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Court Approves Hawker Beechcraft's Plan of Reorganization



BY TEXTRON AVIATION

Confirmation paves the way for company to emerge from Chapter 11

Hawker Beechcraft, Inc. (Hawker Beechcraft) today announced that the U.S. Bankruptcy Court for the Southern District of New York has approved its Joint Plan of Reorganization (Plan), paving the way for the company to emerge from Chapter 11 in the second half of February. In confirming the Plan, Judge Stuart M. Bernstein found that it satisfied all of the requirements of the U.S. Bankruptcy Code.

Robert S. ("Steve") Miller, CEO of Hawker Beechcraft, Inc., said, "Today's ruling marks the final significant step in the restructuring process. Throughout this process, we have been guided by the goal of emerging in a strong operational and financial position, with an enhanced ability to compete well into the future. Our recapitalization and dramatically reduced debt load will allow us to do exactly that."

As part of its reorganization, the company intends to rename itself Beechcraft Corporation and implement a business plan that focuses on its turboprop, piston, special mission and trainer/attack aircraft and on its parts, maintenance, repairs and refurbishment businesses, all of which are profitable and have high growth potential.

Bill Boisture, Chairman of Hawker Beechcraft Corp., said, “Thanks to the hard work of our employees and the strong support we have received from our key creditors, union partners, elected officials, suppliers and customers, Beechcraft Corporation will emerge from this process as the world's leading designer and manufacturer of turboprop, piston and trainer/attack aircraft with the largest global customer support network in the industry.”

Ownership Structure and Corporate Governance

Hawker Beechcraft expects the Plan to become effective by the end of February, once all of the conditions for effectiveness have been met. Upon emergence, pre-petition secured bank debt, unsecured bond debt, and certain general unsecured claims will be canceled and holders of such claims will receive equity in the reorganized company in the percentages negotiated by the major creditor groups at the time the company commenced its Chapter 11 proceedings.

Effective upon emergence, the company's new Board of Directors will include: General Donald G. ‘Don’ Cook, Gene Davis, Ralph Heath, David Tolley, Gideon Argov, Robert (Bob) Johnson and Bill Boisture. The company expects to name two additional directors prior to the effective date of the Plan. In addition, Bill Boisture will become Chief Executive Officer of Beechcraft Corporation and Steve Miller will become senior advisor to the board. The company's existing leadership team will remain in place, providing continuity and valuable insight into running the business.

Exit Financing

On Jan. 30, the Court approved the company's motion to retain J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC to act as joint lead arrangers and joint bookrunners to structure, arrange and syndicate \$600 million in exit financing, consisting of a term loan and a revolving line of credit. The affiliated banks of the joint lead arrangers, JPMorgan Chase Bank, N.A. and Credit Suisse AG, have committed to underwrite the financing. The financing will be used to repay all claims under the debtor-in-possession post-petition credit facility, pay certain settlement and cure payments and fund ongoing operations.

Pension Plans

On Jan. 31, the Court approved the company's agreement with the Pension Benefit Guaranty Corporation (PBGC) and the International Association of Machinists to address its pension plans within the context of its restructuring efforts. According to the terms of the agreement, accrued retirement benefits for participants in the company's hourly/union plan will remain the responsibility of Hawker Beechcraft, while the PBGC will assume responsibility for the company's base and salaried plans. Under the terms of this approach, the company estimates that 100 percent of union plan participants and more than 99 percent of non-union plan participants will receive the full amount of normal retirement pension benefits that have already vested. The company has reached a separate agreement to compensate those salaried employees and retirees whose pension benefits would otherwise have been reduced.

Hawker Beechcraft's legal representative is Kirkland & Ellis LLP; its financial advisor is Perella Weinberg Partners LP; and its restructuring advisor is Alvarez & Marsal. The Ad Hoc Committee of Senior Secured Lenders' legal representative is Wachtell Lipton Rosen & Katz. Credit Suisse serves as agent for the lenders under Hawker Beechcraft's secured pre-petition and debtor-in-possession credit facilities. Credit Suisse's legal representative is Sidley Austin LLP and its financial advisor is Houlihan Lokey. The Unsecured Creditors Committee's legal representative is Akin Gump Strauss Hauer & Feld LLP and its financial advisor is FTI Consulting, Inc.

Hawker Beechcraft is a world-leading manufacturer of business, special mission, light attack and trainer aircraft – designing, marketing and supporting aviation products and services for businesses, governments and individuals worldwide. The company's headquarters and facilities are located in Wichita, Kan., with operations in Little Rock, Ark.; Chester, England, U.K.; and Chihuahua, Mexico. The company leads the industry with a global network of more than 90 factory-owned and authorized service centers. For more information, visit www.hawkerbeechcraft.com.

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