

Rakhee V. Patel  
State Bar No. 00797213  
Annmarie Chiarello  
State Bar No. 24097496  
**WINSTEAD PC**  
500 Winstead Building, 2728 N. Harwood Street  
Dallas, Texas 75201  
(214) 745-5400 – Telephone  
(214) 745-5390 – Facsimile  
Email: rpatel@winstead.com

**COUNSEL FOR ADVANTAGE AVIATION  
TECHNOLOGIES, INC. AND ADVANTAGE AVIATION  
TECHNOLOGIES II, LLC**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

**In re:** §  
**ADVANTAGE AVIATION** §  
**TECHNOLOGIES, INC.,** § **CASE NO. 16-30633-hdh11**  
§  
**Debtor.** § **Chapter 11**

---

**In re:** §  
**ADVANTAGE AVIATION** §  
**TECHNOLOGIES II, LLC,** § **CASE NO. 16-31973-bjh11**  
§  
§ **Chapter 11**  
**Debtor.** § **Jointly Administered Under**  
§ **Case No. 16-30633-hdh11**

**FIRST AMENDED DISCLOSURE STATEMENT FOR FIRST AMENDED JOINT  
CHAPTER 11 PLAN OF REORGANIZATION  
FOR ADVANTAGE AVIATION TECHNOLOGIES, INC.  
AND ADVANTAGE AVIATION TECHNOLOGIES II, LLC**

Dated: Dallas, Texas  
February 20, 2017

**WINSTEAD PC**  
500 Winstead Building, 2728 N. Harwood Street  
Dallas, Texas 75201  
Telephone: (214) 745-5400  
Facsimile: (214) 745-5390

*Counsel for the Debtors and Debtors-in-Possession*

**IMPORTANT NOTICE**

THIS DISCLOSURE STATEMENT AND ITS RELATED DOCUMENTS ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES TO ACCEPT THE JOINT CHAPTER 11 PLAN OF REORGANIZATION FOR ADVANTAGE AVIATION TECHNOLOGIES, INC. AND ADVANTAGE AVIATION TECHNOLOGIES II, LLC (THE "**PLAN**"). NO REPRESENTATIONS HAVE BEEN AUTHORIZED BY THE BANKRUPTCY COURT CONCERNING THE DEBTORS, THEIR BUSINESS OPERATIONS, OR THE VALUE OF THEIR ASSETS, EXCEPT AS EXPLICITLY SET FORTH IN THIS DISCLOSURE STATEMENT.

THE DEBTORS URGE YOU TO READ THIS DISCLOSURE STATEMENT CAREFULLY FOR A DISCUSSION OF VOTING INSTRUCTIONS, RECOVERY INFORMATION, AND CLASSIFICATION OF CLAIMS, THE HISTORY OF THE DEBTORS AND THE REORGANIZATION CASES, THE DEBTORS' BUSINESSES, PROPERTIES AND RESULTS OF OPERATIONS, HISTORICAL AND PROJECTED FINANCIAL RESULTS AND A SUMMARY AND ANALYSIS OF THE PLAN.

ALL CAPITALIZED TERMS IN THIS DISCLOSURE STATEMENT NOT OTHERWISE DEFINED HEREIN HAVE THE MEANINGS GIVEN TO THEM IN THE PLAN, A COPY OF WHICH IS ATTACHED TO THIS DISCLOSURE STATEMENT AS **EXHIBIT A**.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THE DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN. TO THE EXTENT APPLICABLE, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO BUY, NOR THERE ANY DISTRIBUTION OF ANY SECURITIES DESCRIBED HEREIN UNTIL THE EFFECTIVE DATE OF THE PLAN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(c) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE. THE PLAN AND THIS DISCLOSURE STATEMENT WERE NOT REQUIRED TO BE PREPARED IN ACCORDANCE WITH APPLICABLE NONBANKRUPTCY LAW. DISSEMINATION OF THIS DISCLOSURE STATEMENT IS CONTROLLED BY BANKRUPTCY RULE 3017.

THIS DISCLOSURE STATEMENT WAS PREPARED TO PROVIDE PARTIES IN INTEREST IN THESE CASES WITH "ADEQUATE INFORMATION" (AS DEFINED IN SECTION 1125 OF THE BANKRUPTCY CODE) SO THAT THOSE CREDITORS WHO ARE ENTITLED TO VOTE WITH RESPECT TO THE PLAN CAN MAKE AN INFORMED JUDGMENT REGARDING SUCH VOTE ON THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN; RATHER, THIS DISCLOSURE STATEMENT IS INTENDED ONLY TO AID AND SUPPLEMENT SUCH REVIEW. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE

PLAN, THE PLAN SUPPLEMENT, IF FILED (WILL BE FILED NO LATER THAN 10 CALENDAR DAYS PRIOR TO THE VOTING DEADLINE (DEFINED BELOW)), AND THE EXHIBITS ATTACHED THERETO AND THE AGREEMENTS AND DOCUMENTS DESCRIBED THEREIN. IF THERE IS A CONFLICT BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN WILL GOVERN. YOU ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND PLAN SUPPLEMENT AND TO READ CAREFULLY THE ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS, BEFORE DECIDING HOW TO VOTE WITH RESPECT TO THE PLAN.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS **4:00 P.M. (CENTRAL STANDARD TIME) ON APRIL 3, 2017**, UNLESS EXTENDED BY THE DEBTORS (THE "VOTING DEADLINE"). TO BE COUNTED, BALLOTS MUST BE RECEIVED BY COUNSEL FOR THE DEBTORS ON OR BEFORE THE VOTING DEADLINE.

THE EFFECTIVENESS OF THE PLAN IS SUBJECT TO MATERIAL CONDITIONS PRECEDENT. THERE IS NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF INTERESTS IN, THE DEBTORS (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS OR INTERESTS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

EXCEPT AS OTHERWISE SET FORTH HEREIN, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE BY THE DEBTORS AS OF THE DATE HEREOF, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF OR CREATE ANY DUTY TO UPDATE SUCH INFORMATION.

NO PERSON HAS BEEN AUTHORIZED BY THE DEBTORS IN CONNECTION WITH THE PLAN OR THE SOLICITATION TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT, THE PLAN AND THE EXHIBITS, NOTICES AND SCHEDULES ATTACHED TO OR INCORPORATED BY REFERENCE OR REFERRED TO IN THIS DISCLOSURE STATEMENT AND/OR THE PLAN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTORS.

IT IS THE DEBTORS' POSITION THAT THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED HEREIN SHALL BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS.

UNLESS OTHERWISE NOTED, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT AND HAS NOT BEEN

PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

HOLDERS OF CLAIMS OR INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISOR(S) WITH RESPECT TO ANY SUCH MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION OF VOTES TO ACCEPT THE PLAN, THE PLAN, THE PLAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY.

**FORWARD-LOOKING STATEMENTS:**

THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS BASED PRIMARILY ON THE CURRENT EXPECTATIONS OF THE DEBTORS AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS AFFECTING THE FINANCIAL CONDITION OF THE DEBTORS' AND THE REORGANIZED DEBTORS' BUSINESSES. IN PARTICULAR, STATEMENTS USING WORDS SUCH AS "BELIEVE," "MAY," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED BELOW UNDER ARTICLE XI. IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THE DISCLOSURE STATEMENT MAY NOT OCCUR, AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. CONSEQUENTLY, THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED HEREIN SHOULD NOT BE REGARDED AS REPRESENTATIONS BY ANY OF THE DEBTORS, THE REORGANIZED DEBTORS, THEIR ADVISORS OR ANY OTHER PERSON THAT THE PROJECTED FINANCIAL CONDITIONS OR RESULTS OF OPERATIONS CAN OR WILL BE ACHIEVED. EXCEPT AS OTHERWISE REQUIRED BY LAW, NEITHER THE DEBTORS NOR THE REORGANIZED DEBTORS UNDERTAKE ANY OBLIGATION TO UPDATE OR REVISE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE FOLLOWING APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT.

**THE DEBTORS SUPPORT CONFIRMATION OF THE PLAN, AND URGE ALL HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.**

**TABLE OF CONTENTS**

	<u>Page</u>
ARTICLE I. INTRODUCTION .....	1
1.1. General .....	1
1.2. The Confirmation Hearing .....	3
1.3. Classification of Claims and Interests .....	4
1.4. Voting; Holders of Claims Entitled to Vote .....	4
1.5. Important Matters .....	6
ARTICLE II. SUMMARY OF PLAN AND CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS THEREUNDER.....	6
2.1. General .....	6
2.2. Summary of Treatment of Claims and Interests Under the Plan.....	7
2.3. Timing of Distributions to Holders of AAT II General Unsecured Claims .....	9
ARTICLE III. BUSINESS DESCRIPTION; HISTORICAL INFORMATION.....	9
3.1. The Debtors' Businesses.....	9
3.2. The Debtors' Prepetition Organizational Structure .....	9
3.3. Debtors' Prepetition Capital Structure.....	10
ARTICLE IV. EVENTS LEADING TO CHAPTER 11 FILING.....	10
4.1. The Litigation.....	10
4.2. The First Mediation.....	11
4.3. The Second Mediation .....	11
4.4. The Bankruptcy Filings .....	11
ARTICLE V. REASONS FOR THE SOLICITATION; RECOMMENDATION .....	11
ARTICLE VI. THE PLAN .....	12
6.1. Overview of Chapter 11 .....	12
6.2. Separate Debtors Described in the Aggregate for Convenience Purposes.....	12
6.3. Overview of the Plan.....	13
6.4. Fee Claims.....	15
6.5. AAT General Unsecured Claims – Class 1 .....	15
6.6. AAT Subordinated Litigation Claims – Class 2.....	15
6.7. AAT Equity Interest – Class 3 .....	15
6.8. AAT II Secured Tax Claims - Class 4.....	16
6.9. AAT II Secured Claims - Class 5.....	16
6.10. AAT II Secured Equipment Claims – Class 6.....	17
6.11. AAT II Administrative Convenience Claims – Class 7 .....	17
6.12. AAT II Legacy Guaranteed Claim - Class 8.....	17
6.13. AAT II General Unsecured Claims – Class 9 .....	18
6.14. AAT II Subordinated Litigation Claims – Class 10.....	18
6.15. AAT II Equity Interests – Class 11 .....	18

**TABLE OF CONTENTS**

(cont'd)

	<u>Page</u>
6.16. Acceptance or Rejection of the Plan; Effect of Rejection by One or More Classes of Claims or Interests .....	19
6.17. Summary of Capital Structure of Reorganized Debtors.....	19
6.18. Means for Implementation .....	20
6.19. Treatment of Executory Contracts and Unexpired Leases.....	21
6.20. Effect of Plan Confirmation .....	22
<b>ARTICLE VII. CONFIRMATION OF THE PLAN OF REORGANIZATION.....</b>	<b>26</b>
7.1. Confirmation Hearing .....	26
7.2. Confirmation .....	27
7.3. Standards Applicable to Releases .....	32
7.4. Classification of Claims and Interests.....	32
7.5. Consummation .....	32
7.6. Exemption from Certain Transfer Taxes.....	32
7.7. Termination of Professionals .....	32
7.8. Amendments .....	33
7.9. Revocation or Withdrawal of the Plan .....	33
7.10. Post-Confirmation Jurisdiction of the Bankruptcy Court.....	33
<b>ARTICLE VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN .....</b>	<b>35</b>
8.1. Liquidation Under Chapter 7 of the Bankruptcy Code .....	35
8.2. Alternative Plan(s) of Reorganization.....	35
8.3. Dismissal of the Reorganization Cases .....	36
<b>ARTICLE IX. SUMMARY OF VOTING PROCEDURES .....</b>	<b>36</b>
<b>ARTICLE X. DESCRIPTION AND HISTORY OF REORGANIZATION CASES .....</b>	<b>37</b>
10.1. General Case Background.....	37
10.2. Retention of Professionals.....	37
10.3. Joint Administration.....	38
10.4. Employment Obligations.....	38
10.5. Insurance Motion .....	38
10.6. Critical Vendor Motion .....	38
10.7. Cash Collateral Motion .....	38
10.8. Schedules and Statements .....	38
<b>ARTICLE XI. CERTAIN RISK FACTORS TO BE CONSIDERED .....</b>	<b>39</b>
11.1. Certain Bankruptcy Considerations .....	39
11.2. Risks Relating to the Capital Structure of the Reorganized Debtors .....	41
11.3. Risks Associated with the Companies Businesses.....	42
<b>ARTICLE XII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN.....</b>	<b>42</b>
12.1. Introduction .....	42

**TABLE OF CONTENTS**

(cont'd)

	<u>Page</u>
12.2. Federal Income Tax Consequences to the Debtors .....	43
12.3. Federal Income Tax Consequences to Holders of Certain Claims.....	43
<b>ARTICLE XIII. PROCEDURES FOR DISTRIBUTIONS UNDER THE PLAN .....</b>	<b>44</b>
13.1. Distributions .....	44
13.2. No PostPetition Interest on Claims .....	44
13.3. Date of Distributions .....	44
13.4. Distribution Record Date .....	44
13.5. Delivery of Distribution .....	44
13.6. Unclaimed Property.....	45
13.7. Satisfaction of Claims .....	45
13.8. Manner of Payment Under Plan .....	45
13.9. De Minimis Cash Distributions.....	45
13.10. No Distribution in Excess of Amount of Allowed Claim .....	45
13.11. Setoffs and Recoupments .....	45
13.12. Withholding and Reporting Requirements.....	45
<b>ARTICLE XIV. PROCEDURES FOR RESOLVING CLAIMS .....</b>	<b>46</b>
14.1. Objections to Claims .....	46
14.2. Amendment to Claims.....	46
14.3. Disputed Claims .....	46
14.4. Estimation of Claims.....	46
14.5. Expenses Incurred On or After the Effective Date.....	47
<b>CONCLUSION</b>	<b>47</b>

## ARTICLE I. INTRODUCTION

1.1. General. Advantage Aviation Technologies, Inc. ("AAT") and Advantage Aviation Technologies II, LLC, as debtors and debtors-in-possession ("AAT II", collectively, the "**Debtors**"), in chapter 11 cases pending before the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "**Bankruptcy Court**"), hereby transmit this disclosure statement (as may be amended, supplemented or otherwise modified from time to time, the "**Disclosure Statement**"), pursuant to section 1125 of title 11 of the United States Code (the "**Bankruptcy Code**"), in connection with the Debtors' solicitation of votes to confirm the Amended Joint Chapter 11 Plan of Reorganization for Advantage Aviation Technologies, Inc. and Advantage Aviation Technologies II, LLC, dated as of February 20, 2017 (as may be amended, supplemented or otherwise modified from time to time, the "**Plan**"). On the Effective Date, the Plan and all other agreements entered into and instruments issued in connection with the Plan shall become effective and binding in accordance with their respective terms and conditions upon the parties thereto, and shall be deemed to become effective simultaneously.

The purpose of this Disclosure Statement is to set forth information: (i) regarding the history of the Debtors and their businesses; (ii) describing the Reorganization Cases; (iii) concerning the Plan; (iv) advising the holders of Claims and Interests of their rights under the Plan; and (v) assisting the holders of Claims entitled to vote on the Plan in making an informed judgment regarding whether they should vote to accept or reject the Plan.

On \_\_\_\_\_, 2017, after notice and a hearing, the Bankruptcy Court entered an order (the "**Disclosure Statement Order**"), which, among other things: (i) approved this Disclosure Statement as containing "adequate information" to enable a hypothetical, reasonable investor typical of holders of Claims against or Interests in the Debtors to make an informed judgment as to whether to accept or reject the Plan; and (ii) authorized the Debtors to use this Disclosure Statement in connection with the solicitation of votes to accept or reject the Plan. **The Disclosure Statement Order establishes April 3, 2017 at 4:00 p.m. (Central Standard Time) as the voting deadline for the return of Ballots accepting or rejecting the Plan (the "Voting Deadline"). APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.**

The Disclosure Statement Order sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan, and for filing objections to confirmation of the Plan, the record date for voting purposes and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read this Disclosure Statement and the Exhibits hereto, including the Plan and the Disclosure Statement Order, as well as the instructions accompanying the Ballot, in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims and Interests for voting purposes and the tabulation of votes. No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, holders of Claims entitled to vote should not rely on any information relating to the Debtors and their businesses other than the information contained in this Disclosure Statement, the Plan, and all Exhibits hereto and thereto.



Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution, and other benefits provided under the Plan, unless otherwise provided in the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and controversies resolved pursuant to the Plan, including, without limitation, a compromise of all claims against the MacDonalds contained in Sections 9.5 and 9.6 of the Plan (the "**MacDonald Settlement**"). The MacDonald Settlement releases all claims the Debtors hold against the MacDonalds, including but not limited to, Causes of Action as further described in Sections 9.5 and 9.6 of the Plan (the "**MacDonald Releases**") in exchange for and waiver of any entitlement or claim to any Cash or remunerations in full satisfaction, release, and discharge of the Claim No. 23 filed in the AAT II Case (the "**MacDonald Released Claim**").

Federal Rule of Bankruptcy Procedure 9019 grants a court the authority to approve a compromise or settlement after notice and a hearing. Under this authority, courts have routinely approved compromises and settlements that minimize litigation and benefit the bankruptcy estate. *See In re Mirant Corp.*, 334 B.R. 800, 811 (Bankr. N.D. Tex. 2005) (stating "[o]ne of the goals of Congress in fashioning the Bankruptcy Code was to encourage parties in a distress situation to work out a deal among themselves"). *See also Marandas v. Bishop (In re Sassalos)*, 160 B.R. 646, 653 (D. Or. 1993) (stating that "compromises are favored in bankruptcy"). Whether to approve or deny a compromise involving the bankruptcy estate is committed to the discretion of the bankruptcy court; an appellate court will reverse the bankruptcy court's decision only when the bankruptcy court abused its discretion. *In re Jackson Brewing Co.*, 624 F.2d 599, 602-03 (5th Cir. 1980).

In deciding whether to approve a proposed settlement agreement or compromise of a controversy, a court should consider the following factors:

- i. the probability of success on the merits and the resolution of the dispute;
- ii. the complexity of the litigation being settled;
- iii. the expense, inconvenience, and delay associated with litigating the dispute; and
- iv. all other factors bearing on the wisdom of the compromise, such as the paramount interests of creditors with proper deference to their reasonable views.

*Conn. Gen. Life Ins. Co. v. United Companies Fin. Corp. (In re Foster Mortgage Corp.)*, 68 F.3d 914, 917 (5th Cir. 1995); *see also Jackson Brewing*, 624 F.2d at 602 (citing *Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424-425 (1968); *Drexel v. Loomis*, 35 F.2d 800, 806 (8th Cir. 1929)).

When considering these factors, a court should determine whether the settlement is "fair and equitable" as a whole instead of focusing on one factor in particular. *Jackson Brewing Co.*, 624 F.2d at 602. Finally, settlements should be approved unless they fall below the lowest point in the range of reasonableness. *See In re W.T. Grant Co.*, 699 F.2d 599, 608 (2nd Cir. 1983).

Considering these factors, the Debtors submit that the MacDonald Settlement is fair and reasonable, and that the Court should approve it. The MacDonald Release Claim includes claims for unsatisfied salary, out of pocket expenses, money loaned, and additional amounts owed by AAT II to

the MacDonalds. Litigation of the MacDonald Released Claim is would be costly and complex. The financial burden of such litigation would be great for both sides, and the outcome would be far less than certain.

The MacDonald Settlement avoids the costs, delays, and uncertainties associated with litigation. The MacDonald Settlement avoids a peculiar situation wherein which the Debtors, closely held companies, are forced to litigate claims of the two owners, while also providing additional value to the Estates. Furthermore, the Settlement is the result of arm's length negotiations among parties represented by counsel. Based on these and other facts and considerations, the Debtors submit that the MacDonald Settlement should be approved by the Court.

The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, their estates, creditors, and other parties in interest, and are fair, equitable, and within the range of reasonableness.

THE DEBTORS RECOMMEND THAT HOLDERS OF CLAIMS IN CLASSES 1, 2, 3, 5, 6, 7, 8, 9, 10 AND 11 VOTE TO ACCEPT THE PLAN.

Additional copies of this Disclosure Statement (including Exhibits) are available upon request to the Debtors' counsel, Winstead PC ("**Winstead**"), at the following address:

**WINSTEAD PC**  
500 Winstead Building, 2728 N. Harwood Street  
Dallas, TX 75201  
Attn: Rakhee V. Patel

They may also be obtained by contacting Winstead via telephone at (214) 745-5410 or via email at [achiarello@winstead.com](mailto:achiarello@winstead.com).

A Ballot for voting to accept or reject the Plan is enclosed with this Disclosure Statement for the holders of Claims that are entitled to vote to accept or reject the Plan. If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the procedures for voting on the Plan, please contact Winstead at the address above.

1.2. The Confirmation Hearing. In accordance with the Disclosure Statement Order and section 1128 of the Bankruptcy Code, a hearing will be held before the Honorable Harlin D. Hale, United States Bankruptcy Judge for the Northern District of Texas, United States Bankruptcy Court, 1100 Commerce Street, Room 1421, Dallas, Texas 75242-1496, on **April 10, 2017 at 1:30 p.m. (Central Standard Time)**, to consider confirmation of the Plan. The Debtors will request confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code, and they have reserved the right to modify the Plan to the extent, if any, that confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification, subject to the terms of the Plan. Objections, if any, to confirmation of the Plan must be served and filed so that they are received on or before **April 3, 2017 at 4:00 p.m. (Central Standard Time)**, in the manner set forth in the Disclosure Statement Order. The hearing on confirmation of the Plan may be adjourned from time to time without further notice except for the announcement of the adjourned

date and time at the hearing on confirmation or any adjournment thereof or an appropriate filing with the Bankruptcy Court.

At the Confirmation Hearing, the Bankruptcy Court will, among other things:

- determine whether sufficient majorities in number and amount from each Class entitled to vote have delivered properly executed votes to approve the Plan;
- hear and determine objections, if any, to the Plan and to confirmation of the Plan that have not been previously disposed of;
- determine whether the Plan meets the confirmation requirements of the Bankruptcy Code; and
- determine whether to confirm the Plan.

1.3. Classification of Claims and Interests. The following table designates the Classes of Claims against and Interests in the Debtors, and specifies which Classes are: (a) impaired or unimpaired by the Plan, (b) entitled to vote to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code, and (c) deemed to accept or reject the Plan.

<b>Class</b>	<b>Designation</b>	<b>Impairment</b>	<b>Entitlement to Vote</b>
Class 1	AAT General Unsecured Claims	Impaired	Yes
Class 2	AAT Subordinated Litigation Claims	Impaired	Yes
Class 3	AAT Equity Interests	Impaired	Yes
Class 4	AAT II Secured Tax Claims	Unimpaired	No (Deemed to Accept)
Class 5	AAT II Secured Claims	Impaired	Yes
Class 6	AAT II Secured Equipment Claims	Impaired	Yes
Class 7	AAT II Administrative Convenience Claims	Impaired	Yes
Class 8	AAT II Legacy Guaranteed Claims	Impaired	Yes
Class 9	AAT II General Unsecured Claims	Impaired	Yes
Class 10	AAT II Subordinated Litigation Claims	Impaired	Yes
Class 11	AAT II Equity Interests	Impaired	Yes

1.4. Voting; Holders of Claims Entitled to Vote. Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are "impaired" and that are not deemed to have rejected a chapter 11 plan are entitled to vote to accept or reject such proposed plan. Generally, a claim or interest is "impaired" under a plan if the holder's legal, equitable, or contractual rights are altered under such plan. Classes of claims or equity interests under a chapter 11 plan in which the holders of claims or equity interests are unimpaired are deemed to have accepted such plan and are not entitled to vote to accept or reject the proposed plan. In addition, classes of claims or equity interests in which the holders of claims or equity interests will not receive or retain any property on account of their claims or equity interests are deemed to have rejected the chapter 11 plan and are not entitled to vote to accept or reject such plan.

Under the Plan:

- Claims in Classes 1, 2, 3, 5, 6, 7, 8, 9, 10, and 11 are impaired, will receive a distribution on account of such Claims to the extent provided in the Plan, and are entitled to vote to accept or reject the Plan; and
- Claims in Class 4 are unimpaired and, as a result, holders of such Claims are deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the claims that cast ballots for acceptance or rejection of the chapter 11 plan. **Your vote on the Plan is important.** The Bankruptcy Code requires as a condition to confirmation of a chapter 11 plan that each class that is impaired and entitled to vote under a plan vote to accept such plan, unless the requirements of section 1129(b) of the Bankruptcy Code are satisfied.

If a Class of Claims entitled to vote on the Plan rejects the Plan, the Debtors reserve the right to amend the Plan and/or to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to such Class. Section 1129(b) of the Bankruptcy Code permits the confirmation of a chapter 11 plan notwithstanding the non-acceptance of such plan by one or more impaired classes of claims or equity interests, so long as at least one impaired class of claims or interests votes to accept such plan (excluding any votes of insiders). Under that section, a chapter 11 plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class.

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. This Disclosure Statement, the Exhibits attached hereto, the Plan and the related documents are the only materials the Debtors are providing to creditors for their use in determining whether to vote to accept or reject the Plan, and it is the Debtors' position that such materials may not be relied upon or used for any purpose other than to vote to accept or reject the Plan.

Please complete and sign your Ballot(s) and return such Ballot(s) to the Debtors at the address below:

**WINSTEAD PC**  
500 Winstead Building, 2728 N. Harwood Street  
Dallas, TX 75201  
Attn: Rakhee V. Patel

TO BE COUNTED, YOUR ORIGINAL BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE ACTUALLY RECEIVED BY THE DEBTORS NO LATER THAN **4:00 P.M., CENTRAL STANDARD TIME, ON APRIL 3, 2017**, UNLESS EXTENDED BY THE DEBTORS. YOUR BALLOT MAY BE SENT VIA MAIL, OVERNIGHT COURIER OR MESSENGER. FAXED COPIES AND VOTES SENT ON OTHER FORMS WILL NOT BE ACCEPTED EXCEPT IN THE DEBTORS' SOLE DISCRETION. ALL BALLOTS MUST BE SIGNED.

The Ballots have been specifically designed for the purpose of soliciting votes on the Plan from the Classes entitled to vote thereon. Accordingly, in voting on the Plan, please use only the Ballots sent to you with this Disclosure Statement or otherwise provided by the Debtors or their counsel.

The Debtors have fixed **5:00 p.m. (Central Standard Time) on February 14, 2017** (the "**Voting Record Date**") as the time and date for the determination of the Persons who are entitled to receive a copy of this Disclosure Statement and all of the related materials and to vote whether to accept or reject the Plan. Accordingly, only holders of Claims of record as of the Voting Record Date that are entitled to vote on the Plan will receive a Ballot and may vote on the Plan.

All properly completed Ballots received prior to the Voting Deadline will be counted for purposes of determining whether a voting Class of impaired Claims has accepted the Plan. **Under the Bankruptcy Code, for the Plan to be "accepted," a specified majority vote is required for each Class of impaired Claims entitled to vote on the Plan. If no votes are received with respect to any Class of impaired Claims entitled to vote on the Plan, such Class shall be deemed to have accepted the Plan. If any impaired Class fails to have any Allowed Claims or Claims temporarily allowed by the Court as of the date of the Confirmation Hearing, such Class or Classes will be deemed eliminated from the Plan for all purposes.** Debtors or their counsel will prepare and file with the Bankruptcy Court a certification of the results of the balloting with respect to the Classes entitled to vote at least three days before the Confirmation Hearing.

1.5. Important Matters. This Disclosure Statement contains projected financial information and certain other forward-looking statements, all of which are based on various estimates and assumptions and will not be updated to reflect events occurring after the date hereof. Such information and statements are subject to inherent uncertainties and to a wide variety of significant business, economic and competitive risks, including, among others, those described herein. Consequently, actual events, circumstances, effects and results may vary significantly from those included in or contemplated by such projected financial information and such other forward-looking statements. The projected financial information contained herein and in the exhibits annexed hereto, therefore, is not necessarily indicative of the future financial condition or results of operations of the Debtors, which in each case may vary significantly from those set forth in such projected financial information. Consequently, the projected financial information and other forward-looking statements contained herein should not be regarded as representations by any of the Debtors, the Reorganized Debtors, their advisors, or any other Person that the projected financial conditions or results of operations can or will be achieved.

## **ARTICLE II. SUMMARY OF PLAN AND CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS THEREUNDER**

2.1. General. The overall purpose of the Plan is to provide for the restructuring of the Debtors' liabilities in a manner designed to maximize recovery to stakeholders and to enhance the financial viability of the Reorganized Debtors. Generally, the Plan provides for:

### **AAT Claims**

- (a) no payment of all Allowed AAT General Unsecured Claims;

- (b) payment of the Allowed AAT Subordinated Litigation Claims, if sufficient cash flow is available; and
- (c) in full satisfaction of the AAT Owner Claims a pro rata distribution of the New Stock.

### **AAT II Claims**

- (a) payment of all Allowed AAT II Secured Tax Claims in full over time;
- (b) payment of all Allowed AAT II Secured Claims in full over time;
- (c) payment of all Allowed AAT II Secured Equipment Claims in full over time;
- (d) payment in Cash of all Allowed AAT II Administrative Convenience Claims (less than \$1,000) without interest;
- (e) payment of all Allowed AAT Legacy Guaranteed Claims in full over time;
- (f) payment of all Allowed AAT II General Unsecured Claims over a three-year period;
- (g) payment of the all Allowed AAT II Subordinated Litigation Claims, if sufficient cash flow is available after payment of Classes 4 through 9; and
- (h) in full satisfaction of the AAT II AAT Owner Claims AAT will receive the new member interest in AAT II.

2.2. Summary of Treatment of Claims and Interests Under the Plan. The following table classifies Claims against, and Interests in, the Debtors into separate Classes and summarizes the treatment of each Class under the Plan. The table also identifies which Classes are entitled to vote on the Plan based on the provisions of the Bankruptcy Code. Finally, the table indicates the estimated recovery for each Class. The summaries in this table are qualified in their entirety by the description and the treatment of such Claims and Interests in the Plan. **As described in Article XI below, the Debtors' businesses are subject to a number of risks. The recoveries and estimates described in the table represent the Debtors' best estimates given the information available on the date of this Disclosure Statement. All statements relating to the aggregate amount of Claims and Interests in each Class are only estimates based on information known to the Debtors as of the date hereof, and the final amounts of Allowed Claims in any particular Class may vary significantly from these estimates.**

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Fee Claims, U.S. Trustee Fees and Priority Tax Claims have not been classified. Except as specifically noted therein, the Plan does not provide for payment of postpetition interest on any Allowed Claims.

Important Note on Estimates
-----------------------------

The estimates in the tables and summaries in this Disclosure Statement
--

may differ from actual distributions because of variations in the asserted or estimated amounts of Allowed Claims, the existence of Disputed Claims, and other factors. Statements regarding projected amounts of Claims or distributions (or the value of such distributions) are estimates by the Debtors based on current information and are not representations as to the accuracy of these amounts. Except as otherwise indicated, these statements are made as of the date of this Disclosure Statement, and the delivery of this Disclosure Statement will not, under any circumstances, imply that the information contained in this Disclosure Statement is correct at any other time. Any estimates of Claims or Interests in this Disclosure Statement may vary from the final amounts of Claims or Interests allowed by the Bankruptcy Court.

<b>Class</b>	<b>Description</b>	<b>Treatment</b>	<b>Entitled to Vote</b>	<b>Estimated Amount of Claims in Class</b>	<b>Estimated Recovery</b>
N/A (unclassified)	Administrative Expense Claims	See section 6.3 herein.	N/A	\$0 – Debtors are paying administrative expenses in the ordinary course.	100%
N/A (unclassified)	Fee Claims	See section 6.4 herein.	N/A	\$135,000.00	100%
N/A (unclassified)	U.S. Trustee Fees	See section 6.4.1 herein.	N/A	\$0 – Debtors are paying U.S. Trustee fees in the ordinary course	100%
Class 1	AAT General Unsecured Claims	See section 6.5 herein.	Yes	\$1,500,000.00.	0%
Class 2	AAT Subordinated Litigation Claims	See section 6.6 herein.	Yes	\$1,500,000.00.	0%
Class 3	AAT Equity Interests	See section 6.7 herein.	Yes	\$300,000.	0%
Class 4	AAT II Secured Tax Claims	See section 6.8 herein.	No	\$255,000.00.	100%
Class 5	AAT Secured Claims	II See section 6.9 herein.	Yes	\$1,271,125	100%
Class 6	AAT Secured Equipment	II See section 6.10 herein.	Yes	\$62,818.00	100%

<b>Class</b>	<b>Description</b>	<b>Treatment</b>	<b>Entitled to Vote</b>	<b>Estimated Amount of Claims in Class</b>	<b>Estimated Recovery</b>
Class 7	Claims AAT II Administrative Convenience Claims	See section 6.11 herein.	Yes	\$22,344	100%
Class 8	AAT II Legacy Guaranteed Claims	See section 6.12 herein.	Yes	\$872,258	100%
Class 9	AAT II General Unsecured Claims	See section 6.13 herein.	Yes	\$851,302.	30%
Class 10	AAT II Subordinated Litigation Claims	See section 6.14 herein.	Yes	\$2,784,658.	0%
Class 11	AAT II Interests	See section 6.15 herein.	Yes	Unknown.	0%

2.3. Timing of Distributions to Holders of AAT II General Unsecured Claims. Holders of AAT II General Unsecured Claims should expect to receive the first payment on unpaid Allowed General Unsecured Claims that arose and were payable prior to the AAT II Petition Date in the third quarter of 2017.

If the Debtors or Reorganized Debtors dispute the validity of a particular Claim asserted against them, then such Claim will not be considered an "Allowed Claim," and payment on such claim will be delayed pending the resolution of the dispute. In such a case, the Reorganized Debtors will have one hundred eighty (180) days following the Effective Date to file an objection to a Disputed Claim (which time period can be later extended by the Bankruptcy Court for cause). Payment on such Disputed Claims will not be made until the Bankruptcy Court can resolve the dispute, or such dispute is resolved consensually among the parties.

### **ARTICLE III. BUSINESS DESCRIPTION; HISTORICAL INFORMATION**

3.1. The Debtors' Businesses. AAT was formed in 1996. AAT is a Texas corporation formed for the purpose of providing manufacturing technologies and processes that improve the performance of aviation and aerospace components. AAT II was formed in September 2010. AAT II is a Texas limited liability company formed for the purpose of manufacturing of and providing repair service to certain aircraft parts and equipment. AAT II is the operating company in terms of revenue generation.

3.2. The Debtors' Prepetition Organizational Structure. AAT II is a wholly-owned subsidiary of AAT. 51% of the shares of AAT are held by Deborah Allen-MacDonald and 49% of the shares of AAT are held by David H. MacDonald.



3.3. Debtors' Prepetition Capital Structure. As of the AAT II Petition Date, AAT II has outstanding secured debt obligations in the aggregate principal amount of approximately \$4 million, consisting of one U.S. Small Business Administration Note in the original principal amount of \$2.6 million for the benefit of Community Bank and one promissory note in the original principal amount of \$1.6 million for the benefit of Pinnacle Bank.

3.3.1. The Northstar Prepetition Loans. On or about November 12, 2010, AAT II executed that certain U.S. Small Business Administration Note in the original principal amount of \$2,400,000 (the "**Northstar Note**") for the benefit of Community Bank. On or about November 12, 2010, AAT II also entered into that certain Loan Agreement by and between Community Bank and AAT II. On or about November 12, 2010, AAT executed that certain United States Small Business Administration Unconditional Guarantee in favor of Community Bank (the "**Northstar Guarantee**"). The Northstar Guarantee provides that AAT unconditionally guaranteed all amounts owing under the Northstar Note. On or about November 12, 2010, AAT II executed that certain Commercial Security Agreement in favor of Community Bank. On or about December 13, 2010, Community Bank recorded a UCC Financing Statement claiming a lien on AAT II's accounts and other rights to payment, inventory, equipment, instruments and chattel paper, general intangibles, and all proceeds including insurance proceeds. On or about December 2, 2014, Community Bank recorded an assignment of its alleged lien to Northstar Bank of Texas.

3.3.2. LegacyTexas Bank Loan. On or about February 15, 2015, David H. MacDonald and AAT II executed that certain promissory note in the original principle amount of \$697,582.23 for the benefit of LegacyTexas Bank. On or about February 15, 2015, the MacDonalds and AAT II executed that certain promissory note in the original principle amount of \$225,000.00 for the benefit of LegacyTexas Bank.

#### ARTICLE IV. EVENTS LEADING TO CHAPTER 11 FILING

These bankruptcy cases were filed because of certain litigation pending in the United States District Court for the Eastern District of Michigan (the "**Michigan District Court**") styled *Allianz Global Corporate & Specialty, as subrogee of Patton Holdings, Inc., Ann Arbor Aviation Partners, LLC and Flagship Private Air, LLC, et al. v. Advantage Aviation Technologies, Inc., et al.*, Case No. 13-14439 (the "**Litigation**").

4.1. The Litigation. The Litigation involves the alleged defective repair to landing gear for a 2002 Piaggio P180 owned by Plaintiff Ann Arbor Aviation Partners, LLC ("**Ann Arbor**"). In mid-2012, Plaintiff Flagship Private Air, LLC ("**Flagship**"), the operator of the Plane, contacted AAT II to overhaul its landing gear. Ultimately, Flagship shipped the landing gear from its facility in Michigan to AAT II's facility in Texas. From mid to late July 2012 to September 2012, AAT II performed the repairs on the landing gear. After multiple rounds of testing at AAT II to ensure that repair specifications had been met, AAT II shipped the landing gear back to Flagship. Upon information and belief, Flagship inspected and tested the landing gear, including taking at least two flights without incident. It was on the third flight that the accident occurred, on October 31, 2012.

Allianz Global Corporate & Specialty, as subrogee of Patton Holdings, Inc., Ann Arbor, and Flagship (the "**Plaintiffs**") commenced the Litigation October 23, 2013. The Litigation was and continues to be contentious and expensive. AAT and AAT II lack insurance coverage for the acts alleged to be the basis of liability in the Litigation. Accordingly, AAT and AAT II have had to fund

their own defense in Michigan. During the course of the Litigation, two separate sets of legal counsel for AAT and AAT II were permitted to withdraw based on lack of payment of counsel fees. Counsel fees, paid or incurred, have exceeded \$250,000 to date.

4.2. The First Mediation. The Plaintiffs and the Debtors (collectively, the "**Parties**") attempted to mediate the dispute in Michigan on May 12, 2015, with bankruptcy counsel for AAT II present in person. On the same day, Plaintiffs filed an Emergency Ex Parte Motion for Default and Motion for Default Judgment as to Liability and Damages Against AAT II (the "**Default Motion**") seeking, pursuant to Rule 55 of the Federal Rules of Civil Procedure, (1) a clerk's entry of default and (2) entry of default judgment in the approximate amount of \$2.5 million. There was no notice of the Default Motion provided to bankruptcy counsel for AAT II. By the morning of May 13, 2015, the Michigan District Court entered an order allowing the clerk's entry of default and the Clerk of Court for the District Court entered a default. It was only after the clerk's entry of default that AAT II became aware of the Default Motion and the entry of default. To the best of Debtors' knowledge, no default judgment has been entered at this time.

4.3. The Second Mediation. The Plaintiffs filed proof of claim in the AAT and the AAT II bankruptcy case (the "**Plaintiffs' Claims**").<sup>1</sup> On September 15, 2016, the Parties attempted to mediate the dispute in Dallas, Texas (the "**Second Mediation**"). As a result of the Second Mediation, parties came to a resolution, whereby the McDonalds, the sole shareholders of AAT and AAT II agreed to purchase the Plaintiffs' Claims for a confidential sum of money. The Plaintiffs' Claims were transferred to the MacDonalds.<sup>2</sup>

4.4. The Bankruptcy Filings. On February 12, 2016 (the "**AAT Petition Date**"), AAT filed for bankruptcy protection under chapter 11 of the Bankruptcy Code. On May 15, 2016 (the "**AAT II Petition Date**"), AAT II filed for bankruptcy protection under chapter 11 of the Bankruptcy Code. The Debtors filed for bankruptcy protection because they lacked the ability to operate and fund mounting legal expenses in connection with the Litigation.

## **ARTICLE V. REASONS FOR THE SOLICITATION; RECOMMENDATION**

Chapter 11 of the Bankruptcy Code provides that unless the terms of section 1129(b) of the Bankruptcy Code are satisfied, for the Bankruptcy Court to confirm the Plan, the holders of Claims in each Class of impaired Claims entitled to vote on the Plan must accept the Plan by the requisite majorities set forth in the Bankruptcy Code. An impaired Class of Claims shall have accepted the Plan if (a) the holders of at least two-thirds (2/3) in amount of the Claims in such Class actually voting on the Plan have voted to accept it, and (b) more than one-half (1/2) in number of the holders of Claims in such Class actually voting on the Plan have voted to accept it (such votes, the "**Requisite Acceptances**").

In light of the significant benefits to be attained by the Debtors and their creditors if the transactions contemplated by the Plan are consummated, the Debtors recommend that all holders of Claims entitled to vote to accept the Plan do so. The Debtors reached this decision after considering

<sup>1</sup> See Proof of Claim 13 (as amended) in the AAT Bankruptcy, Case No. 16-30633, and Proof of Claim 11 in the AAT II Bankruptcy, Case No. 16-31973. See Proof of Claim 14 (as amended) in the AAT Bankruptcy, Case No. 16-30633, and Proof of Claim 13 in the AAT II Bankruptcy, Case No. 16-31973. See Proof of Claim 15 (as amended) in the AAT, Inc. Bankruptcy and Proof of Claim 12 in the AAT II Bankruptcy, Case No. 16-31973.

<sup>2</sup> See Transfer of Claim other than for Security [Dkt. Nos. 161, 162, & 163].

available alternatives to the Plan and their likely effect on the Debtors' business operations, creditors, and shareholders. These alternatives included alternative restructuring options under chapter 11 of the Bankruptcy Code, and liquidation of the Debtors under chapter 7 of the Bankruptcy Code. The Debtors determined, after consulting with their legal and financial advisors, that the Plan, if consummated, would maximize the value of their Estates for all stakeholders, as compared to any other chapter 11 reorganization strategy or a liquidation under chapter 7. For all of these reasons, the Debtors support the Plan and urge the holders of Claims entitled to vote on the Plan to accept and support it.

## **ARTICLE VI. THE PLAN**

6.1. Overview of Chapter 11. Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to restructure its business for the benefit of itself, its creditors, and its equity interest holders. In addition to permitting the rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the bankruptcy filing 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."

The consummation of a chapter 11 plan is the principal objective of a chapter 11 reorganization case. A chapter 11 plan sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a chapter 11 plan by the bankruptcy court makes that plan binding upon the debtor, any person acquiring property under the plan and any creditor or equity interest holder of the debtor. Subject to certain limited exceptions, the order approving confirmation of a plan discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes them for the obligations specified under the confirmed plan.

In general, a chapter 11 plan of reorganization: (a) divides claims and equity interests into separate classes, (b) specifies the property, if any, that each class is to receive under the plan, and (c) contains other provisions necessary to the restructuring of the debtor that are required or permitted by the Bankruptcy Code.

Pursuant to section 1125 of the Bankruptcy Code, acceptance or rejection of a chapter 11 plan may not be solicited after the commencement of a chapter 11 case until such time as the court has approved the disclosure statement as containing adequate information. Pursuant to section 1125(a) of the Bankruptcy Code, "adequate information" is information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding the chapter 11 plan. To satisfy the applicable disclosure requirements, the Debtors submit this Disclosure Statement to holders of Claims that are impaired and not deemed to have rejected the Plan.

6.2. Separate Debtors Described in the Aggregate for Convenience Purposes. The Plan groups the Debtors together solely for purposes of describing treatment under the Plan, confirmation of the Plan and making Plan Distributions in respect of Claims against and Interests in the Debtors under the Plan. Such grouping shall not affect any Debtor's status as a separate legal entity, change

the organizational structure of the Debtors' business enterprise, constitute a change of control of any Debtor for any purpose, cause a merger or consolidation of any legal entities, nor cause the transfer of any assets, except as otherwise expressly provided by the Plan; and, except as otherwise provided by or permitted in the Plan, all Debtors shall continue to exist as separate legal entities. Furthermore, there is no meaningful economic difference or benefit of separating out creditors by Debtor.

6.3. Overview of the Plan. **THE FOLLOWING IS A SUMMARY OF SOME OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN AND THE EXHIBITS AND SCHEDULES THERETO.**

The Plan classifies Claims and Interests separately in accordance with the Bankruptcy Code and provides different treatment for different Classes of Claims and Interests. Claims and Interests shall be included in a particular Class only to the extent such Claims or Interests qualify for inclusion within such Class. The Plan separates the various Claims and Interests (other than those that do not need to be classified) into eleven (11) separate Classes. These Classes take into account the differing nature and priority of Claims against, and Interests in, the Debtors. Unless otherwise indicated, the characteristics and amounts of the Claims or Interests in the following Classes are based on the books and records of the Debtors.

This section summarizes the treatment of each of the Classes of Claims and Interests under the Plan and describes other provisions of the Plan. Only holders of Allowed Claims — Claims that are not in dispute, contingent, or unliquidated in amount and are not subject to an objection or an estimation request — are entitled to receive distributions under the Plan. For a more detailed description of the definition of "Allowed," *see* Article I of the Plan. Until a Disputed Claim becomes Allowed, no Distributions of Cash, New Member Interests or otherwise will be made.

The Plan is intended to enable the Debtors to continue present operations without the likelihood of a subsequent liquidation or the need for further financial reorganization. The Debtors believe that they will be able to perform their obligations under the Plan. The Debtors also believe that the Plan permits fair and equitable recoveries.

The Confirmation Date will be the date that the Confirmation Order is entered by the Clerk of the Bankruptcy Court. The Effective Date will be the first Business Day on or after the Confirmation Date on which all of the conditions to the Effective Date specified in Section 10.1 of the Plan have been satisfied or waived, including the consummation of the transactions contemplated by the Plan. Resolution of any challenges to the Plan may take time and, therefore, the actual Effective Date cannot be predicted with certainty.

Other than as specifically provided in the Plan, the treatment under the Plan of each Claim and Interest will be in full satisfaction, settlement, release and discharge of all Claims or Interests. The Debtors will make all payments and other distributions to be made under the Plan unless otherwise specified.

### **Unclassified Claims**

The Plan constitutes a joint plan of reorganization for all of the Debtors. All Claims and Interests, except Administrative Expense Claims, Fee Claims, U.S. Trustee Fees and Priority Tax

Claims, are placed in the Classes set forth and treaded in Article II above. In accordance with section 1123(a) (1) of the Bankruptcy Code, Administrative Expense Claims, Fee Claims, U.S. Trustee Fees and Priority Tax Claims have not been classified, and the holders thereof are not entitled to vote on the Plan on account of such Claims. A Claim or Interest is placed in a particular Class only to the extent that such Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes.

A Claim or Interest is placed in a particular Class for all purposes, including voting, confirmation and distribution under the Plan and under sections 1122 and 1123(a)(1) of the Bankruptcy Code. However, a Claim or Interest is placed in a particular Class for the purpose of receiving Plan Distributions only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest and has not been paid, released or otherwise settled prior to the Effective Date.

Bar Date for Administrative Expense Claims. The holder of an Administrative Expense Claim, other than the holder(s) of: (i) a Fee Claim; (ii) a 503(b)(9) Claim; (iii) an Administrative Expense Claim that has been Allowed on or before the Effective Date; (iv) an Administrative Expense Claim for an expense or liability incurred and payable in the ordinary course of business by a Debtor; (v) an Administrative Expense Claim on account of fees and expenses incurred on or after the AAT Petition Date and/or the AAT II Petition Date by ordinary course professionals retained by the Debtors pursuant to an order of the Bankruptcy Court; or (vi) an Administrative Expense Claim arising, in the ordinary course of business, out of the employment by one or more Debtors of an individual from and after the AAT Petition Date and/or the AAT II Petition Date, but only to the extent that such Administrative Expense Claim is solely for outstanding wages, commissions, accrued benefits, or reimbursement of business expenses must file with the Bankruptcy Court and serve on the Debtors or Reorganized Debtors (as the case may be) at the address listed below and the Office of the U.S. Trustee, proof of such Administrative Expense Claim within thirty (30) days after the filing of Notice of the Effective Date (the "**Administrative Bar Date**"). Such proof of Administrative Expense Claim must include at a minimum: (i) the name of the applicable Debtor that is purported to be liable for the Administrative Expense Claim and if the Administrative Expense Claim is asserted against more than one Debtor, the exact amount asserted to be owed by each such Debtor; (ii) the name of the holder of the Administrative Expense Claim; (iii) the asserted amount of the Administrative Expense Claim; (iv) the basis of the Administrative Expense Claim; and (v) supporting documentation for the Administrative Expense Claim. **FAILURE TO FILE AND SERVE SUCH PROOF OF ADMINISTRATIVE EXPENSE CLAIM TIMELY AND PROPERLY SHALL RESULT IN SUCH CLAIM BEING FOREVER BARRED AND DISCHARGED.**

Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is ten (10) business days after the date an Administrative Expense Claim becomes an Allowed Claim, the holder of such Allowed Administrative Expense Claim shall receive from the applicable Reorganized Debtor Cash in an amount equal to such Allowed Claim; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by any of the Debtors, as debtors-in-possession, shall be paid by the applicable Debtor or Reorganized Debtor in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the

conditions of any orders or agreements governing, instruments evidencing, or other documents relating to, such liabilities.

6.4. Fee Claims. Any Professional Person seeking allowance of a Fee Claim shall file, with the Bankruptcy Court, its final application for allowance of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date and in connection with the preparation and prosecution of such final application no later than forty-five (45) calendar days after the filing of the Notice of the Effective Date. Objections to such Fee Claims, if any, must be filed and served pursuant to the procedures set forth in the Confirmation Order no later than sixty-five (65) calendar days after the filing of the Notice of the Effective Date or such other date as established by the Bankruptcy Court.

All Professional Persons seeking allowance by the Bankruptcy Court of a Fee Claim shall be paid in full in Cash in such amounts as are approved by the Bankruptcy Court: (i) upon the later of (x) the Effective Date, and (y) fourteen (14) calendar days after the date upon which the order relating to the allowance of any such Fee Claim is entered, or (ii) upon such other terms as may be mutually agreed upon between the holder of such Fee Claim and the Reorganized Debtors. On the Effective Date, to the extent known, the Reorganized Debtors shall reserve and hold in Cash in an amount equal to all accrued but unpaid Fee Claims as of the Effective Date, which Cash shall be disbursed solely to the holders of Allowed Fee Claims with the remainder to be reserved until all Fee Claims have been either Allowed and paid in full or Disallowed by Final Order, at which time any remaining Cash shall become the sole and exclusive property of the Reorganized Debtors.

6.4.1. U.S. Trustee Fees. The Debtors or Reorganized Debtors, as applicable, shall pay all outstanding U.S. Trustee Fees of a Debtor on an ongoing basis on the date such U.S. Trustee Fees become due, until such time as a final decree is entered closing the applicable Reorganization Case, the applicable reorganization Case is converted or dismissed, or the Bankruptcy Court orders otherwise.

## **Classification and Treatment of Claims and Interests**

### **A. AAT Claim Treatment**

6.5. AAT General Unsecured Claims – Class 1. The holders of the AAT General Unsecured Claims will not receive a distribution from AAT and instead must look to AAT II, if applicable, as provided in Article IV.B.of the Plan.

Class 1 AAT General Unsecured Claims are Impaired under the Plan

6.6. AAT Subordinated Litigation Claims – Class 2. The AAT Subordinated Litigation Claims shall be deemed Allowed Unsecured Claims in the amount listed on Proof of Claims Nos. 13, 14, and 15 filed in the AAT Case (the "**AAT Allowed Subordinated Litigation Claims**"). The AAT Allowed Subordinated Litigation Claims were duly transferred to the MacDonalDs. If available cash flow is sufficient to distribute funds on account of the AAT Allowed Subordinated Litigation Claims, AAT may make distributions to the holders of the AAT Allowed Subordinated Litigation Claims at their discretion in advance of the currently scheduled payment commencement date.

Class 2 AAT Subordinated Litigation Claims are Impaired under the Plan.

6.7. AAT Equity Interest – Class 3 – The AAT Owner Claims shall be deemed Allowed Unsecured Claims in the amount of the listed on the Proof of Claims filed by the MacDonalds in the AAT Case at Proofs of Claim No. 19 (the "**AAT Owner Claims**"). Each holder of AAT Owner Claims shall receive a pro rata share of the New Stock on the Effective Date. In exchange for and waiver of any entitlement or claim to any Cash or other remuneration and in full satisfaction, release and discharge of the Allowed AAT Owner Claims holders shall receive the New Stock on the Effective Date and such Allowed AAT Owner Claims shall be deemed fully satisfied, released and discharged.

Class 3 AAT Equity Interest are Impaired under the Plan.

## **B. AAT II Claim Treatment**

6.8. AAT II Secured Tax Claims - Class 4. The AAT II Secured Tax Claims shall be deemed Allowed AAT II Secured Tax Claims in an amount to be determined 1) by agreement or 2) by the Bankruptcy Court at the confirmation hearing (the "**Allowed AAT II Secured Tax Claim(s)**"). Except to the extent that a holder of an Allowed AAT II Secured Tax Claim agrees to different treatment, each holder of an Allowed AAT II Secured Tax Claim shall receive, in the Debtors' or Reorganized Debtors' discretion, either: (a) on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date an AAT II Secured Tax Claim becomes an Allowed Claim, Cash in an amount equal to such Claim; or (b) deferred Cash payments following the Effective Date, over a period ending not later than five (5) years after the AAT II Petition Date, in an aggregate amount equal to the Allowed amount of such AAT II Secured Tax Claim (with any interest to which the holder of such AAT II Secured Tax Claim may be entitled calculated in accordance with section 511 of the Bankruptcy Code); provided, however, there shall be no penalty for the Debtors' or Reorganized Debtors' pre-payment of such deferred AAT II Secured Tax Claim and any pre-payment results in a reamortization of such deferred AAT II Secured Tax Claim.

Class 4 AAT II Secured Tax Claims are not Impaired under the Plan, therefore are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan. Votes of such holders will not be solicited with respect to such Allowed AAT II Secured Tax Claims.

6.9. AAT II Secured Claims - Class 5. The AAT II Secured Claims shall be deemed Allowed Claims in an amount to be determined 1) by agreement or 2) by the Bankruptcy Court at the confirmation hearing, including accrued and unpaid interest, fees, costs, and expenses (the "**Allowed Secured Claim(s)**").

The AAT II Secured Claim is evidenced by several documents including, but not limited to, the following: (i) that certain U.S. Small Business Administration Note, by and between AAT II and Community Bank, dated November 12, 2010, in the original principal amount of \$2,400,000.00; (ii) that certain Commercial Security Agreement, by and between AAT II and Community Bank, dated November 12, 2010; and (iii) that certain U.S. Small Business Administration Unconditional Guarantee, executed by AAT in favor of Community Bank, dated November 12, 2010 (collectively the "**Northstar Loan Documents**").

The Allowed AAT II Secured Claims shall be satisfied as follows: the Debtors will make monthly principal and interest payments to the holders of the Allowed AAT II Secured Claim in

the amount sufficient to pay the entire balance over a period not to exceed ten (10) years. Each payment will be applied first to pay interest accrued to the day the holders receive payments, then to bring principal current, then to pay any late fees, and then to reduce any remaining principal balance. Interest will accrue on the Allowed AAT II Secured Claim at a rate of 4.59%. The Debtor's obligation to holders of the Allowed AAT II Secured Claim will mature 120 months after the first payment herein. Except as expressly modified herein, any and all provisions of the Northstar Loan Documents shall remain in full force and effect, provided, however, there shall be no penalty resulting from the Debtors' or Reorganized Debtors' pre-payment of such Allowed AAT II Secured Claims.

Class 5 AAT II Secured Claims are Impaired under the Plan.

6.10. AAT II Secured Equipment Claims – Class 6. The AAT II Secured Equipment Claims shall be deemed Allowed Claims in an amount to be determined 1) by agreement or 2) by the Bankruptcy Court at the confirmation hearing, including accrued and unpaid interest, fees, costs, and expenses (the "**Allowed AAT II Secured Equipment Claim(s)**").

The AAT II Secured Equipment Claims shall be satisfied as follows: the Debtors will make monthly principal and interest payments to the holders of the Allowed AAT II Secured Equipment Claims in equal payments for a period not to exceed ten (10) years. Interest will accrue on the Allowed AAT II Secured Equipment Claim at a rate of 4.59%. The Debtor's obligation to holders of the Allowed AAT II Secured Claim will mature 120 months after the first payment herein. There shall be no penalty resulting from the Debtors' or Reorganized Debtors' pre-payment of such Allowed AAT II Secured Equipment Claims.

Class 6 AAT II Secured Equipment Claims are Impaired under the Plan.

6.11. AAT II Administrative Convenience Claims – Class 7. AAT II Administrative Convenience Claims shall consist of (a) all Allowed AAT II Unsecured Claims that equal \$1,000 or less or (b) as to any and all holders of Allowed AAT II Unsecured Claims in excess of \$1,000 who affirmatively elect to have their Allowed AAT II Unsecured Claim treated as an Administrative Convenience Claim under the Plan, said Allowed AAT II Unsecured Claim(s) being Allowed in the maximum amount of \$1,000. Subject to no pending objections to such AAT II Administrative Convenience Claim as of the Distribution Record Date, each AAT II Administrative Convenience Claim shall receive payment by the Reorganized Debtors in such payment shall be without interest, attorney's fees or costs and shall be made within the later of 120 days of the Effective Date or upon becoming an Allowed AAT II Unsecured Claim in full satisfaction, release and discharge of and in exchange for such Administrative Convenience Claim. Any holder of an Allowed AAT II Unsecured Claim affirmatively electing treatment of its Allowed AAT II Unsecured Claim in this Class 7 as an Administrative Convenience Claim forever waives, releases and discharges the Debtors and Reorganized Debtors from the amount of said Allowed AAT II Unsecured Claim in excess of \$1,000.

Class 7 AAT II Administrative Convenience Claims are Impaired under the Plan.

6.12. AAT II Legacy Guaranteed Claim - Class 8. The AAT II Legacy Guaranteed Claims shall be deemed Allowed Claims in an amount to be determined 1) by agreement or 2) by the Bankruptcy Court at the confirmation hearing (the "**AAT II Legacy Guaranteed Claim(s)**").



The AAT II Legacy Guaranteed Claims are evidenced by several documents including but not limited to the following: (i) that certain Promissory Note, by and between AAT II and LegacyTexas Bank, dated February 15, 2015, in the original principal amount of \$697,582.23; and (ii) that certain Promissory Note, by and between AAT II and LegacyTexas Bank, dated February 15, 2015, in the original principal amount of \$225,000.00, collectively the "Legacy Loan Documents").

AAT II Legacy Guaranteed Claims shall be satisfied as follows: the Debtor will make monthly payments to Holders of the AAT II Legacy Guaranteed Claims, in aggregate, equal to the amount of interest accruing monthly at an annual, fixed rate of 5% for the 13 months following the Effective Date (the "**Interest-Only Period**"). Following the Interest-Only Period, the Debtor will make monthly payments of \$10,400, representing principal and interest payments, with interest being paid monthly at the fixed, annual rate of 5%, to satisfy the remainder of the AAT II Legacy Guaranteed Claims. Except as expressly modified herein, any and all provisions of the Legacy Loan Documents shall remain in full force and effect, provided, however, there shall be no penalty resulting from the Debtors' or Reorganized Debtors' pre-payment of such AAT II Legacy Guaranteed Claims.

Class 8 AAT II Legacy Guaranteed Claims are Impaired under the Plan.

6.13. AAT II General Unsecured Claims – Class 9. Unless specifically provided otherwise in this Plan, nothing in this Plan allows or disallows AAT II General Unsecured Claims. Each AAT II General Unsecured Claim that is allowed, but only to the extent allowed, shall receive payment by the Reorganized Debtors on a *pro rata* basis with all other AAT II Unsecured Claims in Class 9. Each such Holder shall receive its *pro rata* share of \$210,000.00 in Cash (the "**AAT II Unsecured Creditors Fund**"). Debtors will contribute cash to the AAT II Unsecured Creditors Fund in the amounts of \$30,000 in 2017, \$60,000 in 2018, and \$120,000 in 2019.

Class 9 AAT II General Unsecured Claims are Impaired under the Plan.

6.14. AAT II Subordinated Litigation Claims – Class 10. The AAT II Subordinated Litigation Claims shall be deemed Allowed Unsecured Claims in the amount listed on Proof of Claims Nos. 11, 12, and 13 filed in the AAT II Case (the "**AAT II Allowed Subordinated Litigation Claims**"). The AAT II Allowed Subordinated Litigation Claims were duly transferred to the MacDonalds. If available cash flow is sufficient to distribute funds after payment of AAT II Classes 4 through 9, on account of the AAT II Allowed Subordinated Litigation Claims, AAT II may make distributions to the holders of the AAT II Allowed Subordinated Litigation Claims at their discretion in advance of the currently scheduled payment commencement date.

Class 10 AAT II Subordinated Litigation Claims are Impaired under the Plan.

6.15. AAT II Equity Interests – Class 11. The AAT II AAT Owner Claims shall be deemed Allowed Unsecured Claims in the amount of the listed on the Proof of Claims filed by the MacDonalds in the AAT II Case at Proofs of Claim Nos. 24, 25, and 26 (the "**AAT II AAT Owner Claims**"). The AAT II AAT Owner Claims are contributed to AAT and all new member interests in AAT II shall vest to AAT. In exchange for and waiver of any entitlement or claim to any Cash or other remuneration and in full satisfaction, release and discharge of the AAT II AAT Owner Claims, AAT shall receive the new member interests on the Effective Date and such AAT II AAT Owner Claims shall be deemed fully satisfied, released and discharged.

Class 11 AAT II Equity Interests are Impaired under the Plan.

6.16. Acceptance or Rejection of the Plan; Effect of Rejection by One or More Classes of Claims or Interests.

6.16.1. Class Acceptance Requirement. A Class of Claims shall have accepted the Plan if it is accepted by at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of holders of the Allowed Claims in such Class that have voted on the Plan.

6.16.2. Tabulation of Votes on a Non-Consolidated Basis. All votes on the Plan shall be tabulated on a non-consolidated basis by Class and by Debtor for the purpose of determining whether the Plan satisfies sections 1129(a)(8) and/or 1129(a)(10) of the Bankruptcy Code. Notwithstanding the foregoing, the Debtors, reserve the right to seek to substantively consolidate the two Debtors, provided that such substantive consolidation does not materially and adversely impact the amount of the Plan Distributions to any Person.

6.16.3. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code or "Cramdown." Because certain Classes are deemed to have rejected the Plan, the Debtors will request confirmation of the Plan, as it may be modified and amended from time to time, under section 1129(b) of the Bankruptcy Code with respect to such Classes. Subject to Section 13.12 and Section 13.13 of the Plan, the Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan or any Plan Document in order to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary. Subject to Sections 5.3 of the Plan, the Debtors also reserve the right to request confirmation of the Plan, as it may be modified, supplemented or amended from time to time, with respect to any Class that affirmatively votes to reject the Plan.

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

6.16.5. Voting Classes; Deemed Acceptance by Non-Voting Classes. If a Class contains Claims or Interests eligible to vote and no holders of Claims or Interests eligible to vote in such Class vote to accept or reject the Plan, the Plan shall be deemed accepted by such Class.

6.16.6. Confirmation of All Cases. Except as otherwise specified in the Plan, the Plan shall not be deemed to have been confirmed unless and until the Plan has been confirmed as to each of the Debtors.

6.17. Summary of Capital Structure of Reorganized Debtors.

6.17.1. Post-Emergence Capital Structure. In the event the Plan is confirmed, AAT II will be a wholly owned subsidiary of AAT. 51% of the shares of AAT will be held by Deborah Allen-MacDonald and 49% of the shares of AAT will be held by David H. MacDonald. The summary of the Reorganized Debtors' capital structure is qualified in its entirety by reference to the Plan and the applicable Plan Documents.

6.18. Means for Implementation.

6.18.1. Plan Funding and Operation of the Businesses. The Plan Distributions to be made in Cash under the terms of the Plan shall be funded from (a) the Debtors' Cash on hand as of the Effective Date and (b) Cash generated from the ongoing operations of the Debtors.

6.18.2. Continued Corporate Existence. Upon the Effective Date of the Plan, each of the Reorganized Debtors shall be the survivor of each of the Debtors. Except as otherwise provided in the Plan, the Debtors shall continue to exist after the Effective Date as Reorganized Debtors in accordance with the applicable laws of the respective jurisdictions in which they are organized and pursuant to the operative certificates of formation and operating agreements, for the purposes of satisfying their obligations under the Plan and the continuation of their businesses.

6.18.3. Vesting of Assets in Reorganized Debtors. Except as otherwise provided in the Plan, on and after the Effective Date, all property of the Estates, including all claims, rights and Causes of Action and any property acquired by the Debtors under or in connection with the Plan, shall vest in each respective Reorganized Debtor free and clear of all Claims, Liens, charges, other encumbrances and Interests. Subject to Section 6.2 of the Plan, on and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire and dispose of property and prosecute, compromise or settle any Claims (including any Administrative Expense Claims) and Causes of Action without supervision of or approval by the Bankruptcy Court and free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy Rules other than restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, the Reorganized Debtors may pay the charges that they incur on or after the Effective Date for Professional Persons' fees, disbursements, expenses or related support services without application to the Bankruptcy Court.

6.18.4. Documents. The Reorganized Debtors shall be authorized to take all actions that may be necessary or appropriate to effectuate 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 containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable law and any other terms to which the applicable entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law. To the extent that the relevant parties in interest herein are unable to agree on the form or substance of such documents, such unresolved issues shall be submitted to the Bankruptcy Court for determination.

6.18.5. Management. Upon the Confirmation Date of the Plan, current management shall remain in place upon confirmation of the Plan, including Dennis Moore as President of AAT and AAT II. The MacDonalds will continue to serve on the Board of Directors for AAT.

6.18.6. Cancellation of Existing Interests and Agreements. Except for the purpose of evidencing a right to distribution under the Plan (if any) and except as otherwise set forth in the Plan, on the Effective Date all agreements, instruments, and other documents evidencing, related to or

connected with any Claim or Interest, and any rights of any holder in respect thereof, shall be deemed cancelled, discharged and of no force or effect. The holders of or parties to such cancelled instruments, Interests and other documentation will have no rights arising from or relating to such instruments, Interests and other documentation or the cancellation thereof, except the rights, if any, provided for pursuant to the Plan.

6.18.7. Authorization, Issuance and Delivery of New Member Interests. As soon as reasonably practicable following the Effective Date, but effective as of the Effective Date, and without any further action or consent, the Reorganized Debtors are authorized to and shall issue and deliver the New Member Interests in the Reorganized Debtors Pro Rata to the holders of the Owner Claims or to any Person(s) designated by the holders of the Owner Claims.

6.19. Treatment of Executory Contracts and Unexpired Leases.

6.19.1. General Assumption of Executory Contracts and Unexpired Leases. Except as set forth in Section 8.2 of the Plan, all executory contracts and unexpired leases of the Debtors (including, but not limited to, those listed on the Debtors' Schedules) shall be deemed assumed as of the Effective Date, except that (a) any executory contracts and unexpired leases that previously have been assumed or rejected pursuant to a Final Order of the Bankruptcy Court shall be treated as provided in such Final Order; (b) any executory contracts and unexpired leases listed on the Schedule of Rejected Contracts and Leases shall be deemed rejected as of the Effective Date; and (c) all executory contracts and unexpired leases that are the subject of a separate motion to assume or reject under section 365 of the Bankruptcy Code pending on the Effective Date shall be treated as provided for in the Final Order resolving such motion. Each prepetition executory contract and unexpired lease will be assumed only to the extent that any such contract or lease constitutes an executory contract or unexpired lease. Listing a contract or lease as an executory contract or unexpired lease will not constitute an admission by the Debtors that such contract or lease is an executory contract or unexpired lease or that any of the Debtors have any liability thereunder. Subject to the occurrence of the Effective Date, the Confirmation Order shall constitute an Order of the Bankruptcy Court approving assumption hereunder under sections 365 and 1123 of the Bankruptcy Code. AAT assumes the following leases and assigns all interest in such leases to AAT II: (i) that certain lease with Ailco, listed on AAT's Schedules at p. 8, (ii) that certain lease with Bank of the West, listed on AAT's Schedules at p. 9, and (iii) that certain lease with DirectCapital, listed on AAT's Schedules at p. 9 (the "Assumed Leases"). Although the Assumed Leases are listed on the secured claims disclosures, such transactions are deemed to be a true lease and shall be treated as the same for purposes of this Plan and its assumption and assignment, as provided herein. Each executory contract and unexpired lease assumed pursuant to this Section 8.1 shall revert in and be fully enforceable by the applicable Reorganized Debtor in accordance with its terms, except as modified by the provisions of the Plan, or any order of the Bankruptcy Court authorizing and providing for its assumption, or applicable federal law. The Reorganized Debtors shall continue to have all rights of assignment contained in 11 U.S.C. § 365 of any executory contract or unexpired lease following Confirmation of this Plan. The Debtors assume that certain Lease Agreement between AAT II and Prologis, dated January 17, 2013, upon terms agreed to by the Debtors and Prologis.

6.19.2. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases. The applicable Reorganized Debtor shall cure all defaults other than non-monetary defaults existing under any assumed executory contract or unexpired lease in accordance with sections 1123(a)(5)(G) and 365(b) of the Bankruptcy Code. Except to the extent that less favorable treatment has been agreed to by the non-Debtor party or parties to each such executory contract or unexpired lease to be

assumed pursuant to the Plan, any monetary defaults arising under such executory contract or unexpired lease shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the appropriate amount (the "**Cure Amount**") in Cash on the later of thirty (30) days after: (i) the Effective Date; or (ii) the date on which any Cure Dispute relating to such Cure Amount has been resolved (either consensually or through judicial decision). No later than ten (10) calendar days prior to the commencement of the Confirmation Hearing, the Debtors shall file a schedule (the "**Cure Schedule**") setting forth the Cure Amount, if any, for each executory contract and unexpired lease to be assumed pursuant to Section 8.1 of the Plan, and serve such Cure Schedule on each applicable counterparty. Any party that fails to object to the applicable Cure Amount listed on the Cure Schedule within fifteen (15) calendar days of the filing thereof, shall be forever barred, estopped and enjoined from disputing the Cure Amount set forth on the Cure Schedule (including a Cure Amount of \$0.00) and/or from asserting any Claim against the applicable Debtor or Reorganized Debtor arising under section 365(b)(1) of the Bankruptcy Code except as set forth on the Cure Schedule. In the event of a dispute (each, a "**Cure Dispute**") regarding: (i) the Cure Amount; (ii) the ability of the applicable Reorganized Debtor to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed; or (iii) any other matter pertaining to the proposed assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving such Cure Dispute and approving the assumption. To the extent a Cure Dispute relates solely to the Cure Amount, the applicable Debtor may assume and/or assume and assign the applicable contract or lease prior to the resolution of the Cure Dispute provided that such Debtor reserves Cash in an amount sufficient to pay the full amount asserted as the required cure payment by the non-Debtor party to such contract or lease (or such smaller amount as may be fixed or estimated by the Bankruptcy Court). To the extent the Cure Dispute is resolved or determined unfavorably to the applicable Debtor or Reorganized Debtor, as applicable, such Debtor or Reorganized Debtor, as applicable, may reject the applicable executory contract or unexpired lease after such determination and the Reorganized Debtors shall have until thirty (30) days after entry of a Final Order regarding the Cure Dispute, or as may otherwise be agreed to by the parties to the Cure Dispute.

6.19.3. Claims for Damages. Each entity that is a party to a rejected executory contract or unexpired lease, and only such entity, shall be entitled to file a proof of Claim for damages alleged to have arisen from the rejection of the contract or lease to which such entity is a party. Any Claims based upon rejection of an executory contract or unexpired lease must be filed with the Bankruptcy Court and served on the applicable Reorganized Debtor such that they are actually received within fifteen (15) days from the latter of notice of (a) the entry of a Final Order rejecting such contract or lease and (b) entry of the Confirmation Order. Objections to any such proof of Claim shall be filed not later than thirty (30) days after receipt of such Claim. The Bankruptcy Court shall determine any such objections, unless they are otherwise resolved. All Allowed Claims for rejection damages shall be treated as an unsecured Claim against the applicable Reorganized Debtor. Any rejection Claim not filed within such time will be forever barred from assertion against the Debtors, the Reorganized Debtors, or their Estates.

6.20. Effect of Plan Confirmation.

6.20.1. Binding Effect. Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, on and after the Effective Date, the provisions of the Plan shall be binding upon the Debtors, the Reorganized Debtors, and any holder of a Claim against, or Interest in, the Debtors and such holder's respective successors and assigns, whether or not the Claim or Interest of such holder is impaired under the Plan and whether or not such holder has accepted the Plan.

6.20.2. Discharge of Claims Against and Interests in the Debtors. Upon the Effective Date and in consideration of the Plan Distributions, except as otherwise provided in the Plan or in the Confirmation Order, each Person that is a holder (as well as any trustees and agents on behalf of such Person) of a Claim or Interest shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Interests, rights, and liabilities that arose prior to the Effective Date. Except as otherwise provided in the Plan, upon the Effective Date, all such holders of Claims and Interests shall be forever precluded and enjoined, pursuant to sections 105, 524, 1141 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim against or terminated Interest in any Debtor or any Reorganized Debtor.

6.20.3. Term of Pre-Confirmation Injunctions or Stays. Unless otherwise provided in the Plan, all injunctions or stays arising prior to the Confirmation Date in accordance with 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 Effective Date.

6.20.4. Injunction. Except as otherwise provided in the Plan or the Confirmation Order, as of the Confirmation Date, but subject to the occurrence of the Effective Date, all Persons who have held, hold or may hold Claims against or Interests in the Debtors or the Estates are, solely with respect to such Claims or Interests, permanently enjoined after the Confirmation Date from: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtors, the Reorganized Debtors, the Estates or any of their property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing Persons or any property of any such transferee or successor; (ii) enforcing, levying, attaching (including, without limitation, any prejudgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against the Debtors, the Reorganized Debtors, or the Estates or any of their property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing Persons, or any property of any such transferee or successor; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors, the Reorganized Debtors, or the Estates or any of their property, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Persons (iv) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan to the full extent permitted by applicable law; and (v) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan; provided, however, that nothing contained in the Plan shall preclude such Persons from exercising their rights, or obtaining benefits, pursuant to and consistent with the terms of the Plan and the documents and agreements entered into with respect to the Plan. By accepting Plan Distributions, each holder of an Allowed Claim or Interest will be deemed to have specifically consented to the injunctions set forth in Section 9.4.

6.20.5. Releases.

(a) Releases by the Debtors. For good and valuable consideration, the adequacy of which is confirmed, and except as otherwise provided in the Plan or the Confirmation Order or expressly treated in the Plan or Confirmation Order, as of the Effective Date, the Debtors and Reorganized Debtors, in their individual capacities and as debtor in possession, shall be deemed to forever release, waive and discharge all claims, obligations, suits, judgments, damages, demands,

debts, rights, Causes of Action and liabilities (other than the rights of the Debtors or Reorganized Debtors to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder) against the Released Parties, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Reorganized Debtors, the parties released pursuant to Section 9.5 of the Plan, the Reorganization Cases, or the Plan or the Disclosure Statement, and that could have been asserted by or on behalf of the Debtors or their Estates or Reorganized Debtors, whether directly, indirectly, derivatively or in any representative or any other capacity, other than claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities arising out of or relating to any act or omission of a Released Party or a former officer or director of the Debtors that constitutes gross negligence, fraud, or willful misconduct.

(b) **Releases by Holders of Claims and Interests.** Except as otherwise provided in the Plan or the Confirmation Order or expressly treated in the Plan or Confirmation Order, on the Effective Date: (i) each of the Released Parties; (ii) each holder of a Claim or Interest entitled to vote on the Plan that did not "opt out" of the releases provided in Section 9.5(b) of the Plan in a timely submitted Ballot; and (iii) to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, all holders of Claims and Interests, in consideration for the obligations of the Debtors and Reorganized Debtors under the Plan, the Plan Consideration and other contracts, instruments, releases, agreements or documents executed and delivered in connection with the Plan, and each entity (other than the Debtors) that has held, holds or may hold a Claim or Interest, as applicable, will be deemed to have consented to the Plan for all purposes and the restructuring embodied in the Plan and deemed to forever release, waive and discharge all claims, demands, debts, rights, Causes of Action or liabilities (other than the right to enforce the obligations of any party under the Plan and the contracts, instruments, releases, agreements and documents delivered under or in connection with the Plan) against the Released Parties, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Reorganized Debtors, the Reorganization Cases, or the Plan or the Disclosure Statement.

(c) Notwithstanding anything to the contrary contained in the Plan: (i) except to the extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, the releases provided for in Section 9.5 of the Plan shall not release any non-Debtor entity from any liability arising under (x) the Internal Revenue Code or any state, city or municipal tax code, or (y) any criminal laws of the United States or any state, city or municipality; and (ii) the releases set forth in Section 9.5 of the Plan shall not release any (x) claims against any Person to the extent such Person asserts a crossclaim, counterclaim and/or claim for setoff which seeks affirmative relief against a Debtor or any of its officers, directors, or representatives and (y) claims against any Person arising from or relating to such Person's gross negligence, fraud, willful misconduct, each as determined by a Final Order of the Bankruptcy Court.

(d) As to the United States of America, its agencies, departments, or agents (collectively, the "**United States**"), nothing in the Plan or Confirmation Order shall limit or expand the scope of any discharge, release or injunction to which the Debtors or Reorganized Debtors are entitled under the Bankruptcy Code. The discharge, release and injunction provisions contained in

the Plan and Confirmation Order are not intended and shall not be construed to bar the United States from, subsequent to the Confirmation Order, pursuing any police or regulatory action, except to the extent those discharge and injunctive provisions bar a Governmental Unit (as defined by section 101(27) of the Bankruptcy Code) from pursuing Claims.

(e) Accordingly, notwithstanding anything contained in the Plan or Confirmation Order to the contrary, nothing in the Plan or Confirmation Order shall discharge, release, impair or otherwise preclude: (1) any liability to the United States that is not a "claim" within the meaning of section 101(5) of the Bankruptcy Code; (2) any Claim of the United States arising on or after the Confirmation Date; (3) any valid right of setoff or recoupment of the United States against any of the Debtors; or (4) any liability of the Debtors or Reorganized Debtors under environmental law to any Governmental Unit (as defined by section 101(27) of the Bankruptcy Code) as the owner or operator of property that such entity owns or operates after the Confirmation Date, except those obligations to reimburse costs expended or paid by a Governmental Unit before the AAT Petition Date and/or the AAT II Petition Date or to pay penalties owing to a Governmental Unit for violations of environmental laws or regulations that occurred before the AAT Petition Date and/or the AAT II Petition Date. Nor shall anything in the Plan or Confirmation Order: (i) enjoin or otherwise bar the United States or any Governmental Unit from asserting or enforcing, outside the Bankruptcy Court, any liability described in the preceding sentence; or (ii) divest any court of jurisdiction to determine whether any liabilities asserted by the United States or any Governmental Unit are discharged or otherwise barred by the Plan, Confirmation Order, or the Bankruptcy Code.

(f) Moreover, nothing in the Plan or Confirmation Order shall release or exculpate any non-debtor, including any Released Parties, from any liability to the United States, including but not limited to any liabilities arising under the Internal Revenue Code, the environmental laws, or the criminal laws against the Released Parties, nor shall anything in the Plan or Confirmation Order enjoin the United States from bringing any claim, suit, action or other proceeding against the Released Parties for any liability whatsoever; provided, however, that the foregoing sentence shall not limit the scope of discharge granted to the Debtors under sections 524 and 1141 of the Bankruptcy Code.

6.20.6. **Exculpation and Limitation of Liability.** *To the extent permissible under applicable law, none of the Released Parties shall have or incur any liability to any holder of any Claim or Interest or any other Person for any act or omission in connection with, or arising out of the Debtors' restructuring, including without limitation, the negotiation, implementation and execution of the Plan, the Reorganization Cases, the Disclosure Statement, the solicitation of votes for and the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, including, without limitation, all documents ancillary thereto, all decisions, actions, inactions and alleged negligence or misconduct relating thereto and all activities leading to the promulgation and confirmation of the Plan except for gross negligence or willful misconduct, each as determined by a Final Order of the Bankruptcy Court; provided, however, that nothing in Section 9.6 of the Plan shall affect any Person's rights to enforce the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder.*

6.20.7. **Injunction Related to Releases and Exculpation.** *As of the Effective Date, the Confirmation Order shall permanently enjoin the commencement or prosecution by any Person or entity, whether directly, derivatively or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities released pursuant to the Plan,*



*including, but not limited to, the claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities released in Section 9.5 and 9.6 of the Plan.*

6.20.8. Retention of Causes of Action/Reservation of Rights. Subject to Section 9.5 of the Plan and except as expressly set forth in the Plan, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any rights, claims or Causes of Action, rights of setoff, or other legal or equitable defenses that the Debtors had immediately prior to the Effective Date on behalf of the Estates or of themselves in accordance with any provision of the Bankruptcy Code or any applicable non-bankruptcy law. The McDonalds shall have, retain, reserve, and be entitled to assert all such claims, Causes of Action, rights of setoff, or other legal or equitable defenses as fully as if the Reorganization Cases had not been commenced, and all of the Debtors' legal and/or equitable rights respecting any Claim left unimpaired, as set forth in Section 2.4 of the Plan, may be asserted after the Confirmation Date to the same extent as if the Reorganization Cases had not been commenced.

6.20.9. Indemnification Obligations. Notwithstanding anything to the contrary contained in the Plan, including Section 8.1 of the Plan, subject to the occurrence of the Effective Date, the obligations of the Debtors under the Debtors' operating agreements, other formation documents, board resolutions, or contracts to indemnify, defend, reimburse, exculpate, advance fees and expenses to, or limit the liability of Debtors' current and former directors, officers, equity holders, managers, employees, attorneys, other professionals and agents of the Debtors and such persons' respective affiliates, against any liability, including, but not limited to, Causes of Action, remain unaffected thereby after the Effective Date and are not discharged. The Debtors'/Reorganized Debtors' governance documents on or after the Effective Date will provide for the indemnification, defense, reimbursement, exculpation, and/or limitation of liability of, and advancement of fees and expenses to the Reorganized Debtors' current and former directors, equity holders, officers, employees, or agents, and such persons' respective affiliates, to the fullest extent permitted by law and at least to the same extent as the organizational documents of the Debtors as of the commencement of the Reorganization Cases. On and after the Effective Date, none of the Reorganized Debtors shall terminate or otherwise reduce the coverage under any directors' and officers' insurance policies in effect on the AAT Petition Date and/or the AAT II Petition Date, and all directors and officers of the Debtors at any time shall be entitled to the full benefits of any such policy for the full term of such policy, regardless of whether such directors and/or officers remain in such positions after the Effective Date.

## **ARTICLE VII. CONFIRMATION OF THE PLAN OF REORGANIZATION**

7.1. Confirmation Hearing. Section 1128(a) of the Bankruptcy Code requires the bankruptcy court, after appropriate notice, to hold a hearing on confirmation of a chapter 11 plan. The Confirmation Hearing with respect to the Plan is scheduled to commence on April 10, 2017 at 1:30 p.m. (Central Standard Time). The hearing may be adjourned or continued from time to time by the Debtors or the Bankruptcy Court without further notice, except for an announcement of the adjourned or continued date made at the Confirmation Hearing (or an appropriate filing with the Bankruptcy Court) or any subsequent adjourned or continued Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a chapter 11 plan of reorganization. Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the name of the objector, the nature and amount of Claims or Interests held or asserted by the objector against the particular

Debtor or Debtors, the basis for the objection and the specific grounds therefor, and must be filed with the Clerk of the Bankruptcy Court electronically using the Bankruptcy Court's Case Management/Electronic Case File ("**CM/ECF**") System at <https://ecf.txnb.uscourts.gov> (a CM/ECF password will be required), and by mailing a hard copy of such objection to the chambers of the Honorable Harlin D. Hale, United States Bankruptcy Judge for the Northern District of Texas, United States Bankruptcy Court, 1100 Commerce Street, Room 1421, Dallas, Texas 75242-1496, together with proof of service, and served upon: (i) Winstead PC, counsel for the Debtors, 500 Winstead Building, 2728 N. Harwood Street, Dallas, Texas 75201 (Attn: Rakhee V. Patel, Esq.); and (ii) Office of the United States Trustee for the Northern District of Texas, 1100 Commerce Street, Room 976, Dallas Texas 75242 (Attn: Nancy Resnick, Esq.). Bankruptcy Rule 9014 governs objections to confirmation of the Plan. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

7.2. Confirmation. At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of section 1129(a) of the Bankruptcy Code have been satisfied with respect to the Plan.

7.2.1. Confirmation Requirements. Confirmation of a chapter 11 plan under section 1129(a) of the Bankruptcy Code requires, among other things, that: (i) the plan complies with the applicable provisions of the Bankruptcy Code; (ii) the proponent of the plan has complied with the applicable provisions of the Bankruptcy Code; (iii) the plan has been proposed in good faith and not by any means forbidden by law; (iv) any plan payment made or to be made by the proponent under the plan for services or for costs and expenses in, or in connection with, the chapter 11 case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable; (v) the proponent has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in the plan with the debtor, or a successor to the debtor under the plan. The appointment to, or continuance in, such office by such individual must be consistent with the interests of creditors and equity security holders and with public policy, and the proponent must have disclosed the identity of any insider that the reorganized debtor will employ or retain, and the nature of any compensation for such insider; (vi) with respect to each impaired class of claims or interests, either each holder of a claim or interest of such class has accepted the plan, or will receive or retain under the plan, on account of such claim or interest, property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtor were liquidated on such date under chapter 7 of the Bankruptcy Code; (vii) subject to the "cramdown" provisions of section 1129(b) of the Bankruptcy Code, each class of claims or interests has either accepted the plan or is not impaired under the plan; (viii) except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that allowed administrative expenses and priority claims will be paid in full on the effective date (except that holders of priority tax claims may receive deferred Cash payments of a value, as of the effective date of the plan, equal to the allowed amounts of such claims and that holders of priority tax claims may receive on account of such claims deferred Cash payments, over a period not exceeding five years after the date of assessment of such claims, of a value, as of the effective date, equal to the allowed amount of such claims); (ix) if a class of claims is impaired, at least one (1) impaired class of claims has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim in such class; and (x) confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan.

The Debtors believe that (i) the Plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code; (ii) the Debtors, as the proponents of the Plan, have complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code; and (iii) the Plan has been proposed in good faith.

Set forth below is a summary of certain relevant statutory confirmation requirements.

(a) Acceptance. Claims in Classes 1, 2, 3, 5, 6, 7, 8, 9, 10 and 11 are impaired under the Plan and are entitled to vote to accept or reject the Plan. Class 4 is unimpaired and, therefore, is conclusively presumed to have voted to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code.

Because certain Classes are deemed to have rejected the Plan, the Debtors will request confirmation of the Plan under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan, any exhibit or schedule thereto or any Plan Document in order to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

The Debtors also will seek confirmation of the Plan over the objection of any individual holders of Claims who are members of an accepting Class. There can be no assurance, however, that the Bankruptcy Court will determine that the Plan meets the requirements of section 1129(b) of the Bankruptcy Code.

(b) Unfair Discrimination and Fair and Equitable Test. To obtain nonconsensual confirmation of the Plan, it must be demonstrated to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each impaired, non-accepting Class. The Bankruptcy Code provides a non-exclusive definition of the phrase "fair and equitable" for, respectively, secured creditors, unsecured creditors and holders of equity interests. In general, section 1129(b) of the Bankruptcy Code permits confirmation notwithstanding non-acceptance by an impaired class if that class and all junior classes are treated in accordance with the "absolute priority" rule, which requires that the dissenting class be paid in full before a junior class may receive anything under the plan.

A chapter 11 plan does not "discriminate unfairly" with respect to a non-accepting class. The Debtors believe the Plan will not discriminate unfairly against any non-accepting Class.

(c) Feasibility; Financial Projections. The Bankruptcy Code permits a plan to be confirmed only if confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors or any successor to the Debtors, unless such liquidation or reorganization is proposed in the Plan. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed the ability of the Reorganized Debtors to meet their obligations under the Plan and retain sufficient liquidity and capital resources to conduct their business. Under the terms of the Plan, the Allowed Claims potentially being paid in whole or in part in Cash are the Allowed Administrative Expense Claims, Allowed Fee Claims, U.S. Trustee Fees, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Secured Tax Claims, Allowed Secured Claims, Allowed Secured Equipment Claims Allowed Administrative Convenience Claims, Allowed General Unsecured Claims, and Allowed Owner Claims. The Debtors have estimated the total amount of these Cash payments to be approximately \$165,558 and expect

sufficient liquidity from Cash on hand on the Effective Date and post-Effective Date operations and future sales of assets to fund these Cash payments as and when they become due.

In connection with developing the Plan, the Debtors have prepared detailed financial projections (the "**Financial Projections**"), attached as **Exhibit B** hereto, which detail, among other things, the financial feasibility of the Plan. The Financial Projections indicate, on a pro forma basis, that the projected level of Cash flow is sufficient to satisfy all of the Reorganized Debtors' future debt and debt-related interest costs, research and development, capital expenditure and other obligations during this period. Accordingly, the Debtors believe that confirmation of the Plan is not likely to be followed by the liquidation or further reorganization of the Reorganized Debtors.

THE FINANCIAL PROJECTIONS, INCLUDING THE UNDERLYING ASSUMPTIONS, SHOULD BE CAREFULLY REVIEWED IN EVALUATING THE PLAN. WHILE DEBTORS BELIEVE THE ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS, WHEN CONSIDERED ON AN OVERALL BASIS, WERE REASONABLE WHEN PREPARED IN LIGHT OF CURRENT CIRCUMSTANCES AND EXPECTATIONS, NO ASSURANCE CAN BE GIVEN THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED. THE DEBTORS MAKE NO REPRESENTATION OR WARRANTY AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS. THE PROJECTIONS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED BELOW UNDER ARTICLE XI. IN LIGHT OF THESE RISKS AND UNCERTAINTIES, ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FINANCIAL PROJECTIONS.

The Debtors prepared the Financial Projections based upon certain assumptions that they believe to be reasonable under the circumstances. The Financial Projections have not been examined or compiled by independent accountants. Moreover, such information is not prepared in accordance with accounting principles generally accepted in the United States ("**GAAP**"). The Debtors make no representation as to the accuracy of the Financial Projections or their ability to achieve the projected results. Many of the assumptions on which the Financial Projections are based are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors and their management. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the actual financial results. Therefore, the actual results achieved may vary from the projected results and the variations may be material. All holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Financial Projections are based in connection with their evaluation of the Plan.

7.2.2. Best Interests Test. The "best interests" test requires that the Bankruptcy Court find either: (i) that all members of each impaired class have accepted the plan; or (ii) that each holder of an allowed claim or interest in each impaired class of claims or interests will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount such holder would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on such date.

To determine what the holders of Claims and Interests in each impaired Class would receive if the Debtors were liquidated under chapter 7 on the Confirmation Date, the Bankruptcy Court must determine the dollar amount that would have been generated from the liquidation of the Debtors' assets and properties in a liquidation under chapter 7 of the Bankruptcy Code.

The Cash that would be available for satisfaction of Claims and Interests would consist of the proceeds from the disposition of the assets and properties of the Debtors, augmented by the Cash held by the Debtors. Such Cash amount would be: (i) first, reduced by the costs and expenses of liquidation under chapter 7 (including the fees payable to a chapter 7 trustee and the fees payable to professionals that such trustee might engage) and such additional administrative claims that might result from the termination of the Debtors' business; and (ii) second, reduced by the amount of the Allowed Administrative Expense Claims, U.S. Trustee Fees, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims. Any remaining net Cash would be allocated to creditors and stakeholders in strict order of priority contained in section 726 of the Bankruptcy Code. Additional claims would arise by reason of the breach or rejection of obligations under unexpired leases and executory contracts.

To determine if the Plan is in the best interests of each impaired Class, the present value of the distributions from the proceeds of a liquidation of the Debtors' assets and properties, after subtracting the amounts discussed above, must be compared with the value of the property offered to each such Class of Claims under the Plan.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Reorganization Cases, the Debtors have determined that confirmation of the Plan will provide each holder of an Allowed Claim with a recovery that is not less than such holder would have received pursuant to the liquidation of the Debtors under chapter 7.

Moreover, the Debtors believe that the value of distributions to each Class of Allowed Claims in a chapter 7 case would be materially less than the value of distributions under the Plan. It is likely that a liquidation of the Debtors' assets could take more than six months to complete, and distribution of the proceeds of the liquidation could be delayed for six months or more after the completion of such liquidation to resolve claims and prepare for distributions. In the likely event litigation is necessary to resolve claims asserted in the chapter 7 case, the delay could be prolonged.

The Debtors, with the assistance of their advisors, have prepared a liquidation analysis that summarizes the Debtors' best estimate of recoveries by creditors and equity interest holders in the event of liquidation as of December 12, 2016 (the "**Liquidation Analysis**"), which is attached hereto as **Exhibit C**. The Liquidation Analysis provides: (a) a summary of the liquidation values of the Debtors' assets, assuming a chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the assets of the Debtors' Estates, and (b) the expected recoveries of the Debtors' creditors and equity interest holders under the Plan. The Liquidation Analysis contains estimates and assumptions that, although developed and considered reasonable by the Debtors' management, are inherently subject to significant economic uncertainties and contingencies beyond the control of the Debtors and their management. Accordingly, the values reflected might not be realized. The chapter 7 liquidation period is assumed to last six months following the appointment of a chapter 7 trustee, allowing for, among other things, the discontinuation and wind-down of operations, the sale of the fixed equipment and properties as individual assets and the collection of miscellaneous amounts owed. All holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Liquidation Analysis is based in connection with their evaluation of the Plan.

The Liquidation Analysis is based on certain assumptions, including, but not limited to, the following:

- a) The operations likely cannot be sold as a going concern, especially given a contracted period to market the Debtors' operations and close a transaction.
  - o A buyer is not likely to be willing to pay a premium in excess of the amount of the secured debt and administrative expenses, and bear the risk of an additional capital investment, if needed.
- b) The inventory is of limited value in a sale.
  - o The inventory held by the Debtors is primarily used for the maintenance and repair of commercial and private aircrafts. Most of the components are highly specialized and, thus, have limited purpose. Given this (in conjunction with the regulatory and safety requirements of this industry), the Debtor believes that the inventory on hand would yield relatively little value if sold at auction.
- c) Most of the Debtors' equipment is either leased or aged.
  - o A large portion of the equipment used by the Debtors is leased and, therefore, has no value in a Chapter 7 liquidation. Whatever equipment that is owned by the Debtors is aged and would demand limited value due to the technological obsolescence that is common in such a technical field.
- d) Claims are held constant although likely to be higher as a result of the expenses which would be incurred by a chapter 7 trustee in carrying out the duties to liquidate the Estate.

AAT Liquidation Analysis:

- a) AAT does not possess any assets and, therefore, has no value in a Chapter 7 liquidation
  - o The equipment and inventory held by AAT as of the Petition Date was and continues to be used solely by AAT II. The underlying leases or claims associated with the equipment and inventory are being assigned to AAT II and have no value to AAT.
  - o On the Petition Date, AAT held a \$250,000 certificate of deposit as setoff for a secured loan. The Court granted a motion lifting the automatic stay and entitling the creditor to setoff the \$250,000 certificate of deposit.

The combined proceeds of sale, net of the expenses of a chapter 7 case, are projected to be significantly below the distributions included within the Plan and would result in numerous classes receiving no recovery and the AAT II General Unsecured Claims would receive no recovery.

7.3. Standards Applicable to Releases. Article IX of the Plan provides for releases for certain claims against non-Debtors in consideration of services provided to the Debtors and the contributions made by the Released Parties to the Debtors' chapter 11 cases. The Released Parties are: (a) the Debtors; (b) the MacDonalds (other than provided for herein) and (c) each of the foregoing parties' and each of such entities' predecessors, successor and assigns, subsidiaries, funds, portfolio companies, affiliates, respective attorneys, and each of their respective officers, directors, employees, managers, financial advisors or other professionals or representatives; *provided, however*, that such attorneys and professional advisors shall only include those that provided services related to the Reorganization Cases and the transactions contemplated by the Plan; *provided, further*, that no Person shall be a Released Party if it objects to and/or opts out of the releases provided for in Article IX of the Plan.

As set forth in the Plan, the releases are given by (i) the Debtors; (ii) each of the Released Parties; (iii) each holder of a Claim or Interest entitled to vote on the Plan that did not "opt out" of the releases provided in Section 9.5 of the Plan in a timely submitted Ballot; and (iv) to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, all holders of Claims and Interests. The released claims and exculpated claims are limited to those claims or causes of action that may have arisen in connection with, related to or arising out of the Plan, this Disclosure Statement, the Plan Supplement, any other Plan Document, the Debtors or the Reorganization Cases.

The Debtors believe that the releases set forth in the Plan are appropriate because, among other things, the releases are narrowly tailored to the Debtors' restructuring proceedings, and each of the Released Parties has provided value to the Debtors and aided in the reorganization process, including, with respect to certain Released Parties, which facilitated the Debtors' ability to propose and pursue confirmation of the Plan. The Debtors believe that each of the Released Parties has played an integral role in these Reorganization Cases and has expended significant time and resources analyzing and negotiating the issues presented by the Debtors' prepetition capital structure.

7.4. Classification of Claims and Interests. The Debtors believe that the Plan complies with the classification requirements of the Bankruptcy Code, which require that a chapter 11 plan place each claim and interest into a class with other claims or interests that are "substantially similar."

7.5. Consummation. The Plan will be consummated on the Effective Date. The Effective Date will occur on the first Business Day on which the conditions precedent to the effectiveness of the Plan, as set forth in Section 10.1 of the Plan, have been satisfied or waived pursuant to the Plan.

7.6. Exemption from Certain Transfer Taxes. To the fullest extent permitted by applicable law, all sale transactions consummated by the Debtors and approved by the Bankruptcy Court on and after the Confirmation Date through and including the Effective Date, including any transfers effectuated under the Plan, the sale by the Debtors of any owned property pursuant to section 363(b) of the Bankruptcy Code, and any assumption, assignment, and/or sale by the Debtors of their interests in unexpired leases of non-residential real property or executory contracts pursuant to section 365(a) of the Bankruptcy Code, shall constitute a "transfer under a plan" within the purview of section 1146 of the Bankruptcy Code, and shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

7.7. Termination of Professionals. On the Effective Date, the engagement of each Professional Person retained by the Debtors shall be terminated without further order of the

Bankruptcy Court or act of the parties; provided, however, such Professional Persons shall be entitled to prosecute their respective Fee Claims and represent their respective constituents with respect to applications for allowance and payment of such Fee Claims and the Reorganized Debtors shall be responsible for the reasonable and documented fees, costs and expenses associated with the prosecution of such Fee Claims. Nothing in the Plan shall preclude any Reorganized Debtor from engaging a former Professional Person on and after the Effective Date in the same capacity as such Professional Person was engaged prior to the Effective Date.

7.8. Amendments. The Plan may be amended, modified, or supplemented by the Debtors in the manner provided for by section 1127 of the Bankruptcy Code or as otherwise permitted by law, without additional disclosure pursuant to section 1125 of the Bankruptcy Code, except as otherwise ordered by the Bankruptcy Court. In addition, after the Confirmation Date, so long as such action does not materially and adversely affect the treatment of holders of Allowed Claims pursuant to the Plan, the Debtors may make appropriate technical adjustments, remedy any defect or omission or reconcile any inconsistencies in the Plan, the Plan Documents and/or the Confirmation Order, with respect to such matters as may be necessary to carry out the purposes and effects of the Plan, and any holder of a Claim or Interest that has accepted the Plan shall be deemed to have accepted the Plan as amended, modified, or supplemented.

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

7.10. Post-Confirmation Jurisdiction of the Bankruptcy Court. Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction, pursuant to 28 U.S.C. §§ 1334 and 157, over all matters arising in, arising under, or related to the Reorganization Cases for, among other things, the following purposes:

- (a) To hear and determine applications for the assumption or rejection of executory contracts or unexpired leases and the Cure Disputes resulting therefrom;
- (b) To determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on the Confirmation Date or commenced after the Confirmation Date in connection with any of the terms and provisions of, deadlines created by or obligations created by the Plan or any other Final Order of the Bankruptcy Court;



- (c) To hear and resolve any disputes arising from or relating to (i) any orders of the Bankruptcy Court granting relief under Bankruptcy Rule 2004, or (ii) any protective orders entered by the Bankruptcy Court in connection with the foregoing;
- (d) To ensure that Plan Distributions to holders of Allowed Claims are accomplished as provided in the Plan;
- (e) To consider Claims or the allowance, classification, priority, compromise, estimation or payment of any Claim, including any Administrative Expense Claim;
- (f) To enter, implement or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified or vacated;
- (g) To issue and enforce injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person with the consummation, implementation or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;
- (h) To hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistency in the Plan, the Disclosure Statement, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;
- (i) To hear and determine all Fee Claims;
- (j) To resolve disputes concerning any reserves with respect to Disputed Claims or the administration thereof;
- (k) To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated hereby, or any agreement, instrument, or other document governing or relating to any of the foregoing;
- (l) To take any action and issue such orders, including any such action or orders as may be necessary after occurrence of the Effective Date and/or consummation of the Plan, as may be necessary to construe, enforce, implement, execute, and consummate the Plan or other rulings entered in connection with the Reorganization Cases, including any release or injunction provisions set forth in the Plan, or to maintain the integrity of the Plan following consummation;
- (m) To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

- (n) To hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
- (o) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code;
- (p) To resolve any disputes concerning whether a Person had sufficient notice of the Reorganization Cases, the Disclosure Statement Hearing, the Confirmation Hearing, any applicable Bar Date, or the deadline for responding or objecting to a Cure Amount, for the purpose of determining whether a Claim or Interest is discharged hereunder, or for any other purpose;
- (q) To recover all assets of the Debtors and property of the Estates, wherever located; and
- (r) To enter a final decree closing each of the Reorganization Cases.

#### **ARTICLE VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

If the Plan is not consummated, the Debtors' capital structure will remain over-leveraged and the Debtors will be unable to satisfy in full their debt obligations. Accordingly, if the Plan is not confirmed and consummated, the alternatives include:

8.1. Liquidation Under Chapter 7 of the Bankruptcy Code. The Debtors could be liquidated under chapter 7 of the Bankruptcy Code. A discussion of the effect a chapter 7 liquidation would have on the recoveries of the holders of Claims is set forth in Article VII of this Disclosure Statement. The Debtors believe that liquidation would result in lower aggregate distributions being made to creditors than those provided for in the Plan, which is demonstrated by the Liquidation Analysis set forth in Article VII and attached as **Exhibit C** to this Disclosure Statement.

8.2. Alternative Plan(s) of Reorganization. The Debtors believe that failure to confirm the Plan will lead inevitably to expensive and protracted Reorganization Cases, whereas the Plan will enable the Debtors to emerge from chapter 11 successfully and expeditiously, preserving their business and allowing creditors to realize the highest recoveries under the circumstances. In a liquidation under chapter 11 of the Bankruptcy Code, the assets of the Debtors would be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7, and a trustee need not be appointed. Accordingly, creditors would receive greater recoveries than in a chapter 7 liquidation. Although a chapter 11 liquidation may be preferable to a chapter 7 liquidation, the Debtors believe that a liquidation under chapter 11 is a much less attractive alternative to holders of Claims and Interests than the Plan because the Plan provides for a greater return to holders of Claims and Interests.

Moreover, the prolonged continuation of the Reorganization Cases is likely to adversely affect the Debtors' business and operations. So long as the Reorganization Cases continue, Debtors' management will be required to spend a significant amount of time and effort dealing with the Debtors' reorganization instead of focusing exclusively on business operations. Prolonged continuation of the Reorganization Cases will also make it more difficult to attract and retain

management and other key personnel necessary to the success and growth of the Debtors' business. In addition, the longer the Reorganization Cases continue, the more likely it is that the Debtors' customers, vendors and suppliers will lose confidence in the Debtors' ability to reorganize their business successfully and will seek to establish alternative commercial relationships. Furthermore, so long as the Reorganization Cases continue, the Debtors will be required to incur substantial costs for professional fees and other expenses associated with the Reorganization Cases.

The Debtors believe that not only does the Plan fairly adjust the rights of various Classes of Claims, but also that the Plan provides superior recoveries over any alternative capable of rational consideration (such as a chapter 7 liquidation), thus enabling stakeholders to maximize their returns. Rejection of the Plan in favor of some alternative method of reconciling the Claims and Interests will require, at the very least, an extensive and time-consuming process (including the possibility of protracted and costly litigation) and will not result in a better recovery for any Class of Claims or Interests.

THE DEBTORS BELIEVE THAT CONFIRMATION OF THE PLAN IS PREFERABLE TO ANY ALTERNATIVE BECAUSE THE PLAN MAXIMIZES THE AMOUNT OF DISTRIBUTIONS TO ALL HOLDERS OF CLAIMS AND ANY ALTERNATIVE TO CONFIRMATION OF THE PLAN WILL RESULT IN SUBSTANTIAL DELAYS IN THE DISTRIBUTION OF ANY RECOVERIES. THEREFORE, THE DEBTORS RECOMMEND THAT ALL HOLDERS OF IMPAIRED CLAIMS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.

8.3. Dismissal of the Reorganization Cases. Dismissal of the Reorganization Cases would have the effect of restoring (or attempting to restore) all parties to the *status quo ante*. Upon dismissal of the Reorganization Cases, the Debtors would lose the protection of the Bankruptcy Code, thereby requiring, at the very least, an extensive and time-consuming process of negotiations with their creditors, possibly resulting in costly and protracted litigation in various jurisdictions. Moreover, holders of Secured Claims may be permitted to foreclose upon the assets that are subject to their Liens, which is likely all of the Debtors' assets, including all of their Cash. Dismissal may also permit certain unpaid unsecured creditors to obtain and enforce judgments against the Debtors. The Debtors believe that these actions would seriously undermine their ability to obtain financing and could lead ultimately to the liquidation of the Debtors under chapter 7 of the Bankruptcy Code. Therefore, the Debtors believe that dismissal of the Reorganization Cases is not a viable alternative to the Plan.

## ARTICLE IX. SUMMARY OF VOTING PROCEDURES

This Disclosure Statement, including all exhibits hereto and the related materials included herewith, is being furnished to the holders of Claims in Classes 1, 2, 3, 5, 6, 7, 8, 9, 10 and 11 which are the only Claims entitled to vote on the Plan.

All votes to accept or reject the Plan must be cast by using the Ballot(s) enclosed with this Disclosure Statement. No other votes will be counted. Consistent with the provisions of Bankruptcy Rule 3018, the Debtors have fixed April 3, 2017, at 4:00 p.m. (Central Standard Time), as the Voting Record Date. Ballots must be RECEIVED by counsel for the Debtors no later than the Voting Deadline, **4:00 p.m. (Central Standard Time) on April 3, 2017**, unless the Debtors, at any time, in their sole discretion, extend such date by oral or written notice, in which event the period during which Ballots will be accepted will terminate at 4:00 p.m. (Central Standard Time) on such

extended date. *See* Section 1.4 "*Voting; Holders of Claims Entitled to Vote*" above for additional disclosures regarding voting.

Ballots previously delivered may be withdrawn or revoked at any time prior to the Voting Deadline by the claimant who completed the original Ballot. A Ballot may be revoked or withdrawn either by submitting a superseding Ballot or by providing written notice to counsel for Debtors.

To be effective, notice of revocation or withdrawal must: (a) be received on or before the Voting Deadline by counsel for Debtors at their address specified in Section 1.4 above; (b) specify the name of the holder of the Claim whose vote on the Plan is being withdrawn or revoked; (c) contain the description of the Claim as to which a vote on the Plan is withdrawn or revoked; and (d) be signed by the holder of the Claim in the same manner as such holder signed the original Ballot. The foregoing procedures should also be followed with respect to a person entitled to vote on the Plan who wishes to change (rather than revoke or withdraw) its vote.

## **ARTICLE X. DESCRIPTION AND HISTORY OF REORGANIZATION CASES**

10.1. General Case Background. On February 12, 2016, AAT filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. On May 15, 2016, AAT II filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. On May 20, 2016, the Bankruptcy Court entered an order [Docket No. 43] authorizing the joint administration of the Debtors' bankruptcy cases, for procedural purposes only, under Case No. 16-30633. The Honorable Harlin D. Hale is presiding over the Debtors' bankruptcy cases. The Debtors continue to operate their businesses and manage their properties as debtors and debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No statutory committee of unsecured creditors has been appointed in these cases. As of the date hereof, no request has been made for the appointment of a trustee or examiner in these cases.

The following is a brief description of certain significant events that have occurred during the pendency of the Debtors' bankruptcy cases.

10.2. Retention of Professionals. On March 15, 2016, AAT filed an amended application seeking entry of an order authorizing AAT to retain Shackelford, Melton, McKinley & Norton, LLP as counsel to AAT [Docket No. 18]. On April 7, 2016, AAT filed an application seeking entry of an order authorizing AAT to retain Kleiber & Associates, CPAs ("**K&A**"), as accountant for AAT. On May 2, 2016, the Court entered an order authorizing the employment of Shackelford, Melton, McKinley & Norton, LLP [Docket No. 30]. On May 6, 2016, the Court entered an order authorizing the employment of K&A [Docket No. 32]. On June 14, 2016, AAT II filed an application seeking entry of an order authorizing AAT II to retain Shackelford, Melton, McKinley & Norton, LLP as counsel to AAT II [Docket No. 117]. On June 14, 2016, AAT II filed an application seeking entry of an order authorizing AAT II to retain K&A, as accountant for AAT II. On July 28, 2016, the Court entered an order authorizing the employment of Shackelford, Melton, McKinley & Norton, LLP [Docket No. 124]. On July 28, 2016, the Court entered an order authorizing the employment of K&A [Docket No. 125]. On October 6, 2016, the Debtors filed an application seeking entry of an order authorizing the Debtors to retain Winstead PC, as counsel to the Debtors [Docket No. 152]. On November 15, 2016, the Court entered an order authorizing order authorizing the Debtors to retain Winstead, as counsel to the Debtors [Docket No. 176]. On November 28, 2016, the Debtors filed an application seeking entry of an order authorizing the Debtors to employ the BVA Group, LLC, as financial advisors for the Debtors [Docket No. 183]. On December 2, 2016, the Court entered an

order authorizing the employment of the BVA Group, LLC as financial advisors for the Debtors [Docket No. 188].

10.3. Joint Administration. On May 18, 2016, the Debtors filed with the Bankruptcy Court a motion seeking entry of an order authorizing procedural joint administration [Docket No. 36] (the "**Joint Administration Motion**"). On May 20, 2016, the Bankruptcy Court entered orders granting the Joint Administration Motion [Docket No. 43].

10.4. Employment Obligations. The Debtors believe that they have a valuable asset in their workforce, and that the efforts of the Debtors' employees are critical to a successful reorganization. On May 18, 2016, the Debtors filed with the Bankruptcy Court a motion for an order authorizing the Debtors to pay certain prepetition employee wage and benefit obligations [Docket No. 37] (the "**Employee Wage Motion**"). In the Employee Wage Motion, the Debtors requested authorization to, among other things, satisfy certain of their prepetition obligations to their current employees, pay prepetition payroll-related taxes and withholdings associated with the Debtors' employee wage claims and the employee benefit obligations, and other similar tax obligations, and direct the Debtors' bank to receive, honor, process, and pay any all prepetition and postpetition obligations from the Debtors' payroll accounts. On May 20, 2016, the Bankruptcy Court entered an order approving the Employee Wage Motion [Docket No. 45].

10.5. Insurance Motion. On May 18, 2016, the Debtors filed with the Bankruptcy Court a motion seeking entry of an order authorizing the Debtors to pay various prepetition and postpetition insurance premiums to ensure the continued operation of the Debtors' business, protect the value of the Debtors' assets, and ensure that the Debtors' employees have required health insurance, as and when such obligations become due [Docket No. 39] (the "**Insurance Motion**"). On May 20, 2016, the Bankruptcy Court entered orders granting the Insurance Motion [Docket No. 46].

10.6. Critical Vendor Motion. On May 25, 2016, the Debtors filed with the Bankruptcy Court a motion seeking entry of an order authorizing the Debtors to pay prepetition and postpetition obligations to vendors that are essential to the Debtors' business, as and when such obligations become due [Docket No. 53] (the "**Critical Vendor Motion**"). On June 2, 2016, the Bankruptcy Court entered orders granting the Critical Vendor Motion [Docket No. 76].

10.7. Cash Collateral Motion. On May 18, 2016, the Debtors filed with the Bankruptcy Court a motion seeking entry of an order authorizing the use of cash collateral in accordance with and interim and final budget [Docket No. 38] (the "**Cash Collateral Motion**"). The Cash Collateral Motion also requested an order granting alleged secured lenders a replacement line in the same types and items of the Debtors' property acquired or arising postpetition in which the alleged secured lenders held an interest prepetition. On May 23, 2016, June 2, 2016, and June 20, 2016, the Bankruptcy Court entered orders granting the Cash Collateral Motion on an interim basis [Docket Nos. 51, 77 & 99]. On July 11, 2016, the Bankruptcy Court entered an order granting the Cash Collateral Motion on a final basis [Docket No.112].

10.8. Schedules and Statements. On April 12, 2016, AAT filed with the Bankruptcy Court its Amended Schedules of Assets and Liabilities and its Amended Statement of Financial Affairs [Docket Nos. 25 & 26] (the "**AAT Schedules and Statements**"). On June 17, 2016, AAT II filed with the Bankruptcy Court its Amended Schedules of Assets and Liabilities and its Amended Statement of Financial Affairs [Docket Nos. 97 & 98] (the "**AAT II Schedules and Statements**").

## **ARTICLE XI. CERTAIN RISK FACTORS TO BE CONSIDERED**

### **11.1. Certain Bankruptcy Considerations.**

11.1.1. General. Although the Plan is designed to implement the restructuring transactions contemplated thereby and provide distributions to creditors in an expedient and efficient manner, it is impossible to predict with certainty the amount of time that the Debtors may spend in bankruptcy or to assure parties in interest that the Plan will be confirmed.

If the Debtors are unable to obtain confirmation of the Plan on a timely basis because of a challenge to confirmation of the Plan or a failure to satisfy the conditions to consummation of the Plan, they may be forced to operate in bankruptcy for an extended period while they try to develop a different chapter 11 plan that can be confirmed. Such a scenario could jeopardize the Debtors' relationships with their key vendors and suppliers, customers and employees, which, in turn, would have an adverse effect on the Debtors' operations. A material deterioration in the Debtors' operations likely would diminish recoveries under any subsequent chapter 11 plan. Further, in such event, the Debtors may not have sufficient liquidity to operate in bankruptcy for such an extended period.

11.1.2. Failure to Receive Requisite Acceptances. Claims in Classes 1, 2, 3, 5, 6, 7, 8, 9, 10 and 11 are the only Claims that are entitled to vote to accept or reject the Plan. Although the Debtors believe they will receive the requisite acceptances, the Debtors cannot provide assurances that the requisite acceptances to confirm the Plan will be received for at least one of these Classes. If the requisite acceptances are not received for at least one of these Classes, the Debtors will not be able to seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code because at least one impaired Class will not have voted in favor of the Plan as required by section 1129(a)(10) of the Bankruptcy Code. In such a circumstance, the Debtors may seek to accomplish an alternative restructuring of their capitalization and obligations to creditors and obtain acceptances of an alternative plan of reorganization for the Debtors, or otherwise may be required to liquidate these Estates under chapter 7 or chapter 11 of the Bankruptcy Code. There can be no assurance that the terms of any such alternative restructuring arrangement or plan would be similar to, or as favorable to the Debtors' creditors as, those proposed in the Plan.

11.1.3. Failure to Secure Confirmation of the Plan. Even if the requisite acceptances are received, the Debtors cannot provide assurances that the Bankruptcy Court will confirm the Plan. A non-accepting creditor or equity interest holder of the Debtors might challenge the balloting procedures and results as not being in compliance with the Bankruptcy Code or the Bankruptcy Rules. Even if the Bankruptcy Court determined that the Disclosure Statement and the balloting procedures and results were 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. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of distributions to non-accepting holders of claims and interests within a particular class under the Plan will not be less than the value of distributions such holders would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code. While the Debtors cannot provide assurances that the Bankruptcy Court will conclude that these requirements have been met, the Debtors believe that the Plan will not be followed by a need for further financial reorganization and that non-accepting holders within each Class under the Plan will receive distributions at least as great as would be received following a

liquidation under chapter 7 of the Bankruptcy Code when taking into consideration all administrative claims and the costs and uncertainty associated with any such chapter 7 case.

If the Plan is not confirmed, the Plan will need to be revised and it is unclear whether a restructuring of the Debtors could be implemented and what distribution holders of Claims ultimately would receive with respect to their Claims. If an alternative reorganization could not be agreed to, it is possible that the Debtors would have to liquidate their assets, in which case it is likely that holders of Claims would receive substantially less favorable treatment than they would receive under the Plan. There can be no assurance that the terms of any such alternative restructuring arrangement or plan would be similar to or as favorable to the Debtors' creditors as those proposed in the Plan.

11.1.4. Failure to Consummate the Plan. Section 10.1 of the Plan contains various conditions to consummation of the Plan, including the Confirmation Order having become final and non-appealable, and all conditions precedent to effectiveness of certain agreements having been satisfied or waived in accordance with the terms thereof. As of the date of this Disclosure Statement, there can be no assurance that these or the other conditions to consummation will be satisfied or waived. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed. If the Plan is not consummated and the restructuring completed, these Reorganization Cases will be prolonged and the Debtors may lack sufficient liquidity to effect a successful restructuring under chapter 11 of the Bankruptcy Code.

11.1.5. Objections to Treatment of Claims. Section 1129(b) of the Bankruptcy Code provides that a plan of reorganization must not discriminate unfairly with respect to each class of Claims or Interests. Holders of Claims or Interests may argue that the Plan discriminates unfairly with respect to their Claims or Interests. The Debtors believe that the treatment of each class of Claims or Interests complies with the requirements set forth in the Bankruptcy Code. There can be no assurance, however, that the Bankruptcy Court will reach the same conclusion.

11.1.6. Objections to Classification of Claims. Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. There can be no assurance, however, that the Bankruptcy Court will reach the same conclusion.

11.1.7. The Debtors May Object to the Amount or Classification of Your Claim. The Debtors reserve the right to object to the amount or classification of any Claim. It is the Debtors' position that the estimates set forth in this Disclosure Statement cannot be relied on by any creditor whose Claim or Interest is subject to an objection. Any such Claim holder may not receive its specified share of the estimated distributions described in this Disclosure Statement.

11.1.8. The Debtor May Adjourn Certain Deadlines. In certain circumstances, the Debtors may deem it appropriate to adjourn either or both of the Voting Deadline and/or the Confirmation Hearing. While the Debtors estimate that the Effective Date will occur on or around May 2017, they cannot provide assurances that applicable dates related to the foregoing will not be extended and the Effective Date will not be delayed.

## 11.2. Risks Relating to the Capital Structure of the Reorganized Debtors.

11.2.1. Variances from Financial Projections. The Financial Projections included as **Exhibit C** to this Disclosure Statement reflect numerous assumptions, which involve significant levels of judgment and estimation concerning the anticipated future performance of the Reorganized Debtors, as well as assumptions with respect to the prevailing market, economic and competitive conditions, which are beyond the control of the Reorganized Debtors and which may not materialize, particularly given the current difficult economic environment. Any significant differences in actual future results versus estimates used to prepare the Financial Projections, such as lower sales, lower pricing, increases in costs, technological changes, environmental or safety issues, workforce disruptions, competition or changes in any applicable regulatory environment, could result in significant differences from the Financial Projections. The Debtors believe that the assumptions underlying the Financial Projections are reasonable. However, unanticipated events and circumstances occurring subsequent to the preparation of the Financial Projections may affect the Debtors' and the Reorganized Debtors' ability to initiate the endeavors and meet the financial benchmarks contemplated by the Plan. Therefore, the actual results achieved throughout the period covered by the Financial Projections necessarily will vary from the projected results, and these variations may be material and adverse.

11.2.2. Leverage. Although the Reorganized Debtors will have less indebtedness than the Debtors, the Reorganized Debtors will still have a significant amount of secured indebtedness. On the Effective Date, after giving effect to the transactions contemplated by the Plan, in addition to payment of Claims, if any, that require payment beyond the Effective Date and ordinary course debt, the Reorganized Debtors will, on a consolidated basis, have approximately \$1,300,000 in secured indebtedness.

**The degree to which the Reorganized Debtors will be leveraged could have important consequences because:**

- it could affect the Reorganized Debtors' ability to satisfy their obligations under their secured indebtedness following the Effective Date;
- a portion of the Reorganized Debtors' Cash flow from operations will be used for debt service and unavailable to support operations, or for working capital, capital expenditures, expansion, or general corporate or other purposes;
- the Reorganized Debtors' ability to obtain additional debt financing or equity financing in the future may be limited; and
- the Reorganized Debtors' operational flexibility in planning for, or reacting to, changes in their businesses may be severely limited.

11.2.3. Ability to Service Debt. Although the Reorganized Debtors will have less indebtedness than the Debtors, the Reorganized Debtors will still have significant interest expense and principal repayment obligations. The Reorganized Debtors' ability to make payments on and to refinance their debt will depend on their future financial and operating performance and their ability to generate cash in the future. This, to a certain extent, is subject to general economic, business, financial, competitive, legislative, regulatory and other factors that are beyond the control of the Reorganized Debtors.



Although the Debtors believe the Plan is feasible, there can be no assurance that the Reorganized Debtors will be able to generate sufficient cash flow from operations or that sufficient future borrowings will be available to pay off the Reorganized Debtors' debt obligations. The Reorganized Debtors may need to refinance all or a portion of their debt on or before maturity; however, there can be no assurance that the Reorganized Debtors will be able to refinance any of their debt on commercially reasonable terms or at all.

11.2.4. Obligations Under Certain Financing Agreements. The Reorganized Debtors' obligations under certain financing agreements will be secured by liens on substantially all of the assets of the Reorganized Debtors (subject to certain exclusions set forth in the Plan. If the Reorganized Debtors become insolvent or are liquidated, or if there is a default, and payment on any obligation thereunder is accelerated, the lender would be entitled to exercise the remedies available to a secured lender under applicable law, including foreclosure on the collateral that is pledged to secure the indebtedness thereunder, and they would have a claim on the assets securing the obligations under the applicable loan agreement(s) that would be superior to any claim of the holders of unsecured debt.

11.2.5. Risks Relating to Tax and Accounting Consequences of the Plan. The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors currently do not intend to seek any ruling from the Internal Revenue Service ("IRS") on the tax consequences of the Plan. Thus, there can be no assurance that the IRS will not challenge the various positions the Debtors have taken, or intend to take, with respect to the tax treatment in the Plan, or that a court would not sustain such a challenge.

### 11.3. Risks Associated with the Companies Businesses.

THE FOLLOWING PROVIDES A SUMMARY OF CERTAIN OF THE RISKS ASSOCIATED WITH THE COMPANIES BUSINESSES. HOWEVER, THIS SECTION IS NOT INTENDED TO BE EXHAUSTIVE.

11.3.1. The Debtors' Reorganization Cases May Negatively Impact the Companies' Future Operations. While the Debtors believe that they will be able to emerge from chapter 11 relatively expeditiously, there can be no assurance as to timing for approval of the Plan or the Debtors' emergence from chapter 11. Additionally, the Reorganization Cases may adversely affect the C ability to retain existing customers and suppliers, attract new customers, and maintain contracts that are critical to the companies' operations.

## **ARTICLE XII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

12.1. Introduction. The following discussion summarizes certain federal income tax consequences to the Debtors or Reorganized Debtors expected to result from the consummation of the Plan. This discussion is only for general information purposes. It is not a complete analysis of all potential federal income tax consequences and does not address any tax consequences arising under any state, local or foreign tax laws or federal estate or gift tax laws. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. This discussion is based on the Internal Revenue Code of 1986, as amended ("IRC"), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS, all as in effect on the date of this Disclosure Statement. These authorities may change, possibly retroactively, resulting in federal income tax consequences different from those discussed below. No

ruling has been or will be sought from the IRS, and no legal opinion of counsel will be rendered, with respect to the matters discussed below. There can be no assurance that the IRS will not take a contrary position regarding the federal income tax consequences resulting from the consummation of the Plan or that any contrary position would not be sustained by a court.

Additionally, a significant amount of time may elapse between the date of this Disclosure Statement and the receipt of a final distribution under the Plan. Events occurring after the date of this Disclosure Statement could affect the U.S. federal income tax consequences of the Plan.

12.2. Federal Income Tax Consequences to the Debtors. It is anticipated that, upon implementation of the Plan, the Debtors generally should realize cancellation of indebtedness income ("**COD Income**") to the extent the discharge of a debt obligation is in exchange for an amount of cash and other property having a fair market value less than the "adjusted issue price" of the debt that is discharged. The Debtors expect that the amount of COD Income realized upon consummation of the Plan could be significant; however, the ultimate amount of COD Income realized by the Debtors is uncertain. Estimated recoveries for the Debtors' various Claims are set forth in Article II above. COD Income realized by a debtor will be excluded from income if the discharge of debt occurs in a case brought under the Bankruptcy Code, the debtor is under the court's jurisdiction in such case and the discharge is granted by the court or is pursuant to a chapter 11 plan approved by the court (the "**Bankruptcy Exception**"). Because the Bankruptcy Exception will apply to the transactions consummated pursuant to the Plan, the Debtors will not be required to recognize any COD Income realized as a result of the implementation of the Plan.

A debtor that does not recognize COD Income under the Bankruptcy Exception generally must reduce certain tax attributes by the amount of the excluded COD Income. Where the debtor joins in the filing of a consolidated U.S. federal income tax return, applicable Treasury Regulations require, in certain circumstances, that the tax attributes of the consolidated subsidiaries of the debtor and other members of the group also be reduced. Attributes subject to reduction include net operating losses ("**NOLs**"), NOL carryforwards and certain other losses, credits and carryforwards, and the debtor's tax basis in its assets. NOLs for the taxable year of the discharge and NOL carryovers to such year generally are the first attributes subject to reduction. However, a debtor may elect under IRC Section 108(b)(5) (the "**Section 108(b)(5) Election**") to reduce its basis in its depreciable property first. The reduction in tax attributes occurs at the beginning of the taxable year following the taxable year in which the discharge occurs. Any excess COD Income over the amount of available tax attributes is not subject to U.S. federal income tax.

Additionally, as of the filing of this Disclosure Statement, certain of the Debtors' outstanding indebtedness will be satisfied in exchange for property other than Cash under the Plan, the amount of COD income and accordingly the amount of tax attributes required to be reduced, will depend in part on the fair market value of the that property. These values cannot be known with certainty until after the Effective Date. Thus, although it is expected that the Debtors will be required to reduce their tax attributes, the exact amount of such reduction will not be known until after the Effective Date.

12.3. Federal Income Tax Consequences to Holders of Certain Claims. **THE PLAN AND ITS RELATED TAX CONSEQUENCES ARE COMPLEX. THERE ALSO MAY BE STATE, LOCAL, OR OTHER TAX CONSIDERATIONS APPLICABLE TO EACH CREDITOR. CREDITORS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE CONSUMMATION OF THE PLAN AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY**

**STATE, LOCAL OR FOREIGN TAX LAWS, OR ANY OTHER FEDERAL TAX LAWS. NOTHING IN THIS DISCLOSURE STATEMENT IS MEANT TO PROVIDE ANY TAX ADVICE TO ANY CREDITOR.**

**ARTICLE XIII. PROCEDURES FOR DISTRIBUTIONS UNDER THE PLAN**

13.1. Distributions. The Reorganized Debtors shall make all Plan Distributions to the appropriate holders of Allowed Claims in accordance with the terms of the Plan. The Reorganized Debtors are authorized to: (i) effectuate all actions and execute all agreements, instruments, and other documents necessary to perform their distribution duties under the Plan; (ii) make all applicable Plan Distributions or payments contemplated hereby; (iii) employ professionals to represent them with respect to their responsibilities; and (iv) exercise such other powers as may be deemed by the Reorganized Debtors to be necessary and proper to implement the provisions hereof.

13.2. No PostPetition Interest on Claims. Other than with respect to the Secured Claims, the AAT Secured Equipment Claims, and the Legacy Guaranteed Claims (to the extent required by applicable law) unless otherwise specifically provided for in the Plan, Confirmation Order or other order of the Bankruptcy Court, or required by applicable bankruptcy or non-bankruptcy law, postpetition interest shall not accrue or be paid on any prepetition Claim, and no holder of a prepetition Claim shall be entitled to interest accruing on such Claim on or after the AAT Petition Date and/or the AAT II Petition Date.

13.3. Date of Distributions. Unless otherwise provided in the Plan, any Plan Distributions and deliveries to be made hereunder shall be made on the applicable distribution date provided in the Plan. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on or as soon as reasonably practicable after the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

13.4. Distribution Record Date. As of the close of business on the Distribution Record Date, the various lists of holders of Claims in each of the Classes, as maintained by the Debtors, or their agents, shall be deemed closed and there shall be no further changes in the record holders of any of the Claims after the Distribution Record Date. The Debtors shall not have any obligation to recognize any transfer of Claims occurring after the close of business on the Distribution Record Date. Additionally, with respect to payment of any Cure Claims in connection with the assumption and/or assignment of the Debtors' executory contracts and unexpired leases, the Debtors shall not have any obligation to recognize or deal with any party other than the non-Debtor party to the applicable executory contract or unexpired lease, even if such non-Debtor party has sold, assigned or otherwise transferred its Cure Claim or any other Claim it may hold.

13.5. Delivery of Distribution. Subject to the provisions contained in Article XI of the Plan, the Reorganized Debtors will issue, or cause to be issued, and authenticate, as applicable, all Plan Consideration, and subject to Bankruptcy Rule 9010, make all Plan Distributions or payments to any holder of an Allowed Claim as and when required by this Plan at: (a) the address of such holder on the books and records of the Debtors or their agents; or (b) at the address in any written notice of address change delivered to the Debtors, including any addresses included on any filed proofs of Claim or transfers of Claim filed with the Bankruptcy Court. In the event that any Plan Distribution to any holder is returned as undeliverable, no distribution or payment to such holder shall be made unless and until the Reorganized Debtors have been notified of the then current address of such

holder, at which time or as soon as reasonably practicable thereafter such Plan Distribution shall be made to such holder without interest, provided, however, such Plan Distributions or payments shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of the later of one year from: (i) the Effective Date; and (ii) the first distribution date after such holder's Claim is first Allowed.

13.6. Unclaimed Property. One year from the later of: (i) the Effective Date, and (ii) the date that a Claim is first Allowed, all unclaimed property or interests in property distributable hereunder on account of such Claim shall revert to the Reorganized Debtors or the successors or assigns of the Reorganized Debtors, and any claim or right of the holder of such Claim to such property or interest in property shall be discharged and forever barred. The Reorganized Debtors shall have no obligation to attempt to locate any holder of an Allowed Claim other than by reviewing the Debtors' books and records, and the proofs of Claim filed against the Debtors, as reflected on the claims register maintained by the Bankruptcy Court.

13.7. Satisfaction of Claims. Unless otherwise provided the Plan, any Plan Distributions and deliveries to be made on account of Allowed Claims hereunder shall be in complete settlement, satisfaction and discharge of such Allowed Claims.

13.8. Manner of Payment Under Plan. Except as specifically provided in the Plan, at the option of the Reorganized Debtors, any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements or customary practices of the Debtors or Reorganized Debtors.

13.9. De Minimis Cash Distributions. The Reorganized Debtors shall have no obligation to make a Plan Distribution that is less than \$50.00 in Cash. Such Plan Distribution shall be included in any later Distribution that, with such inclusion, exceeds \$50.

13.10. No Distribution in Excess of Amount of Allowed Claim. Notwithstanding anything to the contrary in the Plan, no holder of an Allowed Claim shall, on account of such Allowed Claim, receive a Plan Distribution of a value in excess of the Allowed amount of such Claim plus any postpetition interest on such Claim, to the extent such interest is permitted by Section 11.2 of the Plan.

13.11. Setoffs and Recoupments. Except as expressly provided in the Plan, each Reorganized Debtor may, pursuant to section 553 of the Bankruptcy Code, set off and/or recoup against any Plan Distributions to be made on account of any Allowed Claim, any and all claims, rights and Causes of Action that such Reorganized Debtor may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effectuate a setoff or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release by a Reorganized Debtor or its successor of any and all claims, rights and Causes of Action that such Reorganized Debtor or its successor may possess against the applicable holder.

13.12. Withholding and Reporting Requirements. In connection with the Plan and all Plan Distributions hereunder, the Reorganized Debtors shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all Plan Distributions hereunder shall be subject to any such withholding and reporting requirements. The Reorganized Debtors shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements, including, without

limitation, liquidating a portion of any Plan Distribution to generate sufficient funds to pay applicable withholding taxes or establishing any other mechanisms the Debtors or Reorganized Debtors believe are reasonable and appropriate, including requiring a holder of a Claim to submit appropriate tax and withholding certifications. Notwithstanding any other provision of the Plan: (a) each holder of an Allowed Claim that is to receive a Plan Distribution under the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations on account of such distribution; and (b) no Plan Distributions shall be required to be made to or on behalf of such holder pursuant to the Plan unless and until such holder has made arrangements satisfactory to the Reorganized Debtors for the payment and satisfaction of such tax obligations or has, to the Reorganized Debtors' satisfaction, established an exemption therefrom.

#### **ARTICLE XIV. PROCEDURES FOR RESOLVING CLAIMS**

14.1. Objections to Claims. Other than with respect to Fee Claims, only the Reorganized Debtors shall be entitled to object to Claims after the Effective Date. Any objections to those Claims (other than Administrative Expense Claims), shall be served and filed on or before the later of: (a) the date that is 180 days after the Effective Date; and (b) such other date as may be fixed by the Bankruptcy Court for cause, whether fixed before or after the date specified in clause (a) hereof (the "Claims Objection Deadline"). Any Claims filed after the Bar Date or Administrative Bar Date, as applicable, shall be deemed Disallowed and expunged in their entirety upon the Effective Date, unless the Person wishing to file such untimely Claim has received the Bankruptcy Court's authorization to do so. Claims which were listed on the Schedules as contingent, unliquidated, and/or disputed, to which no timely Proof of Claim was filed by the Bar Date, are disallowed. Any Claims filed after the Bar Date or Administrative Bar Date, as applicable, shall be deemed Disallowed and expunged in their entirety upon the Effective Date, unless the Person wishing to file such untimely Claim has received the Bankruptcy Court's authorization to do so. Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the claimant if the objecting party effects service in any of the following manners: (x) in accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004; (y) by first class mail, postage prepaid, on the signatory on the proof of claim, as well as all other representatives identified in the proof of claim or any attachment thereto; or (z) if counsel has agreed to or is otherwise deemed to accept service, by first class mail, postage prepaid, on any counsel that has appeared on the claimant's behalf in the Reorganization Cases (so long as such appearance has not been subsequently withdrawn). From and after the Effective Date, the Reorganized Debtors

14.2. Amendment to Claims. From and after the Effective Date, no proof of Claim may be amended to increase or assert additional claims not reflected in a previously timely filed Claim (or Claim scheduled on the applicable Debtor's Schedules, unless superseded by a filed Claim), and any such Claim shall be deemed disallowed and expunged in its entirety without further order of the Bankruptcy Court or any action being required on the part of the Debtors or the Reorganized Debtors unless the claimant has obtained the Bankruptcy Court's prior approval to file such amended or increased Claim.

14.3. Disputed Claims. Disputed Claims shall not be entitled to any Plan Distributions unless and until they become Allowed Claims.

14.4. Estimation of Claims. The Debtors and/or Reorganized Debtors may request that the Bankruptcy Court enter an Estimation Order with respect to any Claim, pursuant to section 502(c) of

the Bankruptcy Code, for purposes of determining the Allowed amount of such Claim regardless of whether any Person has previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time (including during the pendency of any appeal with respect to the allowance or disallowance of such Claims). In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim for allowance purposes, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the objecting party may elect to pursue any supplemental proceedings to object to any ultimate allowance of such Claim. All of the objection, estimation, settlement, and resolution procedures set forth in the Plan are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, resolved or withdrawn by any mechanism approved by the Bankruptcy Court.

14.5. Expenses Incurred On or After the Effective Date. Except as otherwise ordered by the Bankruptcy Court, and subject to the written agreement of the Reorganized Debtors, the amount of any reasonable fees and expenses incurred by any Professional Person on or after the Effective Date in connection with implementation of this Plan, including, without limitation, reconciliation of, objection to, and settlement of Claims, shall be paid in Cash by the Reorganized Debtors.

### **CONCLUSION**

The Debtors believe that confirmation and implementation of the Plan is preferable to any of the alternatives described herein because it will provide the greatest recovery to holders of Claims. Other alternatives would involve significant delay, uncertainty and substantial administrative costs and are likely to reduce any return to creditors who hold Claims. The Debtors urge the holders of Impaired Claims in Classes 1, 2, 3, 5, 6, 7, 8, 9, 10, and 11 who are entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by returning their Ballots to Debtors' counsel so that they will be received not later than 4:00 p.m.(Central Standard Time) on April 3, 2017.

[Remainder of Page Intentionally Left Blank]

**Dated: February 20, 2017.**

Dallas, Texas

By: /s/ Dennis Moore  
Dennis Moore  
President  
Advantage Aviation Technologies, Inc.

By: /s/ Dennis Moore  
Dennis Moore  
President  
Advantage Aviation Technologies II, LLC

Filed by.

/s/ Rakhee Patel  
Rakhee V. Patel  
State Bar No. 00797213  
Annmarie Chiarello  
State Bar No. 24097496  
**WINSTEAD PC**  
500 Winstead Building  
2728 N. Harwood Street  
Dallas, TX 75201  
Telephone. (214) 745-5400  
Facsimile. (214) 745-5390  
Email: [rpatel@winstead.com](mailto:rpatel@winstead.com)  
Email: [achiarello@winstead.com](mailto:achiarello@winstead.com)

**Table of Exhibits**

Exhibit A – Debtors' Joint Plan of Reorganization

Exhibit B – Detailed Financial Projections

Exhibit C – Liquidation Analysis



**Exhibit A**

**Debtors' Plan of Reorganization**

**Exhibit B**

**Detailed Financial Projections**

**Exhibit C**

**Liquidation Analysis**