired under the Plan. No votes will be solicited from any Holders of Claims in any of these Classes. Thus, pursuant to section 1126(f) of the Bankruptcy Code, the Holders of Claims in Classes 2, 3 and 4 are deemed to have accepted the Plan.

Impaired Classes. Classes 1, 5 and 6 are Impaired. Subject to Article VI of the Plan, Holders of Claims in (i) Class 1 and (ii) Class 5 are entitled to vote as a Class, respectively, to accept or reject the Plan. As such, votes will be solicited from Holders of Claims in Classes 1 and 5. Votes will not be solicited from Holders of Class 6 Interests because Class 6 is conclusively deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code in

light of the substantial probability that there will be no Distribution in respect of Class 6 Interests.

Impairment Controversies. If any controversy arises as to whether any Class of Claims or Interests is Impaired under the Plan, such Class shall be treated as set forth in the Plan unless otherwise ordered by a Final Order of the Bankruptcy Court.

A BALLOT FOR ACCEPTANCE OR REJECTION OF THE PLAN IS BEING PROVIDED ONLY TO HOLDERS OF CLAIMS IN CLASSES 1 AND 5. BEFORE VOTING, SUCH HOLDERS SHOULD READ THIS DISCLOSURE STATEMENT AND ITS EXHIBITS, INCLUDING THE PLAN AND ITS EXHIBITS, IN THEIR ENTIRETY.

You may vote on the Plan by completing the enclosed ballot (the "Ballot") and mailing it to Epiq, as the official Claims and Solicitation Agent, at the following address:

For Ballots sent by U.S. Mail:

Epiq Bankruptcy Solutions, LLC
PO Box 5014, FDR Station
New York, NY 10150-5014
Attn: The Fairchild Corporation Ballot Processing Center

For Ballots sent by hand delivery or overnight courier:

Epiq Bankruptcy Solutions, LLC
757 Third Avenue, Third Floor
New York, NY 10017
Attn: The Fairchild Corporation Ballot Processing Center

You should use the Ballot sent to you with this Disclosure Statement to cast your vote for or against the Plan. You may not cast Ballots or votes orally or by facsimile. **In order for your Ballot to be considered by the Bankruptcy Court, it must be received at the above address by 4:00 p.m. (prevailing Eastern time) on December 7, 2009 (the "Voting Deadline").** If you are a Holder of a Claim in Class 1 or Class 5, and you did not receive a Ballot with this Disclosure Statement, please contact:

Daniel Yunger, Esq.
CURTIS MALLET-PREVOST, COLT & MOSLE LLP
101 Park Avenue
New York, NY 10178
212-696-6093
dyunger@curtis.com

Holders of Claims in Class 1 (PBGC Secured Claim) and Class 5 (General Unsecured Claims) are entitled to vote on the Plan. Any Ballot executed by the Holder of a Claim in Class 1 or Class 5 which fails to indicate acceptance or rejection or which indicate both acceptance and

rejection of the Plan, will not be counted as a vote to accept or reject the Plan. Ballots that are not properly executed will not be counted as a vote to accept or reject the Plan.

An Impaired Class of Claims accepts the Plan if at least two thirds (2/3) in amount and more than one half (1/2) in number of the Allowed Claims in the Class that actually vote are cast in favor of the Plan. Whether or not a Creditor or Interest Holder votes on the Plan, such Person will be bound by the terms and treatment set forth in the Plan if the Plan is accepted by the requisite majorities of the classes of creditors and is confirmed by the Bankruptcy Court. Pursuant to the provisions of section 1126 of the Bankruptcy Code, the Bankruptcy Court may disallow any vote accepting or rejecting the Plan if such vote is not cast in good faith.

If the voting members of an Impaired Class do not vote unanimously for the Plan but, nonetheless, vote for the Plan by at least the requisite two thirds (2/3) in amount and one half (1/2) in number of Allowed Claims in that Class actually voted, the Plan, at a minimum, must provide that each Holder of a Claim in such Class will receive property of a value, as of the Effective Date, that is not less than the amount such Holder of a Claim in such Class would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The Debtors or the Liquidating Trust, as the case may be, may dispute Proofs of Claim that have been filed. Persons whose Claims are disputed may vote on or otherwise participate in Distributions under the Plan only to the extent that the Bankruptcy Court allows their Claims. The Bankruptcy Court may temporarily allow a Claim for voting purposes only. Allowance of a Claim for voting purposes or disallowance of a Claim for voting purposes does not necessarily mean that all or a portion of that Claim will be allowed or disallowed for Distribution purposes.

The Debtors' schedules listing Claims and whether such Claims are disputed can be inspected at the offices of Epiq:

Epiq Bankruptcy Solutions, LLC
757 Third Avenue, Third Floor
New York, NY 10017
Attn: The Fairchild Corporation Claims Processing Center

On July 13, 2009, the Bankruptcy Court entered an order (the "Bar Date Order") establishing **5:00 p.m. (prevailing Eastern time) on August 31, 2009** as the deadline for general Creditors to file Proofs of Claim against the Debtors (the "General Bar Date") and **5:00 p.m. (prevailing Eastern time) on September 14, 2009** as the deadline for governmental units to file Proofs of Claim against the Debtors (the "Governmental Unit Bar Date" and, together with the General Bar Date, the "Bar Dates"). The Bar Dates apply to all Claims against the Debtors that arose before **March 18, 2009** except the Excluded Claims (as defined in and as set forth in the Exhibits to the Bar Date Order).

Pursuant to the Plan, all unpaid Administrative Claims must be filed on or before the Administrative Claim Bar Date.

Whether or not a Holder of a Claim votes on the Plan, such Person will be bound by the terms and treatment set forth in the Plan if the Plan is accepted by the requisite majorities of the Holders of Claims in the Classes entitled to vote on the Plan and the Plan is confirmed by the Bankruptcy Court.

C. Confirmation of the Plan by the Bankruptcy Court

Once it is determined which Impaired Classes have or have not accepted the Plan, the Bankruptcy Court will determine whether the Plan may be confirmed. Because Class 6 will likely receive no Distributions on account of their respective Interests, they are therefore deemed to have rejected the Plan. However, the Bankruptcy Court may confirm the Plan, if either Class 1 or Class 5 accepts the Plan, if the Bankruptcy Court finds that certain additional conditions are met. The Debtors will therefore request that the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code with respect to the non-acceptance of Class 6.

Section 1129(b) of the Bankruptcy Code is generally referred to as the "cramdown" provision. Pursuant to the cramdown provision, the Bankruptcy Court may confirm the Plan over the objection of a non-accepting Class if the Plan satisfies one of the alternative requirements of section 1129(b)(2)(A) of the Bankruptcy Code. Likewise, the Bankruptcy Court may confirm the Plan over the objection of non-accepting Holders of Claims or Interest if the non-accepting Holders of Claims or Interests will receive the full value of their Claims or Interests, or, if the non-accepting Holders of Claims or Interests receive less than full value, if no Class of junior priority will receive anything on account of their pre-petition Claims or Interests.

If the Plan does not meet the cramdown requirements as set forth above with respect to all of the Debtors, in the Debtors' sole discretion, the Plan may be (a) revoked as to all of the Debtors, or (b) revoked as to the Debtor not satisfying the cramdown requirements (such Debtor's Chapter 11 Case being converted to a chapter 7 liquidation, continued or dismissed in the Debtors' sole discretion) and confirmed as to the remaining Debtors.

THESE ARE COMPLEX STATUTORY PROVISIONS, AND THE PRECEDING PARAGRAPHS ARE NOT INTENDED TO BE A COMPLETE SUMMARY OF THE LAW. IF YOU DO NOT UNDERSTAND THESE PROVISIONS, PLEASE CONSULT WITH YOUR ATTORNEY. THE DEBTORS INTEND TO RELY UPON THE "CRAMDOWN" PROVISION OF SECTION 1129(b) OF THE BANKRUPTCY CODE.

Pursuant to section 1141(d)(3) of the Bankruptcy Code, the Plan does not contain a discharge for the Debtors as (1) the Plan is a liquidating plan, (2) the Debtors will not be engaging in business after the Consummation of the Plan and therefore (3) the Debtors are not entitled to a discharge under section 727(a) of the Bankruptcy Code.

II. BACKGROUND OF THE DEBTORS

A. The Debtors

1. The Debtors' Businesses

As of the Petition Date, the Debtors were comprised of a multifaceted group of companies with a history dating back to 1961. Until recently, the parent Debtor, Fairchild, was publicly traded on the New York Stock Exchange (the "NYSE"). Over the years the Debtors have acquired and sold a wide variety of businesses. As of the Petition Date, the Debtors' operations were held in two distinct divisions: Fairchild Sports and Banner Aerospace Holding Company I, Inc. ("Banner Holding"), each of which had several companies in its group. In addition to these two operating divisions, Fairchild owned several parcels of real estate in Farmingdale, New York, which it had been in the process of selling or developing. As of the date hereof, the Debtors' operations are mainly centered on Fairchild Sports, which is a division of the Debtors that is made up of three (3) businesses that concentrate primarily on protective apparel, helmets and technical accessories for motorcyclists. Additionally, Fairchild continues to owns several substantial parcels of real estate in Farmingdale, New York, and a number of unrelated investments.

Fairchild Sports ("Fairchild Sports") consists of three (3) businesses: Polo Express ("Polo"), Hein Gericke ("HG") and Fairchild Sports USA ("FSUSA"), each concentrating primarily on motorcycle protective apparel, helmets and technical accessories for motorcyclists. Polo is a German company which operates 94 retail shops in Germany and Switzerland.[1] HG is also a German company and operates 139 retail shops in five (5) European countries. FSUSA operates, designs and distributes operations in the United States, supporting the HG stores and independently selling to third-party retailers. While neither Polo nor HG is a Debtor in the Chapter 11 Cases, FSUSA is one of the Debtors.

Subsequent to the Petition Date and as further described in Article III of this Disclosure Statement, on May 19, 2009, the Bankruptcy Court approved the sale of substantially all of the assets of certain of the Debtors, including Banner Holding, Fairchild Realty, LLC ("Fairchild Realty") and certain of their respective subsidiaries, each of which (other than certain foreign business shells of Banner Holding) were wholly owned by either Banner Holding or Fairchild Realty and each of which is a Debtor (collectively the "Sellers").[2]

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[1] As a result of a transaction in January 2009, Polo is no longer majority-owned by the Debtors. Fairchild nonetheless continues to indirectly own 49% of Polo. The Debtors believe that the commencement of the Chapter 11 Cases will have little effect on the Polo operations. In March 2009, HG's need for capital and a concern over the potential upstream liability to Fairchild arising in an insolvency by HG, the Debtors entered into a transaction with the Managing Director of HG and other executives, whereby they took ownership of HG in return for securing capital for the company and future cash consideration to Fairchild.

[2] The Sellers consisted of Sheepdog in Liquidation 1, Inc. f/k/a Banner Holding and Fairchild Realty and certain of their respective subsidiaries, as follows: (i) Sheepdog in Liquidation 3, Inc. f/k/a DAC International, Inc., (ii) Sheepdog in Liquidation 5, Inc. f/k/a Matrix Aviation, Inc., (iii) Sheepdog in Liquidation 6, Inc. f/k/a NASAM Incorporated, (iv) Sheepdog in Liquidation 4, Inc. f/k/a GCCUS, Inc., (v) Sheepdog in Liquidation 8, Inc. f/k/a Professional Aircraft Accessories, Inc. and (vi) Sheepdog in Liquidation 7, Inc. f/k/a Professional Aviation Associates, Inc., each of which is wholly owned by either Banner Holding or Fairchild Realty and each of which is one of the Debtors.

As of the Petition Date, Fairchild's real estate holdings included several substantial parcels in Farmingdale, New York, all near Republic Airport, the largest of which, 19.2 acres, is awaiting development permits. Development of these parcels has been stalled by complex litigation with the New York State Department of Transportation, the owner of Republic Airport.

Prior to the Petition Date, Banner Holding and Polo collectively employed over 190 salaried and hourly employees, working primarily in locations throughout the United States. Banner posted annual revenues exceeding $85 million and net operating income of $6.5 million for the fiscal year ended September 30, 2007. In fiscal year 2007, Polo posted annual revenues exceeding $140 million and net operating income of $12 million. This collective net operating income was offset in 2007 by operational losses at FSUSA and HG combined with substantial Fairchild corporate overhead for losses exceeding $59 million.

2. Economic Performance and Other Challenges

Prior to the Petition Date, the Debtors as a whole experienced annual operational losses for more than ten (10) years. While not all of these losses were attributable to business operations as they existed on the Petition Date (they are, in part, due to challenges facing operations that were once part of the Debtors), current operations as a whole continued to operate at a loss on the Petition Date.

Until early in 2009, Fairchild's Class A Common Stock was publicly traded on the NYSE under the symbol "FA." On January 5, 2009, Fairchild was notified by letter that trading would be suspended before the opening of the trading session on January 9, 2009 as a result of Fairchild's failure to remain above the NYSE's continued listing standard regarding average global market capitalization. The Class A Common Stock was thereafter removed from listing on, and registration with, the NYSE at the opening of business on February 5, 2009. Fairchild remains a registrant with filing requirements under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

On November 8, 2004, a shareholder derivative action was filed in the Delaware Chancery Court against certain former officers and directors of Fairchild, some of whom continue to serve, alleging, primarily, that Fairchild's former (and now deceased) Chairman and CEO, Jeffrey Steiner and, to a lesser extent, his son, Eric Steiner, had received from Fairchild payments to which they were not entitled and/or were excessive (the "Derivative Action"). The Derivative Action resulted in the entry of an Amended and Supplemental Stipulation of Settlement of The Fairchild Corporation Stockholder Derivative Litigation (the "Consent Decree") approved by the Chancery Court on November 23, 2005. Among other things, the Consent Decree provided that:

- Jeffrey Steiner would reimburse Fairchild for legal expenses and fees incurred in connection with certain specified litigation;
- Both Jeffrey Steiner's and Eric Steiner's employment agreements would be reduced in term and in amount of compensation;

- An "Oversight Committee" consisting of non-management directors would be established to review and give prior approval for all transactions, compensation or other payments to any executive officer;

- Fairchild would conduct a review and overhaul of the process by which business expenses are approved and reimbursed, including the elimination of corporate credit cards for non-sales employees;

- Fairchild would close its Paris office;

- Fairchild would not lease any aircraft from Steiner-related entities; and

- Changes would be made to the way existing Executive and Compensation Committees were empowered, constituted and conducted.

3. Turnaround Efforts

Beginning in 2006, the Phoenix Group indicated an interest in establishing a position in the Debtors' companies. The Phoenix Group is a Delaware limited liability company that, through managed funds, has specialized in making privately negotiated equity and equity-related investments in North American small-capitalization public companies with turnaround opportunities. The Phoenix Group is managed by its main principals, Philip S. Sassower and Andrea Goren, who together have over forty (40) years of experience in turning around publicly traded companies. The Debtors had a series of negotiations with the Phoenix Group that ultimately resulted in the Phoenix Group, through Phoenix FA Holdings, LLC, acquiring from outside shareholders approximately 30.5% of the outstanding Class A Common Stock of Fairchild in December of 2007.

Following the investment by the Phoenix Group, Fairchild underwent a series of changes in management and the composition of the Board of Directors (the "Board"), as follows:

- Following the investment, Messrs. Sassower and Goren were elected by the Board as independent members;

- On May 13, 2008, the Board following an annual meeting of the shareholders of Fairchild asked Mr. Sassower to take on the role as Chairman, with Jeffrey Steiner remaining in his role as Director and Chief Executive Officer and Eric Steiner remaining as Director, President and Chief Operating Officer;

- On October 7, 2008, Jeffrey Steiner resigned from his role as Chief Executive Officer due to illness. On that same date, the Board asked Mr. Sassower to take on the additional role of Chief Executive Officer, which he agreed to do with Eric Steiner on a shared, acting basis, as Chief Executive Officers;

- On November 1, 2008, Jeffrey Steiner passed away, creating a vacancy on the Board that has not been filled;

- On December 12, 2008, Eric Steiner resigned from his role as Acting Co-Chief Executive Officer, President and Chief Operating Officer. He remains a Director. As a result of Eric Steiner's resignation, Mr. Sassower was asked to and agreed to become sole Acting Chief Executive Officer;

- On December 29, 2008, Warren D. Persavich, President and former Senior Vice President and Chief Financial Officer of Banner Aerospace, Inc. resigned. At the same time, Richard P. Nyren, Fairchild's Controller, left the Debtors for another position; and

- On December 31, 2008, Donald E. Miller, Fairchild's Executive Vice President, General Counsel and Secretary, retired.

The net result of these overwhelming changes in management has been that Mr. Sassower, himself relatively new to Fairchild but presently both Chairman of the Board and Acting Chief Executive Officer, was left with the task of managing the Debtors' operations and finding and implementing a turnaround strategy in the best interest of the Debtors, their estates and all parties in interest. Despite the unlikelihood that the Phoenix Group's investment in Fairchild will recover anything from the efforts, Mr. Sassower accepted no compensation from the Debtors in return for Fairchild's ever-increasing demand for his services, and made extraordinary efforts to find a solution to Fairchild's issues.

Prior to the Petition Date, among other things, Fairchild's management significantly reduced corporate overhead, much of which was disproportionately high as a legacy from the Debtors' previous, much larger organization and its former composition. For example, on the Petition Date, the Debtors employed only thirteen (13) salaried employees and consultants in their corporate offices, down from over forty (40) in August 2008. It has also closed two (2) satellite executive offices used primarily by Jeffrey Steiner, and discharged all personnel associated with those offices. As of the Petition Date, the resulting annual reduction in base salary alone was nearly $5 million.

Further, in an effort to secure a €20 million working capital facility required to support Polo's business, the Debtors in January 2009 sold 51% of their stake in Polo to Polo's founder, Klaus Esser. The sale, for €15 million, allowed the Debtors to repay Hein Gericke's outstanding loans from Sparkasse and HSBC of approximately €10 million, releasing a related pledge on Polo's equity and allowing Polo to receive urgently required working capital funding from a banking syndicate that also includes Sparkasse and HSBC. The sale further resulted in €1.8 million in much needed funds for the Debtors, with another €2.5 million in funds held in escrow and potentially available at a later date.

Fairchild's Oversight Committee has began the process of investigating and, where appropriate, asserting Claims against the Steiners as discussed further in the Plan.

As part of their restructuring efforts, the Debtors also engaged the independent services of Curtis, Mallet-Prevost, Colt & Mosle LLP ("CMP") and the turnaround advisory firm of CRG Partners Group LLC ("CRG") to assist the Debtors in developing strategies to deal with

the Debtors' deteriorating financial and operating condition. Neither Curtis nor CRG had previously worked for the Debtors, the Phoenix Group or any of their respective affiliates.

Despite the efforts of Mr. Sassower and the Debtors, it was not enough. Given the state of the current world economy, drastically changed exchange rates and the overall depression in sales and corresponding revenue reduction all businesses have been experiencing, the Debtors were unable to cope with falling revenues and at the same time address legacy liabilities: while the value of the Debtors' assets are drastically reduced when marked to the current market, their liabilities continue to grow. All of the Debtors' businesses have been hampered with numerous legacy liabilities, including underfunded pension obligations, retiree benefits, Environmental Claims, tort and other litigation. The development of their real estate assets has been blocked by expensive, obstructionist litigation.

The net result of these factors was that, among other things, the Debtors were unable to make prior to the Petition Date their last two (2) quarterly pension fund payments of nearly $1 million each due to insufficient liquidity to make the payments and satisfy operational costs.

Without, therefore, the relief afforded by chapter 11, realizing any significant value for the Debtors' businesses and a recovery for its pre-petition creditors, would have been impossible.

4. Need for Relief

Given the foregoing factors, the Debtors determined that chapter 11 affords them and the Holders of Claims and Interests the best possible tool to preserve and realize upon the going-concern value of the Debtors' remaining entities, equity ownerships and real estate ventures, while at the same time addressing the significant impact of the legacy liabilities of the Debtors as a whole.

B. Events Leading to Chapter 11

The Debtors' Boards authorized the commencement of voluntary chapter 11 cases to enable the Debtors to preserve assets from collection activities of Creditors, to assist in stabilizing the Debtors' operations and to enable the Debtors, in consultation with their Creditors, to achieve their goal of maximizing the value of their estates.

III. THE CHAPTER 11 CASES

A. Commencement of the Chapter 11 Cases

On the Petition Date, the Debtors filed voluntary petitions under chapter 11 of the Bankruptcy Code. The Debtors in these Chapter 11 Cases are continuing in possession of their respective properties and are operating their respective businesses, as debtors-in-possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

The Chapter 11 Cases are pending before the Honorable Christopher S. Sontchi, Judge for the United States Bankruptcy Court for the District of Delaware, located at the United

States Bankruptcy Court, 824 North Market Street, 5th Floor, Courtroom 6, Wilmington, Delaware 19801.

B. Filing of the Initial Plan and Initial Disclosure Statement

Beginning on the Petition Date, the Debtors had the exclusive right to file a chapter 11 plan through and including July 14, 2009 (the "Exclusive Filing Period)" and to solicit acceptances of a plan through and including September 14, 2009 (the "Exclusive Solicitation Period" and, together with the Exclusive Filing Period, the "Exclusive Periods"). Subsequent to the Petition Date, the Bankruptcy Court has granted the Debtors' requests for extensions of the Exclusive Periods, to which the Creditors' Committee has not objected. Most recently, on October 1, 2009, by stipulation between the Debtors and the Creditors' Committee, the Bankruptcy Court extended the Exclusive Filing Period through and including October 9, 2009, and the Exclusive Solicitation Period through and including December 18, 2009 [Docket No. 713].

On October 7, 2009, during the Exclusive Filing Period, the Debtors filed with the Bankruptcy Court the *Joint Plan of Liquidation of The Fairchild Corporation and Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code*, as it may be amended, supplemented or modified from time to time (the "Initial Plan") [Docket No. 718] and the *Disclosure Statement for the Joint Plan of Liquidation of The Fairchild Corporation and Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code*, as it may be amended, supplemented or modified from time to time (the "Initial Disclosure Statement") [Docket No. 719].

On October 30, 2009, the Debtors made clarifying amendments to the Initial Plan and the Initial Disclosure Statement by filing with the Bankruptcy Court the *First Amended Joint Plan of Liquidation of The Fairchild Corporation and Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code*, as it may be amended, supplemented or modified from time to time (the "First Amended Plan") [Docket No. 752] and the *Disclosure Statement for the First Amended Joint Plan of Liquidation of The Fairchild Corporation and Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code*, as it may be amended, supplemented or modified from time to time (the "Disclosure Statement for the First Amended Plan") [Docket No. 754].

On November 9, 2009, the Debtors made clarifying amendments to the First Amended Plan and the Disclosure Statement for the First Amended Plan by filing with the Bankruptcy Court the Plan and this Disclosure Statement.

C. Retained Professionals

The Bankruptcy Court has authorized the Debtors to retain certain Professionals to represent them and assist them in connection with the Chapter 11 Cases. Specifically, the Debtors retained, and the Bankruptcy Court approved the retention of, the following Professionals: (a) CMP, as counsel to the Debtors in these Chapter 11 Cases; (b) Richards, Layton & Finger, P.A. ("RLF") as co-counsel to the Debtors; (c) CRG as financial advisors to the Debtors; (d) Cahill Gordon & Reindel LLP as special counsel to the Debtors; and (e) Epiq, as the official Claims and Solicitation Agent for the Debtors. Additionally, the Bankruptcy Court authorized the Debtors to retain, employ, compensate and reimburse the expenses of certain

professionals, primarily attorneys, who have rendered services to the Debtors unrelated to the Chapter 11 Cases to assist with the operation of the Debtors' businesses in the ordinary course.

D. First Day Orders

On the Petition Date, the Debtors filed a number of motions seeking approval of certain so-called "first day orders." The first day orders facilitated the transition between the Debtors' pre-petition and postpetition business operations by authorizing the Debtors to continue with certain regular business practices that may not be specifically authorized under the Bankruptcy Code, or for which the Bankruptcy Code requires prior Bankruptcy Court approval. The first day orders in these Chapter 11 Cases, the majority of which were signed at a hearing held on March 20, 2009, authorized, among other things, the following:

1. Administration of the Chapter 11 Cases

To facilitate a smooth and efficient administration of the Chapter 11 Cases and to reduce the administrative burden associated therewith, the Debtors sought and the Bankruptcy Court authorized a motion to authorize the joint administration of the Chapter 11 Cases.

2. Continued Use of Existing Cash Management Systems

As part of a smooth transition into these Chapter 11 Cases, the Debtors sought, and the Bankruptcy Court entered, an order authorizing the Debtors to continue using the Debtors' existing cash management system, bank accounts and business forms. Additionally, the Bankruptcy Court authorized the Debtors to open new bank accounts and continue intercompany transactions in the ordinary course of business. Further, the Bankruptcy Court deemed the Debtors' bank accounts debtors-in-possession accounts and authorized the Debtors to maintain and continue using these accounts in the same manner as those employed before the Petition Date without reference to their status as debtors-in-possession.

3. Authority To Pay Pre-Petition Employee Wages, Salaries and Benefits and Directing All Banks To Honor Pre-Petition Checks for Payment of Pre-Petition Employee Obligations

The Debtors rely on their employees for their day-to-day business operations. The Debtors believed that, absent the ability to honor pre-petition Claims, compensation, benefits, reimbursements of expenses and to continue employee programs in the ordinary course of business and consistent with past practices, their employees might have sought alternative employment opportunities, perhaps with the Debtors' competitors, thereby depleting the Debtors' workforce, hindering the Debtors' ability to meet their customer obligations and likely diminishing customer confidence in the Debtors. The loss of valuable employees would have been distracting at a critical time when the Debtors were focused on stabilizing their operations. Accordingly, the Bankruptcy Court entered interim and final orders authorizing the Debtors to pay, among other amounts, pre-petition Claims and to pay and continue obligations for (1) compensation and reimbursable employee expenses, (2) deductions and payroll taxes and (3) employee medical and similar benefits. Similarly, the Debtors believed that the ability to honor pre-petition compensation that was paid but uncashed was crucial to maintain the hard-earned reputation for reliability with their employees and the public. As such, the interim and

final orders authorized the Debtors to pay pre-petition compensation and authorized and directed banks and financial institutions to honor all checks and electronic payment requests made by the Debtors related to such pre-petition compensation.

4. Prohibiting Utilities From Altering, Refusing or Discontinuing Services and Establishing Procedures for Determining Requests for Additional Adequate Assurance

Section 366 of the Bankruptcy Code protects debtors from utility service cutoffs upon a bankruptcy filing while providing utility companies with adequate assurance that the debtors will pay for postpetition services. The Debtors felt that the financing provided by both of the DIP Facilities, along with the Debtors' clear incentive to maintain their utility services, provided the adequate assurance required by the Bankruptcy Code. Consequently, the Debtors filed a first-day motion requesting the approval of procedures for, among other things, determining adequate assurance for utility providers and prohibiting utility providers from altering, refusing or discontinuing services without further order by the Bankruptcy Court. On March 20, 2009, the Bankruptcy Court entered an order approving the relief requested in this motion.

5. Authority To Pay Pre-Petition Date Sales, Use and Other Taxes

The Debtors believed that, in some cases, certain authorities had the ability to exercise rights that would be detrimental to the Debtors' restructuring if the Debtors failed to meet the obligations imposed upon them to remit certain taxes and fees. Therefore, the Debtors felt that it was in their best interests to eliminate the possibility of any unnecessary distractions. Accordingly, the Debtors sought an order authorizing the Debtors to pay any fees and taxes to avoid harm to the Debtors' business operations. On March 20, 2009, the Bankruptcy Court entered an order authorizing the Debtors to pay any fees and taxes to avoid harm to the Debtors' business operations.

6. Grant of Administrative Status to Obligations Arising from Postpetition Delivery of Goods or Performance of Services

In the ordinary course of the Debtors' business, numerous vendors provide the Debtors with merchandise, equipment, supplies, products and related items or provide services to the Debtors, most especially to the Sellers. As of the Petition Date, certain of such goods were in transit to the Debtors' facilities. As a result of the filing of these Chapter 11 Cases, the Debtors did not want vendors to be concerned that delivery or shipment of goods or provision of services after the Petition Date would render such vendors unsecured creditors of the Debtors' estates. The Debtors therefore filed this first-day motion, for which the Bankruptcy Court entered an order, confirming that vendors would have Administrative Claims under section 503(b) of the Bankruptcy Code for undisputed obligations arising from pre-petition purchase orders outstanding as of the Petition Date for products and goods received and accepted by the Debtors and services provided on or subsequent to the Petition Date and authorizing but not directing the Debtors to pay such Administrative Claims.

7. Motions To Approve DIP Financing

Realizing that an infusion of new money into the Debtors would protect the Debtors' liquidity during the Chapter 11 Cases, and as further described below, the Debtors filed first-day motions to approve the two DIP Facilities and to ensure the placement of debtor-in-possession financing, a total commitment of $27 million. These first-day motions are described in further detail below. As of the date hereof, both DIP Facilities had been paid and terminated. The Debtors believe that the committed amount of the DIP Facility met the Debtors' financing needs during the brief period between the filing and the sale of the Acquired Assets (as defined below).

8. Continued Customer Programs

Prior to the Petition Date, the Debtors offered certain customer programs to maintain customer loyalty, goodwill and support. The Debtors believed that these customer programs encourage customers to continue purchasing the Debtors' products, helping to retain the customer base and reputations of the Debtors and, ultimately, increasing revenue. The continuation of these customer programs and retention of core customers was a critical element of the Debtors' successful restructuring. Accordingly, the Debtors filed a first-day motion, which was approved by the Bankruptcy Court, seeking authority to continue their customer programs and honor the pre-petition commitments owed with respect thereto.

9. Payment of Critical Vendors

The Debtors rely on their vendors to provide the diverse services and products that are necessary at all stages of the Debtors' production. The disruption of the critical vendors' work could impede the Debtors' successful chapter 11 case, disrupt the supply chain and jeopardize the Debtors' ability to fulfill commitments to their customers. Therefore, the Bankruptcy Court entered interim and final orders authorizing the Debtors to pay pre-petition Claims of certain critical vendors and pay Administrative Claims of certain vendors. The Debtors believe this critical vendor authority has limited disruption to materials supplied by such vendors, limiting disruption in the Debtors' businesses.

E. Appointment of the Official Committee of the Unsecured Creditors

On April 6, 2009, the Office of the United States Trustee for the District of Delaware (the "U.S. Trustee") appointed the Official Committee of the Unsecured Creditors (the "Creditors' Committee"). The Creditors' Committee retained Butler Rubin Saltarelli & Boyd LLP and Elliott Greenleaf as co-counsel for the Creditors' Committee. The Bankruptcy Court approved the Creditors' Committee's retention of both of these Professionals.

Since the formation of the Creditors' Committee, the Debtors have consulted with the Creditors' Committee concerning the administration of the Chapter 11 Cases. The Debtors have kept the Creditors' Committee informed about their operations and have sought the concurrence of the Creditors' Committee for actions and transactions taken outside of the ordinary course of the Debtors' businesses. The Creditors' Committee has participated actively, together with the Debtors' management and Professionals, in connection with negotiation of the Plan.

The Creditors' Committee consists of the following members: Health Insurance Group Fairchild Republic Retirees; Jerry R. Lirette; and Warren R. Stumpe.

F. The Debtors' Current Management

The Debtors' current management has remained in place during the course of these Chapter 11 Cases. Philip Sassower has served as the acting Chief Executive Officer and Chairman of the Board since January 15, 2008. Donald Miller has served as Chief Restructuring Officer of each of the Debtors since February 5, 2009. Prior to that time, he served in various capacities, but primarily as the Executive Vice President, General Counsel and Secretary of Fairchild from January 1, 1991 until his retirement on December 31, 2008. Michael McDonald has served as Chief Financial Officer of Fairchild since August 2006, as Senior Vice President since October 2006, as Vice President of Fairchild from May 2002 until October 2006, and as Controller of Fairchild from July 2000 to August 2006.

G. Debtor-In-Possession Financing

The Debtors' continued efforts to obtain debtor-in-possession financing resulted in the Debtors acquiring funding from two sources: PNC Bank, N.A. ("PNC Bank") and Phoenix Banner LLC ("Phoenix"). The borrowers under both DIP Facilities were the Sellers (for purposes of this Article III, the "Borrowers"), whose assets were substantially sold pursuant to section 365 of the Bankruptcy Code, as further described herein. The senior facility, provided by PNC Bank, the Debtors' pre-petition senior secured lender, was used primarily to finance the business operations of the Borrowers, by providing revolving facilities of up to $23 million (the "PNC DIP Facility"), approximately $20 million of which was applied upon approval of the interim order to pay the pre-petition indebtedness. The subordinated debtor-in-possession credit facility provided to the Borrowers by Phoenix (the "Phoenix DIP Facility"), which was subordinate to the PNC Dip Facility provided a $4 million facility of which $3 million was available to Debtors other than the Borrowers. It provided necessary supplemental capital both for operations and also to fund the payment of professional fees in accordance with the budget.

1. PNC DIP Facility

The PNC DIP Facility was a senior secured, priming superpriority debtor-in-possession credit facility consisting of a revolving credit facility in the maximum aggregate amount equal to $23 million with a $12 million sublimit for advances under that certain Export Import DIP Financing Agreement by and among PNC Bank and the Borrowers, dated as of March 24, 2009 (the "Ex-Im Pre-Petition Revolving Credit Agreement"). Availability under the PNC DIP Facility was reduced dollar for dollar by the amounts outstanding under the Ex-Im Pre-Petition Revolving Credit Agreement. Fairchild guaranteed the obligations of the Borrowers and pledged its holdings of Banner Holding's stock to secure its obligations under the guaranty.

The proceeds of the PNC DIP Facility were used solely for the items, in the amounts and at the times set forth in the budget, to fund pending the sale of Borrowers, the working capital needs of the Borrowers and repayment of certain pre-petition obligations.

All obligations of the Debtors to PNC Bank were secured by a first priority, perfected lien on all pre-petition collateral and postpetition collateral of the Borrowers and the

senior lien on the pledge of all the stock of Banner Holding pursuant to sections 364(c) and 364(d) of the Bankruptcy Code. All liens and security interests of PNC Bank in such collateral were deemed valid and perfected on March 24, 2009 upon entry of the interim order by the Bankruptcy Court [Docket No. 57] and on April 15, 2009 upon entry of the final order by the Bankruptcy Court [Docket No. 156].

Pursuant to section 364(c)(1) of the Bankruptcy Code, all of the obligations of the Borrowers under the PNC DIP Facility constituted allowed superpriority Administrative Claims in the Borrowers' Chapter 11 Cases with priority over any and all Administrative Claims of the kind specified or ordered pursuant to sections 105, 326, 328, 330, 331, 503(b), 506(c), 364(c)(1), 507(b), 546(c), 726 and 1114 of the Bankruptcy Code.

The PNC DIP Facility also included (i) a commitment fee of 2%, or $460,000, which was non-refundable and fully earned upon the entry of the interim order, (ii) an unused line fee of one quarter of one percent (0.25%) on the average unused advances under the PNC DIP Facility, (iii) PNC Bank's reasonable legal fees and expenses, and (iv) a field exam fee of $850 per man-day plus expenses.

On June 10, 2009, PNC Bank and the Borrowers entered into a payoff letter whereby the Borrowers paid off the entire amount of the PNC DIP Facility, including all principal and interest, fees, costs and expenses and all other amounts outstanding under the PNC Bank loan agreements. In consideration of PNC Bank's receipt of this payoff amount, PNC Bank (i) acknowledged and agreed that all of Borrowers' indebtedness and obligations to PNC Bank under the PNC Bank loan agreements executed in connection therewith were paid in full, (ii) represented that it has no other credit arrangements with, loans outstanding to, guaranties by, or interests in assets of, or liens against, any Borrower or any Borrower's personal or real property, and (iii) released all security interests and liens which any Borrower or Fairchild may have granted to PNC Bank in any of such Borrower's or Fairchild's assets.

2. Phoenix DIP Facility

The Phoenix DIP Facility was a junior secured debtor-in-possession facility consisting of a revolving line of credit with a maximum borrowing available on a final basis totaling $4,000,000, of which $361,000 was available on March 24, 2009 [Docket No. 57] upon entry of the interim order, and the remainder was available on April 15, 2009 [Docket No. 165] upon the entry of the final order. All of the non-Borrower Debtors guaranteed the obligations of the Borrowers. The non-Borrower Debtors jointly and severally guaranteed the obligations of the Borrowers and, subject to permitted liens, *inter alia*, granted Phoenix liens and security interests in all of the non-Borrower Debtors' assets, whether existing at the time of the loan or thereafter acquired, to secure their obligations under the guaranty.

The proceeds of the Phoenix DIP Facility were applied in accordance with the Phoenix budget as follows: (i) $1,000,000 to pay fees and expenses in connection with the Phoenix DIP Facility and the administration of the Chapter 11 Cases of the Borrowers and to provide liquidity for the Borrowers to fund working capital for their business operations after the Petition Date; and (ii) $3,000,000 to allow the Borrowers to provide liquidity and support to the other Debtors.

Subject to the liens and security interests granted under the PNC DIP Facility as described above, the Borrowers granted Phoenix a second-priority lien, subject only existing and validly perfected liens, on all of the Borrowers' assets, including all personal property, real property, shares of stock, leasehold interests, and all other assets, unless specifically excluded by Phoenix under section 364(c) of the Bankruptcy Code and all liens and security interests of Phoenix in this collateral were deemed valid and perfected upon the entry of interim and final orders.

Subject to the superpriority Claims granted PNC Bank (as described above), pursuant to section 364(c)(1) of the Bankruptcy Code, all of the obligations under the Phoenix DIP Facility constituted superpriority Allowed Administrative Claims in the Chapter 11 Cases with priority over any and all Administrative Claims of the kind specified or ordered pursuant to sections 105, 326, 328, 503(b), 507(b) and 726 of the Bankruptcy Code.

The Phoenix DIP Facility included a non-refundable facility fee of 2% of the Phoenix DIP Facility commitment and all reasonable costs and expenses incurred by Phoenix, including fees and disbursements of counsel to Phoenix, in connection with the Phoenix DIP Facility and the other Phoenix credit documents.

On May 29, 2009, the Bankruptcy Court entered the Stipulation and Order Amending Final Order (A) Authorizing Postpetition Financing From Phoenix Banner LLC And Granting Liens, Security Interests, (B) And Superpriority Administrative Claims (C) Granting Related Relief [Docket No. 409], in order to extend the maturity date of the Phoenix DIP Facility, thus allowing the Debtors with sufficient liquidity to fund their operations pending the closing of the sale of the Acquired Assets.

The Phoenix DIP Facility was thereafter terminated in connection with the entry by the Borrowers, guarantors and Phoenix into a Release and Termination Agreement on June 17, 2009, which was approved by entry of an order by this Court [Docket No. 485]. The Release and Termination Agreement (i) terminated the Phoenix DIP Facility; (ii) granted unconditional releases to Phoenix; and (iii) provided for the payment of a security, in the aggregate amount of $500,000, to secure the Debtors' prompt performance, observance and indefeasible payment in full of all continuing obligations under the Phoenix DIP Facility. These continuing obligations included the obligation of the Borrowers to pay on demand all out-of-pocket costs and expenses incurred by or on behalf of Phoenix in connection with the Phoenix DIP Facility and the obligation of each of the Borrowers to defend, protect, indemnify and hold harmless Phoenix and its officers, directors, employees, attorneys, consultants and agents from and against any and all losses, damages, and liabilities incurred by such parties as a result of or arising from or relating to the Phoenix DIP Facility.

H. Sale of Assets

On or about February 6, 2009, the Debtors engaged CRG to assist in a sale process. CRG extensively marketed substantially all of the assets (the "Acquired Assets")[3] of

[3] The description of the Acquired Assets contained in this Disclosure Statement is for informational purposes only, and in the event of any inconsistency between this description and the terms of the APA (as defined below), the

certain of the Sellers used in their business including, but not limited to, all cash, accounts receivable, inventory, plant, property and equipment, fixed assets, intangible property (including intellectual property), permits and licenses (to the extent assignable), prepaid expenses, goodwill and real property, and further including certain contracts and leases of the Sellers designated to be assumed and assigned to the successful purchaser of the Acquired Assets pursuant to section 365 of the Bankruptcy Code. In connection with this process, CRG contacted a total of 265 parties about the sale, fifty-two (52) of which requested non-disclosure agreements and forty-one (41) of which executed non-disclosure agreements. Two hundred and thirteen (213) individuals representing those forty-one (41) parties accessed the virtual data room, which was created by Fairchild for the purpose of the sale, on a daily basis during the sale process.

On April 17, 2009, the Bankruptcy Court entered its Order (A) Establishing Bidding Procedures Including, Without Limitation, Break-Up Fee Provisions and Other Bid Protections, (B) Approving Form of Asset Purchase Agreement, (C) Approving Form and Manner of Notice of Sale and Treatment of Executory Contracts and Unexpired Leases and (D) Scheduling Sale Hearing Date to Consider Final Approval of Sale and Assumption and Assignment of Executory Contracts and Unexpired Leases (the "Bid Procedures Order") [Docket No. 169]. Pursuant to the Bid Procedures Order, the Acquired Assets were offered for sale at an auction whereby Phoenix Banner LLC would act as the stalking horse bidder. Pursuant to the Bid Procedures Order, the bid deadline was set as May 13, 2009, an auction was scheduled for May 18, 2009 and the date of the sale hearing was set for May 19, 2009.

As of the close of business on May 13, 2009, qualified bids had been received from Banner Aerospace 21st Century Holdings, LLC, BR Acquisition, LLC and Greenwich AeroGroup Acquisition Corp. ("Greenwich"). At that time, the Debtors, in consultation with their financial and other advisors, determined that the bid submitted by BR Acquisition, LLC was potentially the highest and best bid received and was therefore deemed to be the Baseline Bid as that term was used in the Bid Procedures Order. Also at that time, the Debtors determined that, in lieu of minimum bidding increments of at least 1% higher than the previously prevailing bid as provided in the bidding procedures order and the bidding procedures, the auction would be initially conducted with minimum bidding increments of at least $250,000 higher than the previously prevailing bid (such amount being lesser than the previous requirement of 1%).

On May 18, 2009, the Debtors conducted and completed the auction at the offices of RLF. At the auction, Greenwich was selected as the successful bidder and Phoenix was selected as the back-up bidder. Pursuant to the Asset Purchase Agreement (the "APA") among the Sellers and Greenwich dated as of May 13, 2009, and in consideration of the aforesaid sale, Greenwich delivered to Fairchild approximately $13,450,000 in cash, as well as $500,000 as expense reimbursement and $1,050,000 for the break-up fee for Phoenix. Pursuant to the APA, Greenwich also became obligated to repay the PNC DIP Facility. The sale of the Acquired Assets to Greenwich closed on June 10, 2009.

As noted above, the Acquired Assets included certain contracts and leases of the Sellers designated to be assumed and assigned to Greenwich pursuant to section 365 of the Bankruptcy Code (the "Designated Contracts"). Section 1.5(b) of the APA provides that if, at

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APA shall control.

any time after May 19, 2009 through the 90th Business Day after the Closing Date of June 10, 2009, any party to the APA becomes aware that any Seller is a party to any contract related to the business that is not an Excluded Asset (as defined in the APA) and is not disclosed on Section 1.5(a) of the Sellers' Disclosure Schedule (each, an "Undisclosed Contract"), Greenwich shall have the right to require such Seller to assign, transfer, convey and deliver to Greenwich such Undisclosed Contract as if it had been disclosed on Section 1.5(a) of the Sellers' Disclosure Schedule.

As of the date hereof, the Debtors have made three (3) such motions to the Bankruptcy Court in connection with three (3) sets of undisclosed contracts [Docket Nos. 494, 528 and 622]. No objections were received to any of the motions and, in each case, Certificates of No Objection were filed on July 10, 2009, July 17, 2009 and September 2, 2009, respectively [Docket Nos. 518, 538 and 671] and corresponding orders were granted on July 13, 2009, July 20, 2009, and September 3, 2009, respectively [Docket Nos. 525, 550 and 672].

The APA further provided that pursuant to Section 2.4(b) of the APA, Greenwich deposited funds in an amount equal to $500,000 (the "Holdback") into an account (the "Escrow") established at Wilmington Trust Company (the "Escrow Agent"), to be used to satisfy certain Claims set forth therein. Further, to the extent the Holdback was insufficient to pay all of Greenwich's Claims under the APA, pursuant to Section 2.4(b) of the APA, all remaining unpaid Claims made under the APA are to be afforded superpriority administrative expense status in the estates of the Sellers, subject to a cap equal to $250,000 (collectively, the "Greenwich Super Priority Claim"). By letter dated July 22, 2009, Greenwich delivered its Closing Date Statement of Consolidated Adjusted Net Worth (the "Closing Statement") to the Sellers, which showed a Net Worth Shortfall of $1,460,000, thereby pursuant to Section 2.4(b) of the APA, giving rise to Claims against the Sellers in like amounts. Pursuant to Section 2.5(c) of the APA, the Sellers were afforded the opportunity to contest the Closing Date Statement by August 19, 2009, after which time the Closing Date Statement would become final and binding. After careful consideration by the Sellers, the Sellers determined in the exercise of their business judgment that while certain immaterial objections might be raised to the Closing Date Statement, no such objections would result in reducing the Net Worth Shortfall to an amount less than the combined Holdback and the Greenwich Super Priority Claim. As such, the Debtors therefore did not contest the Closing Date Statement within the allotted time. Therefore on August 19, 2009, the Closing Date Statement became final and binding upon the parties to the APA. Pursuant to a letter dated as of August 27, 2009, Greenwich requested, *inter alia*, full payment of the Greenwich Super Priority Claim in satisfaction of the amount of the Net Worth Shortfall not covered by the Holdback. Greenwich has agreed that upon receipt of the Greenwich Super Priority Claim and the Holdback, no further monetary Claims may be asserted by Greenwich against the Debtors under the APA. On August 31, 2009, in accordance with the Escrow, the Escrow Agent paid to Greenwich the entire amount of the Holdback in partial satisfaction of Greenwich's claim for the Net Worth Shortfall as set forth in the Closing Date Statement. As of the date of this Disclosure Statement, the Debtors have not yet paid the Greenwich Super Priority Claim to Greenwich. Though the terms of the APA make clear this amount is due and payable, out of an abundance of caution, the Debtors did not wish to make such payment until the Creditors' Committee had notified the Debtors that it had no objections thereto. The Debtors shall pay the Greenwich Super Priority Claim in Cash in full on the Effective Date to the extent such Claim has not been previously paid.

Additionally, on May 15, 2009, the Bankruptcy Court entered an order approving procedures for the sale or abandonment of *de minimis* assets to a single buyer or group of related buyers, including furnishings, office equipment and corporate artwork with a net selling price equal to or less than $1,250,000, which dispositions would be free and clear of all Liens, Claims, Interests and encumbrances on such.

I. The Claims Process

The Bankruptcy Code provides a procedure for all persons who believe they have a claim against a debtor to assert such claims, so that such claimant can receive distributions from the debtor's bankruptcy case. The Bankruptcy Court establishes a "bar date" – a date by which creditors must file their claims, or else such claims will not participate in the bankruptcy case or any distribution. After the filing of all claims, the debtor evaluates such claims and can raise objections to them. These claims objections allow the debtor to minimize claims against it, and thereby maximize the recovery to creditors.

As noted in Article I of this Disclosure Statement, pursuant to the Bar Date Order, the Bankruptcy Court established a General Bar Date and Governmental Unit Bar Date. The Bar Dates apply to all Claims against the Debtors that arose before **March 18, 2009** except the Excluded Claims (as defined in and as set forth in the Exhibits to the Bar Date Order).

The Debtors continue reviewing, analyzing and resolving Claims on an ongoing basis as part of the Claims reconciliation process. To date, approximately 4,450 Proofs of Claim have been asserted in the Chapter 11 Cases.[4] Since the Bar Dates of August 31, 2009 and September 14, 2009, the Debtors have begun to reconcile the amount and classification of outstanding Claims and to formulate objections to Claims. The Debtors have also identified Claims for future resolution, as well as other existing or potential Disputed Claims. Nonetheless, a significant number of Claims have not yet been resolved to date, and the actual ultimate aggregate amount of Allowed Claims may differ significantly from the amounts used for the purposes of the Debtors' estimates. Accordingly, the amount of the Pro Rata share that will ultimately be received by any particular Holder of an Allowed Claim may be adversely affected by the outcome of the Claims resolution process.

J. Wind-Down

Following the Effective Date, the Liquidating Trust will manage the affairs of the Debtors and will focus its attention on the orderly liquidation of the Estates' remaining assets and the wind-down of the Debtors' businesses (the "Wind-Down"). The Liquidating Trust will be responsible for the Wind-Down and will take any and all other actions necessary to implement and effectuate, or cause to be implemented and effectuated, the Plan and the Wind-Down.

[4] Immediately prior to the filing of this Disclosure Statement, it came to the Debtors' attention that over 3,600 of the approximately 4,600 Proofs of Claim filed against the Debtors were filed by a single personal injury and asbestos law firm, with such Claims totaling more than $282 million. As described further in Article VI herein, the Debtors intend to request that the Bankruptcy Court implement appropriate proceedings governing the voting and ultimate allowance/disallowance of such Claims.

K. Substantive Consolidation

The Plan provides for the substantive consolidation of all of the Estates of all of the Debtors into a single consolidated Estate for all purposes associated with Confirmation and Consummation. Intercompany Claims and Intercompany Interests are deemed to be satisfied and resolved by the substantive consolidation provided in Article XIII of the Plan. Section 105(a) of the Bankruptcy Code empowers a Bankruptcy Court to authorize substantive consolidation. If substantive consolidation of all the Estates of all of the Debtors is ordered, then for all purposes associated with Confirmation and Consummation, all assets and liabilities of the Debtors will be treated as though they were merged together, and all guarantees by any Debtor of the obligations of any other Debtor will be considered eliminated so that any Claim and any guarantee thereof by any other Debtor, as well as any joint and several liability of any Debtor with respect to any other Debtor, will be treated as one collective obligation of the Debtors. The Interests in Fairchild will be deemed to be the Interests in the resulting consolidated Estate.

The United States Court of Appeals for the Third Circuit articulated the standard regarding substantive consolidation in *In re Owens Corning*, 419 F.3d 195 (3d. Cir. 2005). In *Owens Corning*, the Third Circuit held that, absent consent of affected creditors, entities seeking substantive consolidation must show "(i) pre-petition they disregarded separateness so significantly their creditors relied on the breakdown of entity borders and treated them as one legal entity, or (ii) postpetition their assets and liabilities are so scrambled that separating them is prohibitive and hurts all creditors." *Owens Corning*, 419 F.3d at 211.

There is a substantial identity, extensive interrelationship, interdependence and entanglement between and among the Debtors such that the Debtors are inextricably intertwined in virtually all operational and financial aspects. They include, but are not limited to, the following: (i) the members of the board of directors and the officers for each direct and indirect subsidiary of Fairchild are substantially the same; (ii) although separate books and records are maintained for each Debtor, the Debtors' businesses are operated without regard for their separate assets, liabilities, employees or management; (iii) the Debtors prepared and disseminated consolidated financial reports to the public, including customers, suppliers, landlords, lenders, credit rating agencies and stockholders; (iv) the Debtors file consolidated federal tax returns; and (v) the Debtors utilize a centralized cash management system. Because the Debtors disseminated financial information to the public on a consolidated basis, it is unlikely that creditors relied on the separate identity of any Debtor in extending credit to such Debtor. Finally, the proposed substantive consolidation of the Debtors is necessary to, among other things, effectuate equitable distributions, avoid the calculation, resolution and classification of Intercompany Claims and to reduce the administrative burden of tabulating separate votes with respect to each of the Debtors. Thus, the substantive consolidation of the Debtors reflects the economic reality of the Debtors' businesses and operations and is fair and equitable for all Creditors.

The second prong of the test for determining whether substantive consolidation of the Debtors is warranted is whether the benefits of consolidation will outweigh the potential prejudice to the Creditors. As noted above, because financial information disseminated to customers, suppliers, landlords, lenders, credit rating agencies and stockholders has been prepared and presented on a consolidated basis, it is unlikely that Creditors relied upon the separate identity of any Debtor when deciding whether to extend credit to such Debtor.

Moreover, because the Debtors' affairs are integrated, interrelated and entangled from both a functional and a financial perspective, the substantive consolidation of the Debtors would be equitable for all Creditors. Substantive consolidation would ensure that all of the Creditors, having relied on the creditworthiness of the Debtors as a unit, receive the benefit of Distributions in satisfaction of their Claims from the single pool of assets. Finally, substantive consolidation will expedite the conclusion of the Chapter 11 Cases. Absent substantive consolidation, the Debtors would be required to disentangle their assets and liabilities and litigate the validity and priority of their respective Intercompany Claims. The reconciliation and resolution of the Intercompany Claims that would be required by such disentanglement would be costly and would delay the conclusion of the Chapter 11 Cases. Given the nature of the remaining assets of the Debtors and liquidity concerns of the Estates, it is possible that the costs of such disentanglement would result in virtually no Distributions to Creditors.

Notwithstanding anything to the contrary in the Plan, neither substantive consolidation nor anything else in the Plan shall affect the legal or organizational structure of the Facilitating Companies, each of whose separate corporate existence shall continue for the limited purpose of facilitating the Liquidating Trust's monetization of the Facilitating Companies' interests in their respective assets. All ownership and management authority for the Facilitating Companies that was vested in the Facilitating Companies' equity owners and management as of the Petition Date shall be terminated in the hands of such owners and management and shall be vested in the Liquidating Trust as of the Effective Date, and the Liquidating Trust shall thereby be vested with the power and authority to effect any permissible corporate action without any further order of the Bankruptcy Court or any other court or any other corporate action or approvals. Any alleged defaults under any agreements with the Facilitating Companies resulting from substantive consolidation under the Plan shall be deemed cured as of the Effective Date. Anytime after the Effective Date, the Liquidating Trust may deem any of the Facilitating Companies to be dissolved in accordance with clause 7.4 of Article XIII of the Plan by filing a "notice of dissolution" on the docket of the Chapter 11 Cases and serving notice of same on the Plan Committee, the United States Trustee and each Secretary of State in which such Facilitating Companies are organized, upon which such Facilitating Companies shall thereby be immediately deemed for all purposes to be dissolved without the need for any further action, notice, filing, order of the Bankruptcy Court or other court or any other action.

For the reasons set forth above and as further detailed in Article XIII of the Plan, the Debtors believe that the requirements for substantive consolidation of the Debtors with respect to all Claims and Interests are satisfied. If substantive consolidation were denied – a position the PBGC has indicated it may advocate – the Debtors anticipate the result may be significantly higher administrative costs, and Trust Assets may be sold sooner than is optimal to pay such costs, and materially lower Plan recoveries for Holders of Allowed General Unsecured Claims.

IV. CHAPTER 11 PLAN

THE FOLLOWING IS A BRIEF SUMMARY OF CERTAIN OF THE MORE SIGNIFICANT MATTERS CONTEMPLATED BY OR IN CONNECTION WITH THE CONFIRMATION OF THE PLAN. THUS, THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE PLAN, WHICH IS ATTACHED TO THIS

DISCLOSURE STATEMENT AS EXHIBIT A. THIS SUMMARY ONLY HIGHLIGHTS CERTAIN SUBSTANTIVE PROVISIONS OF THE PLAN. CONSIDERATION OF THIS SUMMARY WILL NOT, NOR IS IT INTENDED TO, YIELD A THOROUGH UNDERSTANDING OF THE PLAN. SUCH CONSIDERATION IS NOT A SUBSTITUTE FOR A FULL AND COMPLETE READING OF THE PLAN. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO REVIEW THE PLAN CAREFULLY. THE PLAN, IF CONFIRMED, WILL BE BINDING ON THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS.

A. Plan Overview

The Plan contains two Classes of unclassified Claims: Administrative Claims and Priority Tax Claims. In addition, the Plan classifies Claims and Interests as follows: Class 1 (PBGC Secured Claim), Class 2 (Claims Secured by Real Property), Class 3 (Other Secured Claims), Class 4 (Other Priority Claims), Class 5 (General Unsecured Claims) and Class 6 (Interests). Classes 2, 3 and 4 are Unimpaired under the Plan and no votes will be solicited from any Holders of Claims in either of these Classes. Classes 1, 5 and 6 are Impaired under the Plan and votes will be solicited from Holders of Claims in Classes 1 and 5.

B. Plan Summary

The Plan shall serve as a motion by the Debtors seeking entry of an order substantively consolidating all of the Estates of all of the Debtors into a single consolidated Estate for all purposes associated with Confirmation and Consummation.

C. Unclassified Administrative Claims and Priority Tax Claims

1. Administrative Claims

Subject to the provisions of sections 330(a), 331 and 503(b) of the Bankruptcy Code, on the later of the Effective Date or the date on which an Administrative Claim becomes an Allowed Administrative Claim or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Administrative Claim, including Claims by the Debtors' and Creditors' Committee's Professionals, and amounts payable to the United States Trustee, shall be paid in full in Cash for the unpaid portion of such Allowed Administrative Claim or receive such other such other treatment as to which the Debtors or the Liquidating Trustee, as the case may be, and the Holder of such Administrative Claim have agreed upon in writing, in full, final and complete satisfaction of such Claim.

All requests for payment of an Administrative Claim (other than Claims by Professionals) must be Filed with the Claims and Solicitation Agent and served upon counsel to the Debtors and Creditors' Committee, as applicable, on or before the Administrative Claim Bar Date unless otherwise provided in the Plan. Any request for payment of an Administrative Claim that is not timely Filed shall be disallowed automatically, forever barred from assertion, and shall not be enforceable against any Debtor or its Estate or the Liquidating Trust without the need for any objection by the Debtors and/or any other party or further notice to or action, order or approval of the Bankruptcy Court or other Entity. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim

that the Plan specifies is to be Allowed or that was previously Allowed by Final Order or otherwise.

The Debtors, or, on and after the Effective Date, the Liquidating Trust, may settle and pay any Administrative Claim in the ordinary course of business without any further notice to or action, order or approval of the Bankruptcy Court or any other Entity. In the event that any party with standing objects to an Administrative Claim, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim.

The Retiree Health Plan Administrative Claim, by agreement of the Debtors and Retirees' representatives, shall be paid as follows: (1) the Debtors shall pay in cash to the Retiree Health Plan on the Effective Date in respect of the Retiree Administrative Portion, (a) $2 million in cash plus (b) the Retirees' reasonable legal fees and costs, consisting of the fees and costs of their legal counsel and actuarial consultant, estimated in the aggregate amount of approximately forty-five thousand dollars, and (2) the Retiree Priority Portion of $1,770,000 shall be paid from Distributable Assets that become available for distribution to Holders of Allowed General Unsecured Claims, with the first 10% of such Distributable Assets to be paid to the Retiree Health Plan in respect of the Retiree Priority Portion until satisfied (thus, the Retiree Priority Portion will be paid in full upon $17,770,000 of Distributable Assets becoming available for distribution to Holders of Allowed General Unsecured Claims).

2. Bar Date for Filing Administrative Claims

All requests for payment or assertion of an Administrative Claim (other than Claims by Professionals) that have not been paid, released, satisfied or otherwise settled, must be filed with the Bankruptcy Court no later than the first Business Day that is at least thirty (30) days after the Effective Date or such other date as is set forth in the Confirmation Order as the Administrative Claim Bar Date. Any request for payment of an Administrative Claim (other than Claims by Professionals) that is not timely filed, as set forth above, will be forever disallowed and barred without the need for any further action or order of the Bankruptcy Court. In such event, Claimants will not be able to assert such Claims, in any manner whatsoever, against any Debtor, the Trustees or the Liquidating Trust.

3. Treatment of Allowed Priority Claims

On the later of the Effective Date or the date on which a Priority Claim becomes an Allowed Priority Claim, or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Priority Claim due and payable on or prior to the Effective Date, including any Priority Tax Claims, shall receive, in full, final, and complete satisfaction of such Claims, either: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim; (2) Cash in a lesser amount agreed to by the Debtors, as applicable, and such Holder; provided, however, such parties may further agree for the payment of such Allowed Priority Claim at a later date; (3) in the case of Allowed Priority Tax Claims, at the option of the Debtors, as applicable, and in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, Cash in an aggregate amount of such Allowed Priority Tax Claim payable in regular installment payments over a period ending not more than five (5) years after the Petition Date; or (4) such other treatment as the Debtors or the Liquidating Trust, as applicable, and the Holder of a Priority Claim may otherwise agree.

The Debtors shall pay the Greenwich Super Priority Claim in Cash in full on the Effective Date to the extent such Claim has not been previously paid.

D. Classification and Treatment of Claims and Interests

The treatment of and consideration to be received by Holders of Allowed Claims and the treatment of Interests pursuant to Article V of the Plan will be in full satisfaction, settlement, release, extinguishment and discharge of their respective Allowed Claims against, or Interests in the Debtors and the Debtors' Estates, except as otherwise expressly provided in the Plan or the Confirmation Order. Please note that an Allowed Claim is placed in a particular Class only to the extent that such Claim meets the description of that Class and is part of a different Class to the extent that any other portion of the Claim or Interest falls within the description of such other Class.

1. Class 1 – Allowed Secured Claim of the PBGC

(a) Classification: Class 1 consists of the PBGC Secured Claim

(b) Treatment of Class 1 – PBGC Secured Claim:

The PBGC Secured Claim shall be deemed an Allowed Claim. The Allowed PBGC Secured Claim's principal amount shall be deemed to have been satisfied by the contribution by the Debtors of the amount of $1,956,670 to the Pension Plan which contribution occurred in September, 2009. The PBGC Secured Claim is not entitled to any additional distributions under the Plan except for any interest as may be determined by the PBGC and either the Debtors or the Liquidating Trust, as the case may be, or by the Bankruptcy Court.

(c) Voting Status of Class 1 – Allowed Secured Claims of the PBGC:

Class 1 is Impaired under the Plan. Thus, the Holders of Claims in Class 1 may vote on the Plan.

2. Class 2 – Claims Secured by Real Property

(a) Classification: Class 2 consists of Claims Secured by Real Property

(b) Treatment of Class 2 – Claims Secured by Real Property:

Unless otherwise explicitly stated in the Plan, any and all Allowed Claims that are secured by real property owned as of the Effective Date by the Debtors shall be Reinstated, with such Claims to be assumed and assigned to the Liquidating Trust with title to the asset which constitutes the Holders' security for such Claims to be received by and vested in the Liquidating Trust subject to such Secured Claims. No such Allowed Claims will be deemed to have accelerated the mortgage as a consequence of such Reinstatement, transfer of the asset(s) to the Liquidating Trust or assumption and assignment of such Allowed Claims.

(c) Voting Status of Class 2 – Claims Secured by Real Property:

Class 2 is Unimpaired under the Plan and is deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Thus, the Holders of Claims in Class 2 may not vote on the Plan.

3. Class 3 – Other Secured Claims

(a) Classification: Class 3 consists of Other Secured Claims

(b) Treatment of Class 3 – Other Secured Claims:

At the option of the Trustees, each Holder of an Allowed Secured Claim (other than the Claims included in Class 1 or Class 2) shall receive, in full satisfaction, settlement, release and discharge of, and in exchange for such Allowed Secured Claim, one of the following treatments: (i) Reinstatement of the Claim, with such Claim to be assumed and assigned to the Liquidating Trust with title to the asset which constitutes the Holder's security for such Claim to be received by and vested in the Liquidating Trust subject to such Secured Claim; (ii) Cash equal to the value of the Allowed Secured Claimant's interest in the property of the Estate that constitutes collateral for such Allowed Secured Claim, as described in section 506(a) of the Bankruptcy Code; (iii) Cash equal to the full amount of the Allowed Secured Claim; (iv) such other treatment as determined by the Liquidating Trust, and either agreed by the Claimant or adjudicated by the Bankruptcy Court, to constitute the indubitable equivalent of such Claimant's Allowed Secured Claim, in accordance with section 1129(b)(2)(A)(iii) of the Bankruptcy Code; or (v) such other treatment as to which the Debtors or the Liquidating Trust, as the case may be, and the Holder of such Allowed Secured Claim have agreed upon in writing. The Liquidating Trust's failure to object to any such Allowed Secured Claim shall be without prejudice to the Liquidating Trust's right to object to all or any portion of such Claim in the Bankruptcy Court or other appropriate non-bankruptcy forum (at the option of the Liquidating Trust) when and if such Claim is sought to be enforced by the Holder of such Allowed Secured Claim.

(c) Voting Status of Class 3 – Other Secured Claims:

Class 3 is Unimpaired under the Plan and is deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Thus, the Holders of Claims in Class 3 may not vote on the Plan.

4. Class 4 – Allowed Other Priority Claims

(a) Classification: Class 4 consists of Other Priority Claims

(b) Treatment of Class 4 –Other Priority Claims:

On the later of the Effective Date or the date on which an Other Priority Claim becomes an Allowed Other Priority Claim or, in each such case, as soon as practicable thereafter, each Holder of an Allowed Other Priority Claim due and payable on or prior to the Effective Date shall, in full, final and complete satisfaction of such Claim, (i) be paid in full in Cash or (ii)

receive such other treatment as the Debtors or the Liquidating Trust, as applicable, and the Holder of such Other Priority Claim may otherwise agree.

(c) Voting Status of Class 4 –Other Priority Claims:

Class 4 is Unimpaired under the Plan and is deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Thus, the Holders of Claims in Class 4 may not vote on the Plan.

5. Class 5 – General Unsecured Claims

(a) Classification: Class 5 consists of General Unsecured Claims

(b) Treatment of Class 5 – General Unsecured Claims:

Each Holder of an Allowed General Unsecured Claim, including all Claims relating to Environmental Claims, PBGC Unsecured Claims, the Retiree Health Plan Unsecured Claim, the Retiree General Unsecured Claims and Banner Claims, shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for such Allowed General Unsecured Claim, its Pro Rata share of the Distributable Assets, if any, available from the Liquidating Trust after full payment or other satisfaction in accordance with the Plan of all Allowed Administrative Claims, all Allowed Priority Tax Claims and all Claims of Classes 1 through 4, in accordance with the terms of the Plan.

(c) Voting Status of Class 5 – General Unsecured Claims:

Class 5 is Impaired Under the Plan. Thus, Holders of Claims in Class 5 may vote on the Plan.

6. Class 6 – Interests

(a) Classification: Class 6 consists of Interests

(b) Treatment of Class 6 – Interests:

On the Effective Date, all Interests held as of the Record Date shall be Allowed and the Holders of Allowed Interests shall receive their Pro Rata share, after giving effect to the relative rights of such Interests with respect to the other Interests of the Debtors under applicable non-bankruptcy law, of any amount of the Distributable Assets that is remaining, *in the highly unlikely event that any amount is remaining*, after full payment or other satisfaction in accordance with the Plan of all Allowed Administrative Claims, all Allowed Priority Tax Claims and all Claims of Classes 1 through 5.

(c) Voting Status of Class 6 – Allowed Interests:

Class 6 is Impaired under the Plan and in light of the substantial probability that there will be no Distribution in respect of Class 6 Interests, Holders of Interests in Class 6 may not vote and are deemed to reject the Plan.

E. Allowance of Unliquidated or Contingent Claims

Pursuant to section 502(c) of the Bankruptcy Code, any party in interest, including the Liquidating Trust, may seek the estimation of any unliquidated Claim or contingent Claim. Any estimation of an unliquidated Claim or a contingent Claim shall constitute a final determination of such Claim for all purposes unless the subject order specifies otherwise. To the extent an unliquidated Claim or a contingent Claim is estimated by Final Order of the Bankruptcy Court, it shall receive the treatment for the particular type of Claim set forth in Article V of the Plan in the amount estimated by the Bankruptcy Court. If a Claimant fails to seek estimation of its unliquidated Claim or contingent Claim at any time prior to any Distribution Date, such Claim shall be treated as a Disallowed Claim without further Order of the Bankruptcy Court for the purposes of any such Distribution(s). Any unliquidated Claim or contingent Claim shall be treated as a Disputed Claim and shall receive no Distribution until and unless it becomes an Allowed Claim pursuant to a Final Order of the Bankruptcy Court.

F. Post-Confirmation Operations of the Debtors

1. Creation of the Liquidating Trust

The Liquidating Trust Agreement shall contain provisions customary to trust agreements utilized in comparable circumstances, including, without limitation, any and all provisions necessary to ensure the continued treatment of the Liquidating Trust as a grantor trust and the Beneficiaries as the grantors and owners thereof for federal income tax purposes. The Liquidating Trust shall be established for the primary purpose of liquidating and distributing the Trust Assets for or on behalf of the Beneficiaries in accordance with Treasury Regulations Section 301.7701-4(d), with no objective to engage in the conduct of a trade or business. On the Effective Date, upon the execution of the Liquidating Trust Agreement by the Trustees, the Liquidating Trust shall thereby be established and become effective, and title to the Trust Assets shall automatically vest in the Liquidating Trust without the need for any further action of any kind, including, without limitation, the execution or recordation of any documents or issuance of any order by any court purporting to effect such transfer and vesting in the Liquidating Trust. Notwithstanding the generality of the foregoing, the Liquidating Trust may, but is not required to, file or record a notice of the vesting of any Trust Assets in the Liquidating Trust with any clerk or official for any federal, state, county or local governmental agency, and pursuant to section 1146 of the Bankruptcy Code, there shall be no stamp, transfer or recording tax or similar tax imposed in connection with any such filing or recordation.

2. Transfer of Assets to the Liquidating Trust

On the Effective Date, the Trust Assets (including without limitation all Avoidance Actions and all Litigation Actions) will be reserved, preserved, assigned, transferred and conveyed, as the case may be, to the Liquidating Trust free and clear of Liens, Claims and encumbrances or Interests except to the extent that any such Lien and Claim is Reinstated or otherwise retained pursuant to the Plan, including, without limitation, the Retained Causes of Action, cash, real property and other assets held by the Debtors as of the Effective Date.

3. Fair Market Value of the Trust Assets

As soon as possible after the Effective Date, but in no event later than sixty (60) days thereafter, (i) the Trustees shall determine and record in the books and records of the Liquidating Trust the fair market value of the Trust Assets as of the Effective Date, based on their good faith determination, and (ii) the Trustees shall establish appropriate means to apprise the Beneficiaries of such valuation. Such valuation shall be used consistently by all parties (including, without limitation, the Debtors, the Liquidating Trust, the Trustees and the Beneficiaries) for all income tax purposes.

4. Assumption of Liabilities.

Except as otherwise provided in the Plan, the Liquidating Trust shall assume liability for and incur the obligation to make the Distributions required to be made under the Plan and to handle all aspects of the claim contest and dispute process on and after the Effective Date, as described in Article VII of the Plan.

5. Purpose and Establishment of the Liquidating Trust

The Liquidating Trust shall be established for the primary purpose of liquidating and distributing the Trust Assets for or on behalf of the Beneficiaries with no objective to engage in the conduct of a trade or business. It is intended that the Liquidating Trust qualify as a liquidating trust under Treasury Regulations Section 301.7701-4(d). Further, it is intended that the Liquidating Trust will be treated as a "grantor trust" for all federal income tax purposes and that the Beneficiaries will be treated as the grantors and owners of the Liquidating Trust. The Beneficiaries shall have the sole and exclusive responsibility to pay any and all taxes imposed on them by any taxing authority on account of the provisions of the Plan. The Debtors shall have no liability to the Beneficiaries or any taxing authority for any such taxes. The transfer by the Debtors of the Trust Assets to the Liquidating Trust will be treated for federal income tax purposes as a transfer by the Debtors of the Trust Assets to the Beneficiaries followed by a transfer by the Beneficiaries of the Trust Assets to the Liquidating Trust. Upon the transfer of the Trust Assets, the Liquidating Trust shall succeed to all of the Debtors' right, title and interest in and to the Trust Assets and the Debtors will have no further interest in or with respect to the Trust Assets. Each of the Debtors, the Liquidating Trust, the Trustees and the Beneficiaries shall treat and report the transfer of the Trust Assets in the manner described in Article VIII of the Plan for all federal income tax purposes. The Trustees shall make continuing efforts to dispose of the Trust Assets and make timely Distributions to the Beneficiaries pursuant to the Plan and the Liquidating Trust Agreement, and shall not unduly prolong the duration of the Liquidating Trust, as determined by the Trustees in the exercise of their business judgment, consistent with the best interests of the Liquidating Trust and its Beneficiaries and to the extent the Liquidating Trust would continue to qualify as a liquidating trust under Treasury Regulations Section 301.7701-4(d) and Revenue Procedure 94-45.

6. Trustees

The Trustees shall be appointed, serve and be compensated pursuant to the terms of the Liquidating Trust Agreement.

(a) Maintenance, Safekeeping and Distribution of Trust Assets. Subject to the provisions of the Liquidating Trust Agreement and the Plan, the Liquidating Trust will take possession of the Trust Assets and conserve, protect, collect and liquidate or otherwise convert into cash all assets that constitute part of the Trust Assets. The Liquidating Trust will make Distributions in accordance with the Plan. The Liquidating Trust may pursue or not pursue, in the exercise of the Trustees' business judgment and in accordance with the Plan and the Liquidating Trust Agreement, any and all Retained Causes of Action, file claim objections and set reserves, and shall have the sole right, power and discretion to manage the affairs of the Liquidating Trust in accordance with the Plan and the Liquidating Trust Agreement. On and after the Effective Date, the Trustees, pursuant to Bankruptcy Code section 1123(b)(3), shall have the power and authority to prosecute, in the name of the Liquidating Trust, any of the Debtors, the Debtors' Estates or otherwise any and all Claims of the Debtors and the Debtors' Estates, including the Retained Causes of Action. Additionally, the Trustees will have the power to: (i) do all acts contemplated by the Plan to be done by the Liquidating Trust, and (ii) do all other acts that may be necessary or appropriate for the final Distribution of Distributable Assets, including the execution and delivery of appropriate agreements or other documents of disposition, liquidation or dissolution containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of state law and such other terms to which the applicable Entity may agree. Notwithstanding anything to the contrary in the Plan, the Liquidating Trust may not take any action that would be inconsistent with the status of the Liquidating Trust as a liquidating trust within the meaning of Treasury Regulations Section 301.7701-4(d) for federal income tax purposes.

(b) The Role and Function of the Trustees. The duties and responsibilities of the Trustees shall be set forth in the Liquidating Trust Agreement. For the avoidance of doubt, the Trustees are empowered and authorized to amend any of the Debtors' Schedules; provided, however, that the Trustees shall provide notice and an opportunity to object, to affected parties in interest.

(c) Reliance by Third Parties. Except as expressly set forth to the contrary in the Liquidating Trust Agreement, all third parties shall be entitled to rely upon any action taken, or direction provided, by the Trustees. Any third parties who act or refrain from acting in reliance upon the direction of any of the Trustees shall be free from any and all Claims by any third parties arising from any such action or omission taken or made in good faith absent gross negligence or willful misconduct.

(d) Avoidance Actions and Litigation Actions. On and after the Effective Date, the Debtors will not be responsible for any review of Retained Causes of Action. The Liquidating Trust will have all responsibility for reviewing, analyzing and prosecuting Avoidance Actions and Litigation Actions pursuant to the Plan and Liquidating Trust Agreement. The Liquidating Trust shall have the sole authority to prosecute Avoidance Actions, which include preferences and fraudulent transfers, as defined by the Bankruptcy Code and as discussed in more detail in the Disclosure Statement accompanying the Plan. ALL CREDITORS AND RECIPIENTS OF PAYMENTS OR TRANSFERS WITHIN NINETY (90) DAYS OF THE PETITION DATE (OR WITHIN ONE YEAR FOR INSIDERS) OR WHO RECEIVED PAYMENTS OR TRANSFERS FOR LESS THAN REASONABLY EQUIVALENT VALUE WITHIN FOUR (4) YEARS OF THE PETITION DATE, WITH ACTUAL OR

CONSTRUCTIVE NOTICE OF THESE BANKRUPTCY CASES, ARE HEREBY PUT ON NOTICE THAT SUCH TRANSACTIONS WILL BE REVIEWED FOR POTENTIAL RECOVERY. THE PLAN IS NOT INTENDED AND DOES NOT WAIVE ANY OF THE DEBTORS' RETAINED CAUSES OF ACTION. The Liquidating Trust shall also have the sole authority to prosecute all Retained Causes of Action, including, without limitation, any Retained Claims and any Claims and Causes of Action arising from the assets and/or the liabilities described in the Debtors' Schedules.

(e) Proceeds of Litigation. Proceeds, if any, of litigation conducted on behalf of the Liquidating Trust will be added to the assets of the Liquidating Trust and administered pursuant to the Liquidating Trust Agreement and distributed pursuant to Article V of the Plan.

(f) Trust Assets. Trust Assets include all Cash not required for payments due on the Effective Date (which payments include the funding of the Professional Fee Escrow Amount) and all other Interests in assets that are property of the Debtors' Estates within the meaning of section 541 of the Bankruptcy Code, of every type and nature, including the Retained Causes of Action and all Claims against third parties that are not explicitly released under the Plan.

(g) Actions of the Trustees. Notwithstanding anything to the contrary in the Plan, the Liquidating Trust may not take any action that would be inconsistent with the status of the Liquidating Trust as a liquidating trust within the meaning of Treasury Regulations Section 301.7701-4(d) for federal income tax purposes.

7. The Creditors' Committee and Plan Committee

The Creditors' Committee shall designate one or more persons to serve as the Plan Committee in the Chapter 11 Cases. The Creditors' Committee shall remain in existence for the limited purposes of filing fee applications for fees incurred in these Chapter 11 Cases. Upon the Effective Date, the Plan Committee shall thereby become the successor in fact and in law to the Creditors' Committee for all other purposes, including litigating any pending litigation or appeals to which the Creditors' Committee is a party and is ongoing as of the Effective Date. The Plan Committee shall perform those duties specified in, and be governed by, the Plan and the Liquidating Trust Agreement.

8. Compensation of Trustees and Plan Committee

The Trustees and counsel for the Plan Committee (but not the members of the Plan Committee) shall be entitled to be paid from the Liquidating Trust reasonable compensation for services rendered which compensation of the Trustees shall be described in the Liquidating Trust Agreement or accompanying documentation.

9. Reporting Duties

No less frequently than annually and until the Bankruptcy Court has issued a decree closing the Chapter 11 Cases, commencing on the one year anniversary of the Effective Date, the Liquidating Trust will file with the Bankruptcy Court a written report describing the assets and liabilities of the Liquidating Trust at the end of such year or upon termination and a

brief status report on any material action taken by the Trustees in the performance of his, her or their duties under the Liquidating Trust and under the Plan. The Liquidating Trust shall file federal income tax returns as a grantor trust, pursuant to Treasury Regulations Section 1.671-4(a). In addition, within forty-five (45) days after the end of each calendar quarter, the Liquidating Trust shall provide to the Plan Committee and any Holder of an Allowed Claim or Interest who requests a copy in writing from the Liquidating Trust, a report of the activities of the Liquidating Trust for the preceding quarterly period that includes the information contained in the quarterly reports to be filed with the United States Trustee and any changes in the assets of the Liquidating Trust and the amount of any reserves or escrows of the Estates.

10. Indemnity for Trustees

(a) Grant of Indemnity. To the fullest extent permitted by applicable law, the Liquidating Trust shall indemnify and hold harmless each of the Trustees who is made or is threatened to be made a party or is otherwise involved in any threatened, pending or completed actions suit or proceedings whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that such persons or the person for whom he is the legally representative, is or was a Trustee of the Liquidating Trust, against all claims (within the meaning of section 101(5) of the Bankruptcy Code), liabilities, losses, expenses (including attorney's fees), judgments, fines and amounts paid in settlement ("*expenses*") actually and reasonably incurred by such Person in connection with such proceeding; provided, however, that except as otherwise provided. The right to indemnification and prepayment of expenses conferred on the Trustees shall continue as to a Person who has ceased to be a Trustee and shall inure to the benefit of the heirs, executors and administrators of such Person.

(b) Prepayment of Expenses. The Liquidating Trust shall pay the expenses incurred by a Trustee in defending any proceeding in advance of its final disposition, provided that, to the extent required by law, the payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by such person to repay all amounts advanced if it should be ultimately determined that such person is not entitled to be indemnified under this Article or otherwise. The Liquidating Trust may pay the expenses incurred by any other person in defending any proceeding in advance of its final disposition upon such terms and conditions as the Trustees deem appropriate.

(c) Non-Exclusivity of Rights. The right to indemnification and advancement of expenses conferred on the Trustees shall not be exclusive of any other rights such Person may have or acquire under any other provision of the Plan or the Liquidating Trust Agreement.

11. Termination of Liquidating Trust

(a) The Liquidating Trust shall terminate as soon as practicable, but in no event later than the fifth anniversary of the Effective Date; provided that, on or after the date that is six months prior to such termination date, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Liquidating Trust for a finite period if such extension is necessary to complete any pending matters required under the Liquidating Trust Agreement and the Liquidating Trust receives an opinion of counsel or a favorable ruling from the Internal Revenue Service to the effect that any such extension would not adversely affect the status of the

Liquidating Trust as a grantor trust for federal income tax purposes. Notwithstanding the foregoing, multiple extensions may be obtained so long as the conditions in the preceding sentence are met no more than six months prior to the expiration of the then-current termination date of the Liquidating Trust.

(b) Upon the completion of the Trustees' duties and good faith allegation of such completion by the same, in the manner set forth in the Liquidating Trust Agreement, and any such other evidence as the Bankruptcy Court may direct, the Bankruptcy Court shall issue an order terminating the Liquidating Trust and discharging the Trustees (and any predecessors, as may be applicable) from any powers, duties, responsibilities, liabilities and claims of every nature resulting from any action or inaction by the Liquidating Trust and/or the Trustees in connection with the Plan and the Liquidating Trust Agreement made in good faith, which good faith shall conclusively be deemed to exist where the action or omission is based on the advice of counsel, except there shall be no release from any claims arising from the Trustees' willful misconduct or gross negligence. Notice of the termination of the Liquidating Trust upon approval by the Bankruptcy Court that is filed on the docket in the Chapter 11 Cases shall constitute sufficient notice for all purposes of the termination of the Liquidating Trust in accordance with the Plan.

12. Payment of Post-Confirmation Fees

The Liquidating Trust shall timely pay from the Trust Assets all fees incurred pursuant to 28 U.S.C. § 1930(a)(6) until the clerk of the Bankruptcy Court closes the Chapter 11 Cases.

13. Corporate Governance, Directors, Officers, and Corporate Action

On the Effective Date, the Debtors' Boards of Directors will be disbanded, each of the Debtors, other than the Facilitating Companies, shall be deemed to be dissolved for all purposes, and except as otherwise provided in the Plan, all assets of all of the Debtors and their Estates shall be Trust Assets vested in the Liquidating Trust and all actions thereafter shall be authorized by the Liquidating Trust. Subject to clause 7.4 of Article XIII of the Plan pertaining to the Facilitating Companies, all directors, officers, members and managers of the Debtors, including the Facilitating Companies, will be deemed to have resigned as of Effective Date with no further action required.

14. Cancellation of Notes, Instruments and Common Stock

On the Effective Date, except as otherwise provided for in the Plan, (a) the Post Petition Financing, DIP Facility and Domestic Pre-Petition Revolving Credit Agreement and the Ex-Im Pre-Petition Revolving Credit Agreement and any other notes, bonds (with the exception of surety bonds outstanding), indentures, or other instruments or documents evidencing or creating any indebtedness or obligations of a Debtor that are Impaired under the Plan shall be cancelled, and (b) the obligations of the Debtors under any agreements governing such Claims or any notes or other instruments or documents evidencing or creating any Claims against a Debtor that are Impaired under the Plan shall be enjoined. As of the Effective Date, any equity interests

that have been authorized to be issued but that have not been issued shall be deemed extinguished without any further action of any party.

15. Sources of Cash for Plan Distributions

Except as otherwise provided in the Plan or the Confirmation Order, all Cash necessary for the Liquidating Trust to make Distributions pursuant to the Plan shall be obtained from existing Cash balances and from the Trust Assets and their proceeds.

G. Objections to Claims

1. Responsibility for Objecting to Claims

The Debtors, the Creditors' Committee, a Creditor or the counterparties to the Insurance Policies may file objections to Claims prior to the Effective Date and may prosecute any such objections prior to and/or after the Effective Date. From and after the Effective Date, the Liquidating Trust or the counterparties to the Insurance Policies may file objections to Claims.

2. Objections to Claims

The Plan shall be deemed to constitute the Debtors' objection to any Claim listed on the Debtors' Schedules or stated in a Proof of Claim to the extent such Claim is for any amount that is unliquidated, disputed and/or contingent. Any Claim that is listed on the Debtors' Schedules as unliquidated, disputed and/or contingent, and for which no Proof of Claim was timely filed, shall be disallowed without any further objection or order of the Bankruptcy Court in accordance with Bankruptcy Rule 3003(c)(2).

To the extent any Proofs of Claim allege that any Creditor holds a Secured Claim as a result of any rights or interests of such Creditor in (i) any escrow accounts created for Environmental Claims or any other purposes or (ii) in any insurance policies, all such Claims shall be deemed to be General Unsecured Claims (whether or not Allowed) without any further objection or order of the Bankruptcy Court; provided, however, that nothing contained in the Plan shall affect any Creditor's rights of setoff in accordance with section 553 of the Bankruptcy Code or any defenses thereto that the Debtors or the Liquidating Trust, as the case may be, have under applicable law.

From and after the Effective Date, the Trustees or the counterparties to the Insurance Policies shall have the authority to object to Claims. The Liquidating Trust may file an objection at any time prior to the Final Distribution Date, and may reserve (in lieu of payment or Distribution of a Claim) for any Claim that the Liquidating Trust may, in good faith, dispute. A Claimant whose Claim is the subject of an objection must file with the Bankruptcy Court and serve upon the Debtors a timely response to the objection in accordance with the notice of such objection. Failure to file and serve a response within the applicable period required by the Bankruptcy Code and Bankruptcy Rules, as specified in the notice of objection, shall result in the entry of a default judgment against the non-responding Claimant and the granting of the relief requested in the objection, including the disallowance of the subject Claims. Nothing in the Plan

shall preclude the Trustees or the counterparties to the Insurance Policies from prosecuting any objections to, and/or defending against, any Claim in any appropriate forum.

3. Amendments to Claims; Claims Filed After the Confirmation Date

All Proofs of Claim, and the assertion of any Claim, must be filed by the applicable Bar Date or such Claim shall otherwise be barred. Moreover, any Proofs of Claim filed after the Bar Date shall be deemed Disallowed in full and expunged without any action by the Debtors or the Liquidating Trust, or any further Order of the Bankruptcy Court other than entry of the Confirmation Order, unless the Claimant obtains an order of the Bankruptcy Court authorizing a late filing. Nothing contained in the Plan shall affect, amend or modify the Bar Date in these Chapter 11 Cases.

4. No Distributions Until Claim Is an Allowed Claim

Notwithstanding any other provision of the Plan or the Liquidating Trust Agreement, and without any further order of the Bankruptcy Court, no payment or Distribution shall be made with respect to any Claim that has previously been paid, released or otherwise settled prior to the Effective Date or is a Disputed Claim as of the date such payment or Distribution would be made.

5. Voting

Holders of Disputed Claims shall not be entitled to vote with respect to the Plan unless such Claims are estimated, for voting purposes, by order of the Bankruptcy Court upon request that is timely made by any Holders of Disputed Claims, as the case may be. Only Holders as of the Voting Record Date of Allowed Claims, or Disputed Claims that have been estimated by the Bankruptcy Court, are entitled to vote on the Plan and have their votes counted.

H. Distributions Under the Plan

1. Payments

All payments under the Plan, other than payments due on the Effective Date, including U.S. Trustee fees and costs post-Confirmation will be paid by the Trustees out of the Liquidating Trust. The Trustees shall also be responsible for paying out of the Liquidating Trust all costs of administering the Liquidating Trust, including the fees and costs of the Trustees and Professionals and the Plan Committee's counsel.

2. Delivery of Distributions in General

Except as otherwise agreed to by the Holder of an Allowed Claim and the Liquidating Trust, the Liquidating Trust shall make Distributions to such Holders of Claims or Interests as provided in the Plan at the address reflected in the books and records of Debtors or as otherwise reflected on any Proofs of Claim, or notice of address or change of address filed in these Chapter 11 Cases.

3. Limitations on Distributions.

The Trustees shall not make any Distributions if the Trustees anticipate that such Distributions would be expected to result in insufficient Cash remaining in the Liquidating Trust to provide for the full payment of either (i) budgeted expenses of administering the Liquidating Trust or (ii) Disputed Claims to the extent such Claims are (a) ultimately Allowed or (b) estimated for purposes of Distributions pursuant to a Final Order of the Bankruptcy Court.

4. Undeliverable and Unclaimed Distributions

If any Holder's Distribution is returned as undeliverable, no further Distributions to that Holder shall be made, and any such Undeliverable Distribution will be added back to the Trust Assets for distribution to other parties in interest in accordance with the Plan as if the Claims or Interests in respect of the Undeliverable Distributions did not exist, unless within six (6) months of such Distribution initially being returned to the Liquidating Trust as undeliverable, the Liquidating Trust receives notice of the Holder's then-current address, thereby making such Distribution deliverable within such six (6) month period. Any Holder of an Allowed Claim, irrespective of when a Claim becomes an Allowed Claim, that does not notify the Liquidating Trust of such Holder's then-current address within sixty (60) days after the mailing or other delivery of a Distribution shall have its Claim for such Distribution discharged and expunged and shall be forever barred, estopped, and enjoined from asserting any such Claim against the Liquidating Trust or its property. Nothing contained in the Plan shall require the Liquidating Trust to attempt to locate any Holder of an Allowed Claim or Interest. No further order of the Bankruptcy Court is required to implement any provision of this paragraph, including to expunge Claims and modify the Claims Register in accordance with this section.

5. Failure To Present Checks

Distribution checks issued on account of Allowed Claims or Interests shall be null and void if not negotiated within ninety (90) days after the issuance of such checks. Any claimant holding an un-negotiated check that does not negotiate, or request reissuance of, such un-negotiated check within (90) days after the date of mailing or other delivery of such check shall have its Claim for such un-negotiated check discharged and expunged and be discharged and forever barred, estopped, and enjoined from asserting any such Claim against the Liquidating Trust or Trust Assets. In such cases, any Cash held for payment on account of such Claims shall be deemed Undeliverable Distributions.

6. Minimum/De Minimis Distributions

Notwithstanding anything in the Plan to the contrary, Distributions or payments of less than one hundred dollars ($100), whether in Cash or otherwise, in the aggregate including the Final Distribution, shall not be required to be made and no Holder of an Allowed Claim or Interest has a right to receive Distributions under the Plan if such Distributions would be less than $100 in the aggregate. Additionally, the Liquidating Trust shall not make a Distribution if the Liquidating Trust determines, in the exercise of its business judgment, that the Trust Assets remaining after any Distributions have an economic value, in the aggregate, of less than fifty thousand dollars ($50,000). Rather, the Liquidating Trust shall donate such remaining Trust

Assets, if any, to a charitable organization (within the meaning of section 501(c)(3) of the Internal Revenue Code) of the Liquidating Trust's choosing; provided the Trustees shall have had no prior management position within, or received or expect to receive any compensation from, such charitable organization.

7. Abandonment of Property

The Liquidating Trust may abandon any Trust Assets that the Liquidating Trust determines, in the exercise of its business judgment, are burdensome to the Trust or of inconsequential value and benefit to the Trust within the meaning of section 554 of the Bankruptcy Code. The Liquidating Trust's abandonment of any Trust Assets shall be effective upon the later of (i) twenty (20) calendar days after the Liquidating Trust serves on the Plan Committee and the United States Trustee, and files on the docket of the Chapter 11 Cases, a "Notice of Intent to Abandon Assets," which describes the subject Trust Assets, summarizes the Liquidating Trust's relevant conclusions with respect to such property, and provides notice of the opportunity to object, without any further order of the Bankruptcy Court or other court, or further notice or approvals of any kind, and (ii) entry of an order of the Bankruptcy Court, in the event any objection to the Notice of Abandonment is filed on the docket of the Chapter 11 Cases and served on the Liquidating Trust within the twenty (20) calendar day period described in the corresponding section of the Plan.

8. Withholding and Reporting Requirements

In connection with the Plan and all Distributions thereunder, the Debtors and the Liquidating Trust shall, to the extent applicable, comply with all tax withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, including the payment of any such withholding to the appropriate taxing authority, and all Distributions thereunder shall be subject to such requirements. Pursuant to the Plan, The Debtors and the Liquidating Trust shall be authorized and are thereby directed to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including reducing the amount of any Distribution by the amount of such withholding and remitting such amount to the appropriate taxing authority. As a condition to receiving Distributions under the Plan, all Holders of Claims or Interests must provide to the Debtors or the Liquidating Trust, as the case may be, any tax reporting information forms or other documents reasonably requested by the Debtors or the Liquidating Trust, as the case may be, including the Holders' taxpayer identification numbers. Any Holder that fails to provide such information requested by the Debtors or the Liquidating Trust, as the case may be, within forty-five (45) days of receiving the Debtors' or the Liquidating Trust's written request for such information shall forfeit such Holders' right to receive any such Distribution and any future Distributions, which Distributions shall be treated under the Plan as Undeliverable Distributions.

9. Interest on Claims

Unless otherwise specifically provided for in the Plan, the Confirmation Order or other order of the Bankruptcy Court, or required by applicable law, and unless the full principal amounts of all Allowed General Unsecured Claims have been paid or satisfied, postpetition

interest shall not accrue or be paid on any Claims, and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim.

10. Allocation of Plan Distributions Between Principal and Interest

To the extent that any Allowed Claim entitled to a Distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such Distribution shall for all purposes, including without limitation all income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent that the consideration exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest.

11. Setoffs

In accordance with section 553 of the Bankruptcy Code or applicable non-bankruptcy law, the Liquidating Trust may, but shall not be required to, setoff against any Claim the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, or claims of any nature whatsoever that the Trustees or the Debtors may have against the Holder of such Claim; provided, however, that neither the failure to do so nor the allowance of any Claim thereunder shall constitute a waiver or release by the Debtors or the Liquidating Trust of any such claim that the Debtors or the Liquidating Trust may have against such Holder.

12. Professional Fees

All unpaid Professional Fees incurred prior to and including the Effective Date shall be subject to final allowance or disallowance upon application to the Bankruptcy Court pursuant to section 330 or 503(b)(4) of the Bankruptcy Code.

13. Creation of Professional Fee Escrow Account

On or before the Effective Date, the Debtors shall establish the Professional Fee Escrow Account and reserve an amount equal to the Professional Fee Reserve Amount that is necessary to pay the Accrued Professional Compensation as of the Effective Date.

(a) The Professional Fee Reserve Amount shall equal (1) the uncontested amounts billed by all Professionals that have not been paid as of the Effective Date, including any fees held in reserve pursuant to any order relating to Professionals' Compensation issued by the Bankruptcy Court, and (2) the uncontested amount of Accrued Professional Compensation. The Professionals shall estimate their respective Accrued Professional Compensation prior to and as of the Confirmation Date and shall deliver such estimate to the Debtors' Chief Restructuring Officer. If a Professional does not provide an estimate, the Debtors may estimate the unbilled fees and expenses that constitute such Professionals' Accrued Professional Compensation; provided, however, that such estimate shall not be considered an admission or acceptance with respect to the fees and expenses of such Professional.

(b) On the Effective Date and prior to the funding of the Liquidating Trust, the Debtors shall 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 by the Trustees as a segregated escrow account held in trust for the

respective Professionals. As such Professionals' fees and expenses are Allowed, they shall be paid promptly from the Professional Fee Escrow Account; provided, however, that if the funds in the Professional Fee Escrow Account are insufficient to pay any Professionals' fees and expenses out of the Professional Fee Escrow Account, then the Trustees shall promptly pay any such unpaid and uncontested amounts from the Liquidating Trust which payments shall in any event be made first in time before any subsequent payments for any fees or costs of administering the Liquidating Trust or any Distributions. When all Professional Claims have been resolved, and the Allowed amounts of such Claims paid in full, then the amounts remaining in the Professional Fee Escrow Account, if any, shall be added to the Trust Assets and become property of the Liquidating Trust at that time.

14. Payment of Interim Amounts

Except as otherwise provided in the Plan, Professionals' Fees and expenses shall be paid pursuant to the Interim Compensation Order or other order of the Bankruptcy Court governing the compensation of Professionals.

Notwithstanding anything to the contrary in the Bankruptcy Rules providing for earlier closure of the Chapter 11 Cases, when all Disputed Claims against the Debtors have become Allowed Claims or have been disallowed by Final Order, and all remaining Trust Assets have been liquidated and converted into Cash (other than those Trust Assets abandoned by the Debtors), and such Cash has been distributed in accordance with the Plan, or at such earlier time as the Trustees, in consultation with the Plan Committee, deems appropriate, the Trustees shall seek authority from the Bankruptcy Court to close the Chapter 11 Cases in accordance with the Bankruptcy Code and the Bankruptcy Rules.

I. Confirmation and Consummation of the Plan

1. Conditions Precedent to Effective Date

The Plan will not become effective unless and until each of the following conditions will have been satisfied in full in accordance with the provisions specified below:

(a) the Confirmation Order shall have been entered and become a Final Order in form and substance reasonably acceptable to the Debtors and the Committee;

(b) all other Plan Documents and agreements necessary to implement the Plan on the Effective Date, which documents, including the Trustees' compensation agreement, shall be identified in the Plan Supplement and be reasonably acceptable in form and substance to the Debtors and the Plan Committee, shall have been executed and delivered;

(c) the Professional Fee Escrow Account shall have been created and funded; and

(d) the Trustees shall have executed the Liquidating Trust Agreement.

2. Waiver of Conditions

The condition of a Final Order, set forth in Article 11 of the Plan, may be waived in whole or in part by the Debtors with the Committee's consent, which consent shall not be unreasonably withheld, without any other notice to parties in interest or the Bankruptcy Court and without a hearing.

3. Notice of Effective Date

Within ten (10) days after the occurrence of the Effective Date, the Liquidating Trust shall file with the Bankruptcy Court and cause to be mailed to all Holders of Claims and Interests a notice of (i) the Effective Date; (ii) the Bar Date for the filing of Administrative Claims and rejection damages Claims; and (iii) any other matters deemed appropriate by the Liquidating Trust.

J. Modification/Revocation of the Plan

1. Modification

The Debtors reserve the right to modify the Plan either before or after Confirmation, to the fullest extent permitted under section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019. After the Confirmation Date and prior to the Consummation of the Plan, any party in interest in these Chapter 11 Cases may, so long as the treatment of Holders of Claims or Interests under the Plan is not materially adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court, and any such amendments, if acceptable to the Creditors' Committee and the U.S. Trustee, may be presented by the Debtors or the Liquidating Trust, as the case may be, to the Bankruptcy Court upon certificate of no objection without the need for a motion requesting approval, if the Debtors or Trustees, as the case may be, anticipate such matters are likely to be uncontested by any parties in interest.

2. Revocation, Withdrawal or Non-Consummation

The Debtors reserve the right to revoke or withdraw the Plan as to any or all of the Debtors prior to the Confirmation Date and to file a subsequent plan or plans. If the Debtors revoke or withdraw the Plan as to any or all of the Debtors, or if Confirmation or Consummation as to any or all of the Debtors does not occur, then, with respect to such Debtors, (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Interest or Class of Claims or Interests), rejection of executory contracts or leases affected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void ab initio, and (c) nothing contained in the Plan shall (i) constitute a waiver or release of any Claims by or against, or any Interests in, such Debtors or any other Person, (ii) prejudice in any manner the rights of such Debtors or any other Person, or (iii) constitute an admission of any sort by any of the Debtors or any other Person.

K. Effect of Plan Confirmation

Except as otherwise provided in section 1141(d) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of the Plan shall bind any Holder of a Claim against or Interest in the Debtors and such Holder's respective successors and assigns, whether or not the Claim or Interest of such Holder is Impaired under the Plan and whether or not such Holder has accepted the Plan.

1. Injunction

THE PLAN PROPOSES AN INJUNCTION. Provided that the Effective Date occurs, and except to the extent any Retained Causes of Actions are prosecuted against such Persons, THE ENTRY OF THE CONFIRMATION ORDER SHALL BE DEEMED TO PERMANENTLY ENJOIN ALL PERSONS THAT HAVE HELD, CURRENTLY HOLD OR MAY HOLD A CLAIM AGAINST, OR BE OWED OBLIGATIONS BY, THE ESTATES, OR WHO HAVE HELD, CURRENTLY HOLD OR MAY HOLD AN INTEREST IN ANY DEBTOR, FROM TAKING ANY OF THE FOLLOWING ACTIONS ON ACCOUNT OF SUCH CLAIM OR INTEREST: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against any Debtor, any of their Representatives, or the Liquidating Trust; (ii) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, directly or indirectly, any judgment, award, decree or order against any Debtor, any of their Representatives or the Liquidating Trust; (iii) creating, perfecting or enforcing in any manner, directly or indirectly, any lien, charge, encumbrance or other Lien of any kind against any Debtor, their property, any of their Representatives or the Liquidating Trust; (iv) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to any Debtor, any of their Representatives or the Liquidating Trust; and (v) proceeding in any manner, directly or indirectly, in any place whatsoever against any Debtor, any of their Representatives or the Liquidating Trust.

2. No Liability for Solicitation or Participation

In accordance with section 1125 of the Bankruptcy Code, all Persons that solicit acceptances or rejections of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including but not limited to the Released Parties, shall not be liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan.

3. Exculpation, Release and Injunction

(a) Exculpation

Except as otherwise specifically provided in the Plan or the Confirmation Order, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from any claim (within the meaning of section 101(5) of the Bankruptcy Code), obligation or liability relating to or arising out of the Chapter 11 Cases except for Claims for gross negligence or willful misconduct, but in all respects such Persons shall be entitled to reasonably rely upon the advice of counsel with respect to their

duties and responsibilities with respect to the Chapter 11 Cases. The Debtors, the Trustees (and each of their respective Affiliates, agents, directors, members, managers, partners, officers, employees, advisors and attorneys) have, and upon Confirmation of the Plan shall be deemed to have, participated in the Chapter 11 Cases in good faith and in compliance with the applicable provisions of the Bankruptcy Code.

(b) Participants' Release

Notwithstanding anything contained in the Plan to the contrary, except as stated in clause 3.2 of Article XIII of the Plan, on the Effective Date and effective as of the Effective Date, each Holder of a Claim who receives a Distribution under the Plan shall be deemed to have provided a full discharge and release (and each Person so released shall be deemed released) to each of the Released Parties and their respective property from any and all causes of action, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, contingent or non-contingent, existing as of the Effective Date in law, at equity, whether for tort, fraud, contract, violations of federal or state securities laws or otherwise, arising from or related in any way to the Debtors, including, without limitation, those in any way related to the Chapter 11 Cases or the Plan; provided, however, that the foregoing release shall not operate to waive or release any of the Retained Claims, and the foregoing release shall not operate to waive or release any causes of action (a) arising from any written contractual obligations, or (b) expressly set forth in and preserved by the Plan, the Confirmation Order or related documents, or (c) arising from Claims for willful misconduct or gross negligence.

(c) Release by the Debtors

Except as otherwise specifically provided in the Plan or the Confirmation Order, for good and valuable consideration, including the service of the Released Parties to facilitate the resolution of the Chapter 11 Cases and the implementation of the liquidation contemplated by the Plan, on and after the Effective Date, the Released Parties are conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged by the Debtors, the Estates and the Liquidating Trust from any and all Claims, obligations, rights, suits, damages, Retained Causes of Action, remedies and liabilities whatsoever, including any derivative or representative Claims asserted on behalf the Debtors or the Estates, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that the Debtors, the Liquidating Trust, or the Estates 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 Person, based on or relating to, in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in or discharged by the Plan, the business or contractual arrangements between any Debtors and any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation or preparation the Plan and Disclosure Statement, or related agreements, instruments or other documents, or any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, other than Claims or liabilities

arising out of or relating to any act or omission of a Released Party that constitutes a failure to perform the duty to act in good faith, with the care of an ordinarily prudent person and in a manner the Released Party reasonably believed to be in the best interests of the Debtors (to the extent such duty is imposed by applicable non-bankruptcy law) where such failure to perform is finally determined by a court of competent jurisdiction to have been proximately caused by the Released Party's willful misconduct or gross negligence. Notwithstanding anything in this sub-section (c) to the contrary, the provisions of this sub-section (c) shall not be deemed to release any of the defendants from the Retained Claims, but shall be deemed to release each other Released Party with respect to any claim, counterclaim, cross-claim, interpleaders or any other action with respect to the Retained Claims.

(d) Injunction

Except as otherwise expressly provided in the Plan or for obligations issued pursuant to the Plan, all Persons who have held, hold or may hold Claims or Interests that have been discharged, released or are subject to exculpation under the Plan, are permanently enjoined, from and after the Effective Date, from: (1) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (2) bringing any claim, counterclaim, cross-claim, interpleaders or any other action with respect to any such Claims or Interests; (3) enforcing, attaching, collecting or recovering by any manner or means any judgment, award, decree or order on account of or in connection with or with respect to any such Claims or Interests; (4) creating, perfecting or enforcing any encumbrance of any kind against such property or estates of the Debtors or Liquidating Trust on account of or in connection with or with respect to any such Claims or Interests; (5) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from such Persons or against the property or Estates of such Entities on account of or in connection with or with respect to any such Claims or Interests unless such Holder has filed a motion requesting the right to perform such setoff on or before the Confirmation Date, and notwithstanding an indication in a Proof of Claim or interest or otherwise that such Holder asserts, has or intends to preserve any right of setoff pursuant to section 553 of the Bankruptcy Code or otherwise; and (6) commencing or continuing in any manner any action or other proceeding of any kind on account of, or in connection with, or with respect to any such Claims or Interests released or settled pursuant to the Plan.

(e) Fiduciary Duty Under ERISA

Nothing in the Plan will release or discharge any fiduciary of the Pension Plans, within the meaning of 29 U.S.C. § 1002(3)(21), from any liability to the PBGC arising as a result of such fiduciary's breach of fiduciary duty under ERISA.

4. Preservation of Rights of Action

Except as otherwise provided in the Plan or the Confirmation Order, in accordance with section 1123(b)(3) of the Bankruptcy Code, any Retained Causes of Action that

any Debtor may hold against any Person or Entity shall vest upon the Effective Date in the Liquidating Trust. For the avoidance of doubt, any claim that is released or waived pursuant to the Plan may be applied by the Debtors or the Liquidating Trust, as the case may be, to defend against, setoff or reduce the Claim of any Released Party. On and after the Effective Date, the Trustees shall have the exclusive right to institute, prosecute, abandon, settle or compromise any Retained Causes of Action in the Trustees' sole discretion and without further order of the Bankruptcy Court, in any court or other tribunal including, without limitation, an adversary proceeding filed in these Chapter 11 Cases. Retained Causes of Action and any recoveries therefrom shall remain the sole property of the Liquidating Trust and Holders of Allowed Claims or Interests shall have no direct right to any such recovery.

Unless any of the Retained Causes of Action against any Persons or Entities are expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including the Confirmation Order), the Debtors expressly reserve such Retained Causes of Action for later adjudication by the Trustees in accordance with the Plan and Liquidating Trust Agreement, therefore, no issue preclusion, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel or laches or any similar legal or equitable doctrine shall apply to any Retained Causes of Action upon or after the entry of the Confirmation Order, except where such Retained Causes of Action have been expressly released in the Plan or Confirmation Order. In addition, the Debtors expressly reserve the right to pursue or adopt any Claims alleged in any lawsuit in which a Debtor is a defendant or an interested party, against any Person or Entity, including any plaintiffs or co-defendants in such lawsuits. Subject to the foregoing, any Person to whom any Debtor has incurred an obligation or who has received services from a Debtor or a transfer of money or property of a Debtor, or who has transacted business with a Debtor, or leased equipment or property from a Debtor, should assume that any such obligation, transfer or transaction may be reviewed by the Trustees after the Effective Date and may be the subject of an action after the Effective Date, regardless of whether: (i) such Person or Entity has filed a Proof of Claim against any Debtor in these Chapter 11 Cases; (ii) a Debtor has objected to any such Person or Entity's Proof of Claim; (iii) any such Person or Entity's Proof of Claim was included in the Schedules; (iv) a Debtor has objected to any such Person or Entity's scheduled Claim; or (v) any such Person or Entity's scheduled Claim has been identified as disputed, contingent or unliquidated.

5. Term of Injunctions and Stays

Unless otherwise specifically provided in the Plan or the Confirmation Order, all injunctions or stays provided for in these Chapter 11 Cases pursuant to sections 105, 362 or 524 of the Bankruptcy Code or otherwise and in effect on the Confirmation Date shall remain in full force and effect until the Effective Date.

6. Release of Liens

Except as otherwise specifically provided in the Plan or the Confirmation Order, all Liens, security interests, deeds of trust or mortgages against any Debtor or property of any of the Debtors' Estates shall be deemed to be released, terminated, and nullified as of the Effective Date. Pursuant to Bankruptcy Code section 1142(b), the Trustees are authorized to execute and

file any release of Lien, in their sole business judgment, to assist in Consummation of the Plan if the holder of such Lien fails to execute such a release of Lien at the Trustees' request.

7. Substantive Consolidation

As further detailed in Article III of this Disclosure Statement and Article XIII of the Plan, the Plan shall serve as a motion by the Debtors seeking entry of an order substantively consolidating all of the Estates of all of the Debtors into a single consolidated Estate for all purposes associated with Confirmation and Consummation. Intercompany Claims and Intercompany Interests are deemed to be satisfied and resolved by the substantive consolidation provided for in the Plan.

L. Retention of Jurisdiction

1. Post Confirmation Date Jurisdiction of Bankruptcy Court

Pursuant to Bankruptcy Code sections 105(a) and 1142, and notwithstanding the Plan's Confirmation and the occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of or related to these Chapter 11 Cases and the Plan, to the fullest extent permitted by law, including jurisdiction to:

(a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim or Priority Claim and the resolution of any objections to the allowance or priority of Claims or Interests;

(b) grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan for periods ending on or before the Effective Date;

(c) hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 330, 331, 503(b), 1103 and 1129(c)(9) of the Bankruptcy Code, which shall be payable by the Liquidating Trust only upon allowance thereof pursuant to an order of the Bankruptcy Court; provided, however, that the fees and expenses of the Debtors and the Liquidating Trust, as applicable, incurred after the Effective Date, including counsel fees, may be paid by the Liquidating Trust in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(d) resolve any matters related to the rejection, or assumption and assignment, of any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;

(e) ensure that Distributions are accomplished by the Liquidating Trust in accordance with the Plan and the Liquidating Trust Agreement;

(f) decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, and grant or deny any applications, involving the Debtors that may be pending on the Effective Date;

(g) enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents created in connection with the Plan, the Disclosure Statement or the Confirmation Order;

(h) resolve any cases, controversies, suits or disputes that may arise in connection with the Consummation, interpretation or enforcement of the Plan or any contract, instrument, release, or other agreement or document that is executed or created, or assumed and assigned or rejected, pursuant to the Plan, or any Person's rights arising from or obligations incurred in connection with the Plan or such documents;

(i) approve any modification of the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or approve any modification of the Disclosure Statement, the Confirmation Order or any contract, lease, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, lease, instrument, release or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

(j) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with Consummation, implementation or enforcement of the Plan or Confirmation Order;

(k) hear and determine Retained Causes of Action brought by or on behalf of the Debtors or the Liquidating Trust for the benefit of the Liquidating Trust and its beneficiaries, including but not limited to, the Retained Causes of Action;

(l) hear and determine matters concerning state, local and/or federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(m) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked, or vacated, or Distributions pursuant to the Plan are enjoined or stayed;

(n) determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order;

(o) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Chapter 11 Cases;

(p) hear and determine any matters related to (i) the property of the Liquidating Trust from and after the Effective Date and (ii) the activities of the Liquidating Trust;

(q) hear and determine disputes with respect to compensation of the Plan Committee's counsel;

(r) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code; and

(s) enter an order and issuing a final decree closing the Chapter 11 Cases.

2. Bankruptcy Court Does Not Exercise Jurisdiction

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction, or is otherwise without jurisdiction, over any matter arising under, arising in or related to these Chapter 11 Cases, including with respect to any of the matters set forth in Article XIV of the Plan, then Article XIV of the Plan shall not prohibit or limit the exercise of jurisdiction by any other tribunal that has competent jurisdiction with respect to any such subject matter.

M. Treatment of Executory Contracts, Unexpired Leases and Insurance Policies

1. Executory Contracts and Unexpired Leases

All executory contracts and unexpired leases in the Debtors' Estates, other than those that have already been rejected or which are assumed and assigned as of the Effective Date in connection with the Banner Sale or as otherwise specified in the Plan, shall be deemed to be rejected as of the Effective Date except for those executory contracts and unexpired leases identified in the Schedule of Assumed Contracts and Leases to be included in the Plan Supplement. The Schedule of Assumed Contracts and Leases shall also state the Cure to which the counterparty is entitled. Entry of the Confirmation Order shall constitute a Final Order approving the assumption of any executory contracts or unexpired leases listed in the Schedule of Assumed Contracts and Leases pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise indicated in the Plan, all assumptions of executory contracts and unexpired leases are effective on the later of the Effective Date and the resolution of any disputes concerning Cure amounts. With respect to each of the Debtors' executory contracts or unexpired leases that are assumed pursuant to the Plan, the Liquidating Trust shall Cure any monetary defaults without further notice to or action, order, or approval of the Bankruptcy Court or any other Person. Any counterparty to an executory contract or unexpired lease that fails to object timely to the proposed assumption of any executory contract or unexpired lease, or the Cure stated in the Schedule of Assumed Contracts and Leases, will be deemed to have consented to such assumption and assignment. Each such executory contract and unexpired lease assumed and assigned pursuant to the Plan shall be fully enforceable by the Liquidating Trust in accordance with the terms of such executory contracts or unexpired leases.

2. Insurance Policies

As of the Effective Date, all of the Insurance Policies of the Debtors shall be assumed and assigned to the Liquidating Trust pursuant to section 365(a) of the Bankruptcy Code. To the extent such Insurance Policies do not constitute executory contracts, then as of the Effective Date, all of the Debtors' interests in such Insurance Policies will be transferred to the Liquidating Trust pursuant to section 1123(a)(5) of the Bankruptcy Code. The assignment/transfer of the Insurance Policies is effective only to the extent that the Debtors or their estates possess an interest in such Insurance Policies. Such assignment/transfer shall not impair the rights of any other entity to claim a right in such Insurance Policies.

Certain insurers have objected to the provision of the proposed Plan regarding the assumption and assignment or transfer of all Insurance Policies on the grounds that some of the Insurance Policies may not be executory contracts and/or may contain provisions requiring insurers' consent before they may be assigned or otherwise transferred. Certain insurers have also objected that it is not clear that the Plan provides sufficient notice and opportunity to object regarding the assumption of the Insurance Policies. Certain insurers have further objected that the Plan may not allow them to exercise their policy rights to control the defense and settlement of claims. A determination that any Insurance Policies are not executory contracts or are otherwise not capable of being assumed and assigned or transferred, or that the Plan will not allow certain insurers to exercise their policy rights, may raise issues about the implementation of relevant provisions of the Plan and/or affect the availability of coverage under the Insurance Policies. In addition, in the event any Insurance Policies are assigned or transferred, and the assignee/transferee purports to accept the benefits of said Insurance Policies, but not the duties or obligations, such treatment of Insurance Policies may raise issues about the implementation of relevant provisions of the Plan and/or affect the availability of coverage under such Insurance Policies. Certain insurers further dispute the Debtors' position regarding section 1123(a)(5) of the Bankruptcy Code.

3. Bar Date for Rejection Damages Claims

Proofs of Claim for damages allegedly arising from the rejection pursuant to the Plan or the Confirmation Order of any executory contract or unexpired lease to which a Claimant is a party must be filed with the Bankruptcy Court and served on the Liquidating Trust not later than the first Business Day that is at least thirty (30) calendar days after the Confirmation Date or such other date as is set forth in the Confirmation Order as the Rejection Damages Claims Bar Date. All Proofs of Claim for such damages not timely filed and properly served as set forth in the Plan shall be forever barred and discharged and the Holder of such a Claim shall not be entitled to receive or otherwise participate in any Distribution under the Plan in respect of such Claim.

4. Objections to Proofs of Claim Based on Rejection Damages

An objection to any Proof of Claim based on the rejection of an executory contract or unexpired lease pursuant to the Plan will be pursuant to the procedures set forth in Article VII of the Plan.

V. CONFIRMATION OF THE PLAN

A. Confirmation Hearing

The Bankruptcy Court has scheduled the Confirmation Hearing for Confirmation of the Plan for 11:00 a.m. (prevailing Eastern time) on December 17, 2009 before the Honorable Christopher S. Sontchi, Judge for the United States Bankruptcy Court for the District of Delaware, located at the United States Bankruptcy Court, 824 North Market Street, 5th Floor, Courtroom 6, Wilmington, Delaware 19801.

The Confirmation Hearing may be adjourned from time to time without notice except as given at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing. Objections, if any, to the Confirmation Hearing shall be served on or before 4:00 p.m. (prevailing Eastern time) on December 10, 2009 in the manner described in the Notice accompanying this Disclosure Statement.

B. Confirmation Standards

For a plan to be confirmed, the Bankruptcy Code requires, among other things, that a plan be proposed in good faith and comply with the applicable provisions of chapter 11 of the Bankruptcy Code. Section 1129 of the Bankruptcy Code also imposes requirements that at least one class of impaired claims accept a plan, that confirmation of a plan is not likely to be followed by the need for further financial reorganization, that a plan be in the best interest of creditors, and that a plan be fair and equitable with respect to each class of claims or interests which is impaired under the plan.

The Bankruptcy Court will confirm a plan only if it finds that all of the requirements enumerated in section 1129 of the Bankruptcy Code have been met. The Debtors and the Creditors' Committee believe that the Plan satisfies all of the requirements for Confirmation.

VI. FUNDING AND FEASIBILITY OF THE PLAN

A. Funding of the Plan

Except as otherwise set forth in the Plan, the payment of Administrative Claims and Priority Tax Claims shall be funded by available Cash on the Effective Date. The remainder of the Plan shall be funded by (i) available Cash on the Effective Date, if any, (ii) funds added to available Cash after the Effective Date from, among other things, the liquidation of the Debtors' remaining Trust Assets and the prosecution and enforcement of Retained Causes of Action and (iii) the release of any funds held in reserve. The Debtors will collect, market, sell and/or otherwise dispose of their Trust Assets in a manner which will maximize value for their Estates.

The Trustees may establish one or more interest-bearing accounts as they determine may be necessary or appropriate to effectuate the provisions of the Plan consistent with section 345 of the Bankruptcy Code and any orders of the Bankruptcy Court.

B. Best Interests Test

Notwithstanding acceptance of the Plan by each Impaired Class, in order to confirm the Plan, the Bankruptcy Court must determine that the Plan is in the best interests of each Holder of a Claim or Interest in any such Impaired Class who has not voted to accept the Plan. Accordingly, if an Impaired Class does not unanimously accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides each Holder of a Claim or Interest in such Impaired Class a recovery on account of such Holder's Claim or Interest in such Class that has a value, as of the Effective Date, at least equal to the value of the Distribution that each such Holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

To estimate what Holders of Claims or Interests in each Impaired Class of Claims or Interests would receive if the Debtors were liquidated under chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the Debtors' assets if the Chapter 11 Cases were converted to a chapter 7 case under the Bankruptcy Code and the assets were liquidated by a trustee in bankruptcy (the "Liquidation Value" of such assets). The Liquidation Value would consist of the net proceeds from the disposition of the Debtors' assets and would be augmented by any cash held by the Debtors.

The Liquidation Value of the Debtors' assets available to general creditors would be reduced by the costs and expenses of the liquidation, as well as other administrative expenses of the chapter 7 case. The Debtors' costs of liquidation under chapter 7 would include the compensation of a trustee or trustees, as well as counsel and other professionals retained by the trustee, disposition expenses, all unpaid expenses incurred by the Debtors during their chapter 11 proceedings (such as compensation for attorneys and accountants) which are allowed in the chapter 7 proceedings, and litigation costs and Claims against the Debtors arising from their business operations during the pendency of the Chapter 11 Cases and chapter 7 liquidation proceedings. These costs, expenses and Claims would be paid in full out of the Debtors' liquidation proceeds before the balance would be made available to pay General Unsecured Claims or to make any Distribution in respect of Interests.

Once the percentage recoveries in liquidation of secured claimants, priority claimants, general unsecured creditors and equity security holders are ascertained, the value of the distribution available out of the Liquidation Value is compared with the value of the property offered to each of the Classes of Claims and Interests under the Plan to determine whether the Plan is in the best interests of each Class. The Debtors and the Creditors' Committee believe that the Plan satisfies this best interest test because the Debtors' assets will be liquidated under the terms of the Plan.

Please see the Liquidation Analysis, attached as **Exhibit B** hereto. The Debtors believe that Distributions under the Plan will provide at least the same recovery to Holders of Allowed Claims in or Interests against the Debtors on account of such Allowed Claims or Interests as would distributions by a chapter 7 trustee.

C. Avoidance Action Analysis

On and after the Effective Date, the Debtors will not be responsible for any review of Retained Causes of Action. The Liquidating Trust will have all responsibility for reviewing, analyzing and prosecuting Avoidance Actions and Litigation Actions pursuant to the Plan and Liquidating Trust Agreement. The Liquidating Trust shall have the sole authority to prosecute Avoidance Actions, which include preferences and fraudulent transfers, as defined by the Bankruptcy Code and as discussed in more detail in the Disclosure Statement accompanying the Plan. ALL CREDITORS AND RECIPIENTS OF PAYMENTS OR TRANSFERS WITHIN NINETY (90) DAYS OF THE PETITION DATE (OR WITHIN ONE YEAR FOR INSIDERS) OR WHO RECEIVED PAYMENTS OR TRANSFERS FOR LESS THAN REASONABLY EQUIVALENT VALUE WITHIN FOUR (4) YEARS OF THE PETITION DATE, WITH ACTUAL OR CONSTRUCTIVE NOTICE OF THESE BANKRUPTCY CASES, ARE HEREBY PUT ON NOTICE THAT SUCH TRANSACTIONS WILL BE REVIEWED FOR POTENTIAL RECOVERY. THE PLAN IS NOT INTENDED AND DOES NOT WAIVE ANY OF THE DEBTORS' RETAINED CAUSES OF ACTION. The Liquidating Trust shall also have the sole authority to prosecute all Retained Causes of Action, including, without limitation, any claims and causes of action arising from the assets and/or the liabilities described in the Debtors' Schedules.

Exhibit D hereto consists of a list of (i) each payment or other transfer to Creditors made by the Debtors within ninety (90) days of the Petition Date that is not less than $5,475 and (ii) each payment made by the Debtors within one (1) year immediately preceding the Petition Date to or for the benefit of Creditors who were insiders.

The Debtors believe that any transfers made to persons released in the Plan would likely not be deemed preferential and that the Debtors' determination as to which transfers are preferential would not differ markedly from that of a trustee under chapter 7 of the Bankruptcy Code.

D. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that the Debtors be able to perform their obligations under the Plan. For purposes of determining whether the Plan meets this requirement, the Debtors analyzed their ability to meet their obligations under the Plan. The Debtors believe that they will be able to meet their obligations under the Plan.

E. Risk Factors Associated with the Plan

Holders of Claims against the Debtors should read and consider carefully the information set forth below, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference), prior to voting to accept or reject the Plan. This information, however, should not be regarded as the only risk involved in connection with the Plan and its implementation.

Additionally, successful Confirmation of the Plan is subject to satisfaction or waiver of the conditions to Plan effectiveness, which are discussed in detail below. **THUS,**

THERE CAN BE NO ASSURANCE THAT ALL OF THE VARIOUS CONDITIONS TO EFFECTIVENESS OF THE PLAN WILL BE TIMELY SATISFIED OR WAIVED.

1. The Debtors May Not Be Able To Obtain Confirmation of the Plan

The Debtors cannot ensure they will receive the requisite acceptances to confirm the Plan. But, even if the Debtors do receive the requisite acceptances, there can be no assurance that the Bankruptcy Court will confirm the Plan. The Bankruptcy Court could still decline to confirm the Plan if it were to determine that any of the statutory requirements for Confirmation had not been met, including a determination that the terms of the Plan are not fair and equitable to non-accepting Classes. Therefore, there can be no assurance that modifications of the Plan will not be required for Confirmation or that such modifications would not necessitate the resolicitation of votes.

2. Risk of Non Occurrence of the Effective Date

If, on or before the Effective Date (or such later date requested by the Debtors with the consent of the Creditors' Committee that is approved by the Bankruptcy Court following notice and a hearing), the Debtors are unable to generate sufficient Cash on hand to pay in full all Allowed Administrative Claims, Allowed Priority Tax Claims and Allowed Other Priority Claims, then the Plan may never become effective. Additionally, there is no guarantee that the Creditors' Committee would consent to an extension of time beyond the Effective Date, if necessary to generate sufficient Cash on hand for the Plan to become effective. Even if the Creditors' Committee were to consent to an extension of time beyond the Effective Date, there is no guarantee that the Bankruptcy Court would approve any such request for an extension of time.

F. Risk Factors That May Affect Distributions Under the Plan

1. Debtors Cannot State With Any Degree of Certainty What Recovery Will Be Available to Holders of Allowed Claims in Voting Classes

A number of unknown factors make certainty in Creditor recoveries impossible. First, the Debtors cannot know with any certainty, at this time, the number or amount of Claims in Voting Classes that will ultimately be Allowed. Second, the Debtors cannot know with any certainty, at this time, the number or size of Claims senior to the two voting classes (Classes 1 and 5) or unclassified Claims that may ultimately be Allowed Claims.

2. Actual Amounts of Allowed Claims May Differ from the Estimated Claims and Adversely Affect the Percentage Recovery on Unsecured Claims

The Claims estimates set forth herein and in other documentation relating the Plan are based on various assumptions. The actual amounts of Allowed Claims may differ significantly from those estimates should one or more underlying assumption prove to be incorrect. Such differences may adversely affect the percentage recovery to holders of such Allowed Claims under the Plan.

G. Disclosure Statement Disclaimer and Miscellaneous Provisions

1. The Debtors Have No Duty To Update

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

2. No Representations Outside the Disclosure Statement are Authorized by the Bankruptcy Court or the Bankruptcy Code Other than as Set Forth in this Disclosure Statement

No representations concerning the Debtors (particularly as to the value of their property) are authorized by the Debtors other than as set forth in this Disclosure Statement and its Exhibits and any solicitation materials approved by the Bankruptcy Court and accompanying this Disclosure Statement as transmitted by Epiq. 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 Debtors' counsel, the Creditors' Committee counsel, and the Office of the U.S. Trustee.

3. All Information Was Provided by the Debtors and Was Relied Upon by Professionals

Counsel for and other Professionals retained by the Debtors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Counsel for and other Professionals retained by the Debtors have performed certain limited due diligence in connection with preparing this Disclosure Statement, but they have not verified independently the information contained herein.

4. This Disclosure Statement Was Not Approved by the Securities and Exchange Commission

Although a copy of this Disclosure Statement was served on the Securities and Exchange Commission (the "SEC"), and the SEC was given an opportunity to object to the adequacy of this Disclosure Statement before the Bankruptcy Court approved it, this Disclosure Statement was not filed with the SEC under the United States Securities Act of 1933, as amended (the "Securities Act") or applicable state securities laws. Neither the SEC nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the Exhibits or the statements contained herein, and any representation to the contrary is unlawful.

5. No Legal or Tax Advice Is Provided to You by this Disclosure Statement

The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Holder of a Claim or Interest should consult his, her or its own

legal counsel and accountant as to legal, tax and other matters concerning his, her, or its Claim or Interest.

This Disclosure Statement is not legal advice to you. 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.

6. No Admissions Made

Nothing contained herein shall constitute an admission of any fact or liability by any party (including, without limitation, the Debtors) or to be deemed evidence of the tax or other legal effects of the Plan on the Debtors or on Holders of Claims or Interests.

7. No Waiver of Right To Object or Right To Recover Transfers and Estate Assets

The vote of a Holder of a Claim or Interest for or against the Plan does not constitute a waiver or release of any Claims or rights of the Debtors (or any party in interest, as the case may be) to object to that Creditor's Claim, or recover any preferential, fraudulent or other voidable transfer or estate assets, regardless of whether any Claims of the Debtors or their respective estates are specifically or generally identified herein.

8. Pending Litigation or Demands Asserting Pre-Petition Liability

As of the date of this Disclosure Statement, there were no pending demands or litigation asserting pre-petition liability that the Debtors believe may have a material adverse effect on the operations or financial position of the Debtors. The Debtors are currently involved in various legal proceedings arising in the ordinary course of business operations, including personal injury Claims, employment matters, contractual disputes and Environmental Claims. The Debtors have provided a summary of two pending litigation matters below. To the extent Claims arise, and are ultimately Allowed, they will be Class 5 Claims and be entitled to receive a Pro Rata share of the Distributable Assets pursuant to the Plan.

(a) Mercer v. D-M-E Company v. The Fairchild Corporation and RHI Holding, Inc., MDL No. 03:06-CV-1748 GPM. By agreement dated January 23, 1996, RHI Holdings, Inc. and Fairchild sold the assets of their air profiler business to a subsidiary of Cincinnati Milacron, Inc. ("Milacron"). An air profiler is a hand tool used in the mold and die industry. The sale of the air profiler business was commemorated in an Asset Purchase Agreement (the "PA"). After its purchase of the air profiler business, Milacron formed a new corporation to continue the air profiler business and named it D-M-E.

On January 10, 2002, fourteen (14) individuals brought suit against D-M-E in the United States District Court for the Eastern District of Missouri seeking to recover for injuries they allegedly sustained from 1971 to 2002 as a result of using air profilers. In August 2004, D-M-E settled those cases and thereafter Milacron, on behalf of D-M-E, brought an action in Ohio state court against Fairchild seeking contribution and indemnity under the PA for the amounts D-M-E paid to settle those fourteen (14) claims. In that action Fairchild was found to owe D-M-E approximately 57% of the sums D-M-E paid to settle the 14 claims under the PA.

In 2004 and 2005, fifty-five (55) additional individuals brought suit against D-M-E in various United States district courts seeking damages for injuries allegedly caused by using profilers. Those cases were consolidated in a multi-district litigation in the United States District Court for the Southern District of Illinois (the "MDL Litigation"). In the MDL litigation, D-M-E asserted a third party claim against Fairchild seeking contribution and indemnity for its defense costs and for any payment it might make in satisfaction of a settlement or a judgment of the MDL claims. The MDL plaintiffs did not assert Claims directly against Fairchild in the MDL litigation.

On March 10, 2009, Milacron and D-M-E filed voluntary chapter 11 bankruptcy proceedings in the United Stated Bankruptcy Court for the Southern District of Ohio. The fifty-five (55) MDL plaintiffs have filed Proofs of Claim in the D-M-E bankruptcy. On August 31, 2009, the MDL plaintiffs filed Proofs of Claim in these Chapter 11 Cases (two (2) Proofs of Claim totaling approximately $4.8 million for Environmental Claims and four (4) Proofs of Claim for product liability related Claims, with two (2) of such Claims totaling approximately $800,000 and the other two (2) Claims for contingent/unliquidated amounts). On August 31, 2009, D-M-E also filed Proofs of Claim in these Chapter 11 Cases (one (1) Proof of Claim for a $160,000 Environmental Claim and four (4) Proofs of Claim for continent/unliquidated amounts), on account of Fairchild's alleged indemnity obligations to D-M-E with respect to those fifty-five (55) claimants. There may be other as yet unidentified Claims relating to Milacron and or the MDL Litigation filed against one or more of the Debtors. Other than such insured indemnification claim, D-M-E has not brought a direct Claim against the Debtors and the Debtors have no direct liability. Counsel for D-M-E has advised the Fairchild insurers that D-M-E is considering consenting to relief from the automatic stay for the purpose of entering into a consent judgment with the MDL plaintiffs and assigning to those plaintiffs all of D-M-E's contribution and indemnity rights against Fairchild and Fairchild's insurers. Though the Debtors believe that the Claims asserted by the MDL plaintiffs and the indemnity Claim asserted by D-M-E are time barred, without merit and that the Debtors have no liability in connection with such Claims, the Debtors cannot predict with any certainty the outcome of these legal proceedings and Claims. Should such Claims become Allowed Claims, they would have a dilutive effect on recoveries for Holders of Class 5 Claims.

(b) Orange County Water District v. Northrop Corporation et al., Case No. 04CC00715. On May 26, 2009, Orange County Water District ("OCWD") filed a motion with the Bankruptcy Court for relief from the automatic stay in these Chapter 11 Cases [Docket No. 394]. OCWD argued that (i) the stay does not apply in the first instance and, (ii) assuming that the stay applies, the stay should be lifted to allow litigation for environmental damages to be allowed to proceed against Fairchild and others, including Alcoa Global Fasteners ("Alcoa"), in the Superior Court of the State of California (the "Orange County Litigation"). OCWD seeks a finding of joint and several liability against all defendants (including the Debtors) for not-as-yet incurred damages allegedly totaling somewhere between $50 million and nearly $150 million. Additionally, on August 27, 2009, OCWD filed an estimated Proof of Claim in the sum of $25 million. There may be other as yet unidentified Claims relating to OCWD filed against one or more of the Debtors. It is unclear when, if ever, OCWD will incur its alleged damages. Should such Claims become Allowed Claims, they may have a dilutive effect on recoveries for Holders of Class 5 Claims subject to the Debtors' claims for contribution and/or indemnity against Alcoa.

The Debtors timely opposed OCWD's motions to lift the automatic stay [Docket No. 443]. On June 16, 2009, the Bankruptcy Court heard argument and evidence on OCWD's first motion to lift the automatic stay. Testimony at the hearing made clear that no one in Orange County is drinking water that contains contaminants in excess of permissible state and federal levels and no one in Orange County will be exposed to unsafe water because water purveyors are forbidden to deliver such water. Following the taking of evidence, full briefing, and argument, an interim ruling was issued from the bench (later confirmed in a written order on June 23, 2009). The Bankruptcy Court's interim stay order [Docket No. 479] (the "Interim Stay Order") left the automatic stay in place and barred OCWD from taking any action to prosecute the Orange County Litigation, pending the Bankruptcy Court's decision on OCWD's initial motion to lift the stay. After the entry of the Interim Stay Order, OCWD filed a second motion requesting similar relief which the Bankruptcy Court denied by order dated August 31, 2009 [Docket No 668]. The OCWD asserts that the underlying purpose of OCWD's stay relief request was to continue prosecution of the Orange County Litigation so that the remediation of Orange County's drinking water supply would be funded by those responsible for the contamination.

The Debtors disagree with the positions asserted by the OCWD, as the Debtors have stated in their pleadings filed in these Chapter 11 Cases.

(c) Personal Injury/Wrongful Death Claims. Immediately prior to the filing of this Disclosure Statement, it came to the Debtors' attention that over 3,600 of the approximately 4,600 Proofs of Claim filed against the Debtors were filed by a single personal injury and asbestos law firm (the "Personal Injury Claims"). Together such Personal Injury Claims total more that $282 million. There may be other as yet unidentified Personal Injury Claims filed against one or more of the Debtors.

The Proofs of Claim in question lack supporting documentation so as to understand actual nature of the Personal Injury Claims, generally listing "Basis of the Claim" as personal injury/wrongful death. Given the voluminous and unsupported nature of the Proofs of Claim, the Debtors have been unable to determine the actual basis of such Personal Injury Claims. However, the Debtors believe that such Claims may relate to a number of actions brought by plaintiffs' counsel in the five years preceding the Chapter 11 Cases for Claims resulting from alleged exposure to asbestos-containing products. As more fully described in the Debtors' SEC filing on Form 10-Q dated August 14, 2008, the Debtors have little knowledge about the Claims in question, but intend to, in coordination with their insurance carriers, vigorously and aggressively defend against such Claims. Further, the Debtors believe that, while Personal Injury Claims are asserted in fixed amounts, such Claims are unquestionably contingent in nature. The Debtors intend to request that the Bankruptcy Court implement appropriate proceedings governing the voting and ultimate allowance/disallowance of the Personal Injury Claims.

Although insurance coverage amounts vary, depending upon the policy period(s) and facts in each case, the Debtors believe that their insurance coverage levels are adequate to cover any liability that might ultimately be found owing, and that the Personal Injury claims will not have a material adverse effect on the Plan. However, because the Debtors' insurers often defend the Debtors under a so-called "reservation of rights" and because any outcome of such

contingent liability is ultimately uncertain, the Debtors caution that should the Personal Injury Claims be allowed, the recoveries to General Unsecured Creditors may be adversely affected.

(d) Rexnord Industries, LLC. On April 15, 2009, Rexnord Industries, LLC ("Rexnord") filed a motion with this Bankruptcy Court seeking an order lifting the automatic stay to allow Rexnord to continue an Illinois state court action (the "Action") against American Employers Insurance Company ("AEIC") [Docket No. 151]. The Action seeks, among other things, a judgment that Rexnord is entitled to defense and indemnification under certain insurance policies issued by AEIC and in connection with a number of environmental lawsuits commenced against Rexnord. AEIC has taken the position in such Action that Rexnord is not entitled to the coverage it claims. Further, AEIC claims that a favorable determination for Rexnord in the Action could result in a determination that the Debtors are not entitled to coverage under such policies. On June 1, 2009, the Bankruptcy Court denied the motion for relief from the stay without prejudice [Docket No. 427]. On November 6, 2009, Rexnord filed a renewed motion for relief from the automatic stay to continue the Action [Docket No. 769]. As of the date hereof, Rexnord's claims to the AEIC policies have not been determined.

9. Pension Plans

Fairchild sponsors two pension plans, The Fairchild Corporation Master Retirement Plan and the Retirement Plan For Employees of Marson Corporation and Marson Fastener Corporation and their Domestic Subsidiaries (the "Pension Plans"). The Pension Plans are covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"), 29 U.S.C. § 1301 *et seq*.

The PBGC asserts that Fairchild and all members of its controlled group are obligated to contribute to the Pension Plans the amount necessary to satisfy ERISA's minimum funding standards, ERISA § 302; Internal Revenue Code § 412. The PBGC further asserts that the Pension Plans may be terminated only if the statutory requirements of either ERISA § 4041, 29 U.S.C. § 1341, or ERISA § 4042, 29 U.S.C. § 1342, are met. In addition, the PBGC asserts that, if the Pension Plans terminate, Fairchild and all members of its controlled group will be jointly and severally liable for any unpaid minimum funding contributions, PBGC insurance premiums, and unfunded benefit liabilities of the Pension Plans. *See* 29 U.S.C. § 1362(a).

The PBGC is a United States Government corporation that guarantees the payment of certain pension benefits upon termination of a pension plan covered by Title IV of ERISA. The PBGC has filed in these Chapter 11 Cases, estimated Claims for unfunded benefit liabilities in the amount of $61,200,000, contingent on termination of the Pension Plans, and Claims for unpaid minimum funding contributions and premiums. The PBGC asserts administrative priority for certain amounts of its Claims under section 507(a)(2), 507(a)(5) and 507(a)(8) of the Bankruptcy Code.

Fairchild intends to terminate the Pension Plans under the requirements of ERISA § 4041, 29 U.S.C. § 1341, for Distress Terminations.

10. Substantive Consolidation

ALL HOLDERS OF CLAIMS AND/OR INTERESTS ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE, IN THE CASE OF CREDITORS, VOTING TO ACCEPT OR REJECT THE PLAN. THE PLAN PROVIDES FOR SUBSTANTIVE CONSOLIDATION OF ALL OF THE DEBTORS FOR ALL PURPOSES ASSOCIATED WITH CONFIRMATION AND CONSUMMATION. THE VOTES TO ACCEPT OR REJECT THE PLAN BY HOLDERS OF CLAIMS SHALL BE TABULATED ON A CONSOLIDATED BASIS WITH CREDITORS ENTITLED TO ONE VOTE FOR EACH CLAIM AGAINST THE DEBTORS NOTWITHSTANDING THAT SUCH CLAIM MAY HAVE BEEN FILED OR ASSERTED AGAINST MORE THAN ONE DEBTOR; PROVIDED, HOWEVER, THAT IN THE EVENT THE BANKRUPTCY COURT DOES NOT AUTHORIZE SUBSTANTIVE CONSOLIDATION, THE PLAN MAY CONSTITUTE SEPARATE PLANS OF LIQUIDATION FOR EACH DEBTOR WHOSE ESTATE IS NOT CONSOLIDATED AND, SUBJECT TO THE PROVISIONS OF THE PLAN, THE VOTES TO ACCEPT OR REJECT THE PLAN BY HOLDERS OF CLAIMS, TO THE EXTENT APPLICABLE, SHALL BE TABULATED AS VOTES TO ACCEPT OR REJECT SUCH SEPARATE PLANS OF LIQUIDATION. SHOULD SUBSTANTIVE CONOLIDATION NOT BE APPROVED, THE RESULTING RISE IN ADMINISTRATIVE COSTS MAY RESULT IN GENERAL UNSECURED CREDITORS RECEIVING LITTLE OR NO DISTRIBUTION.

11. Forward-Looking Statements

THESE RISK FACTORS MAY CONTAIN CERTAIN STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 (SECTION 27A OF THE SECURITIES ACT AND SECTION 21E OF THE SECURITIES EXCHANGE ACT) WITH RESPECT TO THE DEBTORS' FINANCIAL CONDITION, RESULTS OF OPERATIONS AND BUSINESS THAT IS NOT HISTORICAL INFORMATION. THESE STATEMENTS ARE BASED ON ASSUMPTIONS AND ASSESSMENTS MADE BY THE DEBTORS' MANAGEMENT IN LIGHT OF ITS EXPERIENCE AND ITS PERCEPTION OF HISTORICAL TRENDS, CURRENT CONDITIONS, EXPECTED FUTURE DEVELOPMENTS AND OTHER FACTORS IT BELIEVES TO BE APPROPRIATE. THE DEBTORS BELIEVE THERE IS A REASONABLE BASIS FOR THEIR EXPECTATIONS AND BELIEFS, BUT THEY ARE INHERENTLY UNCERTAIN, AND THE DEBTORS MAY NOT REALIZE THEIR EXPECTATIONS AND THEIR BELIEFS MAY NOT PROVE CORRECT. ANY FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF THE DEBTORS' FUTURE PERFORMANCE AND ARE SUBJECT TO RISKS AND UNCERTAINTIES, MANY WHICH ARE BEYOND THE CONTROL OF THE DEBTORS, THAT COULD CAUSE ACTUAL RESULTS, DEVELOPMENTS AND BUSINESS DECISIONS TO DIFFER MATERIALLY FROM THOSE DESCRIBED OR IMPLIED BY ANY SUCH FORWARD-LOOKING STATEMENTS. THE DEBTORS UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENT, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. SUCH FACTORS INCLUDE, WITHOUT LIMITATION: THE IMPLEMENTATION OF THE PLAN, THE CHAPTER 11 CASES; GENERAL ECONOMIC

CONDITIONS; AND OTHER IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE DESCRIBED OR IMPLIED BY THE FORWARD-LOOKING STATEMENTS.

VII. ALTERNATIVES TO THE PLAN

Although this Disclosure Statement is intended to provide information to assist a Holder of a Claim or Interest in determining whether to vote for or against the Plan, a summary of the alternatives to Confirmation of the Plan may be helpful.

If the Plan is not confirmed with respect to any of the Debtors, the following alternatives are available: (a) confirmation of another chapter 11 plan; (b) conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code; or (c) dismissal of the Chapter 11 Cases leaving Holders of Claims and Interests to pursue available non-bankruptcy remedies. These alternatives to the Plan are very limited and not likely to benefit Holders of Claims or Interests. Although the Debtors could theoretically file a new plan, the most likely result if the Plan is not confirmed is that the Chapter 11 Cases will be converted to cases under chapter 7 of the Bankruptcy Code. The Debtors believe that conversion of the Chapter 11 Cases to chapter 7 cases would result in (i) significant delay in distributions to all Holders of Claims or Interests who would have received a Distribution under the Plan and (ii) diminished recoveries for certain Classes of Claims. If the Chapter 11 Cases are dismissed, Holders of Claims or Interests would be free to pursue non-bankruptcy remedies in their attempts to satisfy Claims against or Interests in the Debtors. However, in that event, Holders of Claims or Interests would be faced with the costs and difficulties of attempting, each on its own, to collect Claims from a non-operating entity.

VIII. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain U.S. federal income tax consequences of the Plan to the Debtors and certain Holders of Allowed Claims. This discussion does not purport to be tax advice and may not be applicable depending upon the particular situation of a Holder of Allowed Claims. Holders of Allowed Claims should consult their own tax advisors with respect to the current and future federal, state, local and foreign tax consequences of the Plan.

This summary is directed solely at Holders of Allowed Claims that hold such Claims as "capital assets" within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). This summary does not apply to Holders of Allowed Claims that are not "United States persons" (as such term is defined in the Code) or that are otherwise subject to special treatment under U.S. federal income tax law, such as partnerships, financial institutions, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, tax-exempt investors, expatriates, former long-term United States residents, and United States citizens that reside outside the United States. This summary does not discuss the tax laws of any state, local or foreign government that may be applicable.

This summary is based on the Code, the Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and

all of which are subject to change, possibly with retroactive effect, or to different interpretations. No ruling has been requested from the Internal Revenue Service (the "IRS") in connection with the Plan nor will the Debtors obtain an opinion of counsel with respect to any aspect of the Plan and no assurance can be given that the treatment described herein will be accepted by the IRS or, if challenged, by a U.S. court.

THIS SUMMARY IS NOT INTENDED AS TAX ADVICE TO ANY PARTICULAR HOLDER OF CLAIMS, WHICH CAN BE RENDERED ONLY IN LIGHT OF THAT HOLDER'S PARTICULAR TAX SITUATION. ACCORDINGLY, EACH HOLDER OF CLAIMS IS URGED TO CONSULT SUCH HOLDER'S TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE PLAN TO SUCH HOLDER. ALL TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR OWN INDEPENDENT TAX ADVISORS.

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, YOU ARE HEREBY NOTIFIED THAT THE DISCUSSION OF THE U.S. FEDERAL TAX MATTERS SET FORTH IN THIS DISCLOSURE STATEMENT WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY HOLDER, FOR THE PURPOSES OF AVOIDING TAX-RELATED PENALTIES UNDER U.S. FEDERAL OR STATE TAX LAW. EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM ITS OWN INDEPENDENT TAX ADVISOR.

A. Certain United States Federal Income Tax Consequences To Holders of Allowed Claims

1. Consequences to Holders of Allowed Claims

Pursuant to the Plan, certain Holders of Allowed Claims may receive Cash in full or partial payment of their Claims. A Holder who receives Cash in exchange for its Allowed Claim pursuant to the Plan generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (a) the amount of Cash received in exchange for its Claim and (b) the Holder's adjusted tax basis in its Claim.

Gain or loss recognized on such exchange should be capital gain or loss, subject to the "market discount" rules described in Article VIII(A)(2) hereto, and should be long term capital gain or loss if the Claims were held for more than one year by the Holder. To the extent that a portion of the consideration received in exchange for the Claims is allocable to "accrued but untaxed interest," the Holder may recognize ordinary income, as discussed in Section VIII(A)(3), below.

Pursuant to the Plan, certain Holders of Allowed Claims will receive Beneficial Interests in the Liquidating Trust that entitles such Holders to their Pro Rata share of the Trust Assets. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary, pursuant to Treasury Regulations Section 301.7701-4(d), the Debtors believe that the

Liquidating Trust intends to take the position on its tax return that the Liquidating Trust should be treated as a grantor trust for the benefit of the Beneficiaries. Thus, a Holder of Allowed Claims that receives a Beneficial Interest in the Liquidating Trust will be treated for U.S. federal income tax purposes as receiving from the Debtors, in a taxable exchange, its Pro Rata share of the Trust Assets transferred to the Liquidating Trust by the Debtors, and then transferring such Pro Rata share to the Liquidating Trust in exchange for a Beneficial Interest.

Such Holder generally will recognize gain or loss with respect to its Claims in an amount equal to the difference between the fair market value of its Pro Rata share of the Trust Assets and such Holder's tax basis in its Claims. Each Holder should consult its own tax advisor regarding such Holder's gain or loss on such transfer, if any.

A Holder will have a holding period in its Beneficial Interest that begins the day after the Trust Assets are transferred to the Liquidating Trust and its tax basis in such Beneficial Interest will be equal to the fair market value of its Pro Rata share of the Trust Assets. Any gain or loss recognized by such Holder will be capital gain or loss if such Holder held its Claims as a capital asset or will be ordinary in character if such Holder did not hold its Claims as a capital asset.

The treatment of the Liquidating Trust as a grantor trust will require a Holder of Allowed Claims that receives a Beneficial Interest to report on its U.S. federal income tax return its share of the Liquidating Trust's items of income, gain, loss, deduction, and credit in the year recognized by the Liquidating Trust. This requirement may result in such Holder being subject to tax on its allocable share of the Liquidating Trust's taxable income prior to receiving any distributions from the Liquidating Trust. A Holder of Allowed Claims that receives a Beneficial Interest is urged to consult its own tax advisors regarding the tax consequences of its ownership of a Beneficial Interest.

2. Market Discount

Holders who exchange Claims for Cash or Beneficial Interests may be affected by the "market discount" provisions of the Code. Under these provisions, some or all of the gain realized by a Holder on an exchange of its Claims may be treated as ordinary income (instead of capital gain), to the extent of the amount of accrued "market discount" on such Claims.

Generally, a debt obligation with a fixed maturity of more than one year that is acquired by a holder on the secondary market is considered to be acquired with "market discount" as to that holder if the debt obligation's stated redemption price at maturity exceeds the tax basis of the debt obligation in the holder's hands immediately after its acquisition. However, a debt obligation is not a "market discount bond" if the excess is less than a statutory *de minimis* amount.

Any gain recognized by a Holder on the taxable disposition of Claims that were acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Claims were considered to be held by the Holder (unless the Holder elected to include market discount in income as it accrued).

3. Accrued But Untaxed Interest

Pursuant to the Plan, Distributions in respect of an Allowed Claim that is comprised of indebtedness and accrued but unpaid interest thereon will be allocated first to the principal amount of such Allowed Claims, with any excess allocated to accrued but unpaid interest. However, there is no assurance that the IRS will respect such allocation for U.S. federal income tax purposes. Holders of Allowed Claims that were not previously required to include in their taxable income any accrued but unpaid interest on an Allowed Claim may be treated as receiving taxable interest to the extent any consideration they receive under the Plan is allocable to such accrued but unpaid interest. Holders previously required to include in their taxable income any accrued but unpaid interest on an Allowed Claim may be entitled to recognize a deductible loss, to the extent that such accrued but unpaid interest is not satisfied under the Plan.

HOLDERS SHOULD CONSULT THEIR OWN INDEPENDENT TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR ALLOWED CLAIMS AND THE U.S. FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.

4. Information Reporting and Backup Withholding

The Debtors or the Liquidating Trust, as applicable, may be obligated to furnish information to the IRS regarding the consideration received by Holders (other than corporations and other exempt Holders) pursuant to the Plan. Holders may be subject to backup withholding (currently, at a rate of 28%) on the consideration received pursuant to the Plan. Certain Holders (including corporations) generally are not subject to backup withholding. A Holder that is not otherwise exempt generally may avoid backup withholding by furnishing to the Debtors or the Liquidating Trust, as applicable, an IRS Form W-9, providing its taxpayer identification number and certifying, under penalties of perjury, that the taxpayer identification number provided is correct and that such Holder has not been notified by the IRS that it is subject to backup withholding. The Debtors or the Liquidating Trust, as applicable, will withhold all amounts required by law and will comply with all applicable reporting requirements.

Backup withholding is not an additional tax. Taxpayers may use amounts withheld as a credit against their U.S. federal income tax liability or may claim a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

THE FOREGOING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. EACH HOLDER SHOULD CONSULT ITS OWN INDEPENDENT TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN. NONE OF THE DEBTORS, THE PROPONENTS NOR THEIR PROFESSIONALS WILL HAVE ANY LIABILITY TO ANY PERSON OR HOLDER ARISING FROM OR RELATED TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN OR THE FOREGOING DISCUSSION.

5. Certain United States Federal Income Tax Consequences To the Debtors

In general, absent an exception, a debtor will realize 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 (x) the amount of Cash paid and (y) 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 Bankruptcy 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 any remaining tax attributes by the amount of COD Income that it excluded from gross income pursuant to Section 108 of the Code. Such reductions in tax attributes are made after the determination of the debtor's taxable income for the taxable year of the discharge. The Debtors should not recognize any COD Income as a result of the implementation of the Plan under the foregoing rules.

A debtor that transfers its assets in satisfaction of its outstanding indebtedness is treated as selling such assets at fair market value to the holders of such indebtedness. To the extent that such debtors' tax basis in its assets is less than such assets' fair market value, such debtor recognizes gain on the transfer, which gain could be ordinary or capital in nature based on the character of the assets transferred. To the extent the Debtors recognize any gain on the deemed transfer of the Trust Assets to the Beneficiaries, the Debtors should have sufficient net operating losses to offset such gain.

IX. CONCLUSION

For all the reasons set forth in this Disclosure Statement, the Debtors believe that Confirmation of the Plan is preferable to all other alternatives. Consequently, the Debtors and the Creditors' Committee recommend that Holders of Claims in Classes 1 and 5 vote to **ACCEPT** the Plan and to evidence such acceptance by returning their Ballots so they will be **RECEIVED** by the Debtors' Claims and Solicitation Agent no later than **4:00 p.m. (prevailing Eastern time) on December 7, 2009.**

Dated: November 9, 2009
Wilmington, Delaware

Respectfully submitted,

The Fairchild Corporation
(for itself and its affiliated Debtors)

By: */s/ Donald E. Miller*
Name: Donald E. Miller
Title: Chief Restructuring Officer