

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

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| _____ |) | |
| In re: |) | Chapter 11 |
| |) | |
| FLYING J INC., <u>et al.</u> , ¹ |) | Case No. 08-13384 (MFW) |
| |) | |
| Debtor. |) | Jointly Administered |
| |) | |
| |) | |
| |) | |
| _____ |) | |

**DISCLOSURE STATEMENT FOR THE JOINT PLAN
OF REORGANIZATION OF FLYING J INC., BIG WEST OF CALIFORNIA, LLC, BIG WEST OIL, LLC,
BIG WEST TRANSPORTATION, LLC AND LONGHORN PARTNERS PIPELINE, L.P. UNDER
CHAPTER 11 OF THE BANKRUPTCY CODE**

THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL TO THE BANKRUPTCY COURT BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT.

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Dated: February 10, 2010

¹ The Debtors in the Chapter 11 Cases, along with the last four digits of each Debtor's federal tax identification number, are: Flying J Inc. (3458); Big West of California, LLC (1608), Big West Oil, LLC (6982); Big West Transportation, LLC (6984) and Longhorn Partners Pipeline, L.P. (0554). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 1104 Country Hills Drive, Ogden, UT 84403.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS [__:__] [A./P.M.] [_____], 2010 PREVAILING EASTERN TIME (THE “VOTING DEADLINE”), UNLESS FLYING J EXTENDS THE VOTING DEADLINE. TO BE COUNTED, THE VOTING AND CLAIMS AGENT OR SECURITIES VOTING AGENT, AS APPROPRIATE, MUST ACTUALLY RECEIVE YOUR BALLOT ON OR BEFORE THE VOTING DEADLINE.

NEITHER FLYING J INC., BIG WEST OF CALIFORNIA, LLC, BIG WEST OIL, LLC, BIG WEST TRANSPORTATION, LLC, NOR LONGHORN PARTNERS PIPELINE, L.P. (EACH A “DEBTOR” AND COLLECTIVELY THE “DEBTORS”) PROVIDES ANY ASSURANCE THAT THE DISCLOSURE STATEMENT (AND THE EXHIBITS HERETO) THAT IS ULTIMATELY APPROVED IN THE CHAPTER 11 CASES (A) WILL CONTAIN ANY OF THE TERMS IN THIS CURRENT DOCUMENT OR (B) WILL NOT CONTAIN DIFFERENT, ADDITIONAL OR MATERIAL TERMS THAT DO NOT APPEAR IN THIS CURRENT DOCUMENT.

FLYING J INC., BIG WEST OF CALIFORNIA, LLC, BIG WEST OIL, LLC, BIG WEST TRANSPORTATION, LLC, AND LONGHORN PARTNERS PIPELINE, L.P. (COLLECTIVELY THE “DEBTORS” AND EACH A “DEBTOR”) ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE JOINT PLAN OF REORGANIZATION OF THE DEBTORS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE TO HOLDERS OF CLAIMS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE PLAN. YOU SHOULD NOT RELY UPON OR USE THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR ANY OTHER PURPOSE OTHER THAN TO DETERMINE WHETHER AND HOW TO VOTE ON THE PLAN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THE DEBTORS EXPECT TO SEEK ORDERS OF THE BANKRUPTCY COURT APPROVING THIS DISCLOSURE STATEMENT AS CONTAINING “ADEQUATE INFORMATION” AS REQUIRED BY SECTION 1125 OF THE BANKRUPTCY CODE, WHICH DETERMINATION DOES NOT CONSTITUTE A RECOMMENDATION OR APPROVAL OF THE PLAN.

NEITHER THIS DISCLOSURE STATEMENT NOR THE PLAN DESCRIBED HEREIN HAS BEEN FILED WITH OR REVIEWED BY THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) UNDER THE SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), OR ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE UNDER ANY STATE SECURITIES LAW. THE PLAN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION AND NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

THE DEBTORS ARE MAKING THE STATEMENTS AND FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND EQUITY INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE DATE SET FORTH ON THE COVER PAGE HEREOF. HOLDERS OF CLAIMS AND EQUITY INTERESTS ENTITLED TO VOTE TO ACCEPT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTORS AND THEIR OWN ANALYSIS OF THE TERMS OF THE PLAN, INCLUDING, BUT NOT LIMITED TO, ANY RISK FACTORS CITED HEREIN, IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT MAY CONTAIN “FORWARD LOOKING STATEMENTS” WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD LOOKING TERMINOLOGY SUCH AS “MAY,” “EXPECT,” “ANTICIPATE,” “ESTIMATE” OR “CONTINUE” OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR ANY OTHER COMPARABLE TERMINOLOGY. THE READER IS CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD-LOOKING STATEMENTS. THE LIQUIDATION ANALYSES, THE PROJECTIONS, DISTRIBUTION PROJECTIONS AND OTHER INFORMATION CONTAINED HEREIN AND ATTACHED HERETO ARE ESTIMATES ONLY, AND THE TIMING AND AMOUNT OF ACTUAL DISTRIBUTIONS TO HOLDERS OF ALLOWED CLAIMS MAY BE AFFECTED BY MANY

FACTORS THAT CANNOT BE PREDICTED. THEREFORE, ANY ANALYSES, ESTIMATES OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE.

THE CONTENTS OF THIS DISCLOSURE STATEMENT MAY NOT BE DEEMED AS PROVIDING ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE. THE DEBTORS URGE EACH HOLDER OF A CLAIM TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY SUCH LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY.

MOREOVER, THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. RATHER, HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD CONSTRUE THIS DISCLOSURE STATEMENT AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS AND TO BE PROTECTED BY RULE 408 OF THE FEDERAL RULES OF EVIDENCE.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT IS, OR SHALL BE DEEMED TO BE, AN ADMISSION OR STATEMENT AGAINST INTEREST BY THE DEBTORS FOR PURPOSES OF ANY PENDING OR FUTURE LITIGATION MATTER OR PROCEEDING.

ALTHOUGH THE ATTORNEYS, ACCOUNTANTS, ADVISORS AND OTHER PROFESSIONALS EMPLOYED BY THE DEBTORS HAVE ASSISTED IN PREPARING THIS DISCLOSURE STATEMENT BASED UPON FACTUAL INFORMATION AND ASSUMPTIONS RESPECTING FINANCIAL, BUSINESS, AND ACCOUNTING DATA FOUND IN THE BOOKS AND RECORDS OF THE DEBTORS, THEY HAVE NOT INDEPENDENTLY VERIFIED SUCH INFORMATION AND MAKE NO REPRESENTATIONS AS TO THE ACCURACY THEREOF. THE ATTORNEYS, ACCOUNTANTS, ADVISORS AND OTHER PROFESSIONALS EMPLOYED BY THE DEBTORS SHALL HAVE NO LIABILITY FOR THE INFORMATION IN THIS DISCLOSURE STATEMENT.

THE DEBTORS AND THEIR PROFESSIONALS ALSO HAVE MADE A DILIGENT EFFORT TO IDENTIFY IN THIS DISCLOSURE STATEMENT PENDING LITIGATION CLAIMS AND PROJECTED OBJECTIONS TO CLAIMS. HOWEVER, NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR PROJECTED OBJECTION TO CLAIM IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT.

HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN ATTACHED AS EXHIBIT A AND THE MATTERS DESCRIBED UNDER ARTICLE X OF THIS DISCLOSURE STATEMENT ENTITLED “PLAN-RELATED RISK FACTORS AND ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN; ANTI-TRUST APPROVAL” PRIOR TO DECIDING WHETHER TO ACCEPT OR REJECT THE PLAN.

THE DEBTORS HAVE NOT AUTHORIZED ANY PARTY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. CLAIMANTS AND EQUITY HOLDERS SHOULD NOT RELY UPON ANY INFORMATION, REPRESENTATIONS, OR OTHER INDUCEMENTS MADE TO OBTAIN ACCEPTANCE OF THE PLAN THAT ARE OTHER THAN, OR INCONSISTENT WITH, THE INFORMATION CONTAINED HEREIN AND IN THE PLAN.

THE DEBTORS' MANAGEMENT HAS REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE DEBTORS HAVE USED THEIR BEST EFFORTS TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED.

THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN PROVISIONS OF THE PLAN, CERTAIN OTHER DOCUMENTS, AND CERTAIN FINANCIAL INFORMATION. THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE; HOWEVER, YOU SHOULD READ THE PLAN IN ITS ENTIRETY. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR THE OTHER DOCUMENTS OR FINANCIAL INFORMATION TO BE INCORPORATED HEREIN BY REFERENCE, THE PLAN, OR SUCH OTHER DOCUMENTS, AS APPLICABLE, SHALL GOVERN FOR ALL PURPOSES.

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT SOLELY FOR PURPOSES OF INFORMING HOLDERS OF CLAIMS AND EQUITY INTERESTS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN OR OBJECTING TO CONFIRMATION. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PERSON FOR ANY OTHER PURPOSE.

ALL EXHIBITS TO THIS DISCLOSURE STATEMENT ARE INCORPORATED INTO AND MADE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

THE BANKRUPTCY COURT HAS SCHEDULED THE CONFIRMATION HEARING TO COMMENCE ON [_____], 2010 AT [10:00] [A.M.] PREVAILING EASTERN TIME BEFORE THE HONORABLE MARY F. WALRATH, UNITED STATES BANKRUPTCY JUDGE, IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, LOCATED AT 824 MARKET STREET, 5TH FLOOR, COURTROOM 4, WILMINGTON, DELAWARE 19801. THE CONFIRMATION HEARING MAY BE ADJOURNED FROM TIME TO TIME BY THE BANKRUPTCY COURT WITHOUT FURTHER NOTICE OTHER THAN AN ANNOUNCEMENT OF THE ADJOURNED DATE MADE AT THE CONFIRMATION HEARING OR ANY ADJOURNMENT THEREOF.

OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE FILED AND SERVED ON OR BEFORE [_____], 2010, IN ACCORDANCE WITH THE SOLICITATION NOTICE FILED AND SERVED ON HOLDERS OF CLAIMS, HOLDERS OF EQUITY INTERESTS AND OTHER PARTIES IN INTEREST. UNLESS OBJECTIONS TO CONFIRMATION ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE SOLICITATION NOTICE, THEY MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

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EXHIBITS

- Exhibit A** The Joint Plan of Reorganization of Flying J Inc., Big West of California, LLC, Big West Oil, LLC, Big West Transportation, LLC and Longhorn Partners Pipeline, L.P. Under Chapter 11 of the Bankruptcy Code
- Exhibit B** Liquidation Analysis of Flying J Inc.
- Exhibit C** Liquidation Analysis of Big West Oil of California, LLC
- Exhibit D** Liquidation Analysis of Big West Oil, LLC
- Exhibit E** Liquidation Analysis of Big West Transportation, LLC
- Exhibit F** Liquidation Analysis of Longhorn Partners Pipeline, L.P.
- Exhibit G** Disclosure Statement Order (with the Solicitation Procedures attached thereto as Exhibit 1)
- Exhibit H** Flying J Notes Term Sheet
- Exhibit I** Projections

I. SUMMARY

Pursuant to section 1125 of the Bankruptcy Code,² the Debtors submit this Disclosure Statement to holders of Claims and Equity Interests in connection with (a) the solicitation of votes to accept or reject the Plan, dated as of [____], 2010 and (b) the Confirmation Hearing, which is scheduled for [____], 2010 at [10:00] [a.]m., prevailing Eastern time.

The following summary is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Disclosure Statement and exhibits hereto.

A. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes fair and equitable treatment for similarly situated creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the Petition Date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a “debtor in possession.”

Consummating a plan is the principal objective of a chapter 11 case. The Bankruptcy Court’s confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the Bankruptcy Court confirming a plan provides for the treatment of the debtor’s debt in accordance with the terms of the confirmed plan.

B. The Debtors’ Businesses

The Debtors and their wholly-owned non-debtor subsidiaries (collectively, the “Flying J Group”), based in Ogden, Utah, are a fully integrated oil company with operations in the field of exploration, production, refining, transportation, wholesaling and retailing of petroleum products. Parent Flying J is one of the largest privately held companies in America with consolidated sales of approximately \$18.5 billion, for the twelve months ended January 31, 2009, and is the direct or indirect parent corporation of each of the other members of the Flying J Group. As discussed in Article IV.G, the Debtors intend to sell Flying J’s travel center and trucking operations and other assets to Pilot in exchange for cash and [Newco] equity in the Pilot Transaction.

The Flying J Group operates approximately 250 retail locations, including state-of-the-art travel plazas, convenience stores, restaurants, motels and truck service centers in 43 states and six Canadian provinces. In addition to usual rest stop services (food, fuel, shower facilities), the Flying J Group offers banking, bulk-fuel programs, communications (wireless Internet connections), fuel cost analysis, insurance and truck fleet sales. Furthermore, the Flying J Group explores for, refines and transports petroleum products and is one of the largest retail distributors of diesel fuel in North America. Other operations of the Flying J Group include online banking, card processing, truck and trailer leasing, and payroll services. In these widespread operations, the Flying J Group employs approximately 12,330 people as of December 1, 2009.

Each of the Debtors in these Chapter 11 Cases is involved with or associated with Flying J Group’s core businesses of petroleum refining, supply and distribution. In particular, the Big West Group is primarily in the business of petroleum refining. BWO operates the NSL Refinery. BWO has approximately 130 employees and supplies fuel products to many Flying J Group travel plazas and select customers in seven western states in the United States. The NSL Refinery has a total capacity of approximately 30,000 bpd and refines a combination of

² Capitalized terms are defined in the glossary contained in Article XI of the Disclosure Statement. All capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan.

Utah and Wyoming crude oil into high-quality motor fuels and other specialty chemicals, including a range of petroleum products (e.g., gasoline, diesel, liquid petroleum gases and fuel oil). BWO is also responsible for the purchase of crude oil in parts of Utah, Wyoming and Colorado.

On March 15, 2005, BWOC completed a transaction to purchase the Bakersfield Refinery. The Bakersfield Refinery is located in California's Central Valley and has the capacity to refine approximately 70,000 bpd of crude oil. The Bakersfield Refinery is supplied by crude oil produced in the San Joaquin Valley, markets products in California and was a provider of quality motor fuels in central California.

The Big West Group has been successful in keeping the NSL Refinery running at an optimized capacity. However, the Bakersfield Refinery is currently in a warm idle status due to constraints on funding to purchase crude, other feed stocks, and inability to take on market risk. The Big West Group recently announced the sale of this refinery to the BWOC Potential Buyer, a subsidiary of Alon, in the Proposed BWOC Sale. The Proposed BWOC Sale is scheduled to close no later than June 1, 2010.

The business of LPI and its subsidiaries (including Longhorn) consisted of the supply and distribution of refined petroleum products in Texas. In connection with Longhorn's acquisition of the Pipeline, Longhorn Pipeline, Inc. also purchased the line-fill inventory which consisted of approximately 1,200,000 barrels of finished products. Prior to the sale of the Pipeline and certain related line-fill to Magellan in July 2009 as discussed below in Article IV.A, Longhorn owned and operated the Pipeline. The Pipeline assets consisted of (i) a 694-mile finished product pipeline originating at Kinder Morgan's Galena Park, Texas terminal on the Houston Ship Channel (which enables access to waterborne barrels) and ending at Longhorn's El Paso, Texas terminal facilities, (ii) three 50,000 bbl capacity "break-out" tanks in Crane, Texas, (iii) a 28 mile high-pressure 8" pipeline from Crane, Texas to Magellan's terminal at Odessa, Texas, and (iv) a 18-tank 1,020,000 barrel storage facility with a five-lane truck rack at El Paso. The three break-out tanks in Crane, Texas are connected to a newly-constructed, two-lane loading rack owned by Flying J. The El Paso terminal is laterally connected to Kinder Morgan's East and Plains' Albuquerque pipelines, thereby gaining access to the southwest markets.

During the Debtors' ownership, the Pipeline was being operated by Magellan as a transit-time system with a throughput capacity of 72,000 bpd.

C. The Purpose of the Plan

After careful review of their current business operations and various liquidation and recovery scenarios and implementing a range of aggressive restructuring actions, including shutting down and selling non-performing businesses and downsizing continuing operations, the Debtors have concluded that the recovery for Holders of Allowed Claims and Equity Interests will be maximized by effectuating the Pilot Transaction and continuing the operations of certain of the Debtors as a going concern pursuant to the restructuring described in the Plan. The Debtors believe that their business and assets have significant value that would not be realized in a liquidation scenario, either in whole or in substantial part.

In general, under the Plan, the Debtors will distribute Cash and Flying J Notes as further described in the Plan on a pro rata basis to Holders of Allowed Unsecured Claims³ until such Claims have been paid in full in accordance with the terms of the Plan. In general, any value remaining after all Holders of Allowed Claims have been paid in full will be distributed on a pro rata basis to Holders of Allowed Equity Interests in accordance with the Plan.

The Debtors believe that the Plan provides the best recoveries possible for Holders of Allowed Claims and Equity Interests and strongly recommend that, if such Holders are entitled to vote, they vote to accept the Plan. The Debtors believe that any alternative to Confirmation, such as liquidation or attempts by another Entity to File a plan of reorganization, could result in significant delays, litigation, and additional costs.

³ This may include Flying J Notes/prepayment plans with certain states regarding their prepetition tax amounts.

Additional documents included or to be included in the Plan Supplement are described in the Disclosure Statement; however these summaries are not a substitute for a complete understanding of the underlying documents. Please review the full text of all such documents in the Plan Supplement.

The Plan represents the culmination of extensive arms-length negotiations by and between, *inter alia*, the Debtors, the Creditors' Committee and Pilot. A copy of the Plan is attached hereto as Exhibit A and incorporated herein by reference.

IN THE EVENT VOTERS DO NOT ACCEPT THIS CHAPTER 11 PLAN OF REORGANIZATION, THESE CHAPTER 11 CASES MAY BE CONVERTED TO CASES UNDER CHAPTER 7 OF THE BANKRUPTCY CODE OR OTHER PLAN(S) MAY BE PROPOSED AND THE RECOVERIES TO PARTIES HOLDING GENERAL UNSECURED CLAIMS MAY BE SUBSTANTIALLY DIMINISHED.

D. Classification and Treatment of Claims and Equity Interests in the Debtors

THE FOLLOWING CHARTS SUMMARIZE THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS AND THE POTENTIAL DISTRIBUTIONS UNDER THE PLAN FOR DEBTORS FLYING J, BWO, BWOC, BWT AND LONGHORN. THE AMOUNTS SET FORTH BELOW ARE ESTIMATES ONLY. REFERENCE SHOULD BE MADE TO THE ENTIRE DISCLOSURE STATEMENT AND THE PLAN FOR A COMPLETE DESCRIPTION OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS. THE RECOVERIES SET FORTH BELOW ARE PROJECTED RECOVERIES AND, THEREFORE, ARE SUBJECT TO CHANGE. THE ALLOWANCE OF CLAIMS MAY BE SUBJECT TO LITIGATION OR OTHER ADJUSTMENTS, AND ACTUAL ALLOWED CLAIM AMOUNTS MAY DIFFER MATERIALLY FROM THESE ESTIMATED AMOUNTS.

| SUMMARY OF EXPECTED RECOVERIES FROM DEBTOR FLYING J | | | |
|--|-------------------------|--|--------------------------------------|
| Class/Type of Claim or Equity Interest | Projected Claims | Plan Treatment of Class | Projected Recovery Under Plan |
| Flying J Administrative Claims | \$175,600,000.00 | Each Holder of an Allowed Administrative Claim against Flying J will receive, in full satisfaction of its Administrative Claim, Cash equal to the Allowed amount of such Administrative Claim; <i>provided, however,</i> that Administrative Claims do not include Intercompany 503(b)(9) Claims, 503(b)(9) Claims asserted after the 503(b)(9) Bar Date or Administrative Claims Filed after the Administrative Bar Date. | 100% |
| Pilot DIP Facility Claim | \$0 | Holders of Allowed Pilot DIP Facility Claims against Flying J will receive, in full satisfaction of such Pilot DIP Facility Claims, Cash equal to the Allowed amount of such Pilot DIP Facility Claim. | 100% |
| Flying J Priority Tax Claims | \$25,000,000.00 | Holders of Allowed Priority Tax Claims against Flying J will receive the full unpaid amount of such Allowed Priority Tax Claim in Cash paid in accordance with section 1129(a)(9)(c) of the Bankruptcy Code, or such other treatment agreed to by the Debtors and such Holders. | 100% |
| Flying J Other Priority Claims | \$0 | Holders of Allowed Other Priority Claims shall receive, in full and final satisfaction of such Claims, one of the following treatments, in the sole discretion of the Reorganized Debtors, as applicable: (i) full payment in Cash of its Allowed Other Priority Claim; or (ii) treatment of its Allowed Other Priority Claim in a manner that leaves such Claim Unimpaired. | 100% |

SUMMARY OF EXPECTED RECOVERIES FROM DEBTOR FLYING J

| Class/Type of Claim or Equity Interest | Projected Claims | Plan Treatment of Class | Projected Recovery Under Plan |
|---|-------------------------|--|--------------------------------------|
| Class 1A - Flying J Other Secured Claims | \$0 | Holders of Other Secured Claims against Flying J shall receive the following treatment, at the option of Flying J: (a) the Debtors or Reorganized Debtors shall pay such Allowed Other Secured Claim in full in Cash; (b) delivery of collateral securing any such claim and payment of any interest required under section 506(b) of the Bankruptcy Code; or (c) other treatment rendering such claim unimpaired. | 100% |
| Class 1B - Flying J General Unsecured Claims | \$206,700,000.00 | Holders of Allowed General Unsecured Claims against Flying J shall receive a pro rata share of: (i) "Distributable Cash" of at least [__]% of such Allowed Claims and (ii) Flying J Notes for the remainder of such Allowed Claims. | 100% |
| Class 1C - Flying J-BWO Intercompany Claims | \$116,900,000.00 | On the Effective Date, Flying J shall, in its sole discretion and in accordance with and in order to effectuate the terms of the Plan, satisfy, in full or in part, reinstate or cancel intercompany claims between Flying J and BWO. | [__ %] |
| Class 1D - Flying J-TCH Intercompany Claims | \$23,800,000.00 | All TCH Intercompany Claims shall be treated in accordance with the TCH Settlement Agreement. | As specified |
| Class 1E - Other Flying J Intercompany Claims | \$115,000,000.00 | On the Effective Date, Flying J shall, in its sole discretion and in accordance with and in order to effectuate the terms of the Plan, satisfy, in full or in part, reinstate or cancel intercompany claims between and among Flying J and its affiliates. | [__ %] |
| Class 1F - Flying J Equity Interests | N/A | Each Holder of a Flying J Equity Interest shall retain its Equity Interest in Flying J. | 100% |
| Class 1G - 510(b) Claims Related to Flying J Common Stock | N/A | Each Holder of a 510(b) Claim shall [_____]. | 100% |
| Class 1H - Flying J ESOP Equity Interests | N/A | Each Holder of a Flying J ESOP Equity Interest shall retain its ESOP Equity Interest in Flying J. | [__ %] |
| Class 1I - Flying J Convenience Claims | [\$TBD] | Holders of Convenience Claims against Flying J shall receive full payment in Cash of their Convenience Claims. | 100% |

SUMMARY OF EXPECTED RECOVERIES FROM DEBTOR BWO

| Class/Type of Claim or Equity Interest | Projected Claims | Plan Treatment of Class | Projected Recovery Under Plan |
|---|-------------------------|---|--------------------------------------|
| BWO Administrative Claims | \$32,100,000.00 | Each Holder of an Allowed Administrative Claim against BWO will receive, in full satisfaction of its Administrative Claim, Cash equal to the Allowed amount of such Administrative Claim; <i>provided, however,</i> that Administrative Claims do not include Intercompany 503(b)(9) Claims, 503(b)(9) Claims asserted after the 503(b)(9) Bar Date or Administrative Claims Filed after the Administrative Bar Date. | 100% |

SUMMARY OF EXPECTED RECOVERIES FROM DEBTOR BWO

| Class/Type of Claim or Equity Interest | Projected Claims | Plan Treatment of Class | Projected Recovery Under Plan |
|---|-------------------------|---|--------------------------------------|
| BWO Priority Tax Claims | \$11,400,000.00 | Holders of Allowed Priority Tax Claims against BWO will receive the full unpaid amount of such Allowed Priority Tax Claim in Cash paid in accordance with section 1129(a)(9)(c) of the Bankruptcy Code, or such other treatment agreed to by the Debtors and such Holders. | 100% |
| BWO Other Priority Claims | \$0 | Holders of Allowed Other Priority Claims against BWO shall receive, in full and final satisfaction of such Claims, one of the following treatments, in the sole discretion of the Debtors or the Reorganized Debtors, as applicable: (i) full payment in Cash of its Allowed Other Priority Claim; or (ii) treatment of its Allowed Other Priority Claim in a manner that leaves such Claim Unimpaired. | 100% |
| Class 2A - BWO Prepetition Credit Facility Claims | \$444,300,000.00 | Holders of Prepetition Credit Facility Claims against BWO shall receive full payment in Cash of their Allowed Prepetition Credit Facility Claim. | 100% |
| Class 2B- BWO Other Secured Claims | \$0 | Holders of Other Secured Claims against BWO shall receive the following treatment, at the option of BWO: (i) the Debtors or Reorganized Debtors shall pay such Allowed Other Secured Claim in full in Cash; (ii) delivery of collateral securing any such claim and payment of any interest required under section 506(b) of the Bankruptcy Code; or (iii) other treatment rendering such claim unimpaired. | 100% |
| Class 2C- BWO General Unsecured Claims | \$107,400,000.00 | Holders of Allowed General Unsecured Claims against BWO shall receive a pro rata share of: (i) "Distributable Cash" of at least [__]% of such Allowed Claims and (ii) Flying J Notes for the remainder of such Allowed Claims. | 100% |
| Class 2D- BWO Intercompany Claims | \$2,900,000.00 | On the Effective Date, BWO shall, in its sole discretion and in accordance with and in order to effectuate the terms of the Plan, satisfy, in full or in part, reinstate or cancel intercompany claims between and among BWO and its affiliates. | [__%] |
| Class 2E - BWO Equity Interests | N/A | All Equity Interests in reorganized BWO shall be held by reorganized Flying J. | 100% |
| Class 2F - BWO Convenience Claims | [\$TBD] | Holders of Convenience Claims against BWO shall receive full payment in Cash of their Convenience Claims. | 100% |

SUMMARY OF EXPECTED RECOVERIES FROM DEBTOR BWOC

| Class/Type of Claim or Equity Interest | Projected Claims | Plan Treatment of Class | Projected Recovery Under Plan |
|---|-------------------------|--|--------------------------------------|
| BWOC Administrative Claims | \$75,000,000.00 | Each Holder of an Allowed Administrative Claim against BWOC will receive, in full satisfaction of its Administrative Claim, Cash equal to the Allowed amount of such Administrative Claim; <i>provided</i> , | 100% |

SUMMARY OF EXPECTED RECOVERIES FROM DEBTOR BWOC

| Class/Type of Claim or Equity Interest | Projected Claims | Plan Treatment of Class | Projected Recovery Under Plan |
|---|-------------------------|--|--------------------------------------|
| | | <i>however</i> , that Administrative Claims do not include Intercompany 503(b)(9) Claims, 503(b)(9) Claims asserted after the 503(b)(9) Bar Date or Administrative Claims Filed after the Administrative Bar Date. | |
| BWOC Priority Tax Claims | \$21,200,000.00 | Holders of Allowed Priority Tax Claims against BWOC will receive the full unpaid amount of such Allowed Priority Tax Claim in Cash paid in accordance with section 1129(a)(9)(c) of the Bankruptcy Code, or such other treatment agreed to by the Debtors and such Holders. | 100% |
| BWOC Other Priority Claims | \$0 | Holders of Allowed Other Priority Claims against BWOC shall receive, in full and final satisfaction of such Claims, one of the following treatments, in the sole discretion of the Debtors or the Reorganized Debtors, as applicable: (i) full payment in cash of their Allowed Other Priority Claim; or (ii) treatment of its Allowed Other Priority Claim in a manner that leaves such Claim Unimpaired. | 100% |
| Class 3A- BWOC Prepetition Credit Facility Claims | \$444,300,000.00 | Holders of Prepetition Credit Facility Claims against BWOC shall receive full payment in Cash of their Allowed Prepetition Credit Facility Claim as part of their Class 2A distributions. | 100% |
| Class 3B- BWOC Other Secured Claims | \$0 | Holders of Other Secured Claims against BWOC shall receive the following treatment, at the option of BWOC: (i) the Debtors or Reorganized Debtors shall pay such Allowed Other Secured Claim in full in Cash; (ii) delivery of collateral securing any such claim and payment of any interest required under section 506(b) of the Bankruptcy Code; or (iii) other treatment that leaves such Claim unimpaired. | 100% |
| Class 3C- BWOC General Unsecured Claims | \$81,800,000.00 | Holders of Allowed General Unsecured Claims against BWOC shall receive a pro rata share of: (i) "Distributable Cash" of at least [__]% of such Allowed Claims and (ii) Flying J Notes for the remainder of such Allowed Claims. | 100% |
| Class 3D- BWOC Intercompany Claims | \$55,000,000.00 | On the Effective Date, BWOC shall, in its sole discretion and in accordance with and in order to effectuate the terms of the Plan, satisfy, in full or in part, reinstate or cancel intercompany claims between and among BWOC and its affiliates. | [__%] |
| Class 3E - BWOC Equity Interests | N/A | Holders of BWOC Equity Interests shall receive no distributions. On the Effective Date, certificates evidencing Equity Interests in BWOC shall be cancelled. On the Effective Date, a liquidating trust owned by reorganized Flying J shall be established for the purpose of (a) administering and liquidating any remaining assets of BWOC after the Refinery Sale, with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of such liquidating trust, (b) resolving all disputed Claims, (c) pursuing causes of action, and (d) making all distributions to the beneficiary provided for under the Plan. BWO will hold all the beneficial | N/A |

SUMMARY OF EXPECTED RECOVERIES FROM DEBTOR BWOC

| Class/Type of Claim or Equity Interest | Projected Claims | Plan Treatment of Class | Projected Recovery Under Plan |
|---|-------------------------|--|--------------------------------------|
| | | interests in the liquidating trust and will act as administrator of the liquidating trust. | |
| 3F - BWOC Convenience Claims | [\$TBD] | Holders of Convenience Claims against BWOC shall receive full payment in Cash of their Convenience Claims. | 100% |

SUMMARY OF EXPECTED RECOVERIES FROM DEBTOR BWT

| Class/Type of Claim or Equity Interest | Projected Claims | Plan Treatment of Class | Projected Recovery Under Plan |
|--|-------------------------|--|--------------------------------------|
| Class 4A- BWT Prepetition Credit Facility Claims | \$0 | Holders of Prepetition Credit Facility Claims against BWT shall receive full payment in Cash of their Allowed Prepetition Credit Facility Claim as part of their Class 2A distributions. | 100% |
| Class 4B - BWT Equity Interests | N/A | All Equity Interests in reorganized BWT shall be held by reorganized BWO. | 100% |

SUMMARY OF EXPECTED RECOVERIES FROM DEBTOR LONGHORN

| Class/Type of Claim or Equity Interest | Projected Claims | Plan Treatment of Class | Projected Recovery Under Plan |
|---|-------------------------|--|--------------------------------------|
| Longhorn Administrative Claims | \$3,600,000.00 | Each Holder of an Allowed Administrative Claim against Longhorn will receive, in full satisfaction of its Administrative Claim, Cash equal to the Allowed amount of such Administrative Claim; <i>provided, however,</i> that Administrative Claims do not include Intercompany 503(b)(9) Claims, 503(b)(9) Claims asserted after the 503(b)(9) Bar Date or Administrative Claims Filed after the Administrative Bar Date. | 100% |
| Longhorn Priority Tax Claims | \$100,000.00 | Holders of Allowed Priority Tax Claims against Longhorn will receive the full unpaid amount of such Allowed Priority Tax Claim in Cash paid in accordance with section 1129(a)(9)(c) of the Bankruptcy Code, or such other treatment agreed to by the Debtors and such Holders. | 100% |
| Longhorn Other Priority Claims | \$0 | Holders of Allowed Other Priority Claims against Longhorn shall receive, in full and final satisfaction of such Claims, one of the following treatments, in the sole discretion of the Debtors or the Reorganized Debtors, as applicable: (i) full payment in Cash of their Allowed Other Priority Claim; or (ii) treatment of its Allowed Other Priority Claim in a manner that leaves such Claim Unimpaired. | 100% |
| Class 5A- Longhorn Other Secured Claims | \$3,000,000.00 | Holders of Other Secured Claims against Longhorn shall receive the following treatment, at the option of Longhorn: (a) the Debtors or Reorganized Debtors shall pay such Allowed Other Secured Claim in full in Cash; (b) delivery of collateral securing any such claim and payment of any interest required under section 506(b) of | 100% |

SUMMARY OF EXPECTED RECOVERIES FROM DEBTOR LONGHORN

| Class/Type of Claim or Equity Interest | Projected Claims | Plan Treatment of Class | Projected Recovery Under Plan |
|---|-------------------------|--|--------------------------------------|
| | | the Bankruptcy Code; or (c) other treatment rendering such claim unimpaired. | |
| Class 5B- Longhorn General Unsecured Claims | \$35,100,000.00 | Holders of General Unsecured Claims against Longhorn shall receive a pro rata share of: (i) "Distributable Cash" of at least [__]% of such Allowed Claims and (ii) Flying J Notes for the remainder of such Allowed Claims. | 100% |
| Class 5C- Longhorn Intercompany Claims | \$17,800,000.00 | On the Effective Date, Longhorn shall, in its sole discretion and in accordance with and in order to effectuate the terms of the Plan, satisfy, in full or in part, reinstate or cancel intercompany claims between and among Longhorn and its affiliates. | [__%] |
| Class 5D - Longhorn Equity Interests | N/A | All Equity Interests in reorganized Longhorn shall be held by reorganized Flying J. | 100% |
| Class 5E - Longhorn Convenience Claims | [\$TBD] | Holders of Convenience Claims against Longhorn shall receive full payment in Cash of their Convenience Claims. | 100% |

The proportion of Flying J Notes and Cash received under the Plan by the Debtors' creditors will be dependent upon a variety of factors including the ultimate amount of Allowed Claims and the ultimate value of certain asset sales. Accordingly, the proportion of Flying J Notes and Cash available for Distribution to, among others, Holders of Allowed General Unsecured Claims and Allowed Equity Interests may differ significantly from these estimates, which difference may include a material reduction in the Cash distribution to the holders such Claims.

E. Entities Entitled to Vote on the Plan

Under the provisions of the Bankruptcy Code, not all holders of claims against and equity interests in a debtor are entitled to vote on a chapter 11 plan. Holders of Claims that are not Impaired by the Plan are deemed to accept the Plan under section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote on the Plan. Holders of Claims and Equity Interests that are impaired by the Plan and receive no distributions under the Plan are not entitled to vote because they are deemed to have rejected the Plan under section 1126(g) of the Bankruptcy Code.

The Classes of Claims and Equity Interests are classified for all purposes, including voting, Confirmation and Distribution pursuant to the Plan and sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or an Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of the Claim or Equity Interest qualifies within the description of a different Class.

SUMMARY OF STATUS AND VOTING RIGHTS IN FLYING J ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|-----------------------------------|---------------|----------------------|
| 1A | Flying J Other Secured Claims | Unimpaired | Deemed to Accept |
| 1B | Flying J General Unsecured Claims | Impaired | Entitled to Vote |
| 1C | Flying J-BWO Intercompany Claims | Impaired | Entitled to Vote |

SUMMARY OF STATUS AND VOTING RIGHTS IN FLYING J ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|--|---------------|----------------------|
| 1D | Flying J-TCH Intercompany Claims | Impaired | Entitled to Vote |
| 1E | Other Flying J Intercompany Claims | Impaired | Entitled to Vote |
| 1F | Flying J Equity Interests | Unimpaired | Deemed to Accept |
| 1G | 510(b) Claims Related to Flying J Common Stock | Unimpaired | Deemed to Accept |
| 1H | Flying J ESOP Equity Interests | Unimpaired | Deemed to Accept |
| 1I | Flying J Convenience Claims | Unimpaired | Deemed to Accept |

SUMMARY OF STATUS AND VOTING RIGHTS IN BWO ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|--|---------------|----------------------|
| 2A | BWO Prepetition Credit Facility Claims | Unimpaired | Deemed to Accept |
| 2B | BWO Other Secured Claims | Unimpaired | Deemed to Accept |
| 2C | BWO General Unsecured Claims | Impaired | Entitled to Vote |
| 2D | BWO Intercompany Claims | Impaired | Entitled to Vote |
| 2E | BWO Equity Interests | Unimpaired | Deemed to Accept |
| 2F | BWO Convenience Claims | Unimpaired | Deemed to Accept |

SUMMARY OF STATUS AND VOTING RIGHTS IN BWOC ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|---|---------------|----------------------|
| 3A | BWOC Prepetition Credit Facility Claims | Unimpaired | Deemed to Accept |
| 3B | BWOC Other Secured Claims | Unimpaired | Deemed to Accept |
| 3C | BWOC General Unsecured Claims | Impaired | Entitled to Vote |
| 3D | BWOC Intercompany Claims | Impaired | Entitled to Vote |
| 3E | BWOC Equity Interests | Impaired | Entitled to Vote |
| 3F | BWOC Convenience Claims | Unimpaired | Deemed to Accept |

SUMMARY OF STATUS AND VOTING RIGHTS IN BWT ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|--|---------------|----------------------|
| 4A | BWT Prepetition Credit Facility Claims | Unimpaired | Deemed to Accept |
| 4B | BWT Equity Interests | Unimpaired | Deemed to Accept |

SUMMARY OF STATUS AND VOTING RIGHTS IN LONGHORN ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|---------------------------------|---------------|----------------------|
| 5A | Longhorn Other Secured Claims | Unimpaired | Deemed to Accept |
| 5B | Longhorn General Unsecured | Impaired | Entitled to Vote |

SUMMARY OF STATUS AND VOTING RIGHTS IN LONGHORN ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|-------|------------------------------|------------|------------------|
| | Claims | | |
| 5C | Longhorn Intercompany Claims | Impaired | Entitled to Vote |
| 5D | Longhorn Equity Interests | Unimpaired | Deemed to Accept |
| 5E | Longhorn Convenience Claims | Unimpaired | Deemed to Accept |

The following sets forth the Classes that are entitled to vote on the Plan and the Classes that are not entitled to vote on the Plan:

- The Debtors **ARE** soliciting votes to accept or reject the Plan from holders of Claims in Classes 1B, 1C, 1D, 1E, 2C, 2D, 3C, 3D, 3E, 5B and 5C, because Allowed Claims in the Voting Classes are Impaired under the Plan and will receive Distributions under the Plan. Accordingly, Holders of Allowed Claims in the Voting Classes have the right to vote to accept or reject the Plan.
- The Debtors are **NOT** seeking votes from the Holders of Claims in Classes 1A, 1F, 1G, 1H, 1I, 2A, 2B, 2E, 2F, 3A, 3B, 3F, 4A, 4B, 5A, 5D and 5E, because those Classes, and the Claims of any Holders in those Classes, are either Unimpaired under the Plan or are otherwise deemed to accept the Plan.

For a detailed description of the Classes of Claims and the Classes of Equity Interests, as well as their respective treatment under the Plan, see Article III of the Plan.

F. Solicitation Process

Through the Voting and Claims Agent, the Debtors intend to distribute the Solicitation Packages no less than 28 calendar days before the Voting Deadline. The Debtors submit that distribution of the Solicitation Packages at least 28 calendar days prior to the Voting Deadline will provide the requisite materials to Holders of Claims entitled to vote on the Plan in compliance with Bankruptcy Rules 3017(d) and 2002(b). The Debtors will make every reasonable effort to ensure that Holders who have more than one Allowed Claim in a single voting Class receive no more than one Solicitation Package.

The Solicitation Package will be distributed to Holders of Claims in Voting Classes as of the Voting Record Date and in accordance with the Solicitation Procedures. The Solicitation Procedures are annexed as Exhibit 1 to the Disclosure Statement Order. The Solicitation Package (except the Ballots) may also be obtained: (a) from the Debtors' Voting and Claims Agent (i) at the Voting and Claims Agent's website at <http://chapter11.epiqsystems.com/flyingj>, (ii) by writing (sent via first class mail) to Flying J Inc. Claims Processing Center, c/o Epiq Bankruptcy Solutions, LLC, FDR Station, P.O. Box 5082, New York, New York, 10150-5082, or (iii) by calling (646) 282-2500; or (b) for a fee via PACER at <http://www.deb.uscourts.gov/>.

The notice parties as of the Voting Record Date, the Internal Revenue Service and the Securities and Exchange Commission will be served with the Disclosure Statement Order, the Disclosure Statement and all exhibits to the Disclosure Statement, including the Plan. Any Entity that desires additional copies of these documents may obtain copies (a) from the Debtors' Voting and Claims Agent (i) at the Claims Agent's website at <http://chapter11.epiqsystems.com/flyingj>, (ii) by writing (sent via first class mail) to Flying J Inc. Claims Processing Center, c/o Epiq Bankruptcy Solutions, LLC, FDR Station, P.O. Box 5082, New York, New York, 10150-5082, or (iii) by calling (646) 282-2500; or (b) for a fee via PACER at <http://www.deb.uscourts.gov/>.

Following the Disclosure Statement Hearing, the Debtors will publish the Solicitation Notice, which will contain the Plan Objection Deadline (as set forth below in Article I.I), the Voting Deadline and the date that the

Confirmation Hearing is first scheduled, in the National Edition of *The Wall Street Journal*, *USA Today*, the *Salt Lake City Tribune* and the *Bakersfield Californian* on a date no later than 15 days prior to the Voting Deadline to provide notice to those Entities that may not receive notice by mail.

The Plan Supplements will be Filed by the Debtors no later than **[five]** days before the Voting Deadline or such later date as may be approved by the Bankruptcy Court on notice to parties in interest. When Filed, the Plan Supplements will be made available at <http://chapter11.epiqsystems.com/flyingj>. The Debtors will not serve paper copies of the Plan Supplements. However, parties also may obtain a copy of the Plan Supplements (a) from the Debtors' Voting and Claims Agent (i) at the Claim Agent's website, <http://chapter11.epiqsystems.com/flyingj>, (ii) by writing (sent via first class mail) to Flying J Inc. Claims Processing Center, c/o Epiq Bankruptcy Solutions, LLC, FDR Station, P.O. Box 5082, New York, New York, 10150-5082, or (iii) by calling (646) 282-2500; or (b) for a fee via PACER at <http://www.deb.uscourts.gov/>.

G. Liquidation Analyses

To assist the Bankruptcy Court in making the findings required for Confirmation of the Plan and to assist Holders of Claims and Equity Interests in determining whether to accept or reject the Plan, the Debtors' management together with Zolfo Cooper, the Debtors' restructuring consultants, prepared Liquidation Analyses for each of the Debtors, attached hereto as Exhibit B, Exhibit C, Exhibit D, Exhibit E and Exhibit F.

The Liquidation Analyses describe the proceeds to be realized under the Plan as currently proposed and the distributions that would be realized by Holders of Claims and Equity Interests if the related Chapter 11 Case was converted to a case under chapter 7 of the Bankruptcy Code. Each analysis is based upon the value of the applicable Debtor's assets and liabilities as of a date certain and incorporates estimates and assumptions developed by the Debtors and their advisors, including a hypothetical conversion to a chapter 7 liquidation as of a date certain, that are potentially subject to material changes with respect to economic and business conditions and legal rulings. As a result, the actual recoveries realized under the Plan or the proceeds realized from a liquidation after conversion to a chapter 7 liquidation may vary materially from the estimates provided therein.

The Debtors believe that the Plan will produce a greater recovery for Holders of Allowed Claims than would be achieved in a chapter 7 liquidation because, among other things, (i) the destruction of going concern value in a chapter 7 liquidation, (ii) proceeds available for distribution in a liquidation under chapter 7 would not include the administrative and postpetition claims generated by a conversion to a chapter 7, and (iii) the administrative costs of a chapter 7 liquidation and associated delays will not be incurred under the Plan and likely would diminish the assets available for distribution to Holders of Allowed Claims.

H. Voting Procedures

The Voting Record Date is [_____], 2010. The Voting Record Date is the date on which the following will be determined: (a) the Holders of Claims that are entitled to receive the Solicitation Package in accordance with the Solicitation Procedures; (b) the Holders of Claims that are entitled to vote to accept or reject the Plan; and (c) whether Claims have been properly assigned or transferred to an assignee pursuant to Bankruptcy Rule 3001(e) such that the assignee can vote as the Holder of a Claim.

The Voting Deadline is [:] [a./p.m. prevailing Eastern Time on [_____], 2010. To ensure that a vote is counted, Holders of Allowed Claims must: (a) complete the Ballot; (b) indicate a decision either to accept or reject the Plan; and (c) sign and return the Ballot to the address set forth on the enclosed pre-addressed envelope provided in the Solicitation Package or by delivery by first-class mail, overnight courier or personal delivery, so that all Ballots are **actually received** by the Voting and Claims Agent no later than the Voting Deadline.

ANY BALLOT THAT IS PROPERLY EXECUTED BY THE HOLDER OF A CLAIM, BUT THAT DOES NOT CLEARLY INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN OR INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED.

EACH HOLDER OF A CLAIM MUST VOTE ALL OF ITS CLAIMS WITHIN A PARTICULAR CLASS EITHER TO ACCEPT OR REJECT THE PLAN AND MAY NOT SPLIT SUCH VOTES. BY SIGNING AND RETURNING A BALLOT, EACH HOLDER OF A CLAIM WILL CERTIFY TO THE BANKRUPTCY COURT AND THE DEBTORS THAT NO OTHER BALLOTS WITH RESPECT TO SUCH CLAIM HAVE BEEN CAST OR, IF ANY OTHER BALLOTS HAVE BEEN CAST WITH RESPECT TO SUCH CLASS OF CLAIMS, SUCH OTHER BALLOTS INDICATED THE SAME VOTE TO ACCEPT OR REJECT THE PLAN.

| BALLOTS | |
|--|---|
| Ballots must be actually received by the Voting and Claims Agent by the Voting Deadline as follows: | |
| <p style="text-align: center;">If sent by the envelope provided or otherwise by <u>First Class Mail</u>:</p> <p style="text-align: center;">Flying J Inc. Claims Processing Center c/o Epiq Bankruptcy Solutions LLC FDR Station, P.O. Box 5082 New York, New York 10150-5082</p> | <p style="text-align: center;">If sent by <u>Overnight Courier</u> or <u>Personal Delivery</u>:</p> <p style="text-align: center;">Flying J Inc. Claims Processing Center c/o Epiq Bankruptcy Solutions LLC 757 Third Avenue, 3rd Floor New York, New York 10017</p> |
| <p>If you have any questions on the procedures for voting on the Plan, please call the Voting and Claims Agent at the following telephone number:</p> <p style="font-weight: bold;">(646) 282-2500</p> | |

IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT WILL NOT BE COUNTED UNLESS THE DEBTORS IN THEIR SOLE DISCRETION DETERMINE OTHERWISE.

Prior to deciding whether and how to vote on the Plan, each Holder in a Voting Class should consider carefully all of the information in this Disclosure Statement, especially the Risk Factors described herein.

I. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that a party in interest may object to Confirmation of the Plan.

The Confirmation Hearing will commence on [_____], 2010 at [10:00] [a.m.] prevailing Eastern time, before the Honorable Mary F. Walrath, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, at the United States Bankruptcy Court, 824 Market Street, 5th Floor, Courtroom 4, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

The Plan Objection Deadline is [:] [a./p.]m. prevailing Eastern Time on [_____], 2010. All Plan Objections must be Filed with the Bankruptcy Court and served on the Debtors and certain other parties in accordance with the Disclosure Statement Order on or before the Plan Objection Deadline. In accordance with the Confirmation Hearing Notice Filed with the Bankruptcy Court, Plan Objections or requests for modifications to the Plan, if any, must:

- be in writing;
- conform to the Bankruptcy Rules and the Local Bankruptcy Rules;

- state the name and address of the objecting Entity and the amount and nature of the Claim or Equity Interest of such Entity;
- state with particularity the basis and nature of the Plan Objection and, if practicable, a proposed modification to the Plan that would resolve such Plan Objection; and
- be Filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is **actually received** by the notice parties identified in the Confirmation Hearing Notice on or prior to the Voting Deadline.

THE BANKRUPTCY COURT WILL NOT CONSIDER PLAN OBJECTIONS UNLESS THEY ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE PROCEDURES SET FORTH IN THE DISCLOSURE STATEMENT ORDER.

II. BACKGROUND TO THESE CHAPTER 11 CASES

A. The Businesses of Flying J and its Affiliated Entities

1. Summary

Flying J was established as a small petroleum marketing company in 1968 with four retail gasoline stations. It is the parent and ultimate holding company of the Flying J Group. The Flying J Group has since grown to become one of the largest retail distributors of diesel fuel in North America. The most fundamental and valuable asset of the Flying J Group's core retail business is the Flying J Group's network of approximately 250 travel plazas and retail outlets across North America. Every travel plaza operates under the Flying J brand, and Flying J has operating control and management responsibility for its entire network.

The Flying J Group's customers include the trucking industry, RVs (recreational vehicles), travelers and local consumers. Its retail operations generate over 1,900 transactions per day per location network wide. In general, each of the Flying J Group's retail locations have average customer counts (based on foot traffic per day) of 266 for diesel, 611 for gasoline, 1,657 for C-Stores, and 363 for restaurants.

The operations of the Flying J Group can be divided into eight main segments including (i) Highway Hospitality, (ii) Canadian Retail Operations, (iii) Refining, (iv) Financial and Communications Services, (v) Fuel Card Processing, (vi) Exploration and Production, (vii) Pipeline Operations, and (viii) Administration, Real Estate & Other, each as further described below:

- **Highway Hospitality:** This division consists of a nationwide network of 192 travel plazas (including 29 franchise, associate, and dealer locations but excluding all Canadian locations) that serve trucking fleets, independent truck drivers, and general motorists. It also contains (i) a liquid wholesale supply group which buys and sells finished petroleum products for the Flying J Group travel plazas and outside fuel retailers, (ii) as of December 1, 2009, a fleet of approximately 564 tanker and refinery supply trucks which transport gasoline and diesel products to the Flying J Group travel plazas, (iii) a network of 16 J-Care service center locations (including (A) nine locations leased to and operated by Bosselman, (B) six locations subleased to and operated by Bosselman and (C) one franchise service center) that provide various 18-wheel services including washes, lube jobs, and basic car repair and maintenance, (iv) four motel properties, (v) CFJ, a 50/50 joint venture between Flying J and Conoco and (vi) TON Services, Inc. (also known as Flying J Communications), a company that provides technology solutions to the transportation industry including: internet services; imaging services; digital advertising; faxes; copying; phone cards; phone/paging; other telecommunication services. The Highway Hospitality division also receives franchise royalties, point-of-sale license fees, and revenues from gaming and saloon

operations. This division generated \$14.7 billion in revenues during the twelve months ended January 31, 2009.

- **Canadian Retail Operations:** SFJ is a 50/50 joint venture between Flying J Canada and Shell Canada. Flying J Canada and Shell Canada formed SFJ on September 1, 2006 to join Flying J Canada's Canadian Travel Plazas and Shell Canada's national C-Store network and Cardlock network. Flying J Canada and Shell Canada established SFJ to become the leading provider of petroleum products in Canada, in addition to offering competitively-priced products and services in high-quality facilities with operations catering to interstate travelers. SFJ's retail locations currently consist of seven travel plazas, 22 C-Stores, 33 Cardlocks, and six franchised dealers.
- **Refining:** As further discussed below in Article II.C, the Big West Group is in the business of petroleum refining. Debtor BWO owns and operates a refinery in North Salt Lake City, Utah. Debtor BWOC owns a refinery in Bakersfield, California which is currently in a "warm idle" status and is the subject of a proposed sale, as further discussed in Article IV.B. When both refineries are operating, the refineries have the combined capacity to refine approximately 100,000 barrels of crude oil per day. The Big West Group also purchases crude oil in parts of Utah, Wyoming and Colorado. As noted in Article II.C, BWOC has not operated the Bakersfield Refinery since February 2009, and recently entered into an agreement to sell that refinery to the BWO Potential Buyer, a subsidiary of Alon.
- **Financial and Communications Services:** This division consists of TAB, a state chartered FDIC insured industrial loan corporation that offers financial products and services to the transportation industry, including: accounts receivable financing; ATMs; debit and credit cards; truck and equipment financing; deposit products; equipment leasing; and Small Business Administration Loans.
- **Fuel Card Processing:** TCH provides financial and fuel card services through a diverse line of debit card products and services that are centered on the needs of specific groups and niches within the transportation industry. TCH offers several product options which may be customized to meet the specific needs of their trucking company customers. The "TCH card" is now accepted at more than 7,000 locations.

TCH's long-haul carrier products include: (i) the "TCH Fleet Card," which offers a wide variety of purchase controls and limits that can be specific to each driver and can capture a wide variety of information for the carrier; (ii) the "TCH Debit Card," which offers control over where purchases are made and full reporting of the purchases; and (iii) the "TCH Insta-load," which is a special program that links the TCH Fleet Card to an individual driver's personal "Frequent Fueler MoneyCard® MasterCard," a product offered by TAB, which offers the drivers the benefit of universal MasterCard acceptance.

The TCH Express Fuel product offers purchase controls and no carrier fees to local fleets within a personalized local truck stop network (up to a 300-mile radius) within the existing TCH truck stop network. TCH also offers driver convenience products to both long-haul and local drivers including TCH checks and money codes, cardless transaction services, paperless transaction services and other related services.

- **Exploration and Production:** Prior to consummation of the FJOG Sale, FJOG was engaged in the production, exploration and acquisition of oil and natural gas properties in the western United States. FJOG's producing properties and exploration projects were focused in the Uinta Basin of northeast Utah and the Williston Basin of Montana and North Dakota. All of FJOG's former oil production from the Uinta Basin provided feedstock for BWO's refinery in North Salt Lake, Utah.

On an equivalent barrel basis, approximately 61% of FJOG's production and 77% of its reserves were represented by crude oil. As further described in Article IV.E, the Bankruptcy Court authorized the FJOG Sellers to sell substantially all of their assets to El Paso in the FJOG Sale. The FJOG Sale closed on December 29, 2009.

- **Pipeline Operations:** As further discussed below in Article II.B, LPI was formed on August 17, 2006 for the purpose of purchasing the membership interests in LPH. LPH owns Longhorn, which held the Pipeline assets prior to the sale of the Pipeline to Magellan in July 2009.
- **Administration, Real Estate & Other:** This division consists of real estate holdings, other assets and miscellaneous operations that are not included in the other segments. This segment also includes nine retail gas station and convenience stores in Utah and Idaho that are outside of the Flying J Group's travel plaza network.

2. **Flying J Group Employees; Collective Bargaining Agreements and Pension Plans**

As of December 1, 2009, the Debtors employed approximately 12,330 employees. Flying J paid approximately 10,659 employees (86%) on an hourly basis and approximately 1,671 employees (14%) on a salaried basis.

BWO previously entered into the BWO Collective Bargaining Agreement with respect to its Utah refinery employees. The original term of the agreement expired on April 15, 2009. The BWO Collective Bargaining Agreement was renewed and is scheduled to expire on April 15, 2012. The Debtors will assume the BWO Collective Bargaining Agreement pursuant to the Plan, as further described in Article VII.E.4. Further, BWOC previously entered into a collective bargaining agreement with certain of its employees, however, the BWOC collective bargaining agreement expired on January 31, 2009. In the absence of a collective bargaining agreement, bargaining-unit employees actively employed by BWOC are working under an agreement, dated February 17, 2009, and pursuant to economic terms in place when the collective bargaining agreement expired. Alon does not intend to assume any terms of the expired collective bargaining agreement or under the February 17, 2009 agreement in connection with the Proposed BWOC Sale.

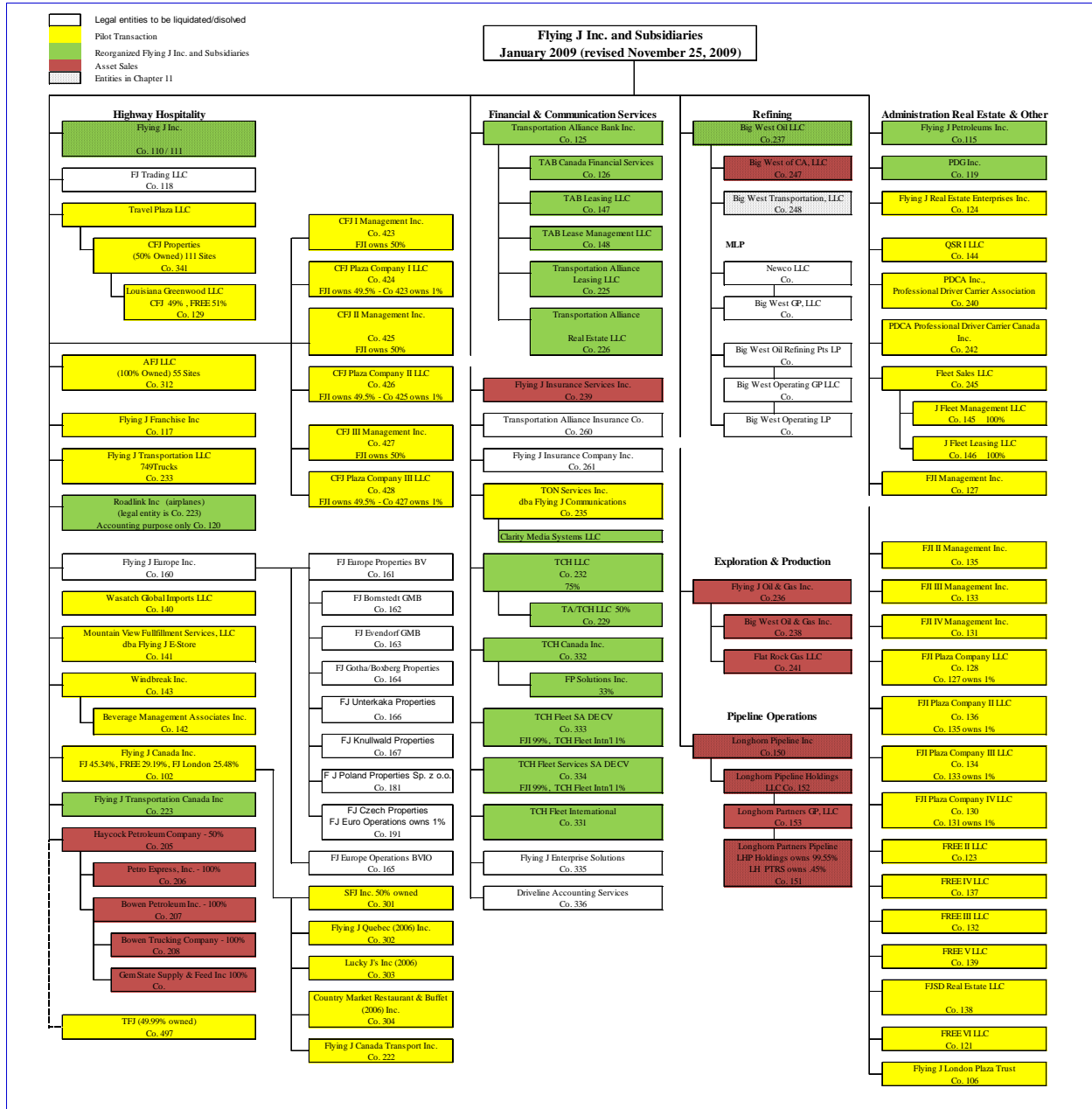
The BWOC Pension Plan is a non-contributory defined benefit pension plan maintained by BWOC for bargaining unit hourly employees employed at the Bakersfield, California refinery. The BWOC Pension Plan was established effective March 26, 2005. Normal retirement is age 65, and participants are eligible for an unreduced early retirement benefit upon attaining age 60 if the sum of their age and service equals at least eighty. There are approximately 140 total participants in the BWOC Pension Plan as of January 1, 2010, including active employees, terminated employees with deferred vested benefits and retirees and beneficiaries. The normal retirement benefit is a life annuity or, if married, a 50% joint and survivor annuity. Participants are fully vested in their benefit after five years of service. The BWOC Pension Plan's total target liability as of January 1, 2010 is \$2,550,000 using an effective rate of 6.25% (which includes the cost of the Plan's shutdown benefit), and the asset value as of December 31, 2009, was \$1,630,000. The BWOC Pension Plan has been funded in accordance with the requirements of applicable law, and all minimum required contributions have been made. The BWOC Pension Plan actuary projects that the minimum required funding requirement for the 2010 plan year (assuming a sale of the Bakersfield refinery and termination of all employees) is \$423,671. Alternatively, the actuary has projected that the cost of terminating the BWOC Pension Plan in a standard termination would be approximately \$950,000.

The BWO Pension Plan is a contributory defined benefit pension plan maintained by Flying J for collectively bargained, hourly-paid employees of BWO. The BWO Pension Plan was established effective May 31, 1984. As of January 1, 2010, there were approximately 190 participants in the Plan, including active employees, terminated employees with deferred vested benefits and retirees and beneficiaries. Normal retirement is age 65, and the normal retirement benefit is a single life annuity or, if married, a 50% joint and survivor annuity. Participants are vested in their benefit after five years of service. The projected total target liability as of January 1, 2010, is \$10,655,860, based on an effective interest rate of 6.61%. The value of plan assets as of December 31, 2009, was \$7,880,020. The estimated plan termination liability as of January 1, 2010, is \$14,321,000, based on interest rates

applied by the Pension Benefit Guaranty Corporation. The BWO Pension Plan has been funded in accordance with the requirements of applicable law and all required minimum contributions have been made. The BWO Pension Plan actuary projects that the minimum required funding requirement for the 2010 plan year is \$829,000.

3. Flying J Corporate and Capital Structure

Flying J is a privately-held company founded in 1968 by the Call family, which currently maintains an approximately 85% ownership interest in Flying J (the balance is owned by an employee stock ownership plan). Flying J is the direct or indirect parent of all other members of the Flying J Group. Flying J's corporate structure as of the Petition Date is set forth below:



B. The Business of Longhorn and its Affiliated Entities

1. Summary

LPI and its subsidiaries, Longhorn and LPH, are wholly-owned subsidiaries of Flying J. LPI was formed on August 17, 2006 for the purpose of purchasing the membership interests in LPH. Prior to the Pipeline Sale to Magellan in July 2009, the Longhorn Entities' principal assets consisted of: (1) the Pipeline; (2) a 1,020,000 barrel storage facility and five lane truck rack in El Paso, Texas; and (3) a 150,000 barrel storage facility in Crane, Texas with a 28 mile pipeline from Crane, Texas to Odessa, Texas.

In connection with the acquisition of the Pipeline in August 2006, the Longhorn Entities also purchased the majority of the line fill inventory (i.e., the petroleum product contained within the Pipeline), which was owned by LPI and Flying J and consisted of approximately 1,200,000 barrels of finished petroleum products.

The Pipeline itself, and related assets were owned by Longhorn Partners Pipeline LLC. The Pipeline is a common carrier pipeline and transports refined motor fuel products. Products transported in the Pipeline System originate from Gulf Coast refineries and waterborne imports with distribution to communities in West Texas and the El Paso gateway market as well as to third-party pipelines that distribute product to New Mexico and Arizona.

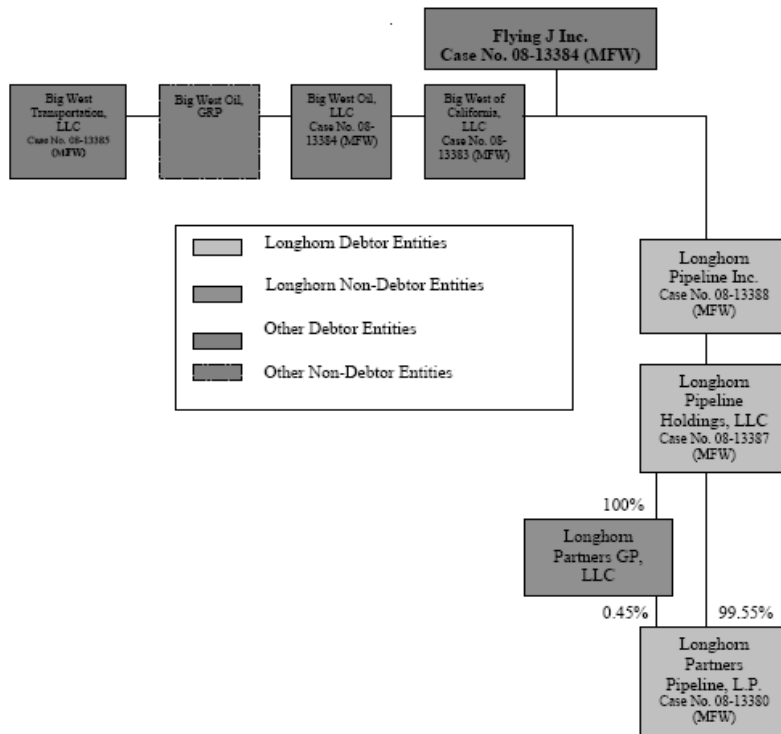
2. Longhorn Corporate and Capital Structure

As noted above, Flying J formed LPI in 2006 for the purpose of acquiring the membership interests in LPH and the Pipeline line fill inventory.

In summary (and as illustrated on the organizational chart below):

- LPI owns 100% of the membership interests of LPH. LPI was also the obligor under an asset-backed revolving credit facility with Merrill Lynch put in place in December 2007 to finance purchase of the line-fill, which enabled Longhorn to enter into certain swap arrangements. Additionally, LPI was a guarantor under a postpetition senior secured revolving credit facility in the amount of \$10 million, with Debtor Flying J as borrower and Merrill Lynch as lender. Both the revolving credit facility and the Merrill Lynch Secured Credit Facility were satisfied in full from the proceeds of the sale of the line-fill to Magellan in July 2009, as part of the Pipeline Sale.
- LPH owns 100% of Longhorn Partners GP, a non-debtor in the Chapter 11 Cases, and a 99.55% interest in Longhorn. LPH was also the obligor under the Seller Note, issued in connection with the purchase of the Pipeline assets in 2006. The Seller Note was satisfied in full from the proceeds of the Pipeline Sale.
- Longhorn Partners GP, LLC owns a .45% interest in Longhorn and, as general partner, currently serves solely as a legal structure entity.
- Longhorn owned and operated the assets of the Longhorn Entities' business and held all associated permits, property, plant and equipment, as well as all leases, easements and other assets. Substantially all operating activities for the Longhorn Entities were reported at the Longhorn entity level.

The chart below demonstrates where the Longhorn Entities are located in the Flying J Group's corporate organizational structure.



C. The Business of the Big West Group and its Affiliated Entities

1. Summary

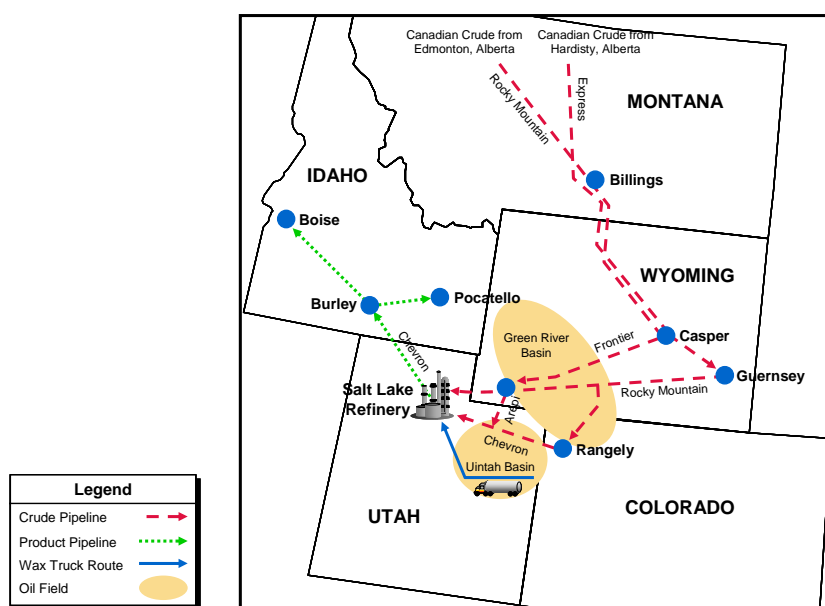
The Big West Group, which consists of Debtors BWO, BWOC and BWT, is in the business of petroleum refining and transportation. Debtors BWO and BWOC own two refineries in North Salt Lake City Utah and Bakersfield, California, respectively, which, when operating, have the combined capacity to refine over 100,000 barrels of crude oil per day.

a. BWO

BWO, a wholly-owned subsidiary of Flying J, is an independent crude oil refiner and wholesale marketer of refined petroleum products in the western United States. BWO owns and operates the NSL Refinery. The NSL Refinery is capable of processing up to 15,000 bpd of locally-sourced wax crude oil, which typically is sold at a discount to traditional sweet crudes such as West Texas Intermediate, as well as an additional 15,000 bpd of other crudes (30,000 bpd of total capacity). BWO produces approximately 92% light transportation fuels such as gasoline and diesel, primarily selling its products in areas such as Utah, Idaho, Nevada and the Rocky Mountain states where it has enjoyed favorable pricing due to geographic and logistical considerations within the region. In addition to the refining processing units, the NSL Refinery has total tank capacity of 1.2 million barrels, a truck loading/unloading terminal and rail loading/unloading facilities. The NSL Refinery is compliant with current sulfur standards for gasoline and diesel and is in the final stages of completing an \$8 million project to comply with new benzene standards for gasoline.

The NSL Refinery was originally constructed in 1948. When Flying J purchased the NSL Refinery from Husky Oil in 1985, the facility’s average daily crude oil throughput was approximately 18,000 bpd. Subsequent investments by Flying J and BWO in a diesel hydrotreater (1993), a millisecond catalytic cracking unit (2002) and a Cycle X reformer (2004), combined with expansions to the crude unit (2004), millisecond catalytic cracking unit (2006), and alkylation unit (2006), increased total crude capacity to the current 30,000 bpd level. The addition and subsequent upgrade of the millisecond cracking unit enables the NSL Refinery to process greater amounts of wax crude oils, while the addition of the Cycle X reformer promotes better catalyst performance at a lower cost than traditional technologies.

The NSL Refinery is located in PADD IV as defined by the Energy Information Administration of the U.S. Department of Energy. PADD IV includes the states of Colorado, Utah, Wyoming, Idaho and Montana.



b. BWOC

BWOC is a wholly-owned subsidiary of BWO and owns the Bakersfield Refinery situated on a 942-acre site located in an industrial area about three miles west of downtown Bakersfield, California. Associated with the Bakersfield Refinery are logistics assets including a product loading facility, crude truck terminal, rail facilities and 2.6 million barrels of tankage. The Bakersfield Refinery along with a substantial portion of BWOC’s remaining operating assets are the subject of the Proposed BWOC Sale, as further discussed in [Article IV.B](#). BWOC primarily markets finished motor fuel products in the Bakersfield and Fresno markets of California. The Bakersfield Refinery supplies gas oil products to other refiners, sulfur for the local agriculture market, anhydrous ammonia for the local industrial market and petroleum coke for the local power generation market. BWOC also markets gasoline and diesel fuel through distributors to retailers and end users.

BWO incorporated BWOC to acquire the Bakersfield Refinery from Shell in March 2005 and has subsequently made significant capital improvements in the Bakersfield Refinery. In its current configuration, the Bakersfield Refinery processes San Joaquin Valley heavy and light crudes and yields a full slate of premium quality petroleum products, including low-sulfur CARBOB gasoline, CARB diesel and gas oil.

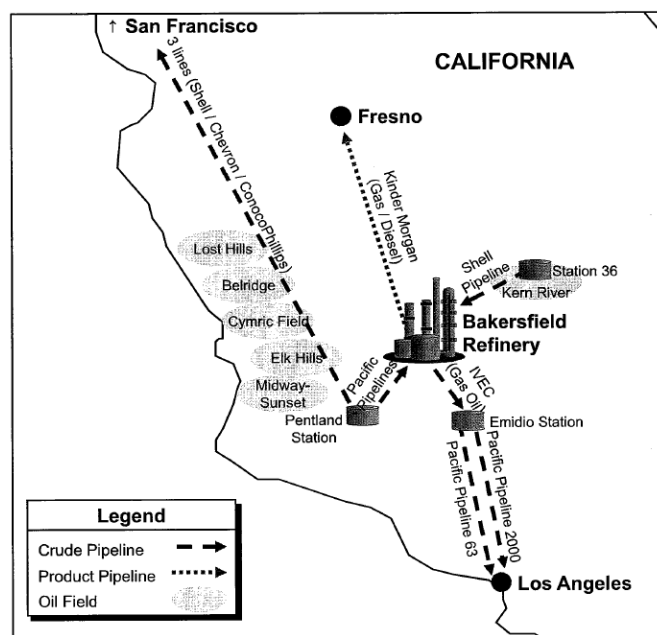
Prior to the Petition Date, BWOC had planned the Clean Fuels Project. Implementation of the Clean Fuels Project would be expected to increase CARB gasoline and diesel production by 63%, or an additional 1.2 million

gallons of gasoline and diesel per day. This project sought to close the growing gap between gasoline and diesel demand in California versus supply from in-state refineries. All significant required regulatory and environmental permits to completing the Clean Fuels Project have been secured. Kern County has certified the California Environmental Quality Act Environmental Impact Report and has issued the necessary permits for construction. The San Joaquin Valley Air Pollution Control District has issued the authority to construct Phase I of the Clean Fuels Project.

The Bakersfield Refinery is currently idled and the Clean Fuels Project was put on hold due to BWOC's lack of working capital and market risk on margins. After an extensive marketing effort and lengthy negotiations, BWOC recently signed a stalking horse agreement to sell the Bakersfield Refinery to the BWOC Potential Buyer, a subsidiary of Alon, in the Proposed BWOC Sale. The sale also includes certain Clean Fuels Project equipment (the VGO Hydrator and related equipment) but excludes other equipment that was purchased but ultimately not permitted for the Clean Fuels Project (including a Fluid Catalytic Cracking Unit and an Alkylation Unit), as well as approximately 292 acres of buffer property. BWOC is currently seeking a buyer for the buffer property and the unpermitted equipment.

The Bakersfield Refinery is located in the heart of California, which has historically exhibited some of the best refining margins in the country — the 2006-2008 average benchmark West Coast 3-2-1 crack spread (vs. ANS) was \$20.98/bbl versus a Gulf Coast 3-2-1 crack spread (vs. WTI) of \$10.69/bbl over the same period. The Bakersfield Refinery enjoys an advantaged position in the niche San Joaquin market, which has an oversupply of crude and an undersupply of refined product relative to respective local demand. The Bakersfield Refinery supplies diesel to the primarily agricultural, high-demand areas of Central and Southern San Joaquin Valley, and it serves the growing local gasoline market with more competitive transportation costs than San Francisco and Los Angeles.

California is one of the highest crude oil-producing states in the U.S., with crude production of 594,000 bpd in 2007. Bakersfield is located in Kern County, the most prolific crude oil producing county in California, with approximately 465,000 bpd of daily production in 2007. With demand of roughly 2.0 million bpd of refined hydrocarbons in 2007, California is the second-highest-demand state and has traditionally been characterized as a high-growth market for gasoline, diesel and other refined products. The following map sets forth the strategic location of the Bakersfield Refinery within California.



c. **BWT**

BWT is a member of the Big West Group and a direct subsidiary of BWO. BWT was in the business of crude oil and petroleum transportation. All assets of BWT were transferred to Flying J Transportation, LLC in 2002. Prior to such transfer, BWT was responsible for hauling crude oil to the NSL Refinery and the Bakersfield Refinery and finished petroleum products to the C-Stores.

BWT is a guarantor under the Big West Revolver and the Big West Term Loan, both as discussed below.

2. **Big West Group's Corporate and Capital Structure**

As discussed above, BWO is a wholly-owned subsidiary of Flying J. BWOC and BWT are wholly-owned subsidiaries of BWO. BWO owns and operates the NSL Refinery. BWOC owns the Bakersfield Refinery.

D. Summary of the Debtors' Prepetition Indebtedness and Prepetition Financing

1. **Flying J**

Flying J does not have any material secured funded debt as of the Petition Date, but it does own (directly or indirectly) properties subject to mortgages. In addition, Flying J had approximately \$90 million, including letters of credit, outstanding under an unsecured revolving credit facility originally held by Zions First National Bank.

In addition to the Debtors' funded debt (as described above and below), as of the Petition Date, the Debtors owed trade payables to their vendors and suppliers. The Debtors do business under standard industry terms and were generally current with their vendors and supplies until immediately before the filing of the Chapter 11 Cases.

2. **Big West Group**

a. **\$200 Million Big West Revolver**

As of the Petition Date, the Big West Group had approximately \$53 million outstanding in secured funded debt under the Big West Revolver.

The Big West Revolver is a secured \$200 million revolving credit facility maturing on March 15, 2010. The Big West Revolver is secured by the Big West Group's accounts, Cash and currency, chattel paper, deposit accounts, documents, instruments, inventory, payment intangibles, any proceeds of the foregoing and certain shared collateral, including all of the Big West Group's contract rights and general intangibles, to the extent not pledged already to the Big West Group's lenders under a term loan agreement, investment property and financial assets, to the extent not pledged exclusively to the Revolver Lenders, copyrights, copyright licenses, patents, patent licenses, software, trademarks, trademark licenses, certain commercial tort claims, letter of credit rights relating to the foregoing, supporting obligations related to the foregoing and proceeds of the foregoing.

On December 19, 2008, the Revolver Agent, on behalf of the Revolver Lenders, accelerated and declared all amounts owing and payable under the Big West Revolver immediately due and payable as a result of the Big West Group's breach of a negative covenant.

b. **The Big West Term Loan**

As of the Petition Date, the Big West Group had approximately \$395 million outstanding in secured funded debt under the Big West Term Loan.

The Big West Term Loan provides a secured \$400 million term loan credit facility maturing on May 15, 2014. The Big West Term Loan is secured by the Big West Group's equipment, fixtures, certain material supply and transportation contracts, "process related" general intangibles, all related letter of credit rights and certain

supporting obligations related to the foregoing and, to the extent not otherwise included, all accessories and all proceeds of any of the foregoing, as well as certain shared collateral with the Revolver Lenders.

The relative rights of the Revolver Lenders, the Revolver Agent, the Term Loan Lenders and the Term Loan Agent are set forth in that certain Intercreditor and Collateral Agency Agreement, dated as of May 15, 2007, by and among the Revolver Agent, the Term Loan Agent and each of BWO, BWOC and BWT.

3. Longhorn Entities

The Longhorn Entities' debt facilities consisted largely of a revolving credit facility and a non-recourse promissory note.

a. \$120,000,000 Merrill Lynch Secured Credit Facility

On December 19, 2007, the Longhorn Entities obtained a \$120 million Merrill Lynch Secured Credit Facility pursuant to the Merrill Lynch Credit Agreement. LPI was the obligor under the Merrill Lynch Secured Credit Facility, with Merrill Lynch as Administrative Agent.

As of the Petition Date, approximately \$45 million was outstanding under the Merrill Lynch Secured Credit Facility. The facility was secured by the line fill in the Pipeline, certain refined petroleum products stored in tanks, certain hedging agreements and transactions, all accounts, general intangibles, payment intangibles, chattel paper, documents and instruments, including all customer swap agreements, collections, the collateral account and Cash and securities therein, and any proceeds of the foregoing.

The outstanding amounts payable under the Merrill Lynch Secured Credit Facility were paid in full in Cash on the Pipeline Sale Closing Date.

b. \$215,000,000 Million Longhorn Note

The Longhorn Entities facilitated the purchase of the Pipeline through the Longhorn Note. The Longhorn Note was secured by a pledge by Longhorn of the hard assets related to the Pipeline, including the Pipeline itself. The principal amount of the Longhorn Note was \$215 million. It was to mature on August 17, 2010.

The Longhorn Note contained a provision adjusting the principal amount of the Longhorn Note upon the occurrence of certain conditions. Based in part on that provision, the Debtors disputed the amount of the Longhorn Noteholder's secured claim. The Debtors stipulated that the undisputed secured portion of the Longhorn Note Claim was equal to approximately \$162.45 million (plus accrued and unpaid interest, fees, costs and expenses).

On August 28, 2009, the Debtors filed the *Motion of the Debtors for Entry of an Order Approving Settlement Agreement between Longhorn Pipeline Holdings, LLC, Longhorn Pipeline Partners, L.P., Longhorn Pipeline, Inc. and Longhorn Pipeline Investors, LLC Regarding Adjustment of Amounts Owed under the Secured Company Note* [Docket No. 1849]. The motion sought approval of a settlement agreement to resolve the dispute over the Longhorn Note Claim.

Pursuant to this settlement agreement, the Longhorn Noteholder agreed to a reduction of the principal amount of the note securing the Longhorn Note Claim from \$215 million to \$192 million, and Longhorn agreed that the Longhorn Noteholder would have an allowed secured claim against Longhorn and Longhorn Pipeline Holdings LLC for that amount. The agreement also provided that Longhorn would satisfy the stipulated and undisputed portion immediately and the remaining agreed upon portion following the effective date of the agreement. The settlement also stipulated to outstanding interest on the Longhorn Note securing the Longhorn Note Claim of approximately \$14.8 million (through August 31, 2009) and provided for a full release for both parties of any disputes arising in connection with the note reduction and all other claims arising under the original purchase agreement and transactions arising thereunder. On September 14, 2009, the Bankruptcy Court entered an order [Docket No. 1926] approving the relief sought in the motion.

E. Legal Proceedings Outside the Bankruptcy Court

1. Kinder Morgan Litigation

In December, 2006, Longhorn and Longhorn Partners GP, LLC filed a lawsuit against Kinder Morgan in Harris County, Texas, alleging that Kinder Morgan breached a connection agreement covering the Pipeline origin facility in Galena Park, Texas. Kinder Morgan filed a counterclaim for declaratory relief. On January 8, 2008, the Debtors filed an answer and motion to dismiss, which was denied on procedural, rather than substantive grounds. The case was assigned to an administrative law judge, and the parties engaged in discovery. Discovery was ongoing at the time of commencement of the Chapter 11 Cases. Various motions are still pending before the court, including a motion to set a schedule for discovery and trial and motions for summary judgment based on Valero's original round of written and sworn testimony presented in November, 2008. On March 12, 2009, KM Liquids Terminals, LLC removed the state court action to the US Bankruptcy Court for the Southern District of Texas. Longhorn filed a motion to transfer the proceeding to the Bankruptcy Court. Judge Marvin Isgur of the United States Bankruptcy Court for the Southern District of Texas heard oral arguments on the motion to transfer on June 17, 2009. In an order dated July 1, 2009, Judge Isgur ruled that the proceeding is not core to the pending Chapter 11 Cases and denied Longhorn's motion to transfer. As both parties previously consented to the proceedings going forward in the Texas bankruptcy court, further proceedings in this matter will proceed before Judge Isgur.

2. Tanner Litigation

Longhorn entered into the MSA to replace approximately 41.5 miles of the Pipeline on November 9, 2007. In early spring 2008, Longhorn sent Tanner a notice of default for, among other things, Tanner's failure to pay subcontractors that Tanner had certified it had paid, Longhorn's dissatisfaction with Tanner's work on the Pipeline, as well as Tanner's failure to cure the default. The foregoing led Longhorn to terminate the contract for breach. Tanner filed suit against Longhorn in a Texas state court on May 20, 2008 and joined Longhorn Partners GP, LLC, claiming Longhorn failed to pay monies owed under the contract. Tanner sought approximately \$10.1 million in damages. Tanner also asserted various other causes of actions for breach of contract, quantum meruit, tortious interference with a contract, business disparagement and fraudulent inducement. The lawsuit has resulted in several subcontractors of Tanner filing notices and affidavits of lien for work done under contract with Tanner on the Pipeline and for which the subcontractors alleged they had not been paid. At the time the Chapter 11 Cases were filed, discovery was ongoing. Upon filing of the petition for bankruptcy protection, the automatic stay of section 362 of the Bankruptcy Code stayed this and related litigation. On July 21, 2009, Tanner filed a motion seeking relief from the automatic stay to allow the litigation to move forward. On August 20, 2009, the Bankruptcy Court approved the Stipulation, whereby the Debtors and Tanner agreed to attempt to mediate the dispute in October, 2009. The Stipulation also provided that, in the event that such mediation was unsuccessful, the automatic stay would be lifted on the earlier of: (a) seven days following abandonment of mediation efforts; or (b) October 23, 2009. The mediation was ultimately unsuccessful, and the automatic stay is now lifted. The Debtors are prepared to defend the litigation.

3. Valero Litigation

On or around November 30, 2007, Longhorn and Flying J received service and notice of a complaint filed by Valero before the FERC. Valero claims that Longhorn improperly refused its requests to ship refined product on the Pipeline during the period from March 2007 through May 2007, in violation of its pro-ration policy, and in doing so committed impermissible discrimination in favor of Flying J. On January 8, 2008, the Debtors filed an answer and a motion to dismiss. On February 1, 2008, Valero filed an answer to the motion to dismiss, and on February 19, 2008, the Debtors filed a motion for leave to file in response to Valero's answer.

On May 1, 2008 the full FERC commission referred the case to an administrative law judge for resolution of factual issues raised in the pleadings, and subsequently the parties engaged in extensive discovery. At the time of the commencement of the Chapter 11 Cases, Valero had presented its original round of written, sworn testimony

in the proceeding, in which, among other things, Valero's damages expert fixed damages to Valero at \$15.8 million plus interest. Flying J had filed a motion for summary judgment based on Valero's written testimony. Longhorn and Flying J were also in the process of preparing their respective written testimonies.

Recently, the parties reached a settlement in principle of Valero's claims, which would fix the allowed amount of those general, unsecured claims at \$6.0 million, in return for dismissal with prejudice of the FERC proceeding and release of all related claims. The parties are currently preparing a settlement agreement memorializing the settlement, and intend to present it to the Bankruptcy Court for approval.

4. Comdata Litigation

On February 27, 2006, Flying J and certain affiliated entities commenced an action in the United States District Court for the District of Utah seeking injunctive relief, unspecified compensatory and treble damages under sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1-7 and Utah's Antitrust Act §§ 76-910-911 through 926, as well as unspecified compensatory and punitive damages based on tortious interference with economic relations and unlawful civil conspiracy. The defendants originally named in the complaint were TA Operating LLC, Travelcenters of America LLC, Pilot and Pilot Corporation. Comdata, the largest provider of trucker fuel credit cards in the United States, was added as a defendant on May 21, 2008. This amended complaint alleged, among other things, that Pilot, TA Operating Corporation and Comdata had entered into an agreement not to accept TCH trucker fuel cards or similar fuel cards processed over the TCH platform, in return for special benefits from Comdata, including favorable transaction fees, thereby engaging in an unlawful group boycott in violation of federal and state antitrust laws.

In May of 2008, Flying J and its affiliated entities party to this litigation settled the matter with TA Operating LLC and Travelcenters of America LLC, and all claims against these defendants were dismissed with prejudice. In connection with the Pilot Transaction, the Debtors filed a motion on July 25, 2009 to approve entry into a settlement agreement Pilot with respect to this litigation. The court approved the related settlement agreement on July 30, 2009. Flying J desires to settle this litigation with Comdata and is in ongoing settlement negotiations with Comdata.

5. Proceedings before the Pipeline Hazardous Materials Safety Administration

As a part of the LMP voluntarily agreed to by Longhorn in September 2000 in connection with certain extensions and ordinary course operation of the Pipeline, Longhorn and its affiliated entities are required to file annual self-audit reports with the PHMSA acting through the OPS. The reports notify PHMSA of Longhorn's substantial compliance with the implementation procedures governing pipeline hazardous materials contained in the LMP. Disclosures contained in the reports generally advise PHMSA of Longhorn's attempts to address Pipeline corrosion management issues, identification of future threats to the Pipeline equipment, damage prevention and surveillance, management of rights-of-way and easements and certain scenario-based risk mitigation.

PHMSA had the authority to initiate compliance procedures against Longhorn and the Pipeline operator—Magellan Pipeline—in the event of non-compliance with the LMP or with the Pipeline Safety Regulations, title 49, Code of Federal Regulations (the LMP is considered a part of the operations and maintenance procedures, for purposes of the Pipeline Safety Regulations of the Code of Federal Regulations, with which Magellan Pipeline and Longhorn are legally bound to comply).

Pursuant to Longhorn's operating services agreement with Magellan Pipeline, Longhorn was required to pay any fee incurred by or imposed on Magellan Pipeline in conjunction with its operation of the Pipeline. However, pursuant to the Pipeline APA, liability for any PHMSA fees have been assumed by Magellan.

6. Clean Fuels Project

In November 2009, BWOC obtained approval of land use permits for the Clean Fuels Project from the County. Under the CEQA, the County certified an EIR assessing the environmental impacts of the report and

mitigation measures proposed for the Clean Fuels Project mitigating those impacts, and stating that other considerations overrode those impacts. In December 2008, the Association of Irrigated Residents filed suit under CEQA against the County, and BWOC as the real party in interest, challenging the certification or sufficiency of the EIR underlying the approvals. Alon has agreed to assume this litigation as part of the recently signed BWOC APA for the Bakersfield Refinery.

F. Other Disputed and Unresolved Matters

1. Mechanics' Liens Asserted Against the Pipeline

Various holders of mechanics' liens have asserted such liens against the collateral securing their liens during the pendency of the Chapter 11 Cases. While the automatic stay of section 362 of the Bankruptcy Code generally forbids actions to create, perfect or enforce liens on claims that arose prior to the petition date, sections 362(b)(3) and 546(b) of the Bankruptcy Code contain an exception to the general rule for acts to perfect an interest in real property where the claimant has rights in the property before the date of perfection. This includes recording of liens.

Longhorn estimates that as of July 13, 2009, such mechanics' liens and claims in the approximate amount of \$4,613,000 had been filed against various parcels of real property in Texas belonging to Longhorn. The liens and other claims arise from certain services—including improvements to real and personal property, labor and materials, provision of electrical materials and equipment, construction of tank farms, provision of material and supplies in connection with mineral activities and other services—provided to Longhorn before and after the Petition Date. To the extent any lienholders have filed valid and allowed claims for postpetition services, such claims could constitute administrative claims against Longhorn's Estate.

Longhorn is currently in the process of carefully analyzing these lien claims. Although certain purported lienholders may hold valid liens against Estate property, nothing herein shall be construed as an admission of the validity of any such claims.

2. Improvements to Local Electrical Distribution System

Longhorn was a member of PEC. PEC has provided electrical utility service to Longhorn's Cedar Valley, Texas pump station since 1999. Although the Pipeline was not operational until 2004, the anticipated electric load demands of the pump station that were estimated in 1999 did not change once the Pipeline began operating. However, the area around the pump station experienced a large increase in the number of residents beginning in 1999. The growth of PEC's infrastructure did not keep pace with this increased residential demand on the Cedar Valley pump station. Voltage irregularities such as brownouts or slight light flickering have resulted and PEC's residential members have lodged several complaints.

PEC has alleged that the voltage irregularities are a result of motor startups at Longhorn's Cedar Valley pump station. Although there is no definitive evidence of a correlation between the motor startups and the voltage irregularities, Longhorn—in the interest of eliminating any outstanding or disputed matters regarding operation of the Cedar Valley pumps—has agreed to make certain improvements to the local electrical distribution system in Cedar Valley. The estimated cost of these improvements is approximately \$614,000, which amount includes all engineering, materials and labor.

As of April 2009, Longhorn had contracted with a vendor to manufacture certain equipment to effectuate the improvements. The vendor has completed such manufacture and invoiced Longhorn. Payment is required before the equipment will be delivered and eventually installed. Due to liquidity constraints, Longhorn has not made such payments and believes that such payment obligations belong to Magellan and should be assumed by Magellan in connection with the Pipeline Sale. Magellan may disagree with Longhorn's position and make a claim against the \$10 million escrow fund associated with the Pipeline Sale with respect to such amounts. Magellan has

not made such claim to date, and the first \$5 million in the escrow fund was distributed to Longhorn on January 29, 2010.

III. EVENTS LEADING TO THE CHAPTER 11 CASES

A precipitous decline in oil and gasoline prices in the fourth quarter of 2008, the lack of an adequate hedging strategy, undercapitalization, and working capital challenges necessitated the Chapter 11 Cases.

Over the past five years, the Debtors experienced significant growth in scope of business and revenue stream. Revenues increased from \$7.3 billion in FY2005 to \$18.5 billion in FY2009 and were funded substantially by internal capital and debt. Significant contributions to the Debtors' operations include the acquisition of the Bakersfield Refinery in March 2005, the acquisition of the Pipeline in August 2006, and the addition of 20 new plazas in the United States. Given the expanded scope of business and incremental risks, the consolidated business entity became increasingly challenged with undercapitalization and the illiquidity in the capital markets on and around the Petition Date.

A. Adverse Market Conditions

Unlike in the typical chapter 11 scenario, the Debtors' businesses, especially the retail operations, and the NSL Refinery were generally thriving and profitable during the months leading up to the Debtors' chapter 11 filings. The Debtors, however, faced working capital challenges during such period as a result of a steep drop in crude and refined product prices.

The oil and gas market collapsed with the onset of a global recession in the fall of 2008, however, leading to critical liquidity restraints at the Debtors' operations. As of the commencement of the Chapter 11 Cases, oil prices had fallen by almost 60% against the previous year and had lost more than 75% of their value in the previous five months. The more than \$100 per barrel decline in oil prices led to material declines in the Debtors' liquidity in their retail operations as well as the Debtors' supply and distribution operations, thereby decreasing the Debtors' accounts receivables and the value of their inventory as a result of writing their inventory down in value and shrinkage of their trade payables. The Debtors were forced to absorb write-downs in excess of \$220 million in the value of their inventory, resulting in disruptions to the Debtors' borrowing base under their principal debt facilities. Essentially, the increases in oil observed over the previous three to four years had shrunk to previous levels in a span of three or four months, a cataclysmic event that the Debtors could not have anticipated and, ultimately, could not overcome, due to the illiquidity in the financial markets on and around the Petition Date.

B. Longhorn Entity Covenant Defaults

The precipitous decline in oil prices led not only to material declines in the Debtors' liquidity at their retail operations, but also limited the Longhorn Entities' access to their credit line under the Merrill Lynch Secured Credit Facility. A decline in petroleum prices translated into a decline in the value of the line fill collateral contained in the Pipeline itself, which had served as the principal collateral for the borrowing base under the revolving facility. In October 2008 the borrowing base declined below \$120 million which triggered mandatory paydowns of \$40 million during October 2008 and \$26 million in November 2008. The unexpected rapidity of the collateral value decline precluded any attempt by the Debtors to restructure their debt outside of a chapter 11 proceeding, as it precipitated mandatory prepayments by the Longhorn Entities on amounts outstanding under the Merrill Lynch Secured Credit Facility. In addition, tight credit markets at the time of commencement of the Chapter 11 Cases precluded any possibility of refinancing. Additionally, the liquidity constraints of other Debtor entities in the Flying J Group placed further restrictions on the Longhorn Entities' ability to operate outside of a bankruptcy proceeding.

On December 20, 2008, Merrill Lynch, on behalf of the lenders under the Merrill Lynch Secured Credit Facility, notified the Longhorn Entities of an event of default under the revolving facility. Increasingly severe liquidity restraints brought about by the drop in inventory prices, as well as declines in the collateral value under the revolving facility made repayment of approximately \$2.7 million outstanding under the revolving facility

impossible. The notice of default provided by Merrill Lynch prohibited the Longhorn Entities from making or directing any withdrawals from the Longhorn Entities' bank account under Merrill Lynch's control without the Merrill Lynch's written consent.

Unable to access their primary source of liquidity to further fund business operations, and unable to restructure their debt or obtain alternative financing outside of bankruptcy, the Longhorn Entities, along with the other Debtor entities, commenced the Chapter 11 Cases.

C. Big West Group Covenant Defaults

The combination of exceedingly difficult market conditions and additional capital expenditures by the Longhorn Entities (as discussed above) ultimately contributed to the Big West Group's inability to comply with the terms of a negative covenant contained in the Big West Revolver with respect to affiliate transactions. Indeed, as the Debtors experienced the liquidity constraints discussed above, Flying J was unable to satisfy an intercompany payable owing to the Big West Group, a sizeable portion of which related to gains from hedging contracts that Flying J had allocated for the benefit of certain of its subsidiaries, including the Big West Group. The existence of the larger intercompany payable triggered the Big West Group's inability to comply with the negative covenant under the Big West Revolver.

On December 19, 2008, the Revolver Agent, on behalf of the Revolver Lenders, notified the Big West Group that it was in default under the Big West Revolver, and as such, it had elected to accelerate and declare all amounts owing and payable thereunder immediately due and payable on December 19, 2008 as a result of the event of default. Subsequent to sending the notice of default to Big West, the Revolver Agent, on behalf of the Revolver Lenders, swept over \$30 million from Big West Group's bank accounts under the Revolver Agent's control.

D. Hedging Commodity Risk

The Debtors traditionally hedged less than 40% of crude and refined product inventory. In October 2008, the Debtors exited most of their hedge contracts, resulting in net realized hedge gains, to improve their liquidity positions and record gains to offset inventory losses. However, the Debtors did not enter into new hedge contracts and were left exposed to subsequent declines in crude and refined product prices. As the crude oil market continued its precipitous decline through November 2008, the Debtors' unhedged position in this heavy commodity based industry led to an unrecoverable drain on their liquidity positions.

E. Working Capital Challenges

Working capital was impacted by the steep drop in crude and refined product prices from August through November 2008. During this three-month period of declining price and volume, the Debtors' working capital was reduced by over \$200 million. Additionally BWOC and BWO were faced with hundreds of millions of dollars in trade payables during this period primarily related to the purchase of crude oil by BWO and BWOC. Traditionally, these trade payables were due on the 20th of each month. Because the deposit accounts under the Big West Revolver were swept immediately prior to the 20th of December 2009, the Debtors were unable to meet any of their trade obligations on the Monday following the sweep, necessitating an immediate chapter 11 filing. Under normal conditions, the rise and fall of the price of crude oil remains fairly manageable. In addition, the Debtors have typically turned account receivables faster than account payables, resulting in a net working capital benefit to the Debtors during times of low volatility and rising oil prices. However, with the rapid decrease in crude oil prices in such a short period, the Debtors suffered a significant drain on working capital as their account receivable balances were significantly less than their account payable liabilities. The result was a material decline in the Debtors' working capital.

IV. RESTRUCTURING INITIATIVES

The Debtors have undertaken the following actions to shed certain assets from their operations in order to become more profitable and focused companies.

A. The Sale of the Pipeline to Magellan

As discussed in more detail in Article V.D, during the pendency of the Chapter 11 Cases, the Debtors determined, in their business judgment, to pursue the sale of all or substantially all of the assets held by Longhorn and certain of its affiliates that owned and operated the Pipeline. To facilitate the Pipeline Sale, the Debtors obtained the Bankruptcy Court's of the Pipeline Bidding Procedures and a related incentive program to incentivize management to maximize the value of Longhorn's Estate through the Pipeline Sale process.

Pursuant to the Pipeline Bidding Procedures approved by the Bankruptcy Court, Magellan was deemed the "stalking horse bidder." No competing bids were received before the Pipeline Bid Deadline. Therefore, pursuant to the Pipeline Bidding Procedures Order, Magellan was declared the "successful bidder." Magellan's winning bid consisted of the following:

- \$250 million in Cash for the Pipeline, plus approximately \$85 million for the line fill within the Pipeline; and
- assumption of certain liabilities, as provided in the schedules to the Pipeline APA.

The final purchase price for the line fill was subject to a customary adjustment to account for variations in the value, price and amount of petroleum product between the date of execution of the purchase agreements and the Pipeline Sale Closing Date. Specifically, the purchase price of the line fill was determined as follows:

- **Main Line Fill APA.** The purchase price equaled the sum of the weighted prices of all relevant batches of petroleum product owned by Longhorn Pipeline Inc. (a) in the Pipeline System other than the segment of the Pipeline System running from Crane Station to Odessa, Texas, (b) in storage tanks or tank bottoms owned by Longhorn at Crane Station and the El Paso Terminal and (c) in the station piping at Crane Station and the El Paso Terminal, owned by Longhorn Pipeline Inc., as determined two days prior to the Pipeline Sale Closing Date based on the amount of product available at the applicable locations and the applicable pricing.
- **Spur Line Fill APA.** The purchase price was calculated using a similar rationale as applied to the petroleum product contained in the segment of the Pipeline System running from Crane Station to Odessa, Texas.

The Bankruptcy Court approved the Pipeline Sale of the Longhorn Acquired Assets to Magellan on July 27, 2009 [Docket No. 1578]. The closing of the Pipeline Sale occurred on July 29, 2009.

B. Proposed BWOC Sale

The Debtors determined that a sale of a substantial portion of BWOC's remaining operating assets, including a substantial portion of inventory, equipment and other assets constituting the Bakersfield Refinery and transfer of certain liabilities relating thereto in the Proposed BWOC Sale, will help to maximize creditor recoveries and is in the best interests of the Debtors' estates. On April 3, 2009, the Bankruptcy Court authorized the Debtors to retain Deutsche Bank as their special financial advisor in connection with the Proposed BWOC Sale [Docket No. 922].

On or around March 16, 2009, Deutsche Bank began soliciting potential third-party buyers in connection with the Proposed BWOC Sale. Deutsche Bank, with the assistance of the Debtors, identified approximately 180 parties to receive preliminary informational memoranda. Fifty-six of these parties executed confidentiality

agreements and received additional information regarding the Proposed BWOC Sale. From this pool of parties, the Debtors ultimately received 15 first round (non-binding) expressions of interest. After careful review of these expressions of interest and related diligence, the Debtors held a second round of bidding, where six parties (including Alon) submitted binding bids to purchase the subject assets. After extensive negotiations and working closely with Deutsche Bank, the Debtors ultimately determined that signing the BWOC APA with Alon, making it the “stalking horse bidder,” offered the best opportunity to maximize the value of the assets for the benefit of the Debtors’ Estates. The Debtors executed the BWOC APA with Alon and the BWOC Potential Buyer, an Alon subsidiary, on February 2, 2010.

The Proposed BWOC Sale would include the sale of the Bakersfield Refinery and certain of BWOC’s other assets to the BWOC Successful Bidder. The purchase price for the assets to be acquired in the Proposed BWOC Sale is equal to a base purchase price of \$40 million plus an amount equal to 90% of the value of certain of BWOC’s hydrocarbon inventories, subject to customary adjustments. The value offered to BWOC includes Alon’s assumption of liabilities related to the Cleanup and Abatement Order, dated October 10, 2007, issued by the California Regional Water Quality Control Board, the Shell/Motiva EPA Consent Decrees entered into in 2001 with the United States Environmental Protection Agency regarding certain air pollution control matters, as well as certain other environmental liabilities at the Bakersfield Refinery. The Proposed BWOC Sale would not include the sale of certain assets that the Debtors have deemed inessential to bidders’ operation of the Bakersfield Refinery and which the Debtors reasonably expect will be sold for greater cash consideration apart from the Proposed BWOC Sale. The amount of BWOC’s indemnity obligations under the BWOC APA is capped at \$6.0 million, except for, among other things, indemnification obligations associated with excluded assets and liabilities, fraud and willful misconduct. This \$6 million will be placed into escrow (upon consummation of the Proposed BWOC Sale), with \$4 million to be returned to BWOC within nine months of consummation of the Proposed BWOC Sale if not claimed by that date, and the remainder returned three months later.

On February 2, 2010, the Debtors filed a motion seeking (a) authority to establish the BWOC Bidding Procedures and certain bid protections in connection with the Proposed BWOC Sale and (b) an order (i) approving the BWOC APA, (ii) authorizing a sale of substantially all of BWOC’s assets free and clear of all liens, claims, encumbrances and other interests, (iii) authorizing the assumption and assignment of certain executory contracts and unexpired leases to the BWOC Successful Bidder and (iv) granting certain related relief [Docket No. 2694]. All BWOC executory contracts and unexpired leases that are not specifically assumed by the BWOC Successful Bidder shall be deemed rejected as of the Effective Date. The Bankruptcy Court is scheduled to hold a hearing on the BWOC Bidding Procedures on February 23, 2010.

The amount that would be available as a result of the Proposed BWOC Sale will depend upon the results of an auction or other proceeding reasonably deemed to maximize creditor recoveries and conducted in accordance with the BWOC Bidding Procedures and consummation of the transactions contemplated thereby. If consummated as currently contemplated, the amount available from the Proposed BWOC Sale may also depend on a buyer’s indemnification claims (including against amounts set aside in an indemnity escrow account) and adjusted market prices for hydrocarbon inventory sold in connection with the Proposed BWOC Sale, which the Debtors expect to be finalized in the coming months (or, in the case of indemnification claims, throughout the claims period).

C. Refinancing

BWO has engaged Banc of America Securities LLC to arrange and syndicate a \$360 million senior secured credit facility. This facility will be secured by a first lien on the NSL Refinery and all of BWO’s other fixed assets. The proceeds therefrom will be used to satisfy BWO’s prepetition obligations, to fund capital expenditures and BWO’s other general corporate purposes and to pay fees and expenses in connection with these transactions. In addition, BWO will establish a \$75 million asset-backed revolving credit facility for ongoing liquidity that will be secured by a first lien on BWO’s trading assets and proceeds thereof and a second lien on the collateral securing the new BWO facility.

D. Flying J Insurance Services Sale

The Debtors determined that a sale of Flying J Insurance Services' active book of business, all electronic and paper files pertaining to those accounts and other assets related to such book of business will help to maximize creditor recoveries and is in the best interests of the Debtors' estates. Flying J Insurance Services distributed sale process letters to 38 interested parties and entered into confidentiality agreements with 11 potential bidders. Flying J Insurance Services received two indicative bids. Flying J Insurance Services entered into an asset purchase agreement with Buckner on November 12, 2009 for an upfront payment of \$1.225 million plus a portion of renewed business in 2010. The closing of the Flying J Insurance Services Sale occurred on January 1, 2010.

E. FJOG Sale

The Debtors, in consultation with their restructuring advisors, the management of the FJOG Sellers and the boards of directors of Flying J and FJOG, analyzed the FJOG Sellers' businesses within the framework of the Debtors' collective operations and determined that the disposition of the FJOG Sellers' oil and gas exploration and production business in the FJOG Sale would produce additional incremental liquidity to the Debtors' estate and aid in increasing aggregate recoveries to creditors. Importantly, proceeds from the FJOG Sale will help prevent the Debtors from resorting to incurrence of Cash borrowings under their existing DIP financing with Pilot, which will preserve funds otherwise needed for interest payments and ultimately inure to the benefit of the Debtors' estates.

Blackstone approached 128 financial and strategic potential purchasers that Blackstone and the Debtors determined might be interested in purchasing the FJOG Sellers' businesses and assets. After receiving preliminary information on the FJOG Sellers and their exploration and production businesses, 33 of those parties executed confidentiality agreements. After preliminary due diligence, the FJOG Sellers and their respective professional advisors organized and facilitated 12 management presentations to potential bidders with the goal of entertaining definitive bids for the FJOG Sellers' businesses and/or assets. Nine definitive distinctive bids were received from eight different bidders. After extensive arms-length and good faith negotiations with a select group of bidders, the Debtors and the FJOG Sellers determined, at the time, that Citation provided the highest and best offer for the FJOG Sellers' assets. In all, the Debtors' and FJOG Sellers' marketing process encompassed approximately three months of preliminary diligence, negotiation and analysis.

As a result of these negotiations, on November 18, 2009, the FJOG Sellers and Citation entered into the FJOG Asset Purchase Agreement, pursuant to which the FJOG Sellers would have sold substantially all of their assets to Citation in the FJOG Sale. Under the FJOG Asset Purchase Agreement, the purchase price for the FJOG Sellers' assets thereunder is approximately \$92,000,000, to be adjusted for the proceeds and costs of operation of the FJOG Sellers' assets between August 1, 2009 and the closing of the FJOG Sale and for certain adjustments resulting from Citations' confirmatory diligence prior to closing of the FJOG Sale. El Paso objected to the FJOG Sale on the grounds that El Paso was willing to submit a higher and better offer to the FJOG Sellers. On December 22, 2009, however, El Paso and Citation engaged in an informal auction. Following extensive negotiations and based upon the significant efforts of the Creditors' Committee's professionals, the resulting informal auction ultimately resulted in El Paso agreeing to the same terms and conditions in the FJOG Asset Purchase Agreement and to pay \$97,500,000 for the FJOG Sellers' assets (net of the break up fee owed to Citation), providing a premium of approximately \$5.5 million over Citation's original offer. The FJOG Sale subsequently closed on December 29, 2009.

F. Haycock Sale

Flying J owned 50% of the outstanding common stock of Haycock, a wholesale distributor of refined petroleum products that acts as a middleman between refineries and retail customers. Haycock purchases refined petroleum products directly from refineries and then resells the petroleum products to a variety of large volume customers, including, among others: the State of Nevada; trucking companies; mining companies and independent gas stations. As a result, Haycock's sales and revenue are highly dependent on the price of oil. For example, Haycock is projecting sales of approximately \$490 million in 2009, compared to sales of approximately \$750 million 2008, primarily due to the decrease in oil prices over the previous six months. For a variety of reasons,

Haycock's operating performance has been marginal over the past few years and has not consistently generated positive cash flows, resulting in the need for Flying J to infuse cash to allow Haycock to continue to meet operating and working capital needs and fund capital investments.

The Debtors, in consultation with their restructuring advisors, Haycock's management and the board of directors of Flying J and Sterling J. Jardine, which owns the other 50% of the common stock of Haycock, determined that the sale of the Haycock petroleum wholesale business was the best available alternative to maximize recoveries for all parties. Along with the tangible direct benefits and investment recoveries that would result from a sale of Haycock, the Debtors anticipate that the sale will provide indirect benefits to the Flying J Group by affording management more time and resources to concentrate on the core businesses of operating the Flying J Group's retail and refinery businesses and pursuing various complex reorganization initiatives, including the Pilot Transaction.

To that end, the Debtors approached 56 financial and seven strategic potential purchasers that the Debtors determined might be interested in purchasing Haycock. The Debtors determined that Thomas Petroleum's indication of interest was the most favorable and proceeded to conduct negotiations and due diligence with Thomas Petroleum. After extensive arms-length and good faith negotiations, the Debtors determined that Thomas Petroleum had provided the highest and best offer for substantially all of Haycock's assets, and those of its direct and indirect subsidiaries. Haycock and Thomas Petroleum entered into the Asset Purchase Agreement, dated as of September 4, 2009, pursuant to which Thomas Petroleum paid approximately \$24.5 million in gross purchase price to Haycock for the subject assets in the Haycock Sale. The Haycock Sale subsequently closed on September 30, 2009.

G. The Pilot DIP Facility and the Pilot Transaction

1. Background

On July 30, 2009, the Bankruptcy Court granted the Debtors the authority to enter into the Pilot DIP Facility and to execute the Letter of Intent with respect to the Pilot Transaction [Docket No. 1631]. The Pilot DIP Facility provides the Debtors with much needed liquidity to continue business operations pending the consummation of the Pilot Transaction.

The Debtors reasonably believe that a sale of Flying J's travel center and trucking operations, certain excess land adjacent to Flying J's travel plazas as well as other affiliate service business related to the travel plaza operations to Pilot in the Pilot Transaction will provide consideration sufficient to pay all creditors of Flying J in full, provide value to the Debtors' other creditors and the Flying J shareholders, allow Flying J to exit bankruptcy protection expeditiously as a stronger, healthier business and position Flying J to succeed in today's highly competitive markets.

As discussed above, the Pilot Transaction includes the sale of Flying J's travel center and trucking operations and other assets to Pilot in exchange for cash and [Newco] equity. It does not include certain assets that the Debtors and Pilot have deemed not essential to the continued operation of their retail businesses, including but not limited to the Pipeline, the Bakersfield Refinery, the NSL Refinery, TAB or TCH. The consideration to be paid by Pilot totals approximately \$1.17 billion minus adjustments for business net debt and net working capital based on the difference between Flying J's initial business net debt and net working capital, calculated as a four month average ended October 31, 2009, and the business net debt and net working capital as of the business day immediately prior to the closing date as well as adjustments to be made for adjacent land contributed by Flying J, calculated as the difference between the value of land on the initial adjacent land schedule and the value of adjacent land on the date immediately prior to the closing date. Pilot will pay \$515 million of the consideration in the form of Cash and the remainder in the form of [Newco] equity securities. Flying J will provide a guarantee of payment with respect to Pilot's obligations to the \$515 million tranche of debt borrowed to pay the Cash consideration.

The amount available for distribution to Holders of Equity Interests from the Pilot Transaction will depend on the net business debt and net working capital purchase price adjustments, which Flying J expects to be finalized

in the coming months. The adjustments could materially differ from the estimates, and thus could adversely affect the estimated recoveries.

2. Pilot Operations

Pilot, the nation's largest travel center operator, was founded in 1958 as a stand-alone gas station. Pilot began expanding its network after building the first travel center in 1981. Pilot increased the number of its travel centers through continued direct investments and acquisitions. In 2001, Pilot joined Marathon to form Pilot Travel Centers. In 2008, CVC Capital Partners, through its subsidiary Propeller Corporation obtained a 47.5% economic stake (50% governance) in Pilot Travel Centers, which included Marathon's equity stake, with a focus on becoming a long-term strategic partner with Pilot while simplifying Pilot's organizational structure. At the end of 2008, Pilot owned and operated 306 stores in 39 states with one store in Ontario, Canada and also licensed its trademark to 20 locations in five different states. Pilot's nationwide network of travel centers, as set forth on the following map, is strategically located in key trucking corridors in close proximity to interstate highways. Each red dot on the map represents a Pilot travel center.



Pilot provides one stop shopping for fuel, merchandise, quick service food and other services and amenities primarily to the trucking and automobile travel industries. Its business model focuses on leveraging off its high-traffic petroleum product offerings through providing convenient, high margin services and amenities as quickly as possible, in an effort to achieve fastest customer turnaround as possible. Pilot has well established relationships with leading quick service food franchisors and is the seventeenth largest franchisee with 278 nationally recognized quick service restaurants. Additionally, Pilot operates a fleet of 325 petroleum transport trucks that delivers approximately 90% of the fuel volume required by Pilot's travel centers. In addition to catering to the trucking industry, Pilot offers competitively priced self-service fuel and food options for the automobile traveler through easily accessible, clean and well-lit facilities.

Pilot's gross profits are diversified between fuel and non-fuel related offerings. Pilot's fuel offerings represent approximately 50% of Pilot's total gross profit. Diesel accounts for upwards of 80% of Pilot's total fuel volume and is distributed through long-standing contractual relationships with a majority of the leading fleet companies and corporate class of trade. Pilot's non-fuel offerings include fast food restaurants, convenience stores and a broad array of travel amenities and services.

Pilot has been able to achieve significant cash flows over the past several years. With the ability to continually generate significant positive cash flows, Pilot has been able to maintain a healthy balance sheet, pay down debt and opportunistically invest in new sites. Pilot's focus on efficiency and prompt customer service has contributed to the continued loyalty from its customers.

Through substantial and achievable synergies, strong free cash flow generation and modest capitalization, the combined company will be a leading, low-cost diesel fuel supplier with approximately 500 branded locations throughout the United States.

V. ADMINISTRATION OF THE CHAPTER 11 CASES

A. Initial Motions and Certain Related Relief

In the days and weeks immediately after the Petition Date, the Debtors devoted substantial efforts to stabilizing their operations and preserving and restoring their relationships with vendors, customers, employees, landlords and utility providers. To that end, the Debtors sought and obtained a number of orders from the Bankruptcy Court to minimize disruption to their operations and facilitate the administration of the Chapter 11 Cases. Given the Debtors' precipitous chapter 11 filing, certain of the orders were not entered until later in the cases. Several of these orders are briefly summarized below.

1. Motions for Authority to Use Longhorn and Big West Cash Collateral

On the Petition Date, the Debtors filed motions to authorize the use of BWO and BWOC Cash collateral [Docket No. 6] and Longhorn Cash collateral [Docket No. 7]. On December 23, 2008, the Bankruptcy Court entered interim orders [Docket Nos. 30 & 31] approving the relief requested in these motions on an interim basis. Pursuant to these orders, the Debtors were authorized to use the BWO, BWOC and Longhorn Cash collateral (as defined in section 363(c)(2)(A) of the Bankruptcy Code).

On January 9, 2009, the Longhorn Noteholder filed a motion seeking entry of an order granting the Longhorn Noteholder adequate protection from the Debtors' use of the Longhorn Cash collateral [Docket No. 187]. The Bankruptcy Court entered interim orders approving this motion [Docket Nos. 322 & 449] on January 16, 2009 and February 4, 2009, respectively. The Bankruptcy Court then entered a final order on February 18, 2009 [Docket No. 550]. The final order granted the Longhorn Noteholder adequate protection and authorized the Debtors to use Longhorn Cash collateral until September 1, 2009.

On August 28, 2009, the Bankruptcy Court entered a stipulation and agreed order between the Debtors and the Longhorn Noteholder extending the authorization for the Debtors' use of Longhorn Cash collateral until the earlier of (a) September 30, 2009 and (b) the date of full and final satisfaction and payment of the allowed Prepetition Pipeline Obligations (as defined in the *Amended Final Order Under 11 U.S.C. §§ 105(a), 361, 362(c)(2), 363(e) and 364 and Fed. R. Bankr. P. 2002, 4001 and 9014 (I) (A) Authorizing Debtors to Obtain Post-Petition Financing and (B) Utilize Cash Collateral, and (II) Granting Adequate Protection to Prepetition Secured Parties* [Docket No. 1172]) of the Longhorn Noteholder.

The relief provided the Debtors with additional Cash to continue operations, to make ordinary course and other approved payments, and to preserve the going concern value of their businesses.

2. Motion to Assume Certain Agreements Relating to CFJ and Conoco

On January 7, 2009, the Debtors filed a motion seeking authority to assume (a) the Agency and Assignment Agreement by and between CFJ and Flying J, dated February 1, 2006, (b) the Amended and Restated Gasoline Supply Agreement by and between Flying J and Conoco dated October 1, 1993, (c) the Assignment of Obligations under Conoco/CFJ Amended and Restated Gasoline Supply Agreement by and among Flying J, Conoco and CFJ,

dated October 1, 1993, and (d) the Amended and Restated Diesel Supply Agreement by and between Flying J and CFJ, dated October 1, 1993 [Docket No. 136].

Over the past two decades, Flying J and Conoco had developed a strong business relationship, the preservation of which was crucial to Flying J's continued growth and success. Conoco, as the largest supplier of gasoline and diesel fuel to the Debtors and its travel plazas, formed the CFJ joint venture with the Debtors, in which each of Flying J and Conoco has an indirect 50% interest. Pursuant to the agreements assumed as part of this relief, the Debtors provided operational and management services to CFJ, in addition to purchasing gasoline and diesel fuel for CFJ from Conoco. CFJ typically reimbursed Flying J after delivery of the diesel product. As of the Petition Date, and by virtue of the Debtors' agreement to purchase fuel for CFJ under the Agency Agreement, the Debtors owed Conoco \$68.7 million for approximately ten days' worth of fuel supply. Subsequent to the Petition Date, Conoco continued to supply the Debtors with gasoline and diesel fuel, but on terms less favorable to the Debtors than previously, requiring the Debtors to provide to Conoco a \$8.2 million deposit to ensure short term delivery, and requiring payment the day after delivery instead of ten day terms. The Debtors felt it was in their best interest to enter into the negotiated agreement between the Debtors and Conoco. Pursuant to the agreement, the Debtors agreed to make regular installment payments to Conoco of the \$68.7 million owed, and Conoco agreed to supply CFJ with gasoline and diesel fuel on the same terms that existed prior to the Petition Date. The Debtors believed this agreement was necessary to preserve the value of the Debtors' interest in CFJ, as well as the related benefits that accrue to the Flying J Group's other business segments. Accordingly, on January 16, 2009, the Bankruptcy Court entered an order authorizing the Debtors to assume those certain agreements relating to CFJ and Conoco as filed by the Debtors [Docket No. 321].

On January 26, 2009, a creditor in interest in the Chapter 11 Cases, Flint Hills filed a notice of appeal under 28 U.S.C. § 158(a) of the order entered approving the Conoco Agreement [Docket No. 359]. Flint Hills filed its statement of issues on appeal on February 5, 2009 [Docket No. 451]. The parties resolved the appeal by stipulating to the amount of Flint Hills' claim and the appeal was dismissed on July 10, 2009.

3. Motion for Authority to Pay Critical Vendors and Other Trade Claimants

On December 30, 2008, the Debtors filed a motion seeking authority to pay prepetition claims of certain "critical" vendors where a failure to pay such vendor's prepetition claims would cause irreparable harm to the Debtors [Docket No. 59]. This relief allowed the Debtors to pay prepetition claims of a small number of the Debtors' more than 2,000 trade vendors. Disruption in the delivery of goods and services by these suppliers could have had a significant adverse effect on the Debtors' ability to operate their retail locations. The Debtors' "Critical Vendors" identified in this motion generally (but not exclusively) were (a) crude oil suppliers to the Debtors' refineries and (b) retail non-fuel and fuel suppliers. On January 16, 2009, the Bankruptcy Court entered an order authorizing, but not directing, the Debtors to pay prepetition claims owed to Critical Vendors in an amount not to exceed \$75 million in the aggregate [Docket No. 320]. Pursuant to this order, any Critical Vendor that accepts payment from the Debtors is considered to have agreed to Customary Trade Terms as defined by the Bankruptcy Court in the critical vendors order, such that when a vendor agreement is terminated, the Debtors and the applicable vendor are to be returned to their respective positions immediately before the entry of the order.

4. Motion for Authority to Pay Prepetition Claims of Shippers, Warehousemen, and Lienholders

On January 12, 2009, the Debtors filed a motion seeking authority to pay the prepetition claims of certain shippers, warehousemen and lienholders. [Docket No. 241]. The Debtors rely on these particular service providers to transport crude and other raw materials to the Debtors' refineries and, following the refining process, to various locations for delivery to customers. This relief allowed the Debtors to maintain a reliable and efficient transportation and distribution system, which is essential for the Debtors' businesses and for maximizing value for all creditors. Accordingly, on February 5, 2009, the Bankruptcy Court entered an order authorizing, but not

directing, the Debtors to pay prepetition claims owed to shippers, warehousemen and lienholders, the aggregate amount not to exceed \$13.5 million unless further authorized by the Bankruptcy Court [Docket No. 444].

5. Motion to Pay Employee Wages and Associated Compensation

On the Petition Date, the Debtors filed a motion seeking authority to pay prepetition claims relating to unpaid employee compensation, reimbursable expenses as well as employee medical and similar benefits [Docket No. 4]. Additionally, the Debtors requested authority to continue their worker's compensation programs. This relief allowed the Debtors to comply with state laws, maintain employee morale and prevent costly distractions and retention issues. Absent the ability to honor prepetition wages, salaries, benefits, commissions and other similar employee-related programs, the Debtors likely would have suffered significant losses at a time when they needed to stabilize their operations. The Debtors also requested authority to pay deferred bonuses in excess of the \$10,950 cap imposed by section 507(a)(4) of the Bankruptcy Code to six employees who had opted to defer their 2008 bonuses to 2009. On December 23, 2008, the Bankruptcy Court entered an order authorizing, in the ordinary course of business and in accordance with the Debtors' prepetition policies, to pay employee wages and benefits [Docket No. 27]. Subsequently, the Bankruptcy Court held a hearing on the deferred bonuses of the six employees, and on February 5, 2009, entered an order authorizing the payment of these deferred bonuses [Docket No. 446].

Further, on March 13, 2009, the Debtors filed a supplemental motion seeking authority to pay amounts due under their retail bonus plan, which provides a quarterly retail bonus to site managers based on quarterly profit and loss targets, as well as authority to continue to make quarterly deposits to fund their pension plan for certain hourly employees [Docket No. 766]. While the Debtors believed that paying and honoring employee obligations constituted an ordinary course transaction, the Debtors filed this supplemental motion out of an abundance of caution. The Bankruptcy Court entered an order on April 2, 2009, granting the Debtors' motion to pay amounts in connection with their retail bonus plan and pension plan [Docket No. 904].

6. Motion to Prohibit Utilities from Terminating Service

On December 29, 2008, the Debtors filed a motion seeking to prohibit various utility providers of utilities such as gas, water, sewer, electric and other similar services from discontinuing service and determining adequate assurance of payment for future utilities services [Docket No. 51]. Prepetition claims owed to utility service providers amounted to approximately \$3.9 million. The Debtors proposed to establish an adequate assurance deposit account of \$2.65 million, which they believed provided more than adequate assurance of payment to the Utility Providers. Accordingly, on January 16, 2009, the Bankruptcy Court entered an order authorizing the Debtors to set up a newly created, segregated and interest-bearing account for the adequate assurance of payment for future utility services to utility providers in which the Debtors would deposit \$2.65 million [Docket No. 319]. Pursuant to this order, utility providers were prohibited from refusing or terminating service or requiring a deposit from the Debtors as a result of the Debtors' bankruptcy filings or any outstanding prepetition claims.

7. Motion to Continue Insurance Programs

In the ordinary course of business, the Debtors maintain a variety of insurance policies, providing coverage for, among other things: property, casualty (including general liability, automotive liability, tax liability, umbrella coverage, excess liability and workers' compensation), crime liability, fiduciary liability, cargo liability, pollution liability and marketing liability. The Debtors also pay fees to governmental indemnification funds and maintain self-insurance programs for worker's compensation liabilities at statutorily-required levels in 17 states, short-term disability benefits and certain health benefits. In order to avoid any potential lapse of coverage and the expense of acquiring new coverage, on January 30, 2009 the Debtors requested authority to continue their insurance and pay prepetition premiums necessary to maintain coverage [Docket No. 399]. On February 18, the Bankruptcy Court entered an order granting the requested relief [Docket No. 509].

8. **Motion to Pay Certain Taxes**

In some cases, certain taxing authorities may have had the ability to exercise rights upon non-payment of taxes that could impact adversely the Debtors' business operations by initiating audits of the Debtors, suspending the Debtors from continuing their business, filing liens, seeking to lift the automatic stay and other remedies that would harm the estates. On January 14, 2009, the Debtors filed a motion seeking authority to pay certain prepetition taxes that the Debtors owed such taxing authorities, amounting to approximately \$3.3 million on account of sales and use taxes incurred in connection with purchase of goods for resale, and approximately \$88.9 million on account of fuel/excise taxes [Docket No. 284]. On February 4, 2009, the Bankruptcy Court entered an order authorizing, but not directing, the Debtors to pay up to \$3.5 million in sales and use taxes and up to \$90 million in fuel/excise taxes in the aggregate [Docket No. 450].

9. **Motion to Reject Executory Contracts**

On February 13, 2009, the Debtors filed a motion seeking authority to reject and terminate certain executory contracts as an appropriate exercise of the Debtors' business judgment pursuant to 11 U.S.C. § 365(a) [Docket No. 489]. BWOOC owns and operates the Bakersfield Refinery which supplied six percent of California's diesel fuel and two percent of the state's gasoline supply. However, subsequent to the Petition Date, due to liquidity issues, BWOOC shut down its Bakersfield Refinery operations. After evaluating various crude oil supply contracts the Debtors had entered into during the course of their prepetition operations, the Debtors identified two crude supply contracts with Pacific Oil Company-Western and Southern California Gas Company, respectively, that provided no further value to the Debtors' estates. The Debtors believed that these contracts were no longer useful or beneficial to the Debtors' ongoing operations, even if the Bakersfield Refinery were to resume operations. Furthermore, rejecting and terminating these supply contracts promised to reduce the Debtors' exposure to administrative claims against their estates. On March 5, 2009, the Bankruptcy Court entered an order authorizing the Debtors to reject and terminate the two supply contracts, effective as of February 13, 2009 [Docket No. 682].

On March 18, 2009, the Debtors filed a motion seeking authority to reject a crude oil supply contract and several shipping contracts entered into in connection with Bakersfield Refinery operations that were no longer useful to the Debtors [Docket No. 798]. The Debtors had determined that better price terms were available than those agreed to in the crude oil supply contract and that the postpetition administrative expenses accruing on account of the shipping contracts warranted rejection. On April 2, 2009, the Bankruptcy Court entered an order authorizing the Debtors to reject the crude oil supply contract and shipping contracts [Docket No. 905].

On March 16, 2009, Vaquero Energy Inc., Vaquero Partners I L.P. and Naftex Section 27 Partners, L.P. filed motions to compel the Debtors to assume or reject the Vaquero/Naftex Contracts with those parties [Docket Nos. 772 and 774]. On April 3, 2009, the Bankruptcy Court entered orders deeming the Vaquero/Naftex Contracts rejected effective as of April 1, 2009.

On June 19, 2009, the Debtors filed a motion to approve bidding procedures in connection with the sale of the Debtors' Longhorn Pipeline. In such motion, the Debtors sought approval to assume and assign certain of their executory contracts and unexpired leases to Magellan as the purchaser of the Pipeline. Magellan had identified those contracts that it wished to retain for purposes of operating the Pipeline following the Pipeline Sale. The Bankruptcy Court approved the Debtors' motion on July 27, 2009 [Docket No. 1578]. On August 10, 2009, the Debtors filed a motion seeking authority to reject those executory contracts and unexpired leases that Magellan did not select for assumption and assignment [Docket No. 1701]. Given that the Debtors had sold the Pipeline, such contracts provided little value to the Debtors' estates. On August 28, 2009, the Bankruptcy Court entered an order approving such rejection [Docket No. 1841].

On July 2, 2009, the Debtors filed a motion to: (a) extend the deadline for assuming or rejecting certain leases of nonresidential real property with the written consent of landlords; (b) assume certain unexpired leases of nonresidential real property; and (c) set cure amounts with respect to the assumed leases. The Bankruptcy Court granted the motion on July 20, 2009 [Docket No. 1526]. On October 9, 2009, the Debtors filed a certification of

counsel attaching a stipulation that further extended, consensually, certain leases of nonresidential real property to January 29, 2010. The Bankruptcy Court entered an order approving the stipulation on October 15, 2009 [Docket No. 2103]]. On January 21, 2010, the Debtors filed a motion attaching a stipulation to further extend the January 29, 2010 deadline to March 30, 2010 [Docket No. 2586]. The Bankruptcy Court entered an order approving this stipulation on January 28, 2010 [Docket 2658].

On August 7, 2009, the Debtors filed a motion seeking authority to assume and extend certain prepetition insurance policies with Zurich American Insurance Company [Docket No. 1686]. On August 27, 2009, the Bankruptcy Court entered an order approving such assumption and extension [Docket No. 1832].

10. Applications to Retain Certain Legal Professionals

Throughout the Chapter 11 Cases, the Bankruptcy Court has approved the retention of certain Professionals to represent and assist the Debtors in connection with the Chapter 11 Cases. These Professionals include, among others: (a) Kirkland & Ellis LLP as counsel for the Debtors (final order granted January 14, 2009); (b) Zolfo Cooper as financial advisors for the Debtors (final order granted April 3, 2009); (c) [Blackstone]; (d) [Young Conaway]; and (e) [Epiq].

The Bankruptcy Court also approved additional requests by the Debtors to employ other Professionals. Specifically, prior to filing for bankruptcy, the Debtors engaged various law firms to assist them with pending litigation issues unrelated to these Chapter 11 Cases. These issues included, among other things, employment matters, anti-trust litigation, and other contract disputes. A number of these matters were expected to move forward after the Petition Date, and the Debtors believed it was critical that the Debtors retain these firms to continue to represent them in connection with these matters. On January 30, 2009, the Debtors filed applications seeking authority to retain (a) Ray Quinney & Nebeker P.C. [Docket No. 400], (b) Gibson Dunn & Crutcher LLP [Docket No. 405], (c) Manatt Phelps & Phillips LLP [Docket No. 406] and (d) Jones, Walker, Waechter, Poitevent, Carrère & Denègre LLP [Docket No. 407] as special legal counsel *nunc pro tunc* to the Petition Date. Furthermore, the Debtors anticipated that they would need to employ various attorneys, accountants and other professionals in the ordinary course of business, including specialized legal services, accounting services, auditing and tax services, as well as consulting services. As such, Debtors requested authority to continue to employ and compensate certain ordinary course professionals without the need to seek specific Bankruptcy Court authorization for their retention [Docket No. 398]. On February 18, 2009, the Bankruptcy Court entered orders authorizing the Debtors' retention of (a) Ray Quinney & Nebeker P.C. [Docket No. 520], (b) Gibson Dunn & Crutcher LLP [Docket No. 519], (c) Manatt Phelps & Phillips LLP [Docket No. 518] and (d) Jones, Walker, Waechter, Poitevent, Carrère & Denègre LLP [Docket No. 517] as special legal counsel *nunc pro tunc* to the Petition Date. Additionally, on February 20, 2009, the Bankruptcy Court entered an order authorizing the Debtors to retain and compensate professionals utilized in the ordinary course of business [Docket No. 554].

11. Other Related Relief

In addition, the Debtors filed the following motions, which were granted after a hearing in the Bankruptcy Court, obtaining: (a) an order directing the joint administration of the Debtors' Chapter 11 Cases; (b) orders authorizing the Debtors to (i) honor customer programs, (ii) continue to use their centralized Cash management system, bank accounts, business forms and perform intercompany transactions, (iii) establish procedures for interim compensation and reimbursement of expenses for Professionals and official committee members; (iv) establish expedited procedures for rejecting executory contracts and unexpired leases of personal and non-residential real property and abandoning certain personal property; (v) setting bar dates for filing proofs of claim, determining settlements, approving the form and manner for filing proofs of claim and approving notice thereof; (vi) approving procedures for the sale, transfer or abandonment of de minimis assets; and (vii) authorizing the Debtors to retain various professionals in the Chapter 11 Cases; and (viii) extending the deadline for the Debtors to file their schedules and statements.

B. Unsecured Creditors Committee

1. Appointment of the Creditors' Committee

On January 5, 2009, the U.S. Trustee appointed the Creditors' Committee pursuant to section 1102 of the Bankruptcy Code. The members of the Creditors' Committee include (a) Berry Petroleum Company, (b) BP Products North America, Inc., (c) Newfield Production Company, (d) Plains Marketing, L.P., (d) the United Steelworkers, (f) Coca Cola Enterprises Inc. and (g) James B. Graham.

The Creditors' Committee retained Pachulski Stang Ziehl & Jones LLP, as counsel to the Creditors' Committee. On February 18, 2009, the Bankruptcy Court entered a Final Order approving this retention. The Creditors' Committee also retained Grant Thornton LLP, as its financial advisor. The Bankruptcy Court also approved this retention.

2. Meeting of Creditors

The meeting of creditors pursuant to section 341 of the Bankruptcy Code was held on January 29, 2009 at 10:00 a.m. prevailing Eastern Time, at the J. Caleb Boggs Federal Building, Wilmington, Delaware 19801. In accordance with Bankruptcy Rule 9001(5) (which requires, at a minimum, that one representative of the Debtors appear at such meeting of creditors for the purpose of being examined under oath by a representative of the U.S. Trustee and by any attending parties-in-interest), a representative of the Debtors as well as counsel to the Debtors attended the meeting and answered questions posed by the U.S. Trustee and other parties-in-interest present at the meeting.

The January 29 meeting of the creditors was adjourned to April 2, 2009 and completed in Wilmington, Delaware on that date.

3. Filing Schedules and Setting of Bar Dates

The Debtors Filed their Schedules on March 28, 2009. On April 15, 2009, the Bankruptcy Court entered the Bar Date Order [Docket No. 1005], which set forth the following dates by which proofs of claims must be Filed:

1. Longhorn Bar Date: June 1, 2009 at 4:00 p.m. prevailing Eastern time;
2. Bar Date: June 1, 2009 at 4:00 p.m. prevailing Eastern time; and
3. Governmental Claims Bar Date: June 30, 2009 at 4:00 p.m. prevailing Eastern time.

Prior to entry of the Bar Date Order, the Bankruptcy Court on February 18, 2009 entered the 503(b)(9) Bar Date Order [Docket No. 404], which set forth the date sixty days after the Debtors' service of the 503(b)(9) Bar Date Notice as the 503(b)(9) Bar Date. Subsequent to entry of the 503(b)(9) Bar Date Order, the Bankruptcy Court on June 23, 2009 entered the Supplemental 503(b)(9) Bar Date Order, further extending the 503(b)(9) Bar Date for certain potential Holders of 503(b)(9) Claims.

The following date was the deadline by which Holders of claims arising under Bankruptcy Code section 503(b)(9) must file proofs of claims:

4. 503(b)(9) Bar Date: *either* (a) 4:00 p.m. prevailing Eastern time on April 20, 2009 as established in the 503(b)(9) Bar Date Order; *or* (b) for those Holders of 503(b)(9) Claims that first received notice of the 503(b)(9) Bar Date and 503(b)(9) Bar Date Order through the Section 503(b)(9) Supplemental Notice attached as Exhibit A to the *Certification of Counsel Regarding Notice to Certain Potential Holders of Administrative Claims Under Section 503(b)(9) of the Bankruptcy Code* [Docket No. 1413], 30 days after the receipt of such notice, as established in the Supplemental 503(b)(9) Bar Date Order.

Subject to certain limited exceptions contained in the Bankruptcy Code and, other than Claims arising from the rejection of executory contracts after the Bar Date, all proofs of Claim must have been submitted by the applicable Bar Date.

In accordance with the Bar Date Order, written notice of the Bar Dates and the Proof of Claim Form were mailed to, among others, all known Claimants holding actual or potential Claims and other parties listed in the Bar Date Order within three business days after the date of entry of the Bar Date Order. In addition, in accordance with the Bar Date Order, the Debtors published notice of the Bar Dates in *The Wall Street Journal*, the *USA Today*, the *Salt Lake City Tribune* and the *Bakersfield Californian*. A deadline by which Proofs of Claim for Administrative Claims (except to the extent such Claims are asserted pursuant to section 503(b)(9) of the Bankruptcy Code, discussed above) are required to be Filed with the Bankruptcy Court has not been established as of the date of this Disclosure Statement, and the Debtors will request that the Bankruptcy Court set an Administrative Bar Date in connection with Confirmation of the Plan.

C. Subsequent Motions and Related Relief

Subsequent to the filing of the petition, first-day motions and hearing on the same, the Debtors continued to operate their business in the ordinary course. In certain instances, however, circumstances required the Debtors to enter into arrangements with lenders, suppliers and other counterparties outside the ordinary course of business. To that end, the Debtors sought and obtained a number of orders from the Bankruptcy Court to undertake such activity outside the ordinary course of business. Several of these orders are briefly summarized below.

1. Motions for Authority to Obtain Debtor in Possession Financing at the Longhorn Entity Level and Utilize Cash Collateral

On February 18, 2009, the Debtors filed a motion seeking authority to obtain postpetition financing on a superpriority administrative claim and first priority lien basis [Docket No. 534]. The Pipeline at the time was filled with over 900,000 barrels of refined products that included “winter mix” product, which, under state and federal environmental regulations, could not be sold outside of the winter season ending in early April. Since the Petition Date, the Pipeline had significantly reduced levels of through-put due to liquidity constraints. Without additional financing, the Debtors would have been unable to ensure the flow of the winter mix product through the Pipeline for sale before the end of the winter season. Pushing the winter mix through the Pipeline and selling it before the end of the season promised to preserve the value of the Pipeline and the product, generate profit and enhance the Debtors’ flexibility in maximizing the enterprise value of the Pipeline and associated business of the Debtors. The Bankruptcy Court granted the motion and entered the ML Interim DIP Order on February 27, 2009.

The original Merrill DIP Facility consisted of a short-term senior secured revolving credit facility of \$10 million. The Debtors’ obligations under the original Merrill DIP Facility were secured by (a) a first priority lien on pushed product, receivables generated from the sale of such pushed product, purchased product until title passes to Debtors when the new pushed product is pushed through the Pipeline, and all sales contracts for pushed products and proceeds thereof, and (b) a second lien on all existing collateral of the Debtors’ prepetition secured lender. The Debtors intended to use the Merrill DIP Facility proceeds to purchase newer product to flush the Pipeline of the winter mix product in order to sell winter mix product before the end of the season. The mechanics of the original Merrill DIP Facility allowed the Debtors to purchase summer product to put into the Pipeline by borrowing up to 50% of the cost of such product from Merrill Lynch under the Merrill DIP Facility and paying for the remaining cost of the product, themselves. The Debtors would keep the proceeds from selling the winter mix product, and any remaining proceeds after repayment of the advances under the Merrill DIP Facility, including any profits. On March 9, 2009 the Bankruptcy Court entered a Final Order authorizing the Debtors to obtain up to \$10 million of secured postpetition loans from Merrill Lynch, and to utilize Cash collateral [Docket No. 733], thereby finalizing the ML Interim DIP Order.

On April 13, 2009, the Debtors filed an emergency motion, seeking authority to enter into the first amendment to the postpetition financing provided by Merrill Lynch [Docket No. 961]. As of April 3, 2009, the

Debtors had borrowed and repaid approximately \$16 million on an aggregate basis (but never exceeding the \$10 million cap at any time) through the Merrill DIP Facility to fund the purchase of new Pipeline product. Essentially all of these borrowings had been used to purchase new product to push out and sell winter mix product before the end of the winter season. Although all of the winter mix had been successfully pushed out of the Pipeline, the Debtors believed that by continuing to engage in product purchase transactions to ensure flow of product through the pipeline, the Debtors would enjoy reasonable profit margins, to the ongoing benefit of their estates. The proposed amendment promised to allow the Merrill DIP Facility to continue, by extending the Merrill DIP Facility's maturity and increasing the Debtors' access to financing by approximately \$1.5 million to an aggregate amount of \$11.5 million. On April 17, 2009, the Bankruptcy Court entered an interim order, authorizing the Debtors to enter into the First Amendment of the secured postpetition loans from Merrill Lynch [Docket No. 1022]. The Bankruptcy Court entered a Final Order authorizing the amendment on May 7, 2009 [Docket No. 1156].

As the Chapter 11 Cases progressed, the Debtors determined in their business judgment that a sale of their Longhorn assets would be in the best interest of creditors. The Debtors also determined that additional postpetition financing would be necessary to carry the business and operations of Longhorn through to a sale. Consequently, on April 14, 2009, the Debtors filed a second emergency motion seeking authority to obtain postpetition financing (the Oaktree DIP Facility) on a superpriority administrative claim and first priority lien basis from Pipeline Investors Capital, LLC, other single funding vehicles controlled by investors in Longhorn Pipeline Investors, LLC and affiliated entities, all of whom were either Holders or investors in Holders of Longhorn Note Claims [Docket No. 975]. The Longhorn Entities' need for the additional financing was predicated on: the desire to sell the Pipeline and related assets as a going concern, and thus, a need to keep the Pipeline operational; increased liquidity constraints at the Longhorn entity level, despite successful resumption of Pipeline operations; and a need to continue to attract customers to the Pipeline to ensure its ultimate marketability for sale.

The Oaktree DIP Facility provided Longhorn with \$20 million in additional incremental financing to achieve the above stated goals. Longhorn's obligations under the Oaktree DIP Facility are secured by all the assets of Longhorn, but excluding any Pipeline line fill. The Bankruptcy Court entered an order approving the proposed Oaktree DIP Facility, first on an interim basis on April 17, 2009 [Docket No. 1024] and then on a final basis on May 7, 2009 [Docket No. 1158]. The Bankruptcy Court entered an amended Final Order approving the Oaktree DIP Facility on May 12, 2009 [Docket No. 1172].

2. Motion to Authorize the Debtors to Implement a Severance Program

Prior to the Petition Date, the Debtors did not have a company-wide severance policy. Given this lack of a coherent severance policy, many of the Debtors' employees perceived a lack of job security which had the potential to negatively impact the employees' incentive to perform and could have caused some employees to seek alternative employment. Recognizing the need to maintain a meaningful level of stability, improve focus and morale, on February 2, 2009, the Debtors filed a motion seeking authority to implement a severance program [Docket No. 426]. On February 19, 2009, the Bankruptcy Court entered an order authorizing the Debtors to implement a severance program [Docket No. 545].

3. Motion to Approve Various Settlements with Great American Insurance and J. Aron

a. Settlement with Great American Insurance

Prior to the Petition Date, the Debtors, as principal, in the ordinary course of business, obtained the issuance of a number of surety bonds in favor of certain obligees. GAIC was one of the largest issuers of such surety bonds. Specifically, the aggregate principal amount of all bonds issued by GAIC and required for the Debtors' postpetition operations were approximately \$23 million. These bonds primarily secured fuel taxes and workers' compensation obligations and were required pursuant to various state laws. Additionally, the Debtors had executed a general agreement of indemnity, dated April 23, 2002, in favor of GAIC providing that the Debtors would agree to pay to GAIC (a) all losses and expenses, including attorney fees, upon any breach of the indemnity

agreements by the Debtors, (b) an amount sufficient to discharge any claim against GAIC on the bonds, and (c) all premiums due for the bonds until such time as GAIC was discharged from liability under the bonds.

On January 8, 2009, GAIC filed a motion seeking to lift the automatic stay to cancel the bonds, arguing that the bonds were financial accommodations that could not be assumed by the Debtors. The Debtors believed that in the event that GAIC canceled the bonds, the Debtors would be compelled to seek surety credit from another company and likely would be required to post substantial collateral to secure the new bonds. After a review of the exigent circumstances, the Debtors believed that the most cost-effective means of addressing these issues in the interest of the estate was to avoid irreparable harm by maintaining the surety bonds in effect for a short period of time, after which the Debtors would be able to secure bonds from another surety or enter into a more permanent agreement with GAIC. After a successful negotiation with GAIC to maintain the existing surety bonds until August 4, 2009, on March 12, 2009, the Debtors filed a motion seeking approval of this settlement agreement [Docket No. 748]. On April 2, 2009, the Bankruptcy Court approved the terms of settlement with GAIC [Docket No. 909]. The Debtors replaced the bonds with the Pilot DIP Facility before August 4, 2009.

b. Settlement with J. Aron

On May 23, 2008, Flying J and J. Aron entered into an ISDA Master Agreement, pursuant to which J. Aron exercised its contractual right to terminate the outstanding transactions under this agreement due to the bankruptcy filing of the Debtors and designated December 22, 2008 as the early termination date. After engaging in extensive arms-length negotiations to determine the termination payment owed to the Debtors, the parties agreed to a payment of approximately \$10.2 million due from J. Aron to Flying J within two days of the Bankruptcy Court's approval. The Debtors believed that the influx of liquidity was in the best interest of their estates, and on March 31, 2009, Debtors filed a motion seeking approval of this settlement agreement [Docket No. 891]. On April 2, 2009, the Bankruptcy Court approved the terms of settlement with J. Aron [Docket No. 916].

4. Motion Authorizing Entry into Connection and Lease and Easement Agreements with PMI Services

The Longhorn Entities owned, along with the Pipeline for the transportation of refined petroleum products, the Longhorn Terminal. PMI, a Delaware corporation wholly owned by Mexico's national oil company, Petróleos Mexicanos (Pemex), sought to construct a common carrier refined petroleum products pipeline to connect new and existing facilities at the Longhorn Terminal with the PMI Pipeline, a segment which would be installed within an easement upon land owned by the Longhorn Entities to be constructed in phases, and the PMI tanks, pipeline pumping and facilities within a surface lease upon land owned by the Longhorn Entities. The Debtors believed that the facilitation of the construction of the PMI Pipeline and the associated facilities would require no investment or expenditures by Longhorn other than to grant PMI the use of Longhorn's property via an easement and a lease, and believed it to be in the best interest of the estates due to the potential of realizing both short-term and long-term benefits. After negotiating an arm's-length agreement between PMI to facilitate the construction of PMI Pipeline and facilities, on March 13, 2009, the Debtors filed a motion seeking authority to enter into an agreement with PMI as well as lease and easement agreement with PMI Services [Docket No. 767]. On April 2, 2009, the Bankruptcy Court approved the terms of the agreement with PMI Services and approved the lease and easement agreements [Docket No. 907].

5. Motion to Approve an Asset Sale Incentive Program

On April 9, 2009, the Debtors filed a motion seeking authority to implement an Asset Sale Incentive Program in connection with the Longhorn Entities [Docket No. 426]. The Debtors stated that the Asset Sale Incentive Program would help to properly incentivize certain key employees to maximize the potential purchase price of the Pipeline and related businesses. The payments under the Asset Sale Incentive Program were tied to the ultimate sale price of the Longhorn Entities' operations, such that the key employees identified in the motion would not receive any bonus if a sale transaction was not consummated or the sale transaction had an aggregate transaction

value less than \$225 million. On May 7, 2009, the Bankruptcy Court entered an order authorizing the Debtors to implement an Asset Sale Incentive Program [Docket No. 1157].

6. Motion to Approve a Special Bonus Plan and Corporate Incentive Plan

On August 4, 2009, the Debtors filed a motion seeking authority to make payments pursuant to the Special Bonus Plan and to approve and authorize the Debtors to pay amounts under the Corporate Incentive Plan for fiscal year 2010 [Docket No. 1661]. Flying J offers the Special Bonus Plan to select corporate employees, management (including plaza management) and lead drivers. The Special Bonus Plan is designed to reward participants for their contribution to the long-term growth and success of the Flying J Group. Participants in the Special Bonus Plan are awarded contributions and earnings on contributions based upon the operating results of the Flying J Group. The Debtors offer the Corporate Incentive Plan to all corporate employees. Payouts under the Corporate Incentive Plan are based upon the achievement by the Debtors of certain specific performance objectives, as measured by consolidated EBITDA.

Payments under the Special Bonus Plan and the Corporate Incentive Plan help to properly incentivize plan participants in order to maximize Flying J's results of operation and value to the Estates. On September 1, 2009, the Bankruptcy Court entered an order authorizing the Debtors to pay the amounts owed in connection with the Special Bonus Plan and the Corporate Incentive Plan [Docket No. 1862]. Crystal Call Maggelet, as Flying J's CEO, was not included in the original Corporate Incentive Plan. Upon emergence, however, Ms. Maggelet will be included in the Corporate Incentive Plan for fiscal year 2010 and will receive a bonus pursuant to the terms therein or as amended post-emergence.

7. Motion to Authorize the Debtors to Issue Collateralized Letters of Credit

As discussed above, the Bankruptcy Court entered an order on April 2, 2009 approving the Debtors' settlement with GAIC [Docket No. 909], which preserved the Debtors' existing surety bonds with GAIC until August 4, 2009. On August 4, 2009, GAIC obtained the right and power to terminate any and all then-existing surety bonds. In the interim, the Debtors sought to replace their over \$23 million in surety bonds with GAIC. In addition, and as further noted below, the Debtors received authority from the Bankruptcy Court to obtain postpetition financing from Pilot, consisting partially of letters of credit or performance, surety or similar bonds in the aggregate amount of \$45 million to be used to support certain of Flying J's obligations that had been guaranteed by the GAIC bonds, such as fuel tax and workers' compensation obligations.

In certain instances, GAIC surety bonds insured the Debtors' obligations under various state workers' compensation statutes. The Debtors' self insure their state workers' compensation obligations. As a condition to maintaining the Debtors' self-insured status, state workers' compensation authorities require the Debtors to post either surety bonds or letters of credit. One such state workers' compensation authority, the FSIGA, to whom the Debtors owed insurance obligations, received notice from GAIC that it planned to terminate its surety bonds in accordance with prevailing state law, at least 90 days before the anticipated August 4 termination date. FSIGA informed the Debtors of the notice and demanded replacement security within 10 days. The Debtors looked for a replacement; however, no replacement surety bond issuers would provide the Debtors with a replacement bond without full collateralization. Ultimately, the Debtors opted in their business judgment to cause Wells to issue a letter of credit in the amount of the original bond, which letter of credit the Debtors would fully fund pursuant to an agreement with Wells. A similar state agency, the Oklahoma Workers Compensation Court, also required replacement security, as well as an increase in the amount of the security. The Debtors likewise opted to cause Wells to issue a fully funded letter of credit. The Debtors determined that issuance of the collateralized letters of credit and preservation of the Debtors' self-insured status would save the Debtors hundreds of thousands of dollars in third party insurance premiums to cover the Debtors' various workers' compensation obligations. The Bankruptcy Court entered an order approving the motion on June 22, 2009 [Docket No. 1404].

8. **Motions for Authority to Obtain Debtor in Possession Financing at the Flying J Entity Level and to Execute a Letter of Intent with Pilot to Sell Flying J's Retail and Trucking Operations**

Throughout the Chapter 11 Cases, the Debtors put forth extensive efforts to obtain consolidated postpetition financing at the Flying J level to ease Flying J's restrictive liquidity constraints. Although the Debtors and their professionals contacted multiple sources of financing, few showed interest in providing postpetition credit.

As noted in the DIP/LOI Motion filed with the Bankruptcy Court on July 14, 2009, Flying J owns little in the way of "borrowing base" or other traditional hard assets, making it difficult to grant potential lenders liens in hard assets customary in the debtor in possession financing context. Consequently, Flying J could only offer liens and equity pledges in operating subsidiaries, which few lenders were willing to take.

Flying J's need for debtor in possession financing was caused by a number of factors, including the August 4, 2009 expiration of \$22 million in GAIC-issued surety bonds, the inability to negotiate favorable credit terms with vendors absent a secure source of financing and the uncertainty inherent in alternative sources of financing, such as continued liquidation of non-core assets.

After extensive efforts to court potential lenders and negotiations with a few interested parties, Flying J was approached by Pilot during the weeks preceding the filing of the DIP/LOI Motion with an offer to provide postpetition financing to bridge Flying J through its liquidity troubles to a merger or other combination with Pilot of Flying J's retail and trucking operations. The terms of the postpetition financing were to provide Flying J \$100 million in available credit, consisting of a \$55 million revolving line of credit and \$45 million in letters of credit and surety bonds to support the Debtors' fuel tax, general and automobile insurance and workers' compensation obligations. The financing was conditioned on the Bankruptcy Court's approval of the Letter of Intent, pursuant to which Flying J would sell, for Cash and equity, its travel center and trucking operations, corporate headquarters, certain land adjacent to Flying J's travel plazas and certain other Flying J business operations. The terms of the Letter of Intent also obligated Flying J to pursue the sale transaction on an exclusive basis with Pilot until August 31, 2009, subject to certain extensions upon attaining certain diligence and other milestones.

9. **Antitrust Settlement Motion**

As a condition to the merger or other transaction with Pilot contemplated by the DIP/LOI Motion, the Debtors and Pilot were obligated to seek a stay and resolution of certain antitrust litigation pending in the District Court for the District of Utah (Case No: 1:06CV 00030 TC). The litigation arose out of claims by Flying J and its subsidiary TCH that Pilot and other related and non-related entities had conspired to systematically boycott certain trucker fuel cards offered and sold by TCH to trucking companies, as well as the TCH platform on which these cards are used. The litigation had been pending for more than three years. Both sides had engaged in extensive discovery.

As part of the Pilot Transaction, Flying J and Pilot wished to resolve the outstanding litigation. Therefore, the parties reached a settlement, pursuant to which (a) Flying J and the other plaintiffs to the litigation would seek dismissal of the antitrust litigation, (b) related discovery obligations of the parties would terminate, (c) Pilot and its subsidiaries (other than Pilot Corporation convenience stores) would accept the TCH trucker fuel card at all locations either (i) owned by Pilot or its subsidiaries (other than Pilot Corporation convenience stores) or (ii) leased and managed by Pilot or its subsidiaries, (d) the parties would enter into an additional agreement, the terms of which remain sealed pursuant to the *Order Authorizing the Debtors to File Under Seal the Unredacted Letter of Intent by and Among Flying J Inc., Flying J Transportation LLC and Pilot Travel Centers LLC* entered by the Bankruptcy Court on July 30, 2009 [Docket No. 1629]; and (e) the effectiveness of the settlement was conditioned on the consent of Conoco. The Bankruptcy Court entered an order approving the settlement on July 30, 2009 [Docket No. 1630].

10. **Other Related Relief**

In addition, the Debtors Filed the following motions, all of which were granted after a hearing in the Bankruptcy Court, obtaining: (a) an extension of time within which the Debtors must assume or reject unexpired leases of nonresidential real property; (b) approval of stipulations for allowance of various administrative expense claims; and (c) three extensions of the time within which the Debtors exclusively may file a plan of reorganization.

D. Sale of Longhorn Assets

1. Factors Leading to Pipeline Sale and Marketing Efforts

Throughout the pendency of these Chapter 11 Cases, the Debtors and their advisors explored multiple restructuring alternatives, including the sale of specific portions of the operations of the Longhorn Entities, a new debt or equity capital infusion and a restructuring of the Debtors' balance sheet. On the Petition Date, the Debtors retained financial advisor Blackstone in part to assist the Debtors' board of directors in their evaluation of strategic alternatives. The Debtors and Blackstone ultimately determined a sale of the line fill and a divestiture of the assets held by the Longhorn Entities would allow the Debtors to effectively channel these non-core resources to the Debtors' other business operations, as well as possibly provide further liquidity to the Flying J Group and maximize recovery to creditors of both Longhorn and the Debtors' other estates. In connection with the sale of the Longhorn Acquired Assets and the line fill, the Debtors expanded the scope of Blackstone's retention to include M&A services and also retained the Sale Advisors pursuant to the *Order Authorizing the Debtors to Retain Aegis Energy Advisors Corp. as Lead Sale Advisor Nunc Pro Tunc to January 27, 2009 entered on April 3, 2009* [Docket No. 925], an investment bank specializing in the energy industry, to market the Longhorn Acquired Assets and the line fill and provide related bid assessment and valuation services.

On or around February 2, 2009, the Sale Advisors began soliciting potential third-party buyers in connection with the sale of the Longhorn Acquired Assets and the line fill. The Sale Advisors distributed preliminary informational memoranda to approximately 122 parties. 36 of these parties executed confidentiality agreements and received additional information, including a confidential information memorandum.

Ultimately, Magellan, one of the potential third-party buyers that had executed a confidentiality agreement, submitted a preliminary, non-binding indication of interest to purchase both the Longhorn Acquired Assets and the line fill.

2. Magellan's Stalking Horse Bid

The Sale Advisors approached each of the potential buyers that provided Longhorn with initial indications of interest with the opportunity to move through diligence quickly and become the stalking horse bidder. Two parties entered into serious discussions about becoming the stalking horse bidder.

Magellan proposed its initial stalking horse bid on June 19, 2009. Subsequent to that date, Longhorn, the Debtors and their respective professionals engaged in extensive arms-length negotiations with Magellan on the terms of their stalking horse bid. Those negotiations continued up until June 19, 2009, when the Debtors signed and filed the Pipeline APA, Main Line Fill APA and Spur Line Fill APA, along with the pleadings seeking approval of the same.

The Pipeline APA provided for the payment of \$250 million in Cash for the Pipeline. The Spur Line Fill APA and the Main Line Fill APA provided for approximately \$75 million in Cash for the line fill, which amount was subject to a purchase price adjustment on the Pipeline Sale Closing Date. On July 6, 2009, the Bankruptcy Court approved certain bid protections for the benefit of Magellan. If Magellan was not the prevailing bidder at the auction, Magellan was entitled to a break-up fee of \$3.75 million (or 1.5% of the Cash purchase price). Additionally, the Bankruptcy Court approved an overbid provision under which any initial bid presented by a qualified bidder would need to exceed the original baseline bid by \$1,000,000 plus the break-up fee. Any

“successful bidder” other than Magellan would also have been required to pay an additional per diem amount determined as the quotient equal to (A) the product of (i) 12% multiplied by (ii) sum of the purchase price for the Longhorn Acquired Assets, the Main Line Fill and the Spur Line Fill, plus the full amount of the Break-Up Fee payable to the Purchaser divided by (B) 365, for each day from the closing date projected in the Pipeline APA through the actual closing date with a successful bidder other than Magellan. These provisions were negotiated extensively at arm’s length and in good faith by Longhorn, the other Debtors and Magellan.

3. The Pipeline Bidding Procedures

On June 19, 2009, the Debtors filed the Sale Motion seeking, among other things, approval of comprehensive and detailed Pipeline Bidding Procedures. Certain parties in interest filed certain limited objections to the Pipeline Bidding Procedures, which were ultimately resolved before the hearing. The Bankruptcy Court entered an order approving the Pipeline Bidding Procedures on July 6, 2009. [Docket No. 1460].

On July 10, 2009, within five days of entry of the order approving the Pipeline Bidding Procedures, the Debtors served notice of the order upon a number of key parties in the Chapter 11 Cases. On July 10, 2009, also within five days of entry of the order approving the Pipeline Bidding Procedures, the Debtors published a notice of the Pipeline Sale in the National Edition of *The Wall Street Journal*.

No competing bids were received prior to the Pipeline Bid Deadline. Pursuant to the Pipeline Bidding Procedures Order, no auction was held, as no competing bids were received. As a result, the Bankruptcy Court approved the Pipeline Sale on July 27, 2009 and the sale of the Longhorn Acquired Assets to Magellan closed on July 29, 2009.

E. Pilot Transaction

1. Factors Leading to Pilot Transaction

Over the course of these chapter 11 cases, the Debtors and their advisors repeatedly attempted to locate consolidated postpetition credit for Flying J to fund ongoing operational costs. Nearly all potential financing sources passed on the opportunity. By June 2009, the Debtors required significant additional financing in order to replace the GAIC surety bonds that expired in August 2009, pay the prepetition taxes ordered by the Bankruptcy Court on February 4, 2009 [Docket No. 450] and fund the on-going administrative costs of the Chapter 11 Cases.

The Debtors and their investment banker, Blackstone, contacted 50 different potential lenders concerning a proposed DIP financing arrangement. Thirteen of these potential lenders executed confidentiality agreements with Flying J. Despite the initial interest from these potential lenders, substantially all of the related deals did not materialize. Pilot offered DIP financing that the Debtors found most advantageous and that could resolve the Debtors’ immediate funding needs. The postpetition financing was directly tied to entering into the Letter of Intent with Pilot to execute the Pilot Transaction.

As Flying J itself owns little in the way of “borrowing base” or other traditional hard assets, it is unable to grant any potential lender a more traditional lien in hard assets that are customary in the debtor in possession financing context. Flying J’s sole avenue of granting collateral consists of providing a lender with pledges in the equity interests in Flying J’s operating subsidiaries. Most potential lenders contacted by Blackstone, unaccustomed to receiving anything but hard assets to secure their loans, and given the current economic climate, expressed reluctance to enter into financing arrangements under these circumstances. Further, two potential lenders expressed more interest in a private equity investment convertible into controlling interests in the Debtors’ retail operations—AFJ and CFJ. While the Debtors themselves were not necessarily opposed to such an arrangement conceptually, any such agreement would have required extensive and complex negotiations with Flying J’s joint venture partner in CFJ, Conoco, which negotiations would have been too lengthy and protracted given the Debtors’ acute and immediate need for funding.

One additional potential lender proposed DIP financing that would have imposed limitations on the operation and the governance of certain Flying J subsidiaries. The Debtors determined in their business judgment that subjecting their subsidiary operations to such restrictions and the more extensive events of default and indemnification provisions contained in that proposed financing facility made the proposed Pilot DIP financing even more desirable. Additionally, the proposed financing arrangements did not provide Flying J with a path to expeditiously resolve the Chapter 11 Cases and emerge as a going concern.

Ultimately, given the Pilot Transaction's potential to provide a full recovery to the creditors of the Debtors' estates, the Debtors determined that the Pilot Transaction was in the best interests of the Debtors' estates and executed the Letter of Intent and the Acquisition Agreement, which provided the Debtors with a solution to their cash constraints and presented a path for the Debtors to exit from Chapter 11. The Bankruptcy Court approved the Debtors' entry into the Acquisition Agreement on January 27, 2010 pursuant to the Pilot Sale Order.

The closing of the Acquisition Agreement would provide the Flying J Estate with approximately \$1.17 billion in value minus adjustments for business net debt and net working capital as well as adjustments to be made for adjacent land contributed by Flying J. The consideration will consist of \$515 in cash, with the remainder to be paid in the form of [Newco] equity securities. Consummation of the Pilot Transaction is subject to the closing conditions contained in the Acquisition Agreement, including: (i) the order approving the Acquisition Agreement having become a final order; (ii) delivery of certain ancillary agreements; (iii) satisfaction of certain bring-down conditions; (iv) receipt of approval of antitrust authorities of the transactions contemplated in the Acquisition Agreement and certain other specified third-party consents; (v) no material adverse effects upon the businesses of either Flying J or Pilot; (vi) acceptance of guarantee and minimum equity percentage; and (vii) receipt of certain financing.

These conditions include obtaining the consent of Conoco with respect to Flying J's contribution of certain equity interests and other assets related to the Debtors' travel center and transportation business in connection with the Pilot Transaction. As a result of and concurrently with the negotiation of the Acquisition Agreement, Pilot and Conoco engaged in extensive arms-length negotiations over the terms of Conoco's consent to the Pilot Transaction. Conoco ultimately agreed to sell its entire interest in CFJ to Pilot. In order to facilitate that sale and resolve all outstanding commercial issues between Flying J and Conoco, Flying J entered into the Conoco Agreement on December 18, 2009, which the Bankruptcy Court approved on January 27, 2010 pursuant to the Pilot Sale Order. The Conoco Agreement sets forth certain obligations of Flying J and Conoco with respect to TCH and the CFJ Entities, including with respect to the preparation of financial statements and the payment of tax and employee stock ownership plan obligations. In addition, the Conoco Agreement sets forth the consent of Flying J and Conoco with respect to the execution, delivery and performance of the Acquisition Agreement and the purchase agreement between Conoco and Pilot.

If the Pilot Transaction is consummated, Flying J is likely to achieve what few debtors in recent years have accomplished: providing 100% recoveries to all creditors of Flying J and a significant return to equity holders. The Pilot Transaction and the resulting proceeds will also inure to the benefit of the estates by providing distributions on account of certain intercompany claims held by the other estates in accordance with the Plan and allowing all of the Debtors to exit from bankruptcy in an expeditious manner.

The Pilot Transaction had to be notified to the U.S. antitrust authorities pursuant to the HSR Act. On August 17, 2009, Flying J and Pilot filed notification and report forms with the FTC and the Antitrust Division of the Department of Justice. On September 16, 2009, the FTC issued a request for additional information, commonly referred to as a "second request," to Pilot and Flying J. The second request extends the HSR waiting period and it has not yet expired or been terminated. FTC merger review staff informed the parties that it has recommended to the Bureau of Competition that the Pilot Transaction poses risks of harm to competition that should be addressed before clearance is granted or that, in the absence of remedial action, the FTC should seek to enjoin the Pilot Transaction. The parties are in discussions with the Bureau of Competition, which has not finalized its review. The bureau will issue a recommendation to the Commissioners shortly. If that recommendation is to seek remedial measures or to enjoin the transaction, a majority of the Commissioners must vote to approve it. The parties continue to work with

the FTC to persuade the agency that any action is not warranted. The Pilot Sale Order provides that the Pilot Transaction is a core matter and that the Bankruptcy Court retains jurisdiction over, among other things, any proceedings seeking to enjoin or that would otherwise impact the Pilot Transaction.

VI. VALUATION ANALYSIS AND PROJECTIONS

A. Valuation of the Reorganized Debtors

THE VALUATIONS SET FORTH HEREIN REPRESENT ESTIMATED DISTRIBUTABLE VALUE AND DO NOT NECESSARILY REFLECT VALUES THAT COULD BE ATTAINABLE IN THE PUBLIC OR PRIVATE MARKETS. THE NEW EQUITY VALUE DOES NOT PURPORT TO BE AN ESTIMATE OF THE POST-REORGANIZATION MARKET VALUE. SUCH TRADING VALUE, IF ANY, MAY BE MATERIALLY DIFFERENT FROM THE NEW EQUITY VALUE.

In connection with certain matters relating to the Plan, the Debtors requested that Blackstone prepare a valuation analysis of Reorganized Debtors' businesses and assets. As further described in the Disclosure Statement, Reorganized Debtors' principal businesses and assets will include:

1. an estimated 11.6%⁴ ownership interest in the equity of Pilot;
2. 100.0% ownership interest in the equity of BWO;
3. 50.0% ownership interest in the equity of TCH;
4. 100.0% ownership interest in the equity of TAB;
5. various real estate holdings and cash; and
6. certain tax attributes.

The valuation analysis was prepared by Blackstone based, in part, on information contained in and underlying the Projections. In preparing its analysis, Blackstone has, among other things:

1. reviewed certain operating and financial forecasts prepared by the Debtors with the assistance of Zolfo Cooper, including the Projections, as well as operating and financial forecasts prepared by Pilot;
2. discussed with Flying J management and Zolfo Cooper the key assumptions related to the Projections, and discussed with Pilot management assumptions underlying Pilot's operating and financial forecasts;
3. employed generally accepted valuation techniques, as described below; and
4. considered such other analyses as Blackstone deemed appropriate and necessary under the circumstances.

Blackstone relied upon and assumed, without independent verification, the accuracy and completeness of the financial and other information provided to or discussed with it by the Debtors or obtained by it from public sources. Blackstone has not audited, reviewed, or compiled the information in accordance with Generally Accepted Accounting Principles, or otherwise. With respect to all projections furnished to it, Blackstone has relied on representations that these have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of management of the Debtors as to the expected future performance of the Reorganized Debtors. Blackstone has not assumed any responsibility for the independent verification of any such information, including, without limitation, the Projections.

⁴ The Pilot equity share is subject to certain closing adjustments. The Debtors believe the final equity share will remain within the range 10.0-12.0%.

As referenced above, Blackstone has employed generally accepted valuation techniques in estimating the reorganization value of the Reorganized Debtors. Blackstone performed its valuation analysis of the Reorganized Debtors on a sum-of-the-parts basis, whereby each individual business was valued separately and the values were aggregated in order to estimate the value of the Reorganized Debtors. In preparing its valuation, Blackstone considered each of the following generally accepted valuation techniques:

1. **DCF:** A DCF analysis estimates the TEV of a business or asset based upon the present value of the projection of unlevered after-tax cash flows available to all providers of capital using estimated discount rates. The projection of unlevered free cash flows is discounted using an estimated weighted average cost of capital determined by, among other things, reference to observed costs of capital for comparable companies (i.e., companies with reasonably similar characteristics, including, among other things, lines of business, geography, size and profitability to the underlying businesses of Reorganized Debtors). Added to the present value of the unlevered free cash flows is an estimate of the present value of the terminal value of the underlying businesses of Reorganized Debtors.
2. **Comparable Public Company Analysis:** In a comparable public company analysis, a subject company is valued by reference to the trading multiples of comparable companies. Specifically, market multiples of EBITDA (or in certain circumstances, net book value of assets) were applied to the Projections (or net book value of assets) to determine the ranges of TEV.
3. **Precedent Transactions Analysis:** The precedent transactions analysis is based on the enterprise values of comparable companies involved in merger and acquisition transactions. Under this methodology, the enterprise value of each such company is determined by an analysis of the consideration paid and the liabilities assumed in the merger or acquisition transaction. As in a comparable company valuation analysis, those enterprise values are commonly expressed as multiples of EBITDA (or in certain circumstances, net book value of assets). The derived multiples were then applied to the EBITDA of Reorganized Debtors' underlying business or assets (or net book value of assets) to determine the ranges of TEV.

As a result of such analyses, reviews, discussions, considerations, and assumptions, Blackstone provided to the Debtors an estimate of the TEV of Reorganized Debtors⁵ on a "reorganization value" basis in the range of \$[x] to \$[x] million, with a midpoint of \$[x] million. This TEV estimate includes the value of Reorganized Debtors' equity stakes in its subsidiaries described above, plus the value of real estate, tax attributes, and cash on hand, less an amount that represents the deduction of value associated with the corporate overhead costs.

Blackstone reduced the TEV estimate of Reorganized Debtors by the estimated pro forma exit financing at Reorganized Debtors of \$[x] million, in order to calculate the implied reorganized equity value of \$[x] to \$[x] million, with a midpoint of \$[x] million. Based on shares outstanding at December 31, 2009, which have been adjusted for dilution related to in-the-money options outstanding (using the "treasury stock method" for accounting for such dilution), but without adjustment for any potential dilution related to any management incentive program that might be adopted by Flying J, this would imply a midpoint per-share valuation of \$[x] to \$[y], with a midpoint of \$[z].

⁵ The TEV estimate for Reorganized Debtors (as a holding company) includes the value of the underlying subsidiaries based upon Reorganized Debtors' proportional ownership of the subsidiaries' underlying net equity value; it does not represent the aggregate gross value of the individual TEV's of the underlying subsidiaries.

| <i>(\$ in millions)</i> | Mid-Point Value |
|---|--------------------|
| Reorganized Debtors Total Enterprise Value ⁶ | \$[x] |
| Less Pro Forma Debt | (x) |
| Reorganized Debtors Equity Value | \$[x] |
| Diluted Common Shares Outstanding ⁷ | x,xxx,xxx |
| Equity Value Per Common Share | \$[x.xx] |

The above estimated value is a hypothetical value of the Reorganized Debtors derived through the application of various valuation methodologies. The equity value calculated in Blackstone's analysis does not purport to be an estimate of a post-reorganization trading value. Trading values may be materially different from the implied equity value associated with Blackstone's valuation analysis. Moreover, Reorganized Debtors will remain a private company upon emergence and will have uncertain liquidity in its shares. Blackstone's reorganization value estimate is based on economic, market, financial, and other conditions as they exist, and on the information made available to Blackstone as of February [10], 2010. It should be understood that, although subsequent developments may affect Blackstone's conclusions, Blackstone does not have any obligation to update, revise, or reaffirm its estimate.

The summary set forth above does not purport to be a complete description of the analyses performed by Blackstone. The preparation of a valuation estimate involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods in the particular circumstances and, therefore, such an estimate is not readily susceptible to summary description. The value of an operating business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial results, financial condition and prospects of such a business. As a result, the estimate of implied equity value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. In addition, the estimate of implied equity value does not purport to be an appraisal, nor does it necessarily reflect the value that might be realized if assets were sold. Depending on the results of the Reorganized Debtors' operations or changes in the financial markets, actual value may differ significantly from Blackstone's valuation analysis disclosed herein.

B. Effects of Potential Post-Emergence Events

After the Effective Date, the Reorganized Debtors operations will comprise the following: (i) reorganized Flying J will continue to operate as a holding company holding equity in certain subsidiaries; and (ii) reorganized BWO will continue to operate the NSL Refinery in the ordinary course of business. Reorganized Flying J will hold: (i) all of the common stock in TAB; (ii) all of the membership interests in BWO; (iii) 50% of the common stock in TCH, which provides financial and fuel card services through a diverse line of debit card products and services that are centered on the needs of specific groups and niches within the transportation industry; (iv) an estimated 10-12% of the equity in [Newco]; (v) excess real estate holdings and Cash; and (vi) certain tax attributes.

C. Projections

As further discussed in [Article IX.B.2](#), the Debtors believe the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as Confirmation is not likely to be followed by liquidation or

⁶ The TEV estimate for Reorganized Debtors (as a holding company) includes the value of the underlying subsidiaries based upon Reorganized Debtors' proportional ownership of the subsidiaries' underlying net equity value; it does not represent the aggregate gross value of the individual TEV's of the underlying subsidiaries.

⁷ Diluted Common Shares Outstanding reflect dilution from in-the-money options based upon the "treasury stock method," but does not consider dilution from a management incentive program expected to be implemented post-emergence.

the need for further financial reorganization of the Reorganized Debtors. In connection with developing the Plan, and for purposes of determining whether the Plan satisfies feasibility standards, the Debtors' management has, through the development of financial projections for the years of 2010 through 20[] as attached hereto as Exhibit I, analyzed the Reorganized Debtors' ability to meet their obligations under the Plan and to maintain sufficient liquidity and capital resources to conduct their businesses. In general, as illustrated by the Projections, the Debtors believe that with a significantly de-leveraged capital structure, the Reorganized Debtors will be viable. The Debtors believe that the Reorganized Debtors will have sufficient liquidity to fund obligations as they arise, thereby maintaining value. Accordingly, the Debtors believe the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code. The Debtors prepared the Projections in good faith, based upon estimates and assumptions made by the Debtors' management.

The Projections assume that the Plan will be consummated in accordance with its terms and that all transactions contemplated by the Plan will be consummated by the assumed Effective Date. Any significant delay in the assumed Effective Date of the Plan may have a significant negative impact on the operations and financial performance of the Debtors including, but not limited to, an increased risk of inability to meet sales forecasts and higher reorganization expenses. Additionally, the estimates and assumptions in the Projections, while considered reasonable by management, may not be realized, and are inherently subject to uncertainties and contingencies. They also are based on factors such as industry performance, general business, economic, competitive, regulatory, market, and financial conditions, all of which are difficult to predict and generally beyond the Debtors' control. Because future events and circumstances may well differ from those assumed and unanticipated events or circumstances may occur, the Debtors expect that the actual and projected results will differ and the actual results may be materially greater or less than those contained in the Projections. No representations can be made as to the accuracy of the Projections or the Reorganized Debtors' ability to achieve the projected results. Therefore, the Projections may not be relied upon as a guaranty or other assurance of the actual results that will occur. The inclusion of the Projections herein should not be regarded as an indication that the Debtors considered or consider the Projections to reliably predict future performance. The Projections are subjective in many respects, and thus are susceptible to interpretations and periodic revisions based on actual experience and recent developments. The Debtors do not intend to update or otherwise revise the Projections to reflect the occurrence of future events, even in the event that assumptions underlying the Projections are not borne out. The Projections should be read in conjunction with the assumptions and qualifications set forth herein

VII. SUMMARY OF THE PLAN

A. Summary

In general, the Plan contemplates the reorganization of the Debtors through the distribution and allocation of value received by the Debtors through (i) the contribution of certain of Flying J's assets to Pilot in exchange for \$515 million in Cash and equity interests in [Newco] and upon terms and conditions acceptable to Flying J in the Pilot Transaction, (ii) the sale of certain assets held by BWOC in the Refinery Sale in exchange for approximately \$53 million of Cash representing the base purchase price and 90% of the value of certain of BWOC's hydrocarbon inventories (less amounts to be placed in escrow and amounts reserved for certain disputed or unpaid amounts), the assumption of certain liabilities, including environmental liabilities, and upon terms and conditions acceptable to the Debtors, (iii) the Refinancing, (iv) the sale of certain assets pursuant to that certain Asset Purchase Agreement by and among Magellan and Longhorn Pipeline Holdings Inc. dated as of June 18, 2009, (v) the sale of substantially all of the assets of the FJOG Sellers in the FJOG Sale, (vi) the sale of certain of Flying J's assets not included in the Pilot Transaction and (vii) except as otherwise provided in the Plan and confirmation order, the discharge of all Claims and Equity Interests pursuant to section 1141(d) of the Bankruptcy Code. Under the Plan, it is expected that: (a) all allowed claims at each of the Debtors' estates will be fully satisfied; and (b) reorganized Flying J will own, *inter alia*, all of the equity interests in [Newco] received in the Pilot Transaction and all of the equity in reorganized BWO.

THIS ARTICLE VII IS INTENDED ONLY TO PROVIDE A SUMMARY OF THE MATERIAL TERMS OF THE PLAN AND IS QUALIFIED BY REFERENCE TO THE ENTIRE DISCLOSURE STATEMENT AND THE PLAN AND SHOULD NOT BE RELIED ON FOR A COMPREHENSIVE DISCUSSION OF THE PLAN. TO THE EXTENT THERE ARE ANY INCONSISTENCIES BETWEEN THIS ARTICLE VII AND THE PLAN, THE TERMS AND CONDITIONS SET FORTH IN THE PLAN SHALL GOVERN.

1. Rules of Interpretation

- a. For purposes of the Plan: (i) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neutral gender shall include the masculine, feminine and the neutral gender; (ii) any reference in the Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (iii) any reference in the Plan to an existing document or exhibit having been filed or to be filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (iv) unless otherwise specified, all references in the Plan to “Articles” are references to Articles in the Plan; (v) the words “herein,” “hereof” and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan; (vi) captions and headings to Articles in the Plan are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (vii) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (viii) any term used in capitalized form in the Plan that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.
- b. The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed in the Plan.
- c. All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

2. Exhibits

The Plan Supplement shall be filed with the Clerk of the Bankruptcy Court not later than **[five]** days before the Voting Deadline, or such later date as may be approved by the Bankruptcy Court on notice to parties in interest. The Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal hours of operation of the Bankruptcy Court. A copy of the Plan Supplement can also be obtained (a) from the Voting and Claims Agent, (b) at the Debtors’ website: <http://chapter11.epiqsystems.com/flyingj>, (c) by writing to Flying J Inc. Claims Processing Center, c/o Epiq Bankruptcy Solutions, LLC, FDR Station, P.O. Box 5082, New York, NY, 10150-5082, (d) by calling (646) 282-2400 or (e) for a fee via PACER at <http://www.deb.uscourts.gov/>. Holders of Claims or Equity Interests may also obtain a copy of the Plan Supplement, after they have been filed, from the Debtors by a written request sent to the following address:

Young Conaway Stargatt & Taylor, LLP
The Brandywine Building
1000 West Street, 17th Floor
Wilmington, Delaware 19801
Attn.: Pauline K. Morgan, Esq.

B. Administrative and Priority Claims

1. Administrative Claims

Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, and except as specifically provided in Article II.A of the Plan, and subject to the bar date provisions of the Plan, unless otherwise agreed to by the Holder of an Administrative Claim and the Debtors or Reorganized Debtors, as applicable, each Holder of an Allowed Administrative Claim will receive, in full satisfaction of its Administrative Claim, Cash equal to the Allowed amount of such Administrative Claim either (i) on the Effective Date, (ii) if the Administrative Claim is not allowed as of the Effective Date, as soon as practicable after the date on which an order allowing such Administrative Claim becomes a Final Order or a stipulation regarding the amount and nature of such Claim is executed by the Reorganized Debtors and the Holder of the Administrative Claim, or (iii) at such time and upon such terms as set forth in an order of the Bankruptcy Court; *provided, however*, that in the Debtors' discretion, Administrative Claims do not include 503(b)(9) Claims asserted after the 503(b)(9) Bar Date, Supplemental 503(b)(9) Bar Date or Administrative Claims Filed after the Bar Date.

a. Statutory Fees

On or before the Effective Date, Administrative Claims for fees payable pursuant to 28 U.S.C. § 1930 will be paid by the Debtors in Cash equal to the amount of such Administrative Claims. After the Effective Date, all fees payable pursuant to 28 U.S.C. § 1930 will be paid by the Reorganized Debtors in accordance therewith until the order is entered closing the Chapter 11 Cases pursuant to section 350(a) of the Bankruptcy Code.

b. Ordinary Course Liabilities

Subject to the Bar Date or 503(b)(9) Bar Date, as applicable, Administrative Claims based on liabilities incurred by the Debtors in the ordinary course of their business will be paid by the Debtors or Reorganized Debtors, as applicable, pursuant to the terms and conditions of the particular transaction giving rise to such Administrative Claims or, if and to the extent that such ordinary course obligations are assumed by Pilot, by Pilot, in each case without any further action by the Holders of such Administrative Claims.

c. DIP Facility Claims

Notwithstanding anything to the contrary in the Plan, on the Effective Date, the Allowed Pilot DIP Facility Claims will be paid in full in Cash in accordance with the terms of the Pilot DIP Credit Agreement.

2. Priority Tax Claims

The Debtors or Reorganized Debtors, as applicable, shall pay each Holder of an Allowed Priority Tax Claim the full unpaid amount of such Allowed Priority Tax Claim in Cash, on the latest of (i) the Effective Date, (ii) the date such Allowed Priority Tax Claim becomes Allowed and (iii) the date such Allowed Priority Tax Claim is payable under applicable non-bankruptcy law, or provide such other treatment agreed to by the Debtors and the Holders of such Allowed Priority Tax Claim.

3. Other Priority Claims

On or as soon as practicable after the Effective Date, each Holder of an Allowed Other Priority Claim shall receive, in full and final satisfaction of such Claim, one of the following treatments, in the sole discretion of the Debtors or the Reorganized Debtors, as applicable: (a) full payment in Cash of its Allowed Other Priority Claim; or (b) treatment of its Allowed Other Priority Claim in a manner that leaves such Claim Unimpaired.

C. Classification and Treatment of Claims and Equity Interests

1. Summary

- a. The Plan constitutes a separate chapter 11 plan of reorganization for each Debtor. Except for Administrative Claims, Priority Tax Claims and Other Priority Claims, all Claims against and Equity Interests in a particular Debtor are placed in Classes for each of the Debtors. In accordance with section 1123(a)(1) of the Bankruptcy Code, the Debtors have not classified Administrative Claims, Priority Tax Claims and Other Priority Claims as described in Article II of the Plan.
- b. The following table classifies Claims against and Equity Interests in each Debtor for all purposes, including voting, confirmation and distribution pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date. Any Claim or Equity Interest that has been or is hereafter listed in the Schedules as disputed, contingent, or unliquidated, and for which no Proof of Claim has been timely Filed, is not considered Allowed and shall be expunged without further action by the Reorganized Debtors and without any further notice to or action, order, or approval of the Bankruptcy Court.
- c. Summary of Classification and Treatment of Classified Claims and Equity Interests.

SUMMARY OF STATUS AND VOTING RIGHTS IN FLYING J ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|--|---------------|----------------------|
| 1A | Flying J Other Secured Claims | Unimpaired | Deemed to Accept |
| 1B | Flying J General Unsecured Claims | Impaired | Entitled to Vote |
| 1C | Flying J-BWO Intercompany Claims | Impaired | Entitled to Vote |
| 1D | Flying J-TCH Intercompany Claims | Impaired | Entitled to Vote |
| 1E | Other Flying J Intercompany Claims | Impaired | Entitled to Vote |
| 1F | Flying J Equity Interests | Unimpaired | Deemed to Accept |
| 1G | 510(b) Claims Related to Flying J Common Stock | Unimpaired | Deemed to Accept |
| 1H | Flying J ESOP Equity Interests | Unimpaired | Deemed to Accept |
| 1I | Flying J Convenience Claims | Unimpaired | Deemed to Accept |

SUMMARY OF STATUS AND VOTING RIGHTS IN BWO ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|--|---------------|----------------------|
| 2A | BWO Prepetition Credit Facility Claims | Unimpaired | Deemed to Accept |
| 2B | BWO Other Secured Claims | Unimpaired | Deemed to Accept |

SUMMARY OF STATUS AND VOTING RIGHTS IN BWO ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|---------------------------------|---------------|----------------------|
| 2C | BWO General Unsecured Claims | Impaired | Entitled to Vote |
| 2D | BWO Intercompany Claims | Impaired | Entitled to Vote |
| 2E | BWO Equity Interests | Unimpaired | Deemed to Accept |
| 2F | BWO Convenience Claims | Unimpaired | Deemed to Accept |

SUMMARY OF STATUS AND VOTING RIGHTS IN BWOC ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|---|---------------|----------------------|
| 3A | BWOC Prepetition Credit Facility Claims | Unimpaired | Deemed to Accept |
| 3B | BWOC Other Secured Claims | Unimpaired | Deemed to Accept |
| 3C | BWOC General Unsecured Claims | Impaired | Entitled to Vote |
| 3D | BWOC Intercompany Claims | Impaired | Entitled to Vote |
| 3E | BWOC Equity Interests | Impaired | Entitled to Vote |
| 3F | BWOC Convenience Claims | Unimpaired | Deemed to Accept |

SUMMARY OF STATUS AND VOTING RIGHTS IN BWT ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|--|---------------|----------------------|
| 4A | BWT Prepetition Credit Facility Claims | Unimpaired | Deemed to Accept |
| 4B | BWT Equity Interests | Unimpaired | Deemed to Accept |

SUMMARY OF STATUS AND VOTING RIGHTS IN LONGHORN ESTATE

| Class | Claim or Equity Interest | Status | Voting Rights |
|--------------|-----------------------------------|---------------|----------------------|
| 5A | Longhorn Other Secured Claims | Unimpaired | Deemed to Accept |
| 5B | Longhorn General Unsecured Claims | Impaired | Entitled to Vote |
| 5C | Longhorn Intercompany Claims | Impaired | Entitled to Vote |
| 5D | Longhorn Equity Interests | Unimpaired | Deemed to Accept |
| 5E | Longhorn Convenience Claims | Unimpaired | Deemed to Accept |

2. **Classification and Treatment of Claims and Equity Interests**

Flying J

a. *Flying J Other Secured Claims (Class 1A)*

- i. **Treatment:** Holders of Other Secured Claims against Flying J shall receive the following treatment, at the option of Flying J: (a) the Debtors or Reorganized Debtors shall pay such Allowed Other Secured Claim in full in Cash; (b) delivery of collateral securing any such claim and payment of any interest required under section 506(b) of the Bankruptcy Code; or (c) other treatment rendering such claim unimpaired.

- ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.
- b. *Flying J General Unsecured Claims (Class 1B)*
 - i. **Treatment:** Holders of Allowed General Unsecured Claims against Flying J shall receive a pro rata share of: (a) “Distributable Cash” of at least [__]% of such Allowed Claims and (b) Flying J Notes for the remainder of such Allowed Claims.
 - ii. **Voting:** Impaired; entitled to vote.
- c. *Flying J-BWO Intercompany Claims (Class 1C)*
 - i. **Treatment:** On the Effective Date, Flying J shall, in its sole discretion and in accordance with and in order to effectuate the terms of the Plan, satisfy, in full or in part, reinstate or cancel intercompany claims between Flying J and BWO.
 - ii. **Voting:** Impaired; entitled to vote.
- d. *Flying J-TCH Intercompany Claims (Class 1D)*
 - i. **Treatment:** All TCH Intercompany Claims shall be treated in accordance with the TCH Settlement Agreement.
 - ii. **Voting:** Impaired; entitled to vote.
- e. *Other Flying J Intercompany Claims (Class 1E)*
 - i. **Treatment:** On the Effective Date, Flying J shall, in its sole discretion and in accordance with and in order to effectuate the terms of the Plan, satisfy, in full or in part, reinstate or cancel intercompany claims between and among Flying J and its affiliates.
 - ii. **Voting:** Impaired; entitled to vote.
- f. *Flying J Equity Interests (Class 1F)*
 - i. **Treatment:** Each Holder of a Flying J Equity Interest shall retain its Equity Interest in Flying J.
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.
- g. *510(b) Claims Related to Flying J Common Stock (Class 1G)*
 - i. **Treatment:** Each Holder of a 510(b) Claim shall [_____].
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.
- h. *Flying J ESOP Equity Interests (Class 1H)*
 - i. **Treatment:** Each Holder of a Flying J ESOP Equity Interest shall retain its ESOP Equity Interest in Flying J.

- ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.
- i. *Flying J Convenience Claims (Class 1I)*
 - i. **Treatment:** Holders of Convenience Claims against Flying J shall receive full payment in Cash for their Allowed Convenience Claims
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.

BWO

- j. *BWO Prepetition Credit Facility Claims (Class 2A)*
 - i. **Treatment:** Holders of Prepetition Credit Facility Claims against BWO shall receive full payment in Cash of their Allowed Prepetition Credit Facility Claim.
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.
- k. *BWO Other Secured Claims (Class 2B)*
 - i. **Treatment:** Holders of Other Secured Claims against BWO shall receive the following treatment, at the option of BWO: (a) the Debtors or Reorganized Debtors shall pay such Allowed Other Secured Claim in full in Cash; (b) delivery of collateral securing any such claim and payment of any interest required under section 506(b) of the Bankruptcy Code; or (c) other treatment rendering such claim unimpaired.
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.
- l. *BWO General Unsecured Claims (Class 2C)*
 - i. **Treatment:** Holders of Allowed General Unsecured Claims against BWO shall receive a pro rata share of: (a) "Distributable Cash" of at least [__]% of such Allowed Claims and (b) Flying J Notes for the remainder of such Allowed Claims.
 - ii. **Voting:** Impaired; entitled to vote.
- m. *BWO Intercompany Claims (Class 2D)*
 - i. **Treatment:** On the Effective Date, BWO shall, in its sole discretion and in accordance with and in order to effectuate the terms of the Plan, satisfy, in full or in part, reinstate or cancel intercompany claims between and among BWO and its affiliates.
 - ii. **Voting:** Impaired; entitled to vote.

- n. *BWO Equity Interests (Class 2E)*
 - i. **Treatment:** All Equity Interests in reorganized BWO shall be held by reorganized Flying J.
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.
- o. *BWO Convenience Claims (Class 2F)*
 - i. **Treatment:** Holders of Convenience Claims against BWO shall receive full payment in Cash for their Allowed Convenience Claims
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.

BWOC

- p. *BWOC Prepetition Credit Facility Claims (Class 3A)*
 - i. **Treatment:** Holders of Prepetition Credit Facility Claims against BWOC shall receive full payment in Cash of their Allowed Prepetition Credit Facility Claim as part of their Class 2A distributions.
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.
- q. *BWOC Other Secured Claims (Class 3B)*
 - i. **Treatment:** Holders of Other Secured Claims against BWOC shall receive the following treatment, at the option of BWOC: (a) the Debtors or Reorganized Debtors shall pay such Allowed Other Secured Claim in full in Cash; (b) delivery of collateral securing any such claim and payment of any interest required under section 506(b) of the Bankruptcy Code; or (c) other treatment that leaves such Claim unimpaired.
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.
- r. *BWOC General Unsecured Claims (Class 3C)*
 - i. **Treatment:** Holders of Allowed General Unsecured Claims against BWOC shall receive a pro rata share of: (a) “Distributable Cash” of at least [__]% of such Allowed Claims and (b) Flying J Notes for the remainder of such Allowed Claims.
 - ii. **Voting:** Impaired; entitled to vote.
- s. *BWOC Intercompany Claims (Class 3D)*
 - i. **Treatment:** On the Effective Date, BWOC shall, in its sole discretion and in accordance with and in order to effectuate the terms of the Plan, satisfy, in full or in part, reinstate or cancel intercompany claims between and among BWOC and its affiliates.

- ii. **Voting:** Impaired; entitled to vote.
- t. *BWOC Equity Interests (Class 3E)*
- i. **Treatment:** Holders of BWOC Equity Interests shall receive no distributions. On the Effective Date, certificates evidencing Equity Interests in BWOC shall be cancelled. On the Effective Date, a liquidating trust owned by reorganized Flying J shall be established for the purpose of (a) administering and liquidating any remaining assets of BWOC after the Refinery Sale, with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of such liquidating trust, (b) resolving all disputed Claims, (c) pursuing causes of action, and (d) making all distributions to the beneficiary provided for under the Plan. BWO will hold all the beneficial interests in the liquidating trust and will act as administrator of the liquidating trust.
 - ii. **Voting:** Impaired; entitled to vote.
- u. *BWOC Convenience Claims (Class 3F)*
- i. **Treatment:** Holders of Convenience Claims against BWOC shall receive full payment in Cash for their Allowed Convenience Claims.
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.

BWT

- a. *BWT Prepetition Credit Facility Claims (Class 4A)*
- i. **Treatment:** Holders of Prepetition Credit Facility Claims against BWT shall receive full payment in Cash of their Allowed Prepetition Credit Facility Claim as part of their Class 2A distributions.
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.
- b. *BWT Equity Interests (Class 4B)*
- i. **Treatment:** All Equity Interests in reorganized BWT shall be held by reorganized BWO.
 - ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.

Longhorn

- c. *Longhorn Other Secured Claims (Class 5A)*
- i. **Treatment:** Holders of Other Secured Claims against Longhorn shall receive the following treatment, at the option of Longhorn: (a) the Debtors or Reorganized Debtors shall pay such Allowed Other Secured Claim in full in Cash; (b) delivery of collateral securing any such claim and payment of any

interest required under section 506(b) of the Bankruptcy Code; or (c) other treatment rendering such claim unimpaired.

ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.

d. *Longhorn General Unsecured Claims (Class 5B)*

i. **Treatment:** Holders of General Unsecured Claims against Longhorn shall receive a pro rata share of: (a) “Distributable Cash” of at least [__]% of such Allowed Claims and (b) Flying J Notes for the remainder of such Allowed Claims.

ii. **Voting:** Impaired; entitled to vote.

e. *Longhorn Intercompany Claims (Class 5C)*

i. **Treatment:** On the Effective Date, Longhorn shall, in its sole discretion and in accordance with and in order to effectuate the terms of the Plan, satisfy, in full or in part, reinstate or cancel intercompany claims between and among Longhorn and its affiliates.

ii. **Voting:** Impaired; entitled to vote.

f. *Longhorn Equity Interests (Class 5D)*

i. **Treatment:** All Equity Interests in reorganized Longhorn shall be held by reorganized Flying J.

ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.

g. *Longhorn Convenience Claims (Class 5E)*

i. **Treatment:** Holders of Convenience Claims against Longhorn shall receive full payment in Cash for their Allowed Convenience Claims.

ii. **Voting:** Unimpaired; not entitled to vote and deemed to accept.

3. **Special Provision Governing Unimpaired Claims**

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors or the Reorganized Debtors in respect of any Unimpaired Claim, including, without limitation, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claim.

4. **Non-Consensual Confirmation**

The Debtors reserve the right to seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code. To the extent that any Class votes to reject the Plan, the Debtors further reserve the right to modify the Plan in accordance with Article XII.D of the Plan.

5. **Acceptance or Rejection of the Plan**

a. Voting Classes

Classes 1B, 1C, 1D, 1E, 2C, 2D, 3C, 3D, 3E, 5B and 5C are Impaired under the Plan and are entitled to vote to accept or reject the Plan.

b. Presumed Acceptance of the Plan

Classes 1A, 1F, 1G, 1H, 1I, 2A, 2B, 2E, 2F, 3A, 3B, 3F, 4A, 4B, 5A, 5D and 5E are Unimpaired under the Plan. Pursuant to section 1126(f) of the Bankruptcy Code the Holders of Claims and Equity Interests in such Classes are conclusively presumed to have accepted the Plan and, therefore, are not entitled to vote to accept or reject the Plan.

6. **Controversy Concerning Impairment**

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

D. Means for Implementation of the Plan

1. **Asset Sales and Other Transactions**

a. On or prior to the Effective Date:

- i. Flying J shall consummate the transactions contemplated by the Acquisition Agreement;
- ii. BWOC shall consummate the transactions contemplated by the BWOC APA;
- iii. BWO shall consummate the transactions contemplated by the Exit Facilities; and
- iv. The Debtors may, in their sole discretion, consummate the sale of certain of the Non-Acquired Assets.

b. Flying J will issue the Flying J Notes, which are described in further detail in Exhibit H. The Debtors will distribute the Flying J Notes to Holders of Allowed Unsecured Claims in accordance with the Plan. As discussed below, the Flying J Notes will be part of the consideration paid to such Holders upon confirmation of the Plan. The Flying J Notes are Flying J obligations secured by [_____]. Flying J will use Cash generated in its combined operations with Pilot after the Effective Date, dividends received from Pilot and its share of net proceeds from any assets sales that occur after the Effective Date to make principal and interest payments on the Flying J Notes. The Flying J Notes have the following terms:

- i. **Issuer:** Flying J
- ii. **Securities:** Debentures in principal amount of \$[_____] first-priority senior secured notes due 20[___], which principal amount may be adjusted from time to time as necessary in connection the Claims resolution process and the allowance of additional Claims.

- iii. **Maturity:** The Flying J Notes will mature [__] years from the effective date.
 - iv. **Interest:** The Flying J Notes will accrue interest at a rate of [__]% per annum payable semi-annually in cash with PIK option at the Borrower's election for each payment period to the extent dividends and tax distributions have not been distributed (subject to mutually agreed formula) to reorganized Flying J.
 - v. **Collateral:** [_____].
 - vi. **Seniority:** Senior to all indebtedness at reorganized Flying J, except for Permitted Liens. In addition to customary exceptions, Permitted Liens shall include liens granted on Collateral if loan proceeds are used to repay the Flying J Notes.
 - vii. **Mandatory Amortization:** [__]% of principal per year.
 - viii. **Voluntary Repayment:** Partial or full repayment may be made at any time without premium or penalty.
 - ix. **Repayment:** To be repaid using [__]% of excess Cash flow (to be defined) commencing in year 2, and [__]% of asset sale proceeds.
 - x. **Restricted Payments:** Dividends to Flying J shareholders prohibited until Flying J Notes are paid in full, except redemption of up to \$[__] million on a rolling, trailing 12 month basis for ESOP participants shall be permitted.
 - xi. **Financial Covenants:** Minimum net worth covenant of reorganized Flying J.
 - xii. **Covenants:** Customary for transactions of this type.
 - xiii. **Events of Default:** Customary for transactions of this type.
 - xiv. **Governing Law:** New York.
- c. Distribution of Flying J Notes: the Debtors will distribute Flying J Notes and Cash to Holders of Allowed Unsecured Claims in order to pay the related Claims in full. All such distributions shall be made in accordance with the Plan. After consideration of numerous factors, including the following, the Debtors have determined that a portion of each distribution made to Holders of Allowed Unsecured Claims shall be paid in Cash and a portion of each distribution made to Holders of Allowed Unsecured Claims shall be paid in Flying J Notes:
- i. the total expected Cash resources of each respective Debtor as of the Effective Date;
 - ii. the estimated range of Allowed Claims with respect to each Debtor's Estate;
 - iii. the estimated working capital needs of Flying J and BWO after the restructuring described in the Plan;
 - iv. expected Cash flow, asset sale proceeds and other resources of Flying J and its affiliates after the Effective Date;

- v. potential legal issues related to potential responsibilities of one Debtor for claims against another Debtor;
 - vi. comparing the relative contribution to Cash resources from each of the Debtors; and
 - vii. the size and character of intercompany claims.
- d. Indenture Trustee: The Debtors will maintain one or more paying agents for the Flying J Notes. The initial paying agent for the Flying J Notes will be the indenture trustee under the indenture for the Flying J Notes, which will be qualified under the Trust Indenture Act of 1939. The Debtors will also maintain a register. The initial registrar will be the indenture trustee. The registrar will maintain the register reflecting ownership of the Flying J Notes outstanding from time to time and will make payments on and facilitate transfer of Flying J Notes on behalf of the Debtors. The Debtors may change the paying agents or the registrars without prior notice to the holders of Flying J Notes. Any Debtor may act as a paying agent or registrar.

The Debtors believe the proposed allocation of Flying J Notes to Cash results in a fair and equitable distribution of the resources of the Debtors in light of the factors set forth above.

2. **The Liquidating Trust**

On the Effective Date, the Liquidating Trust shall be established pursuant to the Liquidating Trust Agreement for the purpose of administering and liquidating the Liquidating Trust Assets, with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust. Flying J will be the sole beneficiary of the Liquidating Trustee. Upon the transfer of the Liquidating Trust Assets, BWOC will have no reversionary or further interest in or with respect to the Liquidating Trust Assets or the Liquidating Trust. The Liquidating Trust shall, in an expeditious but orderly manner, liquidate and convert to Cash the Liquidating Trust Assets, make timely distributions to Flying J and not unduly prolong its duration.

3. **Corporate Existence**

- a. Except to the extent that a Debtor ceases to exist pursuant hereto, each Debtor shall continue to exist after the Effective Date as a separate corporate entity or limited liability company, with all the powers of a corporation or limited liability company pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents in the case of a limited liability company) in effect prior to the Effective Date, except to the extent such certificate of incorporation or bylaws (or other formation documents in the case of a limited liability company) are amended by the Plan or otherwise and, to the extent such documents are amended, such documents are deemed to be authorized pursuant hereto and without the need for any other approvals, authorizations, actions or consents.
- b. On the Effective Date, any provision in any operating agreements, partnership agreements, limited liability company agreements or any other organizational document (as the same may be amended or restated from time to time) of any Debtor or non-Debtor Subsidiaries where any Debtor is a partner, member or contract counterparty requiring dissolution, liquidation, or withdrawal of a member upon insolvency, bankruptcy or the filing of Chapter 11 Cases is deemed waived and of no further force and effect, regardless of any applicable non-bankruptcy law to the contrary and any action taken to prevent or

revoke such potential dissolution or liquidation by the Debtors or Reorganized Debtors or potential withdrawal of any such Debtors or Reorganized Debtors from the applicable limited liability company or partnership is ratified and deemed effective to prevent such dissolution or liquidation and each such Debtor or Reorganized Debtor shall continue its existence regardless of any such provision or any applicable non-bankruptcy law to the contrary.

- c. Upon the Effective Date, each of BWOC, BWT and Longhorn shall be entitled to dissolve, shall be deemed to have satisfied all of its obligations, shall have complied in all respects with all legal requirements for dissolution of a limited liability company or limited partnership, as applicable, under applicable non-bankruptcy law, and shall have no further liabilities or obligations to any party in interest other than those expressly set forth in the Plan.

4. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan or in any agreement, instrument or other document relating thereto, on or after the Effective Date pursuant to section 1141 of the Bankruptcy Code, all property of the Estate and any property acquired by the Debtors or Pilot pursuant hereto shall vest in the Reorganized Debtors or Pilot, free and clear of all liens, Claims, charges or other encumbrances. Except as may be provided in the Plan, on and after the Effective Date, the Debtors may operate their businesses and may use, acquire or dispose of property and compromise or settle any Claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order.

5. Directors/Managers/Officers of the Debtors on the Effective Date.

On the Effective Date, the term of the current members of the board of directors or managers of the Debtors shall expire, and the initial board of directors or managers of the Reorganized Debtors shall be set forth in the Plan Supplement. In accordance with section 1129(a)(5) of the Bankruptcy Code, the identities and affiliations of any Person proposed to serve as an officer, director or manager of any Reorganized Debtor shall have been disclosed at or before the Confirmation Hearing. To the extent any Person proposed to serve as a board member or manager or an officer of any Reorganized Debtor is an insider, the nature of any compensation for such Person shall have been disclosed at or before the Confirmation Hearing. The classification and composition of the board of directors or managers of the Reorganized Debtors shall be consistent with the organizational documents of the Reorganized Debtors. Each director or officer of any Reorganized Debtor shall serve from and after the Effective Date pursuant to the terms of the constituent documents of such Reorganized Debtor and applicable state corporate, limited liability or partnership law, as applicable.

6. Exit Facilities

On the Effective Date, BWO shall enter into the Exit Facilities to obtain the funds necessary to satisfy some or a portion of the BWO Prepetition Credit Facility Claims and conduct its post-reorganization operations.

7. D&O Insurance

On or before the Effective Date, the Reorganized Debtors shall obtain reasonably sufficient tail coverage under a directors and officers' liability insurance policy for the current and former directors and officers for a term of six years. As of the Effective Date, the Debtors shall assume all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Unless previously effectuated by separate order entered by the Bankruptcy Court, entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' foregoing assumption of each of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained in the Plan, Confirmation of the Plan shall not discharge, impair or otherwise modify any indemnity

obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such indemnity obligation shall be deemed and treated as an Executory Contract that has been assumed by the Debtors hereunder as to which no Proof of Claim need be Filed.

8. Corporate Action

- a. General. Upon the entry of the Confirmation Order by the Bankruptcy Court, all matters provided for under the Plan will be deemed authorized and approved without any requirement of further action by the Debtors, the Debtors' equityholders or the Debtors' boards of directors, boards of managers, or equivalent governing bodies, including (a) adoption or assumption, as applicable, of executory contracts and unexpired leases, (b) selection of the directors and officers for the Reorganized Debtors, (c) the execution and entry into the Exit Facilities, (d) all matters provided for under the Plan involving the corporate structure of any Debtor and (e) all other actions contemplated by the Plan (whether to occur before, on or after the Effective Date). On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtors or Reorganized Debtors (including, any vice-president, president, chief executive officer, treasurer or chief financial officer of the Debtors or Reorganized Debtors), as applicable, shall be authorized and directed to issue, execute and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of such Reorganized Debtor, including (i) the Exit Facilities and (ii) any and all other agreements, documents, securities and instruments relating to the foregoing. The authorizations and approvals contemplated by this section shall be effective notwithstanding any requirements under non-bankruptcy law.
- b. Boards of Directors of the Debtors and the Reorganized Debtors. On the Effective Date, the operation of each of the other Reorganized Debtors shall become the general responsibility of its respective board of directors or board of managers, subject to and in accordance with its respective organizational documents. On the Effective Date, the Debtors' current directors and officers will continue as the directors and officers of the Reorganized Debtors.

9. Operations of the Debtors Between the Confirmation Date and the Effective Date

The Debtors shall continue to operate as Debtors-in-Possession during the period from the Confirmation Date through and until the Effective Date, *provided, however*, that Flying J and its Representatives are authorized to take any action reasonably designed to effectuate the transactions contemplated in the Plan, Acquisition Agreement or the Plan Supplement.

10. Term of Injunctions or Stays

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Chapter 11 Cases are closed.

11. Sources of Cash for Plan Distributions

All consideration necessary for the Reorganized Debtors to make payments or distributions pursuant hereto shall be obtained from proceeds of the Pilot Transaction, the Proposed BWOC Sale, the FJOG Sale, the Flying J Insurance Services Sale, the Haycock Sale, the Exit Facilities, the sale of certain Clarity Systems assets and the other asset sales described herein or other Cash from the Debtors, including Cash from operations.

Pursuant to section 363 of the Bankruptcy Code and Rule 9019 of the Bankruptcy Rules, and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims and Equity Interests. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all Claims and Equity Interests, as well as a finding by the Bankruptcy Court that such compromise or settlement is fair, equitable, reasonable, and in the best interests of the Debtors, the Estates and holders of Claims and Equity Interests.

12. Treatment of Intercompany Claims

Except as otherwise described in this Plan, on the Effective Date, the Reorganized Debtors shall, in their sole discretion and in accordance with and in order to effectuate the terms of the Plan, satisfy, in full or in part, reinstate or cancel, as the case may be, Intercompany Claims in order to effectuate the Distributions under the Plan.

13. Restructuring Transactions

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, or reorganization containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable law; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any property, right, liability, duty, or obligation on terms consistent with the terms of the Plan; (3) the filing of appropriate certificates of incorporation, merger, or consolidation with the appropriate governmental authorities pursuant to applicable law; and (4) all other actions that the Reorganized Debtors determine are necessary or appropriate.

14. Certificate of Incorporation and Bylaws

The certificates of incorporation and bylaws (or other formation documents relating to limited liability companies) of Debtors shall be amended as may be required to be consistent with the provisions of the Plan and the Bankruptcy Code. On or as soon as reasonably practicable after the Effective Date, each of the Reorganized Debtors shall file Amended Organizational Documents with the secretary of state (or equivalent state officer or entity) of the state under which each such Reorganized Debtor is or is to be incorporated. After the Effective Date, each Reorganized Debtor may file a new, or amend and restate its existing, certificate of incorporation, charter, bylaws, and other constituent documents as permitted by the relevant state corporate law.

15. Employee and Retiree Benefits

Except as otherwise provided in the Plan, on and after the Effective Date, the Reorganized Debtors may: (a) honor, in the ordinary course of business, any contracts, agreements, policies, programs, and plans, in each case to the extent disclosed in the Disclosure Statement or the First Day Pleadings, for, among other things, compensation (including equity based and bonus compensation), health care benefits, disability benefits, deferred compensation benefits, travel benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation insurance, and accidental death and dismemberment insurance for the directors, officers, and employees of any of the Debtors who served in such capacity at any time; (b) distribute or reallocate any unused designated employee success fee and bonus funds related to entry of the Confirmation Order or the occurrence of the Effective Date in the ordinary course of their business; and (c) honor, in the ordinary course of business, Claims of employees employed as of the Petition Date for accrued vacation time arising prior to the Petition Date; *provided, however,* that the Debtors' or Reorganized Debtors' performance of any employment agreement will not entitle any person to any benefit or alleged entitlement under any policy, program, or plan that has expired or been terminated before the Effective Date, or restore, reinstate, or revive any such benefit or alleged entitlement under any such policy, program, or plan. Nothing in the Plan shall limit, diminish, or otherwise alter the Reorganized Debtors' defenses, claims, Causes of Action, or other rights with respect to any such contracts, agreements, policies, programs, and plans. Notwithstanding the foregoing, pursuant to section 1129(a)(13) of the Bankruptcy Code, on

and after the Effective Date, all retiree benefits (as that term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

E. Treatment of Executory Contracts, Unexpired Leases, Employee Benefits and Workers' Compensation

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

- a. Any executory contracts and unexpired leases that are listed in the Plan Supplement as executory contracts or unexpired leases to be assumed, or are to be assumed pursuant to the terms hereof, shall be deemed assumed by the Debtors as of immediately prior to the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of any such assumptions pursuant to sections 365(a) and 1123 of the Bankruptcy Code.
- b. Any executory contracts and unexpired leases that have not expired by their own terms on or prior to the Effective Date, which the Debtors have not assumed or rejected during the pendency of the Chapter 11 Cases, which are not listed in the Plan Supplement as executory contracts or unexpired leases to be rejected, and that are not the subject of a motion to reject pending as of the Effective Date, shall be deemed assumed by the Debtors on the Effective Date; *provided, however*, that any executory contract or unexpired lease where BWOC is a party which is not specifically assumed by the BWOC Successful Bidder shall be deemed rejected as of immediately prior to the Petition Date. The entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of any such assumptions or rejections, as applicable, pursuant to sections 365(a) and 1123 of the Bankruptcy Code.
- c. The Plan shall constitute a motion to reject such executory contracts and unexpired leases, and the Debtors shall have no further liability thereunder. The entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of any such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code and that the rejection thereof is in the best interest of the Debtors, their Estate and all parties in interest in the Chapter 11 Cases.

2. Claims Based on Rejection of Executory Contracts or Unexpired Leases

All proofs of Claim arising from the rejection (if any) of executory contracts or unexpired leases must be filed with the Bankruptcy Court within thirty days after the earlier of: (a) the date of entry of an order of the Bankruptcy Court approving any such rejection; and (b) the Effective Date. Any Claims arising from the rejection of an executory contract or unexpired lease pursuant to Article V.A. of the Plan for which Claims are not timely filed within that time period will be forever barred from assertion against the Debtors, their Estates, their successors and assigns, and their assets and properties, unless otherwise ordered by the Bankruptcy Court or as otherwise provided in the Plan. All such Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article X.G of the Plan. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided in the Plan shall be treated as General Unsecured Claims under the Plan and shall be subject to the provisions of Article III of the Plan.

3. Reservation of Rights

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. If there is a dispute

regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Reorganized Debtors, as applicable, shall have thirty days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

4. Collective Bargaining Agreements

Notwithstanding Article V.A of the Plan, all collective bargaining agreements of any of the Debtors (other than the BWO Collective Bargaining Agreement) have expired and shall not be assumed or rejected pursuant to the Plan. The Debtors shall assume the BWO Collective Bargaining Agreement, which is scheduled to expire on April 15, 2012.

5. Compensation and Benefit Plans and Treatment of Retirement Plan and Pension Plan

BWOC has retained sponsorship of the BWOC Pension Plan and prior to the dissolution of BWOC, it will assume and assign its obligations under the BWOC Pension Plan to BWO and BWO will assume such obligations. Flying J will continue to sponsor the BWO Pension Plan. In connection with the BWO Pension Plan and the BWOC Pension Plan, BWO and Flying J will satisfy the minimum funding standards of such pension plans pursuant to 26 U.S.C. § 412 and 29 U.S.C. § 1082, and will administer the Pension Plan in accordance with the provisions of ERISA and the Internal Revenue Code. Notwithstanding any provision of the Plan or the Confirmation Order to the contrary, the Pension Plan shall be continued and administered in accordance with ERISA and the Internal Revenue Code. The Debtors' obligations under the BWO Pension Plan and the BWOC Pension Plan will survive confirmation of the Plan. The foregoing shall satisfy the requirements of section 1129(a)(13) of the Bankruptcy Code by providing for the continuation of payment by the Debtors of all "retiree benefits," as defined in section 1114(a) of the Bankruptcy Code, if any, at previously established levels.

6. Management and Employee Incentive Plan

The Debtors will establish the Management and Employee Incentive Plan for members of the Debtors' senior and middle management and certain employees of the Debtors in the remaining business units and operations of the Debtors, which Management and Employee Incentive Plan will be substantially in the form attached to the Plan Supplement. On the Effective Date, the Management and Employee Incentive Plan shall be deemed adopted, approved, and authorized without further action of the Reorganized Debtors or the board of managers or directors of any Reorganized Debtor.

7. Workers' Compensation Obligations

As of the Effective Date, to the extent not transferred to or assumed by another party in connection with the Acquisition Agreement or other transaction, the Debtors and the Reorganized Debtors shall continue to honor their obligations (including administering and paying any and all valid claims for benefits and liabilities) under the terms and conditions of: (1) all applicable workers' compensation laws in states in which the Debtors and the Reorganized Debtors operate; and (2) the Debtors' and the Reorganized Debtors' written contracts, agreements, agreements of indemnity, self insurance workers' compensation plans, self insurer workers' compensation bonds, policies, programs, and plans for workers' compensation and workers' compensation insurance. All proofs of Claim on account of workers' compensation shall be deemed withdrawn automatically and without any further notice to or action, order, or approval of the Bankruptcy Court; *provided, however*, that nothing in the Plan shall limit, diminish, or otherwise alter the Debtors' or the Reorganized Debtors' defenses, Causes of Action, or other rights under applicable non-bankruptcy law with respect to any such contracts, agreements, policies, programs, and plans; *provided, further*, that nothing in the Plan shall be deemed to impose any obligations on the Debtors or the Reorganized Debtors in addition to what is provided for under applicable state law.

F. Provisions Governing Distributions

1. Initial Distribution Date

Except as otherwise provided in Article VI of the Plan, distributions of Cash to be made on the Effective Date to Holders of Claims that are allowed as of the Effective Date will be deemed made on the Effective Date if made on the Effective Date or as promptly thereafter as practicable. Distributions on account of Claims that become Allowed Claims after the Effective Date will be made pursuant to Article VI.C of the Plan.

2. Disputed Reserves

a. Establishment of Disputed Reserve

On the Initial Distribution Date, and after making all distributions required to be made on such date under the Plan, the Reorganized Debtors shall establish a separate Disputed Reserve for Disputed Claims, which Disputed Reserve shall be administered by the Reorganized Debtors. The Reorganized Debtors shall reserve in Cash, for distribution on account of each Disputed Claim, the full asserted amount (or such lesser amount as may be estimated by the Bankruptcy Court in accordance with Article VII.D of the Plan) of such Disputed Claim multiplied by the percentage of Cash such Disputed Claim would have received under Article III.B of the Plan if such Disputed Claim were Allowed. In the event any Disputed Claim becomes Allowed, the Cash portion of such Disputed Claim (as calculated in accordance with the prior sentence) shall be released from the Disputed Reserve. Flying J shall issue additional Flying J Notes, in a principal amount equal to the principal amount of Flying J Notes such Disputed Claim would have received under Article III.B of the Plan, for the remaining portion of such Disputed Claim.

b. Maintenance of Disputed Reserve

To the extent that the property placed in a Disputed Reserve consists of Cash, that Cash shall be deposited in an interest-bearing account. The Reorganized Debtors shall hold property in the Disputed Reserve in trust for the benefit of the Holders of Claims ultimately determined to be Allowed. The Disputed Reserve shall be closed and extinguished when all distributions and other dispositions of Cash or other property required to be made hereunder will have been made in accordance with the terms of the Plan. Upon closure of the Disputed Reserve, all Cash (including any Cash Investment Yield) or other property held in the Disputed Reserve shall revert in and become the property of the applicable Reorganized Debtors. All funds or other property that vest or revert in the Reorganized Debtors pursuant to this paragraph shall be paid to the holders of the Flying J Notes, in accordance with the terms of the related indenture, until satisfied and thereafter distributed on a Pro Rata basis to the Holders of Equity Interests.

3. Quarterly Distributions

Any distribution that is not made on the Initial Distribution Date or on any other date specified in the Plan because the Claim that would have been entitled to receive that distribution is not an Allowed Claim on such date, shall be held by the Reorganized Debtors in a Disputed Reserve pursuant to Article VI.B.1 of the Plan and distributed (in full, in the case of Administrative Expense Claims, Priority Tax Claims, or Other Priority Claims; and up to its Ratable Proportion with respect to the Claims in Classes 1B, 2C, 3C and 5B) on the first Quarterly Distribution Date after such Claim is Allowed. No interest shall accrue or be paid on the unpaid amount of any distribution paid on a Quarterly Distribution Date in accordance with Article VI.C of the Plan.

4. Record Date for Distributions

Except as otherwise provided in a Final Order of the Bankruptcy Court, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Record Date will be treated as the Holders of those Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to the transfer may not have expired by the Record Date. Neither the Debtors nor the Reorganized Debtors shall have any obligation to recognize any transfer of any Claim occurring after the Record Date. In making any distribution with

respect to any Claim, the Reorganized Debtors shall be entitled instead to recognize and deal with, for all purposes hereunder, only the Entity that is listed on the Proof of Claim Filed with respect thereto or on the Schedules as the Holder thereof as of the close of business on the Record Date and upon such other evidence or record of transfer or assignment that are known to the Reorganized Debtors as of the Record Date.

5. Delivery of Distributions

a. General Provisions; Undeliverable Distributions

Subject to Bankruptcy Rule 9010 and except as otherwise provided in the Plan, distributions to the Holders of Allowed Claims shall be made by the Reorganized Debtors as Disbursing Agent or such other Entity designated by the Reorganized Debtors as a Disbursing Agent on the Effective Date at (a) the address of each Holder as set forth in the Schedules, unless superseded by the address set forth on proofs of Claim Filed by such Holder or (b) the last known address of such Holder if no Proof of Claim is Filed or if the Debtors or Reorganized Debtors have been notified in writing of a change of address. If any distribution is returned as undeliverable, the Reorganized Debtors may, in their discretion, make such efforts to determine the current address of the Holder of the Claim with respect to which the distribution was made as the Reorganized Debtor deem appropriate, but no distribution to any Holder shall be made unless and until the Reorganized Debtors have determined the then-current address of the Holder, at which time the distribution to such Holder shall be made to the Holder without interest. Amounts in respect of any undeliverable distributions made by the Reorganized Debtors shall be returned to, and held in trust by, the Reorganized Debtors until the distributions are claimed or are deemed to be unclaimed property under section 347(b) of the Bankruptcy Code as set forth below in VI.E.4 of the Plan. The Reorganized Debtors shall have the discretion to determine the methodology of making distributions in the most efficient and cost-effective manner possible; *provided, however*, that its discretion may not be exercised in a manner inconsistent with any express requirements of the Plan.

b. Rights and Powers of Disbursing Agent

i. Powers of the Disbursing Agent

The Disbursing Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated in the Plan; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. Additionally, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Reorganized Debtors.

ii. Expenses Incurred On or After the Effective Date

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

c. Minimum Distributions

Notwithstanding anything in the Plan to the contrary, if a distribution to be made to a Holder of an Allowed Claim on the Initial Distribution Date or any subsequent date for distributions (other than the final distribution date) would be \$50 or less in the aggregate, no such distribution will be made to that Holder unless a request therefor is made in writing to the Reorganized Debtors no later than twenty days after the Effective Date.

d. **Unclaimed Property**

Except with respect to property not distributed because it is being held in a Disputed Reserve, distributions that are not claimed by the expiration of one year from the Effective Date shall be deemed to be unclaimed property under section 347(b) of the Bankruptcy Code and shall vest or revert in the Reorganized Debtors, and the Claims with respect to which those distributions are made shall be automatically canceled. After the expiration of that one-year period, the claim of any Entity to those distributions shall be discharged and forever barred. Nothing contained in the Plan shall require the Reorganized Debtors to attempt to locate any Holder of an Allowed Claim. All funds or other property that vests or reverts in the Reorganized Debtors pursuant to this Article shall be distributed by the Reorganized Debtors to the other Holders of Allowed Claims in accordance with the provisions of the Plan.

6. **Manner of Cash Payments Under the Plan**

Cash payments made pursuant to the Plan shall be in United States dollars by checks drawn on a domestic bank selected by the Reorganized Debtors or by wire transfer from a domestic bank, at the option of the Reorganized Debtors.

7. **Time Bar to Cash Payments by Check**

Checks issued by the Reorganized Debtors on account of Allowed Claims shall be null and void if not negotiated within 90 days after the date of issuance thereof. Requests for the reissuance of any check that becomes null and void pursuant to Article VI.G of the Plan shall be made directly to the Reorganized Debtors by the Holder of the Allowed Claim to whom the check was originally issued. Any Claim in respect of such voided check shall be made in writing on or before the later of the first anniversary of the Effective Date or the first anniversary of the date on which the Claim at issue became an Allowed Claim. After that date, all Claims in respect of void checks shall be discharged and forever barred and the proceeds of those checks shall revert in and become the property of the Reorganized Debtors as unclaimed property in accordance with section 347(b) of the Bankruptcy Code and be distributed as provided in VI.E.4 of the Plan

8. **Limitations on Funding of Disputed Reserves**

Except as expressly set forth in the Plan, neither the Debtors nor the Reorganized Debtors shall have any duty to fund the Disputed Reserves.

9. **Compliance with Tax Requirements**

In connection with making distributions under the Plan, to the extent applicable, the Reorganized Debtors shall comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. The Reorganized Debtors may withhold the entire distribution due to any Holder of an Allowed Claim until such time as such Holder provides the necessary information to comply with any withholding requirements of any governmental unit. Any property so withheld will then be paid by the Reorganized Debtors to the appropriate authority. If the Holder of an Allowed Claim fails to provide the information necessary to comply with any withholding requirements of any governmental unit within six months from the date of first notification to the Holder of the need for such information or for the Cash necessary to comply with any applicable withholding requirements, then such Holder's distribution shall be treated as an undeliverable distribution in accordance with Article VI.E.1 of the Plan. For tax purposes, distributions in full or partial satisfaction of Allowed Claims shall be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on such Claims.

10. **No Payments of Fractional Dollars**

Notwithstanding any other provision of the Plan to the contrary, no payment of fractional dollars shall be made pursuant to the Plan. Whenever any payment of a fraction of a dollar under the Plan would otherwise be required, the actual distribution made shall reflect a rounding down of such fraction to the nearest whole dollar.

11. **Interest on Flying J, BWO and BWT Claims**

Allowed General Unsecured Claims against Flying J, BWO or BWT shall include interest accrued after the Petition Date through the Effective Date at an interest rate equal to the federal judgment rate, as in effect on the Petition Date. Allowed General Unsecured Claims against BWOC or Longhorn shall not include any interest accrued after the Petition Date.

12. **No Distribution in Excess of Allowed Amount of Claim**

Notwithstanding anything to the contrary contained in the Plan, no Holder of an Allowed Claim shall receive in respect of that Claim any distribution in excess of the Allowed amount of that Claim.

13. **Setoff and Recoupment**

The Reorganized Debtors may, but shall not be required to, set off against, or recoup from, any Claim and the distributions to be made pursuant to the Plan in respect thereof, any claims or defenses of any nature whatsoever that any Debtor, the Estate or Reorganized Debtor may have against the Holder of such Claim, but neither the failure to do so nor the allowance of any Claim under the Plan shall constitute a waiver or release by a Debtor, the Estate, or Reorganized Debtor of any right of setoff or recoupment that any of them may have against the Holder of any Claim.

14. **Cancellation of the Equity Interests**

On the Effective Date, except to the extent otherwise provided in the Plan, all notes, stock, instruments, certificates and other documents evidencing the Equity Interests in BWOC shall be deemed automatically canceled, shall be of no further force, whether surrendered for cancellation or otherwise, and the obligations of the Debtors thereunder or in any way related thereto shall be discharged.

G. Disputed Claims

1. **No Distribution Pending Allowance**

Notwithstanding any other provision of the Plan, the Reorganized Debtors shall not Distribute any Cash or other property on account of any Disputed Claim unless and until such Claim becomes Allowed. Any Entity that holds both an Allowed Claim and a Disputed Claim shall not receive any distribution on the Allowed Claim unless and until all objections to the Disputed Claim have been resolved by settlement or Final Order and the Disputed Claim has been Allowed.

2. **Resolution of Disputed Claims**

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Reorganized Debtors (at their expense) shall have the right to the exclusion of all others (except as to the Professionals' applications for allowances of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code) to make, file, prosecute, settle, compromise, withdraw or resolve in any manner approved by the Bankruptcy Court, objections to Claims.

3. **Objection Deadline**

All objections to Disputed Claims shall be filed and served upon the Holders of each such Claim not later than two years after the Effective Date, unless otherwise agreed to by the parties or ordered by the Bankruptcy Court after notice and a hearing.

4. **Estimation of Claims**

At any time, (a) prior to the Effective Date, the Debtors, and (b) subsequent to the Effective Date, the Reorganized Debtors may request that the Bankruptcy Court estimate any contingent or unliquidated Claim to the extent permitted by section 502(c) of the Bankruptcy Code regardless of whether the Debtors or Reorganized Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall have jurisdiction to estimate any Claim at any time during litigation concerning any objection to such Claim, including during the pendency of any appeal relating to any such objection. If the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on the Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the Claim, the Debtors or Reorganized Debtors, as applicable, may elect to pursue supplemental proceedings to object to the ultimate allowance of the Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

5. **Disallowance of Claims**

Except as otherwise agreed, any and all proofs of Claim Filed after the applicable Bar Date shall be deemed disallowed and expunged as of the Effective Date without any further notice or action, order or approval of the Bankruptcy Court, and Holders of such Claims may not receive any distributions on account of such Claims, unless on or before the Confirmation Hearing the Bankruptcy Court has entered an order deeming such Claim to be timely filed.

6. **Claims Paid or Payable by Third Parties**

a. **Claims Paid by Third Parties**

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

b. **Claims Payable by Third Parties**

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

c. **Applicability of Insurance Policies**

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

H. Allowance and Payment of Certain Administrative Claims

1. **Final Fee Applications**

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

2. **Payment of Interim Amounts**

Except as otherwise provided in the Plan and subject to Article VIII.A of the Plan, Professionals shall be paid pursuant to the Interim Compensation Order.

3. **Professional Fee Escrow Account**

In accordance with Article VIII.D of the Plan, on the Effective Date, the Reorganized 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 in trust for the Professionals with respect to whom fees or expenses have been held back pursuant to the Interim Compensation Order. Such funds shall not be considered property of the Reorganized Debtors. The remaining amount of Claims owing to the Professionals shall be paid in Cash to such Professionals by the Reorganized Debtors from the Professional Fee Escrow Account when such Claims are Allowed by a Bankruptcy Court order. When all Claims of Professionals have been paid in full, amounts remaining in the Professional Fee Escrow Account, if any, shall be paid to the Reorganized Debtors.

4. **Professional Fee Reserve Amount**

To receive payment for unbilled fees and expenses incurred through the Effective Date, on or before the Effective Date, the Professionals shall estimate their Accrued Professional Compensation prior to and as of the Effective Date and shall deliver such estimate to the Debtors. If a Professional does not provide an estimate, the Reorganized Debtors may estimate the unbilled fees and expenses of such Professional; *provided, however*, that such estimate shall not be considered an admission with respect to the fees and expenses of such Professional. The total amount so estimated as of the Effective Date shall comprise the Professional Fee Reserve Amount.

5. **Post-Effective Date Fees and Expenses**

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

I. Conditions Precedent to the Effective Date

1. Conditions Precedent to the Effective Date

The following are conditions precedent to the Effective Date that must be satisfied or waived:

- a. The Confirmation Order has become a Final Order.
- b. All actions, documents, certificates, and agreements necessary to implement the Plan shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable governmental units in accordance with applicable laws.
- c. The Debtors shall have consummated the transactions contemplated by the Acquisition Agreement and any applicable waiting periods under the HSR Act shall have expired or been terminated.
- d. The transactions contemplated by the BWOC APA shall have been consummated.
- e. The transactions contemplated by the Exit Facilities shall have been consummated.
- f. No Force Majeure Event shall have occurred.
- g. Notwithstanding the foregoing, the Debtors reserve, in their sole discretion, the right to waive the occurrence of any condition precedent to the Effective Date or to modify any of the foregoing conditions precedent. Any such written waiver of a condition precedent set forth in this Article may be effected at any time, without notice, without leave or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Plan. Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action.

J. Settlement, release, Injunction and Related Provisions

1. Discharge of Claims and Termination of Interests

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights, and treatment, including assumption of liabilities by third parties under the Acquisition Agreement and BWOC APA that are provided for or contemplated in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims (including any Intercompany Claims resolved or compromised after the Effective Date by the Reorganized Debtors in accordance with Article III of the Plan), Equity Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Equity Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Equity Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Equity Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims or Equity Interests relate to services performed by employees of the Debtors prior to the Effective Date and that arise from a termination of employment or a termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim or Equity Interest based upon such debt, right,

or Equity Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Equity Interest based upon such debt, right, or Equity Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Equity Interest has accepted the Plan. Any default by the Debtors or their Affiliates with respect to any Claim or Equity Interest that existed immediately prior to or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Equity Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan. Nothing in this paragraph shall impair the police or regulatory powers of the United States of America or any Governmental Unit thereof.

2. **Subordinated Claims**

The allowance, classification, and treatment of all Allowed Claims and Equity Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Equity Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Reorganized Debtors reserve the right to re-classify any Allowed Claim or Equity Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

3. **Compromise and Settlement**

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Equity Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim or Equity Interest, or any distribution to be made on account of such an Allowed Claim or Equity Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all Claims, Equity Interests and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is fair, equitable, reasonable and in the best interests of the Debtors, the Estate and Holders of Claims and Equity Interests.

4. **Releases**

- a. **Releases by the Debtors. Notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, for the good and valuable consideration provided by each of the Releasees, including, without limitation: (a) the discharge of claims and all other good and valuable consideration paid pursuant to the Plan or otherwise; and (b) the services of the Debtors' officers and directors employed by the Debtors at any time on or after the Petition Date; each of the Debtors provides a full discharge and release to the Releasees (and each such Releasee so released shall be deemed released and discharged by the Debtors) and their respective properties from any and all Causes of Action and any other debts, obligations, rights, suits, damages, actions, remedies and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, suspected or unsuspected, liquidated or unliquidated, contingent or fixed, currently existing as of the Effective Date or thereafter arising, in law, at equity or otherwise, whether for tort, fraud, contract, violations of federal or state securities laws, other applicable laws or otherwise, based in whole or in part upon any act or omission, transaction, or other occurrence or circumstances existing or taking place prior to or on the Effective Date arising from or related in any way to the Debtors, including, without limitation, those that any of the Debtors or Reorganized Debtors would have been legally entitled to assert or that any Holder of a Claim or Equity Interest or other Entity would have been legally entitled to assert (whether individually or collectively) or that any Holder of a Claim or other Entity would have been legally entitled to assert for or on behalf of the Debtors or**

the Estate and further including those Causes of Action in any way related to the Chapter 11 Cases or the Plan; provided, that the foregoing provisions of Article X.D.1 of the Plan shall not operate to waive or release from any Causes of Action expressly set forth in and preserved by the Plan or Plan Supplement or any defenses thereto; provided, further, that the foregoing provisions of Article X.D.1 of the Plan shall not operate to waive or release any Causes of Action (i) accrued by the Debtors or the Reorganized Debtors in the ordinary course of business against Holders of General Unsecured Claims or (ii) set forth in the Acquisition Agreement.

- b. Third Party Release. Notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, the Releasing Parties provide a full discharge and release (and each Entity so released shall be deemed released by the Releasing Parties) to the Releasees and each of their respective Representatives (each of the foregoing in its individual capacity as such), and their respective property from any and all Claims, Causes of Action and any other debts, obligations, rights, suits, damages, actions, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing as of the Effective Date or thereafter arising, in law, at equity, whether for tort, contract, violations of federal or state securities laws, or otherwise, based in whole or in part upon any act or omission, transaction, or other occurrence or circumstances existing or taking place prior to or on the Effective Date arising from or related in any way to the Debtors, including those in any way related to formulating, negotiating, preparing, disseminating, implementing, administering, confirming or consummating the Plan, Disclosure Statement, Acquisition Agreement, the BWOC APA, the Pipeline APA, the Exit Facilities or any other contract, instrument, release or other agreement or document created or entered into in connection with the Plan, or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors; provided, however, that the foregoing provisions of Article X.D.2 of the Plan shall not operate to waive or release any of the Claims, Causes of Action or other obligations expressly set forth in and preserved by the Plan or Plan Supplement or any defenses thereto; provided, further, however, that the foregoing provisions of Article X.D.2 of the Plan shall not operate to waive or release any Allowed Claims of Releasing Parties treated under the Plan; and provided further, that nothing in the Plan shall be construed to release any Person or Entity from fraud, willful misconduct or criminal misconduct.
- c. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the releases set forth in Article X.D of the Plan pursuant to Bankruptcy Rule 9019 and its finding that they are: (a) in exchange for good and valuable consideration, representing a good faith settlement and compromise of the Claims and Causes of Action thereby released; (b) in the best interests of the Debtors and all Holders of Claims; (c) fair, equitable and reasonable; (d) approved after due notice and opportunity for hearing; and (e) a bar to any of the Debtors or the Reorganized Debtors asserting any Claim or Cause of Action thereby released.

5. Exculpation

Notwithstanding anything contained in the Plan to the contrary, the Exculpated Parties shall neither have nor incur any liability to any Entity for any and all Claims and Causes of Action arising on or after the Petition Date, including any act taken or omitted to be taken in connection with, or related to, formulating, negotiating, preparing, disseminating, implementing, administering, confirming or consummating the Plan, the Disclosure Statement, the Pilot DIP Facility, the Acquisition Agreement, the BWOC APA, the Pipeline APA or any other contract, instrument, release or other agreement or document created or entered into in

connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors or the transactions contemplated by the Acquisition Agreement or the Remaining Sales Transactions or confirming or consummating the Plan; provided, that the foregoing provisions of Article X.E of the Plan shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted fraud, willful misconduct or criminal misconduct; provided, further, that each Exculpated Party shall be entitled to rely upon the advice of counsel concerning its duties pursuant to, or in connection with, the above referenced documents; provided further, that the foregoing provisions of Article X.E of the Plan shall not apply to any acts, omissions, Claims, Causes of Action or other obligations expressly set forth in and preserved by the Plan or Plan Supplement or any defenses thereto.

6. **Preservation of Rights of Action**

a. *Vesting of Causes of Action*

- i. Except as otherwise provided in the Plan or Confirmation Order, in accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that the Debtors may hold against any Entity shall vest upon the Effective Date in the Reorganized Debtors.
- ii. Except as otherwise provided in the Plan or Confirmation Order, after the Effective Date, the Reorganized Debtors shall have the exclusive right to institute, prosecute, abandon, settle or compromise any Causes of Action and without further order of the Bankruptcy Court, in any court or other tribunal, including, without limitation, in an adversary proceeding filed in one or more of the Chapter 11 Cases.
- iii. Causes of Action and any recoveries therefrom shall remain the sole property of the Reorganized Debtors, and Holders of Claims shall have no right to any such recovery.

b. *Preservation of All Causes of Action Not Expressly Settled or Released*

- i. Unless a Cause of Action against a Holder or other Entity is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including the Confirmation Order), the Debtors and Reorganized Debtors expressly reserve such Cause of Action for later adjudication by the Debtors or Reorganized Debtors (including, without limitation, Causes of Action not specifically identified or described in the Plan Supplement or elsewhere or of which the Debtors may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time or facts or circumstances which may change or be different from those the Debtors now believe to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall apply to such Causes of Action upon or after the entry of the Confirmation Order or Effective Date based on the Disclosure Statement, Plan or Confirmation Order, except where such Causes of Action have been released in the Plan (including, without limitation, and for the avoidance of doubt, the releases contained in Article X.D.1 of the Plan) or any other Final Order (including the Confirmation Order). In addition, the Debtors and Reorganized Debtors expressly reserve the right to pursue or adopt any claims alleged in any lawsuit in which the Debtors or Reorganized Debtors are a defendant or an

interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits.

- ii. Subject to the immediately preceding paragraph, any Entity to whom the Debtors have incurred an obligation (whether on account of services, purchase or sale of goods or otherwise), or who has received services from the Debtors or a transfer of money or property of the Debtors, or who has transacted business with the Debtors, or leased equipment or property from the Debtors should assume that any such obligation, transfer, or transaction may be reviewed by the Reorganized Debtors subsequent to the Effective Date and may be the subject of an action after the Effective Date, regardless of whether: (i) such Entity has filed a Proof of claim against the Debtors in the Chapter 11 Cases; (ii) the Debtors or Reorganized Debtors has objected to any such Entity's Proof of claim; (iii) any such Entity's Claim was included in the Schedules; (iv) Reorganized Debtors or any other Debtor have objected to any such Entity's scheduled Claim; or (v) any such Entity's scheduled Claim has been identified by the Debtors or Reorganized Debtors as disputed, contingent or unliquidated.
- iii. Due to the Plan's treatment of General Unsecured Claims, the Debtors and Reorganized Debtors waive their rights to institute or prosecute any avoidance actions against Holders of General Unsecured Claims pursuant to section 547 of the Bankruptcy Code.

7. Release and Injunction

- a. **From and after the Effective Date, all Entities are permanently enjoined from commencing or continuing in any manner against the Releasees, their successors and assigns, and their assets and properties, as the case may be, any suit, action or other proceeding, on account of or respecting any Claim, demand, liability, obligation, debt, right, Cause of Action, interest or remedy released or to be released pursuant to the Plan or the Confirmation Order.**
- b. **For the avoidance of doubt, as of the Effective Date, all Entities that have held, currently hold or may hold any claims, causes of action and any other debts, obligations, rights, suits, damages, actions, interests, remedies or liabilities that are released pursuant to the Plan are permanently enjoined from taking any of the following actions against any Releasee or its property on account of such released claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities: (a) commencing or continuing in any manner any action or other proceeding; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (c) creating, perfecting or enforcing any lien or encumbrance; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any Releasee; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.**
- c. **Except as otherwise expressly provided for in the Plan or in obligations issued pursuant to the Plan, from and after the Effective Date, all Entities shall be precluded from asserting against the Releasees or their successors and assigns and their assets and properties, any other Claims or Equity Interests based upon any documents, instruments, or any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date.**

- d. The rights afforded in the Plan and the treatment of all Claims and Equity Interests in the Plan shall be in exchange for and in complete satisfaction of Claims and Equity Interests of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, against the Debtors or any of their assets or properties. On the Effective Date, all such Claims against, and Equity Interests in, the Debtors shall be satisfied and released in full.
- e. Except as otherwise expressly provided for in the Plan or the Confirmation Order or in obligations issued pursuant to the Plan, all Parties and Entities are permanently enjoined, on and after the Effective Date, on account of any Claim or Equity Interest satisfied, released and discharged in the Plan, from:
 - i. commencing or continuing in any manner any action or other proceeding of any kind against the Debtors, Reorganized Debtors or their respective successors and assigns and their assets and properties;
 - ii. enforcing, attaching, collecting or recovering by any manner or means any judgment, award, decree or order against the Debtors, Reorganized Debtors or their respective successors and assigns and their assets and properties;
 - iii. creating, perfecting or enforcing any encumbrance of any kind against the Debtors or the property or estate of the Debtors or Reorganized Debtors or the property of the Reorganized Debtors;
 - iv. asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtors, Reorganized Debtors or against the respective property or estate of the Debtors or Reorganized Debtors, notwithstanding an indication in a Proof of Claim or Equity Interest or otherwise that such Part or Entity assets, has, or intends to preserve any right of setoff subrogation or recoupment pursuant to section 553 of the Bankruptcy Code or otherwise; or
 - v. commencing or continuing in any manner any action or other proceeding of any kind in respect of any Claim or Equity Interest or Cause of Action released or settled hereunder or that is otherwise inconsistent with the Plan.
- f. By accepting distributions pursuant to the Plan, each Holder of an Allowed Claim receiving distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in Article X of the Plan.

8. Releases of Liens

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document created pursuant to the Plan, on the Effective Date, all mortgages, deeds of trust, liens, pledges or other security interests against property of the Estate shall be fully released and discharged and all of the right, title and interest of any Holder of such mortgages, deeds of trust, liens, pledges or other security interest shall revert to the Debtors and Reorganized Debtors.

K. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, pursuant to sections 105(a) and 1142 of the Bankruptcy Code the Bankruptcy Court shall, on and after the Effective Date, retain exclusive jurisdiction over the Chapter 11 Cases and all Entities with respect to all matters related to the Chapter 11 Cases, the Debtors, the Reorganized Debtors and the Plan as is legally permissible, including, without limitation, jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims or Equity Interests;
2. 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;
3. resolve any matters related to the assumption, assignment or rejection of any executory contract or unexpired lease to which a Debtor is party or with respect to which a Debtor may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including those matters related to any amendment to the Plan after the Effective Date pursuant to Article XII.D of the Plan adding executory contracts or unexpired leases to the list of executory contracts and unexpired leases to be assumed;
4. ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan and adjudicate any and all disputes arising from or relating to distributions under the Plan;
5. decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving a Debtor that may be pending on the Effective Date or instituted by the Reorganized Debtors after the Effective Date, *provided, however*, that the Reorganized Debtors shall reserve the right to commence actions in all appropriate jurisdictions;
6. enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all other contracts, instruments, releases, indentures and other agreements or documents adopted in connection with the Plan, Plan Supplement or the Disclosure Statement;
7. resolve any cases, controversies, suits or disputes that may arise in connection with the Effective Date, interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;
8. issue injunctions, enforce them, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the Effective Date or enforcement of the Plan, except as otherwise provided in the Plan;
9. enforce Articles X.A., X.D and X.E of the Plan;
10. enforce the Release and Injunction set forth in Article X.G of the Plan;

11. resolve any cases, controversies, suits or disputes with respect to the releases, injunction and other provisions contained in Article X of the Plan, and enter such orders as may be necessary or appropriate to implement or enforce all such releases, injunctions and other provisions;
12. enter and implement such orders as necessary or appropriate if the Confirmation Order is modified, stayed, reversed, revoked or vacated;
13. resolve 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, indenture or other agreement or document adopted in connection with the Plan or the Disclosure Statement;
14. enter an order or the decree contemplated in section 350 of the Bankruptcy Code and Bankruptcy Rule 3022 concluding the Chapter 11 Cases.
15. adjudicate, decide, or resolve any and all matters related to Causes of Action;
16. enforce the terms of the Acquisition Agreement and to decide any claims or disputes which may arise or result from, or be connected with, the Acquisition Agreement, any breach of default thereunder or the transactions contemplated thereby;
17. adjudicate, decide, or resolve any and all matters related to section 1141 of the Bankruptcy Code;
18. enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;
19. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the consummation, interpretation, or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;
20. consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;
21. determine requests for the payment of Claims and Equity Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;
22. hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
23. hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date; and
24. hear any other matter not inconsistent with the Bankruptcy Code.

L. Miscellaneous Provisions

1. Dissolution of Creditors' Committee

- a. The Creditors' Committee shall continue in existence until the Effective Date, and shall continue to exercise those powers and perform those duties specified in section 1103 of

the Bankruptcy Code, and shall perform such other duties as it may have been assigned by the Bankruptcy Court.

- b. On the Effective Date, the Creditors' Committee shall be dissolved (except with respect to the resolution of applications for Professional Claims) and its members shall be deemed released of all of their duties, responsibilities and obligations in connection with the Chapter 11 Cases or the Plan and its implementation, and the retention or employment of the Creditors' Committee's attorneys, financial advisors, and other agents shall terminate.

2. **Final Fee Applications**

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

3. **Payment of Statutory Fees**

All fees payable pursuant to Article 1930 of title 28 of the United States Code after the Effective Date, as determined by the Bankruptcy Court at a hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid prior to the closing of the Chapter 11 Cases on the earlier of when due or the Effective Date, or as soon thereafter as practicable.

4. **Modification of Plan**

Subject to the limitations contained in the Plan: (1) the Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (2) after the entry of the Confirmation Order, the Debtors or Reorganized Debtors, as the case may be, may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code and Bankruptcy Rule 3019, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

5. **Revocation of Plan**

The Debtors reserve the right to revoke or withdraw the Plan prior to the entry of the Confirmation Order and to file subsequent chapter 11 plans. If the Debtors revoke or withdraw the Plan or if entry of the Confirmation Order or the Effective Date does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan, assumption or rejection of executory contracts or leases effected by the Plan, and any document or agreement executed pursuant hereto shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors or any other Entity; (b) prejudice in any manner the rights of the Debtors or any other Entity; or (c) constitute an admission of any sort by the Debtors or any other Entity.

6. **Successors and Assigns**

Except as otherwise provided in the Plan, the rights, benefits and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Entity.

7. Governing Law

Except to the extent that the Bankruptcy Code or Bankruptcy Rules apply, and subject to the provisions of any contract, instrument, release, indenture or other agreement or document entered into in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the state of Delaware, without giving effect to the principles of conflict of laws thereof.

8. Reservation of Rights

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order. Neither the filing of the Plan, any statement or provision contained in the Plan, nor the taking of any action by a Debtor or any Entity with respect to the Plan shall be or shall be deemed to be an admission or waiver of any rights of: (1) any Debtor with respect to the Holders of Claims or Equity Interests or other parties-in-interest; or (2) any Holder of a Claim or other party-in-interest prior to the Effective Date.

9. Article 1146 Exemption

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

10. Votes Solicited in Good Faith

Upon entry of the Confirmation Order, the Debtors will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code and any applicable non-bankruptcy law, and pursuant to section 1125(e) of the Bankruptcy Code, the Debtors and each of their respective Affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors, and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code in the offer, issuance, sale, and purchase of Securities offered and sold under the Plan, and, therefore, will have no liability for the violation of any applicable law, rule, or regulation governing the solicitation of votes on the Plan or the offer, issuance, sale, or purchase of the Securities offered and sold under the Plan.

11. Further Assurances

The Debtors, Reorganized Debtors, all Holders of Claims receiving distributions hereunder and all other parties in interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan or the Confirmation Order.

12. Service of Documents

Any pleading, notice or other document required by the Plan to be served on or delivered to the Debtors shall be sent by first class U.S. mail, postage prepaid as follows:

To the Debtors:

Flying J Inc.
1104 Country Hills Drive
Ogden, Utah 84403
Attn.: Chris Malan, Senior Corporate Counsel

with a copy to:

Young Conway Stargatt & Taylor, LLP
The Brandywine Building
1000 West Street, 17th Floor
Wilmington, Delaware 19801
Attn.: Pauline K. Morgan

Kirkland & Ellis LLP
300 North LaSalle Street
Chicago, IL 60654
Attn.: David Eaton
Adam Paul

To the Creditors' Committee:

Pachulski Stang Ziehl & Jones LLP
919 North Market Street
Wilmington, Delaware 19899-8705
Attn.: James E. O'Neill
Debra Grassgreen

and

Pachulski Stang Ziehl & Jones LLP
780 Third Avenue, 36th Floor
New York, New York 10017-2024
Attn.: Robert J. Feinstein

13. Filing of Additional Documents

On or before the Effective Date, the Debtors may file with the Bankruptcy Court all agreements and other documents that may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

14. Immediate Binding Effect

Subject to Article IX.A of the Plan and notwithstanding Bankruptcy Rules 3020(e), 6004(g), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, and any and all Holders of Claims or Equity Interests (irrespective of whether such Claims or Equity Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

15. Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation

Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

16. Entire Agreement

Except as otherwise indicated, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

17. Exhibits

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall be available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from Epiq's website at <http://www.chapter11.epiqsystems.com/flyingj> or the Bankruptcy Court's web site at www.deb.uscourts.gov. To the extent any exhibit or document is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit or non-document portion of the Plan shall control.

18. Nonseverability of Plan Provisions

If, prior to the entry of the Confirmation Order on the docket of the Chapter 11 Cases, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the Debtors' consent; and (3) nonseverable and mutually dependent.

19. Conflicts

Except as set forth in the Plan, to the extent that any provision of the Disclosure Statement, the Plan Supplement, or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements, or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Plan shall govern and control.

VIII. SOLICITATION AND VOTING PROCEDURES

On [_____], 2010, the Bankruptcy Court will consider the Disclosure Statement Order to approve the adequacy of the Disclosure Statement and the procedures for the Solicitation Procedures. A copy of the Solicitation Procedures is attached as an exhibit to the Disclosure Statement Order. In addition to seeking the approval of the Bankruptcy Court with respect to the Solicitation Procedures, the Disclosure Statement Order seeks to establish certain dates and deadlines, including the date for the Confirmation Hearing, the deadline for parties to object to Confirmation, the Voting Record Date and the Voting Deadline. The Disclosure Statement Order also seeks the approval of the Bankruptcy Court with respect to the forms of Ballots and certain Confirmation-related notices. The Disclosure Statement Order and the Solicitation Procedures should be read in conjunction with the Disclosure Statement. Capitalized terms used herein that are not otherwise defined in the Disclosure Statement or the Plan shall have the meanings ascribed to them in the Solicitation Procedures.

A. Solicitation Package

1. Contents of Solicitation Package

The following materials shall constitute the Solicitation Package:

- the Plan;
- Disclosure Statement;
- Disclosure Statement Order;
- Confirmation Hearing Notice;
- appropriate Ballot and voting instructions;
- letter from the Creditors' Committee;
- pre-addressed, postage pre-paid return envelope; and
- appropriate letter explaining the solicitation process and urging the Holders to vote to accept the Plan.

2. Distribution of Solicitation Package

The Debtors shall serve, or caused to be served, all of the materials in the Solicitation Package on Holders of Classes 1B, 1C, 1D, 1E, 2C, 2D, 3C, 3D, 3E, 5B and 5C.

The Debtors shall serve, or caused to be served, all of the materials in the Solicitation Package, except Ballots, and the appropriate Notice of Non-Voting Status on Holders of Classes 1A, 1F, 1G, 1H, 1I, 2A, 2B, 2E, 2F, 3A, 3B, 3F, 4A, 4B, 5A, 5D and 5E.

The Debtors also shall serve, or cause to be served, all of the materials in the Solicitation Package (except Ballots) on (a) the Office of the United States Trustee for the District of Delaware; (b) counsel to the Creditors' Committee; (c) counsel for the agents for the Debtors' prepetition secured and unsecured lenders (d) counsel to Pilot; (e) the Internal Revenue Service; (f) the Securities and Exchange Commission; (g) the United States Department of Justice; (h) the Federal Trade Commission; and (i) any persons who have filed a request for notice in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002 as of the Voting Record Date.

The Confirmation Hearing Notice shall inform parties that the Plan, the Plan Supplement, the Disclosure Statement, the Disclosure Statement Order and all other Solicitation Package materials can be obtained from: (a) the Debtors' Voting and Claims Agent (i) at the Claims Agent's website at <http://chapter11.epiqsystems.com/flyingj>, (ii) by writing (sent via first class mail) to Flying J Inc. Claims Processing Center, c/o Epiq Bankruptcy Solutions, LLC, FDR Station, P.O. Box 5082, New York, New York, 10150-5082, or (iii) by calling (646) 282-2400; or (b) for a fee via PACER at <http://www.deb.uscourts.gov>.

In addition, the Debtors will mail, or cause to be mailed, the Solicitation Package to any of the persons or entities listed below:

- all persons or entities, as applicable, who, on or before the Voting Record Date, have timely Filed a Proof of Claim (or an untimely Proof of Claim that has been allowed as timely by the Bankruptcy Court under applicable law on or before the Voting Record Date): (i) that has not been expunged, disallowed, disqualified or suspended prior to the Voting Record Date; and (ii) that is not the subject of a pending objection on the Voting Record Date;

- all persons or entities, as applicable, listed in the Debtors' Schedules as holding a noncontingent, liquidated, undisputed Claim as of the Voting Record Date, except to the extent that such Claim was paid, expunged, disallowed, disqualified or suspended prior to the Voting Record Date;
- all persons or entities, as applicable, that hold Claims pursuant to an agreement or settlement with the Debtors executed prior to the Voting Record Date, as reflected in a court pleading, stipulation, term sheet, agreement or other document Filed with the Bankruptcy Court, in an Order entered by the Bankruptcy Court, or in a document executed by the Debtors pursuant to authority granted by the Bankruptcy Court, regardless of whether a Proof of Claim has been Filed;
- the holder of any Disputed Claim that has been temporarily allowed to vote pursuant to a Resolution Event; and
- the United States Attorney for the District of Delaware.

The Debtors shall make every reasonable effort to ensure that creditors who have more than one Claim in a Class (as defined in the Plan) receive no more than one set of the Solicitation Package materials.

In addition to the above, the Debtors shall, one time after the Disclosure Statement Hearing, publish the Confirmation Notice in the *The Wall Street Journal* (National Edition) *USA Today*, the *Salt Lake City Tribune* and the *Bakersfield Californian* to provide notification to those persons who may not receive notice by mail.

B. Voting Instructions and General Tabulation Procedures

1. Voting Record Date

The Bankruptcy Court has approved [_____], 2010, as the Voting Record Date.

2. Voting Deadline

The Bankruptcy Court has approved [_____], 2010, at 4:00 p.m., prevailing Eastern Time, as the Voting Deadline. The Debtors may extend the Voting Deadline without further order of the Bankruptcy Court; however, the Debtors will document any such extension in the Voting Report.

For holders of all Claims or Equity Interests, Epiq will answer questions regarding the procedures and requirements for voting to accept or reject the Plan and for objecting to the Plan, provide additional copies of all materials and oversee the voting tabulation. Epiq will also process and tabulate ballots for each Class entitled to vote to accept or reject the Plan.

TO BE COUNTED AS VOTES TO ACCEPT OR REJECT THE PLAN, BALLOTS CAST BY HOLDERS IN CLASSES ENTITLED TO VOTE MUST BE RECEIVED BY EPIQ BY THE VOTING DEADLINE, AT THE ADDRESS LISTED ON THE APPLICABLE BALLOT, WHETHER BY FIRST CLASS MAIL, OVERNIGHT COURIER OR PERSONAL DELIVERY. THE BALLOTS AND THE PRE-ADDRESSED, POSTAGE PRE-PAID ENVELOPES ACCOMPANYING THE BALLOTS WILL CLEARLY INDICATE WHERE THE BALLOT MUST BE RETURNED.

BALLOTS

Ballots must be **actually received** by the
Voting and Claims Agent by the Voting Deadline as follows:

**If sent by the envelope provided
or otherwise by First Class Mail:**

Flying J Inc. Claims Processing Center
c/o Epiq Bankruptcy Solutions LLC
FDR Station, P.O. Box 5082
New York, New York 10150-5082

**If sent by Overnight Courier
or Personal Delivery:**

Flying J Inc. Claims Processing Center
c/o Epiq Bankruptcy Solutions LLC
757 Third Avenue, 3rd Floor
New York, New York 10017

If you have any questions on the procedures for voting on the Plan,
please call the Voting and Claims Agent at the following telephone number:

(646) 282-2400

**IT IS IMPORTANT TO FOLLOW THE SPECIFIC INSTRUCTIONS PROVIDED ON EACH
BALLOT WHEN SUBMITTING A VOTE.**

**EACH BALLOT WILL CONTAIN A PROVISION STATING THAT A VOTING CREDITOR, BY
VOTING, ACKNOWLEDGES HIS, HER OR ITS CONSENT TO THE RELEASE AND THE RELEASE
PROVISIONS OF THE PLAN, AS FOLLOWS:**

BY VOTING, I FURTHER ACKNOWLEDGE THAT:

**(I) A VOTE TO ACCEPT THE PLAN IS ALSO A VOTE TO ACCEPT
THE RELEASES SET FORTH IN THE PLAN.**

**(II) I CAN DECLINE TO CONSENT TO THE RELEASES SET FORTH IN
THE PLAN BY NOT VOTING OR VOTING TO REJECT THE PLAN.**

**FOR ANSWERS TO ANY QUESTIONS REGARDING SOLICITATION PROCEDURES,
PARTIES MAY CALL EPIQ AT 646-282-2400.**

To obtain an additional copy of the Plan, the Disclosure Statement, the Plan Supplements or other Solicitation Package materials (except Ballots), please contact (a) the Debtors' Voting and Claims Agent (i) at the Claims Agent's website at <http://chapter11.epiqsystems.com/flyingj>, (ii) by writing (sent via first class mail) to Flying J Inc. Claims Processing Center, c/o Epiq Bankruptcy Solutions, LLC, FDR Station, P.O. Box 5082, New York, New York, 10150-5082, or (iii) by calling (646) 282-2400; or (b) for a fee via PACER at <http://www.deb.uscourts.gov>.

Ballots received after the Voting Deadline will not be counted by the Debtors in connection with the Debtors' request for Confirmation. The method of delivery of Ballots to be sent to Epiq is at the election and risk of each Creditor, except as otherwise provided, a Ballot will be deemed delivered only when Epiq actually receives the original executed Ballot. In all cases, sufficient time should be allowed to assure timely delivery. An original executed Ballot is required. Delivery of a Ballot to Epiq, as applicable, by facsimile, electronic mail or any other electronic means will not be accepted. Ballots should not be sent to any of the Debtors, the Debtors' agents (other than Epiq), any indenture trustee (unless specifically instructed to do so), or the Debtors' financial or legal advisors, and any Ballots sent to such parties will not be counted. The Debtors expressly reserve the right to amend from time to time the terms of the Plan (subject to compliance with the requirements of section 1127 of the Bankruptcy Code and the terms of the Plan regarding modification).

3. **Who May Vote**

In general, a holder of a claim or interest may vote to accept or to reject a plan if no party in interest has objected to such claim or interest. If the holder of an impaired claim or interest will not receive any distribution under the plan in respect of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan. If the claim or interest is not impaired, the Bankruptcy Code deems that the holder of such claim or interest has accepted the plan and the plan proponent need not solicit such holder's vote.

Pursuant to section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless the plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitles the holder thereof, or notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy), reinstates the maturity of such claim or interest as it existed before the default, compensates the Holder of such claim or interest for any damages incurred as a result of reasonable reliance on the Holder's legal right to an accelerated payment, and does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder thereof.

Only the following Holders of Impaired Claims in the Voting Classes shall be entitled to vote on the Plan with regard to such Claims: 1B, 1C, 1D, 1E, 2C, 2D, 3C, 3D, 3E, 5B and 5C.

4. **Temporary Allowance of Disputed Claims for Voting Purposes**

The Solicitation Procedures generally provide that Holders of Disputed Claims will not be entitled to vote unless a Resolution Event occurs, *provided, however*, that if the Claim is objected to, such person or entity shall receive a ballot and be entitled to vote for the amount asserted by the Debtors. No later than two Business Days after a Resolution Event, Epiq shall distribute a Ballot and a pre-addressed, postage pre-paid envelope to the relevant Holder of the Disputed Claim, which must be returned to Epiq by no later than the Voting Deadline.

5. **Establishing Claim Amounts**

In tabulating votes, the following hierarchy shall be used to determine the amount of the Claim associated with each vote:

- The Claim amount settled or agreed upon by the Debtors, as reflected in a document Filed with the Bankruptcy Court, in an order of the Bankruptcy Court, or in a document executed by the Debtors pursuant to authority granted by the Bankruptcy Court;
- The Claim amount Allowed (temporarily or otherwise) under the procedures set forth herein;
- The amounts asserted by the Debtors (which may be \$0) with respect to any Disputed Claims that are subject to an objection (as set forth above in Article VIII.B.4);
- The Claim amount contained in a Proof of Claim that has been timely Filed by the applicable Bar Date (or deemed timely Filed by the Bankruptcy Court under applicable law) except for any amounts in such proofs of Claim asserted on account of any interest accrued after the Petition Date; *provided, however*, that Ballots cast by Holders whose Claims are not listed on the Schedules, but who timely File a Proof of Claim in an unliquidated or unknown amount that are not the subject of an objection, will count for satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code, and will count as Ballots for Claims in the amount of \$1.00 solely for the purposes of satisfying the dollar amount provisions of section 1126(c) of the Bankruptcy Code; *provided further, however*, that to the extent the Claim amount contained in the Proof of Claim is different from the Claim amount set forth in a document Filed with the Bankruptcy Court as referenced in the Solicitation Procedures, the Claim

amount in the document Filed with the Bankruptcy Court shall supersede the Claim set forth on the respective Proof of Claim;

- The Claim amount listed in the Schedules, *provided* that such Claim is not scheduled as contingent, disputed or unliquidated and has not been paid; or
- In the absence of any of the foregoing, zero.

6. **General Ballot Tabulation**

The following voting procedures and standard assumptions shall be used in tabulating ballots:

- Except as otherwise provided herein, unless the Ballot being furnished is timely submitted on or prior to the Voting Deadline, the Debtors shall reject such Ballot as invalid and, therefore, decline to count it in connection with Confirmation;
- The Voting and Claims Agent will date and time-stamp all Ballots when received. The Voting and Claims Agent shall retain the original Ballots and an electronic copy of the same for a period of one year after the Effective Date of the Plan, unless otherwise ordered by the Bankruptcy Court;
- As soon as reasonably practicable before the Confirmation Hearing, unless such other date is set by the Bankruptcy Court, the Debtors will File the Voting Report with the Bankruptcy Court. The Voting Report shall, among other things, delineate every Irregular Ballot including, but not limited to, those Ballots that are late or (in whole or in material part) illegible, unidentifiable, lacking original signatures or lacking necessary information, received via facsimile or electronic mail, or damaged. The Voting Report shall indicate the Debtors' intentions with regard to such Irregular Ballots;
- The method of delivery of Ballots to be sent to the Voting and Claims Agent is at the election and risk of each Holder, and except as otherwise provided, a Ballot will be deemed delivered only when the Voting and Claims Agent actually receives the original executed Ballot;
- An original executed Ballot is required to be submitted by the Entity submitting such Ballot. Delivery of a Ballot to the Voting and Claims Agent by facsimile, electronic mail, or any other electronic means will not be valid;
- No Ballot should be sent to any of the Debtors, the Debtors' agents (other than the Voting and Claims Agent) or the Debtors' financial or legal advisors, and if so sent will not be counted;
- The Debtors expressly reserve the right to amend from time to time the terms of the Plan in accordance with the terms thereof and after consultation with the Creditors' Committee (subject to compliance with the requirements of section 1127 of the Bankruptcy Code and the terms of the Plan regarding modification);
- If multiple Ballots are received from the same Holder with respect to the same Claim prior to the Voting Deadline, the last Ballot timely received will be deemed to reflect that voter's intent and will supersede and revoke any prior Ballot;
- Holders must vote all of their Claims within a particular Class either to accept or reject the Plan and may not split any votes. Accordingly, a Ballot that partially rejects and partially accepts the Plan will not be counted. Further, to the extent there are multiple Claims within the same Class, the Debtors may, in their discretion, aggregate the Claims of any particular holder within a Class for the purpose of counting votes;

- A person signing a Ballot in its capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation, or otherwise acting in a fiduciary or representative capacity must indicate such capacity when signing and, if required or requested by the applicable nominee or its agent, the Voting and Claims Agent, the Debtors, or the Bankruptcy Court, must submit proper evidence to the requesting party of the person's authority to so act on behalf of such holder or Beneficiary;
- The Debtors, subject to contrary order of the Bankruptcy Court, may waive any defects or irregularities as to any particular Ballot at any time, either before or after the close of voting, and any such waivers will be documented in the Voting Report;
- Neither the Debtors, nor any other Entity, will be under any duty to provide notification of defects or irregularities with respect to delivered Ballots other than as provided in the Voting Report, nor will any of them incur any liability for failure to provide such notification;
- Unless waived or as ordered by the Bankruptcy Court, any defects or irregularities in connection with deliveries of Ballots must be cured prior to the Voting Deadline or such Ballots will not be counted;
- In the event a designation of lack of good faith is requested by a party-in-interest under section 1126(e) of the Bankruptcy Code, the Bankruptcy Court will determine whether any vote to accept or reject the Plan cast with respect to that Claim will be counted for purposes of determining whether the Plan has been accepted or rejected;
- Subject to any contrary order of the Bankruptcy Court, the Debtors reserve the right to reject any and all Ballots not in proper form, the acceptance of which, in the opinion of the Debtors, would not be in accordance with the provisions of the Bankruptcy Code or the Bankruptcy Rules; *provided, however*, that any such rejections will be documented in the Voting Report;
- If a Claim has been estimated or otherwise allowed for voting purposes only by an order of the Bankruptcy Court, such Claim shall be temporarily allowed in the amount so estimated or allowed by the Bankruptcy Court for voting purposes only, and not for purposes of allowance or Distribution;
- If an objection to a Claim is Filed prior to the Voting Record Date, such Claim shall be treated in accordance with the procedures set forth herein; and
- The following Ballots shall not be counted in determining the acceptance or rejection of the Plan: (i) any Ballot that is illegible or contains insufficient information to permit the identification of the Creditor; (ii) any Ballot cast by an Entity that does not hold a Claim in a Class that is entitled to vote on the Plan; (iii) any Ballot cast for a Claim scheduled as unliquidated, contingent, or disputed for which no Proof of Claim was timely Filed; (iv) any unsigned Ballot or lacking an original signature; (v) any Ballot not marked to accept or reject the Plan, or marked both to accept and reject the Plan; and (vi) any Ballot submitted by any Entity not entitled to vote pursuant to the procedures described herein.

IX. CONFIRMATION PROCEDURES

A. Confirmation Hearing

The Confirmation Hearing will commence on [_____], 2010 at [10:00] [a].m. prevailing Eastern Time, before the Honorable Mary F. Walrath, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, at the United States Bankruptcy Court, 824 Market Street, 5th Floor, Courtroom 4, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

The Plan Objection Deadline is [_____], 2010 [:] [a/p].m. prevailing Eastern Time. All Plan Objections must be Filed with the Bankruptcy Court and served on the Debtors and certain other parties in accordance with the Disclosure Statement Order on or before the Plan Objection Deadline.

The Debtors proposed schedule will provide Entities sufficient notice of the Plan Objection Deadline, which will be more than the 28 days as required by Bankruptcy Rule 2002(b). The Debtors believe that the Plan Objection Deadline will afford the Bankruptcy Court, the Debtors and other parties in interest reasonable time to consider the Plan Objections prior to the Confirmation Hearing.

THE BANKRUPTCY COURT WILL NOT CONSIDER PLAN OBJECTIONS UNLESS THEY ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE DISCLOSURE STATEMENT ORDER.

Following the Disclosure Statement Hearing, the Debtors will publish the Solicitation Notice, which will contain, among other things, the Plan Objection Deadline, the Voting Deadline and the date the Confirmation Hearing is first scheduled, in the National Edition of *The Wall Street Journal* on a date no later than 15 days prior to the Voting Deadline to provide notification to those Entities that may not receive notice by mail.

Plan Objections must be served on all of the following parties:

| | |
|--|--|
| <p>KIRKLAND & ELLIS LLP David L. Eaton Adam C. Paul Jeffrey W. Gettleman 300 N. LaSalle St. Chicago, IL 60654</p> | <p>YOUNG CONAWAY STARGATT & TAYLOR, LLP Pauline K. Morgan Edmon L. Morton Donald J. Bowman, Jr. The Brandywine Building 1000 West Street, 17th Floor Wilmington, Delaware 19801</p> |
| <i>Co-Counsel to the Debtors</i> | |
| <p>PACHULSKI STANG ZIEHL & JONES LLP James E. O'Neill 919 North Market Street Wilmington, Delaware 19899-8705</p> | <p>PACHULSKI STANG ZIEHL & JONES LLP Robert J. Feinstein 780 Third Avenue 36th Floor New York, NY 10017-2024</p> |
| <i>Counsel to the Creditors' Committee</i> | |
| <p>CLERK OF THE BANKRUPTCY COURT United States Bankruptcy Court for the District of Delaware 824 Market Street, 5th Floor, Courtroom 4 Wilmington, Delaware 19801</p> | <p>UNITED STATES TRUSTEE Office of the United States Trustee for the District of Delaware 844 King Street, Room 2207 Lockbox #35 Wilmington, Delaware 19899-0035</p> |

B. Statutory Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors, as the proponents of the Plan, will have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Debtors' Chapter 11 Cases, or in connection with the Plan and incident

to the case, has been disclosed to the Bankruptcy Court, and any such payment: (1) made before the Confirmation of the Plan is reasonable; or (2) subject to the approval of the Bankruptcy Court as reasonable, if it is to be fixed after Confirmation of the Plan.

- Either each holder of an Impaired Claim has accepted the Plan, or will receive or retain under the Plan on account of such Claim, property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain if the applicable Debtor was liquidated on that date under chapter 7 of the Bankruptcy Code.
- Each Class of Claims that is entitled to vote on the Plan has either accepted the Plan or is not Impaired under the Plan, or the Plan can be confirmed without the approval of such voting Class pursuant to section 1129(b) of the Bankruptcy Code.
- Except to the extent the holder of a particular Claim will agree to a different treatment of its Claim, the Plan provides that Administrative Claims and Other Priority Claims will be paid in full on the Effective Date, or as soon thereafter as is reasonably practicable.
- At least one Class of Impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in that Class.
- Confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors or any successors thereto under the Plan.
- The Debtors have paid the required filing fees pursuant to 28 U.S.C. § 1930 to the clerk of the Bankruptcy Court.
- In addition to the filing fees paid to the clerk of the Bankruptcy Court, the Debtors will pay quarterly fees on the last day of the calendar month, following the calendar quarter for which the fee is owed in the Chapter 11 Cases for each quarter (including any fraction thereof), to the Office of the U.S. Trustee, until the case is converted or dismissed, whichever occurs first.

1. **Best Interests of Creditors Test, Liquidation and Valuation Analyses**

Often called the “best interests” test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each class, that each holder of a claim or an equity interest in such class either (a) has accepted the plan or (b) will receive or retain under the plan property with a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the applicable Debtor was liquidated under chapter 7 of the Bankruptcy Code. To make these findings, the bankruptcy court must: (a) estimate the cash liquidation proceeds that a chapter 7 trustee would generate if the debtor’s chapter 11 cases were converted to a chapter 7 case and the assets of such debtor’s estate were liquidated; (b) determine the liquidation distribution that each non-accepting holder of a claim or an equity interest would receive from such liquidation proceeds under the priority scheme dictated in chapter 7; and (c) compare such holder’s liquidation distribution to the plan distribution that such holder would receive if the plan were confirmed.

In chapter 7 cases, unsecured creditors and interest holders of a debtor are paid from available assets generally in the following order, with no junior class receiving any payments until all amounts due to senior classes have been paid fully or any such payment is provided for: (a) holders of secured claims (to the extent of the value of their collateral); (b) holders of priority claims; (c) holders of unsecured claims; (d) holders of debt expressly subordinated by its terms or by order of the bankruptcy court; and (e) holders of equity interests.

As described in more detail in the Liquidation Analyses and Article VII, the Debtors believe that the value of any Distributions if the Chapter 11 Cases were converted to cases under chapter 7 of the Bankruptcy Code would be less than the value of Distributions under the Plan because of, among other reasons, the increased time and expense of converting and administering a chapter 7 proceeding, including the necessity of paying the compensation and fees of a chapter 7 trustee.

2. **Feasibility**

Section 1129(a)(11) of the Bankruptcy Code requires that the Bankruptcy Court find that Confirmation is not likely to be followed by the liquidation of the Debtors or the need for further financial reorganization, unless the Plan contemplates such liquidation. For purposes of demonstrating that the Plan meets this “feasibility” standard, the Debtors, together with Blackstone and Zolfo Cooper, have analyzed the ability of the Reorganized Debtors to meet their obligations under the Plan and, for those Reorganized Debtors that are not liquidating, to retain sufficient liquidity and capital resources to conduct their businesses, taking into account the Projections attached as Exhibit I.

3. **Acceptance by Impaired Classes**

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

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

The Claims in Classes 1A, 1F, 1G, 1H, 1I, 2A, 2B, 2E, 2F, 3A, 3B, 3F, 4A, 4B, 5A, 5D and 5E are not Impaired under the Plan, and, as a result, the Holders of such Claims are deemed to have accepted the Plan.

The Voting Classes are Impaired under the Plan, and as a result, the holders of Claims in such Classes are entitled to vote on the Plan. Pursuant to section 1129 of the Bankruptcy Code, the holders of Claims in the Voting Classes must accept the Plan for the Plan to be confirmed without application of the “fair and equitable test” to such Classes, and without considering whether the Plan “discriminates unfairly” with respect to such Classes, as both standards are described herein. As stated above, Classes of Claims will have accepted the Plan if the Plan is accepted by at least two-thirds in amount and a majority in number of the Claims of each such Class (other than any Claims of creditors designated under section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Plan.

4. **Confirmation Without Acceptance by All Impaired Classes**

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

equitable” with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

a. No Unfair Discrimination

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be “fair.” In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly, and, accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

b. Fair and Equitable Test

This test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class. As to the dissenting class, the test sets different standards depending on the type of claims or equity interests in such class.

Secured Claims: The condition that a plan be “fair and equitable” to a non-accepting class of secured claims includes the requirements that: (1) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan; and (2) each holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant’s interest in the debtor’s property subject to the liens.

Unsecured Claims: The condition that a plan be “fair and equitable” to a non-accepting class of unsecured claims includes the requirement that either: (1) the plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (2) the holder of any claim or any equity interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or junior equity interest any property.

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

To the extent that any of the Voting Classes vote to reject the Plan, the Debtors further reserve the right to seek (1) Confirmation of the Plan under section 1129(b) of the Bankruptcy Code or (2) modify the Plan.

C. Contact for More Information

Any interested party desiring further information about the Plan may contact legal counsel to the Debtors by: (a) writing to Kirkland & Ellis LLP, 300 N. LaSalle St., Chicago, IL 60654, Attn.: Jeffrey Gettleman or calling (312) 862-2000; or (b) writing to Young Conaway Stargatt & Taylor, LLP, The Brandywine Building, 1000 West Street, 17th Floor, Wilmington, Delaware 19801, Attn.: Pauline K. Morgan or calling (302) 571-6600.

**X. PLAN-RELATED RISK FACTORS AND ALTERNATIVES
TO CONFIRMATION AND CONSUMMATION OF THE PLAN; ANTITRUST APPROVAL**

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS THAT ARE IMPAIRED SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT, INCLUDING THE DOCUMENTS DELIVERED TOGETHER HERewith, REFERRED TO OR INCORPORATED BY REFERENCE HEREIN. THESE FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. General

The following provides a summary of various important considerations and risk factors associated with the Plan; however, it is not exhaustive. In considering whether to vote for or against the Plan, Holders of Claims and Equity Interests entitled to vote should read and carefully consider the factors set forth below, as well as all other information set forth or otherwise referenced or incorporated by reference in this Disclosure Statement.

B. Certain Bankruptcy Law Considerations

1. Parties-in-Interest May Object to the Debtors' Classification of Claims and Equity Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created 27 Classes of Claims and Equity Interests, each encompassing Claims or Equity Interests, as applicable, that are substantially similar to the other Claims and Equity Interests in each such Class. Nevertheless, there can be no assurance the Bankruptcy Court will reach the same conclusion.

2. Failure to Satisfy Vote Requirement

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

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

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

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance the Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that the Disclosure Statement, the balloting procedures and voting

results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for Confirmation had not been met, including the requirement that the terms of the Plan do not “unfairly discriminate” and are “fair and equitable” to non-accepting Classes.

Confirmation of the Plan is also subject to certain conditions as described in the Plan. If the Plan is not confirmed, it is unclear what Distributions, if any, holders of Allowed Claims would receive with respect to their Allowed Claims.

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

4. Nonconsensual Confirmation

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

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

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

6. Risk of Non-Occurrence of the Effective Dates

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing, or as to whether such Effective Date will, in fact, occur.

7. Contingencies Not to Affect Votes of Impaired Classes to Accept or Reject the Plan

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

8. Procedures For Contingent And Unliquidated Claims

Notwithstanding any language in any Holder’s Proof of Claim or otherwise, the Holder of a contingent or unliquidated Claim shall not be entitled to receive or recover any amount in excess of the amount: (a) stated in the Holder’s Proof of Claim, if any, as of the Distribution Record Date; (b) if the Proof of Claim provides no monetary

value of such Holders' Claim on the Distribution Record Date, the amount the Debtors elect to withhold for such Claim in the Disputed Reserves pursuant to Article VI.B.1 of the Plan.

C. Risk Factors That May Affect Distributions Under the Plan

1. The 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 Voting Classes or unclassified Claims that will ultimately be Allowed.

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 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. Additionally, the Debtors have made certain assumptions, as described in the Liquidation Analyses, **which should be read carefully.**

D. Disclosure Statement Disclaimer

1. Information Contained Herein is for Soliciting Votes

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

2. 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, and the Securities and Exchange Commission 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 Securities and Exchange Commission under the Securities Act or with any state agency under applicable state securities laws. Neither the Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained herein, and any representation to the contrary is unlawful.

3. Disclosure Statement May Contain Forward Looking Statements

This Disclosure Statement may contain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The Liquidation Analyses, the Projections, Distribution projections and other information contained herein and attached hereto are estimates only, and the timing and amount of actual Distributions to holders of Allowed Claims may be affected by many factors that cannot be predicted. Therefore, any analyses, estimates or recovery projections may or may not turn out to be accurate.

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

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Holder of a Claim or an Equity Interest should consult his or her own legal counsel and accountant with regard to any legal, tax and other matters concerning his, her or its Claim or Equity Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

5. **No Admissions Made**

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Entity (including, without limitation, the Debtors) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, Holders of Allowed Claims or Equity Interests or any other parties-in-interest.

6. **Failure to Identify Litigation Claims or Projected Objections**

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Equity Interest is, or is not, identified in this Disclosure Statement. The Debtors may seek to investigate Claims, File and prosecute objections to Claims and Equity Interests, and the Debtors may object to Claims or bring Causes of Action after the Confirmation or Effective Date irrespective of whether the Disclosure Statement identifies such Claims, Causes of Action or Objections to Claims.

7. **No Waiver of Right to Object or Right to Recover Transfers and Assets**

The vote by a Holder of an Allowed Claim for or against the Plan does not constitute a waiver or release of any Claims or rights of the Debtors to object to that holder's Allowed Claim, or to bring Causes of Action or recover any preferential, fraudulent or other voidable transfer of assets, regardless of whether any Claims or Causes of Action of the Debtors or their Estates are specifically or generally identified herein.

8. **Information Was Provided by the Debtors and Was Relied Upon by the Debtors' Advisors**

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

9. **Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update**

The Debtors make the statements contained in this Disclosure Statement 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 not been a change in the information set forth herein since that date. While the Debtors have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

10. **No Representations Outside the Disclosure Statement Are Authorized**

No representations concerning or relating to the Debtors, the Debtors' Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. In deciding whether to vote to accept or reject the Plan, you should not rely upon 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. You should promptly report unauthorized representations or inducements to counsel to the Debtors, counsel to the Creditors' Committee and the United States Trustee.

E. Liquidation Under Chapter 7

If the Plan is not Confirmed, the Debtors' Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee or trustees would be elected or appointed to liquidate the assets of the Debtors for Distribution in accordance with the priorities established by the Bankruptcy Code. As described more fully in the Liquidation Analyses, the Debtors believe that any such conversion would likely substantially diminish any Distribution to holders of General Unsecured Claims.

F. Feasibility

In the event that the Pilot Transaction, the Proposed BWOC Sale or the Refinancing are not completed, including due to a failure of Pilot or the Proposed BWOC Potential Buyer to obtain sufficient financing, there is a risk that the Debtors will be unable to consummate any of the transactions contemplated by the Plan.

G. Antitrust Approval

Under the HSR Act, the Pilot Transaction cannot be completed until Flying J and Pilot each file a notification and report form under the HSR Act and the applicable waiting period has expired or been terminated. On August 17, 2009, Flying J and Pilot each filed notification and report forms under the HSR Act with the FTC and the Antitrust Division of the Department of Justice. On September 16, 2009, the parties received a request for additional information, commonly referred to as a "second request," from the FTC under the HSR Act. The effect of the second request is to extend the waiting period imposed by the HSR Act. The applicable waiting period under the HSR Act has not yet expired or been terminated. FTC merger review staff informed the parties that it has recommended to the Bureau of Competition that the Pilot Transaction poses risks of harm to competition that should be addressed before clearance is granted or that, in the absence of remedial action, the FTC should seek to enjoin the Pilot Transaction. The parties are in discussions with the Bureau of Competition, which has not finalized its review. The parties expect that the Bureau of Competition will make a recommendation to the Commissioners shortly to either accept a settlement agreement or enjoin the Pilot Transaction. A majority of the Commissioners must approve the staff's recommendation. The parties continue to work with the FTC to persuade the agency that any action is not warranted.

There can be no assurance that the Pilot Transaction will not be challenged by the FTC or by other governmental authorities or a private party under the antitrust laws. In the event the Pilot Transaction is challenged, there can be no assurance that the merging parties will prevail in such challenge. If the merging parties are not successful with respect to such a challenge, then the Pilot Transaction may not be consummated. If the merging parties are successful and the parties consummate the Pilot Transaction, the FTC can bring an administrative action seeking divestiture of substantial assets. Private parties, under certain circumstances, and state authorities can also take legal action seeking divestitures after the Pilot Transaction is consummated. The term "antitrust laws" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other Federal and state statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

XI. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain United States federal income tax consequences of the Plan to the Debtors and certain holders of Claims. This summary is based on the Internal Revenue Code, Treasury Regulations thereunder and administrative and judicial interpretations and practice, all as in effect on the date of the Disclosure Statement and all of which are subject to change, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of

the tax consequences described below. No opinion of counsel has been obtained and the Debtors do not intend to seek a ruling from the Internal Revenue Service as to any of the tax consequences of the Plan discussed below. There can be no assurance that the Internal Revenue Service will not challenge one or more of the tax consequences of the Plan described below.

This summary does not apply to holders of Claims that are not United States Persons (as such term is defined in the Internal Revenue Code) or that are otherwise subject to special treatment under United States federal income tax law (including, without limitation, banks, governmental authorities or agencies, financial institutions, insurance companies, pass-through Entities, tax-exempt organizations, brokers and dealers in securities, mutual funds, small business investment companies and regulated investment companies). The following discussion assumes that holders of Allowed Claims hold such Claims as “capital assets” within the meaning of section 1221 of the Internal Revenue Code. Moreover, this summary does not purport to cover all aspects of United States federal income taxation that may apply to the Debtors and holders of Allowed Claims based upon their particular circumstances. Additionally, this summary does not discuss any tax consequences that may arise under any laws other than United States federal income tax law, including under state, local or foreign tax law.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS WRITTEN TO SUPPORT THE PROMOTION, MARKETING OR PROMOTION OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THE DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. Certain United States Federal Income Tax Consequences to the Debtors

Under the Plan, the Debtors are transferring certain of their assets to Pilot and other third parties. These transfers of assets may result in the recognition of taxable gain or loss to the Debtors, based on the difference between the fair market value of these assets and the Debtors’ tax basis in these assets. To the extent that the Debtors realize gain from the transfer of these assets the Debtors believe that they will have sufficient current losses and net operating loss carryovers to shelter these gains, although there could be some liability to the Debtors in certain states and under the federal alternative minimum tax.

B. Certain United States Federal Income Tax Consequences to Holders of Classes 1A, 2A, 2B, 3A, 3B, 4A and 5A Claims

Pursuant to the Plan, Holders of Classes 1A, 2A, 2B, 3A, 3B, 4A and 5A Claims will receive, in full satisfaction and discharge of their Claims, either Cash or the Collateral securing their Claims. A Holder who receives only Cash or Collateral in exchange for its Claim pursuant to the Plan generally will recognize income, gain or loss, for federal income tax purposes, in an amount equal to the difference between (1) the amount of Cash or the value of the Collateral received in exchange for its Claim and (2) its adjusted tax basis in such Claim. Such gain or loss should be capital in nature (subject to the “market discount” rules described below) 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 any portion of

the Cash or Collateral received in the exchange is allocable to accrued interest, the Holder may recognize ordinary income, which is addressed in the discussion below regarding accrued interest.

C. Certain United States Federal Income Tax Consequences to Holders of Classes 1B, 2C, 3C and 5B Claims

Pursuant to the Plan, Holders of Classes 1B, 2C, 3C and 5B Claims can elect to receive, in full satisfaction and discharge of their Claims, Cash and Flying J Notes (as opposed to only Cash discussed above). The U.S. federal income tax consequences of the Plan to such Holders of Claims will depend, in part on whether the Claims surrendered and/or the Flying J Notes received constitute “securities” for U.S. federal income tax purposes.

Whether a debt instrument constitutes a “security” is determined based on all the facts and circumstances, but most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable or contingent and whether such payments are made on a current basis or accrued. The Flying J Notes, as described in more detail in Exhibit H, have a term of [] years. The Debtors expect that they will take the position that the Flying J Notes are not “securities.”

If a Holder’s Claims are treated as securities, and the Flying J Notes are treated as securities, then the exchange of such Claims for Flying J Notes should be treated as a tax free recapitalization under the Tax Code. In general, this means that a Holder will not recognize loss with respect to the exchange and will not recognize gain (1) except with respect to accrued but unpaid interest on the Claims and (2) except to the extent of the Cash received. A Holder should obtain a tax basis in the Flying J Notes equal to the tax basis of the Claims exchanged therefore (less the value of the Cash received plus any gain recognized in receipt of the Cash). A Holder should have a holding period for the Flying J Notes that includes the holding period for the old Claims; *provided* that the tax basis of any Flying J Notes treated as received in satisfaction of accrued interest should equal the amount of such accrued interest, and the holding period for such Flying J Notes should not include the holding period of the old Claims.

If either the Flying J Notes or a Holder’s Claims are not treated as “securities” for federal income tax purposes, a Holder should be treated as exchanging its Claims for Flying J Notes in a fully taxable exchange. In that case, the Holder should recognize gain or loss equal to the difference between (1) the “issue price” of the Flying J Notes (which, if neither the Claims surrendered by the Holder nor the Flying J Notes are “publicly traded” for U.S. federal income tax purposes, will equal the stated principal amount of the Flying J Notes, or if either is publicly traded, will equal the fair market value of the Flying J Notes (as of the day they are distributed to the Holder)) and the Cash received (to the extent that such Flying J Notes and Cash received are not allocable to accrued interest) and (2) the Holder’s tax basis in the Claims surrendered by the Holder. Such gain or loss should be capital in nature (subject to the “market discount” rules described below) 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 any portion of the Flying J Notes and or Cash received in the exchange is allocable to accrued interest, the Holder may recognize ordinary income, which is addressed in the discussion below regarding accrued interest. A Holder’s tax basis in the Flying J Notes should equal their issue price as of the Effective Date. A Holder’s holding period for the Flying J Notes should begin on the day following the Effective Date.

D. Accrued but Untaxed Interest

To the extent that any amount received by a Holder of a Claim is attributable to accrued interest, such amount should be taxable to the Holder as interest income. Conversely, a Holder of a Claim may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent that any

accrued interest on the Claims was previously included in the Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued but untaxed interest is unclear. Under the Plan, the aggregate consideration to be distributed to Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on such Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for United States federal income tax purposes, while certain Treasury Regulations treat payments as allocated first to any accrued but unpaid interest. The Internal Revenue Service could take the position that the consideration received by the Holder should be allocated in some way other than as provided in the Plan. Holders of Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

E. Market Discount

Under the "market discount" provisions of sections 1276 through 1278 of the Internal Revenue Code of 1986, as amended from time to time, some or all of the gain realized by a Holder of a Claim who exchanges the Claim for Cash and/or Collateral on the Effective Date may be treated as ordinary income (instead of capital gain) to the extent of the amount of "market discount" on the Claim. In general, a debt instrument is considered to have been acquired with "market discount" if its holder's adjusted tax basis in the debt instrument is less than (i) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest," or, (ii) in the case of a debt instrument issued with original issue discount, its adjusted issue price. However, a debt obligation is not a "market discount bond" if the excess is less than a statutory de minimis amount (equal to 0.25% of the debt obligation's stated redemption price at maturity or revised issue price, in the case of a debt obligation issued with original issue discount, multiplied by the number of complete years remaining until maturity at the time of the acquisition).

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

F. Information Reporting and Backup Withholding

In general, information reporting requirements may apply to distributions or payments under the Plan. Additionally, under the backup withholding rules, a Holder of a Claim may be subject to backup withholding (currently at a rate of 28%) with respect to distributions or payments made pursuant to the Plan unless that Holder: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded to the extent it results in an overpayment of tax; *provided, however*, that the required information is provided to the Internal Revenue Service.

The Debtors will withhold all amounts required by law to be withheld from payments of interest. The Debtors will comply with all applicable reporting requirements of the Internal Revenue Service.

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS OR EQUITY INTERESTS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX

CONSEQUENCES TO THEM OF THE TRANSACTION CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XII. GLOSSARY OF DEFINED TERMS

For purposes herein: (a) in the appropriate context, each term, whether stated in the singular or the plural, will include both the singular and the plural, and pronouns stated in the masculine, feminine or neutral gender will include the masculine, feminine and the neutral gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document will be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed will mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise stated, the words “herein,” “hereof” and “hereto” refer to the Disclosure Statement in its entirety rather than to a particular portion of the Disclosure Statement; (e) captions and headings to Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (f) the rules of construction set forth in section 102 of the Bankruptcy Code will apply; and (g) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules will have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

A. Defined Terms

1. “503(b)(9) Claims” means any Claim asserted pursuant to section 503(b)(9) of the Bankruptcy Code.
2. “503(b)(9) Bar Date” means 4:00 p.m. prevailing Eastern time on April 20, 2009 as established in the 503(b)(9) Bar Date Order.
3. “503(b)(9) Bar Date Order” means the *Order Establishing Bar Date for Filing Requests for Payment of Administrative Expenses Claims under Sections 105 and 503(b)(9) of the Bankruptcy Code and Approving Form, Manner and Sufficiency of Notice of the Bar Date Pursuant to Bankruptcy Rule 9007*, entered by the Bankruptcy Court on February 17, 2009 [Docket No. 521].
4. “510(b) Claims” means any Claim of the type described in and subject to subordination pursuant to section 510(b) of the Bankruptcy Code relating to any Flying J Equity Interest, which shall include, without limitation, any Claim arising from the rescission of a purchase or sale of any Flying J Equity Interest, any claim for damages arising from the purchase or sale of any Flying J Equity Interest, or any claim for reimbursement, contribution or indemnification for such Claim.
5. “Accrued Professional Compensation” means, at any given moment, all accrued and/or unpaid fees and expenses (including, without limitation: (a) success fees allowed or awarded by a Final Order of the Bankruptcy Court or any other court of competent jurisdiction; and (b) fees or expenses allowed or awarded by a Final Order of the Bankruptcy Court or any other court of competent jurisdiction) for legal, financial advisory, accounting and other services and reimbursement of expenses that are awardable and allowable under sections 328, 330(a) or 331 of the Bankruptcy Code or otherwise rendered prior to the Effective Date, or thereafter in connection with (x) applications Filed pursuant to section 330 and 331 of the Bankruptcy Code and (y) motions seeking the enforcement of the provisions of the Plan or Confirmation Order, by all Professionals in the Chapter 11 Cases that the Bankruptcy Court has not denied by a Final Order, to the extent that any such fees and expenses have not previously been paid regardless of whether a fee application has been filed for any such amount. To the extent that the Bankruptcy Court or any higher court denies by a Final Order any amount of a Professional’s fees or expenses, then those amounts shall no longer be Accrued Professional Compensation.

6. “*Acquisition Agreement*” means that certain Contribution Agreement, dated as of December 18, 2009, by and among Flying J, Pacific Sunstone, Inc. and Pilot.
7. “*Administrative Claims*” means Claims that have been timely filed before the Bar Date, pursuant to the deadline and procedure set forth in the Bar Date Order (except as otherwise provided by a separate order of the Bankruptcy Court), for costs and expenses of administration under sections 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation: (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating the businesses of the Debtors (such as wages, salaries or commissions for services and payments for goods and other services and leased premises); (b) Accrued Professional Compensation; and (c) all fees and charges assessed against the Estate under chapter 123 of title 28 United States Code, 28 U.S.C. §§ 1911-1930; *provided, however*, that Administrative Claims that arise under section 503(b)(9) of the Bankruptcy Code shall only be deemed timely filed to the extent such Claims were filed in accordance with the terms of the 503(b)(9) Bar Date Order or the Supplemental 503(b)(9) Bar Date Order.
8. “*Affiliate*” has the meaning set forth at section 101(2) of the Bankruptcy Code.
9. “*Aegis*” means Aegis Energy Advisors Corp.
10. “*Allowed*” means, except as otherwise provided herein, with respect to any Claim or Equity Interest: (a) a Claim or Equity Interest that has been scheduled by the Debtors in their schedules of liabilities as other than disputed, contingent or unliquidated and as to which the Debtors or other parties-in-interest have not Filed an objection by the Bar Date; (b) a Claim or Equity Interest that either is not Disputed or has been allowed by a Final Order; (c) a Claim or Equity Interest that is allowed (i) in any stipulation of amount and nature of Claim executed prior to the entry of the Confirmation Order and approved by the Bankruptcy Court, (ii) in any stipulation with the Debtors of amount and nature of Claim or Equity Interest executed on or after the entry of the Confirmation Order, or (iii) in or pursuant to any contract, instrument, indenture or other agreement entered into or assumed in connection herewith; (d) a Claim or Equity Interest that is allowed pursuant to the terms hereof; or (e) a Disputed Claim as to which a Proof of Claim has been timely Filed and as to which no objection has been Filed; *provided* that any Claim or Equity Interest based on or arising out of a liability of a Debtor that was assumed by Pilot pursuant to the Acquisition Agreement or by the BWOC Successful Bidder under the order authorizing the Proposed BWOC Sale shall not be Allowed and shall be disallowed and expunged and stricken from the claims register without further action required by the Bankruptcy Court, the Debtors or the Voting and Claims Agent.
11. “*Alon*” means Alon USA Energy, Inc.
12. “*Amended Organizational Documents*” means the certificate of incorporation or other forms of organizational documents and bylaws for the Reorganized Debtors, the terms of which shall be acceptable to the Creditors’ Committee and the Debtors, and substantially in the terms set forth in the Plan Supplement.
13. “*Avoidance Actions*” means any and all avoidance, recovery, subordination or other actions or remedies that may be brought on behalf of the Debtors or their estates under the Bankruptcy Code or applicable non-bankruptcy law, including, without limitation, actions or remedies under sections 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 and 553 of the Bankruptcy Code.
14. “*Bakersfield Refinery*” means a refinery owned by Shell Oil Company located in Bakersfield, California.

15. “*Ballot*” means the customized ballot provided by the Debtors which must be used by the related Holder to accept or reject the Plan. The form of each Ballot (with respect to Classes 1B, 1C, 1D, 1E, 2C, 2D, 3C, 3D, 3E, 5B and 5C) is attached as Exhibit E to the Disclosure Statement Order.
16. “*Bankruptcy Code*” means title I of the Bankruptcy Reform Act of 1978, as amended from time to time, as set forth in sections 101 *et seq.* of title 11 of the United States Code, and applicable portions of titles 18 and 28 of the United States Code.
17. “*Bankruptcy Court*” means the United States District Court for the District of Delaware, having jurisdiction over the Chapter 11 Cases and, to the extent of any reference made pursuant to Article 157 of title 28 of the United States Code and/or the General Order of the District Court pursuant to Article 151 of title 28 of the United States Code, the United States Bankruptcy Court for the District of Delaware.
18. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure, promulgated under 28 U.S.C. § 2075, the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, the Local Rules of Civil Practice and Procedure of the United States District Court for the District of Delaware, and general orders and chambers procedures of the Bankruptcy Court, each as applicable to the Chapter 11 Cases and as amended from time to time.
19. “*Bar Date*” means 4:00 p.m. prevailing Eastern time on June 2, 2009 as established in the Bar Date Order.
20. “*Bar Date Order*” means the *Order Establishing Bar Dates for Filing Proofs of Claim and Approving the Form and Manner of Notice Thereof*, dated April 15, 2009 [Docket No. 1005].
21. “*Beneficiaries*” means Holders of Allowed Claims entitled to receive Distributions from the Debtors or the Reorganized Debtors under the Plan, whether or not such Claims were Allowed Claims on the Effective Date.
22. “*Big West Group*” means collectively BWO, BWOC and BWT.
23. “*Big West Revolver*” means that certain Credit Agreement, by and among BWO and BWOC as borrowers, BWT as guarantor, the Revolver Agent, and the Revolver Lenders, dated as of March 15, 2005, as amended.
24. “*Big West Term Loan*” means that certain Term Loan Credit Agreement between BWO as borrower, BWOC and BWT as guarantors, the Term Loan Agent, and the Term Loan Lenders, dated as of March 15, 2007.
25. “*Blackstone*” means Blackstone Advisory Services L.P.
26. “*BofA*” means Bank of America, N.A.
27. “*Bosselman*” means Bosselman, Inc.
28. “*bpd*” means barrels per day.
29. “*Buckner*” means the Buckner Company.
30. “*Bureau of Competition*” means the office of the FTC that investigates and enforces antitrust laws.

31. “*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” (as that term is defined in Bankruptcy Rule 9006(a)).
32. “*BWO*” means Big West Oil, LLC.
33. “*BWO Collective Bargaining Agreement*” means BWO’s collective bargaining agreement with the United Steelworkers.
34. “*BWO Pension Plan*” means the Hourly Employees’ Retirement Plan of RMT Properties, Inc.
35. “*BWOC*” means Big West of California, LLC.
36. “*BWOC APA*” means that certain Purchase Agreement, dated as of February 2, 2010, by and among the BWOC Potential Buyer, BWOC and Alon.
37. “*BWOC Bidding Procedures*” means the bidding procedures for the Proposed BWOC Sale.
38. “*BWOC Non-Acquired Assets*” means any property of BWOC that is not acquired pursuant to the transactions contemplated by the BWOC APA.
39. “*BWOC Pension Plan*” means the Big West of California Contracted Employees Pension Plan.
40. “*BWOC Potential Buyer*” means Paramount Petroleum Corporation.
41. “*BWOC Sale Proceeds*” means the Cash consideration received by BWOC pursuant to the BWOC APA, including all Cash in escrow accounts established pursuant to the terms of the BWOC APA.
42. “*BWOC Successful Bidder*” means the bidder identified in the auction held in accordance with the BWOC Bidding Procedures, which may be the BWOC Potential Buyer.
43. “*BWT*” means Big West Transportation, LLC.
44. “*Cardlock*” means the Flying J Group’s network of fueling stations that can be accessed by any card accepted at such stations.
45. “*Cash*” means legal tender of the United States of America or the equivalent thereof.
46. “*Cash Investment Yield*” means the net yield earned by the Reorganized Debtors from the investment of Cash held pending distribution pursuant to the Plan, which investment will be in a manner consistent with the applicable trust’s investment and deposit guidelines.
47. “*Causes of Action*” means all claims, actions, causes of action, choses in action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, remedies, rights of set-off, third-party claims, subrogation claims, contribution claims, reimbursement claims, indemnity claims, counterclaims and crossclaims (including, without limitation, all claims and any avoidance, recovery, subordination or other actions against insiders and/or any other entities under the Bankruptcy Code, including Avoidance Actions) of any of the Debtors, the Debtors-in-Possession, or the Estate (including, without limitation, those actions set forth in the Plan Supplement) that are or may be pending on the Effective Date or instituted by the Reorganized Debtors after the Effective Date against any entity, based in law or equity, including,

without limitation, under the Bankruptcy Code, whether direct, indirect, derivative or otherwise and whether asserted or unasserted as of the Confirmation Date.

48. “*CEQA*” means the California Environmental Quality Act.
49. “*CFJ*” means CFJ Properties.
50. “*CFJ Entities*” means CFJ, CFJ Plaza Company I LLC, CFJ Plaza Company II LLC, CFJ Plaza Company III LLC, CFJ I Management Inc., CFJ II Management Inc. and CFJ III Management Inc.
51. “*Chapter 11 Cases*” means the chapter 11 cases commenced when the Debtors each filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code on the Petition Date, which are jointly administered under case number 08-13380 (MFW), with the following case numbers: 08-13388 (MFW), 08-13380 (MFW), 08-13387 (MFW), 08-13384 (MFW), 08-13383 (MFW), 08-13381 (MFW) and 08-13385 (MFW).
52. “*Citation*” means Citation 2004 Investment Limited Partnership.
53. “*Claim*” means a “claim” (as that term is defined in section 101(5) of the Bankruptcy Code) against any of the Debtors.
54. “*Clarity Systems*” means Clarity Systems, LLC.
55. “*Class*” means a category of Holders of Claims or Equity Interests as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code.
56. “*Clean Fuels Project*” means a comprehensive upgrade of the Bakersfield Refinery to improve its processing capabilities and to increase production of higher-value refined products.
57. “*Closing Date*” means [_____], 2010.
58. “*Commissioners*” means the persons appointed by the President and approved by the Senate who head the FTC.
59. “*Confirmation*” means the Bankruptcy Court’s confirmation of the Plan pursuant to the Confirmation Order.
60. “*Confirmation Date*” means the date on which the Confirmation Order is entered by the Bankruptcy Court.
61. “*Confirmation Hearing*” means the hearing of the Bankruptcy Court on [_____], 2010 to consider Confirmation of the Plan.
62. “*Confirmation Hearing Notice*” means the written notice provided to Holders of Claims and Equity Interests which includes, among other things: (a) the Voting Record Date; (b) procedures for the temporary allowance of Claims; (c) the Plan Objection Deadline; (d) the Voting Deadline; and (e) the date and time of the Confirmation Hearing.
63. “*Confirmation Order*” means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.
64. “*Conoco*” means ConocoPhillips Company.

65. “*Conoco Agreement*” means the Agreement, dated as of December 18, 2009, by and among Conoco, Douglas Oil Company of California, Kayo Oil Company and Flying J.
66. “*Convenience Claims*” means (a) any General Unsecured Claim against Flying J, BWO, BWOC or Longhorn that otherwise would be either a Class 1B Claim against Flying J, a Class 2C Claim against BWO, a Class 3C Claim against BWOC or a Class 5B Claim against Longhorn, but, with respect to each such Claim, the aggregate amount of such Claim is equal to or less than \$[_____] or (b) any Class 1B Claim, Class 2C Claim, Class 3C Claim or Class 5B Claim in excess of \$[_____] , which the Holder thereof, pursuant to such Holder’s Ballot or such other election accepted by the Debtors, elects to have reduced to the amount of \$[_____] or less and to be treated as a Convenience Claim.
67. “*Corporate Incentive Plan*” means the annual incentive program offered to all corporate employees of the Debtors.
68. “*Creditors’ Committee*” means the official committee of unsecured creditors for the Chapter 11 Cases appointed by the United States Trustee for the District of Delaware, pursuant to section 1102 of the Bankruptcy Code, on January 5, 2009 [Docket No. 85].
69. “*C-Store*” means Flying J Group convenience stores.
70. “*Comdata*” means Comdata Network, Inc.
71. “*County*” means the County of Kern, California.
72. “*CTP*” means CTP Holdings LLC.
73. “*DCF*” means discounted cash flow analysis.
74. “*Debtors*” means, collectively, Flying J, BWOC, BWO, BWT and Longhorn.
75. “*Deutsche Bank*” means Deutsche Bank Securities Inc.
76. “*DIP*” means debtor-in-possession.
77. “*DIP Facilities*” means collectively the Pilot DIP Facility, the Oaktree DIP Facility and the Merrill DIP Facility.
78. “*DIP/LOI Motion*” means the *Motion of the Debtors for Entry of a Final Order (A) Authorizing Flying J Inc. to Obtain Postpetition Financing, (B) Granting Liens and Superpriority Claims, and (C) Authorizing Flying J Inc. to Execute a Letter of Intent Relating to the Target Assets* [Docket No. 1493].
79. “*Disbursing Agent*” means the Reorganized Debtors, or the Entity or Entities chosen by the Reorganized Debtors to make or facilitate distributions pursuant to the Plan.
80. “*Disclosure Statement*” means the *Disclosure Statement for the Joint Plan of Reorganization of Big West of California LLC, Big West Oil, LLC, Big West Transportation LLC, Flying J, Inc. and Longhorn Partners Pipeline L.P. Under Chapter 11 of the Bankruptcy Code*, [Docket No. ___] dated [_____] , prepared and distributed in accordance with the Bankruptcy Code, Bankruptcy Rules and any other applicable law, and approved by the Bankruptcy Court in the Disclosure Statement Order, as it is amended, supplemented or modified from time to time.

81. “*Disclosure Statement Hearing*” means the hearing of the Bankruptcy Court on the Disclosure Statement to consider the entry of orders approving, among other things, (a) the Disclosure Statement as containing “adequate information” pursuant to section 1125 of the Bankruptcy Code, (b) solicitation and notice procedures, (c) voting and tabulation procedures, and (d) the confirmation notices and objection procedures.
82. “*Disclosure Statement Order*” means the *Order (I) Approving (a) the Disclosure Statement, (b) the Solicitation and Notice Procedures, (c) the Voting and Tabulation Procedures, and (d) the Confirmation Notice and Objection Procedures, and (II) Scheduling a Confirmation Hearing* [Docket No. ____], entered by the Bankruptcy Court on [_____], 2010.
83. “*Disputed*” means, with respect to any Claim or Equity Interest, any Claim or Equity Interest: (a) listed on the Schedules as unliquidated, disputed or contingent, unless a Proof of Claim has been timely filed; (b) as to which a Debtor or the Reorganized Debtor has interposed a timely objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules; or (c) as otherwise disputed by a Debtor or Reorganized Debtor in accordance with applicable law, which objection, request for estimation or dispute has not been withdrawn or determined by a Final Order.
84. “*Disputed Reserve*” means the reserve fund created pursuant to Article VI.B.1 of the Plan.
85. “*Effective Date*” means the date selected by the Debtors that is a Business Day after the entry of the Confirmation Order on which: (a) no stay of the Confirmation Order is in effect; and (b) all conditions specified in Article IX.A of the Plan have been satisfied or waived.
86. “*EIR*” means an Environmental Impact Report.
87. “*El Paso*” means El Paso E&P Company, L.P.
88. “*Entity*” means an “entity” (as that term is defined in section 101(15) of the Bankruptcy Code).
89. “*Epiq*” means Epiq Bankruptcy Solutions, LLC.
90. “*Equity Interest*” means any equity interest in a Debtor that existed immediately prior to the Petition Date, including, without limitation: (a) any common equity interest in a Debtor that existed immediately prior to the Petition Date, including, without limitation, all issued, unissued, authorized or outstanding shares of common stock, together with any warrants, options or legal, contractual or equitable rights to purchase or acquire such interests at any time; (b) any preferred equity interest in a Debtor that existed immediately prior to the Petition Date, including, without limitation, all issued, unissued, authorized or outstanding shares of preferred stock, together with any warrants, options or legal, contractual or equitable rights to purchase or acquire such interests; and (c) any partnership, limited liability company, or similar interest in a Debtor that existed immediately prior to the petition date, including, without limitation, all issued, unissued, authorized or outstanding partnership or membership interests, as applicable, together with any warrants, options or legal, contractual or equitable rights to purchase or acquire such interests.
91. “*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended.
92. “*ESOP Equity Interests*” means the Equity Interests in Flying J held by the Employee Stock Ownership Plan of Flying J.

93. “*Estate*” means the estate of a Debtor created on the Petition Date by section 541 of the Bankruptcy Code.
94. “*Exculpated Parties*” means, collectively, the Debtors, the officers and directors of the Debtors as of the Closing Date, Pilot, the Creditors’ Committee and the individual members thereof, and each of their respective Representatives (each of the foregoing in its individual capacity as such).
95. “*Executory Contract*” means a contract to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.
96. “*Exit Facilities*” means the refinancing and issuance of (i) a \$360 million term loan by Banc of America Securities LLC to BWO pursuant to the Senior Secured First Lien Term Loan Credit Agreement and (ii) a \$75 million asset-based revolving credit facility.
97. “*FERC*” means the Federal Energy Regulatory Commission.
98. “*File*” or “*Filed*” means, with respect to any pleading, entered on the docket of the Chapter 11 Cases and properly served in accordance with the Bankruptcy Rules.
99. “*Final DIP Order*” means the *Final Order Under 11 U.S.C. §§ 105, 362, 363 and 364 and Fed. R. Bankr. P. 2002, 4001 and 9014 Authorizing Flying J Inc. to (A) Obtain Postpetition Financing, (B) Grant Liens and Superpriority Claims, and (C) Execute a Letter of Intent Relating to the Target Assets* [Docket No. 1631].
100. “*Final Order*” means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction with respect to the subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to appeal, petition for certiorari or move for reargument or rehearing has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or has otherwise been dismissed with prejudice.
101. “*First Day Pleadings*” means those certain pleadings Filed by the Debtors contemporaneously with their voluntary petitions on the Petition Date.
102. “*FJOG*” means Flying J Oil & Gas Inc.
103. “*FJOG Asset Purchase Agreement*” means that certain Asset Purchase Agreement, dated as of November 18, 2009, pursuant to which the FJOG Sellers will sell substantially all of their assets to Citation in the FJOG Sale.
104. “*FJOG Sale*” means the sale of the FJOG Sellers’ oil and gas exploration and production business.
105. “*FJOG Sellers*” means collectively FJOG, Big West Oil & Gas Inc. and Flat Rock Gas LLC.
106. “*Flint Hills*” means Flint Hills Resources LP.
107. “*Flying J*” means Flying J Inc.
108. “*Flying J Canada*” means Flying J Canada Inc.
109. “*Flying J Insurance Services*” means Flying J Insurance Services Inc.

110. “*Flying J Insurance Services Sale*” means the sale of substantially all of Flying J Insurance Services’ operating assets and other assets.
111. “*Flying J Notes*” means the [__]% Secured Notes due 20[__] under an indenture among itself, [_____] and [_____] as indenture trustee.
112. “*Force Majeure Event*” means a significant global disruption in the financial markets caused by outbreak of war (declared or undeclared), terrorism, acts of God, storms, floods, riots, fires, sabotage, civil commotion or civil unrest, interference by civil or military authorities, and failure of energy sources or other incidents, but not adverse changes in the financial, banking or capital markets generally.
113. “*FSIGA*” means the Florida Self-Insurers Guaranty Association, Inc.
114. “*FTC*” means the Federal Trade Commission.
115. “*GAIC*” means Great American Insurance Company.
116. “*General Unsecured Claims*” means Claims against any Debtor that are not Administrative Claims, Pilot DIP Facility Claims, Priority Tax Claims, Other Priority Claims, Other Secured Claims, Intercompany Claims or Equity Interests.
117. “*Haycock*” means Haycock Petroleum Company.
118. “*Haycock Sale*” means the sale of substantially all of Haycock’s assets to Thomas Petroleum pursuant to the Asset Purchase Agreement, dated as of September 4, 2009, by and between Haycock and Thomas Petroleum.
119. “*Holder*” means a Entity holding a Claim or an Equity Interest.
120. “*HSR Act*” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and the rules promulgated thereunder by the FTC.
121. “*Impaired*” means, with respect to a Claim, Equity Interest, or Class of Claims or Equity Interests, “impaired” within the meaning of sections 1123(a)(4) and 1124 of the Bankruptcy Code.
122. “*Initial Distribution Date*” means the date on which the Reorganized Debtors shall make the initial Distribution, which shall be a date selected by the Reorganized Debtors.
123. “*Intercompany Claims*” means Claims held by a Debtor or Affiliate of the Debtors against another Debtor or Affiliate of the Debtors.
124. “*Interim Compensation Order*” means that certain order of the Bankruptcy Court allowing Estate Professionals to seek interim compensation in accordance with the compensation procedures approved therein, as may have been modified by a Bankruptcy Court order approving the retention of the Professionals.
125. “*J. Aron*” means J. Aron & Company.
126. “*Kinder Morgan*” means KM Liquid Terminals L.P.

127. “*Letter of Intent*” means the Letter of Intent, dated as of July 13, 2009 by and among Pilot, Flying J and Flying J Transportation LLC.
128. “*Lien*” means a lien as defined in section 101(37) of the Bankruptcy Code.
129. “*Liquidating Trust*” means the Entity described in Article IV.B of the Plan that will succeed to all of the assets and liabilities of the BWOC Estate, subject to the terms of the Plan, as of the Effective Date.
130. “*Liquidating Trust Agreement*” means that certain agreement establishing and delineating the terms and conditions of the Liquidating Trust, substantially in the form to be filed as part of the Plan Supplement.
131. “*Liquidating Trust Assets*” means all BWOC assets held from time to time by the Liquidating Trust, including, but not limited to, the BWOC Non-Acquired Assets, which assets shall consist of all assets of all of BWOC’s chapter 11 Estate (including without limitation, any and all rights to any recoveries from any party arising from any Causes of Action, insurance proceeds or otherwise) after consummation of the transactions contemplated by the BWOC APA.
132. “*Liquidating Trust Expenses*” means the reasonable fees and expenses of the Liquidating Trustee, including, without limitation, reasonable professional fees.
133. “*Liquidating Trustee*” means reorganized Flying J, in its capacity as administrator of the Liquidating Trust.
134. “*LMP*” means the Longhorn Mitigation Plan.
135. “*Longhorn*” means Longhorn Partners Pipeline, L.P.
136. “*Longhorn Acquired Assets*” has the meaning set forth in the Pipeline APA.
137. “*Longhorn Entities*” means collectively, LPH, LPI and Longhorn.
138. “*Longhorn Note*” means that certain non-recourse promissory note by and between LPH as borrower, and Longhorn Pipeline Investors LLC, as lender, and the holders thereof, dated as of August 17, 2006.
139. “*Longhorn Note Claim*” means the Claim of the Holder of the Longhorn Note arising under the Longhorn Note.
140. “*Longhorn Noteholder*” means the holder of the Longhorn Note.
141. “*Longhorn Terminal*” means a refined products terminal with tanks at El Paso, a truck loading rack, and outbound connecting pumps, pipelines, and appurtenant facilities.
142. “*LPH*” means Longhorn Pipeline Holdings, LLC.
143. “*LPI*” means Longhorn Pipeline, Inc.
144. “*Magellan*” means Magellan Midstream Partners, L.P.

145. “*Main Line Fill*” means the barrels of petroleum products owned by LPI as of the closing date of the Main Line Fill APA in the Pipeline System (other than the Spur Line Fill) and in Longhorn’s storage tanks, tank bottoms and station piping at each of the Crane Station and the El Paso Terminal.
146. “*Main Line Fill APA*” means that certain Asset Purchase Agreement by and between LPI, as seller, and Magellan, dated June 18, 2009, pursuant to which LPI sold and transferred to Magellan all its rights, title and interest in the barrels of petroleum products owned by LPI in the Pipeline System (other than those barrels in the spur line from Crane Station to Odessa, Texas) and in storage tanks, tank bottoms and station piping at each of the Crane Station and the El Paso terminal.
147. “*Management and Employee Incentive Plan*” means the compensation program to be established by the Debtors for members of their senior and middle management and certain employees of the Debtors in the remaining business units and operations of the Debtors, substantially in the form attached to the Plan Supplement.
148. “*Marathon*” means Marathon Petroleum Company LLC.
149. “*ML Interim DIP Order*” means the interim order of the Bankruptcy Court authorizing the Debtors to obtain up to \$10 million of secured postpetition loans on an interim basis from Merrill Lynch, and granting a superpriority administrative claim in favor of Merrill Lynch pursuant to section 364(c)(1) of the Bankruptcy Code [Docket No. 623].
150. “*MSA*” means that certain Master Services Agreement, dated as of November 9, 2007, by and between Tanner and Longhorn.
151. “*Non-Acquired Assets*” means any property of a Debtor that is not acquired by Pilot in the Pilot Transaction and not included in the Pipeline Sale, the Proposed BWOC Sale, the Flying J Insurance Services Sale, the FJOG Sale or the sale of certain assets of Clarity Systems.
152. “*Notice of Non-Voting Status*” means the written notice delivered to Holders of Claims deemed to accept the Plan and unclassified Claims, in the form attached as Exhibit G to the Disclosure Statement Order.
153. “*NSL Refinery*” means a complex high conversion refinery operated and located in North Salt Lake City, Utah.
154. “*Oaktree DIP Facility*” means the debtor in possession financing facility provided to the Debtors by Oaktree Capital.
155. “*OPS*” means the Office of Pipeline Safety, a branch of the United States Department of Transportation.
156. “*Other Priority Claims*” means Claims accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than Priority Tax Claims.
157. “*Other Secured Claims*” means Claims against any Debtor (other than the Pilot DIP Facility Claims) that are secured by a lien on property in which the Estate has an interest, which liens are valid, perfected and enforceable under applicable law or by reason of a Final Order, or that are subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim

Holder's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code.

158. "*PEC*" means Pedernales Electrical Cooperative, the public utility cooperative.
159. "*Petition Date*" means December 22, 2008, the date on which the Debtors Filed the Chapter 11 Cases.
160. "*PHMSA*" means the Pipeline Hazardous Materials Safety Administration.
161. "*Pilot*" means Pilot Travel Centers LLC.
162. "*Pilot DIP Credit Agreement*" means, as amended, supplemented or modified from time to time, that certain Senior Secured Super-Priority Debtor-In-Possession Revolving Credit Agreement among Flying J, as borrower, and the Pilot Lender, dated July 31, 2009.
163. "*Pilot DIP Facility*" means the Debtors' postpetition financing, provided pursuant to the Pilot DIP Credit Agreement, which the Bankruptcy Court approved pursuant to the Final DIP Order.
164. "*Pilot DIP Facility Claims*" means any Claims of Pilot arising out of the Pilot DIP Facility or the Pilot DIP Credit Agreement.
165. "*Pilot Sale Order*" means the order of the Bankruptcy Court, dated as of January 27, 2010, approving the Pilot Transaction, the Acquisition Agreement and the Conoco Agreement [Docket No. 2637].
166. "*Pilot Transaction*" means the sale of substantially all of the Debtors' retail operations to Pilot.
167. "*Pipeline*" means a 700-mile common carrier pipeline with installed capacity of over 70,000 barrels per day from the Gulf Coast near Houston to El Paso, Texas.
168. "*Pipeline APA*" means that certain Asset Purchase Agreement by and among Magellan and Longhorn, dated as of June 18, 2009.
169. "*Pipeline Bid Deadline*" means July 17, 2009.
170. "*Pipeline Bidding Procedures*" means the bidding procedures for the Pipeline Sale.
171. "*Pipeline Bidding Procedures Order*" means the order of the Bankruptcy Court approving the Pipeline Bidding Procedures and scheduling an auction, or, the alternative, a sale of the Pipeline to Magellan [Docket No. 1460].
172. "*Pipeline Sale*" means the sale of the Pipeline to Magellan pursuant to the Pipeline APA.
173. "*Pipeline Sale Closing Date*" means July 29, 2009, or the date on which the Pipeline Sale was finalized pursuant to the Pipeline APA.
174. "*Pipeline System*" means the refined products pipeline that runs from Galena Park, Texas to El Paso, Texas and from Crane, Texas to Odessa, Texas, as well as pipeline segments outbound from the El Paso terminal which connect to other pipeline systems or otherwise service such outbound pipelines, which refined products pipeline system is generally depicted and further described in the Pipeline APA and schedules attached thereto.

175. “*Plan Supplement*” means the compilation of documents and forms of documents, schedules and exhibits to the Plan.
176. “*Plan*” means this plan of reorganization under chapter 11 of the Bankruptcy Code, either in its present form or as it may be altered, amended, modified or supplemented from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules or herewith, as the case may be, and the Plan Supplement, which is incorporated herein by reference.
177. “*Plan Objection Deadline*” means [_____], 2010.
178. “*PMI*” means PMI Services.
179. “*PMI Pipeline*” means an existing terminal in Ciudad Juárez, Chihuahua, Mexico.
180. “*Prepetition Credit Facility Claims*” means, collectively, the Claims arising out of the Big West Revolver and the Big West Term Loan.
181. “*Priority Tax Claims*” means Claims of governmental units of the kind specified in section 507(a)(8) of the Bankruptcy Code.
182. “*Projections*” means the financial projections of the Debtors set forth on Exhibit I attached hereto.
183. “*Proposed BWO C Sale*” means the sale of substantially all of BWO C’s operating assets, related inventory and other assets, including the Bakersfield Refinery.
184. “*Pro Rata*” means the ratio of the amount of an Allowed Claim in a particular Class to the aggregate amount of all Allowed Claims in such Class.
185. “*Professional*” means any person or Entity employed pursuant to a Final Order in accordance with sections 327, 328 or 1103 of the Bankruptcy Code, and to be compensated for services rendered prior to and including the Effective Date pursuant to sections 327, 328, 329, 330 or 331 of the Bankruptcy Code.
186. “*Professional Fee Escrow Account*” means an interest-bearing account in an amount equal to the Professional Fee Reserve Amount funded and maintained by the Reorganized Debtors on and after the Effective Date solely for the purpose of paying all Allowed and unpaid fees and expenses of Professionals in the Chapter 11 Cases.
187. “*Professional Fee Reserve Amount*” means Accrued Professional Compensation through the Effective Date as estimated by the Professionals in accordance with Article VII.H.4.
188. “*Proof of Claim*” means a Proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.
189. “*Quarterly Distribution Date*” means the first Business Day after the end of each quarterly calendar period (*i.e.*, March 31, June 30, September 30 and December 31 of each calendar year).
190. “*Ratable Proportion*” means, with reference to any distribution on account of any Allowed Claim in any Class, the ratio (expressed as a percentage) that the amount of the Allowed Claim bears to the aggregate amount of all Allowed and Disputed Claims in that Class.

191. “*Record Date*” means the record date for determining the entitlement of Holders of Claims to receive distributions under the Plan on account of Allowed Claims. The Record Date shall be the date on which the Disclosure Statement Order is entered.
192. “*Refinancing*” means the refinancing and issuance of a \$360 million senior secured credit facility and a \$75 million asset-based revolver for BWO arranged by Banc of America Securities LLC upon terms and conditions acceptable to the Debtors, as described in Article IV.C.
193. “*Refinery Sale*” means the sale by BWOC of certain of its assets, including the Bakersfield Refinery.
194. “*Releasees*” means, collectively, means (a) all officers, directors and employees and their respective subsidiaries employed by the Debtors at any time since the Petition Date, (b) all attorneys, financial advisors, accountants, investment bankers, investment advisors, actuaries, professionals, agents, affiliates and representatives of the Debtors and their subsidiaries and the Reorganized Debtors and (c) Pilot, the Creditors’ Committee and the individual members thereof and each of their respective Representatives (each of the foregoing in its individual capacity as such).
195. “*Releasing Parties*” means, collectively: Holders of Claims or Equity Interests who do not vote to reject the Plan (including those deemed to accept the Plan pursuant to Bankruptcy Code section 1126(f)); Pilot; the Creditors’ Committee; each current member of the Creditors’ Committee; and Holders of Claims or Equity Interests who receive any Distribution under the Plan.
196. “*Remaining Sales Transactions*” means the sale, in the Debtors’ sole discretion, of the Non-Acquired Assets through one or more sales conducted both prior and subsequent to Confirmation of the Plan, but not including the sale of any assets by virtue of the transactions contemplated by the Acquisition Agreement, the Pipeline APA or the BWOC APA.
197. “*Reorganized Debtors*” means the Debtors, in each case, or any successor thereto, by merger, consolidation or otherwise, on or after the Effective Date.
198. “*Representatives*” means, with regard to an Entity, officers, directors, employees, advisors, attorneys, professionals, accountants, investment bankers, financial advisors, consultants, agents and other representatives (including their respective officers, directors, employees, members and professionals).
199. “*Resolution Event*” means, with respect to a Disputed Claim, the occurrence of one of the following: (a) the entry by the Bankruptcy Court of an order allowing such Disputed Claim pursuant to section 502(b) of the Bankruptcy Code, after notice and a hearing; (b) the entry by the Bankruptcy Court of an order temporarily allowing such Disputed Claim for voting purposes only pursuant to Bankruptcy Rule 3018(a), after notice and a hearing; (c) the execution of a stipulation or other agreement between the Holder of such Disputed Claim and the Debtors resolving the objection and allowing such Disputed Claim in an agreed upon amount; or (d) the voluntary withdrawal by the Debtors of the pending objection to such Disputed Claim.
200. “*Revolver Agent*” means BofA as administrative agent under the Big West Revolver.
201. “*Revolver Lenders*” means the lenders party to the Big West Revolver.

202. “*Sale Proceeds*” means the Cash and equity consideration received by Flying J pursuant to the Acquisition Agreement, including all Cash in escrow accounts established pursuant to the terms of the Acquisition Agreement.
203. “*Sale Advisors*” means Blackstone and Aegis.
204. “*Schedules*” mean the schedules of assets and liabilities, schedules of executory contracts and statements of financial affairs filed by the Debtors pursuant to section 521 of the Bankruptcy Code.
205. “*Seller Note*” means the \$215 million seller note issued by LPH.
206. “*SFJ*” means SFJ Inc.
207. “*Shell*” means Shell Oil Products US.
208. “*Shell Canada*” means Shell Canada Products.
209. “*Solicitation Package*” includes the following documents: (i) the Plan; (ii) the Disclosure Statement; (iii) the Disclosure Statement Order; (iv) the Confirmation Hearing Notice; (v) appropriate Ballot and voting instructions; (vi) pre-addressed, postage pre-paid return envelope; and (vii) appropriate letter explaining the solicitation process and urging the Holders to vote to accept the Plan.
210. “*Solicitation Procedures*” means the Debtors’ solicitation and notice procedures and certain voting and tabulation procedures by which creditors entitled to vote on the Plan may vote to accept or to reject the Plan, as approved by the Bankruptcy Court in the Disclosure Statement Order.
211. “*Special Bonus Plan*” means the special bonus plan offered by Flying J to select corporate employees, management (including plaza management) and lead drivers.
212. “*Spur Line Fill*” means barrels of petroleum products owned by Flying J as of the closing of the Spur Line Fill APA in the segment of the Pipeline System running from Crane Station to Odessa, Texas.
213. “*Spur Line Fill APA*” means that certain Asset Purchase Agreement by and between Flying J and Magellan, dated June 18, 2009, pursuant to which Flying J transferred all its right, title claim and interest in the barrels of petroleum products owned by Flying J in the segment of the Pipeline System running from Crane Station to Odessa, Texas to Magellan.
214. “*Stipulation*” means that stipulation by and between the Debtors and Tanner regarding the dispute between such parties regarding Tanner’s replacement of approximately 41.5 miles of the Pipeline pursuant to the MSA.
215. “*Supplemental 503(b)(9) Bar Date*” means the date 30 days after a Supplemental Party (as defined in the Supplemental Bar Date Order) received the Section 503(b)(9) Supplemental Notice (as defined in the Supplemental Bar Date Order).
216. “*Supplemental Bar Date Order*” means the *Supplemental Order Establishing Bar Date for Filing Requests for Payment of Administrative Expense Claims and Approving Form, Manner, and Sufficiency of Notice of the Bar Date* [Docket No. 1427] dated June 24, 2009.

217. “*TAB*” means Transportation Alliance Bank, Inc.
218. “*Tanner*” means Tanner Companies, Inc.
219. “*TCH*” means TCH LLC.
220. “*TCH Agreement*” means the Amended and Restated Membership Interest Purchase Agreement, dated as of December 18, 2009, by and among Flying J, CTP and Pilot.
221. “*TCH Settlement Agreement*” means that Settlement Agreement and Release, dated as of July 30, 2009, by and among Flying J, TCH, TON Services, Inc., TAB, CFJ, AFJ LLC, TFJ, Louisiana Greenwood LLC, Pilot and Pilot Corporation.
222. “*Term Loan Agent*” means BofA as administrative and collateral agent under the Big West Term Loan; *provided*, that Wilmington Trust Company became the Term Loan Agent after the Petition Date.
223. “*Term Loan Lenders*” the lenders party to the Big West Term Loan.
224. “*TEV*” means total enterprise value.
225. “*Thomas Petroleum*” means Thomas Petroleum LLC.
226. “*Unexpired Lease*” means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.
227. “*Unimpaired*” means, with respect to a Claim, Equity Interest, or Class of Claims or Equity Interests, not “impaired” within the meaning of sections 1123(a)(4) and 1124 of the Bankruptcy Code.
228. “*U.S. Trustee*” means the United States Trustee appointed under Article 591 of title 28 of the United States Code to serve in the District of Delaware.
229. “*Valero*” means Valero Marketing and Supply Company.
230. “*Vaquero/Naftex Contracts*” means the Debtors’ executor contracts with Vaquero Energy Inc., Vaquero Partners I L.P. and Naftex Section 27 Partners, L.P.
231. “*Voting and Claims Agent*” means Epiq.
232. “*Voting Classes*” means Classes 1B, 1C, 1D, 1E, 2C, 2D, 3C, 3D, 3E, 5B and 5C.
233. “*Voting Record Date*” means [_____], 2010.
234. “*Wells*” means Wells Fargo Bank.
235. “*Zolfo Cooper*” means Zolfo Cooper Management LLC.

XIII. CONCLUSION AND RECOMMENDATION

The Debtors believe the Plan is in the best interests of all holders of Claims and Equity Interests and urge all holders of Claims and Equity Interests entitled to vote to accept the Plan and to evidence such acceptance by returning their Ballots so they will be received by the Debtors' Voting and Claims Agent no later than [__:__] p.m. [_____], 2010 prevailing Eastern time.

Dated February 10, 2010

Respectfully submitted,

FLYING J INC.

By: _____
Its: [TITLE] _____

BIG WEST OF CALIFORNIA, LLC

By: _____
Its: [TITLE] _____

BIG WEST OIL, LLC

By: _____
Its: [TITLE] _____

BIG WEST TRANSPORTATION, LLC.

By: _____
Its: [TITLE] _____

LONGHORN PARTNERS PIPELINE, L.P.

By: _____
Its: [TITLE] _____

Prepared by:

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